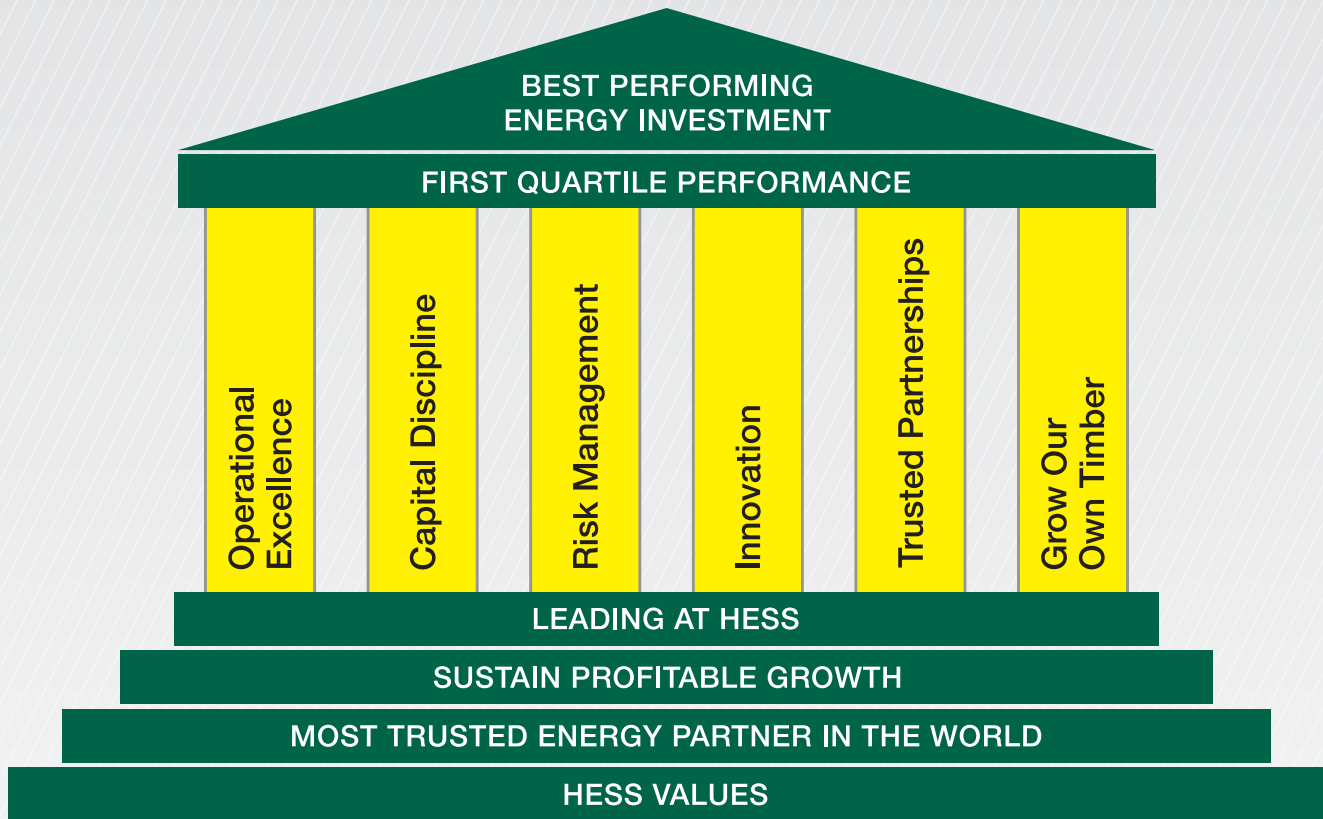




# EXPECTATIONS FOR Asset Management



# HESS 2020

**DRAFT**

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JUNE 2013



EXPECTATIONS FOR ASSET MANAGEMENT

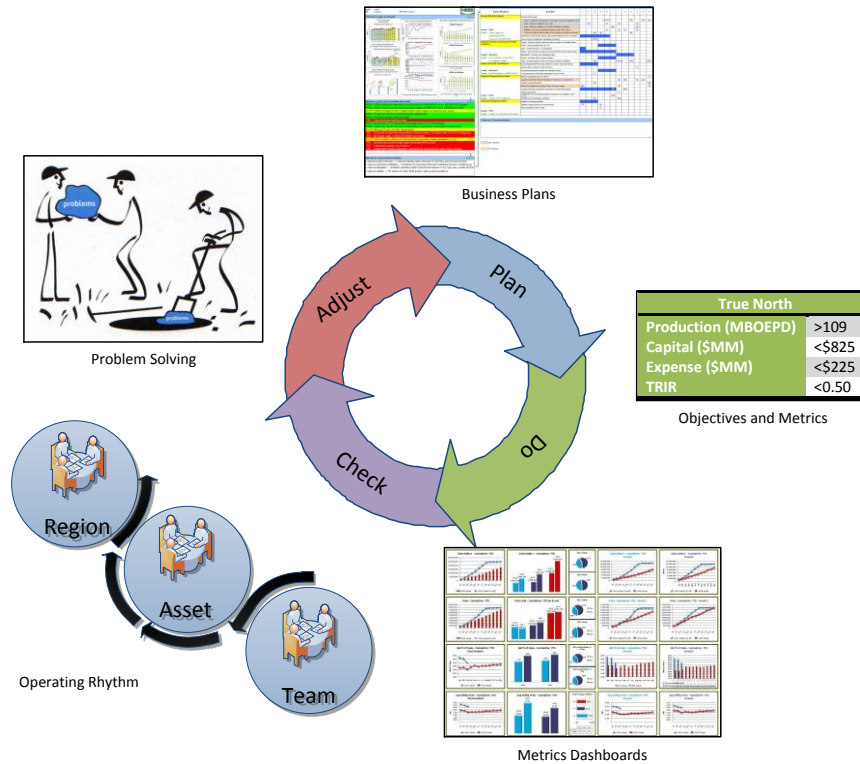
# Operational Excellence



## Section 1.1 - Business Management

**Expectation Statement:** Assets are expected to adhere to sound business management practices by employing proper business planning, executing approved programs of work, regularly assessing performance against expected results and implementing countermeasures to close gaps or take advantage of opportunities.

### Outline:



### PDCA Activities:

**Plan:** Develop Business Plans and Budget and Plan submissions annually.

**Do:** Set objectives and execute work programs

**Check:** Regularly assess performance against expected results

**Adjust:** Implement countermeasures to close gaps or take advantage of opportunities.

### References:

Getting the Right Things Done: A Leader's Guide to Planning and Execution

**E&P Contact:** Larry Coday

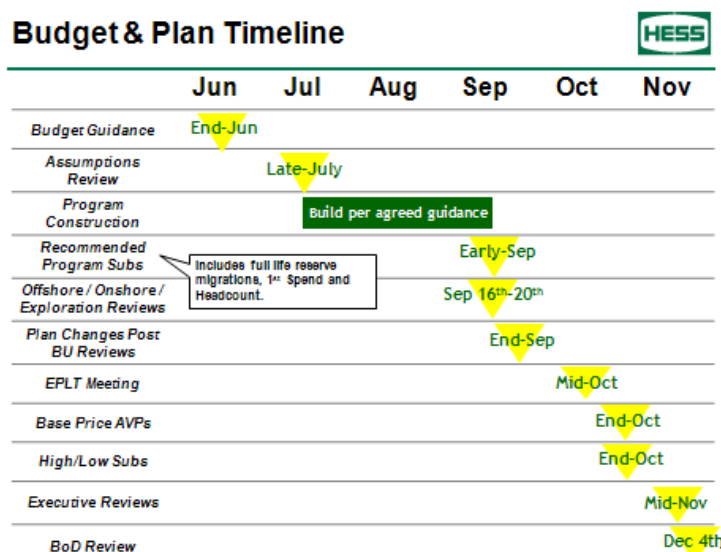
**EPLC Contact:** Jeff Wirth



## Section 1.1.1 - Business Planning - Budget & Plan, AVP's, Must Do's

**Expectation Statement:** Assets are expected to prepare and submit annual submissions for the Budget & Plan and Asset Value Plans (AVP's). Submissions are to include strategic asset overviews, work program descriptions, descriptions of key assumptions, project economics, opportunities and threats, and key activities/milestones (i.e. "Must Do's") to deliver the Budget & Plan.

**Outline:**



### **Must Do's:**

- Key activities/milestones that deliver Business Plan imperatives for **a specific** business unit, function, region, asset or team.

### **Must Have's:**

- Key activities/milestones from **another** business unit, function, region, asset or team which is necessary to deliver Business Plan or Must Do's.

### **Must Do's / Must Have's must be:**

- **Key** business activities / milestones
  - 3 to 5 per business unit, function, region, asset or team
  - SMART (specific, measurable, attainable, relevant, time-bound)

### **PDCA Activities:**

**Plan:** Develop timeline and organize resources to enable Budget & Plan and AVP submissions.

**Do:** Construction of Budget & Plan cases and AVP's.

**Check:** Conduct detailed reviews of Budget & Plan cases and AVP's to ensure accuracy.

**Adjust:** Maintain ability to adjust submissions based on capital availability or product price movements.

### **References:**

E&P Budgeting & Planning Site

**E&P Contact:** Larry Coday

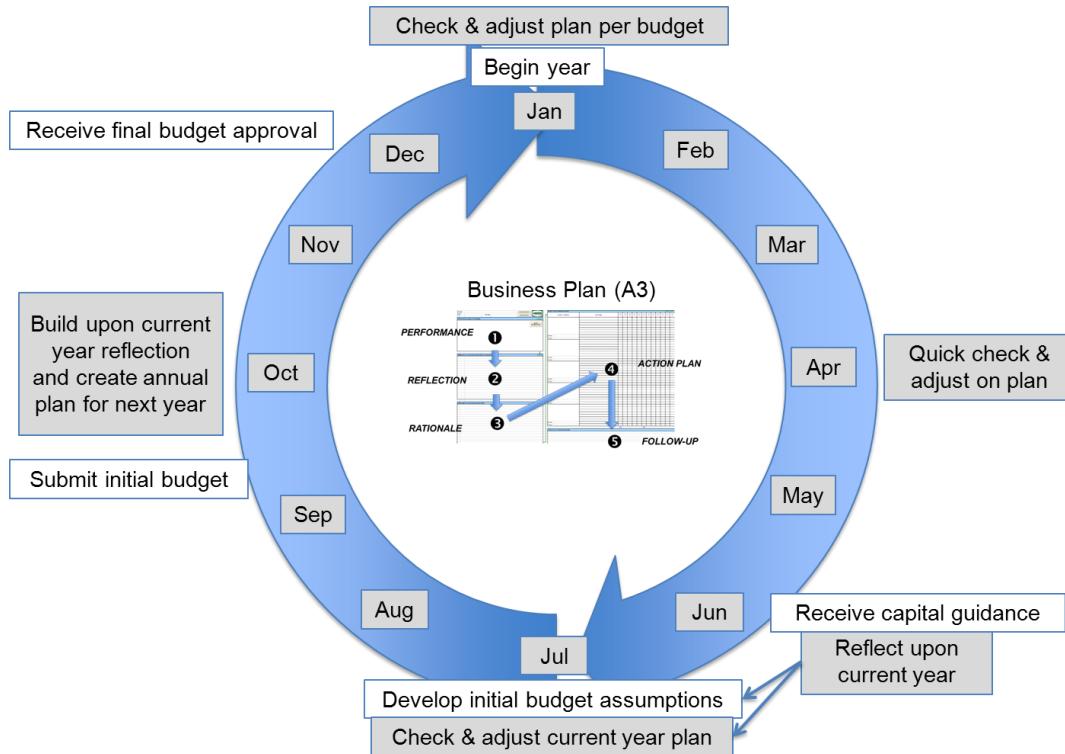
**EPLC Contact:** John Gatling

## Section 1.1.1 - Business Planning - Business Planning A3's

**Expectation Statement:** Assets are expected to employ a simple but disciplined approach to construct meaningful business plans. "Catchball" is used to create alignment between organizational layers and between assets and functions. Consistent with the PDCA approach, assets periodically revisit their plans to "check and adjust" as needed.

**Outline:**

### Business Planning Cycle / Budget Cycle



#### PDCA Activities:

**Plan:** Establish plan that lays out breakthrough actions to deliver business objectives.

**Do:** Follow the action plan.

**Check:** Determine if activities are progressing as planned and are generating expected results.

**Adjust:** Apply appropriate countermeasures to ensure objectives will be met.

#### References:

Production Expectations for the Management of Continuous Improvement (HESS-GPE-CI-EX-700)

Business Planning A3 Instructions

Budget Roadshow Presentations

**E&P Contact:** Kevin Gruver

**EPLC Contact:** John Gatling



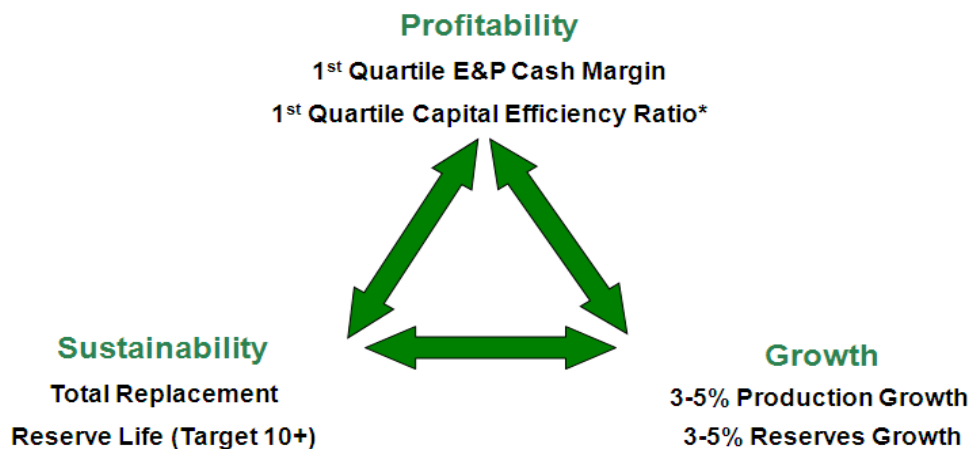
## Section 1.1.2 - Performance Measurement

**Expectation Statement:** Assets are expected to track and report performance against Corporate and Operational Excellence Metrics, review actual Profit and Loss performance versus forecast and budget, and use their performance results to drive continuous improvement

### Outline:

Metrics are used to measure an asset's performance against a set of objectives defined by corporate strategy. Operational Excellence Metrics are a critical tool to reveal reality – understand what is working well and where gaps in performance exist.

## Goal: Sustainable, Profitable Growth



### PDCA Activities:

**Plan:** Establish annual metrics and targets. Review metric definitions.

**Do:** Visibly act on performance data and feedback. Demonstrate open and honest use of metrics to improve performance. Coach teams to learn from good performance and understand root causes for the team's performance. Provide support to knock down barriers to improving performance. Recognize improvements frequently.

**Check:** Lead / actively participate in regular monthly performance reviews to identify opportunities to improve performance.

**Adjust:** Provide a structured forum to discuss improvement opportunities across all disciplines by raising identified gaps and anomalies; then assigning responsibility for corrective actions ensuring timely resolution and closure.

### References:

Corporate Strategy Presentation  
Production Excellence Metrics Definitions

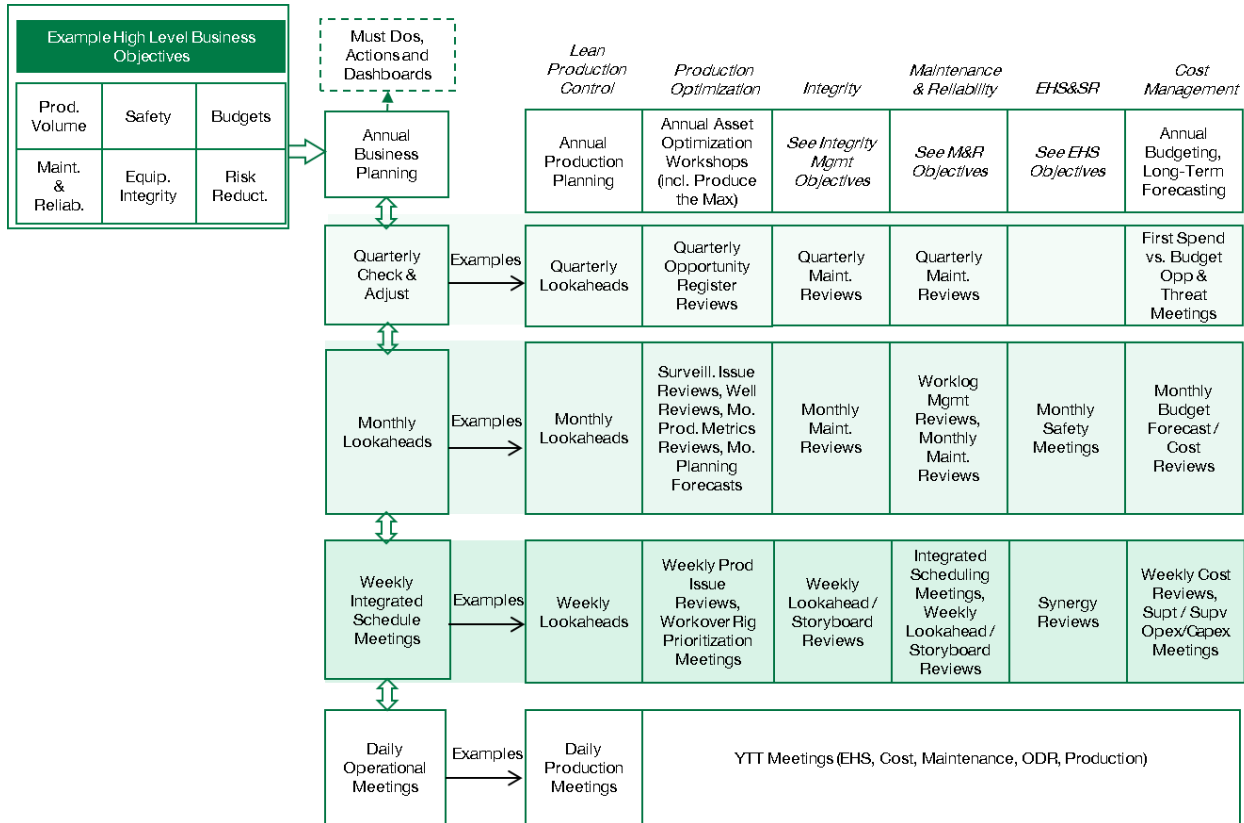
**E&P Contact:** John Gatling, Alan Gibbons, Joe Ritchie, Larry Coday, Rose Harris

**EPLC Contact:** Kevin Wilcox

### Section 1.1.3 - Operating Rhythm

**Expectation Statement:** Assets are expected to establish a series of focused, fit-for-purpose interlocking meetings to drive business objectives within the PDCA framework. These meetings must also interlock with the overall E&P operating rhythm as described in section 2.2 - Business Reviews and Reporting.

**Outline:**



**PDCA Activities:**

**Plan:** Establish Operating Rhythm, including clear terms of reference (meeting objectives, expected deliverables, attendees, ground rules, etc.).

**Do:** Set meeting cadence, facilitate with discipline and follow up on related actions to ensure effectiveness and to maximize the return on invested time.

**Check:** Review effectiveness of each meeting and overall Operating Rhythm.

**Adjust:** Improve individual meetings and Operating Rhythm per reflection and feedback.

**References:**

Production Expectations for the Management of Continuous Improvement (HESS-GPE-CI-EX-700)

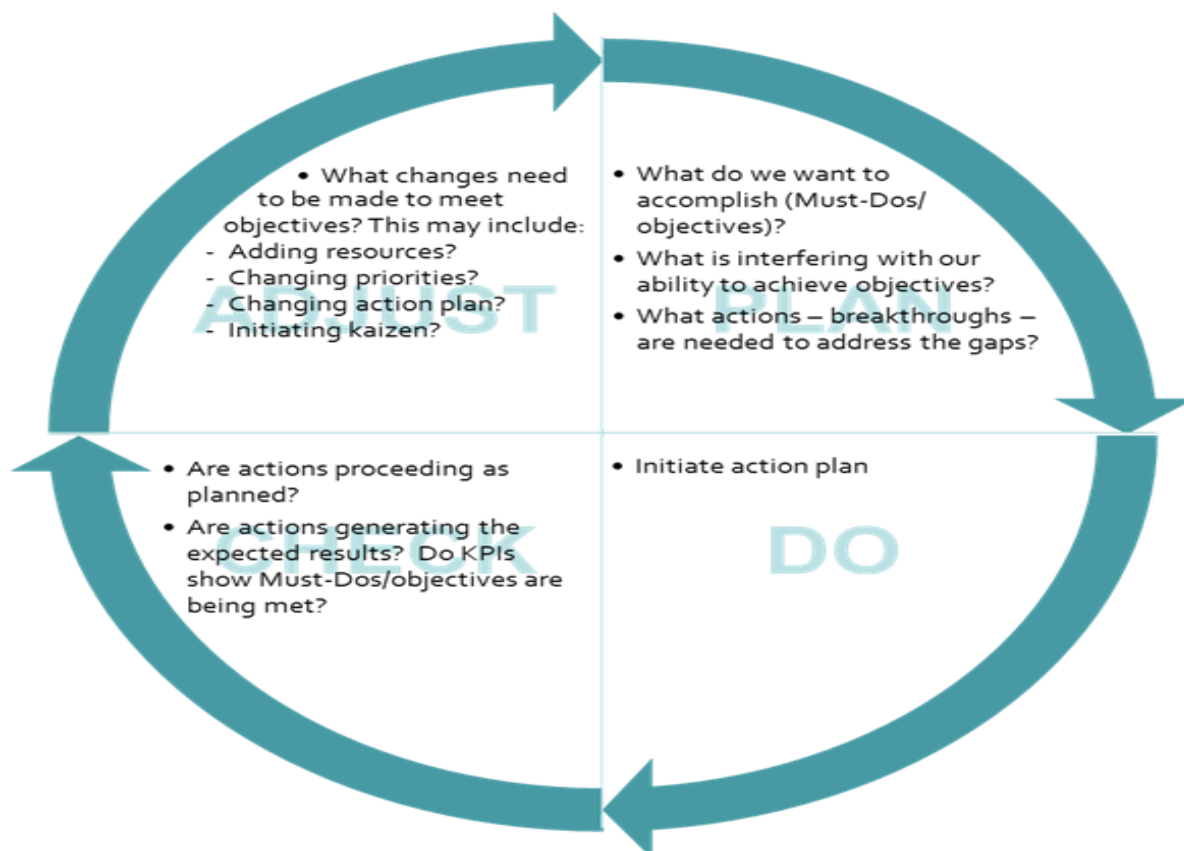
**E&P Contact:** Kevin Gruver

**EPLC Contact:** John Gatling

## Section 1.1.4 - Business Reviews & Reporting - Business Reviews

**Expectation Statement:** Assets are expected to conduct Business Reviews on a monthly basis. The objectives of this review are to assess performance-to-date against key metrics and full-year forecasts, identify key uncertainties, identify risks and improvement opportunities, identify available options and decisions to be made, and address strategic topics as needed.

**Outline:** Business Reviews are a holistic review of operational as well as financial metrics. Discussions are variance-based with a focus on gaps/opportunities and how forward plans are impacted. Timing of reviews are such that asset reviews naturally flow into reviews at the Regional/Business Unit/EPLT levels.



### PDCA Activities:

**Plan:** Set up monthly Business Review meetings with a defined Terms of Reference (TOR) and agenda.

**Do:** Conduct monthly reviews with broad representation from the asset as well as functions.

**Check:** Monitor changing business environment to ensure agenda is meeting business needs. Capture actions during meetings and follow up.

**Adjust:** Implement decisions and actions required to address gaps/opportunities.

### References:

Alignment of content to Business Reviews for Regions/Business Unit/EPLT levels

**E&P Contact:** Larry Coday

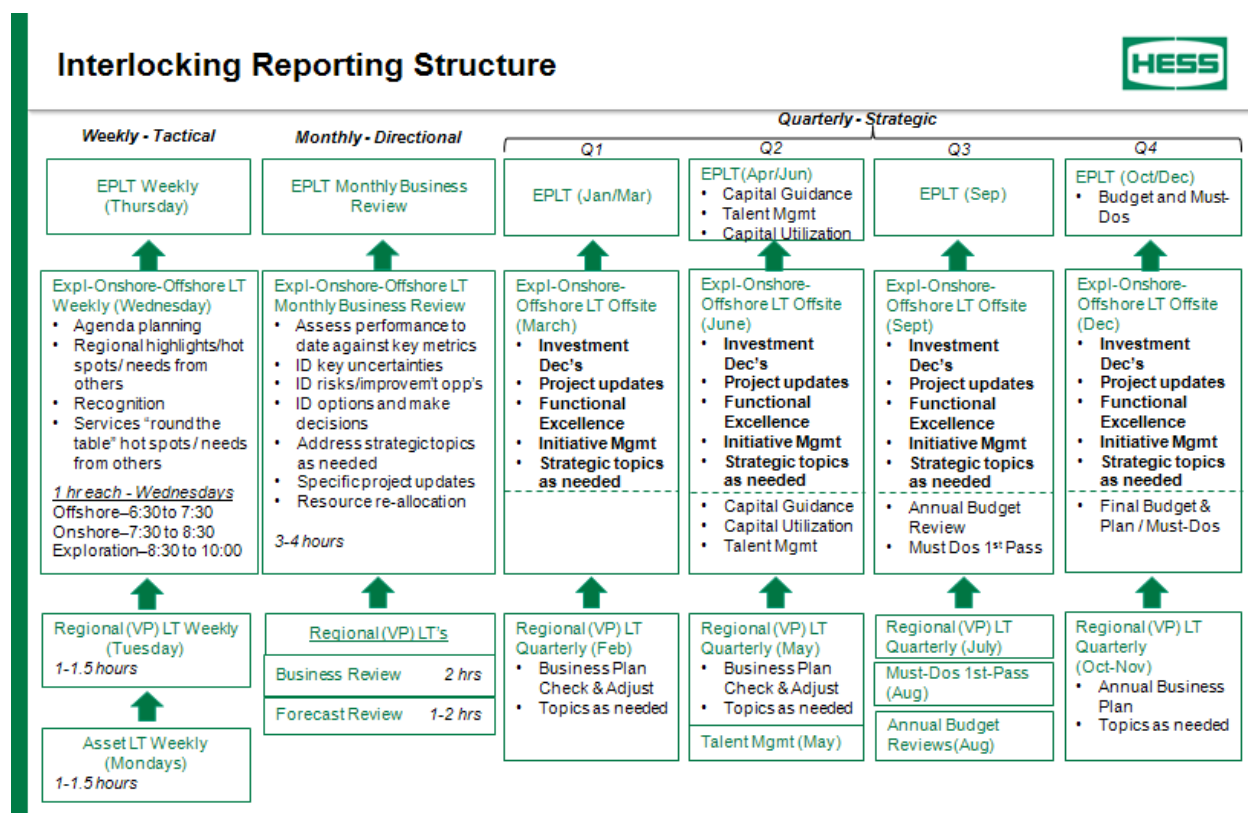
**EPLC Contact:** Kevin Wilcox

## Section 1.1.4 - Business Reviews & Reporting - Reporting

**Expectation Statement:** Assets are expected to provide weekly, monthly and quarterly reporting to highlight significant milestones, activities, highlights/hotspots and business needs. Asset-level reporting should be feedstock into the operating rhythm of each subsequent level of the organization.

### Outline:

Weekly – Tactical → Monthly – Directional → Quarterly – Strategic



### PDCA Activities:

**Plan:** Determine reporting needs of each subsequent level of the organization and create reporting structure that aligns in terms of timing.

**Do:** Provide reporting that is primary input to interlocking meeting structure of the organization.

**Check:** Periodically check reporting content and flow to ensure business needs are met.

**Adjust:** Add or remove reports as they are needed or become obsolete.

### References:

Business Planning A3 instructions

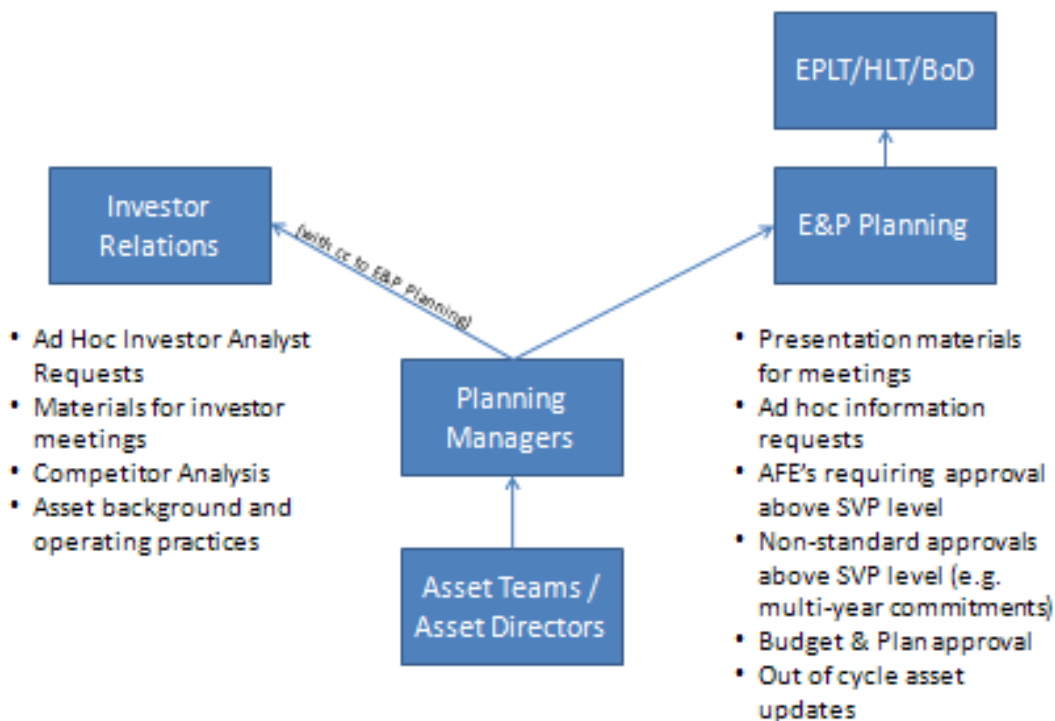
**E&P Contact:** Larry Coday

**EPLC Contact:** Kevin Wilcox

## Section 1.1.4 - Business Reviews & Reporting - Investor Analysts / Board of Directors

**Expectation Statement:** Assets are expected to provide support as required to Investor Relations and the Board of Directors. The Planning groups are the primary conduit for information flowing through to Investor Relations and to the Board of Directors. Requests for information to be released publicly and approvals at the Board of Directors level should first be vetted through senior management at all levels of the business unit (i.e. Asset Director, VP and SVP).

