

# Investor Update September 2021

**APA**  
Corporation



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# APA Investment Case

- Excellent progress on debt reduction, ~\$6.0 Bn net debt<sup>(1)</sup> expected by year-end
- Strong position to begin accelerating cash return to investors
- Robust FCF generation capacity and strong visibility into years of sustained production within legacy portfolio
- Significant upside catalysts with Egypt Modernization and Suriname
- Current valuation at low end of peer group
  - 2021 APA FCF Yield<sup>(2)</sup> at ~28% versus ~14% for Peer Group<sup>(3)</sup>







(1) Excludes Altus Midstream.

(2) Source: Factset. Data as of 9/3/2021. FCF Yield = 2021 estimated free cash flow per Factset / current market cap.

(3) Peer Group: AR, BCEI, CLR, CNX, COG, COP, CVX, DVN, EOG, EQT, FANG, HES, KOS, MGY, MRO, MTDR, MUR, OVV, OXY, PDCE, PXD, RRC, SWN, XEC, XOM



# ESG Leadership: Primary Areas of Focus

		ESG Vision	2021 Goal
E	 AIR	Be at the forefront of industry's efforts to measure, disclose and mitigate emissions	Eliminating U.S. onshore routine flaring and targeting < 1% flaring intensity in the U.S.
	 WATER	Preserve freshwater resources and leverage technology to maximize water reuse	Targeting freshwater consumption < 20% of total water consumed in the U.S.
S	 COMMUNITIES +PEOPLE	Provide fulfilling and rewarding careers for our employees and create shared value in the communities where we operate	Further progress diversity & inclusion programs
G	 GOVERNANCE	<ul style="list-style-type: none"> <li>• 20% of 2021 annual incentive compensation plan is tied to ESG and safety goals</li> <li>• Enhancing disclosures to more closely align with TCFD</li> <li>• Performance measured against S&amp;P 500 as well as broad index of upstream and major-integrated producers</li> </ul>	



**Eliminating U.S. onshore routine flaring by end of 3Q 2021 & running well below 2021 targets for flaring intensity and freshwater consumption**

# APA Corporation Strategy



- Prioritize long-term returns and sustain global BOE production within legacy portfolio
- Position for a long-term base dividend yield to a level competitive or better than S&P 500
- Focus where APA can have the greatest impact on the most relevant ESG matters



- Diversify risk through a balanced commodity profile and geographic pricing points
- Allocate capital in response to commodity price opportunity
- Flexibility to build inventory through exploration or acquire & exploit



- Aggressively manage cost structure
- Reduce debt & maintain below 1.5x Net Debt/EBITDAX at mid-cycle prices
- Return to investment grade status

