

HESS CORP
Form 11-K
June 25, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 11-K

x **ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2013

OR

.. **TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number 1-1204

HESS CORPORATION

EMPLOYEES SAVINGS PLAN

(Full title of the Plan)

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HESS CORPORATION

1185 AVENUE OF THE AMERICAS, NEW YORK, N. Y. 10036

**(Name of issuer of the securities held pursuant to the Plan
and the address of its principal executive office)**

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HESS CORPORATION EMPLOYEES SAVINGS PLAN

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HESS CORPORATION
EMPLOYEES SAVINGS PLAN
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

| | December 31, | |
|---|---------------------|----------------|
| | 2013 | 2012 |
| Investments, at fair value | | |
| Mutual funds | \$ 585,350,727 | \$ 458,993,931 |
| Hess Corporation common stock fund | 262,120,321 | 196,016,725 |
| | 847,471,048 | 655,010,656 |
| Notes receivable from participants | 15,051,490 | 15,985,395 |
| Cash | 1,575,951 | 398,239 |
| Other assets | 240,119 | 309,684 |
| Interest and dividends receivable | 3,639 | 6,554 |
| Total assets | 864,342,247 | 671,710,528 |
| Other liabilities | (1,899,113) | (454,682) |
| Total net assets available for benefits | \$ 862,443,134 | \$ 671,255,846 |

See accompanying notes to financial statements.

Table of Contents**HESS CORPORATION****EMPLOYEES SAVINGS PLAN****STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS**

| | Years Ended December 31, | |
|---|---------------------------------|-----------------------|
| | 2013 | 2012 |
| Investment income | | |
| Net appreciation in fair value of investments | \$ 172,928,789 | \$ 30,159,652 |
| Distributions from mutual funds | 16,400,628 | 11,019,586 |
| Dividends on Hess Corporation common stock fund | 2,314,578 | 1,437,856 |
| | 191,643,995 | 42,617,094 |
| Employee contributions | 42,169,985 | 41,834,287 |
| Employer contributions | 40,522,257 | 40,346,763 |
| Rollovers from other plans | 1,589,321 | 4,049,678 |
| Interest and other income, net | 1,066,442 | 702,196 |
| Transfers from affiliated plans | 2,360,087 | 2,224,955 |
| Benefit payments | (87,604,922) | (49,835,515) |
| Administrative expenses | (559,877) | (899,081) |
| Net increase in net assets available for benefits | 191,187,288 | 81,040,377 |
| Total net assets available for benefits at beginning of year | 671,255,846 | 590,215,469 |
| Total net assets available for benefits at end of year | \$ 862,443,134 | \$ 671,255,846 |

See accompanying notes to financial statements.

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HESS CORPORATION

EMPLOYEES SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS

1. Description of Plan

The following description of the Hess Corporation (the Company) Employees Savings Plan (the Plan) is provided for general information only. For more information, participants should refer to the summary plan description, which can be obtained from the Company's Resource Center.

General: The Plan is a defined contribution plan covering all eligible United States (U.S.) based employees of the Company. Employees are eligible to enroll in the plan upon hire. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). For the purpose of carrying out the Plan, a trust agreement was entered into effective July 1, 2009, with JPMorgan Chase Bank NA (Trustee).

Contributions: At the election of each participating employee, pre-tax amounts contributed under the Plan (from 1% to 25% of compensation) and the employer's matching contributions are invested in one or more of the available mutual funds with varying investment objectives or in the Hess Corporation Common Stock Fund. The Company matches participant contributions up to 6% of eligible compensation. Effective January 1, 2012, the Company increased its matching contribution to 133% from 100% of the employee's contribution.

Eligible employee compensation under the Plan was limited by law to \$255,000 in 2013 and \$250,000 in 2012 and this limit will increase to \$260,000 for 2014. Before-tax contributions were limited by law to \$17,500 in 2013 and \$17,000 in 2012 and will remain \$17,500 for 2014. In the year an employee reaches age 50, and all years thereafter, an employee is eligible to make an additional before-tax catch-up contribution to the Plan that is not eligible for matching company contributions. The limit for catch-up contributions was \$5,500 in 2013 and 2012, and will remain unchanged for 2014.