### Outline:



### PDCA Activities:

**Plan:** Identify resources to provide information and presentation materials.

**Do:** Provide support as required with approval from business unit leadership.

**Check:** Periodically check to ensure needs are met.

**Adjust:** Modify reporting or organizational capability as required to meet information needs.

### References:

Planning Managers to provide guidance on content

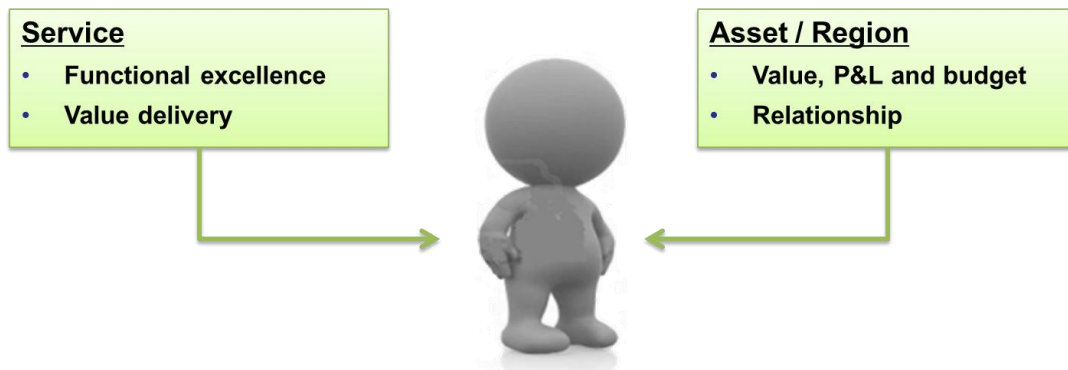
**E&P Contact:** Larry Coday

**EPLC Contact:** Kevin Wilcox

## Section 1.2 - Functional Excellence Overview

**Expectation Statement:** Assets are expected to strive for operational excellence; to do so organizations need to commit to a ground-up, ongoing approach to conducting business. Equally as critical, organizations need the right leaders to head-up and support such efforts. Functional excellence helps put the right People with the right expertise in the right place at the right time to ensure work is performed effectively and efficiently in all parts of the organization. As Hess E&P moves from a functional to asset based organization integration and continued focus on functional excellence is imperative and the responsibility of asset and functional leadership alike. Work-plan commitment between Assets and Functional Excellence occurs during the annual business planning process.

### Outline:



### Extraordinary results through Functional Excellence



### PDCA Activities:

**Plan:** Assets and Functions work together to develop integrated work-plans.

**Do:** Function Excellence organizations are responsible to design, create, define and roll-out (change management) excellence programs while Assets are responsible for operationalizing.

**Check:** Monitor progress and deliverables against agreed upon work-plans

**Adjust:** Make corrections, changes, additions, to plans as appropriate to meet ongoing business needs and priorities.

### References:

Exploration, Developments, Production, GCS and Support / Services SharePoint Sites

**E&P Contact:** Gary Boubel

**EPLC Contact:** Gary Boubel, John Gatling, Zhanna Golodryga, Mike Zambonini, Mark Zitterich

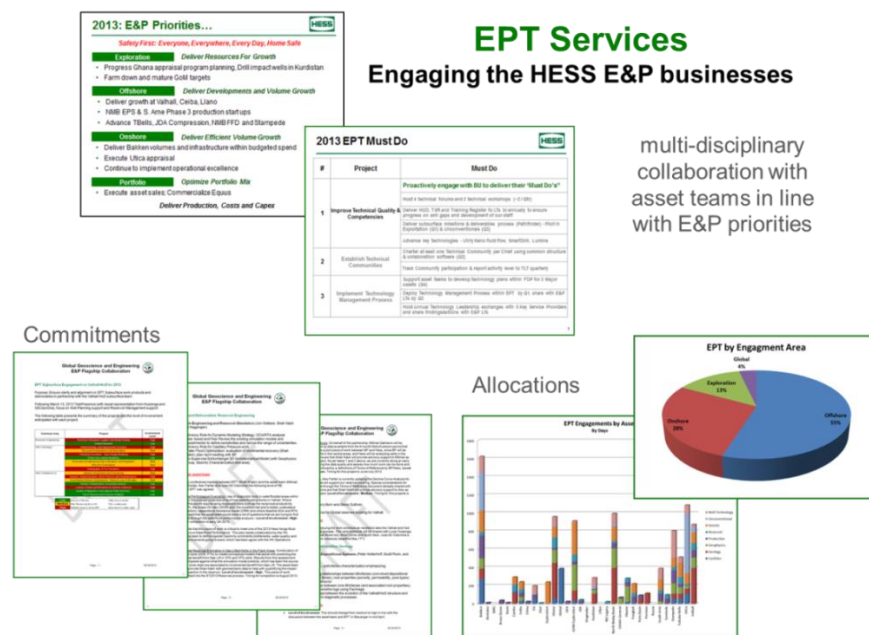
## Section 1.2 - Functional Excellence - Service Agreements

**Expectation Statement:** Assets are expected to assist Hess E&P with the capability to become a recognized industry leader through the application of technology and the identification of innovative solutions. Encourage the use of EPT expertise by distributing costs via a simple allocation process based on prior year commitments and recouping costs from partners/govt's through time writing only where cost recovery is attainable.

### Outline:

EPT plays multiple roles in the E&P business.

1. **Technical Partner**
2. **Service Provider**
3. Technical Conscience
4. Auditor
5. Innovator
6. Discipline Champion



### PDCA Activities:

**Plan:** Annual goal setting as per E&P priorities followed by asset team engagements.

**Do:** Execute work programs as per commitments and agreements.

**Check:** Regularly monitor status of progress toward goals, seek feedback from BU partners.

**Adjust:** MOC as required/appropriate.

### References:

Valhall engagement document

North Malay Basin time-sheet cost recovery process

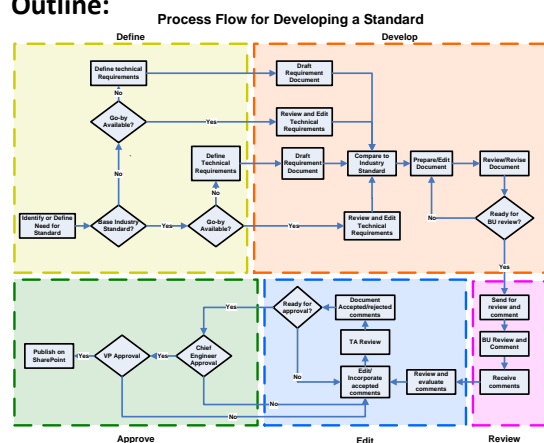
**E&P Contact:** EPT Chiefs and Directors

**EPLC Contact:** Randy Johnson

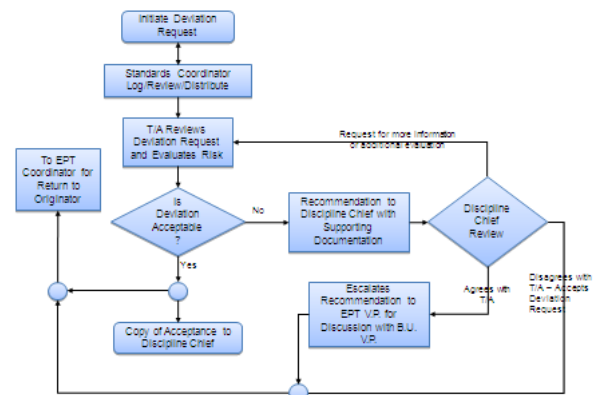
## Section 1.2 - Functional Excellence – Standards Documents

**Expectation Statement:** Assets are expected to participate in the Standards development process and utilize the Deviation Process when changes or exceptions are desired. Corporate Engineering Standards set minimum technical requirements that support the overall asset integrity and process safety for all Hess E&P Facilities. Standards shall be used for all new capital projects and are recommended for brown field expansions to existing facilities.

### Outline:



### Deviation Process



### PDCA Activities:

**Plan:** The list of ICE standards is distributed for review and prioritization by operating groups. Priorities shall be adjusted according to business unit needs.

**Do:** Standards and Philosophies shall be developed by priority and availability of discipline Technical Authorities. New Standards shall be based on Hess legacy documents, industry standards or available technical expertise.

**Check:** Standards and Philosophies shall be edited and then sent out for review by technical disciplines in the Corporation. Comments and suggestions shall be evaluated and incorporated as appropriate before being routed for approval and publication.

**Adjust:** Where appropriate published Standards shall be reviewed and edited periodically based upon changes in industry standards, regulations, deviation requests from and needs identified by the business units.

### References:

Approved Standards Charter - December 2, 2011

Hess E&P Guidance for Technical Authorities in Production Operations HESS-GPE-INT-GU-804

**E&P Contact:** David Castle

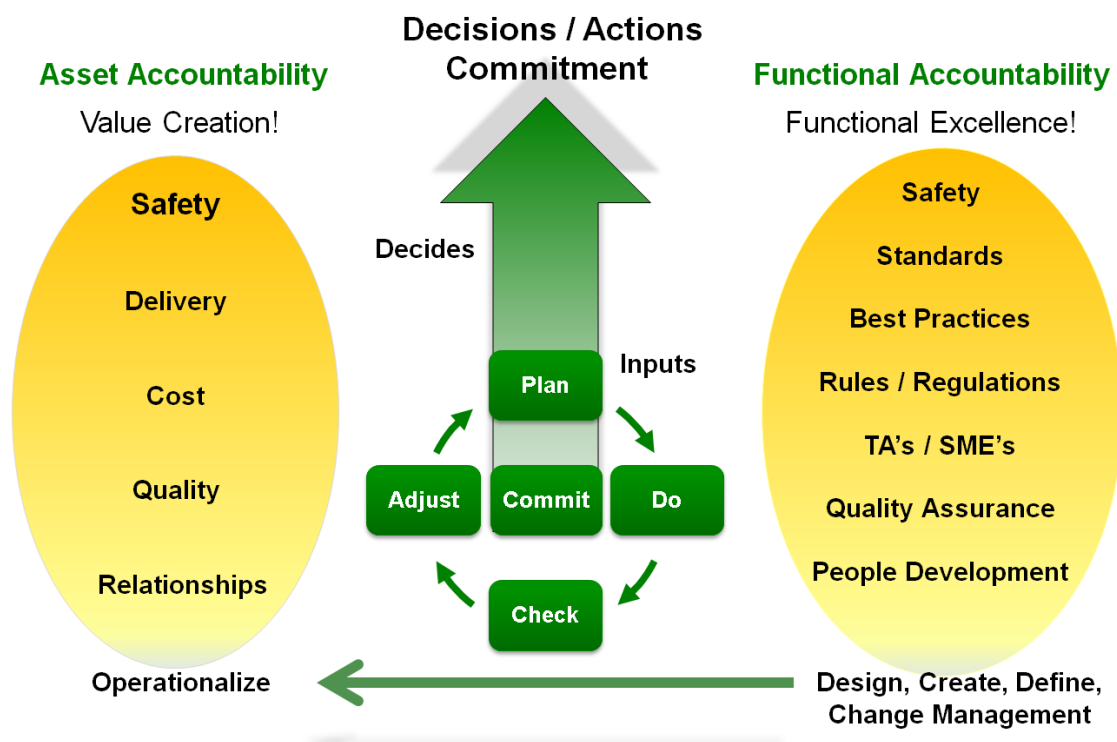
**EPIC Contact:** Mark Zitterich



## Section 1.2 - Functional Excellence - Implementation

**Expectation Statement:** Assets are expected to operationalize standards, expectations, best practices, rules / regulations, etc. which are designed, created and defined, with substantial input from the business, by the Functional Excellence organizations. The Functional Excellence organizations are also responsible for working with the Assets to develop and assist with change management and implementation planning and execution. Adoption and sustainability of the programs are jointly owned by the Asset and Functional Excellence organizations.

### Outline:



### PDCA Activities:

**Plan:** Assets and Functions work together to develop integrated work-plans (including change management and implementation plans).

**Do:** Function Excellence organizations are responsible to design, create, define and roll-out excellence programs while Assets are responsible for operationalizing.

**Check:** Monitor progress and deliverables against agreed upon work-plans

**Adjust:** Make corrections, changes, additions, to plans as appropriate to meet ongoing business needs and priorities.

### References:

Exploration, Developments, Production, GCS and Support / Services SharePoint Sites

**E&P Contact:** Gary Boubel

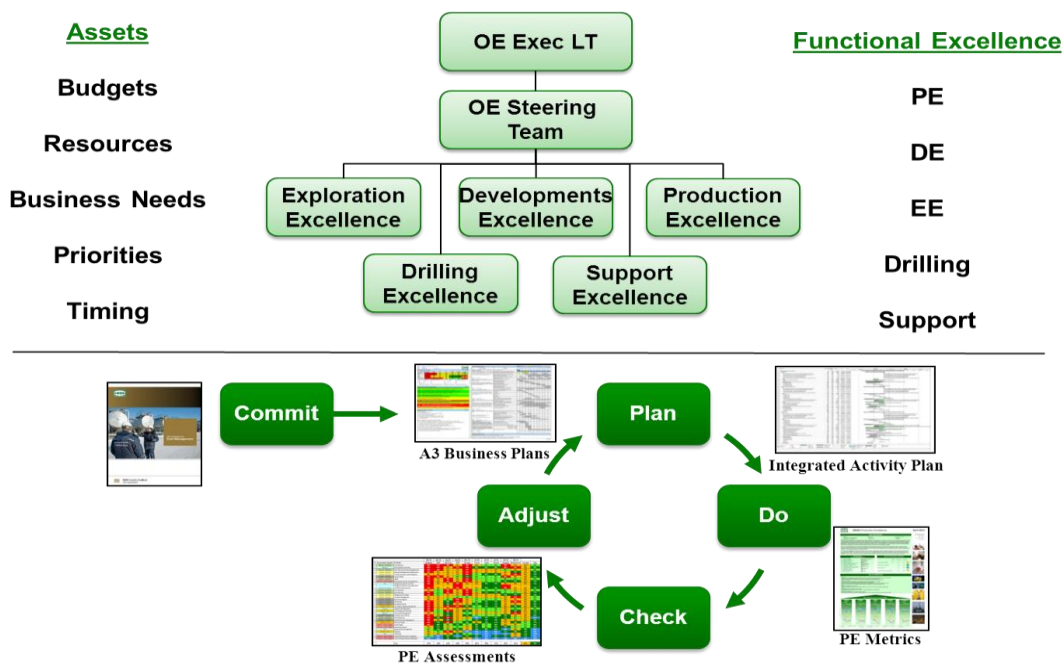
**EPLC Contact:** Gary Boubel, John Gatling, Zhanna Golodryga, Mike Zambonini, Mark Zitterich

## Section 1.2 - Functional Excellence - Governance

**Expectation Statement:** Assets are expected to operationalize work-plans agreed upon and approved by the cross-functional Operational Excellence Steering Team (OEST).

### Outline:

The OEST acts as the governing body for Functional Excellence initiatives. The main purpose of the OEST is to prioritize and provide sufficient funding and resources for the initiatives being worked on by all functional groups. The OEST includes representatives from Asset and Functional groups and reports to the OE Executive Leadership Team made up of the SVP's for Offshore, Onshore, Services, and Developments. Functional Excellence groups will periodically present projects, work programs, initiatives, etc. to the OEST for review and approval. The OEST will in turn present a consolidated work plan and budget the OE Executive Leadership Team for approval. The review and approval process will be synchronized with the annual budget and plan cycle.



### PDCA Activities:

**Plan:** Identify functional activities to support technology development and business plans.

**Do:** Present plans to OE Council for review and approval.

**Check:** Monitor progress and deliverables against approved work plans and budgets.

**Adjust:** Make corrections, changes, additions, to plans as appropriate to meet ongoing business needs and priorities.

### References:

Exploration, Developments, Production, GCS and Support / Services SharePoint Sites

**E&P Contact:** Gary Boubel

**EPLC Contact:** Gary Boubel, John Gatling, Zhanna Golodryga, Mike Zambonini, Mark Zitterich

## Section 1.2.1 - EHS - E&P Environmental, Health and Safety (EH&S)

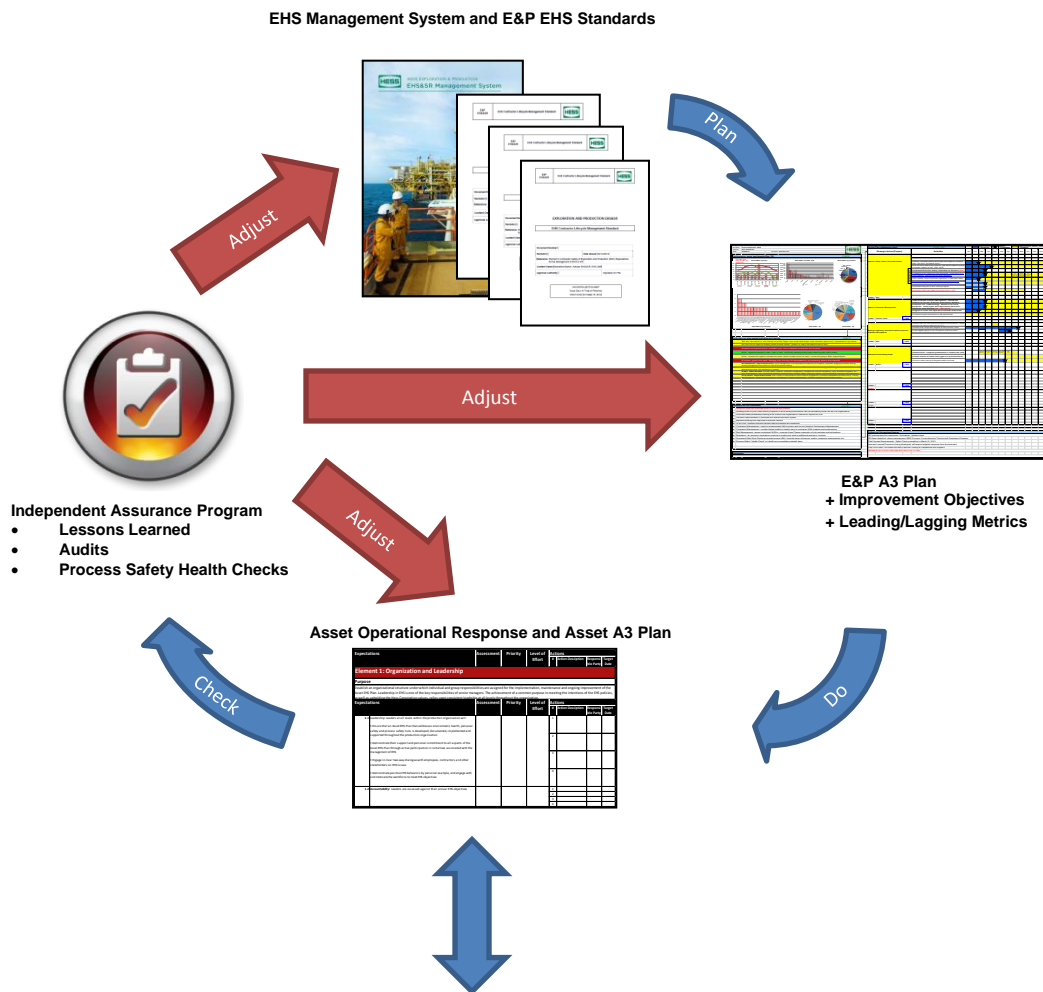
**Expectation Statement:** Assets are expected to adopt all expectations put forth by the EPLT in each of the 14 elements found in the EHS Management System.

### Outline:

The Exploration and Production Leadership Team (EPLT) has established a strategy for managing our Environment, Health and Safety risks which is driven by our EHS Management System. This strategy requires a common systematic approach across all of our operations and activities. Fundamentally, the EHS Management System framework provides a risk-based methodology for the management of EHS throughout our global operations and activities. This involves:

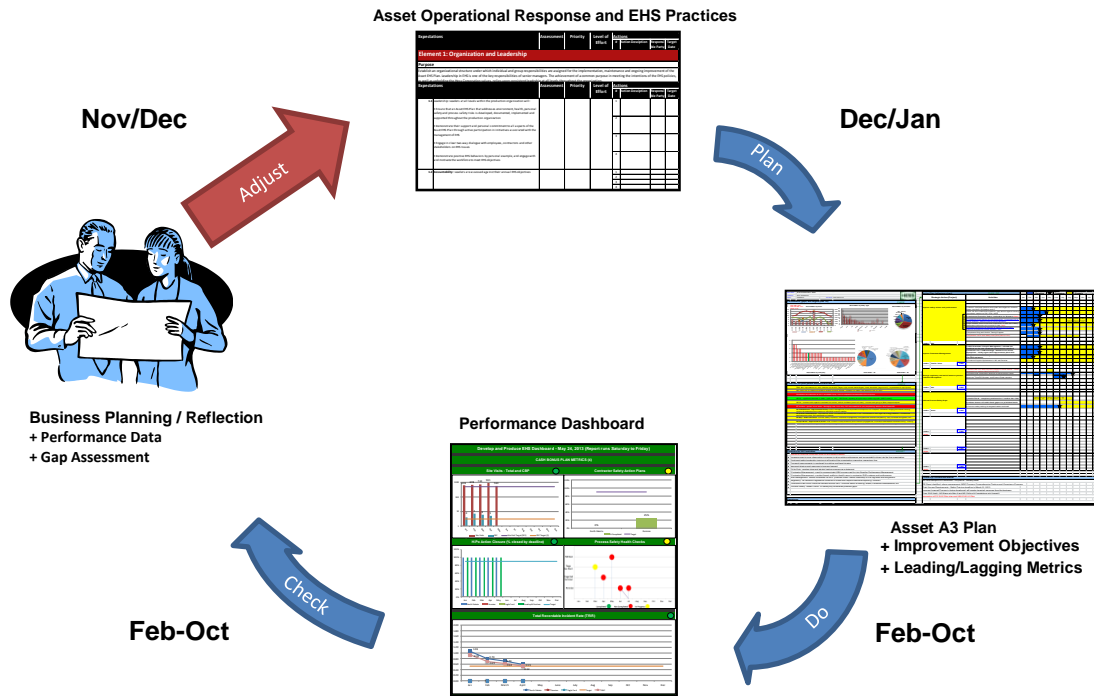
- Identification of EHS hazards and aspects (both business and operational)
- Assessing and ranking the risks associated with our operations and activities
- Selection, implementation and maintenance of a structured system of controls
- Monitoring the effectiveness of the process and identifying areas for improvement

### E&P Level:



**See the following pages for  
Asset level expectations**

**Asset Level EHS:**



**PDCA Activities:**

**Plan:** Asset develops an EHS Operational Response to the EHS Management System and EHS Standards. The Operational Response will address how the Asset is meeting the 14 Elements and identify gaps.

**Do:** EHS develops an A3 Plan that addresses E&P wide Improvement Objectives and performance data. This plan will feed Asset A3 Plans however Asset plans will also consider asset specific management system and performance gaps.

**Check:** Performance data based on leading and lagging indicators are used to check performance against stated objectives and performance targets.

**Adjust:** At the E&P Level, independent assurance programs are used to drive adjustments to the Management System, EHS Plan or Operational Plans. During the Business Planning Cycle, Assets review their EHS Performance and Operational Response to identify potential Improvement Objectives for the following year.

**References:**

EHS SharePoint Site

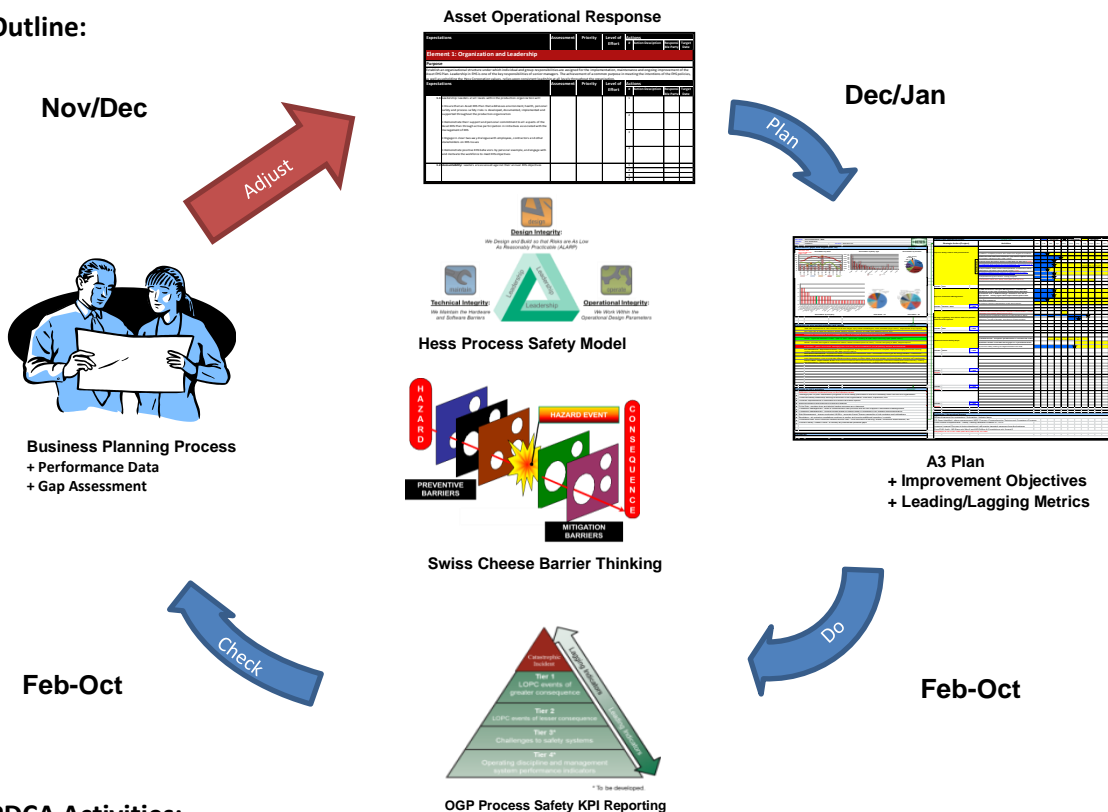
**E&P Contact:** Alex Sagebien / Niall Sinclair

**EPLC Contact:** Jim Robinson

## Section 1.2.1 - EHS - Process Safety

**Expectation Statement:** Assets are expected to be designed, operated and maintained using a disciplined Process Safety framework to minimize risk of catastrophic process safety events. Assets understand that Process Safety and Occupational Safety are different sides of the same coin where poor management of either can end in tragedy. Occupational Safety vs. Process Safety is not an either/or decision, both are important.

### Outline:



### PDCA Activities:

**Plan:** Assets develop an Operational Response to the EHS Management System and Process Safety Standards. The Operational Response will need to address the different stages of the business lifecycle (i.e. acquisition, exploration, development, production, divestment and abandonment).

**Do:** Develop an A3 Plan that includes Process Safety Improvement Objectives and the HIPS Metrics.

**Check:** Use the OGP Process Safety KPIs to analyze process safety performance.

**Adjust:** During the Business Planning Cycle, assets review their Operational Response annually to ensure it is still current and up to date and that no new gaps have occurred. Assets then review their process safety performance to identify potential Process Safety Improvement Objectives for the following year.

### References:

EHS SharePoint Site; Hess E&P Expectations for the Management of Integrity (HESS-GPE-INT-EX-700)  
Hess EHS Management System

**E&P Contact:** Patricia Wilson (EHS), Roger Wibrew (Production Excellence)

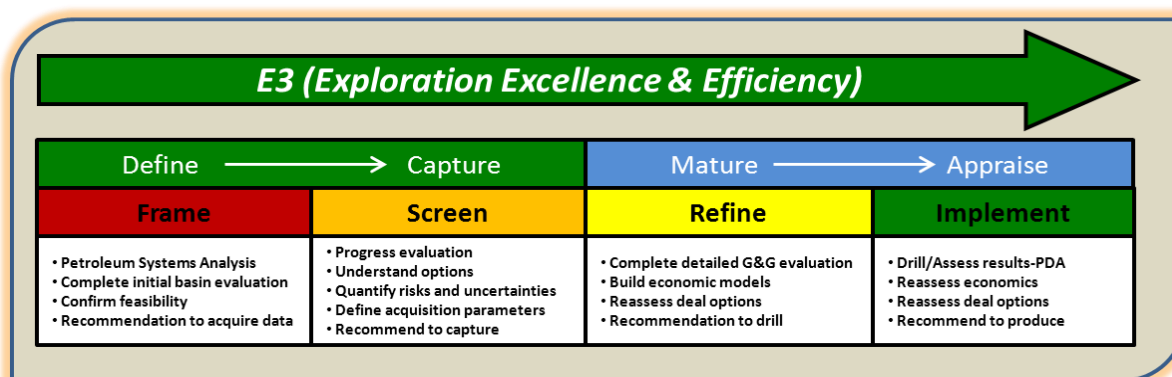
**EPLC Contact:** Jim Robinson

## Section 1.2.2 - Exploration - Conventional/Unconventional

**Expectation Statement:** Assets are expected to build a portfolio that will deliver maximum value by a continuous process of screening, evaluating, and refining opportunities.

### Outline:

Teams follow aligned processes that ensure consistency of approach so that projects can be evaluated and managed on a normalized basis across the Define- Capture-Mature-Appraise spectrum. Probability distributions are developed to define uncertainty for lead/prospect analysis and the resultant outcomes are modeled using Monte Carlo analytical tools to define success and risk potential. All models are aligned to defined Play fairways. Expected Value decision analysis is employed to select projects at the optimum participating interest that achieves maximum value at the lowest risk. Cross discipline input to evaluations helps ensure alignment of the Resource to Reserves transition after the Appraisal has been completed.



### PDCA Activities:

**Plan:** Build fit for purpose project plans for Capture and Mature teams for both conventional and unconventional plays. Align resource analysis models to ensure consistent outcomes. Build development models for each phase of the Define-Capture-Mature-Appraise spectrum. Establish portfolio baseline and agreed evaluation parameters.

**Do:** Meet with Capture & Mature teams and build project plans and resource evaluations. Perform portfolio analysis and report out status to ELT.

**Check:** Monitor resource model input/outputs on new opportunities. Maintain opportunity register and ensure accuracy of data in Portfolio database.

**Adjust:** Utilize the Integrated Economic Evaluation Workflow to perform economic analyses on all current and new opportunities as required and run portfolio evaluation to define impact of new opportunities and identify opportunity need to maintain portfolio baseline.

**References:**

Exploration Excellence documentation

Res. Documentation

HERcules documentation

UCA Documentation

**E&P Contact:** Geoffrey B Slater

**EPLC Contact:** Stuart Lake, Tim Cordingley, Rob Fast

## Section 1.2.3 - Development - Overview

**Expectation Statement:** Assets are expected to achieve outstanding results and deliver 1<sup>st</sup> quartile performance through leadership in Project Management. Development Excellence will underpin this by working across all Value Chains and Functions through rigorous execution, enhanced systems and tools, simplified process, global collaboration and building capacity.

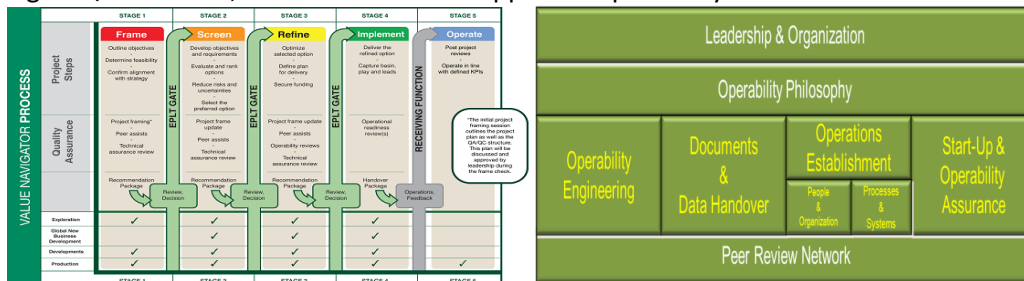
### Outline:

Front End Planning / Integrated Economic Evaluation Workflow & Concept Frame & Select



- Process that provides integrated economic evaluation for Exploration Capture & Mature
- Cross-functional (pre-dev., drilling, land etc.) coordination & collaboration to ensure robust and realistic economic inputs & assumptions
- Application of concept select guidance and recommendation process at the end of Screen stage

## Value Navigator / Execution, Cross Value Chain Support & Operability



- Standard processes are developed from the various value chains with key deliverables and inputs at various points of each stage; final delivery and corroborative hand-over to Operations Program.

### PDCA Activities:

**Plan:** A standard work plan/program is developed at the beginning of each year &/or stage

**Do:** The work plan is executed



**Check:** Progress is monitored and visualized; Peer Reviews, workshops, monthly meetings and metrics are used to monitor the progress and capture opportunities.

