

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1996

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 0-13546

APACHE OFFSHORE INVESTMENT PARTNERSHIP

(Exact name of registrant as specified in its charter)

Delaware 41-1464066

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification Number)

Suite 100, One Post Oak Central 77056-4400
2000 Post Oak Boulevard, Houston, TX

(Address of Principal Executive Offices) (Zip Code)

Registrant's Telephone Number, Including Area Code (713) 296-6000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X NO
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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

APACHE OFFSHORE INVESTMENT PARTNERSHIP
BALANCE SHEET

	March 31,	December 31,	1996	1995
			-----	-----
ASSETS (Unaudited)				
CURRENT ASSETS:				
Cash and cash equivalents	\$	104	\$	104
Oil and gas receivables		2,814,468		2,744,988
Receivable from Apache		1,305,358		--
Drilling advances		--		8,570
			4,119,930	2,753,662
			-----	-----
OIL AND GAS PROPERTIES, on the basis of full cost accounting:				
Proved properties		161,840,566		161,821,838
Less - accumulated depreciation, depletion and amortization		(152,393,038)		(151,089,712)
			9,447,528	10,732,126
			-----	-----
	\$		13,567,458	\$ 13,485,788
			=====	=====
LIABILITIES AND PARTNERS' CAPITAL				
CURRENT LIABILITIES:				
Accrued expenses	\$	559,102	\$	634,352
Payable to Apache		--		69,824

		559,102	704,176
		-----	-----
LONG-TERM DEBT	6,460,000	7,310,000	
		-----	-----
PARTNERS' CAPITAL:			
Managing Partner	902,780	966,580	
Investing Partners			
(1,212.3 units outstanding)	5,645,576	4,505,032	
		-----	-----
		6,548,356	5,471,612
		-----	-----
	\$	13,567,458	\$ 13,485,788
		=====	=====

APACHE OFFSHORE INVESTMENT PARTNERSHIP
STATEMENT OF INCOME
(Unaudited)

	For the Three Months Ended March 31,	
	----- 1996 -----	----- 1995 -----
REVENUES:		
Oil and gas sales	\$ 5,014,238	\$ 2,804,885

EXPENSES:		
Depreciation, depletion and amortization	1,303,326	875,627
Lease operating	343,835	236,059
Administrative	133,443	132,499
Financing costs	136,639	160,826

		1,917,243

NET INCOME	\$ 3,096,995	\$ 1,399,874
		=====
NET INCOME ALLOCATED TO:		
Managing Partner	\$ 744,130	\$ 380,697
Investing Partners	2,352,865	1,019,177

	\$	3,096,995
		=====
NET INCOME PER WEIGHTED AVERAGE INVESTING PARTNER UNIT	\$ 1,941	\$ 823
		=====
WEIGHTED AVERAGE INVESTING PARTNER UNITS OUTSTANDING	1,212.3	1,238.3
		=====

APACHE OFFSHORE INVESTMENT PARTNERSHIP
STATEMENT OF CASH FLOWS
(Unaudited)

	For the Three Months Ended March 31,	
	----- 1996 -----	----- 1995 -----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 3,096,995	\$ 1,399,874
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	1,303,326	875,627
Amortization of deferred financing costs	--	14,584
Changes in operating assets and liabilities:		
(Increase) decrease in oil and gas receivables	(69,480)	362,028
Increase (decrease) in accrued expenses	160,054	(13,973)
Change in receivable/payable to Apache	(1,375,182)	1,636,906

Net cash provided by operating activities		3,115,713

CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to oil and gas properties	(18,728)	(590,984)
Non-cash portion of net oil and		

gas property additions	(235,304)	(161,731)
Decrease (increase) in drilling advances	8,570	(461,497)
	-----	-----
Net cash used by investing activities	(245,462)	(1,214,212)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Distributions to Investing Partners	(1,212,321)	(1,857,520)
Distributions to Managing Partner, net	(807,930)	(438,314)
Payments on long-term debt	(850,000)	(765,000)
	-----	-----
Net cash used by financing activities	(2,870,251)	(3,060,834)
	-----	-----
NET CHANGE IN CASH AND CASH EQUIVALENTS	--	--
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	104	104
	-----	-----
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 104	\$ 104
	=====	=====
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	\$ 116,059	\$ 154,242
	=====	=====

APACHE OFFSHORE INVESTMENT PARTNERSHIP
STATEMENT OF CHANGES IN PARTNERS' CAPITAL
(Unaudited)