Vesting: Participants are immediately fully vested in their contributions and the employer's matching contributions.

Participant Accounts: Each participant's account is credited with the participant's contributions and allocations of the Company's contributions and Plan investment earnings. Contributions are invested in the Plan's funds based on the allocation percentages designated by the participant in increments of 1% of the amount contributed. A participant may change investment designations for future contributions or reallocate existing investments to different funds on a daily basis.

Investment Alternatives: The following funds were available to participants as of December 31, 2013:

BlackRock TempFund

CRM Mid Cap Value Fund

ING Small Cap Fund

Lazard Emerging Markets Fund

Laudus U.S. Large Cap Growth Fund

T. Rowe Price Retirement Income Fund

T. Rowe Price Retirement 2005 Fund

T. Rowe Price Retirement 2010 Fund

T. Rowe Price Retirement 2015 Fund
T. Rowe Price Retirement 2020 Fund
T. Rowe Price Retirement 2025 Fund
T. Rowe Price Retirement 2030 Fund
T. Rowe Price Retirement 2035 Fund
T. Rowe Price Retirement 2040 Fund
T. Rowe Price Retirement 2045 Fund
Touchstone Value Fund
Vanguard Developed Markets Index Fund
Vanguard Institutional Index Fund
Vanguard Mid Cap Index Fund
Vanguard Small Cap Index Fund
Vanguard Total Bond Market Index Fund
Western Asset Core Plus Bond Fund
Western Asset Inflation Indexed Plus Fund
William Blair International Small Cap Growth Fund
Hess Corporation Common Stock Fund

Descriptions and information concerning the investment objectives and risks of the currently available funds can be obtained from the Company's Resource Center.

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HESS CORPORATION

EMPLOYEES SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS (Continued)

Hess Corporation Common Stock Fund: The fund invests in the common stock of Hess Corporation, which is traded on the New York Stock Exchange (NYSE) under the ticker symbol (HES). Approximately 1% of this fund is invested in short-term investment funds in order to manage the short-term liquidity needs of the fund.

Notes Receivable from Participants: Participants may borrow from their account balance, including their Company matching account, with a minimum of \$500 up to a maximum of \$50,000. Participants may have two concurrent loans. The total of the loans cannot exceed the lesser of \$50,000 or 50% of the participant's account balance. The participant's account balance serves as collateral for the loans. Loans are repaid by participants in equal installments over a period of not more than five years, or not more than 30 years if borrowed for the purpose of acquiring a principal residence. Interest on loans is charged at a rate of 1% above the prime rate determined at the time the loan is made. Currently a \$50 loan set-up fee is charged to participants when they borrow from the Plan.

Rollovers from Other Plans: Employees may deposit an eligible rollover distribution made by a qualified plan of another employer or from an individual retirement account whose assets were derived solely from the rollover from a qualified plan of another employer. Rollovers are accepted in cash only and are invested according to the participant's current fund elections for contributions. An employee who is not contributing to the Plan must elect investment options at the time of the rollover. The current market values of amounts rolled over to the Plan can be withdrawn in whole or in part at any time.

Payment of Benefits: Upon a withdrawal or distribution, the market value of an employee's investments in the mutual funds is paid in cash. The employee's investments in the Hess Corporation Common Stock Fund are distributed either in whole shares of stock of Hess Corporation (plus the cash equivalent of any fractional shares) or in cash, depending upon the employee's election.

Voluntary complete or partial withdrawals from before-tax contributions are permitted only after attainment of age 59 ¹/₂, except in the case of hardship. Generally only employee after-tax contributions and employer contributions made prior to January 1, 2002 are eligible for withdrawal by active employees under age 59 ¹/₂. Terminated employees may withdraw their entire balance at any time.

Employees may elect direct rollovers of the taxable portion of their distributions to an individual retirement account, individual retirement annuity or a qualified plan of another employer. Distributions from the Plan that are not rolled over are subject to federal income tax withholding at 20% and may be subject to an additional 10% tax.

