

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 OR 15(d)
of The Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): November 2, 2022

APA CORPORATION
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

001-40144
(Commission
File Number)

86-1430562
(IRS Employer
Identification No.)

**2000 Post Oak Boulevard, Suite 100
Houston, Texas 77056-4400**
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (713) 296-6000

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.625 par value	APA	Nasdaq Global Select Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

The information in this Current Report on Form 8-K, including Exhibit 99.1 furnished herewith, is being furnished and shall not be deemed “filed” for purposes of Section 18 of the Exchange Act or otherwise subject to the liabilities of Section 18, and shall not be incorporated by reference in any filing under the Securities Act or the Exchange Act, except as set forth by specific reference in such filing.

Item 2.02. Results of Operations and Financial Condition.

On November 2, 2022, APA Corporation issued a press release announcing financial and operating results for the fiscal quarter ended September 30, 2022. The full text of the press release is furnished herewith as Exhibit 99.1 and incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No.	Description
99.1	Press Release of APA Corporation dated November 2, 2022.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

APA CORPORATION

Date: November 3, 2022

By: /s/ Rebecca A. Hoyt
Rebecca A. Hoyt
Senior Vice President, Chief Accounting Officer, and Controller
(Principal Accounting Officer)



Final NEWS RELEASE

APA Corporation Announces Third-Quarter 2022

Financial and Operational Results

Key Takeaways

- *Generated net cash from operating activities of \$1.104 billion, adjusted EBITDAX of \$1.690 billion, and free cash flow of \$609 million for the quarter;*
- *Reported production of 382,000 barrels of oil equivalent (BOE) per day; adjusted production, which excludes Egypt noncontrolling interest and tax barrels, was 310,000 BOE per day;*
- *Production in the U.S. exceeded expectations, driven by strong performance across the Permian Basin;*
- *Repurchased 10 million shares of APA common stock during the quarter at an average price of \$33.85;*
- *Announced a doubling of the quarterly dividend to an annualized rate of \$1.00 per share;*
- *Announced first oil discovery on Block 53 offshore Suriname at Baja; and*
- *Achieved 2022 ESG goal to reduce routine upstream flaring in Egypt by 40%.*

HOUSTON, Nov. 2, 2022 – APA Corporation (Nasdaq: APA) today announced its financial and operational results for the third-quarter 2022.

APA reported net income attributable to common stock of \$422 million, or \$1.28 per diluted share. When adjusted for items that impact the comparability of results, APA's third-quarter earnings were \$651 million, or \$1.97 per diluted share. Net cash provided by operating activities was \$1.104 billion, and adjusted EBITDAX was \$1.690 billion.

“APA's diversified and unhedged portfolio delivered another strong quarter, generating \$609 million of free cash flow,” said John J. Christmann IV, APA's CEO and president. “Global production was in line with expectations, as excellent Permian Basin performance offset weakness in North Sea production that was heavily impacted by unplanned downtime.”

Third-Quarter Summary

Third-quarter reported production was 382,000 BOE per day, and adjusted production, which excludes Egypt noncontrolling interest and tax barrels, was 310,000 BOE per day. APA's third-quarter upstream capital investment was \$492 million, which was below guidance of \$515 million.

Permian Basin operations drove the strong third-quarter results through a combination of performance and timing of new well completions, strong base production, and relatively minimal downtime.

APA CORPORATION ANNOUNCES THIRD-QUARTER 2022 FINANCIAL AND OPERATIONAL RESULTS

In Egypt, after a significant ramp in drilling activity spanning the last five quarters, the pace of well completions continues to improve, and third-quarter new well connections exceeded guidance. Production in the North Sea was down due to planned seasonal turnarounds and was subsequently impacted by significant unplanned downtime. In October, North Sea production returned to more normalized levels.

In Suriname, the company announced a discovery at Baja on Block 53 during the quarter. Currently, appraisal and exploration activities continue on Block 58 at Sapakara South 2 and Awari, respectively.

Capital Return to Shareholders and Debt Reduction Progress

Since the inception of APA's capital return framework in October 2021, the company has repurchased 55.2 million shares at an average price of \$31.33 through the end of the third quarter. For the full-year 2022, APA expects to generate approximately \$2.7 billion of free cash flow, of which, at least \$1.6 billion will be returned to shareholders in the form of dividends and share buybacks.