**Adjust:** Countermeasures are applied as needed to ensure the program plan and objectives are met, while opportunities and learnings are shared amongst the various value chains.

**References:**

Integrated Economics Evaluation Workflow

Value Navigator Quality Assurance Process and SharePoint Site

Development Excellence Program and SharePoint Site

Concept Select Framing Workshop Guidelines & Conceptual Engineering Guidelines – Screen Stage

Operability Expectations Document for Projects

**E&P Contact:** Robert Weagel

Alex Jok (FE Economic Evaluations)

Mark Wells (FE Concept Framing & Selection)

Andrew Parkinson (Operability)

**EPLC Contact:** David Randolph

### Section 1.2.3 - Development - Operability (dual with Production Excellence)

**Expectation Statement:** Assets are expected to deliver EHS, technical, production and commercial objectives for whole life of the asset for all projects regardless of scale and complexity.

**Outline:**

In order to achieve this level of performance, operations and maintenance considerations need to be integrated into early decision making regarding entry into a new country/basin/block, formulation of development plans, selection of development concepts and major design components; as well as, the technical design and project execution plans. This is best achieved via robust design standards and involvement/integration of experienced operations and maintenance personnel into the evaluation and development teams early in the project. Transferring project personnel into the operating phase further improves knowledge transfer and aids teamwork. Collectively, all of the various elements can be managed as an Operability Program. Most E&P companies and industry benchmarking forums recognize that projects with formally defined Operability Programs have significantly better and sustainable business performance.



**PDCA Activities:**

- Plan:** Operability Program for Projects
- Do:** Workshops, Operations Readiness Assessments & PSSER
- Check:** Peer Review Network
- Adjust:** Quarterly VP reviews

**References:**

Developments and Production Expectations for the Management of Operability and Maintainability in Projects HESS-DPE-OPR-EX-700

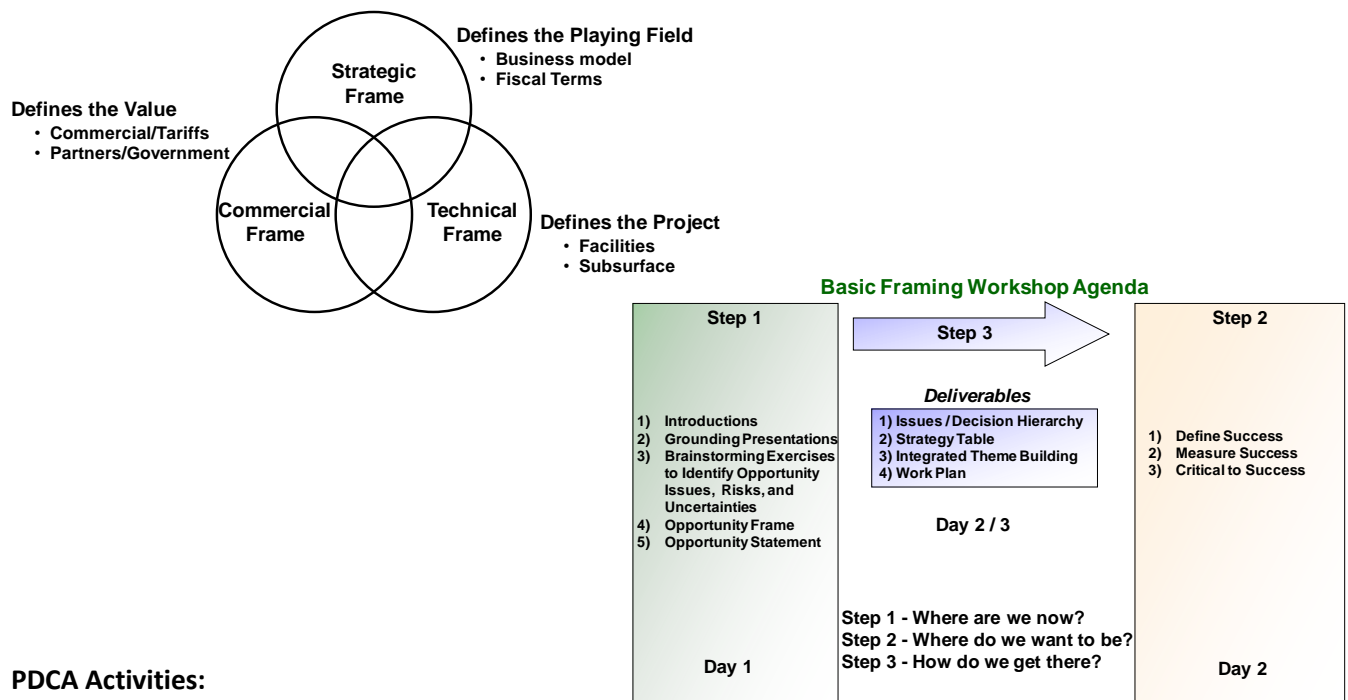
**E&P Contact:** Andrew Parkinson  
**EPLC Contact:** John Gatling/David Randolph

## Section 1.2.3 - Development - Conceptual Engineering

**Expectation Statement:** Assets are expected to apply a globally consistent process for Concept Selection to help ensure high quality decisions are made to maximize the value of field development plans. This process includes consideration of a wide range of feasible options, robust evaluation of options using appropriate selection criteria and integrated strategic, commercial and technical perspectives. Early participation of integrated multi-discipline teams and a strong linkage to the Value Navigator process in Frame and Screen stages are needed to meet this expectation.

### Outline:

Highest value solutions integrate Commercial and Strategic frames as well as Technical. Typically the final development plan is a balance between the Strategic, Business and Project drivers.



### PDCA Activities:

**Plan:** Framing workshop is used to assess

opportunity and develop work plan needed to make next decisions.

**Do:** Work plan is executed using fully integrated, multi-discipline team.

**Check:** End of stage reviews are conducted to assess results and adherence to work plan. Intermediate peer reviews & workshops are recommended.

**Adjust:** Results are reviewed and incorporated into next stage of proposed development planning process.

### References:

Value Navigator Assurance Process – Frame & Screen Stage Deliverables

Framing Workshop Guidelines

Conceptual Engineering Guidelines

Conceptual Estimating, Metrics and Guidelines Benchmarking Share Point Site

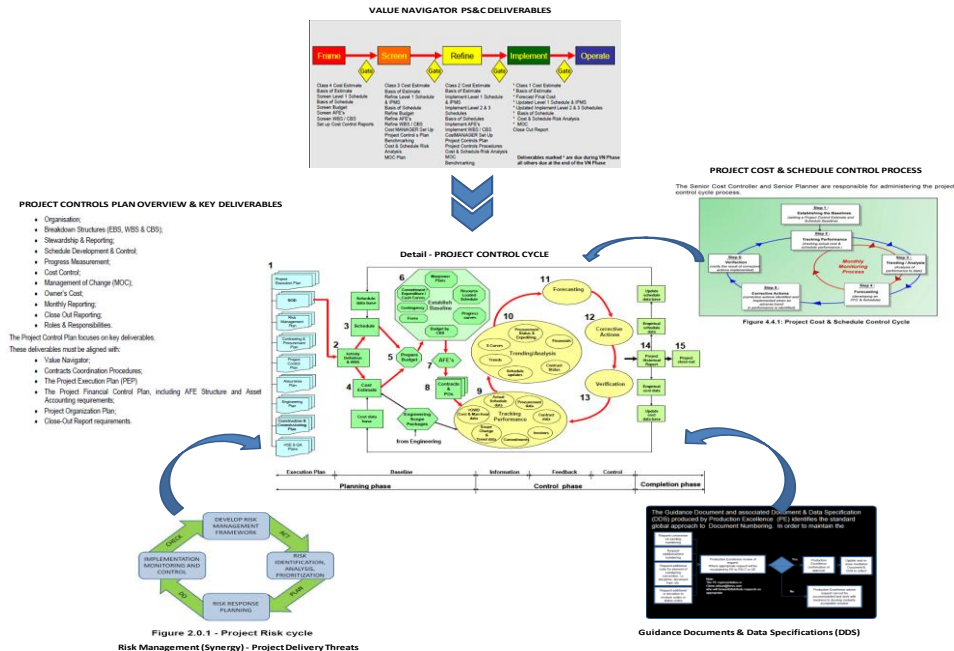
**E&P Contact:** Mark Wells

**EPLC Contact:** David Randolph

## Section 1.2.3 - Development - Project Services & Controls

**Expectation Statement:** Assets are expected to achieve outstanding results and deliver 1<sup>st</sup> quartile performance through leadership in Cost Management. Project Services & Controls underpins this pillar to develop globally shared methodologies and tools for estimating, planning, cost controlling, evaluating risk and reporting of both cost & schedule. These key project deliverables also supports the Value Navigator process (VN) with focus on operated projects while interfacing with IM/Document Control initiatives.

### Outline:



### PDCA Activities:

**Plan:** A work plan & roadmap is developed and baselined at the beginning of each VN stage for work scope.

**Do:** The work plan/deliverables are developed and agreed to by stakeholders and executed.

**Check:** Progress is monitored and visualized; stage gate reviews are used to gage high level progress, while peer reviews, workshops, monthly meetings and reporting metrics are used to monitor progress and provide forecast analysis.

**Adjust:** Countermeasures are applied as needed to ensure the program plan and deliverables are met, while opportunities and learnings are shared.

### References:

Value Navigator Quality Assurance Process and Share Point Site  
E&P Developments Business Rules & Recommended Practices  
Cost Management, Management of Change, Cost Estimating, Planning & Scheduling, Risk Management, Contractor Documentation Requirements Specification  
Conceptual Estimating, Metrics and Guidelines Benchmarking Share Point Site

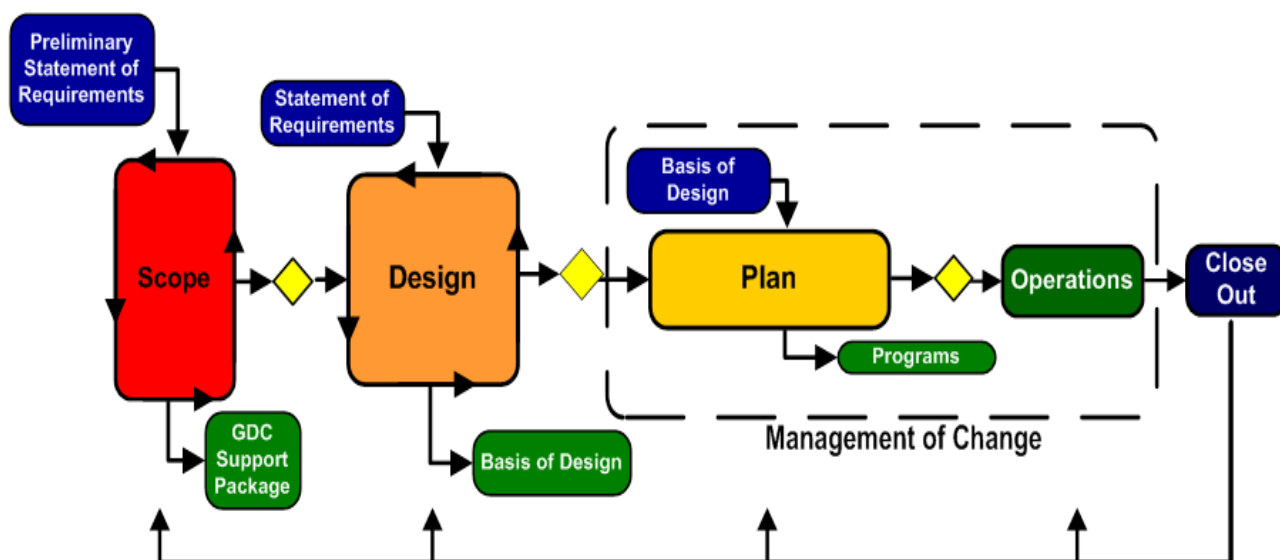
**E&P Contact:** Murray Stewart (PS&C Manager), Robert Weigel

**EPLC Contact:** David Randolph

## Section 1.2.4 - Drilling and Completions - Well Delivery Excellence Process (WDX)

**Expectation Statement:** Assets are expected to engage business partners across the Hess E&P value chain following the Hess Global Standard, GDC-S-006, documented project management process. The WDX process is a gated five stage process that follows the delivery of the project over the life cycle from Scope-Design-Plan-Operate-Closeout. Following the process ensures consistent safe delivery of wells that deliver maximum value. WDX is a framework for making informed decisions, driving fact based discussion & decisions. Decision making is in partnership with all Value Chain partners.

### Outline:



### PDCA Activities:

Plan                      Plan                      Plan                      Do                      Check Adjust

### PDCA Activity Objectives:

#### Scoping

- Outline objectives, financial drivers and complexity of the project;
- Create shared understanding with the budget holder around the technical feasibility of and expected schedule and resources required to deliver the project;
- Assist the Value Chain in determining if the project is commercially viable and meets corporate objectives;
- Establish a clear decision point regarding the commitment of additional financial resources and people required to advance the project through the next phase.

#### Design

- Collaborate with Value Chain to finalize statement of requirements;
- Establish the technical requirements, delivery objectives, and schedule for the project;
- Define and select the best value design concept;
- Establish a technical design freeze;

- Establish a clear decision point to move forward with execution of the project including commitment to rig.

#### **Planning**

- Execute contract and tendering strategy;
- Optimize selected design concept;
- Detailed preparation for operations emphasizing EHS and operational excellence;
- Establish a clear decision point as to readiness for rig arrival and commencement of Operations.

#### **Operations**

- Deliver the well objectives on time and on budget with zero EHS incidents.

#### **Closeout**

- Review actual vs. planned performance;
- Identify lessons learned and identify both operational and project execution improvement opportunities;
- Report performance to Value Chain and adjust for future planning.

#### **References:**

Global Drilling and Completion Standard GDC-S-006  
Well Delivery Excellence (WDX) Process, Revision 2.0 July 2011.

**E&P Contact:** Scott Hoskins & Jerry Osmond

**EPLC Contact:** Mike Zambonini

## Section 1.2.5 - Production - Overview

**Expectation Statement:** Assets are expected to follow a systematic program of continuous improvement towards meeting Production Excellence expectations and achieving the PE vision.

### Outline:

Our vision for Production Excellence is that Hess E&P will become a “globally recognized producer, setting the benchmark for top-quartile production excellence.” To realize this vision, we have developed a set of expectations so everyone in our organization understands what success looks like and how we will achieve our stated goals.

Underpinning Production Excellence is an expectation that we will:

- Protect our workforce, the environment and the communities where we operate
- Protect the integrity of our equipment and facilities
- Maximize the availability and productivity of our assets
- Optimize our costs



**\*EHS, Cost Management, Operability & Continuous Improvement are covered elsewhere in this document.**

### PDCA Activities:

**Plan:** Prioritize opportunities for improvement and develop A3 Business Plans, ensuring alignment with functional groups.

**Do:** Execute and monitor planned improvement activities using consistent OE approaches where applicable. Capture, progress and record further opportunities for improvement in the Opportunity Register as they are defined.

**Check:** Asset reviews progress at least monthly to ensure delivery of A3 Business Plans and to prioritize and progress identified Opportunities. Overall progress is reviewed quarterly by the Business LT.

**Adjust:** Use data from annual assessments, audits, metrics, completed and identified opportunities and other learnings to update A3 Business Plans.

**References:**

Production Expectations for the Management of Environment, Health and Safety (HESS-GPE-EHS-EX-700)

E&P Expectations for the Management of Integrity (HESS-GPE-INT-EX-700)

E&P Expectations for the Management of Maintenance and Reliability (HESS-GPE-REL-EX-700)

Production Expectations for the Management of Production Optimization (HESS-GPE-PRO-EX-700)

E&P Expectations of Cost Management (HESS-GPE-COS-EX-700)

Production Expectations for the Management of Continuous Improvement (HESS-GPE-CI-EX-700)

Developments and Production Expectations for the Management of Operability and Maintainability in  
Projects (HESS-DPE-OPR-EX-700)

Production Excellence SharePoint Site

**E&P Contact:** Roddy Evans, Jeff Wirth, Brian Llewellyn

**EPLC Contact:** John Gatling, Jeff Wirth, Brian Llewellyn

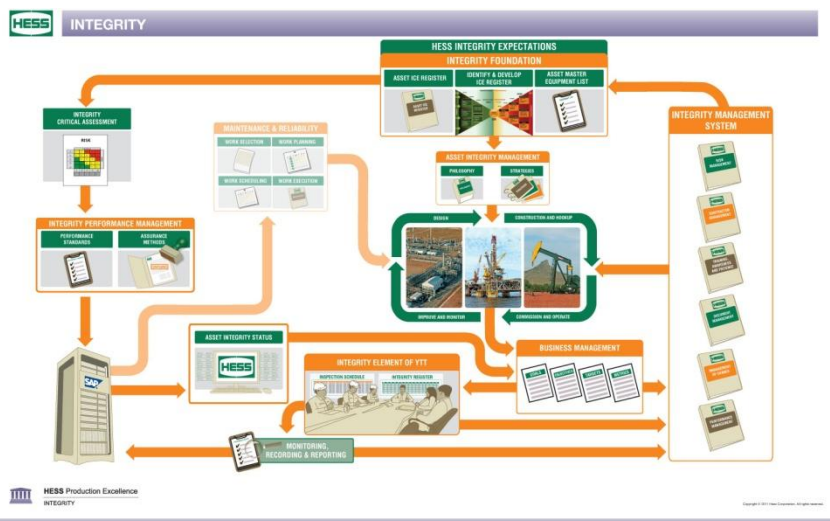
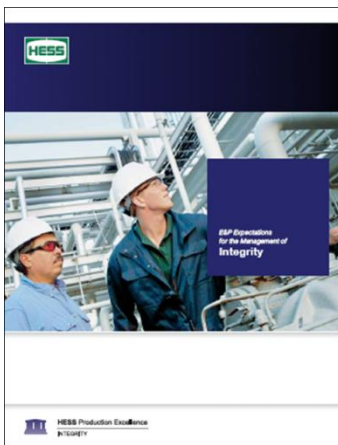


## Section 1.2.5 - Production - Integrity

### Expectation Statement:

The Integrity pillar focuses on the foundational principles of Hess Integrity Management Expectations. Each Asset is expected to produce an Asset Hess Integrity Management System (HIMS) which documents the operational response to the Hess E&P Expectations for the Management of Integrity – HESS-GPE-INT-EX-700. The Asset HIMS shall be produced for the overall operation of the asset covering the full lifecycle and comprises or references policies, practices, and procedures that reflect corporate, international and locally recognized requirements for the assurance and verification of Integrity. Primary to the production of the Asset HIMS is the identification of equipment and systems that provide barriers to the initiation or escalation of an event that can lead to a Major Accident Hazard (MAH) known as Integrity Critical Elements (ICE).

### Outline:



### PDCA Activities:

**Plan:** Define Asset approach to Integrity Management in the Asset Hess Integrity Management System

**Do:** Perform key Integrity activities such as Risk Based Inspection, Management of Change and Performance Standards

**Check:** Ensure Integrity is maintained by following leading and lagging KPIs, the ICE status dashboard, and Quarterly VP Integrity Reviews

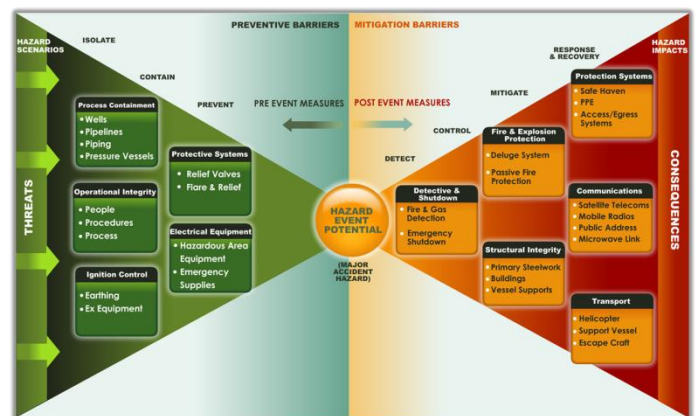
**Adjust:** Periodic review of the Asset Hess Integrity Management System

### References:

Hess E&P Expectations for the Management of Integrity (HESS-GPE-INT-EX-700)  
 Hess E&P Guidance for the Management of Integrity Critical Elements  
 Hess EHS Management System

**E&P Contact:** Roger Wibrew (Production Excellence) , Patricia Wilson (EHS)

**EPLC Contact:** John Gatling



## Section 1.2.5.1 - Production - Integrity - Technical Authorities

**Expectation Statement:** Assets are expected to understand and adhere to Hess E&P's Technical Authorities guidelines. In order to meet Hess E&P expectations for the management of Integrity, specialist subject matter expertise, knowledge and practices are required to cover all aspects of asset integrity.

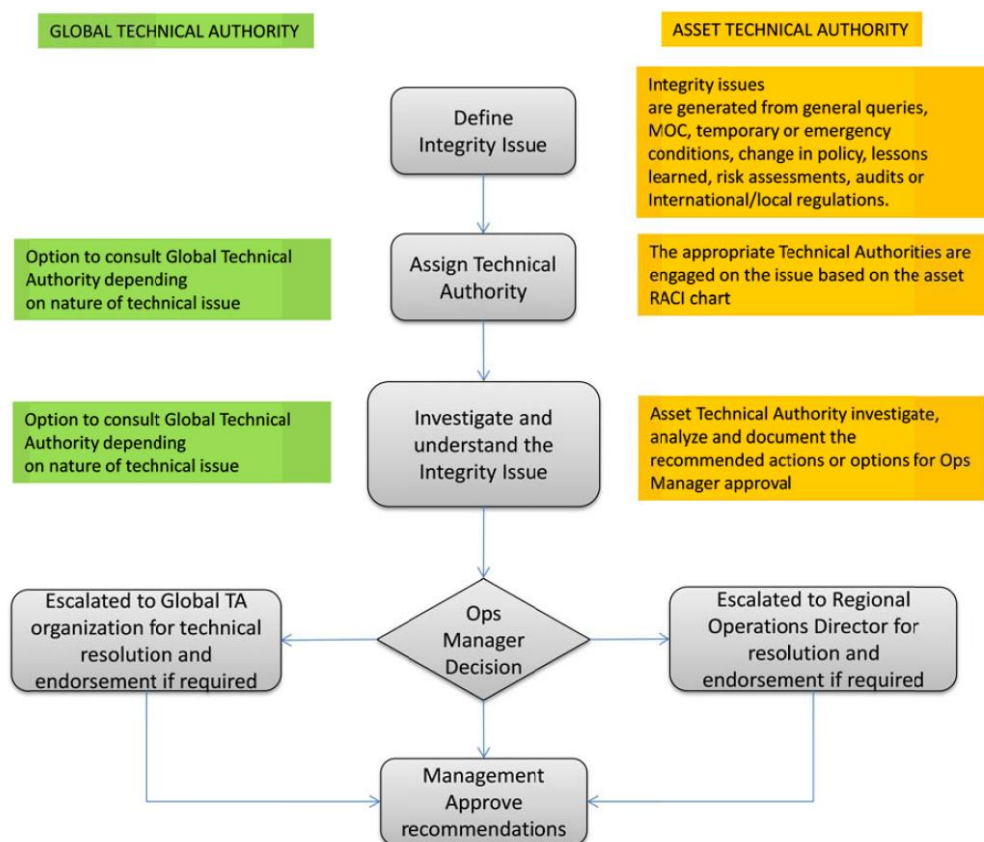
### Outline:

Technical Authorities are competent personnel who have specific responsibility for ensuring integrity within assets by participating in the review process for any change in status which may impact integrity. A change in status can be for example:

- A change governed through the Management of Change (MOC) process
- Non-Standard Operations Risk Assessment (NOPRAS) or Case to Operate
- Operation of an ICE barrier with deferred maintenance or failed performance test

Each Asset will determine and nominate competent persons and have their responsibilities defined on a RACI chart. Full coverage of each Integrity Critical Element is expected and where specific competence is not available at the asset, a Global Technical Authority can be nominated on a permanent or temporary basis. The Assets will perform a GAP analysis against any identified deficiencies in ICE coverage and produce a time bound plan to address.

Competence of Technical Authorities will be approved by the Asset Operations Manager who can call upon Global Technical Authorities for assistance where required.



## Operations Authorities RACI Chart

**R**esponsible - Is the person who owns the ICE/Critical Document. Signs for any change  
**A**ccountable - Responsible for overall accountability for integrity. Has final sign off and approval  
**C**onsulted - Signature and consultation required to approve the change  
**I**nformed - Is informed that the change is taking place

		Ops Manager	Discipline Authority - Level 3 Roles	Process	Mechanical	Structural	Electrical
Integrity Critical Category	Integrity Critical System						
Process Containment	Wells	A		C	C	I	I
	Manifolds	A		R	C	I	I
	Flowlines and Pipelines	A		R	C	I	I
	Piping	A		R	C	C	I
	Pressure Vessels	A		R	C	C	I
	Storage Tanks	A		R	C	C	I
	Pits and Ponds	A		R	C	C	I
	Pumps and Compressors	A		C	R	I	C
Operations Integrity	Permit to Work	A		C	I	I	I
	Safe Isolations	A		C	I	I	C
	System Inhibits	A		C	I	I	C
	Temporary System Repairs	A		C	C	I	I
	Management of Change	A		C	I	I	I
Ignition Control	Ventilation	A		I	I	I	R
	Earth Bonding	A		I	I	I	R
	Site Access Controls	A		I	I	I	I

### PDCA Activities:

**Plan:** Define Asset approach to Technical Authorities by defining responsibilities on a RACI chart

**Do:** Technical Authorities ensure Integrity by participating in approval status to changes in ICE

**Check:** The assets have periodic reviews of the Technical Authorities RACI chart for any gaps in coverage or competence

**Adjust:** Gaps in coverage are addressed by training, transfers of personnel, new hires or by utilizing Global Technical Authorities.

### References:

Hess E&P Expectations for the Management of Integrity (HESS-GPE-INT-EX-700)

Hess E&P Guidance for Technical Authorities in Production Operations (HESS-GPE-INT-GU-804)

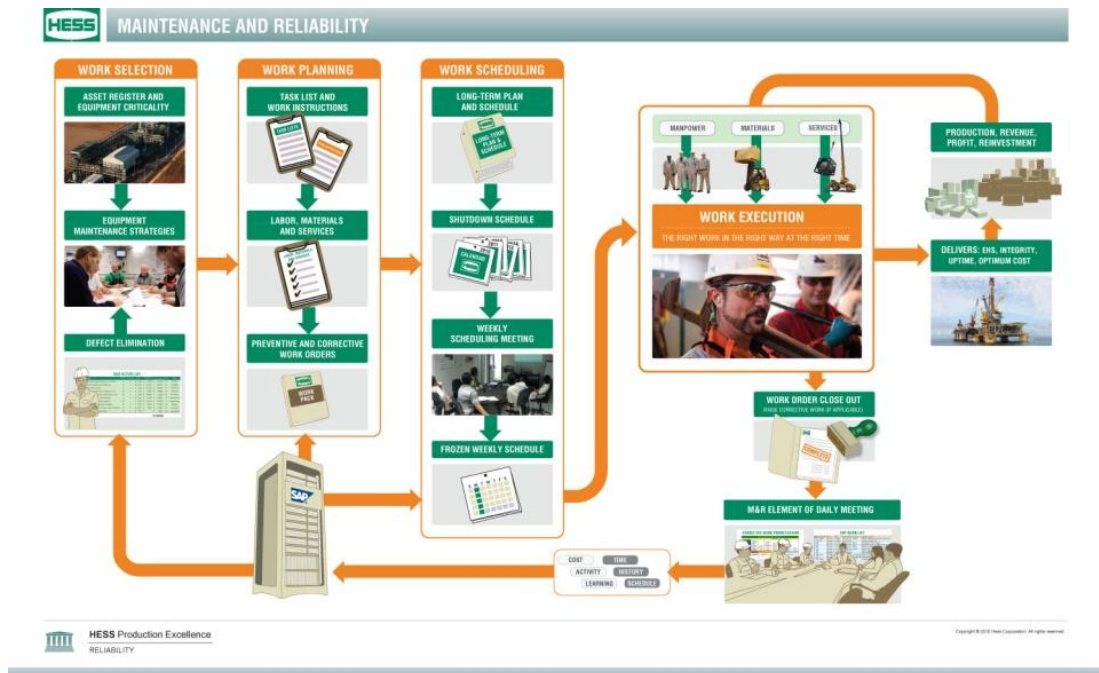
**E&P Contact:** Roger Wibrew / Roddy Evans

**EPLC Contact:** John Gatling / Barry Biggs

## Section 1.2.5 - Production - Reliability

**Expectation Statement:** Assets are expected to embed processes and practices towards meeting the Hess E&P Expectations for the Management of Maintenance and Reliability – HESS-GPE-REL-EX-700, in order to deliver the **right work** at the **right time** in the **right way**, contributing to improved business performance.

**Outline:**



### PDCA Activities:

**Plan:** Establish equipment maintenance strategies, plans and supporting data and resources using best practice methods and techniques designed to deliver business performance targets.

**Do:** Plan, schedule, execute and close-out work in accordance with the Work Management process

**Check:** Review maintenance and reliability performance at least monthly, using key leading and lagging performance indicators, to identify and prioritize gaps and improvement actions.

**Adjust:** Take action to improve performance on maintenance work management and reliability performance, including a focus on defect elimination to improve performance of “bad actors”.

### References:

Hess E&P Expectations for the Management of Maintenance and Reliability - HESS-GPE-REL-EX-700

Best Practices for Development of a Maintenance & Reliability Management System - HESS-GPE-REL-GU-801

E&P Guidance for Work Management (HESS-GPE-REL-GU-803)

E&P Guidance for Defect Elimination (HESS-GPE-REL-GU-802)

SAP PM Master Data Standards Document (HESS-SAP-DSD-000)

**E&P Contact:** Roddy Evans

**EPLC Contact:** John Gatling

## Section 1.2.5 - Production - Production Optimization

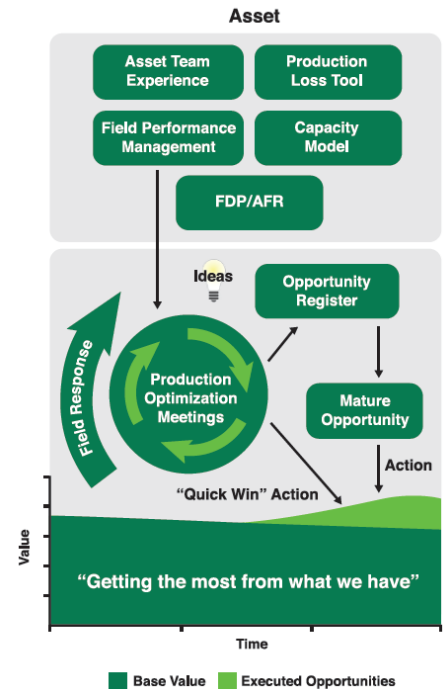
**Expectation Statement:** Assets are expected to embed processes and practices towards meeting Hess E&P Expectations for the Management of Production Optimization.

### Outline:

Production Optimization and Exploitation seeks to promote a collaborative environment by facilitating the multidisciplinary meetings between reservoir geoscience and engineering that help us **“get the most from what we have.”** This is accomplished through the use of workshops, standardized tools, best-practice technical work and common workflow processes. The key to an optimized production and exploitation strategy is the development of a robust Field Development Plan (FDP) update. The FDP ensures that subsurface uncertainty and options analysis is conducted so as to optimize development and exploitation execution.

At the top of the cycle is **idea generation**. Ideas are generated through analyzing field performance, evaluating production loss events, identifying system bottlenecks, and drawing on the experiences of asset team personnel. These ideas are brought into the multi-disciplinary collaborative meetings; short-term ideas are discussed and acted upon to add value.

