Hess Corporation Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Mark Flannery – Credit Suisse.

Mark Flannery – Credit Suisse

I have a question about costs, John Rielly just gave us some guidance on the cash operating costs but with regard to let's assume a $45 world and a world of $5 US natural gas prices are you confident that the corporation can post a net profit in 2009? I think that net loss in the fourth quarter has raised a few eyebrows. Is there anything you can do to maybe get costs down further than the guidance that you've given us today?

John P. Rielly

What we have Mark in our projections right now for costs is as you know we have contracts that you enter in to and you'll fulfill those contracts, especially in the first six months of the year. As these contracts come in we'll execute those contracts and we'll incur those costs. As you're talking about a $45 world or a $5 natural gas price world, obviously then industry costs will come down over time and so those costs will then filter through our operating costs.

Now, trying to give projections of exactly when that will happen I can't give it to you exactly which quarter and as that will start filter through. But, if there's a $45 price world, we can be profitable in a $45 price world. As you can see from our results that we gave obviously, there's lower commodity prices right now, we had to take a look at our whole portfolio to see if there were any impairments in the portfolio. You can see that we had small impairments at two fields and both of those fields were at the end of their life actually, both ceasing production in 2009.

So, at these lower prices our portfolio is resilient and is profitable at these lower prices. Now, the other facts that you have to add in then are exploration expenses. So, are you going to be successful with your wells or not. But again, if you're just talking about the portfolio and the producing assets, they can be profitable at these prices.

Operator

Your next question comes from Robert Kessler – Simmons & Company International.

Robert Kessler – Simmons & Company International

A couple of questions, firstly on reserves additions I'm just curious how much might be in there for Bakken? I don't imagine it was a large number but just curious nonetheless given the combination of year end pricing and costs. Then related to that, what your rough number might be for the WTI equivalent price that would be needed for Bakken to be reasonably economic in the long term for Hess. Then, unrelated to that, in exploration I'm just curious on exploration expenses in the fourth quarter, what if any, might have been included for leasehold impairments.