

Apache Corporation announces second-quarter 2016 financial and operational results

- Transitioned from full-cost to successful-efforts method of accounting to enhance the comparability of Apache's financial results.
- Placed on production several strong wells in key operating areas including the Permian Basin and North Sea.
- Achieved further cost improvements, including a 17- percent year-over-year reduction in lease operating expenses (LOE), which averaged \$7.38 per barrel of oil equivalent (Boe).
- Successful-efforts-based financial results were:
 - Net loss of \$244 million, or \$0.65 per share,
 - Adjusted net loss of \$99 million, or \$0.26 per share, and
 - Net cash from operating activities of \$744 million.
- Results under the full-cost method would have been:
 - Net loss of \$601 million, or \$1.58 per share,
 - Adjusted earnings of \$20 million, or \$0.05 per share, and
 - Net cash from operating activities of \$781 million.
- See the Financial and Operational Supplement for an expanded comparison of Apache's second-quarter results under the successful-efforts and full-cost methods.

HOUSTON, Aug. 4, 2016 – Apache Corporation (NYSE, Nasdaq: APA) today announced its financial and operational results for the second quarter of 2016. Effective for the quarter, Apache voluntarily changed its method of accounting for oil and gas exploration and development activities from full cost to successful efforts. Accordingly, financial information for prior periods has been recast to reflect the retrospective application of the successful-efforts method. The Quarterly Report on Form 10-Q for the period ended June 30, 2016, that will be filed by the company after close of business today, will reflect this accounting change.

Apache reported a loss of \$244 million or \$0.65 per diluted common share during the second quarter of 2016. These results include a number of items outside of core earnings that are typically excluded by the investment community in their published earnings estimates. When adjusted for these and certain additional items that impact the comparability of results, Apache's second-quarter loss totaled \$99 million, or \$0.26 per share. Net cash provided by operating activities was \$744 million, and adjusted earnings before interest, taxes, depreciation, depletion, amortization and exploration expenses (EBITDAX) was \$787 million. During the quarter, Apache's cash position increased to \$1.2 billion.

"Apache's solid second-quarter results are a testament to both the significant progress we have made on our cost structure as well as the strength of our portfolio," said John J. Christmann IV, Apache's chief executive officer and president. "During the quarter, we continued our efforts to reduce costs and improve capital efficiency. Our LOE costs on a Boe basis were down 4 percent from the previous quarter and 17 percent year-over-year.

"Despite an 85-percent reduction in capital investment since 2014, our base production has proven to be very resilient. We sharply reduced activity in the first quarter of 2015 and have continued to reduce spending as oil prices have remained relatively weak. Nevertheless, our production volumes have held up well, and we are on track to deliver production in line with the increased guidance provided last quarter. Although our 2016 capital program is not intended to maximize near-term production, the efficiency and productivity gains we have achieved are clearly demonstrated in our results."

Second-quarter operational summary

Apache reported total worldwide production of 535,000 Boe per day and pro forma production of 461,000 Boe per day, which excludes Egypt noncontrolling interest and tax barrels. In North America Onshore, production was 282,000 Boe per day while pro forma International and Offshore production was 179,000 Boe per day.

Despite significant reductions in investment over the last 18 months, second-quarter North American Onshore production volumes only declined 16,000 Boe per day from the first quarter. More than 10,000 Boe per day of this decline came from lower-margin areas outside of the Permian Basin. International and Offshore production was relatively flat from first quarter to second quarter.

Highlights from Apache's key operating areas include:

- North America Onshore Apache placed on production 20 gross-operated wells during the second quarter.
 - In the Delaware Basin, the company placed on production two gross-operated wells, including the Blue Jay 103H Third Bone Springs well, which achieved a 30-day average rate of nearly 3,200 Boe per day.
 - In the Midland Basin, Northwest Shelf and Central Basin Platform, the company placed on production 16 gross-operated wells. Apache generated strong production rates in the Midland Basin from the Connell 38B 2HM and Connell 38C 2HM Wolfcamp B wells, each of which achieved a 30-day average rate of approximately 1,300 Boe per day from one-mile laterals.
 - In the Woodford-SCOOP, the company placed on production two gross-operated wells, including the Truman 3-28H, which achieved a 30-day average rate of approximately 1,800 Boe per day from a 4,400 foot lateral.
- North Sea Production averaged 71,000 Boe per day. During the quarter, the company achieved a 100- percent drilling success rate and placed on production three strong development wells in the Beryl area: the LP7, BCR and FNT. Each well achieved a 30-day average rate in excess of 6,000 Boe per day. During the quarter, the company also commenced drilling the Storr prospect in the Beryl area, which was highlighted in the November 2015 North Sea Investor Update Presentation.
- **Egypt** Gross production averaged 350,000 Boe per day, and net production, excluding minority interest and tax barrels, averaged 101,000 Boe per day. During the quarter, Apache drilled 15 gross wells with a 93-percent success rate.