Long-term ideas that require an investment of time or money are captured in the opportunity register and matured by completing technical work. Mature opportunities are acted upon, and the opportunities add to the base value of the asset to “get the most from what we have.” Field response is fed back to the asset team, and the cycle begins again.



### PDCA Activities:

<b>COMMIT</b>	<b>1</b>	Organization and Leadership
<b>PLAN</b>	<b>2</b>	Field Development Plan
	<b>3</b>	Production Optimization and Exploitation Plan
	<b>4</b>	Field Performance Management
<b>DO</b>	<b>5</b>	Surveillance, Analysis and Optimization
	<b>6</b>	Production Loss Tracking
	<b>7</b>	Capacity Model
	<b>8</b>	Production Optimization and Exploitation Meetings
	<b>9</b>	Opportunity Register
<b>CHECK &amp; ADJUST</b>	<b>10</b>	Performance Measurement
	<b>11</b>	Audit and Verification

### References:

Production Expectations for the Management of Production Optimization (HESS-GPE-PRO-EX-700)  
E&P Guidelines for the Management of Capacity Models

**E&P Contact:** Roddy Evans, Jeff Wirth, Brian Llewellyn

**EPLC Contact:** John Gatling, Jeff Wirth, Brian Llewellyn

## Section 1.2.5.1 - Production - Production Optimization - Subsurface Knowledge Capture

**Expectation Statement:** PathFinder<sup>2020</sup> is a knowledge management tool for subsurface G&G and RE activities. The current version of PathFinder<sup>2020</sup> for use in Exploitation is currently being piloted in key Development and Production assets. During 2013, Unconventional and Exploration applications are being developed. Assets are expected to take up the use of Pathfinder during the global roll-out planned for Q4 2013.

### Outline:

To complement the Hess value assurance process (Value Navigator) we have developed a Subsurface Milestones & Deliverables system (SMD) to be performed by asset teams throughout the global E&P business. PathFinder<sup>2020</sup> provides an online platform for delivery of the SMD. The program contains two basic parts: 1) **Compass Knowledge Center** –an illustrated version of the SMD guidelines and knowledge base of subsurface information regarding Hess assets accessed via a graphical “story board” interface, 2) **Expedition Project Center** - a tool for subsurface teams to plan, document and share results of technical studies accomplished within the SMD framework.

**PathFinder 2020**  
Subsurface Milestones & Deliverables

**Tools for the Hess E&P Strategy**

**...to find your bearing**  
Compass Knowledge Center

**...to plan & document the journey**  
Expedition Project Center

**The “Hess Way” for Subsurface Evaluations**

### PDCA Activities:

**Plan:** Delivery of PathFinder<sup>2020</sup> as per EPT 2013 Must Do’s

**Do:** Exploitation pilots ongoing, Unconventional and Exploration applications being developed

**Check:** Monitor results and feedback from ongoing pilots

**Adjust:** Software and knowledge content to be upgrades as per pilot results; implement Unconventional pilots

### References:

<http://stg-pathfinder.ihess.com>

Global Production Excellence Conference Presentation

**E&P Contact:** Rick Beaubouef

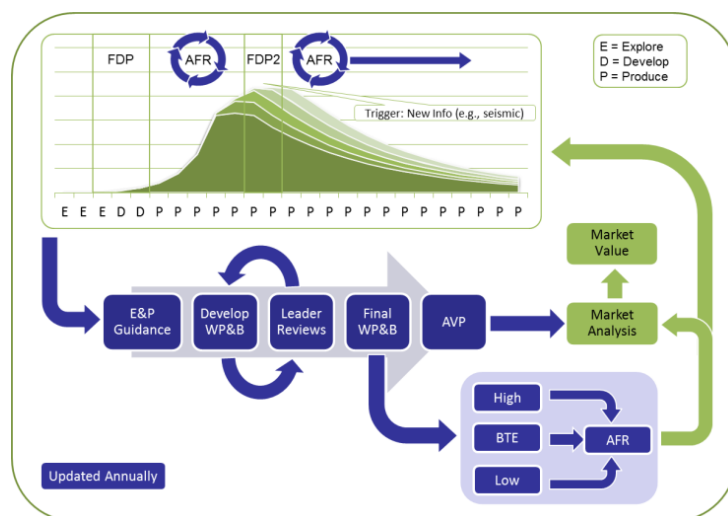
**EPLC Contact:** Randy Johnson

## Section 1.2.5 - Production - Field Development Plan (FDP) and Annual Field Report (AFR)

**Expectation Statement:** Assets are expected to have a current Field Development Plan (FDP) and an Annual Field Report (AFR).

### Outline:

- Field Development Plan (FDP).
  - What is it? A document that is the agreed plan for depleting the asset from appraisal to abandonment, documents basis for asset value, and facilitates inter-disciplinary and integrated views for optimization.
  - When does it need to be updated? Updates will be at the discretion of the asset leader, and will be reviewed no less than annually. Updates are required when there has been a material change to an asset (e.g. area of interest, recovery method, major infrastructure additions or modifications) or as necessary to meet regulatory requirements.
- Annual Field Report (AFR).
  - What is it? A document that summarizes the year's significant events and impact on the future development (including quantitatively and qualitatively describing the highs and lows). Addresses topics such as what changed in high, mid, and low scenarios, what progress was made to mature high to mid, and what was learned through the year
  - When does it need to be updated? Annually by the end of January.
- Quality of FDP and AFR will be independently assessed annually



### PDCA Activities:

**Plan:** FDP and AFR represent the plan to maximize the value of the asset

**Do:** Asset teams update the FDP as required and AFR annually by end of January

**Check:** An annual independent assessment of the quality of the FDP and AFR will be performed

**Adjust:** Asset team focus is redirected to activities that have the largest impact on asset value

### References:

AFR Template

Production Expectations for the Management of Production Optimization (HESS-GPE-PRO-EX-700)

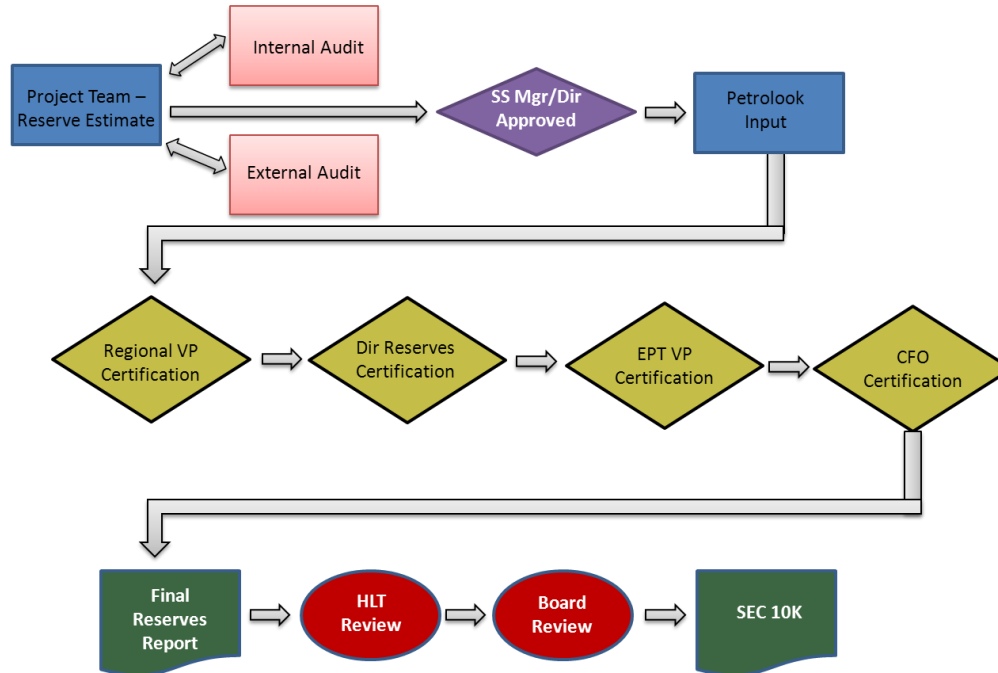
**E&P Contact:** Roddy Evans

**EPLC Contact:** Jeff Wirth

## Section 1.2.5 - Production - Reserves Management Process and Review

**Expectation Statement:** Assets are expected to deliver accountability, reliability and governance of the corporation's reserves by using the Reserve Process that has been designed. Accountability is delivered by defining clear roles and responsibilities. Reliability of the evaluation is delivered with standards, validation, internal and external audits. Governance is provided by internal controls over influence.

### Outline:



### PDCA Activities:

**Plan:** Teams gather production data and other information to determine if any reserve adjustments are required.

**Do:** Reserve updates are input to Petrolook system and approved by subsurface leadership.

**Check:** Reserves group schedules internal and external D&M audits to comply with Hess reserve manual requirements of performing audits on 80% of reserves each year with all assets being covered at least once in a 3 year period.

**Adjust:** Reserves are certified by the SS Manager/Director, Regional VP, Reserves Director, EPT VP, and CFO. EPT VP has replaced EPT SVP.

### References:

Hess Reserve Manual  
 Petrolook Reference Material  
 Securities and Exchange Commission Statutes  
 Rules and Forms  
 SPE PRMS Definitions Document  
 SPE Auditing Standards Document

**E&P Contact:** David DuBois

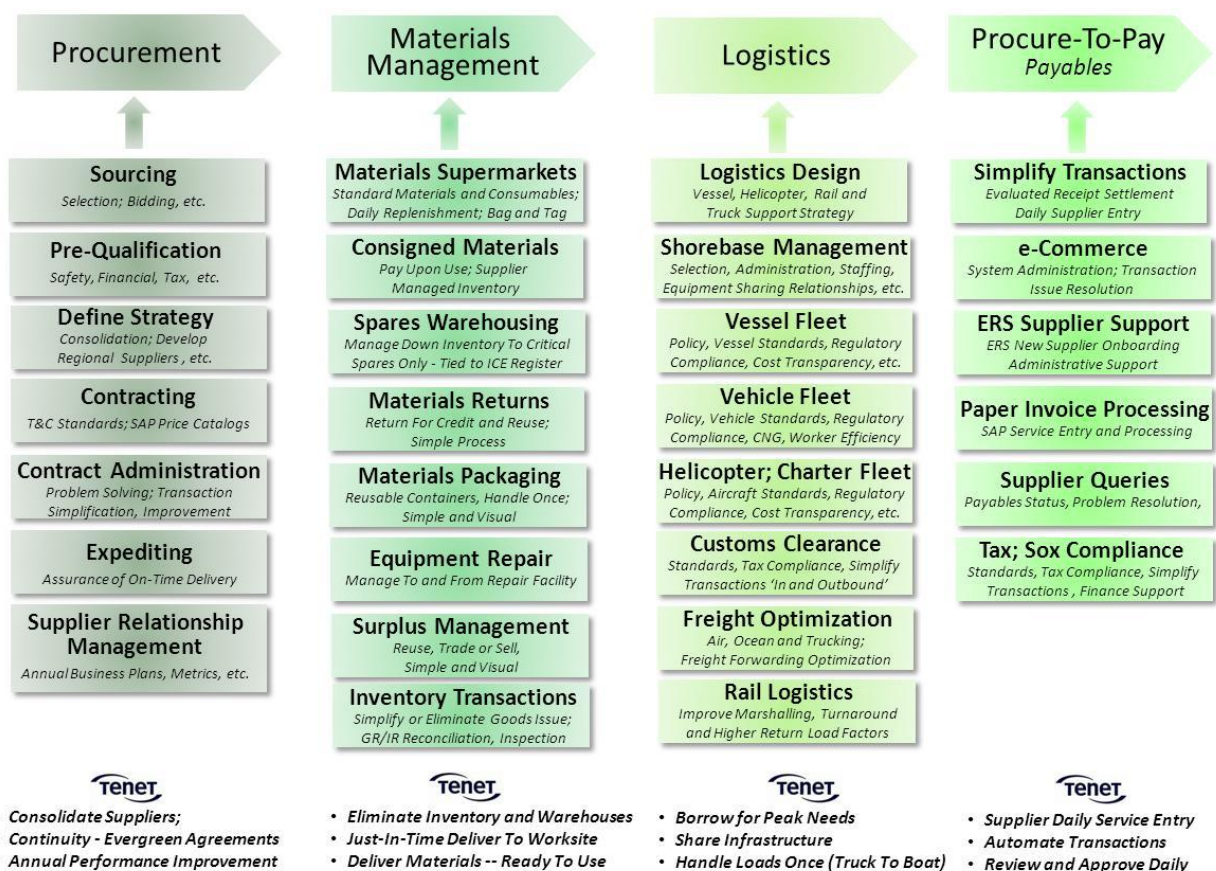
**EPLC Contact:** David DuBois



## Section 1.2.6 - Supply Chain - Service Offerings & Global Standards

**Expectation Statement:** Assets are expected to implement standard Global Supply Chain processes, metrics and business controls (created by GSC central 'process owners') – and – Ensure 'successful practices' are transferred and adopted.

### Outline:



### PDCA Activities:

**Plan:** Create Parent - Child A3 plans based on previous year performance, business control plan updates, opportunities for improvement and customer feedback.

**Do:** Execute the annual plan based on Focus Areas and A3s.

**Check:** Staff will conduct an 'Annual Business Control Plan' to assess the health of each critical deliverable to ensure compliance with Hess standards.

**Adjust:** Use findings from annual assessments, corporate audits, metrics and leading edge practices to update annual A3 business plans in both the Asset and in the central function (Parent - Child A3s).

### PDCA Tools



**References:**

Global Supply Chain Systems Guide (In Progress)

Global Supply Chain SharePoint Site

Global Supply Chain Service Offerings

**E&P Contact:** Steve Roberts (Procurement)

Chris Starcke (Materials)

Brad Fowler (Logistics)

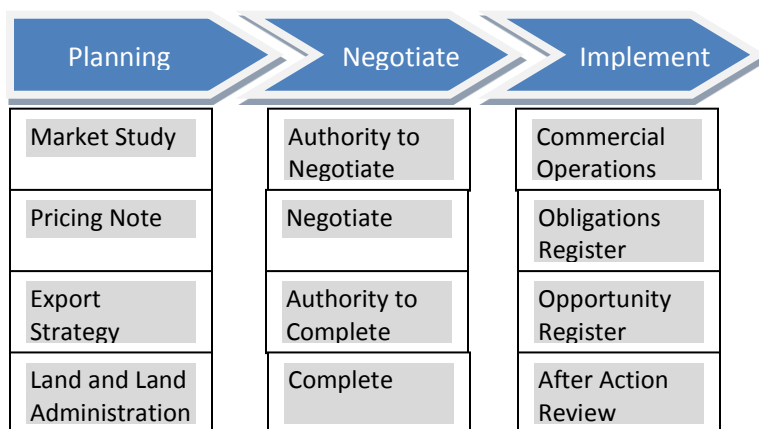
Jodie Burr (Payables)

**EPLC Contact:** Dennis Creech

## Section 1.2.7 - Commercial and Land Overview

**Expectation Statement:** Assets are expected to plan, negotiate, and execute commercial and land agreements following the processes and authorities of Executive Directive 16 and the Value Navigator stage gate processes. Then integrate the activities into the Asset’s Business Management (Planning and Performance Management) and Risk Management processes.

### Outline:



### PDCA Activities:

**Plan:** Establish Pricing Notes; Market Studies; Export Strategies; Reduction in Cycle Times; Align Land and Land Administration.

**Do:** Authority to Negotiate (AtN) and subsequently Authority to Complete (AtC). Communicate Commercial Operations guides and License/JOA governance provisions to asset staff post deal completion. Coordinate License and JV governance activities. Master data integration and utilization, and improve integrity of data utilization.

**Check:** Monitor upcoming contract obligations and commitments. Monitor pricing used in Economic analysis. Monitor actual Netback pricing versus Contract terms. Update commercial and land elements of Asset A3 Scorecards, Risk Registers, and Opportunity Registers.

**Adjust:** Hold After Action Review’s for AtN results. Hold “first production” workshops with asset and functional staff. Periodically update Pricing Notes, Market Studies, and Export Strategies. Land cycle times should continue to be measured and adjusted as processes are refined and implemented.

### References:

Executive Directive 16

E&P Authorities

Value Navigator – Commercial and Land stage gate requirements

Commercial Excellence processes (New Deal Flow, Commercial Operations, Economic Evaluation)

Land Processes (Reduce Cycle Times, Master Data Integration and Utilization)

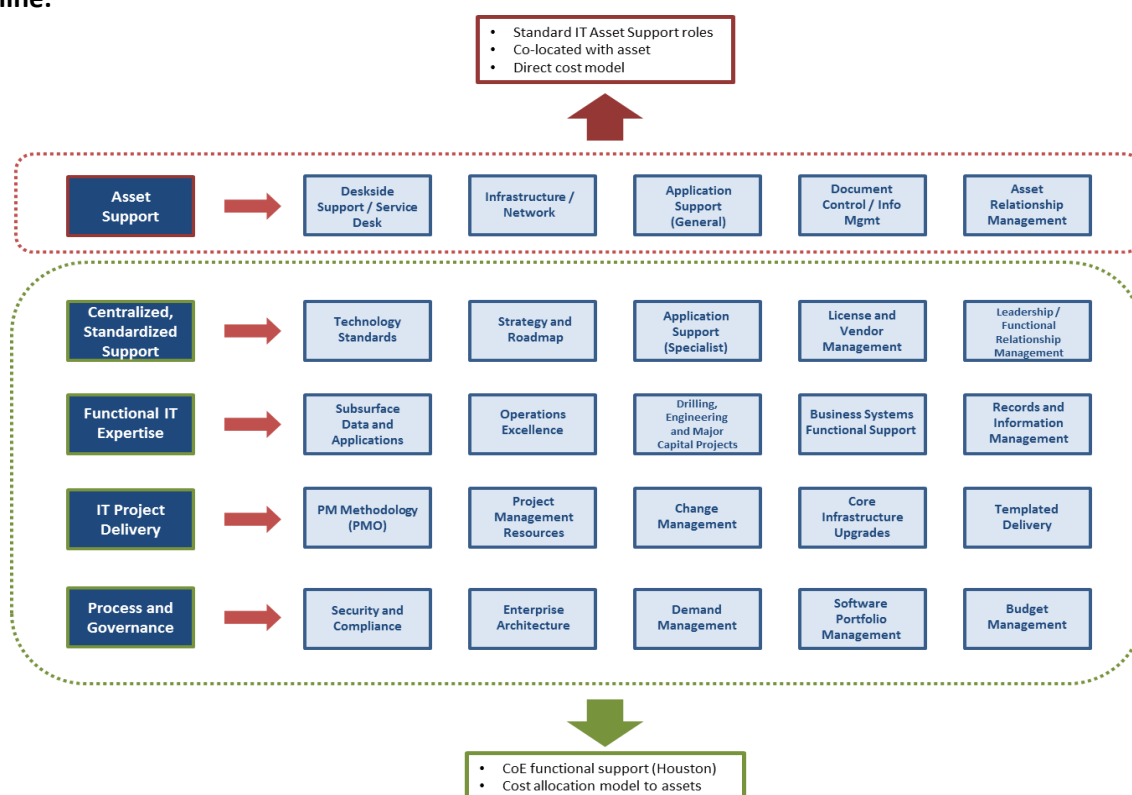
**E&P Contact:** Barry Anderson

**EPLC Contact:** Barry Anderson

## Section 1.2.8 - Information Technology Overview

**Expectation Statement:** Assets are expected to adopt globally standardized IT solutions and to observe established IT governance procedures. An IT support organization will be co-located with the asset to provide direct support across five key roles. Key applications and infrastructure, and IT functional / project support will be largely centralized in Houston to ensure consistent and cost-effective IT service across the enterprise. Assets will source centralized support according to agreed service and cost models.

### Outline:



### PDCA Activities:

**Plan:** Annual 'IT Destination' outlining Must Do's and service / support fundamentals; Annual Budgeting Process.

**Do:** Execute budgeted projects and manage operational support activities throughout the year, in line with asset priorities and budget expectations, and aligned to the wider IT Destination and global strategy.

**Check:** Establish formal reporting and feedback processes with asset management via the IT relationship roles.

**Adjust:** Respond to changes in demand due to operational priorities, identified via the 'Check' process above.

### References:

[2013 IT Destination](#)  
[IT PMO](#)

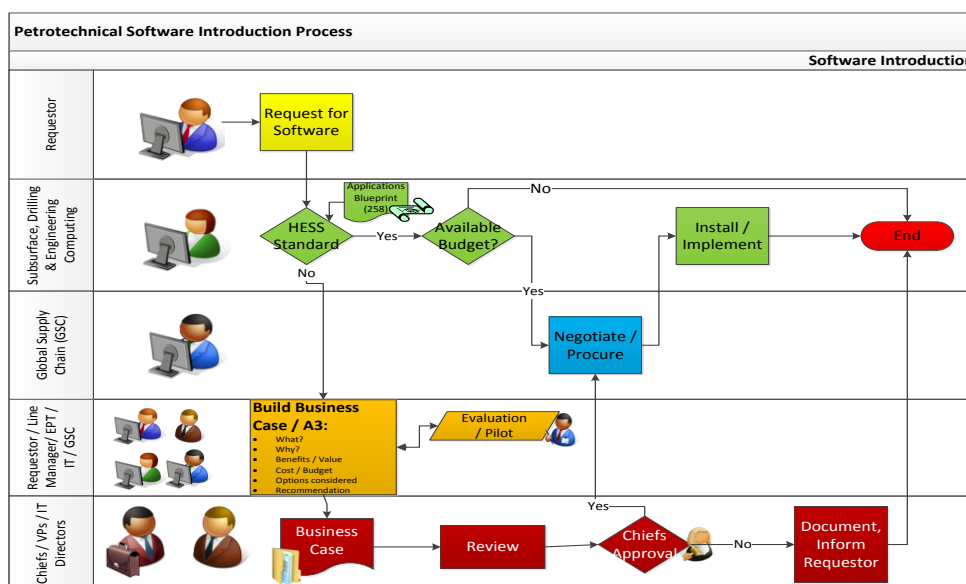
**E&P Contact:** John Donaldson (Offshore) / Ewen McRobbie (Onshore)

**EPLC Contact:** Zhanna Golodryga

## Section 1.2.8 - Information Technology - Governance

**Expectation Statement:** Assets are expected to request and adopt Petrotechnical Software in accordance with an agreed approval process owned and managed by EPT. The process recognizes the need for software to be selected on the basis of scientific rigor and excellence, value and alignment with Hess Petrotechnical workflows. Petrotechnical software will be fit for purpose and the process will ensure that the “right tool for the job” is used at Hess. Petrotechnical software purpose will not be duplicated across the organization; it will be selected in consideration of strategic fit, business value gained, functionality, integration capability, change management and training requirements, commercial terms and cost. For the purpose of this definition Petrotechnical software will be considered “E&P Industry specialized software used for the purpose of viewing, analyzing and interpretation of Geological, Geophysical, Petrophysical, Reservoir Engineering, Production Engineering, Facilities Engineering, Unconventionals and Drilling & Completions Engineering data and information”.

### Outline:



### PDCA Activities:

**Plan:** Establish and approve process for Petrotechnical application introduction.

**Do:** Implement necessary approvals, communications and tools necessary to establish and run the process. Present plans to OE Steering Committee for review and approval.

**Check:** Monitor progress and deliverables against approved process

**Adjust:** Make corrections, changes, additions, to plans as appropriate to meet ongoing business needs and priorities.

### References:

Exploration, Developments, Production, IT, GSC and Services (EPT)

**E&P Contact:** Zhanna Golodryga

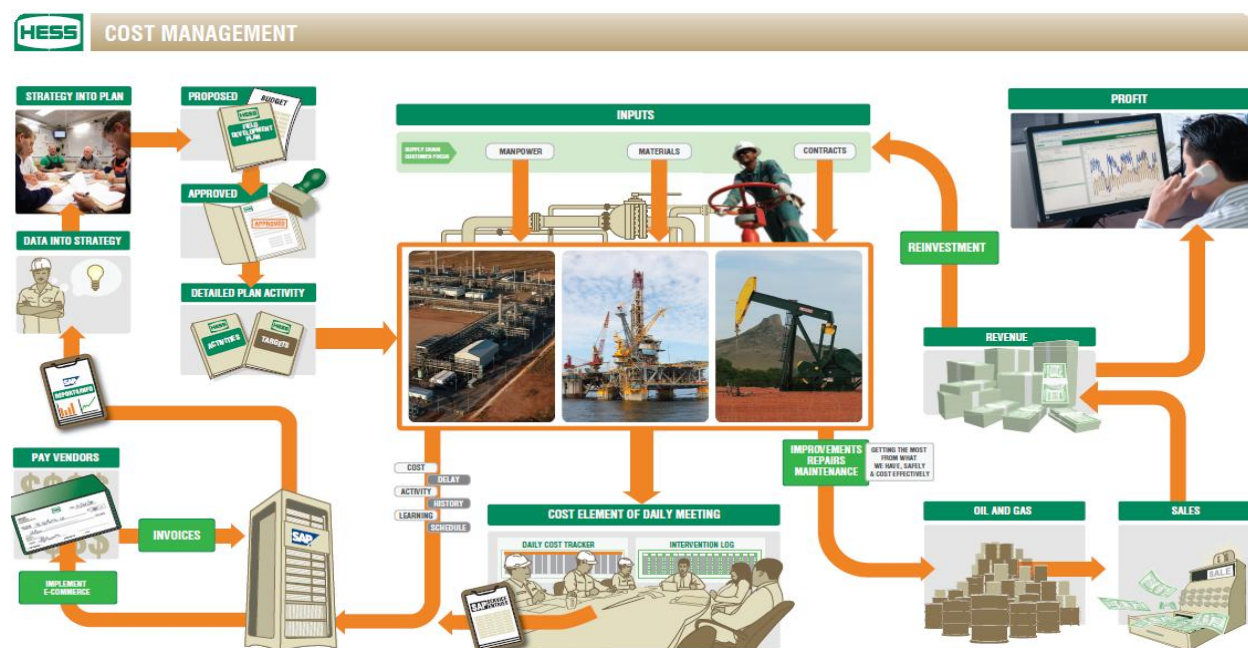
**EPLC Contact:** Randy Johnson, Zhanna Golodryga, Tim Cordingley and Mike Ziterich

## Section 1.2.9 - Cost Management Overview

**Expectation Statement:** Assets are expected to be able to **see, understand** and **manage** costs through timely and accurate cost information. Cost Management's objective is to ensure that a consistent approach is adopted by all Hess assets throughout their lifecycles from development, design and construction, through operation and maintenance, to decommissioning and disposal.

### Outline:

During the Development phase of an asset, the cost of long-term operation and abandonment is balanced with the cost of construction. The Screen stage of the Value Navigator process ensures options to achieve this balance are evaluated and the optimal design is selected. During the Operating phase of an asset the Hess Cost Management Cycle (see figure below) illustrates where we forecast, budget, spend and discuss costs to support of Oil and Gas operations and look for opportunities to improve.



The fundamental Guidelines which support Cost Management are:

- Finance & Accounting, Global Supply chain, IT, etc. Policies and procedures.
- The Corporation has established authority limits to ensure operations are conducted in alignment with operating plans and corporate policies. Authority limits for Senior Management and the Board of Directors is defined in Executive Directive 16. Senior Management may delegate approval authorities to individuals. Authority limits for all approved individuals are maintained in the E&P authorities chart.
- Data quality and timeliness are crucial input factors, which enable the organization to make informed business decisions
- Asset Retirement Obligations (ARO) provide for costs related to estimated future cost of asset disposal and remediation work necessary to restore a property. Further guidance can be found in the global corporate policies.

**PDCA Activities:**

**Plan:** Create a plan to demonstrate how the asset will meet E&P Cost Management expectations. The plan will be the basis for audits and a means of communicating the asset's cost management process. Establish an annual budget combined with forecasts of longer-term (life-of-field) spending plans.

**Do:** Establish a leadership-driven organizational approach where individual and group responsibilities are assigned to conduct technical work, utilize tools, and participate in meetings that support Cost Management. Key Cost Management activities:

- Ensure proper use of SAP cost objects (cost collectors) to drive responsibility, accountability and understanding of cost drivers to develop opportunities to eliminate waste and lower costs.
  - PM Orders represent cost incurrences for maintenance activities and field operating support costs. PM Orders allow accountability for costs to be driven to the activity, process, system, or equipment level (cost drivers).
  - WBS (Work Breakdown Structures) represents cost incurrences for Capital project, Major Operating and Abandonment expense projects. Networks reside within the WBS represent activities used for planning, analyzing, controlling projects.
  - Cost Centers represent cost incurrences for departmental/organizational costs.
- Obtain timely accurate cost data (including man-hours, goods and services) from contractors.
- Utilize standardized tools to view detailed cost information at a frequency that enables the organization to identify issues and make more informed business decisions.
- Establish and maintain a schedule of cost management meetings with defined terms of reference and meeting ground rules.

**Check:** Demonstrate the results of the asset's Cost Management activities by benchmarking results, reviewing and communicating global metric results and developing targets that drive continuous improvement.

**Adjust:** Provide a structured forum to improve management of costs across all disciplines by raising identified gaps, and anomalies, then assigning responsibility for corrective actions ensuring timely resolution and closure.

**References:**

E&P Expectations of Cost Management (HESS-GPE-COS-EX-700)  
Annual Budget Guidelines  
Finance Global Policies  
Global Supply Chain Policies

**E&P Contact:** Alan gibbons, Joe Ritchie, Rose Harris

**EPLC Contact:** John Gatling

JUNE 2013



EXPECTATIONS FOR ASSET MANAGEMENT

# Capital Discipline





## Section 2.1 - Project Evaluation - Economics

**Expectation Statement:** Assets are expected to deliver First-Quartile economic performance by: Effectively, efficiently and economically invest capital on a risk-adjusted basis, including:

- Risk Management
- Capital budgeting
- Standardized project evaluation enterprise-wide
- Formalized technical and commercial screening process and reviews
- Culture of capital accountability and delivery of full cycle returns
- Identified and disciplined exit strategy process

Enable an effective risk and uncertainty management strategy, including:

- Common, global, enterprise-wide risk framework
- Defined ownership and management of risks at the appropriate level
- Transparency of risks supporting optimum business and capital allocation decisions

Endorse the Economic Excellence Expectations, with specific responsibility of asset teams to:

- Adhere to Hess guidelines for economic analysis
- Define and understand inputs and appropriate ranges
- Ensure thorough understanding of outputs and key drivers
- Provide complete documentation of all economic analysis performed
- Have detailed understanding of fiscal model
- Require all economic data are derived using the company accepted standard (currently PEEP)

### Outline:



### PDCA Activities

<b>COMMIT</b>	<b>1</b>	Leadership and Organization
<b>PLAN</b>	<b>2</b>	Economic Evaluation and Review Process
<b>PERFORM</b>	<b>3</b>	Economic Standards and Guidelines
	<b>4</b>	Economic Tools
	<b>5</b>	Economic Workflows
	<b>6</b>	Document Management and Data Control
	<b>7</b>	Training, Awareness and Competence
<b>MEASURE</b>	<b>8</b>	Performance Management
<b>REVIEW &amp; IMPROVE</b>	<b>9</b>	Audit and Verification

### References:

Economic Expectations Document  
 Economic Standards  
 Probabilistic Standards  
 Hess Economic Suite  
 Economic SharePoint Site

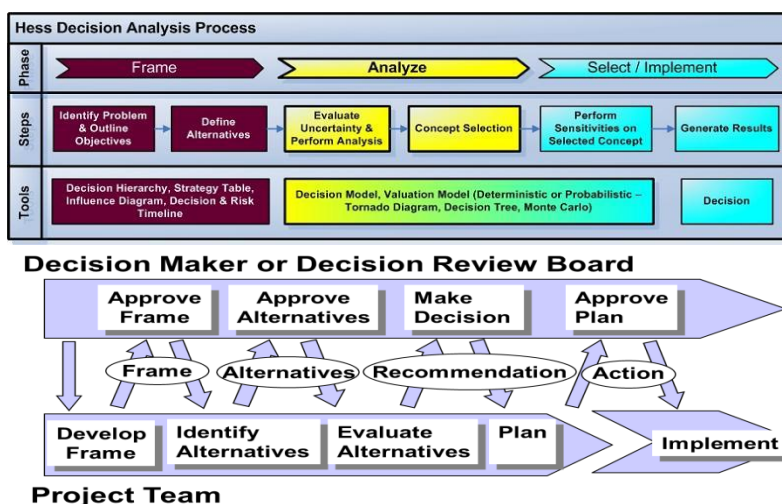
**E&P Contact:** Paul Welford

**EPLC Contact:** Paul Welford, David DuBois

## Section 2.1 - Project Evaluation - Decision Analysis

**Expectation Statement:** Assets are expected to implement a structured Decision Dialogue Process to facilitate collaboration between the Project Team and senior decision makers and to examine a comprehensive range of options to optimize the value of the asset/investment. The role of the Project Team is to frame a wide range of options, evaluate the outcomes of these and facilitate an open dialogue and feedback with decision makers. Decision makers need to clearly define the metrics that will be used to evaluate the options, provide direction to the Project Team on options to evaluate, and approve implementation of the best option. The ultimate goal is to improve the quality of decisions by bringing clarity to the decision making process, especially for the more complex and difficult circumstances.