The company continues to strengthen the balance sheet. Since mid-2021, \$3.1 billion in bond debt has been eliminated, including the recent redemption of \$123 million of notes due January 2023, through tender offers, open market repurchases and early redemptions.

2022 Capital and Fourth-Quarter Production Guidance

APA's full-year capital investment guidance remains unchanged at \$1.725 billion. The company expects fourth-quarter adjusted production to be in the range of 328,000 to 332,000 BOE per day, up more than 5% from the third quarter, with the increase expected to be driven by higher oil production across its assets.

ESG Progress

APA has made significant progress on its 2022 ESG goals, achieving an environmental target to reduce Egypt upstream routine flaring by at least 40% ahead of schedule. The company also continues to implement new projects to eliminate at least 1 million tonnes of annualized CO₂e emissions by year-end 2024.

Conference Call

APA will host a conference call to discuss its third-quarter 2022 results at 10 a.m. Central time, Thursday, Nov. 3. The conference call will be webcast from APA's website at www.apacorp.com. Following the conference call, a replay will be available for one year on the "Investors" page of the company's website.

About APA

APA Corporation owns consolidated subsidiaries that explore for and produce oil and natural gas in the United States, Egypt and the United Kingdom and that explore for oil and natural gas offshore Suriname and the Dominican Republic. APA posts announcements, operational updates, investor information and press releases on its website, www.apacorp.com. Additional details regarding Suriname, ESG performance and other investor-related topics are posted at investor.apacorp.com.

Additional Information

Additional information follows, including reconciliations of adjusted earnings, adjusted EBITDAX, upstream capital investment, net debt, cash flows from operations before changes in operating assets and liabilities and free cash flow (non-GAAP financial measures) to GAAP measures and information regarding adjusted production. APA's quarterly supplement is available at <http://www.apacorp.com/financialdata>.

Non-GAAP Financial Measures

APA's financial information includes information prepared in conformity with generally accepted accounting principles (GAAP) as well as non-GAAP financial 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, upstream capital investment, net debt, cash flows from operations before changes in operating assets and liabilities and free cash flow 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

APA CORPORATION ANNOUNCES THIRD-QUARTER 2022 FINANCIAL AND OPERATIONAL RESULTS

by words such as “anticipates,” “intends,” “plans,” “seeks,” “believes,” “continues,” “could,” “estimates,” “expects,” “goals,” “guidance,” “may,” “might,” “outlook,” “possibly,” “potential,” “projects,” “prospects,” “should,” “will,” “would,” and similar references to future periods, but the absence of these words does not mean that a statement is not forward-looking. These statements include, but are not limited to, statements about future plans, expectations, and objectives for 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 APA’s Form 10-K for the year ended December 31, 2021, and in our quarterly reports on Form 10-Q, filed with the Securities and Exchange Commission for a discussion of risk factors that affect our business. Any forward-looking statement made 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. APA and its subsidiaries 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 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. APA may use certain terms in this news release, such as “resources,” “potential resources,” “resource potential,” “estimated net reserves,” “recoverable reserves,” and other similar terms that the SEC guidelines strictly prohibit APA 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 APA’s Annual Report on Form 10-K for the fiscal year ended Dec. 31, 2021 available from APA at www.apacorp.com or by writing APA 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.

Contacts

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Click [here](#) for the full release with quarterly financial statements.

APA CORPORATION
STATEMENT OF CONSOLIDATED OPERATIONS

(Unaudited)

(In millions, except per share data)