Expenses: The Plan's expenses are costs of the general administration of the Plan and include recordkeeping, legal and accounting services. Expenses may be paid by either the Plan or the Company. Administrative fees related to participant-directed transactions such as employee loans and certain investment fund redemptions are charged directly to participant accounts.

Party-in-interest: Hess Corporation and JPMorgan Chase are parties-in-interest to the Plan.

2. Summary of Significant Accounting Policies

Basis of Accounting: The accompanying financial statements for the Plan have been prepared in conformity with U.S. generally accepted accounting principles (U.S. GAAP) on the accrual basis of accounting. Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation.

Valuation of Investments: The Plan's investments are stated at fair value in accordance with the provisions of the accounting standard on fair value measurements, Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement (ASC 820)*. See Note 4, Fair Value Measurements, for further disclosure.

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Mutual funds are valued at the quoted market price, which represents the net asset value of shares held by the Plan at year-end. Hess Corporation common stock values are based on the closing market prices on the New York Stock Exchange.

Table of Contents**HESS CORPORATION****EMPLOYEES SAVINGS PLAN****NOTES TO FINANCIAL STATEMENTS (Continued)**

Notes Receivable from Participants: Notes receivable from participants are stated at their outstanding principal balances plus any accrued but unpaid interest.

Interest and Dividend Income: Interest and dividend income is recorded in participant accounts as earned.

Sale of Investments: Gains or losses on sales of investments (mutual funds and Hess Corporation common stock) are based on average cost.

Benefit Payments: Distributions of benefits to participants are recorded when paid.

Use of Estimates: The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Risks and Uncertainties: The Plan primarily invests in various mutual funds and Hess Corporation common stock. Investment securities are exposed to various risks, such as overall market volatility, commodity prices, interest rates, foreign exchange rates, and credit risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participant's account balances and the amounts reported in the financial statements.

3. Investments

The following table presents investments that represent 5 percent or more of the Plan's assets at either year end:

| | December 31, | |
|--|---------------------|----------------|
| | 2013 | 2012 |
| Hess Corporation common stock fund (3,139,143 and 3,647,975 shares, respectively)* | \$ 262,120,321 | \$ 196,016,725 |
| BlackRock TempFund (75,677,218 and 52,251,779 shares, respectively) | 75,677,218 | 52,251,779 |
| T. Rowe Price Retirement 2025 Fund (3,835,246 and 3,686,310 shares, respectively) | 58,986,086 | 48,364,383 |
| T. Rowe Price Retirement 2020 Fund (2,673,114 and 2,731,391 shares, respectively) | 54,504,791 | 48,837,277 |
| Vanguard Institutional Index Fund (269,751 and 217,617 shares, respectively) | 45,663,413 | 28,403,347 |
| T. Rowe Price Retirement 2015 Fund (2,482,344 and 2,617,211 shares, respectively) | 35,547,169 | 33,709,675 |

* Includes \$1,576,997 and \$2,819,969 held in short-term investment funds at December 31, 2013 and 2012, respectively.

At December 31, 2013, the amount invested in the Hess Corporation common stock fund, all T. Rowe Price managed funds, and all Vanguard Group managed funds represented 31%, 31%, and 16%, respectively, of the Plan's total investments.

The net appreciation/(depreciation) of the Plan's investments, including realized gains and losses on investments bought and sold in the year, was as follows:

| | Years Ended December 31, | |
|------------------------------------|---------------------------------|-----------------|
| | 2013 | 2012 |
| Hess Corporation common stock fund | \$ 104,788,599 | \$ (10,910,516) |

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| | | |
|---|----------------|---------------|
| Mutual funds | 68,140,190 | 41,070,168 |
| Net appreciation in fair value of investments | \$ 172,928,789 | \$ 30,159,652 |