### Outline:



### PDCA Activities:

**Plan:** Establish Project Team including content experts, decision making body and Decision Dialogue Process with scheduled collaboration sessions. Conduct initial framing session with Project Team and content experts to identify a diverse range of meaningful options to evaluate. Framing sessions are scheduled at the beginning of a decision analysis project to ensure that the problem is understood, the scope is right, and the “right” problem is being addressed.

**Do:** Seek input and endorsement from decision making body on the range of options to evaluate. Decision models are built and uncertainties are quantified in a structured process. Attention is focused on uncertainties critical to the decision, while providing insights about which alternatives are best and each alternative preferred.

**Check:** DA results are a component of Value Navigator TARs. Review results on selected alternatives with decision making body for direction on further investigation or final decision.

**Adjust:** Adjustments are made to the Decision Analysis workflows and tools based on input from TARs, decision making body, and industry practices.

### References:

Economic Expectations Document, Economic Standards, Probabilistic Standards, Decision Analysis, SharePoint Site, Decision Frameworks Software-DTrio

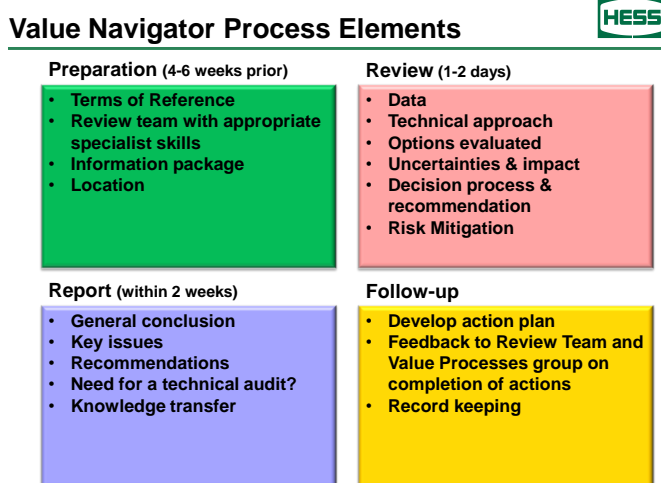
**E&P Contact:** Paul Welford

**EPLC Contact:** Paul Welford, David DuBois

## Section 2.1 - Project Evaluation - Value Assurance / Value Navigator

**Expectation Statement:** Assets are expected to plan an assurance process with the Value Navigator team and completing the recommended deliverables / working to address issues raised by the review team. Value Navigator utilizes independent reviewers to challenge and verify Hess investment decisions. The ultimate goal is to enable better quality decision-making.

**Outline:**



### PDCA Activities:

Over 2013 and early 2014 it is intended to strengthen Value Assurance processes within Hess, with the following PDCA process envisaged.

**Plan:** The Value Assurance Group (VAG) agrees the framework of the Value Assurance programme, including Risk Assessment with the relevant Asset. VAG champions Front End Loading, Framing and Decision Analysis.

**Do:** Asset teams develop and mature the opportunity as defined in the framing session utilizing peer assists. VAG consults Chiefs for participation in technical areas of assurance. Value Assurance Reviews are conducted ahead of key stage gates across the full TECOLP spectrum (Technical, Economic, Commercial, Operational, Legal, Political), by working with other functions and mobilising discipline expertise.

**Adjust:** Project teams address the issues identified by the reviewers. VAG provides recommendations to EPLT, at key stage gates, on the basis of urgency / materiality. EPLT makes investment decisions within this context.

VAG maintains a log of review actions and carries these forward. VAG provides a bi-annual review of recurrent recommendations to EPLT and provides recommendations to address systemic issues

### References:

Value Navigator User Guide January 2013, VN Quality Assurance Process Roles and Responsibilities, Value Navigator Executive Guide, Deliverables by Stage, and Tools/Templates.

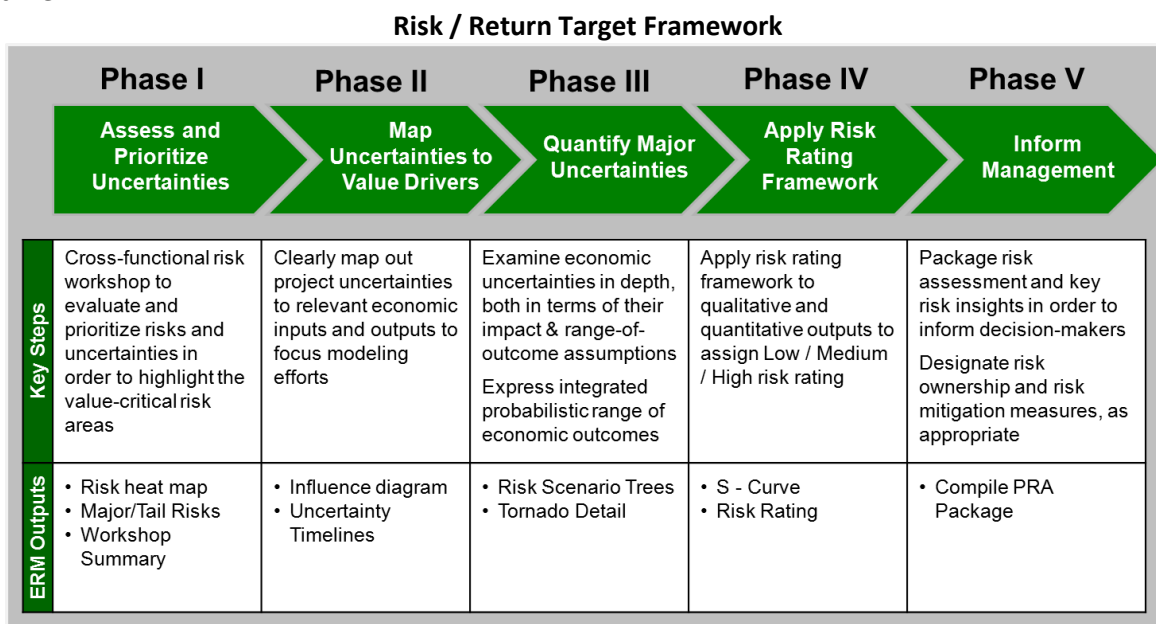
**E&P Contact:** Paul Welford

**EPLC Contact:** Paul Welford and David DuBois

## Section 2.1 - Project Evaluation - Project Risk Assessment

**Expectation Statement:** Assets are expected to apply the Project Risk Evaluation process to any project that is required to go through the Value Navigator process to assign a risk level which will determine the minimum return hurdle rate. Project Risk Evaluation functions as part of the broader Value Navigator Process. It helps inform senior management on project investment decisions and capital commitments by providing a comprehensive view of project risk factors, and quantitatively assessing the contribution of those factors to the project’s risk profile.

### Outline:



### PDCA Activities:

**Plan:** Project Risk Evaluation begins with a Risk Assessment Workshop (see 3.2 Risk Assessment Framework) in conjunction with framing sessions within the Value Navigator Quality Assurance Process Flow (see 2.1 Project Evaluation – Value Navigator) to define and prioritize risk factors that a project is exposed to.

**Do:** The Risk Assessment Workshop is a cross disciplinary activity that uses consensus-based discussions to qualitatively assess risk factors. Risk factors with specific management/mitigation measures and those with primarily non-economic impacts (i.e. safety, environment, reputation, etc.) are addressed through project risk registers. Project Risk Evaluation then targets the residual component of economic risk factors.

Value-critical risk factors identified in the Risk Assessment Workshop are incorporated into the Project Evaluation – Decision Analysis framework (see 2.1 Project Evaluation – Decision Analysis). Results from the Decision Analysis framework will integrate through a four-phase process culminating to an integrated project s-curve (cumulative distribution function) and packaged to inform decision-makers.

The Project Risk Evaluation process describes:

- How each risk factor drives value including tail risks with non-economic impact
- The order/sequencing of risk factors and project decisions
- The range of outcome scenarios and estimated probabilities for each risk factor
- The sensitivity of project value to each individual risk factor

Based on this information, an integrated project s-curve can be developed.

**Check:** The Project Risk Evaluation Results Package (see below EPLT PRA Results Package) is aligned to other key deliverables to the EPLT within the Value Navigator Quality Assurance Process Flow (see 2.1 Project Evaluation – Value Navigator). The Project Risk Evaluation provides the necessary background metrics to apply the Risk Rating Framework and to provide management with a quantitative view of project risks.

**Adjust:** Project Risk Evaluation is to be refreshed for key decision points and capital commitments to aid in senior management decision processes throughout the project life cycle and/or before the project moves through the next stage gate (see 2.1 Project Evaluation – Value Navigator)

**References:**

Risk Assessment Expectations Document  
Project Risk Evaluation Process Overview  
Project Risk Evaluation Results Package Standards  
2.1 Project Evaluation – Decision Analysis  
2.1 Project Evaluation – Value Navigator

**E&P Contact:** Jonathan Stein

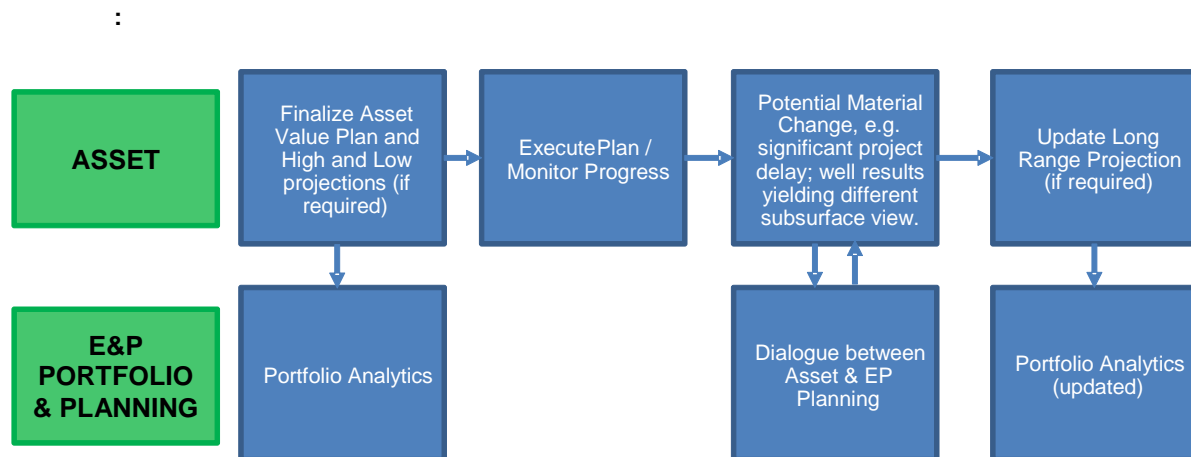
**EPLC Contact:** Jonathan Stein

## Section 2.2 - Portfolio Management Overview

**Expectation Statement:** Assets are expected to provide life of field performance projections during the annual Budget & Plan process via the submission of Asset Value Plans (AVPs). This dataset is augmented, for certain selected assets, with Reasonable High and Reasonable Low life of field production projections. The assembled inputs are utilized by the E&P Portfolio & Planning team to construct consolidated portfolio projections and undertake associated analytics.

In order to maintain a robust and credible view of the portfolio between annual planning cycles, particular asset(s) will be required to update their long range projection(s) should a sufficiently materially change have occurred or be projected to occur. In order to determine whether an update is required, assets should liaise with E&P Planning.

### Outline:



### PDCA Activities:

**Plan:** Finalize AVP and accompanying High and Low scenarios, together with supporting material to provide transparency as to the composition and assumptions within each scenario, particularly with reference to current booked P1-P6 resources.

**Do:** Execute activities, e.g. approved capital budget program, in support of delivery of AVP projections.

**Check:** Monitor progress versus AVP projection, specifically considering whether any material changes have or are projected to occur that would materially alter, positively or negatively, the delivery of the AVP projections - particular attention to be afforded to capital and production projections. Connect with E&P Planning to determine whether an update to long range projection is warranted.

**Adjust:** Update AVP projection as needed, utilizing E&P Planning's Asset Assessment Template.

### References:

Annual Budget & Plan Guidelines  
Production Forecasting Guidelines

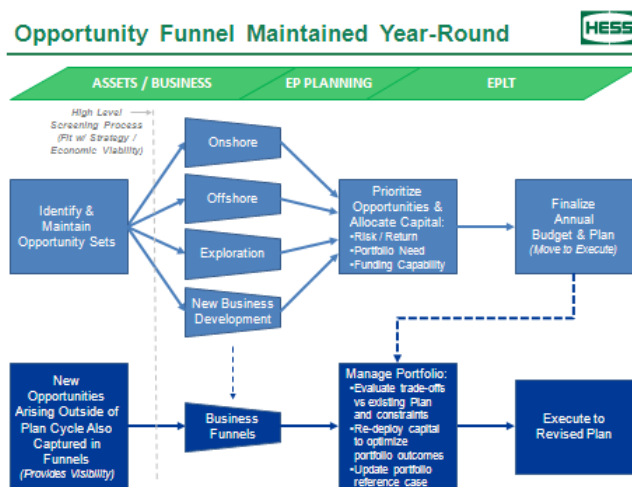
**E&P Contact:** Donald Stevenson

**EPLC Contact:** Paul Welford

## Section 2.2 - Capital Discipline - EP Opportunity Funnel

**Expectation Statement:** The EP Opportunity Funnel is currently being developed to inventorize, track and compare (through critical metrics), investment opportunities across the global EP business: Exploration & unconventional capture opportunities, Business Development opportunities, Pre-sanction projects and Shaping Moves.

**Outline:**



The overall Opportunity Funnel Process will evolve over 2013 but it is currently envisaged:

Assets/Businesses are to be responsible for:

- Owning and maintaining their own opportunity funnels to manage the business options that arise in that particular business (Exploration, GNBD, Onshore, Offshore).
- Screening funnel content to ensure it is aligned to portfolio needs and to EP-agreed long term goals and strategy (i.e. each funnel needs a framework to avoid scarce resources conducting uncoordinated activity unlikely to yield results).
- Developing initial prioritization of their own opportunity sets.
- Progressing opportunities through the funnel (in accordance with Value Assurance standards/requirements) in order to execute to the agreed business plan.

EP Portfolio & Planning, in concert with EPLT, is to be responsible for:

- Identifying portfolio needs to properly size / shape each sub-funnel in line with EP goals and strategy.
- Agreeing funnel screening criteria w/ business.
- Assimilating information and ensuring / facilitating optimal capital allocation amongst competing projects.
- Evaluating portfolio trade-offs in respect of new / additional opportunities that occur out of the Budget cycle. Trade-offs evaluated with regard to overall portfolio needs / optimization, funding constraints.....in turn responsible for recommending re-allocation of capital within portfolio.

**Resources:** No resources since in development

**E&P Contact:** Donald Stevenson

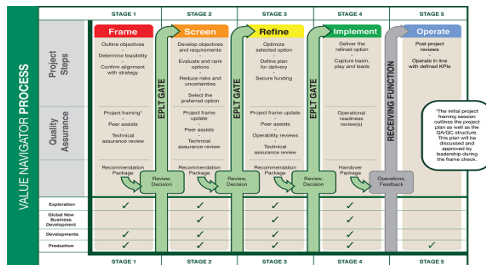
**EPLC Contact:** Paul Welford

## Section 2.3 - Project Execution Overview

**Expectation Statement:** Assets are expected to adhere from a high level Value Navigator structure to more detailed project management and Lean Production Control. Projects are executed per a standard framework, with discipline and with accountability. Technical and non-technical commitments are made and delivered, while work flow and key deliverables are visualized and actively managed.

### Outline:

#### Value Navigator / Project Management



- Global application of a common process with clearly defined responsibilities & decision points
- Stage work plan, organization & staffing and AFE development
- Development & execution of overall integrated project costs & schedules, inclusive of the project delivery risk management program
- Requirement to monitor progress/cost against plan and report monthly as well as forecast against what has been approved

#### Lean Production Control



- Standard processes are developed with expected cycle times and target WIP/buffer levels
- Front-line workers provide input into daily activity planning; value stream managed as a whole

#### PDCA Activities:

**Plan:** A standard plan/framework is developed

**Do:** The work plan is executed

**Check:** Progress is monitored and visualized; stage gates are used to gage high-level progress

**Adjust:** Countermeasures are applied as needed to ensure the project objectives are met

#### References:

Continuous Improvement Expectations Document

Lean Production Control Handbook

Value Navigator Quality Assurance Process and Share Point Site

Project Services & Controls – Business Rules & Recommend Practices (Implementation Plan, Cost Estimating, Cost Management, Planning & Scheduling, MoC, Risk Management)

**E&P Contact:** Robert Weagel, Murray Stewart (PS&C), Kevin Gruver (Lean Production Control)

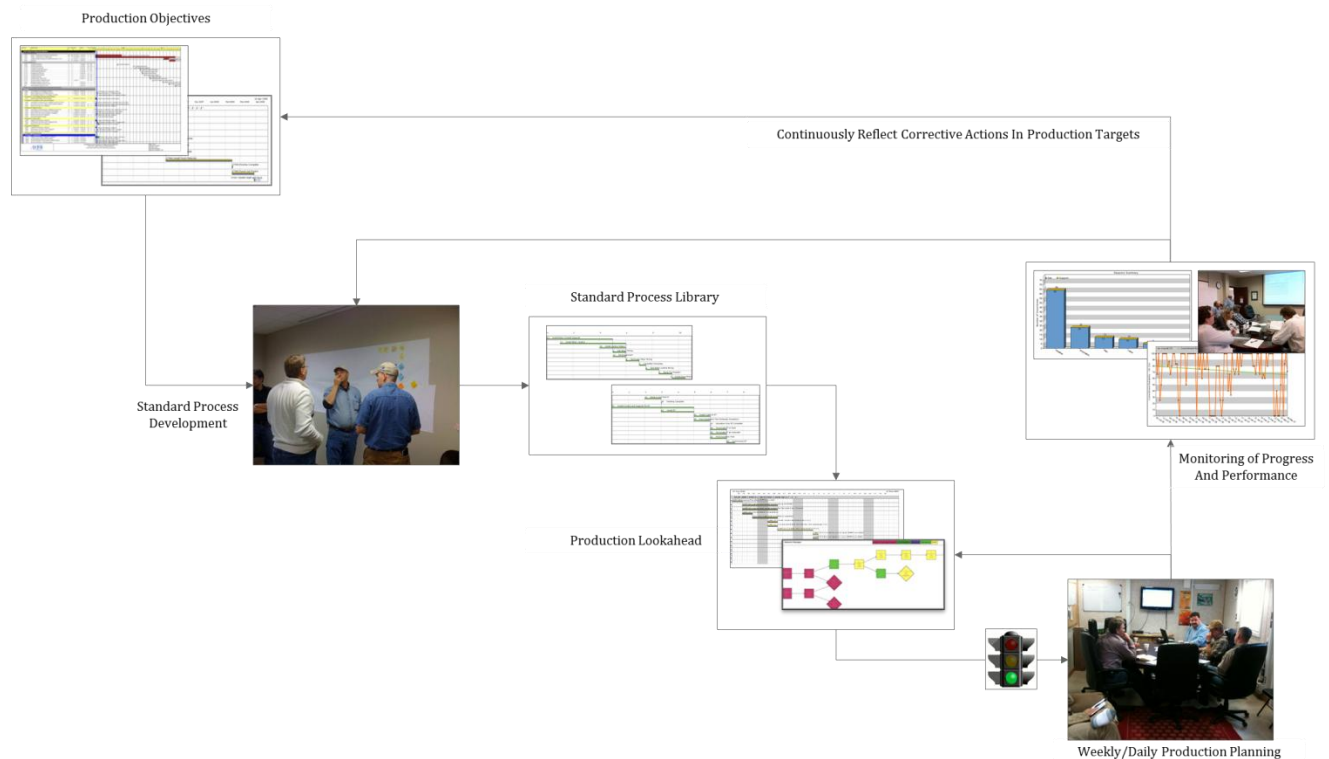
**EPLC Contact:** Dave Randolph, Dave McKay



## Section 2.3 - Project Execution - Lean Production Control

**Expectation Statement:** Assets are expected to achieve production and capital objectives by establishing a Production Control methodology. This is based on creating and utilizing standard work processes, and optimizing the schedule by identifying and adhering to the Last Responsible Moment (LRM) for each activity. Also, an “operating rhythm” of daily, weekly, monthly, etc. “Look-ahead” meetings is required to monitor conformance and cascade objectives downward to the front line while pulling upward learnings and adjustments to the daily schedule. Throughout, the Lean principles of minimizing inventory and lead/cycle-time and waste reduction are key metrics and drive continuous improvement.

### Outline:



### PDCA Activities:

**Plan:** Determination of production targets and development of standard processes on how work is done.

**Do:** Execution of work and monitoring in Weekly/Daily Production Planning and Control meetings.

**Check:** Monitoring schedule adherence and variability of delivery in daily/weekly/etc. “Dashboard”.

**Adjust:** Modify standard processes to minimize defects and improve delivery.

### References:

Hess Lean Production Control Handbook

**E&P Contact:** Shannon Belik/Kevin Gruver

**EPLC Contact:** David McKay

JUNE 2013



EXPECTATIONS FOR ASSET MANAGEMENT

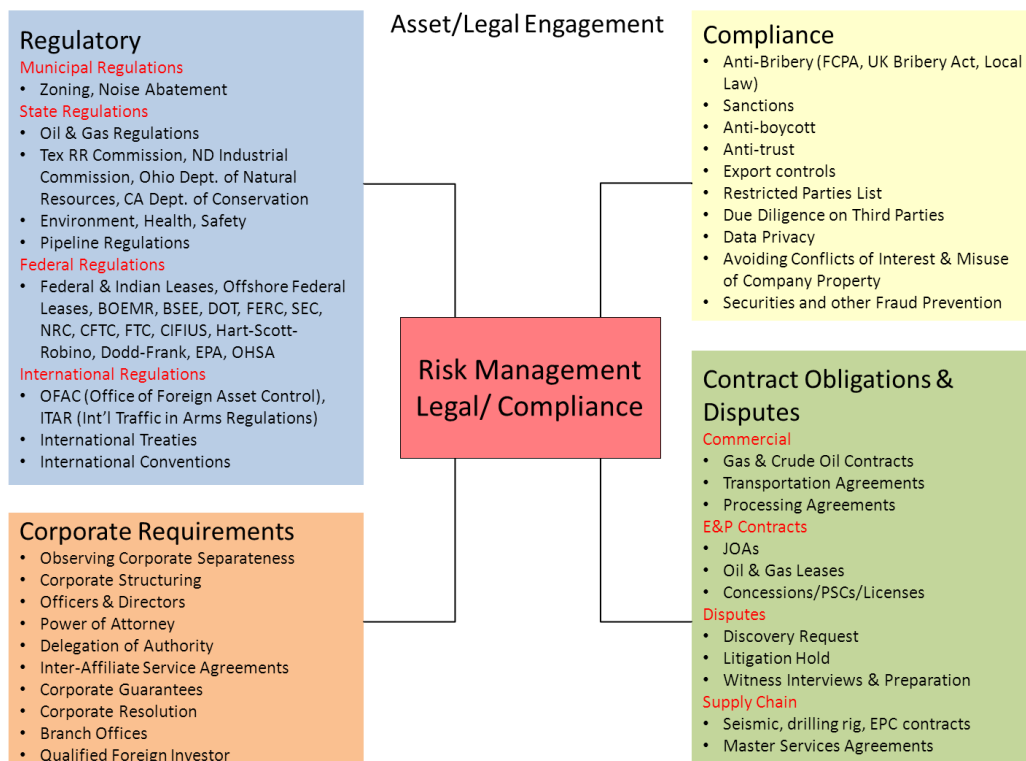
# Risk Management



## Section 3.1 - Compliance - Legal Compliance

**Expectation Statement:** Assets are expected to: (i) identify and comply with all applicable laws and regulations at the local, state or national level, and any relevant treaties and conventions; (ii) observe proper corporate governance; (iii) enter into contracts that capture agreed terms, protect Hess' interests and, to the extent possible, mitigate and/or shift risks and liabilities; (iv) assist with Litigation as requested by Legal (document holds, discovery requests, etc.); (v) establish processes to monitor compliance (contract, corporate governance, applicable laws, regulations, treaties and conventions).

### Outline:



### PDCA Activities:

**Plan:** Proactively engage Legal, Tax, Regulatory (need regulatory group), Global Compliance (Ethics), Social Responsibility, Treasurers, at inception of a project and throughout the life of a project to ensure compliance with applicable laws, regulations, treaties, conventions, contract terms, contracting strategies, and appropriate protection of Hess' interest (financial and reputational). Regularly engage same groups to monitor above ground risks to projects/assets.

**Do:** Integrate regulatory/compliance/corporate governance/contracting into business to ensure business plans, budgets, "must dos", targets, etc. include required compliance, corporate, regulatory and contracting considerations and/or strategies.

**Check:** Conduct regular assessments of contract terms, strategies, and compliance. Conduct frequent assessments of regulatory compliance (field visits, audits, etc.). Regularly assess corporate governance. Review Litigation matters – frequency, issues in dispute, adequacy of dispute resolution mechanism. Such assessments ensure continued ability to operate/maximize returns.

**Adjust:** Engage with Legal to leverage “learnings” from disputes and “deals gone wrong”, and review regular compliance assessments, court cases and trends in industry, to continually improve contracting, minimize litigation risk, and improve regulatory/legal compliance.

**References:**

Commitment to Integrity – Global Compliance Home Page  
ED 26 Legal Compliance Anti-Bribery & Anti-Corruption Policy  
Code of Business Conduct and Ethics Policy  
Security and Human Rights Policy  
Corporate Social Responsibility Policy  
Human Rights Policy  
ED 28 Social Responsibility Expenditure Guidelines and Related Approval Authority  
Document Management Policy  
Global Drilling EHS Management System  
EHS ED  
ED 16 Guidelines For Expenditure Authorization and Related Approval  
ED 17 Asset Acquisitions / Disposals  
ED 27 Improper Influence on Conduct of Audits  
Operational Practices Documents Unconventionals Above Ground Risks – Hess Way Initiative

**E&P Contact:** Toni Hennike, Claire Hand, Alexandre Bourgeois, Gabby Boersner

**EPLC Contact:** Toni Hennike

## Section 3.1 - Compliance - Global Compliance

**Expectation Statement:** Assets are expected to (i) promote the Open Door Policy and Anti-Retaliation Policy to foster open and honest communications (ii) ensure colleagues complete the online Code of Business Conduct and Ethics training (iii) ensure colleagues sign-off on the Hess Integrity Commitment (iv) create awareness and promote compliance of laws and regulations relevant to the asset (v) encourage colleagues to ask questions and report compliance concerns (vi) engage Global Compliance for investigations of Referable Compliance Matters (vii) contact Global Compliance about compliance related questions and/or concerns.

### Outline:



#### **Code of Business Conduct and Ethics**

Colleagues will be required to complete the online Code of Conduct training and sign the Hess Integrity Commitment in 2014.



#### **Policies, Laws, and Regulations**

Colleagues should be aware of the Open Door Policy, Anti-Retaliation Policy, and Referable Compliance Matter Policy. In addition, colleagues are responsible for understanding and following Hess policies that apply to them as well as knowing the laws and regulations relevant to their area of work. Anti-corruption standards will be rolled out in 2014 and colleagues will be expected to abide by the new standards.



#### **Raising Concerns**

Colleagues are required to report if there is or imminently will be a violation of applicable laws and/or Hess policies. Concerns should be immediately reported to Global Compliance. Investigations of Referable Compliance Matters will be conducted only under the Chief Compliance Officer through Global Compliance.



#### **Anti-Retaliation**

Colleagues are prohibited to retaliate against anyone for raising a concern, seeking advice or reporting misconduct.

### **PDCA Activities:**

**Plan:** Foster a culture of compliance via the Open Door Policy, Anti-Retaliation Policy and Referable Compliance Matter Policy. Assist in roll-out of online Code of Business Conduct and Ethics training in early 2014. Assist in roll-out of anti-corruption standards in late 2014. Ensure colleagues follow applicable laws and regulations. Proactively engage Global Compliance on compliance related concerns.

**Do:** Include Integrity in operational and goal conversations. Provide opportunities for colleagues to ask questions, seek advice, and/or report compliance concerns.

**Check:** Ensure that your team is acting appropriately and there is no retaliation for asking questions or raising compliance concerns.