	For the Quarter Ended		For the Nine Months Ended	
	September 30,		September 30,	
	2022	2021	2022	2021
REVENUES AND OTHER:				
Oil, natural gas, and natural gas liquids production revenues				
Oil revenues	\$ 1,672	\$ 1,182	\$ 5,252	\$ 3,314
Natural gas revenues	428	293	1,241	831
Natural gas liquids revenues	202	210	654	485
	<u>2,302</u>	<u>1,685</u>	<u>7,147</u>	<u>4,630</u>
Purchased oil and gas sales	585	374	1,456	1,056
Total revenues	2,887	2,059	8,603	5,686
Derivative instrument gain (loss), net	(44)	—	(138)	45
Gain (loss) on divestitures, net	31	(2)	1,180	65
Loss on previously sold Gulf of Mexico properties	—	(446)	—	(446)
Other, net	(2)	40	107	175
	<u>2,872</u>	<u>1,651</u>	<u>9,752</u>	<u>5,525</u>
OPERATING EXPENSES:				
Lease operating expenses	364	316	1,067	891
Gathering, processing, and transmission	99	68	274	187
Purchased oil and gas costs	573	396	1,452	1,152
Taxes other than income	82	54	230	149
Exploration	95	34	193	109
General and administrative	69	70	314	239
Transaction, reorganization, and separation	4	4	21	8
Depreciation, depletion, and amortization:				
Oil and gas property and equipment	300	306	847	940
Other assets	10	29	32	88
Asset retirement obligation accretion	29	29	87	85
Impairments	—	18	—	18
Financing costs, net	75	205	303	422
	<u>1,700</u>	<u>1,529</u>	<u>4,820</u>	<u>4,288</u>
NET INCOME BEFORE INCOME TAXES	<u>1,172</u>	<u>122</u>	<u>4,932</u>	<u>1,237</u>
Current income tax provision	357	183	1,164	463
Deferred income tax provision (benefit)	285	(31)	225	(54)
NET INCOME (LOSS) INCLUDING NONCONTROLLING INTERESTS	<u>530</u>	<u>(30)</u>	<u>3,543</u>	<u>828</u>
Net income attributable to noncontrolling interest - Egypt	108	49	368	132
Net income attributable to noncontrolling interest - Altus	—	4	14	32
Net income (loss) attributable to Altus Preferred Unit limited partners	—	30	(70)	73
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON STOCK	<u>\$ 422</u>	<u>\$ (113)</u>	<u>\$ 3,231</u>	<u>\$ 591</u>
NET INCOME (LOSS) PER COMMON SHARE:				
Basic	\$ 1.28	\$ (0.30)	\$ 9.54	\$ 1.56
Diluted	\$ 1.28	\$ (0.30)	\$ 9.51	\$ 1.53
WEIGHTED-AVERAGE NUMBER OF COMMON SHARES OUTSTANDING:				
Basic	329	379	339	378
Diluted	330	379	340	379
DIVIDENDS DECLARED PER COMMON SHARE	<u>\$ 0.25</u>	<u>\$ 0.0625</u>	<u>\$ 0.50</u>	<u>0.1125</u>

APA CORPORATION
PRODUCTION INFORMATION

	For the Quarter Ended			% Change		For the Nine Months Ended	
	September 30, 2022	June 30, 2022	September 30, 2021	3Q22 to 2Q22	3Q22 to 3Q21	September 30, 2022	September 30, 2021
OIL VOLUME - Barrels per day							
United States	72,351	64,759	75,526	12%	-4%	68,926	75,384
Egypt (1, 2)	81,095	85,502	69,830	-5%	16%	83,857	71,052
North Sea	25,160	32,493	33,783	-23%	-26%	30,928	36,398
International (1)	106,255	117,995	103,613	-10%	3%	114,785	107,450
Total (1)	178,606	182,754	179,139	-2%	0%	183,711	182,834
NATURAL GAS VOLUME - Mcf per day							
United States	489,107	457,459	546,058	7%	-10%	474,777	531,695
Egypt (1, 2)	318,945	346,424	243,294	-8%	31%	350,400	259,108
North Sea	18,822	42,802	33,752	-56%	-44%	33,291	40,061
International (1)	337,767	389,226	277,046	-13%	22%	383,691	299,169
Total (1)	826,874	846,685	823,104	-2%	0%	858,468	830,864
NGL VOLUME - Barrels per day							
United States	64,958	59,267	70,962	10%	-8%	61,990	65,805
Egypt (1, 2)	—	297	496	NM	NM	261	544
North Sea	558	1,195	1,200	-53%	-54%	1,080	1,220
International (1)	558	1,492	1,696	-63%	-67%	1,341	1,764
Total (1)	65,516	60,759	72,658	8%	-10%	63,331	67,569
BOE per day							
United States	218,826	200,269	237,498	9%	-8%	210,045	229,805
Egypt (1, 2)	134,253	143,536	110,875	-6%	21%	142,518	114,780
North Sea	28,855	40,822	40,608	-29%	-29%	37,557	44,295
International (1)	163,108	184,358	151,483	-12%	8%	180,075	159,075
Total (1)	381,934	384,627	388,981	-1%	-2%	390,120	388,880
Total excluding noncontrolling interests	337,093	336,756	351,955	0%	-4%	342,584	350,556