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The provisions of ASC 820 establish a hierarchy for the inputs used to measure fair value based on the source of the input, that generally range from quoted prices for identical instruments in a principal trading market (Level 1) to estimates determined using related market data (Level 3). Multiple inputs may be used to measure fair value, however, the level of fair value for each financial asset presented below is based on the lowest significant input level within the fair value hierarchy. Mutual funds are valued at quoted market prices, which represent the net asset value of shares held by the Plan. The value of the underlying securities within the funds are based on quoted market prices from the primary exchanges on which they are traded. Hess Corporation common stock values are based on the closing market prices on the New York Stock Exchange, which is the primary exchange on which the stock is traded. The following table provides the fair value hierarchy of the Plan's financial assets:

| | Level 1 | Level 2 | Level 3 | Total |
|------------------------------------|----------------|---------|---------|----------------|
| December 31, 2013 | | | | |
| Mutual funds (a) | \$ 585,350,727 | \$ | \$ | \$ 585,350,727 |
| Hess Corporation common stock fund | 262,120,321 | | | 262,120,321 |
| Total assets at fair value | \$ 847,471,048 | \$ | \$ | \$ 847,471,048 |
| December 31, 2012 | | | | |
| Mutual funds (b) | \$ 458,993,931 | \$ | \$ | \$ 458,993,931 |
| Hess Corporation common stock fund | 196,016,725 | | | 196,016,725 |
| Total assets at fair value | \$ 655,010,656 | \$ | \$ | \$ 655,010,656 |

(a) Mutual funds consist of retirement date funds (45%), domestic and international equity funds (35%), money market funds (13%), and fixed income funds (7%), respectively at December 31, 2013.

(b) Mutual funds consist of retirement date funds (49%), domestic and international equity funds (30%), money market funds (11%), and fixed income funds (10%), respectively at December 31, 2012.

5. Plan Termination

Although it has not expressed any intention to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of plan termination, the net assets of the Plan may be distributed to participants in accordance with the Plan's provisions and applicable law.

6. Tax Status

The Plan has received its most recent determination letter from the Internal Revenue Service dated January 9, 2014, stating that the Plan is qualified under Section 401(a) of the Internal Revenue Code (the Code) and, therefore, the related trust is exempt from taxation. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualification. The plan administrator believes the Plan is being

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operated in compliance with the applicable requirements of the Code and, therefore, believes the Plan is qualified and the related trust is tax exempt.

U.S. GAAP requires plan management to evaluate uncertain tax positions taken by the Plan. The financial statement effects of a tax position are recognized when the position is more likely than not, based on the technical merits, to be sustained upon examination by the IRS. The plan administrator has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2013, there are no uncertain positions taken or expected to be taken. The Plan has recognized no interest or penalties related to uncertain tax positions. The Plan is subject to routine audits by regulatory authorities; however, there are currently no open audits for any tax periods. The plan administrator believes the Plan is no longer subject to audit review for years prior to 2010.

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HESS CORPORATION

EMPLOYEES SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS (Continued)

7. Transfers from Affiliated Plans

Transfers of employee account balances are made between the Plan and savings plans sponsored by certain affiliates of the Company due to job transfers. The amounts transferred into the Plan during 2013 and 2012 were \$2,360,087 and \$2,224,955, respectively.

8. Reconciliation of Financial Statements to Form 5500

The following is a reconciliation of the net assets available for Plan benefits from the financial statements to the Form 5500, as of December 31, 2013:

| | |
|--|----------------|
| Net assets available for Plan benefits on the financial statements | \$ 862,443,134 |
| Deemed distributions of participant loans | (450,191) |
| Net assets available for Plan benefits on Form 5500 | \$ 861,992,943 |