**Adjust:** Take quick action to clarify where needed and make changes to ensure Hess Values and standards are upheld.

**References:**

Open Door Policy

Anti-Retaliation Policy

Referable Compliance Matter Policy

ED 26 Legal Compliance Anti-Bribery & Anti-Corruption Policy

Code of Business Conduct and Ethics Policy

Global Compliance website ([GlobalCompliance.ihess.com](http://GlobalCompliance.ihess.com))

Hess Hotline ([www. HessHotline.ethicspoint.com](http://www.HessHotline.ethicspoint.com))

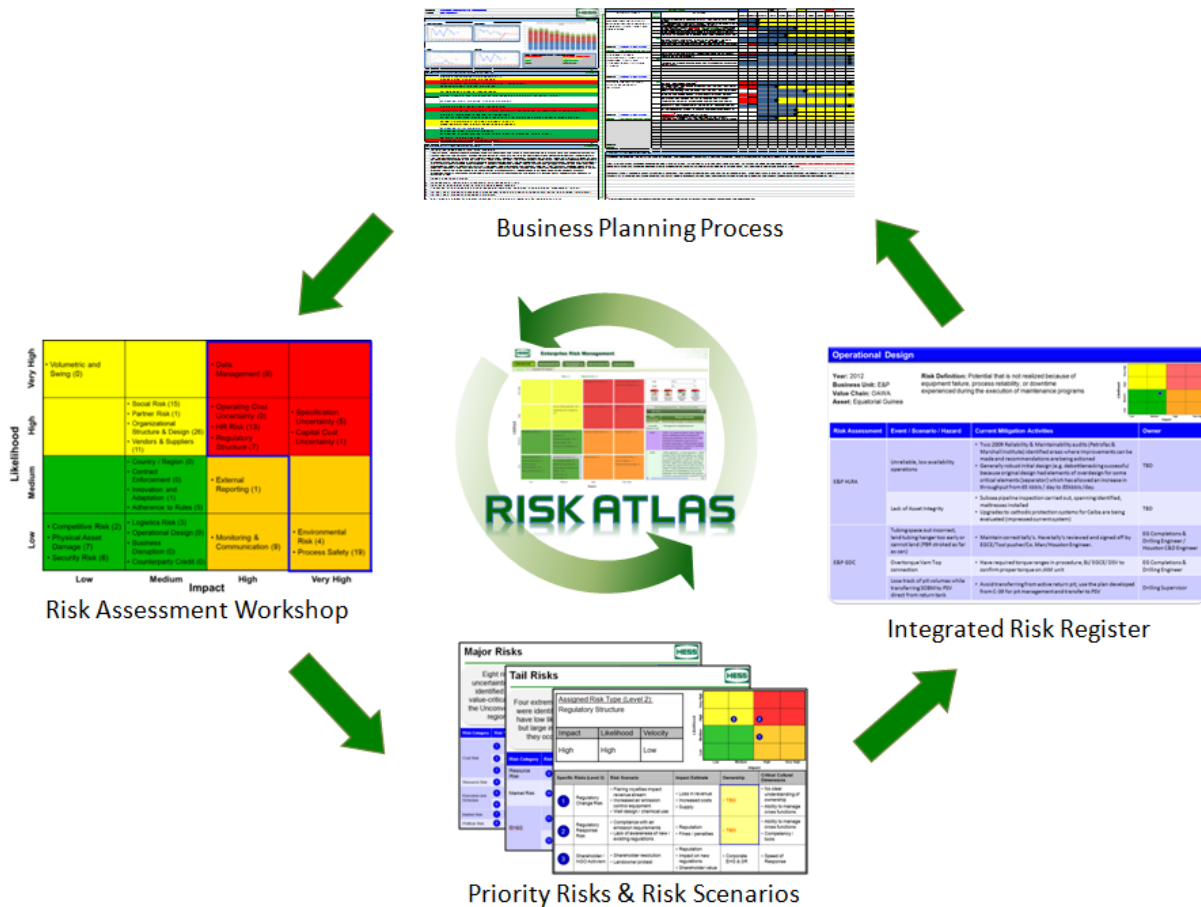
**E&P Contact:** Indrani Franchini

**EPLC Contact:** Indrani Franchini

## Section 3.2 - Risk Assessment

**Expectation Statement:** The Enterprise Risk Management process begins with the Risk Assessment Workshop which is a cross disciplinary activity that uses consensus-based discussions utilizing a common language (e.g. Risk Dictionary) to qualitatively assess key risks and build a better understanding of our risk culture. This enables us to protect and enhance enterprise value while seizing growth opportunities with confidence. Asset Managers are responsible for coordinating the Workshop, with the help from the Risk function, and expected to identify and prioritize risks that can potentially impact their business in order to integrate key risks to the business planning process. As a result, every Asset Manager will own and manage a risk heat map and integrated risk register, which will be refreshed every 12 months or as needed based on internal or external factors, including any event that would cause the underlying risk to change.

### Outline:



### PDCA Activities:

**Plan:** Risk Assessment workshops are scheduled prior to or along with the business planning process (see 1.1.1 Business Planning) or project evaluation framework (see 2.1 Project Evaluation) to help develop and improve business/project planning, providing consistency, alignment and effective risk transparency and prioritization with functional groups.

**Do:** The Risk function will help schedule, facilitate and execute a Risk Assessment workshop with a cross-functional group of senior leaders from business and support functions. The outcome of each workshop discussion drives consensus of a risk heat map, better understanding of risk culture and priority risk scenarios, and determines organizational ownership of top risk categories and scenarios.

The “Risk Atlas” is a web-based tool that provides a robust and connected view of risks across functional areas (e.g. Commercial, EHS, Corporate EHS, Global D&C, Internal Audit). Asset Managers are accountable for ensuring that all key risks are current and Asset Teams will continuously engage and interact with the Risk Atlas providing a live and up to date integrated risk database for the Asset.

**Check:** The “Risk Atlas” will provide a mechanism to monitor and assess risk management activities. Changes or modifications to the “Risk Atlas” will alert the Asset Manager of changes [criteria predefined by Asset Manager] via email. Progress is reviewed as needed or as part of the Business Planning process (see 1.1.1 Business Planning) by the leadership team to ensure priority risks are being effectively managed.

**Adjust:** The Risk function will help refresh Risk Assessments every 12 months or as needed based on internal or external factors, including any event that would cause the underlying risk to change. Changes or modifications to the integrated risk register will result in changes to business planning, as appropriate.

**References:**

Corporate Enterprise Risk Management Process and Guidelines

Corporate Risk Dictionary

Corporate Risk Rating Matrix

Risk Culture Framework

Risk Atlas Training Manual

1.1.1 Business Planning

**E&P Contact:** Jonathan Stein

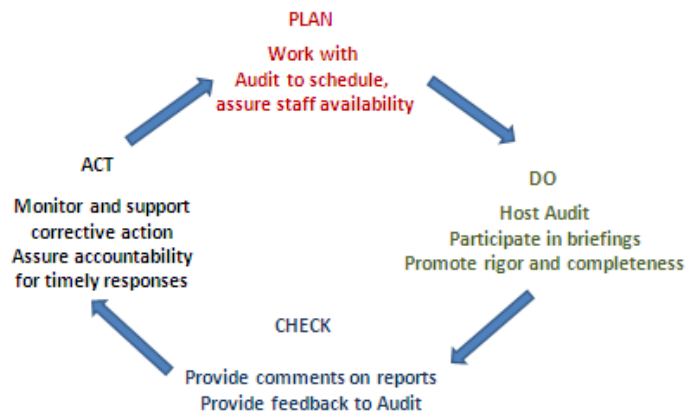
**EPLC Contact:** Jonathan Stein



### Section 3.3 - Auditing - EHS &SR Auditing

**Expectation Statement:** The Corporate EHS & SR Audit process has been developed at the request of the Audit Committee of the Hess Board of Directors to provide senior management with assessments of the effectiveness of Hess organizations' and assets' EHS & SR programs and practices. Asset managers are expected to commit to an audit schedule, assure that documentation and knowledgeable local staff are available for the audit, host the on-site portion of the work, participate in briefings and meetings where audit results are discussed, assure that relevant and timely comments are provided for reports, and support and monitor post-audit finding closure activities. Additionally, asset managers are expected to support and monitor an asset-specific self-auditing and inspection program to assure that compliance is maintained between audits conducted by corporate or other organizations.

#### Outline:



#### PDCA Activities:

**Plan:** Work with Corporate and other organizations to set audit schedules and assure EHS staff availability. Determine self-audit and inspection needs. Assign responsibility and assure needed resources are available.

**Do:** Participate fully in audits conducted by 'outside' organizations and self-audits and inspections. Promote rigor, candor, and completeness.

**Check:** Review audit findings and make timely requests for clarification or revision.

**Adjust:** Assure audit findings are closed and that the closure process is monitored and validated by findings authors.

#### References:

[Corporate EHS & SR Audit Standard Operating Procedure](#)

Regulatory and internal requirements for self-audit and inspection

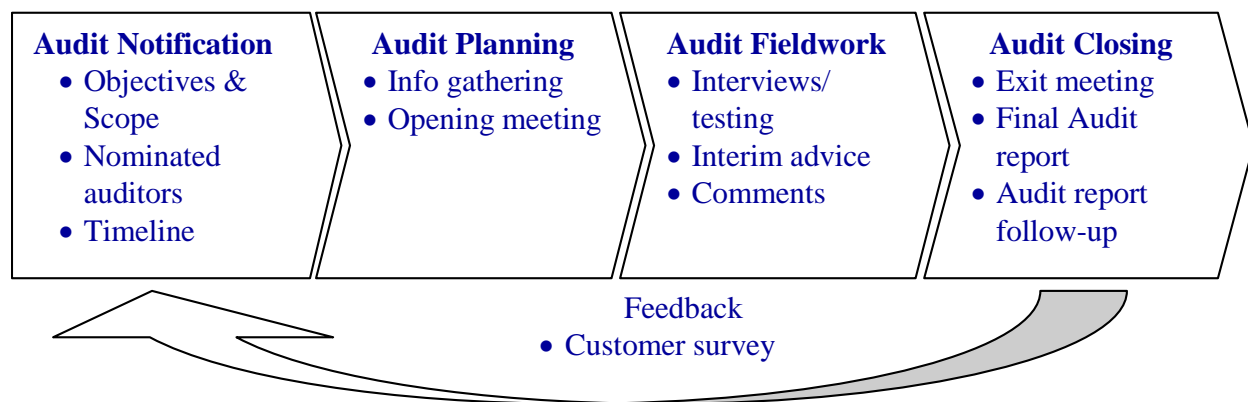
**E&P Contact:** Jim Robinson

**EPLC Contact:** Jim Robinson

### Section 3.3 - Auditing - Operations/Financial/Anti-Corruption/Contractor Audits

**Expectation Statement:** Assets are expected to provide support, management interaction, transparency and remedial action plans for identified issues in a timely manner when audits are scheduled and conducted. Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

#### Outline:



#### PDCA Activities:

**Plan:** Audit notifications including scope, objectives, nominated auditors and approximate length of fieldwork are sent to management by Corporate Audit and Compliance (CAC) prior to start of an audit. Document Requests are sent to management prior to the start of fieldwork to obtain relevant information in advance. Management is also requested to provide insight on how the audit can be conducted most efficiently and effectively.

**Do:** Interviews of management and detailed testing are performed. Potential issues are provided to management including risks and recommendations. Management develops management action plans for these issues.

**Check:** Periodic meetings may be held to update management on the audit activities conducted to date and any preliminary audit issues. An exit meeting is held with management to discuss the issues, risks and recommendations. An audit report is issued upon receipt of the management action plans related to the issues. Management submits an implementation report to Vice President of CAC on the audit recommendations within three months of the issuance of the audit report.

**Adjust:** Feedback is obtained from management on the accuracy of the issues during the course of the audit. Management completes a feedback survey after the audit to advise on ways to improve the audit.

#### References:

Corporate Audit and Compliance 2013 Audit Schedule

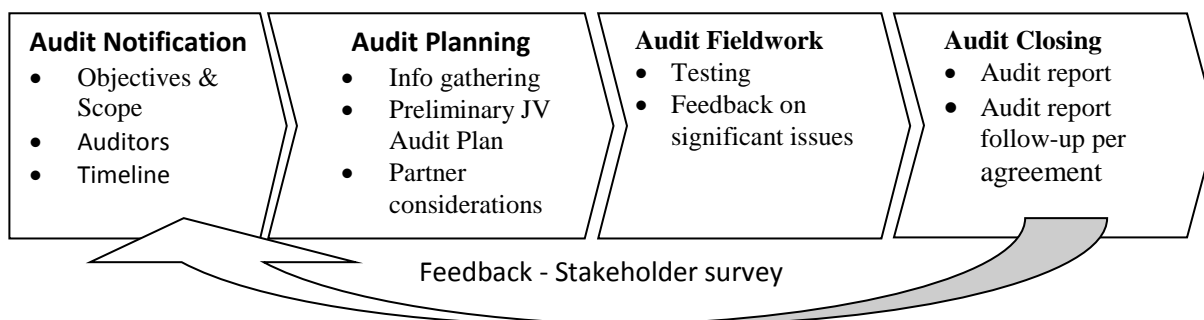
**E&P Contact:** Steve Bailey

**EPLC Contact:** James Whitley

### Section 3.3 - Auditing - Operations/Financial/Joint Venture

**Expectation Statement:** Assets are expected to provide support, management interaction, transparency and remedial action plans for identified issues in a timely manner when audits are scheduled and conducted. Joint Venture auditing is a risk based activity designed to add value by recovering overcharges invoiced for outside operated joint ventures through compliance audits of the individual venture agreements based on the accounting procedures. On an annual basis, it is expected the total recoveries of invalid charges discovered by the audits will exceed the total cost of performing the audits.

#### Outline:



#### PDCA Activities:

**Plan:** A preliminary annual audit plan identifying all properties which may have significant overcharges in their billings is prepared by Hess JV Audit and distributed to Hess management for comment. The preliminary audit plan is based on a matrix of all outside operated properties comparing Hess net spend, Hess working interest, prior audit history with the operator and estimated cost of performing the audit. The final audit plan incorporates the suggestions of management as noted provided in response to their review and feedback to the preliminary plan.

**Do:** JV audits of the properties in the final plan are scheduled and executed in accordance with their respective operating agreements. Generally, there is a two year window of opportunity to audit expenditures. Available audit dates are obtained from the operators and then other non-operators are consulted regarding their interest in audit participation before audits are finalized. Audits generally require two to four weeks in the operator's office. Audit rights and protocols are defined in the accounting procedures. The audit clauses generally address notification requirements, time-bars and response requirements of the operator. Key Hess stakeholders are informed two months prior to the start of each individual audit and asked to provide input and express any concerns about the operator or property.

**Check:** Audit reports are usually issued within sixty days of the completion of an audit. Audits findings can generally be classified as factual (simple accounting mistakes) or contractual (interpretive differences). The input of Hess stakeholders is requested regarding significant (over \$100,000 Hess net) findings based on disputed contractual interpretations prior to inclusion in the audit report. Individual operating agreements specify dispute resolution for unresolved disagreements.

**Adjust:** Management is provided a feedback survey for significant audits after an operator response to the audit report is received.

#### References:

Hess JV Audit 2013 Audit Schedule

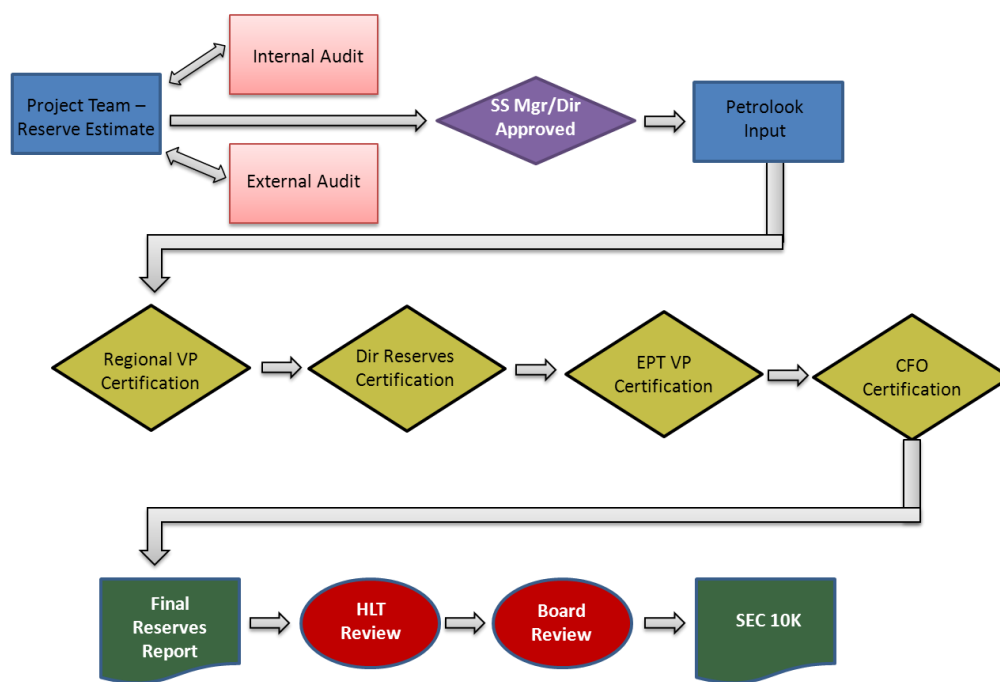
**E&P Contact:** Dan Murray

**EPLC Contact:** James Whitley

### Section 3.3 - Auditing - Reserves Process

**Expectation Statement:** Assets are expected to follow the Reserves Process. The Reserves process is designed to deliver accountability, reliability, and governance of the corporation's reserves. Accountability is delivered by defining clear roles and responsibilities. Reliability of the evaluation is delivered with standards, validation, internal, and external audits. Governance is provided by internal controls over influence.

**Outline:**



**PDCA Activities:**

**Plan:** Teams gather production data and other information to determine if any reserve adjustments are required.

**Do:** Reserve updates are input to Petrolook system and approved by subsurface leadership.

**Check:** Reserves group schedules internal and external D&M audits to comply with Hess reserve manual requirements of performing audits on 80% of reserves each year with all assets being covered at least once in a 3 year period.

**Adjust:** Reserves are certified by the SS Manager/Director, Regional VP, Reserves Director, EPT VP, and CFO. EPT VP has replaced EPT SVP.

**References:**

Hess Reserve Manual, Petrolook Reference Material, Securities and Exchange Commission Statutes, Rules and Forms, SPE PRMS Definitions Document, SPE Auditing Standards Document

**E&P Contact:** David DuBois

**EPLC Contact:** David DuBois

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EXPECTATIONS FOR ASSET MANAGEMENT

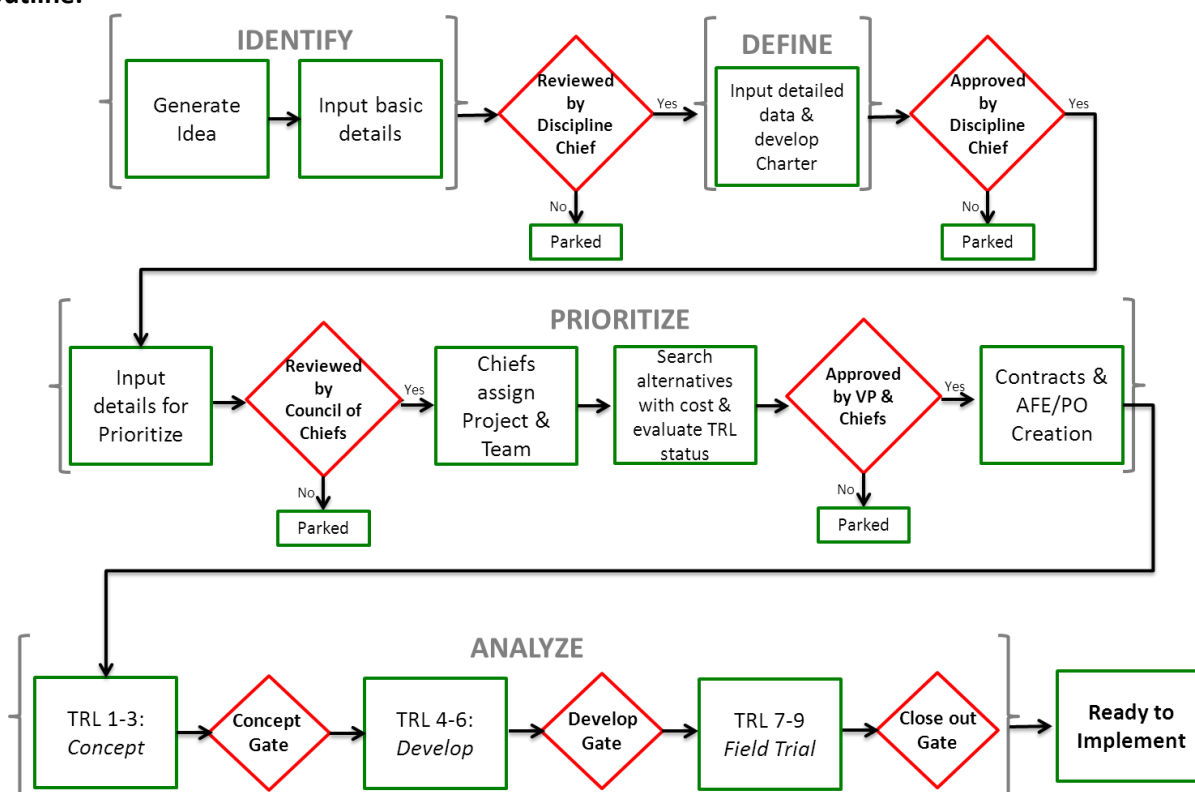
# Innovation



## Section 4.1 - Technology - Technology Management Process

**Expectation Statement:** EPT and the Assets are expected to utilize the technology management workflow to assist in prioritizing innovative ideas for budget consideration, staff resourcing and implementation. Innovative ideas can be technical solutions to known problems or solutions looking for problems and opportunities. The ideas can provide incremental, substantial or breakthrough improvements to our operations.

### Outline:



### PDCA Activities:

**Plan:** Utilize the opportunity register and technology management workflow to identify and high grade innovative ideas.

**Do:** Develop, execute or exit the associated technology application. Prepare detailed A3s and/or project charter for those ideas to be pursued.

**Check:** Utilize the technology readiness levels (TRLs) to track the progress, and consider potential off-ramps for exiting the project. EPT Leadership Team will review the status quarterly and re-prioritize projects if necessary.

**Adjust:** Use feedback from Business Units and results from pilots to determine subsequent steps.

### References:

Opportunity Register Business Guidelines (5.0); NASA's Technology Readiness Levels

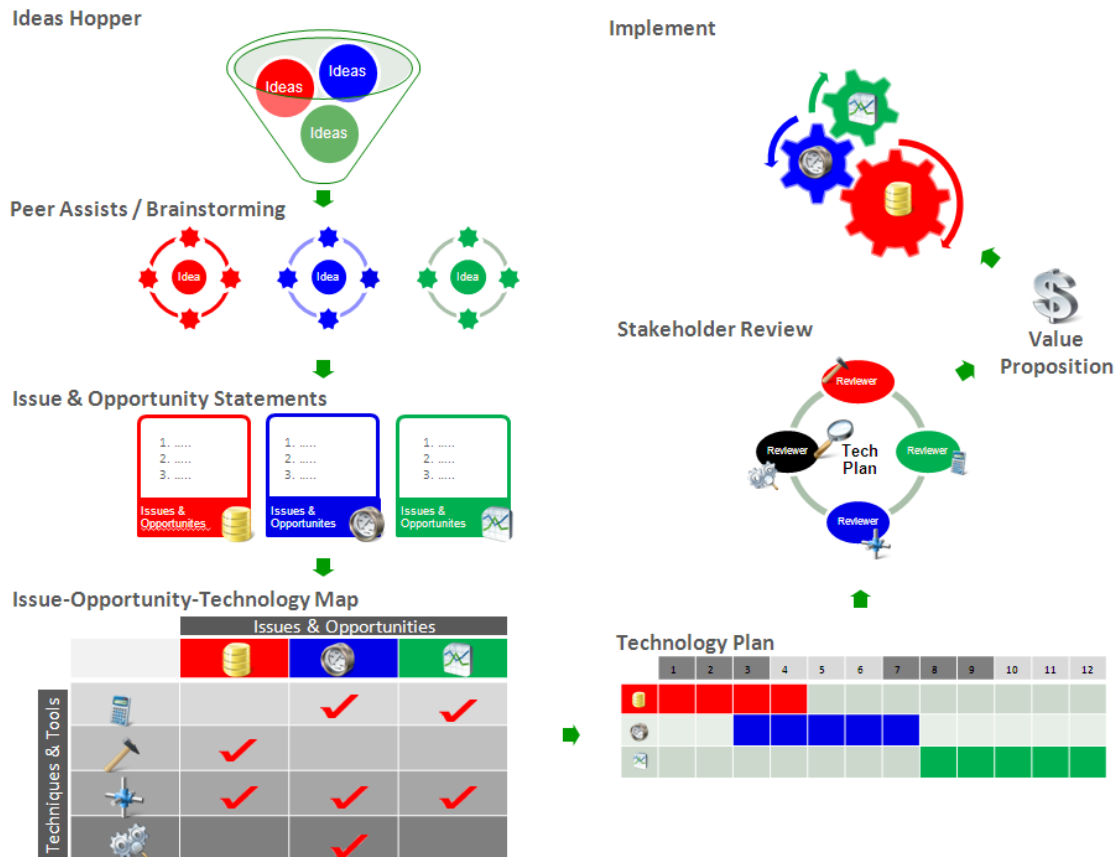
**E&P Contact:** Jerry Osmond

**EPLC Contact:** Randy Johnson

## Section 4.1 - Technology - Technology Plan

**Expectation Statement:** Assets and the Technology Organization are expected to collaborate to identify and progress value-adding opportunities to unlock resource and improve recovery, reduce opex and capex, and reduce environmental footprint.

### Outline:



### PDCA Activities:

**Plan:** Identify & prioritize technologies that could have significant impact on value within five years

**Do:** Shepard the technology through the TRL process

**Check:** Insure stakeholder engagement with relevant progress reviews

**Adjust:** Incorporate feedback and track relevant KPI's and learnings to update the plan

### References:

EPT Opportunity register

EPT TRL Process

EPT's five roles

Technology Management Process

**E&P Contact:** EPT Chiefs and Directors

**EPLC Contact:** Randy Johnson

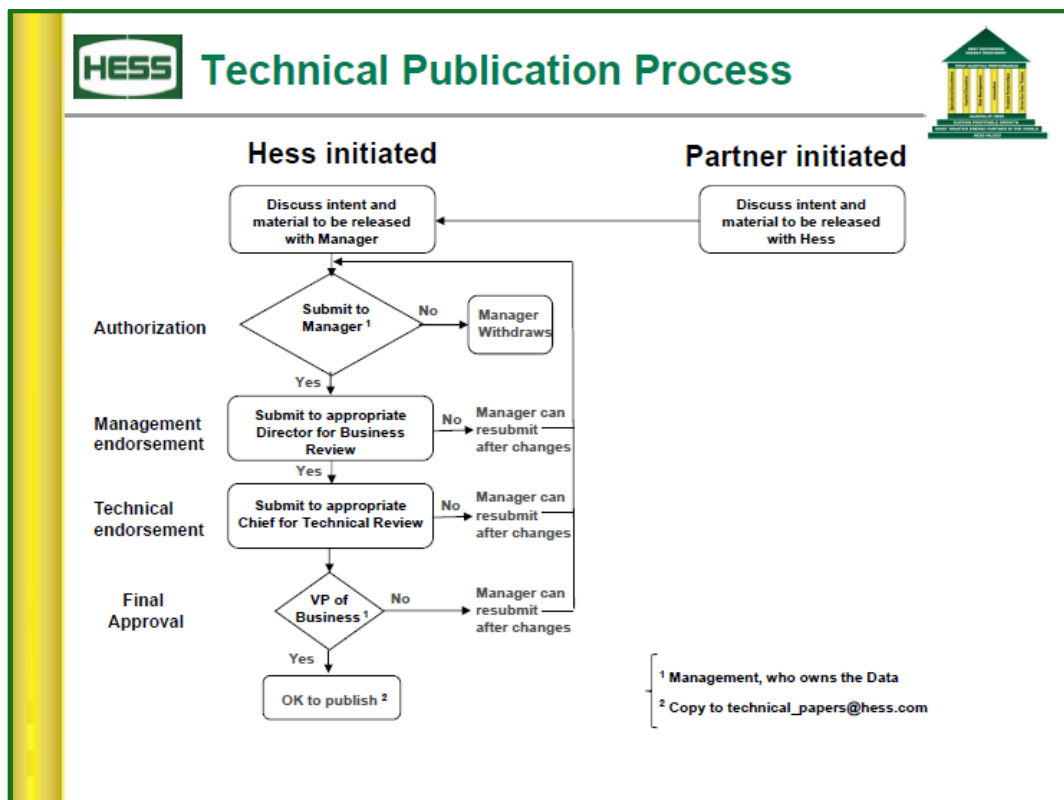
## Section 4.1 - Technology - Technical Publications

**Expectation Statement:** Assets are expected to go through the Hess approval process and adhere to the company's Communications Policy for all external technical abstracts, technical publications and technical presentations.

### Outline:

This requires review by the appropriate EPT Chief and line of business Vice President as well as notification to Corporate Communications before any technical papers are submitted to trade journals or public conferences/seminars. The EPT Chief and line of business Vice President will check for business sensitivities and determine whether review by the Legal Department is needed before final approval. To safeguard the reputation of the Corporation, the paper should be subjected to any peer reviews typically required by the technical discipline. The appropriate releases also need to be obtained if the paper contains any information belonging to a third party, joint venture partner or host government.

Caution must always be applied when participating in and giving presentations at public conferences or seminars. Presentation material and any talking points must receive prior approval by the local Corporate Communications and Legal Department representative if there is potential for the media to be in attendance, if the material may cause publicity or controversy, or if it contains financial and operating information or other material not previously disclosed to the public. Other media and public communications related to public conferences, seminars or technical publications such as advertisements, marketing orientated communications, pamphlets, brochures and handbooks must follow the Hess style and be approved by Corporate Communications.





**PDCA Activities:** Candidate publications are reviewed and approved on an on-going basis

**Plan:** Discuss intent of publication with Line Management

**Do:** Write the Technical Draft

**Check:** Management review for content and data confidentiality, Chief review for technical accuracy, Corporate Communications notified prior to publication according to company policy.

**Adjust:** Implement changes if required

**References:**

EPT Site

Hess Communications Policy on Hess Connect

**E&P Contact:** EPT Chiefs, Lorrie Hecker, Director, Global E&P Communications

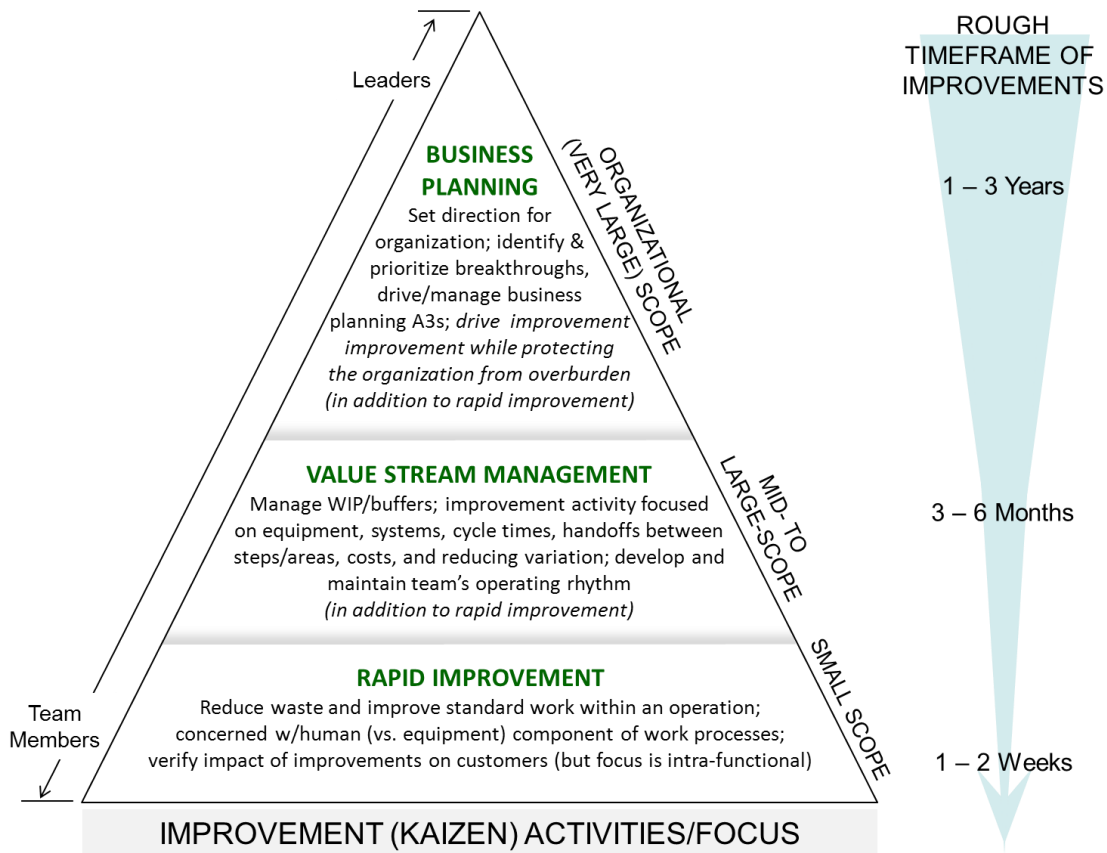
**EPLC Contact:** Randy Johnson, Lorrie Hecker

## Section 4.2 - Continuous Improvement Overview

**Expectation Statement:** Assets are expected to apply continuous improvement at multiple organizational levels and with varied scopes. Driven by identified safety, quality, delivery (timeliness) and cost opportunities, standard improvement methodologies are used including kaizen and 5S. The right tools and approach are used for each specific problem.