	Managing Partner	Investing Partners	Total
	-----	-----	-----
BALANCE, DECEMBER 31, 1994	\$ 1,026,159	\$ 3,148,503	\$ 4,174,662
Net income	380,697	1,019,177	1,399,874
Distributions, net	(438,314)	(1,857,520)	(2,295,834)
		-----	-----
BALANCE, MARCH 31, 1995	\$ 968,542	\$ 2,310,160	\$ 3,278,702
		=====	=====
BALANCE, DECEMBER 31, 1995	\$ 966,580	\$ 4,505,032	\$ 5,471,612
Net income	744,130	2,352,865	3,096,995
Distributions, net	(807,930)	(1,212,321)	(2,020,251)
		-----	-----
BALANCE, MARCH 31, 1996	\$ 902,780	\$ 5,645,576	\$ 6,548,356
		=====	=====

APACHE OFFSHORE INVESTMENT PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

The financial statements included herein have been prepared by the Apache Offshore Investment Partnership (Partnership), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission, and reflect all adjustments which are, in the opinion of management, necessary to a fair statement of the results for the interim periods, on a basis consistent with the annual audited statements. All such adjustments are of a normal, recurring nature. Certain information, accounting policies, and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted pursuant to such rules and regulations, although the Partnership believes that the disclosures are adequate to make the information presented not misleading. These financial statements should be read in conjunction with the financial statements and the summary of significant accounting policies and notes thereto included in the Partnership's latest annual report on Form 10-K.

ACCRUED EXPENSES

Accrued expenses payable at March 31, 1996, primarily represents operating and capital expenditures accrued in February and March that will

be paid in April.

PAYABLE/RECEIVABLE FROM APACHE

The receivable from/payable to Apache Corporation (Apache) represents the net result of the investing partners' revenue and expenditure transactions in the current month. Cash in this amount will normally be transferred from/to Apache in the following month after the Partnership's transactions are processed and the net results of operations are determined.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Net Income and Revenue

The Partnership reported 1996 first quarter net income of \$3.1 million, or \$1,941 per Investing Partner unit. The 1996 first quarter income was 121-percent higher than the \$1.4 million, or \$823 per Investing Partner unit, reported in the first quarter of 1995. This increase was primarily attributable to higher product prices and production, partially offset by higher operating costs.

Oil and gas sales of \$5.0 million in the first quarter of 1996 increased by \$2.2 million, or 79 percent, when compared to the first quarter of 1995. This increase was the result of higher production and higher realized product prices. On an energy equivalent basis, using one barrel of oil as the equivalent of six thousand cubic feet (Mcf) of natural gas, natural gas production represented 82 percent and 84 percent of production for the first quarter of 1996 and 1995, respectively.

Volume and price information concerning the Partnership's 1996 and 1995 first quarter oil and gas production is summarized in the following table:

	For the Quarter Ended March 31,		Increase
	1996	1995	(Decrease)
	-----	-----	-----
Gas Volume - Mcf per day	17,420	15,943	9%
Average Gas Price - per Mcf	\$2.51	\$1.41	78%
Oil Volume - Barrels per day	618	516	20%
Average Oil Price - per barrel	\$18.49	\$16.86	10%

A \$1.10 per Mcf, or 78-percent, increase in the Partnership's average realized gas price and a 10-percent increase in crude oil prices increased revenues by \$1,739,000 and \$93,000, respectively. While oil and gas prices are currently higher than amounts realized a year ago, the Partnership is not in a position to predict future prices.

In the first quarter of 1996, crude oil and natural gas production increased 20 percent and nine percent, respectively, over the first quarter of 1995 levels. These increases are primarily attributable to the capital expenditures made during 1995. The Partnership incurred \$3.2 million during 1995 to drill the East Cameron A-5 well and to recomplete several wells at South Timbalier 295 and Ship Shoal 259. Given the few number of producing wells owned by the Partnership, and the fact that offshore wells tend to decline on a steeper curve than onshore wells, the Partnership's future production will be subject to more volatility than those entities with greater reserves and longer-lived properties.

Depreciation, depletion and amortization (DD&A) expense of \$1.3 million increased 49 percent from a year ago. Though increasing in absolute terms, the DD&A rate, as a percentage of sales, decreased from 31 percent in 1995 to 26 percent in 1996. This improvement resulted from increased future gross revenue, upon which the rate is based, reflecting both higher natural gas and crude oil prices.

First quarter 1996 lease operating expense of \$344,000 increased by \$108,000, or 46 percent, from last year due primarily to workover expenses recorded on South Timbalier 295.

Administrative expense in the first quarter of 1996 of \$133,000 remained relatively flat, increasing less than one percent when compared to the first quarter of 1995.

Financing costs of \$137,000 in the first quarter of 1996 declined \$24,000, or 15 percent, compared to the same period in 1995. This decrease was primarily a result of a reduction in the average debt outstanding from \$8.7 million during the first quarter of 1995 to \$7.0 million over the same period of 1996.