(1) Includes net production volumes attributed to our noncontrolling partner in Egypt below:

Oil (b/d)	27,082	28,516	23,309			27,971	23,716
Gas (Mcf/d)	106,553	115,534	81,309			116,869	86,564
NGL (b/d)	—	99	165			87	181
BOE per day	44,841	47,871	37,026	-6%	21%	47,536	38,324

(2) Egypt Gross Production

Oil (b/d)	133,607	141,432	134,128			136,476	134,976
Gas (Mcf/d)	510,260	555,694	564,354			554,268	581,859
NGL (b/d)	—	464	776			397	846
BOE per day	218,650	234,512	228,963	-7%	-5%	229,251	232,799

NM - not meaningful

APA CORPORATION
ADJUSTED PRODUCTION INFORMATION

Adjusted production excludes certain items that management believes affect the comparability of operating results for the periods presented. Adjusted production excludes production attributable to 1) noncontrolling interest in Egypt and 2) Egypt tax barrels. Management uses adjusted production to evaluate the company's operational trends and performance and believes it is useful to investors and other third parties.

	For the Quarter Ended			% Change		For the Nine Months Ended	
	September 30, 2022	June 30, 2022	September 30, 2021	3Q22 to 2Q22	3Q22 to 3Q21	September 30, 2022	September 30, 2021
OIL VOLUME - Barrels per day							
United States	72,351	64,759	75,526	12%	-4%	68,926	75,384
Egypt	37,584	37,934	35,450	-1%	6%	38,096	36,402
North Sea	25,160	32,493	33,783	-23%	-26%	30,928	36,398
International	62,744	70,427	69,233	-11%	-9%	69,024	72,800
Total	135,095	135,186	144,759	0%	-7%	137,950	148,184
NATURAL GAS VOLUME - Mcf per day							
United States	489,107	457,459	546,058	7%	-10%	474,777	531,695
Egypt	147,831	152,775	133,750	-3%	11%	158,603	143,775
North Sea	18,822	42,802	33,752	-56%	-44%	33,291	40,061
International	166,653	195,577	167,502	-15%	-1%	191,894	183,836
Total	655,760	653,036	713,560	0%	-8%	666,671	715,531
NGL VOLUME - Barrels per day							
United States	64,958	59,267	70,962	10%	-8%	61,990	65,805
Egypt	—	133	260	NM	NM	119	290
North Sea	558	1,195	1,200	-53%	-54%	1,080	1,220
International	558	1,328	1,460	-58%	-62%	1,199	1,510
Total	65,516	60,595	72,422	8%	-10%	63,189	67,315
BOE per day							
United States	218,826	200,269	237,498	9%	-8%	210,045	229,805
Egypt	62,223	63,530	58,002	-2%	7%	64,649	60,655
North Sea	28,855	40,822	40,608	-29%	-29%	37,557	44,295
International	91,078	104,352	98,610	-13%	-8%	102,206	104,950
Total	309,904	304,621	336,108	2%	-8%	312,251	334,755

NM - not meaningful

APA CORPORATION
PRICE INFORMATION

	For the Quarter Ended			For the Nine Months Ended	
	September 30, 2022	June 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
AVERAGE OIL PRICE PER BARREL					
United States	\$ 94.62	\$ 110.98	\$ 69.69	\$ 100.06	\$ 64.38
Egypt	99.04	115.97	72.37	106.19	66.97
North Sea	101.85	113.77	74.94	105.59	66.93
International	99.84	115.40	73.20	106.02	66.96
Total	97.81	113.79	71.72	103.81	65.90
AVERAGE NATURAL GAS PRICE PER MCF					
United States	\$ 6.67	\$ 6.75	\$ 3.75	\$ 5.89	\$ 3.67
Egypt	2.87	2.78	2.82	2.82	2.80
North Sea	24.12	18.15	13.40	24.59	9.13
International	4.13	4.33	4.11	4.59	3.65
Total	5.62	5.65	3.87	5.31	3.66
AVERAGE NGL PRICE PER BARREL					
United States	\$ 32.97	\$ 39.79	\$ 30.85	\$ 36.36	\$ 25.75
Egypt	—	75.14	52.02	76.80	44.73
North Sea	70.42	71.71	56.64	72.86	48.32
International	70.42	72.17	55.29	73.40	47.22
Total	33.39	40.97	31.42	37.47	26.32

