Case study Analysis

NAME

[Institutional Affiliation(s)]

Author Note

Case Study Analysis

In the search of natural gas and crude oil, Hess Corporation is a one of leading global company, which was founded in 1933 by Leon Hess and its CEO is John B. Hess. Hess Corporation’s leadership contains President and Chief Operating Officer Greg with ten board members and 14 organizational committee members having a headquarter in New York. In 2016, It is placed at number 394 in the list of 500 fortune corporations . At the beginning of 2013, the revenue generation of Hess Corporation was approximately $13 billion from the sale of assets. Hess has taken part in 12 discoveries that are valued 5.5 billion barrels of oil, contain gross recoverable resources, offshore exploring in Suriname, Canada, Guyana and in the U.S. Gulf of Mexico. Five of these discoveries include Pacora, Ranger, Hammerhead, Pluma and, Longtai were announced in 2018.

**Organizational Analysis**

Company’s revenue was 5.466 billion USD (2017) and per day net production is averaged 277,000 barrels of oil including Libya, associated with 306,000 barrels of oil equivalent per day in 2017. It is the stock price is HES (NYSE) US$62.42. Batten, Ciner, and Lucey (2017) has found long term price dependencies among crude oil and natural gas earlier and now they are getting independent with the passage of time.

Hess operating fee-based services includes collection, compressing and processing of natural gas and crude oil and NGL’s transportation, propane storing and terminating, fractionating NGL’s and water handling services. As on 31stDec 2018, consolidated balance sheet shows approx. $1.2 billion is its finance lease obligations of which approx. $390 million is liabilities finance lease obligations totaling approximately $1.2 billion, of which approximately $390 million of liabilities at December 31, 2018, are included in the Consolidated Balance Sheet. There are 3,100 stockholders who owned a total of 303,034,262 shares of common stock as on January 31, 2019. In the last four years,, the cash dividends on common stock totaled $1.00 per share per year ($0.25 per quarter).

Accounting rules affect investment decision according to the study of Shroff (2017). The firm is registered with PCAOB and in accordance, the U.S federal securities law they are required to be independent and the rules and regulations are applicable to the PCAOB and Securities and Exchange Commission. Firstly, they are required to maintain a record with reasonable accuracy, detail and fairly reflect the disposition and transaction of the company's assets. Secondly, prepare financial statements in accordance with GAAP (generally accepted accounting principal. Company Directors and Management can only authorize to deal with expenditures and receipts of the company. Finally, timely detection or prevention of use, disposition or unauthorized acquisition of the company's asset that could have a quantifiable effect on financial statements.

# Critical Incident

Hess Corporation has published a piece of news that they have faced a breakout of a fire at Royal Dutch Shell plc.’s RDS in Mexico operations. At its Conger, Baldpate, Penn state fields Hess production was temporarily abandoned. Production operation at Royal Dutch Shell in Llano Field has been shut and Hess holds a 50% interest in those fields. Approx. 30 thousand barrels of oil were produced from these fields. For restoring the damaged assets Royal Dutch Shell stated that a plan is being developed. Garden Bank Gas pipeline production system will be closed until next notice. Royal Dutch with the corporation of Hess set the restart time of the Enchilada platform and they again start the whole production within a week. Hess Corporation is facing shareholders request to address the reduction of carbon footprint in alignment with greenhouse gas to maintain global warming Paris agreement below 2 degree Celsius. It will be helpful for company growth and future prosperity. For the cleanup of soil contaminated with petroleum, hydrocarbons Phytoremediation is a promising approach (Fatima 2018)

**Investment Potential**

Capital investment for Midstream operations projected to be approximately $330 million. Production of oil and Gas forecast to be a range of 270,000 BOE to 280,000 BOE excluding 248,000 boepd of Libya production. In 2019 they have purchased a crude oil put option that creates a WTI monthly floor price $60 per barrel for production of 95,000 BOE. In 2018 net cash provided was 1939$ million by operating activities, as compared to 2019 it was $945, whereas in 2017 and 2018 capital expenditure was $2180 million and $1973. It is the expectation that the cash flows from operating activities will be sufficient to fund dividend and capital investment program at the end of 2019.

**Recommendations**

Investment decision making involves bearing the risk and gaining rewards among various options. Riskiest investment yields to higher return whereas less risky investment yields to smaller reward (Donoghue,. 2018). In management science researchers use different tools in the field of finance some examples include conditional value at risk modeling (Zhao, Lu, Han, Liu & Hu 2015), Ho (2009) used tools of traditional return on equity measures compared data envelopment analysis in risk scoring with almost 12 US publically traded firms. Zhang, Avasarala and Subbu, (2010) studies analyses credit decision making by using evolutionary optimization model and these tools are used for risk elimination.

Wang (2019) recent seven years studies show that the selected companies return ratio and energy return ratio of gas extraction and unconventional oil operation shows different tendencies as a result of fluctuation of oil price. Financial Investors should preserve capital in an unstable environment and found Hess Corporation safer to invest because of large-cap stock. Risk-averse investors in the big corporation are much required after find diversified revenue streams and attract strong capital returns. The health of a company is a key to success for investors (Kumar., et al. 2015). Position practice relations and knowledgeability have been neglected in prior studies which are very necessary to the investment decision-making process (Harris, Northcott, Elmassri & Huikku (2016). According to Hess corporation ratios analysis is safe to invest. In future its growth portfolio shows more than 10 percent compound annual production growth. In 2025 20 percent compound annual cash flow growth is expected at 65$ per barrel Brent oil price. The breakeven is less than $40 per barrel Barent oil price. Suitable strategies are required for reduction of fuel consumption and evaluate emission and furthering DE carbonization (Sobrino, et al. 2016).

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