Cash Flow and Liquidity

The Partnership's primary capital resources are net cash provided by operating activities and proceeds from financing activities.

Net cash provided by operating activities, before changes in working capital accounts, was \$4.4 million in the first quarter of 1996, up 92 percent from a year ago. This increase primarily resulted from higher realized natural gas prices, which accounted for approximately 71-percent of the improvement in cash flow. Future cash flows will be influenced by product prices and production constraints and are not presently ascertainable. Net cash provided by operating activities was less than a year ago due primarily to changes in the receivable/payable account with Apache.

At March 31, 1996, the available commitment under the Partnership's reducing revolving credit facility was \$12,750,000, of which \$6,460,000 was outstanding. The available commitment reduces by \$1,275,000 per quarter, with the outstanding loan balance to be repaid by July 1998. The Partnership must comply with certain cash flow and oil and gas reserve tests under the terms of the credit facility, and failure to comply will result in mandatory principal payments in amounts sufficient to meet the tests. The Partnership has met the tests each year since the inception of the credit facility in 1992. Based on current pricing and its reserve base, the Partnership anticipates meeting future tests and does not expect to have an acceleration of principal payments. The Partnership is not subject to any financial ratio requirements. Apache is contingently liable for obligations of the Partnership and is subject to certain requirements under the terms of the credit facility. Apache was in compliance with such covenants at March 31, 1996. The credit facility had an average interest rate of 6.271 percent during the first quarter of 1996 which compares to an average rate of 6.802 percent a year ago. The Partnership will attempt to maintain availability under its credit facility as cushion for unforeseen expenditures and contingencies.

It is expected that cash available under the Partnership's credit facility, Managing Partner contributions, and net cash provided by operating activities will be sufficient to meet the Partnership's liquidity needs through the end of 1996. However, in the event short-term operating cash requirements are greater than the Partnership's financial resources, the Partnership will seek short-term interest-bearing advances from the Managing Partner.

Capital Commitments

The Partnership's primary needs for cash are for operating expenses, repayment of principal and interest on outstanding debt, drilling and recompletion expenditures, distributions to Investing Partners and the purchase of Units offered by Investing Partners under the right of presentment.

An amendment to the Partnership Agreement created a right of presentment under which all Investing Partners now have a limited and voluntary right to offer their Units to the Partnership twice each year to be repurchased for cash. The first right of presentment offer for 1996 of \$10,698 per Unit was made to the Investing Partners on April 29, 1996. The actual payment will increase by interest calculated from the valuation date, December 31, 1995, to the date of payment. The Partnership is not in a position to predict how many Units will be presented for repurchase during 1996 and cannot, at this time, determine if the partnership will have sufficient funds available for the purpose of repurchasing all or any units tendered.

During the first quarter of 1996, the Partnership's oil and gas property additions totaled \$18,728. The Partnership's capital expenditures for the remainder of 1996 are anticipated to be approximately \$1 million based on information provided by the operators of the properties in which the Partnership has interests. However, such estimates may change based on realized product prices, drilling results or other factors.

The Partnership made a distribution of \$1,000 per Limited Partner unit during March 1996, and intends to make another distribution in the second half of 1996. The amount of this and future distributions will be dependent on actual and expected production levels, realized and expected oil and gas prices, debt service requirements and expected drilling and recompletion expenditures.

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 ("PSLRA")

The foregoing discussions contain certain "forward-looking statements" as defined by the PSLRA including, without limitation, discussions as to expectations, beliefs, plans, objectives and future financial performance, and assumptions underlying or concerning matters discussed reflecting management's current expectations of the manner in which the various factors discussed therein may affect the Partnership's business in the future. Any matters that are not historical facts are forward-looking and, accordingly, involve estimates, assumptions and uncertainties which could cause actual results or outcomes to differ materially from those expressed

in the forward-looking statements. There is no assurance that the Partnership's expectations will be realized or that unexpected events will not have an adverse impact on the Partnership's business.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 2. CHANGES IN SECURITIES

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

- a. Exhibits.
 - 27.1 Financial Data Table.
- b. Reports filed on Form 8-K - None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereto duly authorized.

APACHE OFFSHORE INVESTMENT PARTNERSHIP
By: Apache Corporation, General Partner

Dated: May 14, 1996

/s/ Mark A. Jackson

Mark A. Jackson
Vice President and Chief Financial Officer

Dated: May 14, 1996

/s/ Thomas L. Mitchell

Thomas L. Mitchell
Controller and Chief Accounting Officer

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APACHE OFFSHORE INVESTMENT PARTNERSHIP
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