

The BAKKEN

MAGAZINE

SEPTEMBER/OCTOBER 2016

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IN PLAY



MULTI-WELL PAD DEVELOPERS: Many of Hess' new wells are drilled on existing, multi-well pads that already have several producing wells.

PHOTO: THE BAKKEN MAGAZINE

Q&A Executive Hess Corp.

Gerbert Schoonman, vice president for Hess's Bakken Assets

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IN PLAY



UNDERTOLD STORY: Although the Bakken is noted for its high initial production rates and decline curves, most wells will continue to produce economic results for 30-plus years.

PHOTO: THE BAKKEN MAGAZINE

From its lean manufacturing approach for safety and developing its Williston Basin assets to its continued support of its Bakken development plans, Hess Corp.'s perspective and place in the Bakken is exemplary. Gerbert Schoonman helps to lead Hess's Bakken efforts. Along with the plan for Hess, Schoonman also has plans he hopes the entire Bakken industry can follow.

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IN PLAY

How would you describe your role in the oil and gas industry and within your company?



Schoonman

I'm responsible for Hess Corp.'s Bakken asset, which encompasses more than 550,000 net acres in North Dakota and is one of the top growth assets in the company's portfolio. I consider my primary role to create a safe

working environment for our employees and contractors. Following that, I guide the team to eliminate waste and to increase efficiency and work toward continual improvement. In the end this creates value for our shareholders.

What technology and operational strategies have changed most in the industry the past two years?

We're dealing with a completely different price environment than we were two years ago, and this is pushing everyone in the industry to look at cost-efficient strategies. And within that, innovation is really important. It's interesting that the industry actually benefits from going through these price downturns as this is the time when some of the greatest innovations and use of technology are applied. At Hess, our culture is based on Lean manufacturing processes and technology thrives within a Lean culture. We use it when it helps

us increase efficiency and eliminates waste. When applied to our processes properly, technology yields significant improvements in safety, production, quality and staff engagement. One of the things we are applying in the Bakken in 2016 is we have gone from 35-stage fracks to 50-stage fracks as the norm, which we have seen deliver a 15 to 20 percent increase in initial production rates. And we have been able to offset the cost of 15 extra stages with Lean efficiencies.

What do you believe is an undertold part of the greater Bakken story?

I truly believe the most undertold story of the Bakken is the long-term phase of operating these wells. Everybody talks about the initial decline curves, but what they don't talk about is how long these wells will produce. How we operate these wells long term is the next story. We expect most of these wells to produce for 30-plus years. Hess will have several thousand additional wells in the Bakken and we have developed a new operating model that will allow us to operate them more efficiently and with lower economic cost. Once we get this operating model fully in place, I believe the Hess Bakken will be even more profitable than it is today. This will give us a significant competitive advantage.

In the next couple years, what should those linked to the Bakken be thinking?

Operators in the Bakken should be thinking right now about preserving their capabilities and the capabilities of those companies that support their activities so that when prices recover they are ready to hit the ground running. We are doing that by working very closely with our preferred suppliers as well

as helping them to find greater efficiencies and to reduce waste. Doing this has already helped us to reduce our drilling and completion costs in the Bakken from about \$11 million in 2012 to below \$5 million per well today.

What has you excited about your role with Hess?

What gets me excited every day is working with the incredible team of people we have working for us in North Dakota as well as those in Houston who are supporting this operation. There is a continual flow of ideas being shared at every level to help us to maximize value in the Bakken and to help us operate safer. Beyond that, I think it's the dynamic nature of the Bakken. There truly isn't another play like it in the world. I've done my fair share of offshore work in the North Sea, Brunei and Malaysia, which has its own rewards, but when you put an exploration plan into action it can take multiple years for you to see whether it was successful. In the Bakken, these results are almost immediate. We are constantly learning and constantly evolving. There's never a dull moment.

What are one or two of the most influential moments that helped develop your career?

In the Bakken we have a lot of fast-moving, heavy equipment and I recognize from first-hand experience that the human body is very fragile. This has ingrained in me that safety must be priority No. 1, 2 and 3. When – and only when – safe operations are in place can we even begin to talk about improving the business.