

Chevron and Hess: Is Guyana Worth the Uncertainty?

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Case convention: The investor committee and assignment are hypothetical. The transaction terms and company disclosures are historical. No private board meeting or internal debate is represented.

Decision assignment

On February 26, 2024, Chevron and Hess filed their 2023 annual reports. Chevron's filing described unresolved questions around Hess's 30% interest in the Stabroek Block offshore Guyana, alongside the pending Federal Trade Commission review of the proposed merger.

You are a hypothetical long-term Chevron shareholder preparing for an investment committee discussion. The committee asks whether the pending Hess acquisition should **increase, leave unchanged, or reduce** your confidence in Chevron's strategy for extending production and free-cash-flow growth. Recommend one position. Explain what has to be true for the acquisition to support that view, and identify the evidence that would change it.

This is an assessment of the signed transaction from an investor's perspective. Investors cannot reprice or terminate the agreement. Under the agreement, amendments require written signatures from Hess, Chevron and the merger subsidiary; termination rights belong to the parties and are limited to specified conditions. The case does not ask students to act as Chevron's board or assume a right to change the deal. [S4]

The proposed combination

On October 23, 2023, Chevron announced an agreement to acquire all Hess shares in an all-stock transaction. Hess shareholders would receive 1.025 Chevron shares for each Hess share. Chevron described the equity value as approximately \$53 billion and enterprise value, including debt, as \$60 billion. Its stated reference price represented a 10.3% premium to Hess's 20-day average closing price through October 20. These figures describe the announced terms; the premium is not an independent estimate of value created for Chevron shareholders. [S1, S2]

Chevron's thesis was that Hess would improve and extend the parent's portfolio. The centerpiece was Hess's 30% interest in Stabroek, which Chevron described as containing more than 11 billion barrels of oil-equivalent discovered recoverable resources, with strong production growth and potential exploration upside. Hess also held a significant Bakken position, Gulf of Mexico assets and a Southeast Asian natural-gas business. [S1]

Chevron forecast that the acquisition would increase production and free-cash-flow growth, extending growth into the 2030s. It expected cash-flow-per-share accretion in 2025, after expected synergies and start-up of the fourth Guyana floating production, storage and offloading vessel (FPSO). The forecasts were management’s estimates, not realized results. The company also said the acquired portfolio would support higher distributions to shareholders. [S1]

What Hess brought

At year-end 2023, Hess reported that Stabroek covered about 6.6 million acres and had more than 30 discoveries since 2015. ExxonMobil’s Guyana affiliate operated the block. Three developments had begun production. Hess reported 2023 net production from Guyana of 115,000 barrels per day, including tax barrels under the production-sharing arrangements. [S2]

Hess described a development queue beyond the producing projects. Yellowtail and Uaru were sanctioned, with first production expected in 2025 and 2026, respectively. Whiptail had been submitted to the Government of Guyana for approval in late 2023; Hess expected first production in 2027 if approvals and sanction followed. Hess said the first six FPSOs were expected to support more than 1.2 million barrels per day of aggregate **gross** capacity by the end of 2027. That gross project capacity is not Hess’s net production or a forecast of Chevron-attributable output. [S2]

Hess’s other assets complicate a simple “Guyana or nothing” interpretation. Hess reported 466,000 net acres in the Bakken and average Bakken production of 182,000 barrels of oil equivalent per day in 2023. Chevron’s announcement described 465,000 net acres, a small difference that may reflect rounding or measurement date. The public information did not allocate the \$53 billion equity consideration among Guyana, the Bakken and the other Hess businesses. [S1, S2]

Exhibit 1. Selected Hess portfolio disclosures at the cutoff

Asset or measure	Disclosed position	What the measure does-and does not-say
Stabroek interest	Hess 30%; operated by ExxonMobil’s Guyana affiliate	Hess’s ownership interest does not make it operator
Stabroek discovered recoverable resources	More than 11 billion boe cited by Chevron	Block-level resource estimate; not Hess net reserves or Chevron proved reserves
Guyana net production, 2023	115,000 bopd, including 14,000 bopd of tax barrels	Historical Hess net production under production-sharing accounting
First six FPSOs	More than 1.2 million bopd gross capacity expected by end-2027	Company forecast for aggregate gross project capacity, not Hess net output
Bakken, 2023	466,000 net acres; 182,000 boepd average production	Hess-reported basin position and historical production

Sources: Hess FY2023 Form 10-K, “Business-Guyana” and “Management’s Discussion and Analysis”; Chevron October 23, 2023 announcement. [S1, S2]

Uncertainty over the central asset

Hess and Chevron had been in discussions with ExxonMobil and China National Offshore Oil Corporation (CNOOC) about a right-of-first-refusal provision in the Stabroek joint operating agreement. Chevron's 2023 Form 10-K said that if discussions did not yield an acceptable resolution and arbitration, if pursued, did not confirm the right was inapplicable to the merger, a closing condition would fail. The filing did not establish which interpretation was correct or assign a probability to the outcome. [S1]

The executed merger agreement's public main text does not mention Stabroek or the right of first refusal; the schedules that might clarify the connection to Chevron's risk disclosure were not in the exhibit reviewed. Investors therefore had a disclosed transaction risk without a publicly verified probability or a clear asset-specific value allocation. [S1, S4]

Regulatory review created a separate execution path. Chevron and Hess each received an FTC Second Request on December 7, 2023. The request extended the U.S. antitrust waiting period until 30 days after substantial compliance, unless the period was extended voluntarily or terminated sooner. A second request is a step in the review, not a finding that the merger violated antitrust law. [S1]