Assets are also expected to use the Opportunity Register to provide transparency of opportunity identification and progress.

### Outline:



### PDCA Activities:

**Plan:** Standardize the plan or process.

**Do:** Produce work in accordance with the standard.

**Check:** Measure performance against objectives; identify gaps between ideal and actual (metrics, assessments, benchmarking, etc.).

**Adjust:** Scope, initiate and implement improvement activity to close the gaps.

### References:

Production Expectations for the Management of Continuous Improvement (HESS-GPE-CI-EX-700)  
Opportunity Register Business Guidelines

**E&P Contact:** Kevin Gruver

**EPLC Contact:** John Gatling

## Section 4.2 - Continuous Improvement - Production Excellence Metrics

**Expectation Statement:** Assets are expected to track and report performance against Global PE Metrics and use them to drive continuous improvement.

### **Outline:**

PE Metrics are used to measure an assets performance against a set of objectives defined for each Production Excellence pillar. PE Metrics are a Critical tool to reveal reality – understand what is working well and where gaps exist in the GPE implementation plans. The Metrics are revisited annually to ensure they are still measuring the right things.

The following 16 Metrics are currently being tracked:

- P1.** Production Reliability is a measure of the impact of unplanned events (excluding Force Majeure) on production.
- P2.** Production Availability is a measure of the impact of all types of production loss events which have impacted production (sum of planned and unplanned losses) excluding the impact of force majeure.
- P3.** Production & Business Optimization Opportunity Capture is a measure designed to encourage both the identification and the implementation of production and Business optimization opportunities. “Opportunities” are any action that can reduce downtime, increase production, or lower overall cost.
- P4.** Integrated Capacity (IC) is designed to monitor and encourage an asset to deliver additional volumes through realizing opportunities to add production and to mitigate production losses.
- P5.** Field Surveillance Compliance is a measure of capturing field surveillance data activities for an asset vs. the planned of surveillance activities.
- R6.** Preventive Maintenance Compliance is a measure of adherence to a preventive maintenance schedule. If Preventive Maintenance routines are not followed on time, the risk of failures or periods of unavailability may increase and potentially impact Safety, Integrity, Production Availability, Production Reliability and/or Cost.
- R7.** Preventive Maintenance Percentage is a measure of how much maintenance effort is being allocated to Preventive Maintenance (PM) routines. PM routines are designed to ensure facilities and equipment continues to run without incident.
- R8.** Maintenance Schedule Compliance is a measure of the risk of equipment failures or periods of equipment unavailability may increase if preventive and corrective work is not completed timely.
- I9.** ICE Performance Standards is to monitor the development of Performance Standard (PS) Tests, as compared to the phasing in the Asset’s Implementation Plan.
- I10.** Safety/Integrity/Regulatory Critical Compliance is a measure of the risk of that Safety / Integrity /Environmental Critical Equipment failures or periods of equipment unavailability may increase if maintenance activities conducted on SIE critical items of equipment are not completed timely.

**S11.** Safety Observations Per 200,000 Man Hrs is intended to evaluate if an effective observation program exists within a given field or asset.

**C12.** Controllable Spend Per BOE metric is a measure of an asset's operational cost effectiveness.

**C13.** CM Intervention Capture is designed to encourage development of cost awareness and understanding and to develop business process and cost savings opportunities.

**C14.** Controllable Spend captured through a Work Order is a percentage measure of how much controllable spend is being controlled by work order activity including the amount on labor confirmations.

**C15.** SAP Work Order Accuracy metric is an indicator of the accuracy of the work planning process. The metric is based on comparing the actual spend on each SAP work order with the estimated costs for the work order.

**C16.** Percent of Spend through eCommerce measures the progress made in the conversion of vendor spend to eCommerce.

**PDCA Activities:**

**Plan:** Establish annual Metric targets. Review Metric definitions.

**Do:** Visibly act on captured metric data and feedback. Demonstrate open and honest use of metrics to improve performance. Coach teams to learn from good performance and understand root causes for the team's metric performance. Support teams to knock down barriers to improving performance. Recognize improvements frequently with team.

**Check:** Lead / actively participate in regular monthly Metric performance reviews to identify opportunities to improve performance.

**Adjust:** Provide a structured forum to improve Performance across all disciplines by raising identified gaps, and anomalies, then assigning responsibility for corrective actions ensuring timely resolution and closure.

**References:**

Production Excellence Metrics definitions

**E&P Contact:** Rose Harris

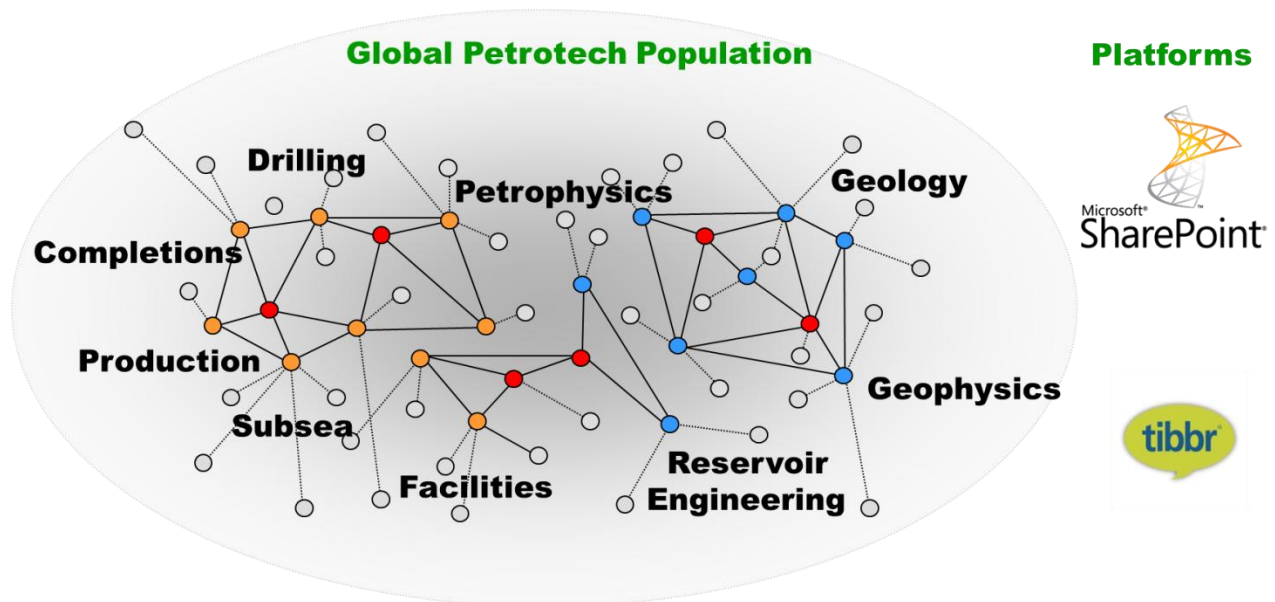
**EPLC Contact:** John Gatling

## Section 4.2 - Continuous Improvement - Technical Communities

**Expectation Statement:** Assets are expected to actively participate in Technical Communities. EPT is revitalizing Technical Communities under one umbrella with a common platform and software tools for all. We are establishing a system of dynamic knowledge and competence networks, consisting of professionals interacting in a specific technical area under one collaborative infrastructure and involved in the generation, diffusion, and utilization of technology.

### Outline:

1. **Create** a collaborative infrastructure that generates, disseminates and utilizes technology
2. **Develop** a grass-roots mechanism to transfer technical knowledge, experience and wisdom
3. **Foster** professional growth
4. **Serve** as a knowledge repository for the future



### PDCA Activities:

**Plan:** Identify needs and relevance of creating Technical Communities and obtain sponsorship from Chiefs for the Enterprise

**Do:** Implement per Charter

**Check:** Review participation rate

**Adjust:** Implement actions as needed

### References:

Communities SharePoint sites

Tibbr

**E&P Contact:** EPT Chiefs

**EPLC Contact:** Randy Johnson

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EXPECTATIONS FOR ASSET MANAGEMENT

# Trusted Partnerships



## Introduction to Trusted Partnerships

A foundational component of Hess 2020 vision is to become “the most trusted energy partner in the world.” Trusted Partnerships is the pillar of the House of Hess that represents this vision.

Hess defines a Trusted Partnership as one which has the following characteristics:

- Trust
- Transparency
- Shared goals
- Strategic alignment
- Loyalty and advocacy
- Positive impact
- Extra mile / commitment

Asset leaders are expected to be on the front line in developing, monitoring and actively seeking to enhance key relationships.

Hess requires asset leaders and all employees to be guided by the following principles:

1. We invest to build high-trust relationships with partners who themselves have a history of trustworthiness and responsible business practices
2. We take a long-term perspective
3. We always act with integrity: we are honest, ethical and reliable; and we operate in safe, socially responsible ways
4. We demonstrate respect for the other person in all our relationships
5. We conduct ourselves with transparency and openness
6. We build partnerships to create value for both sides
7. We measure the performance of our partnerships, including tangible and intangible benefits

The way we manage relationships, both internally and externally, has a significant impact on our ability to establish and grow Trusted Partnerships.

## Section 5.1 - Communications

**Expectation Statement:** Asset leaders and their teams are expected to work with available communication resources (Communications team members – see below – and tools they provide) to (1) educate and engage employees to support the achievement of business plans and (2) protect and enhance the company’s reputation to drive preference among key stakeholders.

### Outline:

The Role of Communications

#### EDUCATE AND ENGAGE EMPLOYEES

What leaders deliver	What Communications team delivers
<ul style="list-style-type: none"> <li>■ Maintain a steady operating rhythm of two-way communications with employees and contractors that:               <ul style="list-style-type: none"> <li>■ Reinforce strategic direction and desired outcomes</li> <li>■ Explain performance drivers</li> <li>■ Demonstrate progress</li> <li>■ Celebrate successes</li> <li>■ Promote dialogue and provide feedback</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>■ Develop and deliver effective communications that deepen understanding of E&amp;P’s strategy, support organizational changes and reinforce desired culture</li> <li>■ Support leaders in facilitating two-way communications that create a line of sight between Hess 2020, E&amp;P’s strategy and the work of their teams</li> <li>■ Execute communications plans to support key business initiatives</li> <li>■ Promote dialogue, provide feedback and help monitor the pulse of the workforce</li> </ul>

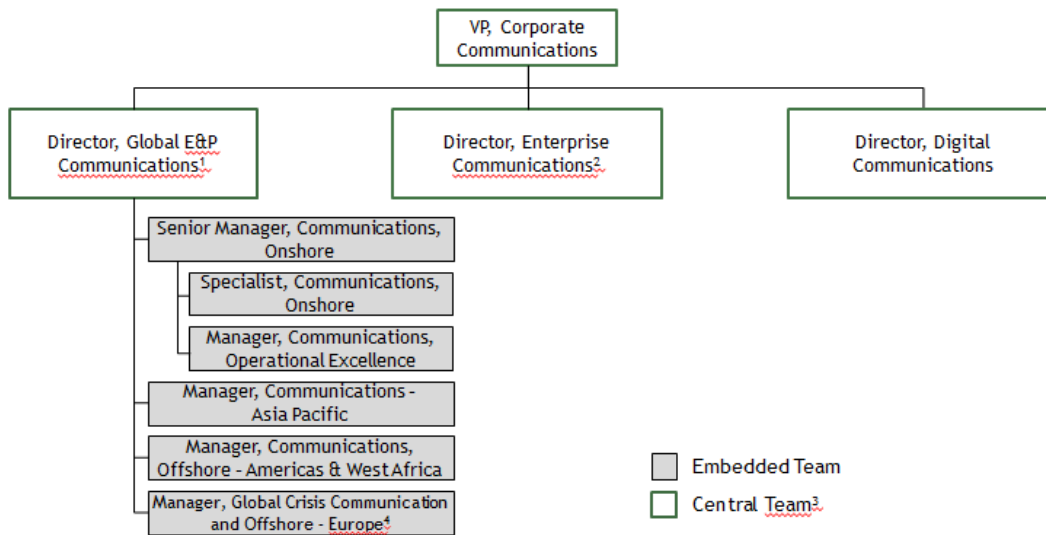
#### PROTECT AND ENHANCE REPUTATION

What leaders deliver	What Communications team delivers
<ul style="list-style-type: none"> <li>■ Develop effective stakeholder management plans with input and support from functions such as Government Affairs, Social Responsibility and Communications</li> <li>■ Identify current and emerging issues that pose reputational risks, flag to Communications team</li> <li>■ Provide stories and examples from the field to support global communications that reinforce desired perceptions and behaviors</li> <li>■ Adhere to the company’s Communications Policy, which addresses media relations, crisis communications, external communications such as publications and conferences, use of social media and related topics</li> <li>■ Engage with Communications before committing to speak at or exhibit at an external conference, exhibition or trade show</li> </ul>	<ul style="list-style-type: none"> <li>■ Develop clear, consistent, targeted messages and visuals that tell a compelling story about our company and our brand across multiple channels</li> <li>■ Identify and monitor issues, develop communication strategies to address and mitigate reputational risks</li> <li>■ Deliver materials and templates to support our business strategy and asset communication needs, e.g. talking points, ads, brochures</li> <li>■ Participate in the development of effective stakeholder management plans</li> <li>■ Equip employees and third parties as appropriate with tools and knowledge to represent the company effectively and earn trust of key stakeholders</li> <li>■ Leverage conference presentations for other company communications and ensure consistent branding at external events</li> </ul>



- Work with the Communications team on crisis communications readiness including participating in communications training and exercises and maintaining external agency support as needed
- Establish regional communications network (for crisis, stakeholder management coordination, etc.)

### Communication Resources




1. Supports Exploration and Strategy, Commercial, NBD as well as executive communications
2. Supports E&P Services as well as enterprise-wide communications
3. Director and above shown in this high-level hierarchy for Central team
4. Role to be rescoped in ~18 months

### External Communications Roles



## Media Inquiry Guidelines

	
<b>MEDIA INQUIRY GUIDELINES</b>	
<p>Contact a Hess company spokesperson if...</p> <ol style="list-style-type: none"><li><b>1</b> A reporter contacts you.</li><li><b>2</b> A notification is made to a regulatory agency, police or fire department.</li><li><b>3</b> An incident occurs that will be visible to the public like a vehicle accident.</li><li><b>4</b> Multiple or high-concern complaints are received from a community member.</li><li><b>5</b> A nearby event poses a visible threat to operations such as a fire.</li></ol>	<h3>DO</h3> <ul style="list-style-type: none"><li>▶ Be polite and follow the guidelines.</li><li>▶ Be calm and firm in referring questions to a Hess spokesperson who can help.</li><li>▶ Brief security, switchboards and anyone else who may receive a media inquiry on the guidelines.</li><li>▶ Contact a Hess spokesperson immediately by phone.</li></ul>
<p>If a reporter has contacted you...</p> <ol style="list-style-type: none"><li><b>1</b> Get the reporter's name, organization and contact information.</li><li><b>2</b> Promise a prompt callback from a Hess spokesperson.</li><li><b>3</b> Call the Hess switchboard at <b>732.750.6000</b> and ask them to reach any of the Hess spokespersons — Lorrie Hecker or Jon Pepper. (Switchboard operators have contact information to reach a Hess spokesperson.)</li></ol>	<h3>DO NOT</h3> <ul style="list-style-type: none"><li>▶ Do not say, "no comment."</li><li>▶ Do not offer your own personal opinions or get drawn into answering questions.</li><li>▶ Do not agree to media requests to come on site without consulting a Hess spokesperson.</li><li>▶ Do not transfer the call or send an email, which may result in delays.</li></ul>
	<b>FOR INTERNAL USE ONLY</b>

### References:

Company Communications Policy

E&P Leadership Communications SharePoint site ([EPLLeaderComms.iHess.com](http://EPLLeaderComms.iHess.com))

**E&P Contacts:** Lorrie Hecker, Global E&P Communications;

Elida Bustaman, Asia Pacific Communications;

Marja Crockett, Onshore Communications;

Hillary Durgin Harmon, Offshore Communications – Americas & West Africa;

Kate Samuel, Global Crisis Communication and Offshore - Europe

**EPLC Contact:** Lorrie Hecker, Director, Global E&P Communications

## Section 5.2 - Stakeholder Engagement - Overview

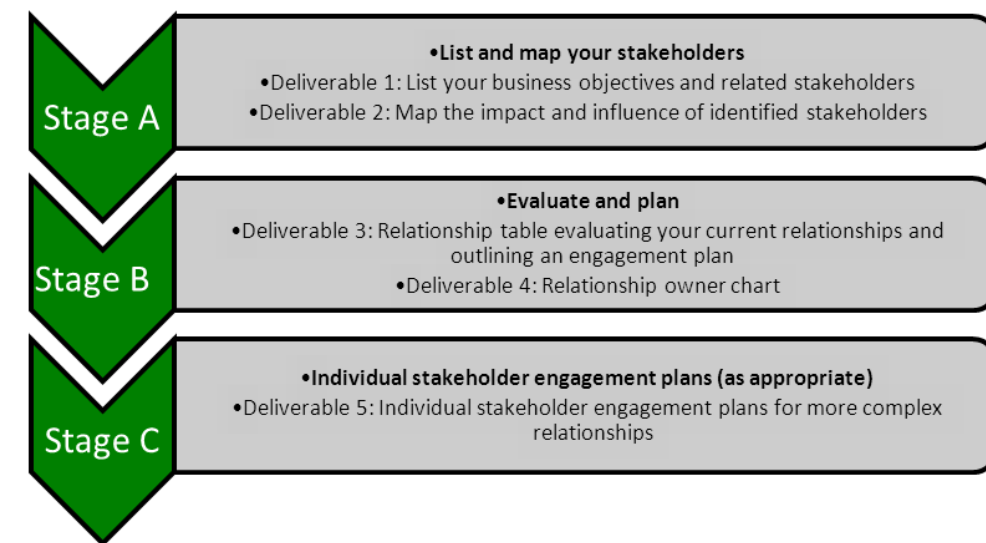
**Expectation Statement:** Asset leaders are expected to maintain effective relationships with key stakeholders who affect their license to operate, including government officials, regulators, trade associations, NGOs, community leaders, contractor groups and suppliers. They are expected to work with functions such as Government Affairs, Corporate Social Responsibility and Communications to develop a stakeholder engagement plan that identifies key stakeholders and specifies actions and ownership for developing and enhancing relationships with these stakeholders. They are then expected to drive their teams' external engagements, measure outcomes and hold people accountable based on this plan, which should be stored on the Relationship Management SharePoint site on Hess Connect.

### Outline:

#### Potential stakeholder groups



#### The stakeholder planning process



**PDCA Activities:**

**Plan:** Identify stakeholders via desk research and interviews. Develop Stakeholder Engagement Plan and allocate tasks by conducting asset workshop.

**Do:** Engage stakeholders as per plan. This is not a one off activity, but involves cultivating relationships over time.

**Check:** Review status of stakeholder engagement. Are deliverables being achieved? Are new priorities emerging?

**Adjust:** Update plan to reflect new reality ~every 6 months or when significant internal or external change occurs.

**References:**

Stakeholder Planning Deck (on the Relationship Management SharePoint site on Hess Connect)

Trusted Partnerships page on Hess Connect

Stakeholder Engagement: A Good Practice Handbook for Companies Doing Business in Emerging Markets

**E&P Contacts:**

Colin Davies (Corporate Planning and Strategy)

Lorrie Hecker (Communications)

Paula Luff (Social Responsibility)

Drew Maloney (Government Relations)

**EPLC Contact:**

Colin Davies (Hess 2020 Trusted Partnerships team member)

Lorrie Hecker (Hess 2020 Trusted Partnerships team member)

Anders Nymann (Asset Director, Denmark)

JUNE 2013



EXPECTATIONS FOR ASSET MANAGEMENT

# Grow Our Own Timber

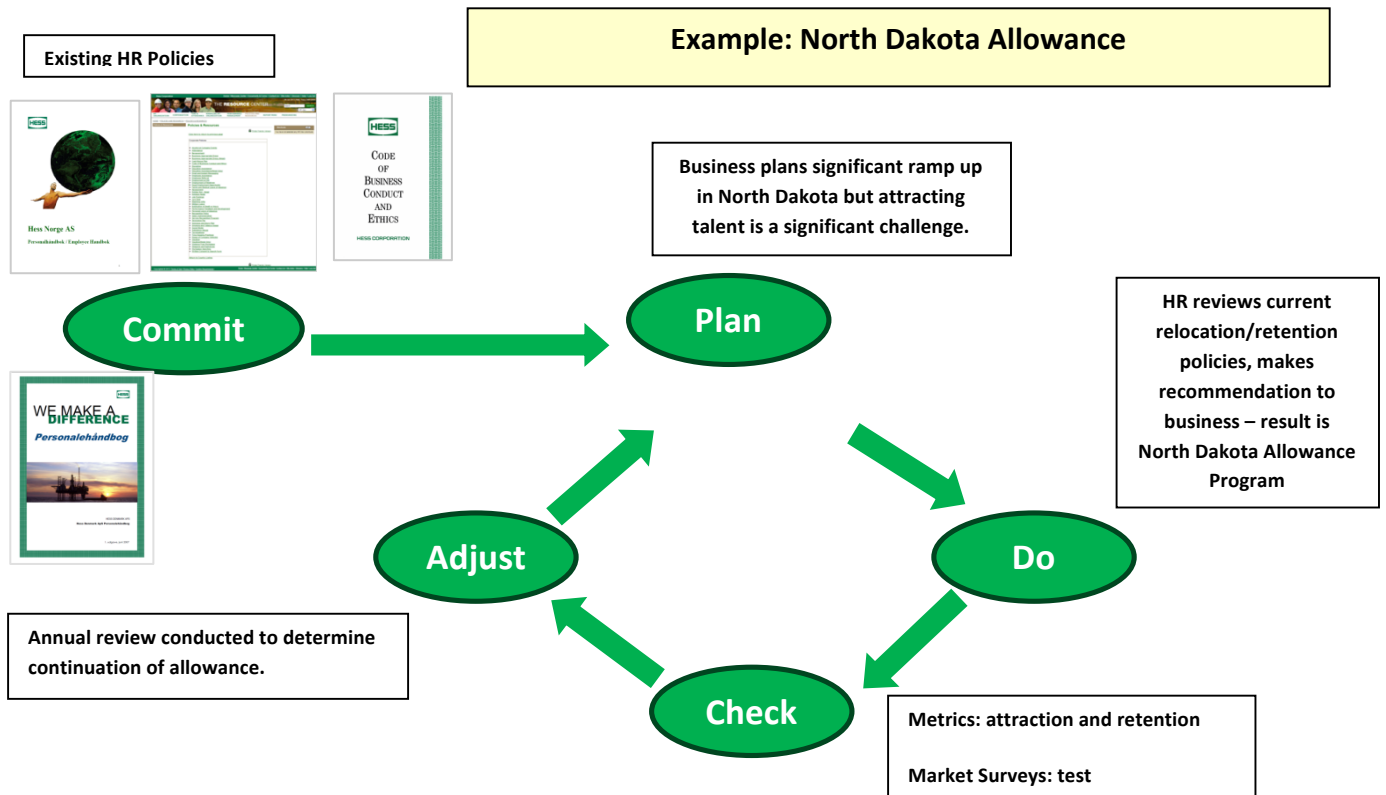


## Section 6.1 – HR Policies, Governance of Employee Matters

**Expectation Statement:** Hess has developed a suite of policies to help the Company govern the range of employee matters. Assets are expected to adhere to these policies and seek guidance from his or her HR business partner as needed.

### Outline:

Adjustments and exceptions may be made to accommodate unique business circumstances as they arise, and new policy may be created. Following is an example of how this should unfold:



### PDCA Activities:

**Plan:** Every employee and business makes it a priority to understand and adhere to existing policies.

**Do:** HR reviews the range of policies on a regular basis as business conditions and needs change due to internal and/or external factors (e.g., new market entry and changing legislation).

**Check:** HR will assess the need for change taking into account different information sources, including market trends, benchmark surveys, employee surveys.

**Adjust:** Adjustments may be made per internal Delegation of Authority.

### References:

Hess Connect/Resource Center/Policies and Resources, and your group's HR business partner

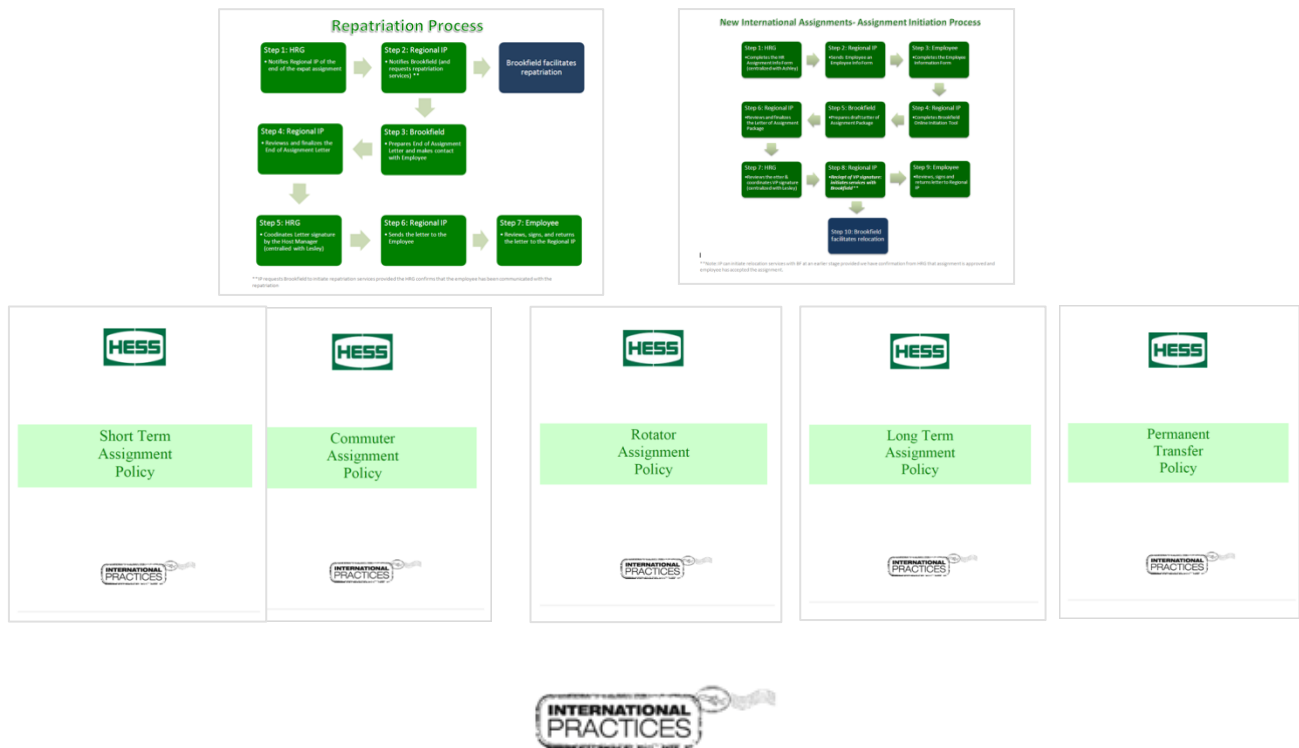
**E&P Process Owner:** Joe Tolbert

**EPLC Contact:** Helena Deal

## Section 6.1 – HR Policies, Expatriates and Assignments

**Expectation Statement:** Assets are expected to get explicit approval from an SVP for expatriate assignments given the significant investment. Expatriates are playing a central role in enabling a smooth transition for Hess to become a pure-play, global E&P company, and their assignments are complex because Hess draws talent from a number of countries.

### Outline:



### PDCA Activities:

**Plan:** During the business planning/headcount budget process, roles are identified that can be potentially filled by an expat and budgeted for accordingly.

**Do:** Specific roles and individuals are identified by various talent networks.

**Check:** Roles being filled by expats will be made visible in headcount reports and talent network documentation.

**Adjust:** Appropriate countermeasures will be identified (e.g., external recruitment, fill with local talent, policy updates) and adopted.

### References:

Hess Connect – The Resource Center, Talent Networks

**E&P Process Owner:** Lesley Hemphill

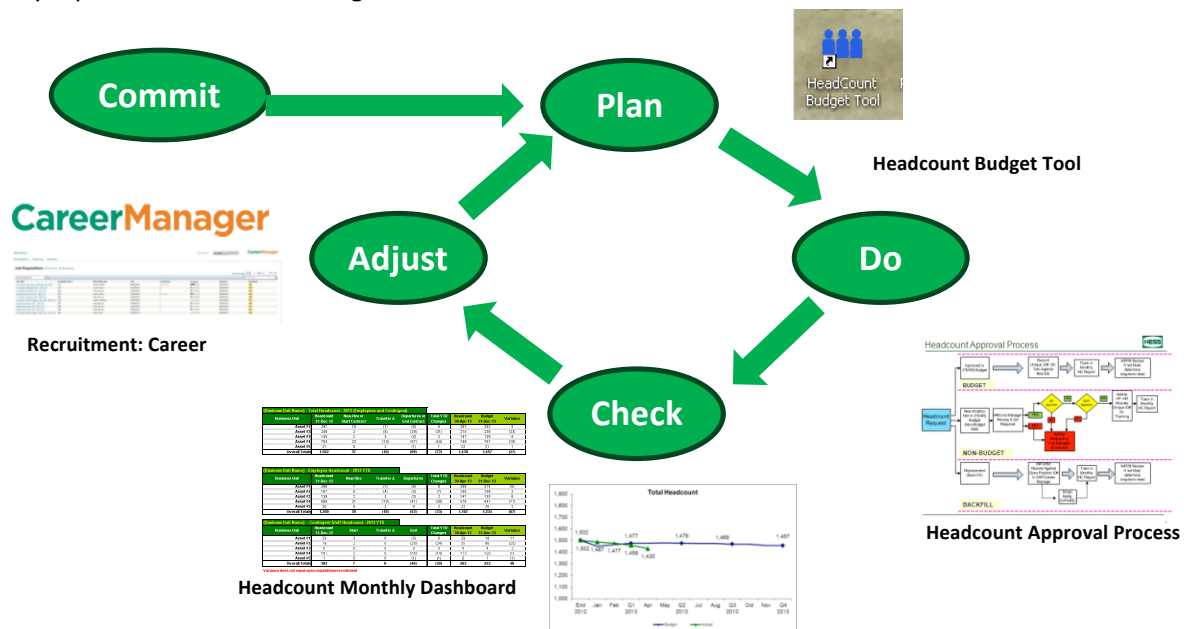
**EPLC Contact:** Helena Deal

## Section 6.2 – Headcount Management

Assets are expected to prepare and submit a headcount and employee cost budget as part of the annual Budget and Plan cycle, which generates an approved workforce plan for the coming year. Assets should review headcount, employee costs and related assigned cost centers monthly to monitor performance versus budget, as well as ensure the accuracy of employee cost data used in billings to partners and governments. The latter is critical to assuring cost recovery and tax deductibility.

### Outline:

Managing headcount is important because it helps the business understand the total human resource needed to run the business efficiently and safely. It is also an important external benchmark metric and a key input to the Talent Management Process.



### PDCA Activities:

**Plan:** During the planning and budget process, submit staff resourcing needs and costs estimates.

**Do:** Recruit and resource within approved budget or seek an approved exception.

**Check:** Review monthly headcount reports and dashboards to identify potential hot spots and review accuracy of employee cost center information.

**Adjust:** Develop countermeasures for hot spots and adjust the forecast to reflect changes in full-year employee cost estimates.