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| Identity of issue, borrower, lessor, or similar party | Description of investment including maturity date, rate of interest, collateral, par or maturity value | Current Value |
|--|--|------------------|
| Hess common stock fund: | | |
| *Hess Corporation | Common Stock 3,139,143 shares | \$ 260,543,324 |
| *JPMorgan Chase | Money Market Fund 1,576,997 shares | 1,576,997 |
| Mutual Funds: | | |
| BlackRock | BlackRock TempFund 75,677,218 shares | 75,677,218 |
| T. Rowe Price | T. Rowe Price Retirement 2025 Fund 3,835,246 shares | 58,986,086 |
| T. Rowe Price | T. Rowe Price Retirement 2020 Fund 2,673,114 shares | 54,504,791 |
| The Vanguard Group | Vanguard Institutional Index Fund 269,751 shares | 45,663,413 |
| The Vanguard Group | Vanguard Small Cap Index Fund 713,113 shares | 37,588,188 |
| T. Rowe Price | T. Rowe Price Retirement 2015 Fund 2,482,344 shares | 35,547,169 |
| T. Rowe Price | T. Rowe Price Retirement 2030 Fund 1,535,590 shares | 34,704,345 |
| T. Rowe Price | T. Rowe Price Retirement 2035 Fund 1,772,617 shares | 28,858,211 |
| The Vanguard Group | Vanguard Mid Cap Index Fund 859,587 shares | 25,856,385 |
| Western Asset | Western Asset Core Plus Bond Fund 1,874,149 shares | 20,971,729 |
| Lazard Asset Management | Lazard Emerging Markets Fund 1,104,471 shares | 20,620,481 |
| T. Rowe Price | T. Rowe Price Retirement 2040 Fund 801,705 shares | 18,767,925 |
| The Vanguard Group | Vanguard Developed Markets Index Fund 1,388,928 shares | 15,931,009 |
| Laudus Funds | Laudus U.S. Large Cap Growth Fund 827,695 shares | 15,370,292 |
| CRM Funds | CRM Mid Cap Value Fund 402,513 shares | 13,939,040 |
| T. Rowe Price | T. Rowe Price Retirement 2045 Fund 841,275 shares | 13,132,307 |
| William Blair Funds | William Blair International Small Cap Growth Fund 756,680 shares | 12,349,010 |
| T. Rowe Price | T. Rowe Price Retirement 2010 Fund 669,262 shares | 11,926,242 |
| The Vanguard Group | Vanguard Total Bond Market Index Fund 944,038 shares | 9,969,044 |
| Touchstone Investments | Touchstone Value Fund 989,956 shares | 8,959,101 |
| ING Funds | ING Small Cap Fund 481,390 shares | 8,713,155 |
| Western Asset | Western Asset Inflation Indexed Plus Fund 727,161 shares | 8,086,027 |
| T. Rowe Price | T. Rowe Price Retirement Income Fund 452,157 shares | 6,682,875 |
| T. Rowe Price | T. Rowe Price Retirement 2005 Fund 197,112 shares | 2,546,684 |
| Notes Receivable from Participants | Loans to Plan participants (interest rates of 4.25% to 10.5%) | 14,601,299 |
| Total | | \$ 862,072,347 |

* Indicates party-in-interest to the Plan.

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Report of Independent Registered Public Accounting Firm

Hess Corporation Employee Benefit Plans Committee and

Participants in the Hess Corporation Employees' Savings Plan

We have audited the accompanying statement of net assets available for benefits of the Hess Corporation Employees' Savings Plan (the "Plan") as of December 31, 2013 and 2012, and the related statement of changes in net assets available for benefits for the years ended December 31, 2013 and 2012. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Plan's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Hess Corporation Employees' Savings Plan as of December 31, 2013 and 2012, and the changes in net assets available for benefits for the years ended December 31, 2013 and 2012, in conformity with U.S. generally accepted accounting principles.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedule of assets (held at end of year) as of December 31, 2013 is presented for purposes of additional analysis and is not a required part of the financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. Such information has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Ernst & Young LLP

New York, New York

June 25, 2014

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SIGNATURE

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the Hess Corporation Employee Benefit Plans Committee has duly caused this annual report to be signed on its behalf by the undersigned thereunto duly authorized.

HESS CORPORATION

EMPLOYEES SAVINGS PLAN

By: /s/ David G. Lutterbach
David G. Lutterbach

Vice President, Benefits & Human Resources
Services, Hess Corporation and

Employee Benefit Plans Committee

Chairperson

June 25, 2014