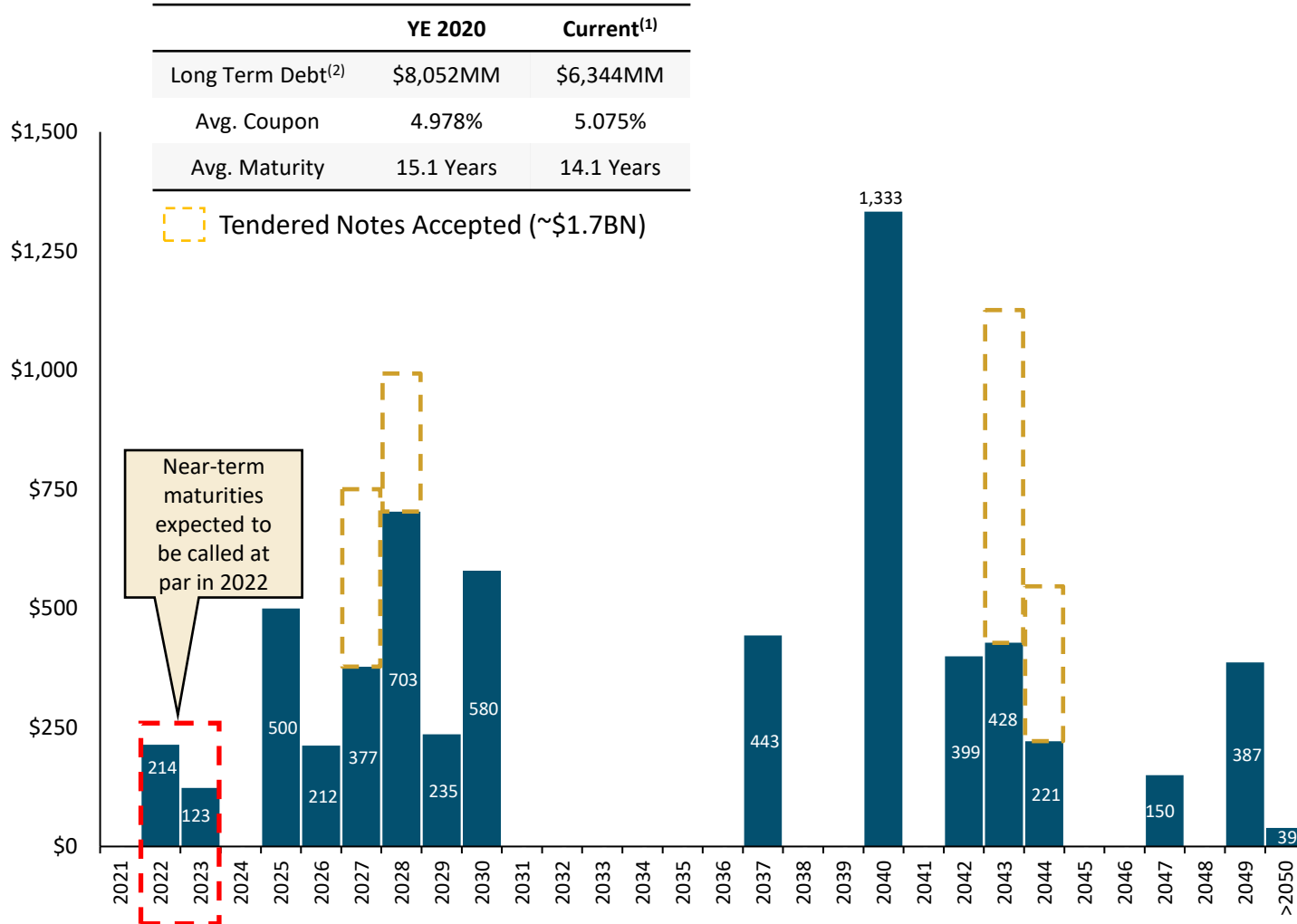
# APA Free Cash Flow Generation Capacity

## Annual Upstream FCF of \$1.6 - \$1.7 Billion Before Investment in Suriname

### Key Assumptions:

- \$1.2 billion of annual development capital (up from \$900 million in 2021E)
- Oil and gas prices remain flat with 2021 prices (using 1H'21 actuals / 2H'21 strip)
- Global adjusted production held flat after 4Q'21E
- Excludes any Free cash flow uplift associated with Egypt modernization
- Excludes Altus Midstream consolidation and dividend

# August 2021 Tender Results and Debt Maturity Profile



## Tender Overview

- Tender offer upsized by ~\$200MM; total of ~\$1.7BN principal repurchased
- Strong investor participation across all bonds tendered, executed in a 5-day window
- Moody's subsequently raised outlook from negative to stable

## Key Objectives Achieved

- ✓ **Maximize deleveraging by prioritizing low-cost bonds**
  - 2044s repurchased at par; no bonds repurchased >110 price
- ✓ **Generate interest expense savings**
  - Annual interest expense reduced by 20% (~\$78MM)
  - Marginal impact to average coupon paid on remaining debt
- ✓ **Manage maturity profile**
  - Large tranches reduced to ~\$700MM or less with focus on near-term debt due within 10 years

(1) As of 8/31/2021.

(2) Excludes Altus Midstream, borrowings on \$4BN revolving credit facility, finance lease obligations, and is before unamortized discount and debt issuance costs.

