



PESA 2012 Supply Chain Seminar

Impact of Economic Uncertainty on Oil & Gas Supply Chains

Panel Discussion

February 1, 2012

What lessons did you learn in 2009 and how are you applying those to 2012?



Lessons learned in 2009:

1. Safety is paramount
2. Structure agreements with flexibility and automatic pricing adjustments
3. Supply Chain must earn a place at the table with internal Business Partners
4. Involve suppliers in “Leaning Out” processes
5. Need standards, processes & controls around common activities such as sourcing/tendering and contracting

Hess’ application of those learnings in 2012:

1. Safety is part of all discussions and significant technical and behavioral training has been done. Implementing ISNetwork for contractors. Safety impacts entire company’s compensation.
2. Agreements structured with automatic pricing adjustments (e.g. fuel and other commodity surcharges)
3. Senior Supply Chain management actively developing “influence” and “business partnering” competencies in middle- and line management. Part of Supply Chain management performance evaluation.
4. Supply Chain and internal Business Partners adopting Lean to attack day-to-day issues (Kaisen)
5. Global implementation of Ariba Contract Management and eCommerce

What are your supply chain initiatives for 2012?



1. Deliver Business Partner Requirements
 - Strategies & Sourcing Plan in place and supported by the Business
 - Deliver to the project “well objectives, on time and on budget”
2. “Grow Our Own Timber”
3. Continued role out of Real Time Cost Mgt & realize benefits
4. Implement Contingent Labor process and technology; drive benefits
5. Ramp-up implementation of Supplier Performance Management
6. Continue logistics and inventory optimization
7. Improve land transportation for Unconventionals
8. Install Sustainable Drilling & Completions Demand Planning Process
9. Launch new Categories and expand Spend Under Management & Value Delivered