APA CORPORATION
SUPPLEMENTAL FINANCIAL INFORMATION
(Unaudited)
(In millions)

SUMMARY EXPLORATION EXPENSE INFORMATION

	For the Quarter Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
Unproved leasehold impairments	\$ 16	\$ 5	\$ 22	\$ 26
Dry hole expense	66	16	107	41
Geological and geophysical expense	1	4	19	14
Exploration overhead and other	12	9	45	28
	<u>\$ 95</u>	<u>\$ 34</u>	<u>\$ 193</u>	<u>\$ 109</u>

SUMMARY CASH FLOW INFORMATION

	For the Quarter Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
Net cash provided by operating activities	\$ 1,104	\$ 771	\$ 3,530	\$ 2,411
Additions to upstream oil and gas property	(431)	(235)	(1,198)	(796)
Acquisition of Delaware Basin properties	(563)	—	(563)	—
Proceeds from sale of oil and gas properties	27	58	778	239
Proceeds from sale of Kinetik shares	—	—	224	—
Deconsolidation of Altus cash and cash equivalents	—	—	(143)	—
Other, net	57	28	8	15
Net cash used in investing activities	\$ (910)	\$ (149)	\$ (894)	\$ (542)
Proceeds from (payments on) revolving credit facilities, net	245	440	(22)	290
Proceeds from Altus credit facility, net	—	—	—	33
Payments on Apache fixed-rate debt	—	(1,775)	(1,370)	(1,795)
Distributions to noncontrolling interest - Egypt	(78)	(143)	(237)	(203)
Distributions to Altus Preferred Unit limited partners	—	(11)	(11)	(34)
Treasury stock activity, net	(332)	—	(884)	—
Dividends paid to APA common stockholders	(41)	(9)	(127)	(28)
Other	(2)	4	(19)	(17)
Net cash used in financing activities	\$ (208)	\$ (1,494)	\$ (2,670)	\$ (1,754)

SUMMARY BALANCE SHEET INFORMATION

	September 30, 2022	December 31, 2021
Cash and cash equivalents	\$ 268	\$ 302
Other current assets	2,867	2,078
Property and equipment, net	8,996	8,335
Decommissioning security for sold Gulf of Mexico properties	376	640
Other assets	1,122	1,948
Total assets	<u>\$ 13,629</u>	<u>\$ 13,303</u>
Current debt	\$ 125	\$ 215
Current liabilities	2,859	1,902
Long-term debt	5,404	6,638
Long-term debt - Altus	—	657
Decommissioning contingency for sold Gulf of Mexico properties	801	1,086
Deferred credits and other noncurrent liabilities	2,889	2,810
Redeemable noncontrolling interest - Altus Preferred Unit limited partners	—	712
APA shareholders' equity (deficit)	600	(1,595)
Noncontrolling interest - Egypt	951	820
Noncontrolling interest - Altus	—	58
Total Liabilities and equity	<u>\$ 13,629</u>	<u>\$ 13,303</u>
Common shares outstanding at end of period	324	347

APA CORPORATION
NON-GAAP FINANCIAL MEASURES
(In millions, except per share data)

Reconciliation of Costs incurred to Upstream capital investment

Management believes the presentation of upstream capital investments is useful for investors to assess APA's expenditures related to our upstream capital activity. We define capital investments as costs incurred for oil and gas activities, adjusted to exclude property acquisitions, asset retirement obligation revisions and liabilities incurred, capitalized interest, and certain exploration expenses, while including amounts paid during the period for abandonment and decommissioning expenditures. Upstream capital expenditures attributable to a one-third noncontrolling interest in Egypt are also excluded. Management believes this provides a more accurate reflection of APA's cash expenditures related to upstream capital activity and is consistent with how we plan our capital budget.