2016 outlook and plan update

Apache has taken a conservative budgeting approach to 2016 with a planned oil price of \$35 and an overriding financial goal to spend within cash flow. As oil prices have begun to show modest signs of improvement relative to the first quarter, Apache is slowly deploying incremental capital. The company recently added a rig in the Midland Basin, is maintaining operations on two platform rigs in the North Sea, and is accelerating strategic testing initiatives. Apache now expects to spend at the high end of its 2016 capital guidance range of \$1.4 to \$1.8 billion.

"Our conservative budgeting and rigorous allocation of capital over the last 18 months have resulted in tangible benefits to the company. We refrained from significant development drilling in a low commodity-price environment, and instead, turned our focus to capital efficiency improvements and strategic testing. As a result, we have made significant progress on our cost structure and are positioning Apache very well for the future," concluded Christmann.

Conference call

Apache will host a conference call to discuss its second-quarter 2016 results at 1 p.m. Central time, Thursday, Aug. 4. The conference call will be webcast from Apache's website at www.apachecorp.com and investor.apachecorp.com, and the webcast replay will be archived there as well. The conference call will also be available for playback by telephone for one week beginning at approximately 4 p.m. Central time Aug. 4. To access the telephone playback, dial 855-859-2056 or 404-537-3406 for international calls. The conference access code is 13741868.

Sign up for email alerts to be reminded of the webcast at http://investor.apachecorp.com/alerts.cfm.

Additional information

Additional information follows, including reconciliations of adjusted earnings, adjusted EBITDAX and net debt (non-GAAP financial measures) to GAAP measures and information regarding pro forma production. Apache's quarterly supplement is available at www.apachecorp.com/quarterlyresults.

About Apache

Apache Corporation is an oil and gas exploration and production company with operations in the United States, Canada, Egypt and the United Kingdom. Apache posts announcements, operational updates, investor information and all press releases on its website, www.apachecorp.com, and on its Media and Investor Center mobile application, which is available for free download from the Apple App Store and Google's Play store. To sign up to receive email alerts regarding news and other website updates, please visit https://investor.apachecorp.com/alerts.cfm.

Non-GAAP financial measures

Apache's financial information includes information prepared in conformity with generally accepted accounting principles (GAAP) as well as non-GAAP information. It is management's intent to provide non-GAAP financial information to enhance understanding of our consolidated financial information as prepared in accordance with GAAP. Adjusted earnings, adjusted EBITDAX and net debt are non-GAAP measures. This non-GAAP information should be considered by the reader in addition to, but not instead of, the financial statements prepared in accordance with GAAP. Each non-GAAP financial

measure is presented along with the corresponding GAAP measure so as not to imply that more emphasis should be placed on the non-GAAP measure.

Forward-looking statements

This news release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements can be identified by words such as "anticipates," "intends," "plans," "seeks," "believes," "estimates," "expects," "guidance," and similar references to future periods. These statements include, but are not limited to, statements about future plans, expectations and objectives for Apache's operations, including statements about our capital plans, drilling plans, production expectations, asset sales, and monetizations. While forward-looking statements are based on assumptions and analyses made by us that we believe to be reasonable under the circumstances, whether actual results and developments will meet our expectations and predictions depend on a number of risks and uncertainties which could cause our actual results, performance, and financial condition to differ materially from our expectations. See "Risk Factors" in our 2015 Form 10-K filed with the Securities and Exchange Commission for a discussion of risk factors that affect our business. Any forward-looking statement made by us in this news release speaks only as of the date on which it is made. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future development or otherwise, except as may be required by law.

Cautionary note to investors

The United States Securities and Exchange Commission ("SEC") permits oil and gas companies, in their filings with the SEC, to disclose only proved, probable, and possible reserves that meet the SEC's definitions for such terms. Apache may use certain terms in this earnings release, such as "resources," "potential resources," "resource potential," "estimated net reserves," "recoverable reserves," and other similar terms that the SEC guidelines strictly prohibit Apache from including in filings with the SEC. Such terms do not take into account the certainty of resource recovery, which is contingent on exploration success, technical improvements in drilling access, commerciality and other factors, and are therefore not indicative of expected future resource recovery and should not be relied upon. Investors are urged to consider carefully the disclosure in Apache's Annual Report on Form 10-K for the fiscal year ended Dec. 31, 2015, available from Apache at www.apachecorp.com or by writing Apache at: 2000 Post Oak Blvd., Suite 100, Houston, TX 77056 (Attn: Corporate Secretary). You can also obtain this report from the SEC by calling 1- 800-SEC-0330 or from the SEC's website at www.sec.gov.

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Click <u>here</u> for the full release including the quarterly financial statements.

Click <u>here</u> for the Second-Quarter 2016 Financial and Operational Supplement.