The signed agreement provided for mutual written termination and specified rights for each party. Either party could invoke particular provisions tied to the End Date, a failed Hess shareholder vote, a final legal restraint or an uncured material counterparty breach. Chevron alone had a pre-vote right if Hess's board changed its recommendation; Hess had a conditional pre-vote exit route to accept a superior proposal. Amendments required written signatures from all three signatories. The agreement set an initial End Date of April 22, 2024, with limited extensions under specified conditions. None of these terms gave Chevron a general right to reprice or walk away based only on a change in its investment view. [S4]

A portfolio case with two readings

One investor could see a rare opportunity to add a producing stake in a fast-growing offshore resource, alongside assets in several other basins and businesses. The staged FPSO plan gives Hess exposure to both current production and future phases. Chevron expected the combined portfolio to extend growth and increase cash generation.

Another investor could see a large, stock-financed acquisition whose most prominent growth asset was subject to a disputed contractual interpretation and unresolved regulatory review. Chevron's filing says that if the dispute prevents satisfaction of a closing condition, the merger would not close. The contingency is therefore not necessarily a completed acquisition at a lower price. Chevron had disclosed its forecasts but had not published a stand-alone valuation of Hess with and without Stabroek. The available data also did not establish what synergies Chevron could realize beyond management's claims, or which parts of the growth forecast depended on the contested interest.

The rest of Hess matters to both readings. The Bakken position and other assets add strategic value if the acquisition closes, but the signed agreement does not establish a partial-close alternative if the Stabroek-related condition fails. A hypothetical deal without the disputed interest would require a contractual resolution or amendment; the public record did not disclose a negotiated price for that scenario. A transaction can have a strong strategic thesis and still deliver weak value to the acquirer if the consideration, execution and integration costs absorb the gains.

Exhibit 2. Chevron's announced transaction thesis and open questions

Chevron's stated thesis	Investor's question
Stabroek adds growth and exploration potential into the next decade	How much of the acquisition thesis depends on the 30% interest transferring, and what does the filing say may happen if the related closing condition fails?
Hess adds Bakken, Gulf of Mexico and Southeast Asian gas assets	What evidence supports the value of the rest of the portfolio without a disclosed asset-by-asset price allocation?
The deal is expected to increase production and free cash flow through the 2030s	Which elements are reported facts, which are development plans, and which are Chevron forecasts?
Cash-flow-per-share accretion is expected in 2025 after synergies and a fourth FPSO start-up	What could delay or prevent the forecast, and what data would show it is being realized?
The all-stock deal uses shares rather than cash consideration	How should an investor think about the 1.025 exchange ratio and shares issued without treating the reference-date premium as value created?

What acquisition research can-and cannot-tell you

Sabet, Agha and Heaney studied 1,282 acquisitions of oil-and-gas assets by U.S.-listed firms from 1989 to 2011. Using event-study methods to estimate abnormal share returns around announcements, they found an average three-day cumulative abnormal return of 0.93% for conventional-resource acquisitions, statistically significant; the 0.57% average for unconventional-resource acquisitions was not robust across event windows. The study offers a mixed, historically grounded reference point-not a forecast for Chevron's acquisition of an entire company. It examines asset deals, not a corporate stock merger, and does not resolve the value of Hess's particular portfolio or the Stabroek closing uncertainty. A broader meta-analysis of 93 acquisition studies found no average improvement in acquirer post-acquisition performance and substantial variation across settings. Together, these findings are reasons to test both the strategic fit and the execution assumptions, not to presume either success or failure. [S5, S6]

Committee recommendation

At the March 1, 2024 cutoff, the outcome of the FTC review and the Stabroek dispute remained unresolved. Later developments are outside the information set.

Should the proposed acquisition increase, leave unchanged, or reduce your confidence in Chevron's strategy? Make a case for the strongest alternative view. Name the evidence or event that would most change your assessment.

Sources

- **[S1]** Chevron Corporation, 2023 Form 10-K, filed February 26, 2024. Note 30, “Agreement to Acquire Hess Corporation”; Item 1A, Hess acquisition risk factor; MD&A. [SEC filing](#).
- **[S2]** Hess Corporation, 2023 Form 10-K, filed February 26, 2024. “Business-Guyana”; “Management’s Discussion and Analysis-E&P Operations.” [SEC filing](#).
- **[S3]** Chevron, “Chevron Announces Agreement to Acquire Hess,” October 23, 2023. [Company release](#).
- **[S4]** Agreement and Plan of Merger among Chevron Corporation, Yankee Merger Sub Inc. and Hess Corporation, dated October 22, 2023. §§5.2, 8.1, 9.1, 10.3, 10.5. [SEC Exhibit 2.1](#).
- **[S5]** Sabet, Amir H., Mahmoud Agha, and Richard Heaney. 2018. “Value of Investment: Evidence from the Oil and Gas Industry.” *Energy Economics* 70: 190-204. DOI: [10.1016/j.eneco.2018.01.006](#). [Accepted manuscript](#).
- **[S6]** King, David R., Dan R. Dalton, Catherine M. Daily, and Jeffrey G. Covin. 2004. “Meta-Analyses of Post-Acquisition Performance: Indications of Unidentified Moderators.” *Strategic Management Journal* 25(2): 187-200. DOI: [10.1002/smj.371](#). [Marquette repository](#).