	<u>For the Quarter Ended</u> <u>September 30,</u>		<u>For the Nine Months Ended</u> <u>September 30,</u>	
	2022	2021	2022	2021
Costs incurred in oil and gas property:				
Asset and leasehold acquisitions				
Proved	\$ 574	\$ —	\$ 583	\$ 3
Unproved	34	3	51	6
Exploration and development	552	270	1,463	858
Total Costs incurred in oil and gas property	<u>\$ 1,160</u>	<u>\$ 273</u>	<u>\$ 2,097</u>	<u>\$ 867</u>
Reconciliation of Costs incurred to Upstream capital investment:				
Total Costs incurred in oil and gas property	\$ 1,160	\$ 273	\$ 2,097	\$ 867
Property acquisitions	(601)	—	(601)	—
Asset retirement obligations settled vs. incurred - oil and gas property	10	9	24	17
Capitalized interest	(5)	(2)	(13)	(6)
Exploration seismic and administration costs	(13)	(13)	(64)	(42)
Upstream capital investment including noncontrolling interest - Egypt	<u>\$ 551</u>	<u>\$ 267</u>	<u>\$ 1,443</u>	<u>\$ 836</u>
Less noncontrolling interest - Egypt	(59)	(39)	(162)	(108)
Total Upstream capital investment	<u>\$ 492</u>	<u>\$ 228</u>	<u>\$ 1,281</u>	<u>\$ 728</u>

Reconciliation of Net cash provided by operating activities to Cash flows from operations before changes in operating assets and liabilities and Free cash flow

Cash flows from operations before changes in operating assets and liabilities and free cash flow are non-GAAP financial measures. APA uses these measures internally and provides this information because management believes it is useful in evaluating the company's ability to generate cash to internally fund exploration and development activities, fund dividend programs, and service debt, as well as to compare our results from period to period. We believe these measures are also used by research analysts and investors to value and compare oil and gas exploration and production companies and are frequently included in published research reports when providing investment recommendations. Cash flows from operations before changes in operating assets and liabilities and free cash flow are additional measures of liquidity but are not measures of financial performance under GAAP and should not be considered as an alternative to cash flows from operating, investing, or financing activities. Additionally, this presentation of free cash flow may not be comparable to similar measures presented by other companies in our industry.

	<u>For the Quarter Ended</u> <u>September 30,</u>		<u>For the Nine Months Ended</u> <u>September 30,</u>	
	2022	2021	2022	2021
Net cash provided by operating activities	\$ 1,104	\$ 771	\$ 3,530	\$ 2,411
Changes in operating assets and liabilities	134	95	248	58
Cash flows from operations before changes in operating assets and liabilities	<u>\$ 1,238</u>	<u>\$ 866</u>	<u>\$ 3,778</u>	<u>\$ 2,469</u>
Adjustments to free cash flow:				
Altus Midstream cash flows from operations before changes in operating assets and liabilities	—	(53)	—	(148)
Upstream capital investment including noncontrolling interest - Egypt	(551)	(267)	(1,443)	(836)
Distributions to Sinopec noncontrolling interest	(78)	(143)	(237)	(203)
Upstream free cash flow	<u>\$ 609</u>	<u>\$ 403</u>	<u>\$ 2,098</u>	<u>\$ 1,282</u>
Cash dividends received from Altus Midstream	—	18	—	56
Free cash flow	<u>\$ 609</u>	<u>\$ 421</u>	<u>\$ 2,098</u>	<u>\$ 1,338</u>

Reconciliation of Net cash provided by operating activities to Adjusted EBITDAX

Management believes EBITDAX, or earnings before income tax expense, interest expense, depreciation, amortization and exploration expense is a widely accepted financial indicator, and useful for investors, to assess a company's ability to incur and service debt, fund capital expenditures, and make distributions to shareholders. We define adjusted EBITDAX, a non-GAAP financial measure, as EBITDAX adjusted for certain items presented in the accompanying reconciliation. Management uses adjusted EBITDAX to evaluate our ability to fund our capital expenditures, debt services and other operational requirements and to compare our results from period to period by eliminating the impact of certain items that management does not consider to be representative of the Company's on-going operations. Management also believes adjusted EBITDAX facilitates investors and analysts in evaluating and comparing EBITDAX from period to period by eliminating differences caused by the existence and timing of certain operating expenses that would not otherwise be apparent on a GAAP basis. However, our presentation of adjusted EBITDAX may not be comparable to similar measures of other companies in our industry.