### References:

Section 1.1.1 Business Planning, A3's, Business Must Do's, Networks

**E&P Process Owner:** Kelly Knight

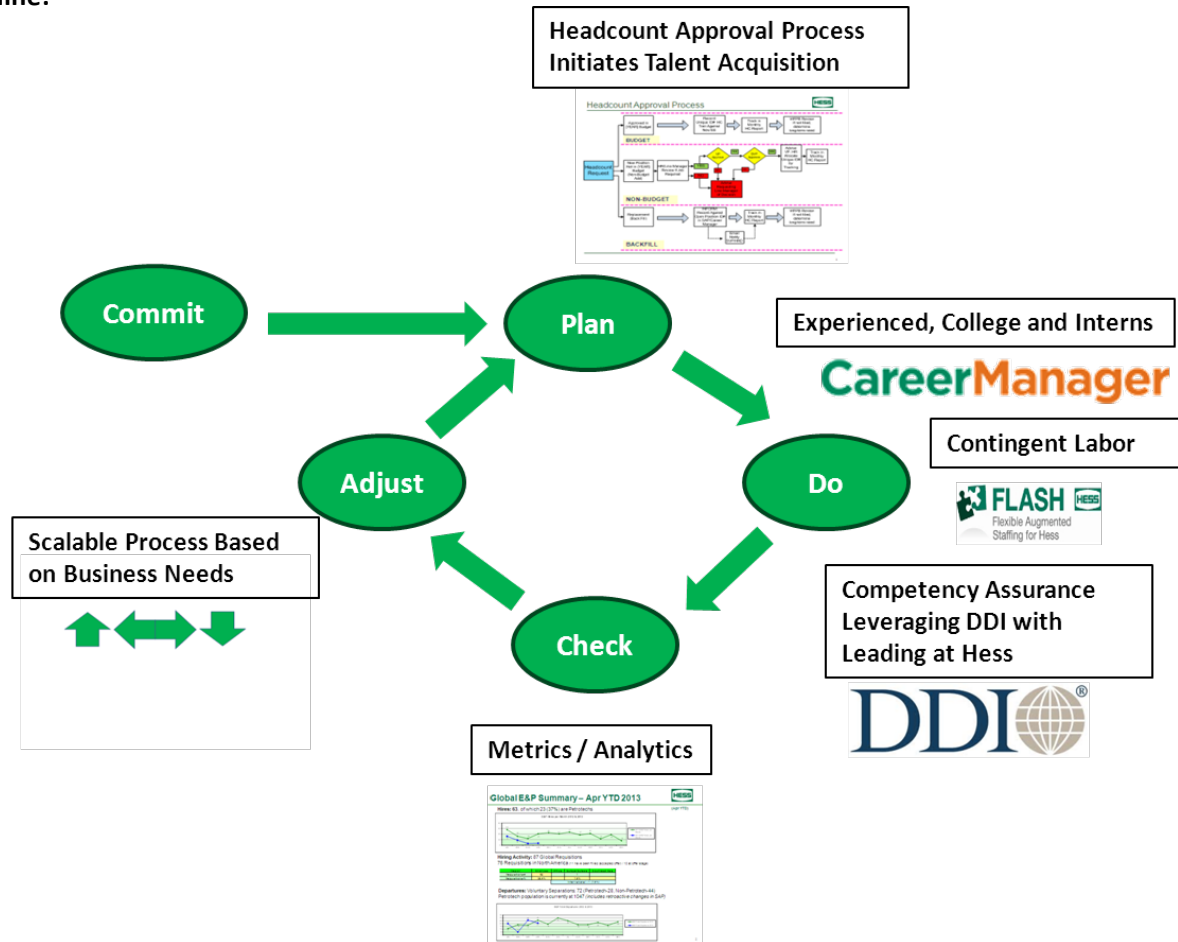
**EPLC Contact:** Brent Schwartz



## Section 6.3 – Talent Acquisition

**Expectation Statement:** Assets are expected to work with their HR Business Partner(s) to identify, attract and onboard quality talent through a standard global process. This ensures that every candidate has the proper “Hess” experience and that we are legally compliant. New employees are assimilated through a structured onboarding program that is designed to help them efficiently and effectively join the organization.

### Outline:



### PDCA Activities:

**Plan:** Align with workforce planning/budgeting/ EPLT approval process

**Do:** CareerManager is the tool for experienced and university hiring; FLASH for contingent hiring

**Check:** Reporting and analytics (monthly EPLT review)

**Adjust:** Based on evolving workforce needs – adjust accordingly

### References:

CareerManager guides, FLASH guides, DDI toolbox, headcount dashboard and Recruitment Summary

**E&P Process Owner:** Kelly Knight, Tony Vasut

**EPLC Contact:** Kelly Knight

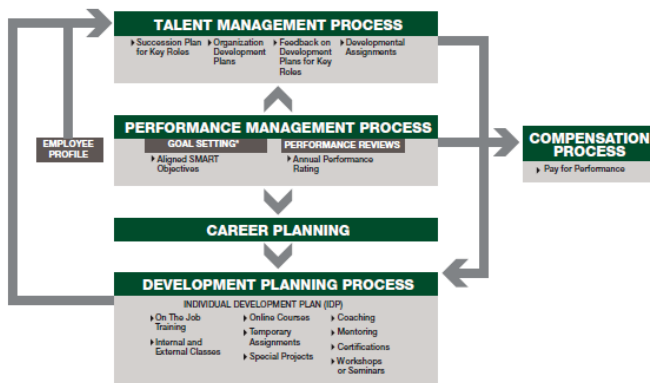
## Section 6.4 – Performance Management Process

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**Expectation Statement:** Assets are expected to participate in the formal performance management process and to ensure that 100% of employees have formal objectives for the year as well as a formal development plan that includes actions to improve Leading at Hess competencies.

### Outline:

This graphic illustrates the interrelationship between the performance management process and other people-oriented processes..



Stage	What Happens	This Typically Happens
Stage 1: Setting Objectives	Managers and employees set performance and development (Individual Development Plans or IDP) objectives for the year	By End February
Stage 2: Mid-Year Performance Reviews	Managers discuss mid-year progress against performance and development (IDP) objectives with employees	June to July
Stage 3: Year-End Performance Reviews	Managers review final results against performance and development (IDP) objectives with employees	By End December
Stage 4: Performance Ratings and Compensation Recommendations	Managers make rating, salary and bonus recommendations based on results against performance objectives at year end; Senior leaders make long-term incentive award recommendations based on various corporate and individual criteria	By Mid January
Stage 5a: Calibration	Senior leaders hold calibration meetings to review manager recommendations across their respective business/function and adjust as appropriate before Hess Leadership Team (HLT) approval	December to January
Stage 5b: Review and Approval of Recommendations	Ratings are reviewed and approved by the Hess Leadership Team (HLT)	End January to Mid February
Stage 6: Communicating Ratings and Awards	Managers communicate final performance rating, salary increase, bonus payment, new target bonus, long-term incentive awards, promotions/lateral changes to employees	Early March

Performance Ratings				
1	2	3	4	5
DID NOT MEET EXPECTATIONS	MET MOST EXPECTATIONS	MET EXPECTATIONS	EXCEEDED EXPECTATIONS	SIGNIFICANTLY EXCEEDED EXPECTATIONS
The employee did not meet most performance objectives	The employee met most, but not all, performance objectives	The employee met performance objectives	The employee exceeded performance objectives	The employee significantly exceeded performance objectives
In most cases an overall rating of "1" results in an employee being put on a performance improvement plan	A "2" rating is closer to a "3" level performance than a "1" and indicates that results were, with just a couple of exceptions, on target with agreed objectives	An employee does not just ease into a "3" rating; it takes a lot of initiative and work to achieve agreed objectives	A rating of a "4" indicates the employee consistently exceeded expected results against agreed objectives	A "5" rating represents a standard of performance rarely achieved and indicates the employee generated outstanding results, taking performance to a new level

## CareerManager

### PDCA Activities:

**Plan:** Establish team goals to which employees can align SMART personal objectives (by end Feb.). Create a development plan for each employee based on business needs and career interests (by end Feb.).

**Do:** Take action to achieve objectives and implement the development plan, engaging leadership to remove barriers as necessary. At the end of the cycle (March), meet with the employee to provide final performance rating (based on a five-point performance scale) and compensation, which are summarized in a letter. The rating affects the amount of bonus and other compensation the employee receives.

**Check** Regularly review progress throughout the year on objectives and actions agreed in the individual development plan and record in CareerManager. Hold a formal review at mid-year (June-July) and at year-end (December) to gather background to make decision about the annual performance rating (January).

**Adjust:** Revise objectives if business conditions or priorities have changed and do the same with the development plan. Enter revisions into CareerManager with notes.

### References:

Manager's Guide to Year-End Performance Management and Compensation; CareerManager; The Learning Center tutorials; Hess Connect/MyHR overview and Quick Reference Guides.

**E&P Contact:** Your HR Partner

**EPLC Contact:** Jamie Lane, Helena Deal, Mykel Ziolo

## Section 6.4.2 – Performance Management, Leading at Hess

**Expectation Statement:** Assets are expected to informally assess everyone against the Leading at Hess behaviors during mid-year reviews and formally at year end in CareerManager.

### Outline:

To be a high-performer at Hess and, ultimately, earn career growth opportunities, everyone must deliver results and do it the right way. Leading at Hess comprises nine competencies that form the standard for how everyone at Hess should go about their daily work, interact with one another and influence the change we need to become the best performing energy investment. And greater proficiency of Leading at Hess is expected as you progress in your career and take on more senior positions. That's why 25% of everyone's annual performance rating for 2013 will be based on a formal assessment of how well the Leading at Hess behaviors were demonstrated.

HESS LEADERSHIP COMPETENCIES		LEADING AT HESS
PEOPLE	<b>Builds Trusted Relationships</b>	Is dedicated to meeting the expectations and requirements of internal and external customers/partners/stakeholders ("C/P/S"); gets first-hand information from C/P/S and uses it for improvements in products and services; acts with C/P/S in mind; establishes and maintains effective relationships with C/P/S and gains their trust and respect.
	<b>Develops Talent</b>	Provides challenging and stretching tasks and assignments; holds frequent development discussions; is aware of each person's career goals; constructs compelling development plans and executes them; pushes people to accept developmental moves; cooperates with the developmental system in the organization.
	<b>Creates Effective Teams</b>	Blends people into teams when needed; creates strong morale and spirit in his/her team; shares wins and successes; fosters open dialogue; sets people finish and be responsible for their work; defines success in terms of the whole team; creates a feeling of belonging in the team.
DIRECTION	<b>Thinks Strategically</b>	Sees ahead clearly; can anticipate future consequences and trends accurately; has broad knowledge and perspective; is future oriented; can articulate paint credible pictures and visions of possibilities and likelihoods; can create competitive and breakthrough strategies and plans.
	<b>Inspires Innovation</b>	Is good at bringing the creative ideas of others to market; has good judgment about which suggestions will work; has a sense about managing the creative process of others; can facilitate effective brainstorming; can project how potential ideas may play out.
	<b>Demonstrates Courage</b>	Doesn't hold back anything that needs to be said; provides current, direct, complete, and "actionable" positive and corrective feedback to others; sets people know where they stand; faces up to people problems on any person or situation (not including direct reports) quickly and directly; is not afraid to take difficult actions when necessary.
RESULTS	<b>Delivers Consistent Improvement</b>	Good at figuring out the processes necessary to get things done; knows how to organize people and activities; understands how to separate and combine tasks into efficient work flow; knows what to measure and how to measure it; can see opportunities for synergy and integration where others cannot.
	<b>Makes Quality Decisions</b>	Makes good decisions based upon a mixture of analysis, wisdom, experience and judgment; most of his/her solutions and suggestions turn out to be correct and accurate when judged over time; sought out by others for advice and solutions.
	<b>Delivers High Performance</b>	Can be counted on to exceed goals successfully; is constantly and consistently one of the top performers; very bottom-line oriented; steadfastly pushes self and others for results.

**Hess 2020**  
**The Roof**  
 Best Performing Energy Investment  
 First Quartile Performance  
**The Pillars**  
 Operational Excellence  
 Capital Discipline  
 Risk Management  
 Innovation  
 Trusted Partnerships  
 Grow Our Own Timber  
**The Foundation**  
 Leading at Hess  
 Sustain Profitable Growth  
 Most Trusted Energy Partner  
 Hess Values



### HESS 2020

Welcome to the official Hess 2020 web site, the employee hub for information about our vision for the year 2020 and the "House of Hess" framework.

You will find pages dedicated to each element of the House. Check back on a regular basis for the latest on



### OUR VISION

"Hess 2020 is our vision for a special company that creates value and prosperity the right way. It is about purpose and performance. We truly have a unique opportunity ahead of us to build a global energy franchise for generations to come."

John B. Hess

A useful way to apply Leading at Hess in daily work is through **Lean Mental Models** (see next page).

### PDCA Activities:

**Plan:** Create an Individual Development Plan (IDP) for yourself and help direct reports with theirs.

**Do:** Incorporate Leading at Hess competencies in those plans.

**Check:** Complete an informal assessment at mid-year of how well your direct reports are living up the Leading at Hess standard and have your supervisor do the same for you. Do that formally at year-end and discuss where you may need to improve.

**Adjust:** Incorporate specific actions in the IDP that will be taken over the next year to improve in areas of opportunity and check in regularly to gauge progress.

### References:

Leading at Hess page on Hess 2020 Hess Connect web site; CareerManager.

**E&P Contact:** Shanna Funkhouser (Houston)

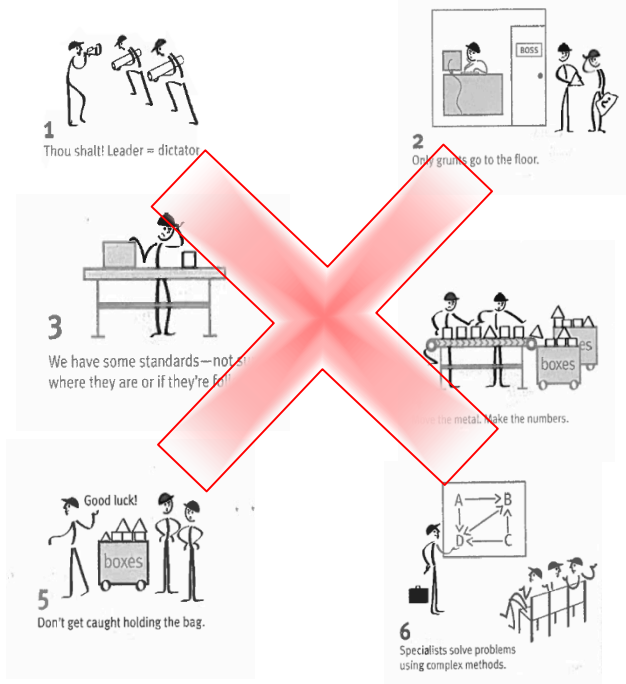
**EPLC Contact:** Scott Heck, Jamie Lane, Howard Paver, Lee Tacon, Kevin Wilcox, Mykel Ziolo

## Section 6.4 – Performance Management, Hess Lean Mental Models

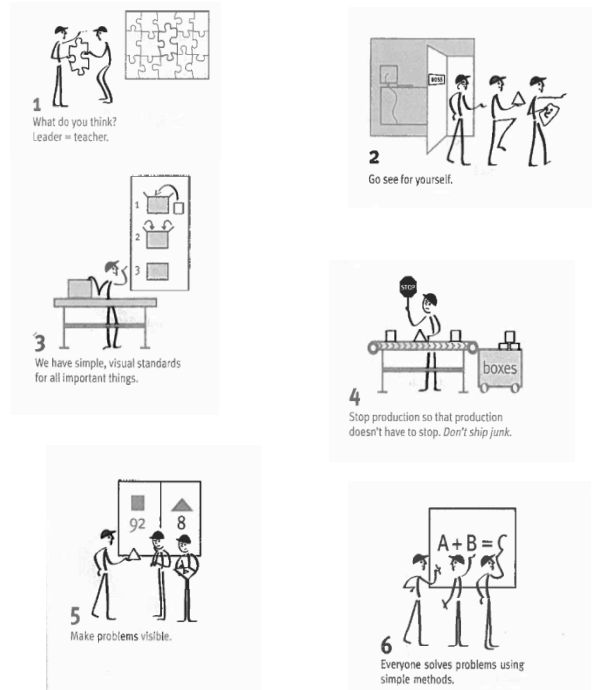
**Expectation Statement:** Assets may find Hess “Lean Mental Models” useful in deepening understanding of and reinforce what we are trying to accomplish with Leading at Hess. They provide tangible, observable organization/cultural manifestations of the competencies.

**Outline:**

### Traditional Mental Models



### Leading at Hess Mental Models



#### PDCA Activities:

**Plan:** Learn the Hess Competencies and how they “map” to the Mental Models.

**Do:** Establish “Leader Standard Work”; develop visual standards for work; implement defect metrics, assign “coaches” for mentoring for leaders.

**Check:** Measure Leadership behaviors using the Leading at Hess assessment document.

**Adjust:** Incorporate Leadership Mental Models in Performance Management for Leaders at all levels.

#### References:

Hess Resource Center (Learning Center), “Getting the Right Things Done” by Pascal Dennis

**E&P Contact:** Shanna Funkhouser

**EPLC Contact:** Helena Deal, David McKay

## Section 6.5 – Compensation (Salary Administration)

**Expectation Statement:** Assets are expected to adhere to Hess' Total Pay Philosophy by following a structured annual year-end process that is integrated with the annual Performance Management cycle.

### Outline:

HR's Compensation Team plans a preliminary budget for rewards (e.g., merit pay, promotions, bonus and long-term incentives), facilitates pay planning for managers, evaluates the process outcomes, and makes adjustments to pay strategy and/or particular pay elements as needed.



### PDCA Activities:

**Plan:** Hess participates in surveys and other benchmarking activities of other companies to inform the development of our annual compensation program budgets.

**Do:** The EPLT issues an email to kick-off year-end performance conversations between managers and individual employees and, ultimately, every employee receives a personalized letter summarizing her/his Total Pay.

**Check:** At the end of the cycle, feedback is sought from key stakeholders and an analysis is conducted to assess whether pay processes and elements were consistent with Hess' Total Rewards philosophy.

**Adjust:** Pay elements will be adjusted based on market data and systems enhanced as needed.

### References:

Total Pay web site on Hess Connect ([pay.ihess.com](http://pay.ihess.com))

**E&P Process Owner:** Gerardo Guerra

**EPLC Contact:** Brent Schwartz

## Section 6.6 – Learning and Development

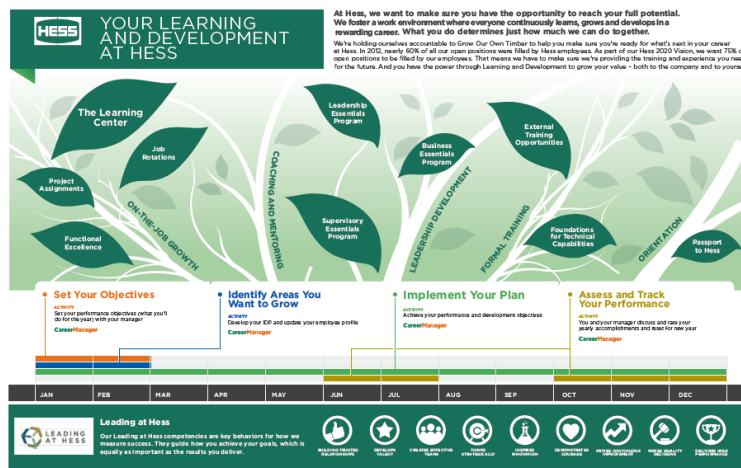
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**Expectation Statement:** Asset are expected to ensure that every employee has a formal Individual Development Plan (IDP) in CareerManager. The IDP details specific actions to grow, develop and achieve career goals. We expect the employee to meet regularly throughout the year with his or her manager to discuss progress and next steps.

### Outline:

At Hess, we believe that every employee should have the opportunity to reach his or her full potential. That is why we are committed to creating a work environment where everyone continuously learns, grows and develops in a rewarding career. We have a stated goal of filling 75% of all open positions from within by 2020. We call this approach Grow Our Own Timber.

Hess provides a number of training and experiential opportunities. Ultimately, though, it is the employee’s responsibility to have a plan, get support from the manager and take action.



### PDCA Activities:

**Plan:** Think about your career aspirations and, with your manager, create an Individual Development Plan (IDP) detailing actions you will take on a specific timeline to advance toward your goals.

**Do:** Take the actions agreed at the appropriate time and record progress in CareerManager. It is your responsibility.

**Check:** Meet regularly with your manager to share progress, what you’ve learned and how you have applied it to your job. Ask for help if there are barriers to the plan’s execution.

**Adjust:** Make your IDP an active plan by continually reevaluating your aspirations, the company’s needs and the tactics that help you garner the knowledge, skills and abilities needed to advance.

### References:

CareerManager; The Learning Center, your manager, your HR professional, Hess Connect (MyHR section), Leading at Hess assessment form and FYI booklet.

**E&P Contact:** Dana Larsen, Jamie Lane

**EPCL Contact:** Jamie Lane

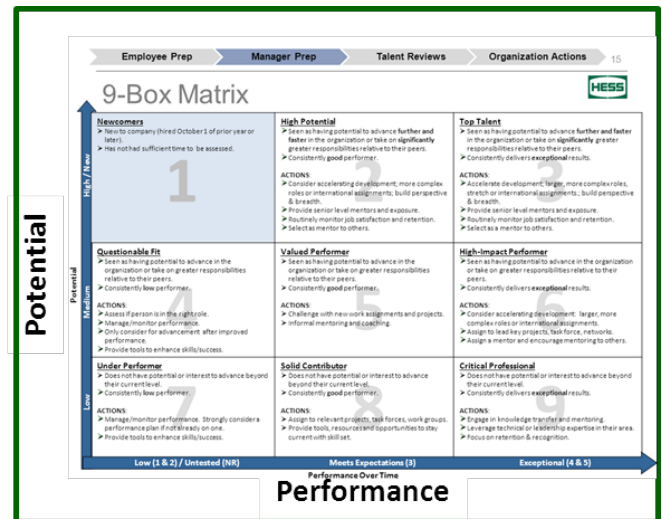
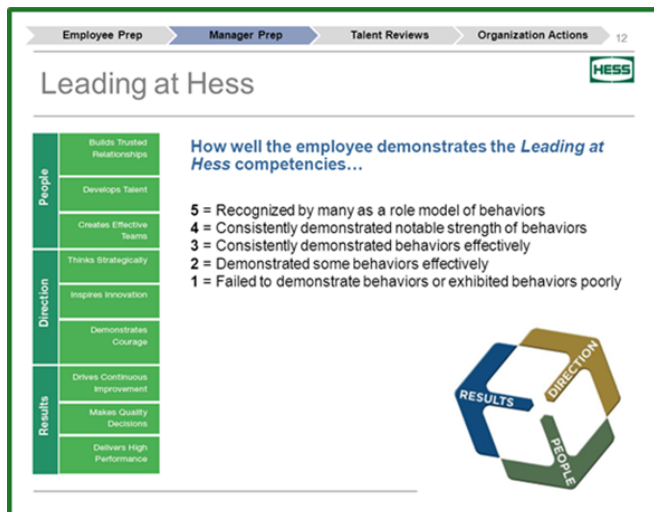
## Section 6.7 – Talent Management

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**Expectation Statement:** Assets are expected to participate in the annual Talent Management Process to ensure that we are strategic and deliberate about the development, promotion and retention of our employees across the enterprise. Grow Our Own Timber and Leading at Hess provide frameworks for building organizational capability and are integrated into the process.

### Guiding Principles:

1. Employees have primary responsibility for their own development.
2. Every employee has the opportunity to reach his or her full potential.
3. We invest in everyone and pay close attention to potential successors for key roles.
4. Our process and outcomes reflect inclusive leadership, diverse talent and broad perspectives.
5. Our people are essential to achieving our Hess 2020 vision.



### PDCA Activities:

**Plan:** Manager advises employee to update personal profile (e.g., skills, career interests, mobility) and complete Individual Development Plan (IDP)

**Do (Talent Review pre-work):** Manager identifies employee potential, strengths and development areas; identifies successors for leadership roles and corresponding readiness

**Check (Talent Review):** Functional/leadership calibration of employee potential and leadership successors; assessment of organizational bench strength; confirmation of employees requiring a development move

**Adjust (Post Talent Reviews):** Ensure close-out discussion with employees, address organizational development needs, execute succession plans, target recruitment plans as appropriate

### References:

2013 Talent Management Overview; Behavioral Indicators of Potential; Leading at Hess; Career Manager

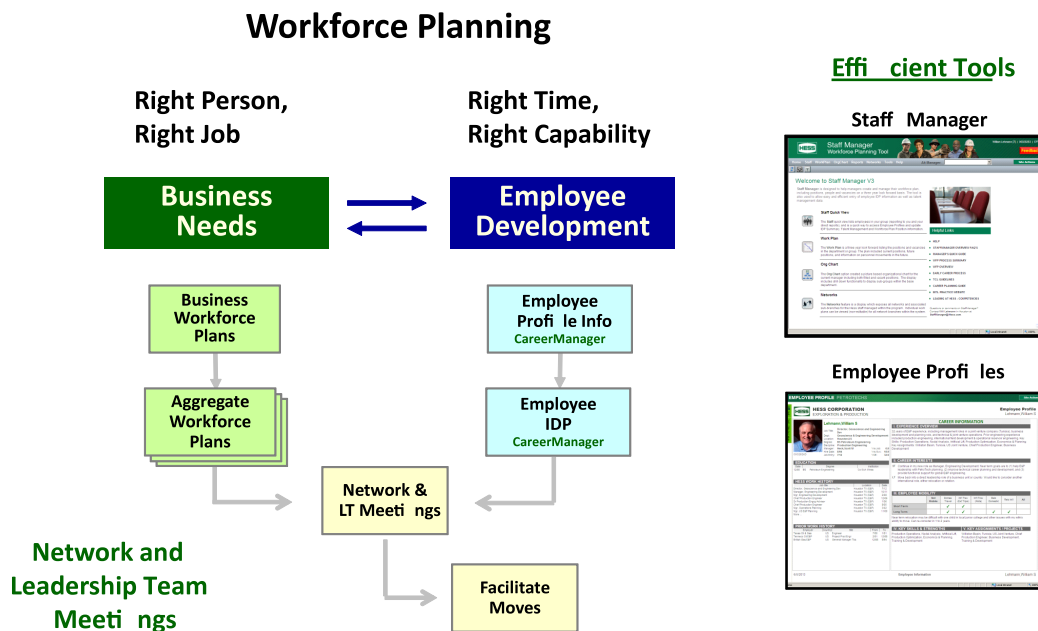
**E&P Process Owner:** Rita Bayron

**EPLC Contact:** Jamie Lane

## Section 6.8 – The Role of Networks, Workforce Planning

**Expectation Statement:** Networks play a central role in Workforce Planning (WFP), which essentially is the process of combining employee development needs with business staffing requirements, both current and future. The process should look a minimum of 6-12 months in advance for both people moves and business vacancies, and all the employees within the network function should be represented. Efficient tools and processes should be employed to ensure productivity and optimized results. HR and functional leaders will incorporate the results into the Talent Management Process.

**Outline:**



### PDCA Activities:

**Plan:** Robust Individual Development Plans (IDPs) that are consistent with employees' capabilities and aspirations and are aligned with business needs; business staffing plans looking minimum 3 years ahead

**Do:** Review business staffing needs along with employee development needs and capabilities, with both a current and longer term view; vacancies and employee moves at least 6 to 12 months in advance

**Check:** Periodic review of staff IDPs to insure continued suitability; ensure business deliverables are being met with staffing design and levels

**Adjust:** Adjust IDPs to fit employee development progress, adjust staffing recommendations to align with changing business needs and attrition

### References:

HR Career Development Guide(s), EPT Technical Career Development presentation, EPT Technical learning site (EPTLearning.ihess.com)

**E&P Contact:** HR Partners/L&D Team, EPT Geoscience & Engineering Development & Technical Chiefs

**EPLC Contact:** Randy Johnson, Brian Truelove, Helena Deal, Kelly Knight



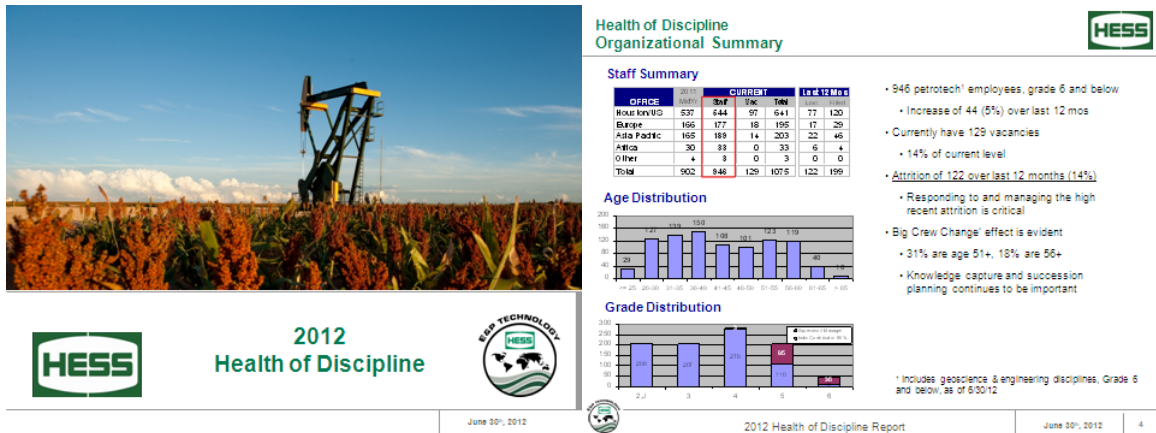
## Section 6.9 – Competency Assurance, Health of Discipline Analysis

**Expectation Statement:** The Health of Discipline (HoD) is prepared on an annual basis by Exploration & Production Technology (EPT) for each of the petro-technical disciplines along with Foundation.

### Guiding Principles:

To staff the right People in the right Places with the right Capabilities.

1. Overall summary, Crew Change effect. Attrition and Demographics
2. Discipline specific: Technical capability within the Discipline, generalists and specialists
3. Analysis by P&L and by Region/Hub
4. Recommendations and Action Plan



### Reservoir Engineering Capability Assessment

Critical Skill Gaps	Action Plan
<b>I. People</b>	
• History Matching	➤ Continue to incorporate the Stratigraphic History Matching approach in SS workflows & Peer Assists
• Subsurface Uncertainty Analysis	➤ Continue to deploy DoE Workshop & define specific steps in SS workflows
• Teams not current with SEC/Hess reserves estimation & classification processes	➤ Continue to provide more specific procedures during Planning Assists & Reserves Audits
<b>II. Process</b>	
• Subsurface workflows non-standard across E&P	➤ Roll out SS Milestones & Deliverables V0.1 as a workshop mid-2012
• Inefficient field development alternative screening & optimization workflows	➤ Conduct Framing Sessions and reinforce improved methods during milestone-based Peer Assists
• Need better integration of well log, core, PVT, and pressure in simulation models with appropriate corrections for scale-up errors	➤ Continue to deploy Integrated Reservoir Modeling course to focus on GeoFlow, Connect/Transmod, & PSEUDO applications

### PDCA Activities:

**Plan:** Each Chief is accountable for monitoring HoD status and gathering the data on a yearly basis

**Do:** Each Chief prepares a report with assessment of organizational strengths and gaps, IDs next steps

**Check:** Discipline reviews: inter-disciplinary discussion; impact on organization; messaging to EPLT

**Adjust:** Ensure close-out discussion, organizational development needs, execute training plans, and/or target recruitment plans as appropriate

### References:

HoD reports

**E&P Contact:** Will Lehman, EPT Chiefs

**EPLC Contact:** Brian Truelove