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Hess Corporation Agrees to \$106 Million Settlement for St. Croix Asbestos Claims

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Hess Corporation, an oil and gas company, has agreed to pay \$106 million in an effort to settle asbestos injury claims related to the St. Croix oil refinery which HESS's bankrupt subsidiary, HONX Inc. operated from 1965 to 1998, according to a Chapter 11 plan of reorganization filed on Wednesday.

As per the reorganization plan submitted in the U.S. Bankruptcy Court for the Southern District of Texas, HONX and Hess will establish a trust to examine the over 900 unresolved asbestos claims and pay the respective claimants. This arrangement grants them immunity from any legal actions concerning the alleged hazardous material, and as HONX asserts, it will yield more funds for the claimants by preventing expensive legal proceedings.

In a statement attached to the Chapter 11 plan, both HONX and Hess expressed their belief that confirming the plan would make significantly more resources available to address the asbestos claims than if the plan were not confirmed.

The claims relate to alleged asbestos exposure at the Limetree Bay oil refinery. According to the disclosure statement, HONX, its previous corporate forms, and Hess have collectively faced over 1500 lawsuits for asbestos claims since 1987, with around 1,100 of these claims having been settled.

The settlement plan will see Hess funding the asbestos trust with \$106 million. Of this, \$90 million is set to be distributed to the claimants who have already filed, with \$15 million reserved for potential future claims. Hess has also committed an additional \$10 million in case the initial \$15 million gets depleted within the trust's first seven years of operation. The remaining \$1 million will be designated for the trust's administrative expenses.

The plan sets out a method for evaluating claims based on claimants' "disease levels," which range from mesothelioma, lung cancer, and asbestosis of varying degrees of severity, and also the duration of their asbestos exposure.

This agreement concludes a series of intense mediation discussions involving Hess, HONX, the committee of unsecured creditors, and a group of asbestos claimants. These discussions had hit a deadlock in September, when the committee had petitioned the court to dismiss the case, alleging it was filed in bad faith with no realistic prospect of reorganization.

HONX, previously known as Hess Oil Virgin Islands Corp., filed for bankruptcy in April 2022, stating that it had no alternative means of resolving its asbestos liabilities.

HONX is being represented by Jackson Walker LLP and Kirkland & Ellis LLP, while the creditors committee is represented by Akin Gump Strauss Hauer & Feld LLP. The case is ongoing in the U.S. Bankruptcy Court for the Southern District of Texas under the case number 4:22-bk-90035.