	<u>For the Quarter Ended</u>			<u>For the Nine Months Ended</u>	
	<u>September 30,</u> <u>2022</u>	<u>June 30,</u> <u>2022</u>	<u>September 30,</u> <u>2021</u>	<u>2022</u>	<u>2021</u>
Net cash provided by operating activities	\$ 1,104	\$ 1,535	\$ 771	\$ 3,530	\$ 2,411
Adjustments:					

Exploration expense other than dry hole expense and unproved leasehold impairments	13	18	13	64	42
Current income tax provision	357	415	183	1,164	463
Other adjustments to reconcile net income (loss) to net cash provided by operating activities	3	59	(8)	91	6
Changes in operating assets and liabilities	134	(149)	95	248	58
Financing costs, net	75	76	100	236	318
Transaction, reorganization & separation costs	4	3	4	21	8
Adjusted EBITDAX (Non-GAAP)	<u>\$ 1,690</u>	<u>\$1,957</u>	<u>\$ 1,158</u>	<u>\$ 5,354</u>	<u>\$ 3,306</u>

APA CORPORATION
NON-GAAP FINANCIAL MEASURES
(In millions)

Reconciliation of debt to net debt

Net debt, or outstanding debt obligations less cash and cash equivalents, is a non-GAAP financial measure. Management uses net debt as a measure of the Company's outstanding debt obligations that would not be readily satisfied by its cash and cash equivalents on hand. The Altus Midstream LP credit facility is unsecured and is not guaranteed by APA or any of APA's other subsidiaries.

	September 30, 2022			December 31, 2021		
	APA Upstream	Altus Midstream	APA Consolidated	APA Upstream	Altus Midstream	APA Consolidated
Current debt	\$ 125	\$ —	\$ 125	\$ 215	\$ —	\$ 215
Long-term debt	5,404	—	5,404	6,638	—	6,638
Long-term debt - Altus	—	—	—	—	657	657
Total debt	5,529	—	5,529	6,853	657	7,510
Cash and cash equivalents	268	—	268	170	132	302
Net debt	<u>\$ 5,261</u>	<u>\$ —</u>	<u>\$ 5,261</u>	<u>\$ 6,683</u>	<u>\$ 525</u>	<u>\$ 7,208</u>

Reconciliation of Income attributable to common stock to Adjusted earnings

Our presentation of adjusted earnings and adjusted earnings per share are non-GAAP measures because they exclude the effect of certain items included in Income Attributable to Common Stock. Management believes that adjusted earnings and adjusted earnings per share provides relevant and useful information, which is widely used by analysts, investors and competitors in our industry as well as by our management in assessing the Company's operational trends and comparability of results to our peers.

Management uses adjusted earnings and adjusted earnings per share to evaluate our operating and financial performance because it eliminates the impact of certain items that management does not consider to be representative of the Company's on-going business operations. As a performance measure, adjusted earnings may be useful to investors in facilitating comparisons to others in the Company's industry because certain items can vary substantially in the oil and gas industry from company to company depending upon accounting methods, book value of assets, capital structure and asset sales and other divestitures, among other factors. Management believes excluding these items facilitates investors and analysts in evaluating and comparing the underlying operating and financial performance of our business from period to period by eliminating differences caused by the existence and timing of certain expense and income items that would not otherwise be apparent on a GAAP basis. However, our presentation of adjusted earnings and adjusted earnings per share may not be comparable to similar measures of other companies in our industry.

	For the Quarter Ended September 30, 2022				For the Quarter Ended September 30, 2021			
	Before Tax	Tax Impact	After Tax	Diluted EPS	Before Tax	Tax Impact	After Tax	Diluted EPS
Net income (loss) including noncontrolling interests (GAAP)	\$1,172	\$(642)	\$530	\$ 1.61	\$ 122	\$(152)	\$ (30)	\$(0.08)
Income attributable to noncontrolling interests	193	(85)	108	0.33	94	(41)	53	0.14
Income attributable to Altus preferred unit limited partner	—	—	—	—	30	—	30	0.08
Net income (loss) attributable to common stock	979	(557)	422	1.28	(2)	(111)	(113)	(0.30)
Adjustments: *								
Asset and unproved leasehold impairments	16	(3)	13	0.04	23	(8)	15	0.04
Noncontrolling interest & tax barrel impact on Egypt adjustments	1	(1)	—	—	(1)	—	(1)	—
Valuation allowance and other tax adjustments **	—	182	182	0.55	—	60	60	0.16
Loss on extinguishment of debt	—	—	—	—	105	(22)	83	0.22
Unrealized derivative instrument (gain) loss and related Altus Preferred impacts	36	(8)	28	0.08	(36)	8	(28)	(0.08)
Loss on previously sold Gulf of Mexico properties	—	—	—	—	446	(94)	352	0.93
Kinetik equity investment mark-to-market loss	30	—	30	0.09	—	—	—	—
Transaction, reorganization & separation costs	4	(2)	2	0.01	4	(1)	3	0.01
(Gain) loss on divestitures, net	(31)	6	(25)	(0.08)	2	(1)	1	—
Other	(2)	1	(1)	—	—	—	—	—
Adjusted earnings (Non-GAAP)	<u>\$1,033</u>	<u>\$(382)</u>	<u>\$651</u>	<u>\$ 1.97</u>	<u>\$ 541</u>	<u>\$(169)</u>	<u>\$ 372</u>	<u>\$ 0.98</u>

	For the Nine Months Ended September 30, 2022				For the Nine Months Ended September 30, 2021			
	Before Tax	Tax Impact	After Tax	Diluted EPS	Before Tax	Tax Impact	After Tax	Diluted EPS
Net income including noncontrolling interests (GAAP)	\$ 4,932	\$(1,389)	\$ 3,543	\$10.43	\$1,237	\$(409)	\$828	\$ 2.18
Income attributable to noncontrolling interests	671	(289)	382	1.13	277	(113)	164	0.43
Income (loss) attributable to Altus preferred unit limited partner	(70)	—	(70)	(0.21)	73	—	73	0.19
Net income attributable to common stock - Basic	4,331	(1,100)	3,231	9.51	887	(296)	591	1.56
Effect of dilutive securities ***	—	—	—	—	(10)	—	(10)	(0.03)
Net income attributable to common stock	4,331	(1,100)	3,231	9.51	877	(296)	581	1.53
Adjustments: *								
Asset and unproved leasehold impairments	22	(4)	18	0.05	44	(12)	32	0.09
Noncontrolling interest & tax barrel impact on Egypt adjustments	1	(2)	(1)	—	(2)	—	(2)	(0.01)
Valuation allowance and other tax adjustments **	—	(179)	(179)	(0.52)	—	(43)	(43)	(0.11)
Loss on extinguishment of debt	67	(14)	53	0.15	104	(22)	82	0.22
Unrealized derivative instrument loss and related Altus Preferred impacts	47	(18)	29	0.08	22	(4)	18	0.05
Loss on previously sold Gulf of Mexico properties	—	—	—	—	446	(94)	352	0.93
Kinetik equity investment mark-to-market gain	(23)	—	(23)	(0.06)	—	—	—	—
Effect of dilutive securities **	—	—	—	—	10	—	10	0.03
Transaction, reorganization & separation costs	21	(6)	15	0.05	8	(2)	6	0.02
Gain on divestitures, net	(1,180)	125	(1,055)	(3.11)	(65)	14	(51)	(0.14)
Other	(5)	1	(4)	(0.01)	(1)	—	(1)	(0.01)
Adjusted Earnings (Non-GAAP)	<u>\$ 3,281</u>	<u>\$(1,197)</u>	<u>\$ 2,084</u>	<u>\$ 6.14</u>	<u>\$1,443</u>	<u>\$(459)</u>	<u>\$984</u>	<u>\$ 2.60</u>

* The income tax effect of the reconciling items are calculated based on the statutory rate of the jurisdiction in which the discrete item resides.

** Includes \$230 million related to the remeasurement of the June 30, 2022 U.K. deferred tax liability in connection with the Energy (Oil and Gas) Profits Levy Act 2022.

*** The assumed conversion of Altus' Preferred Unit limited partner is primarily associated with unrealized gains on the Preferred Unit embedded derivative. These amounts are antidilutive for the nine-months ended 2021.