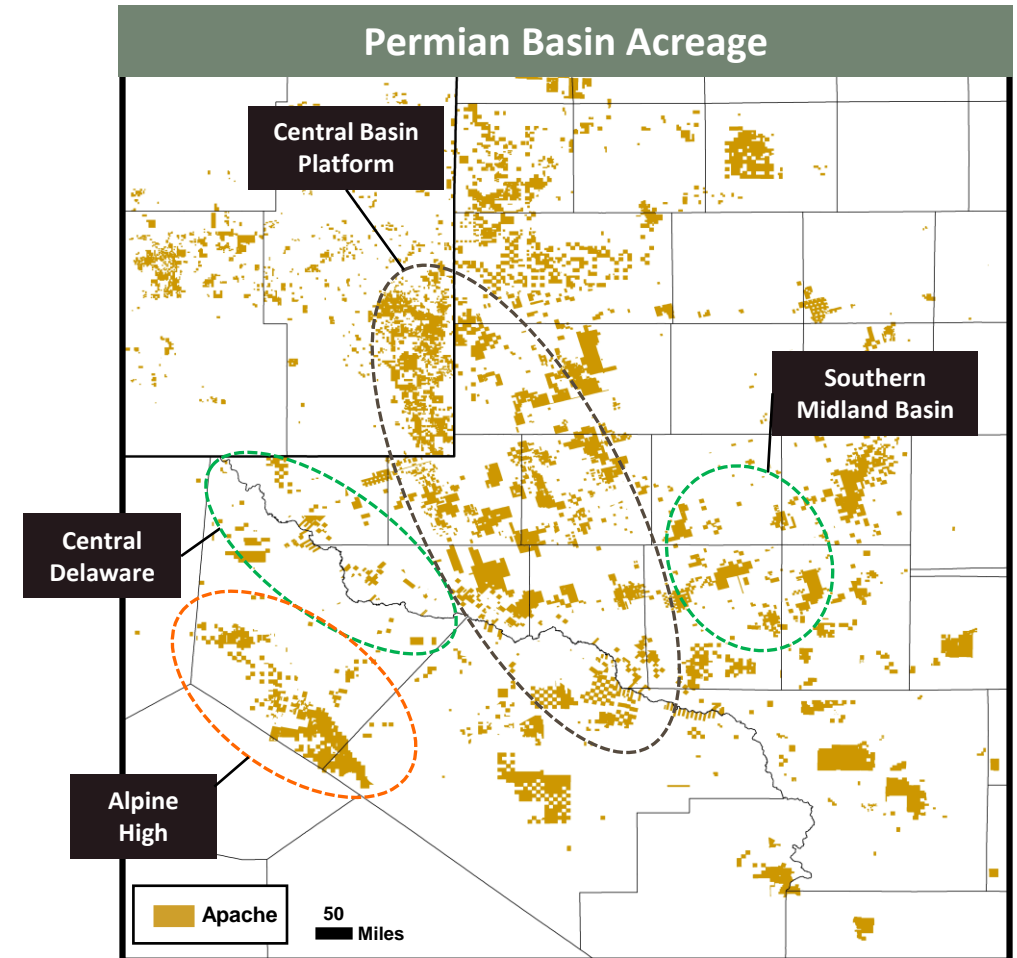
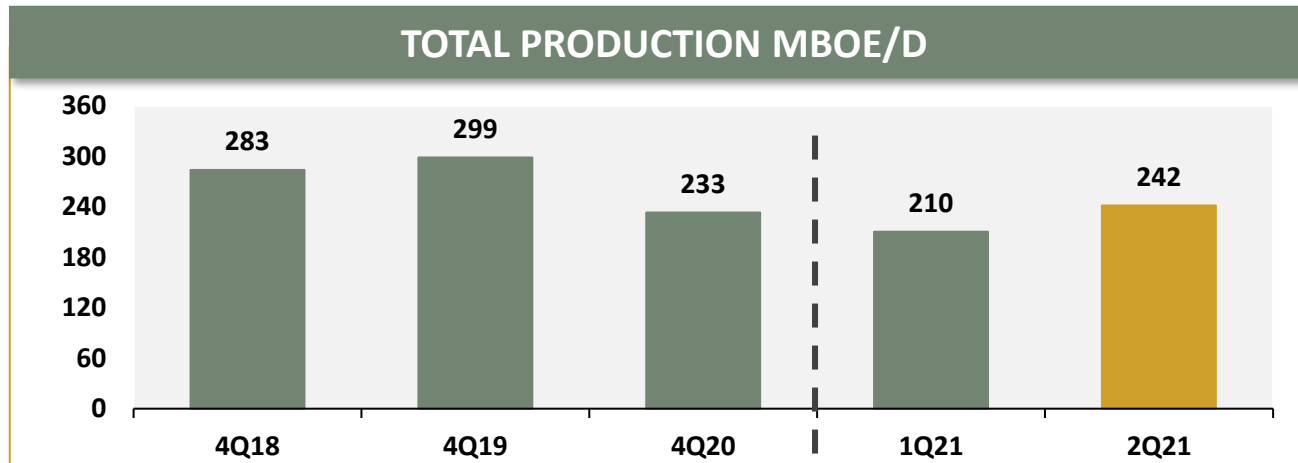
# APA Overview

US  
Egypt  
North Sea  
Suriname



# United States

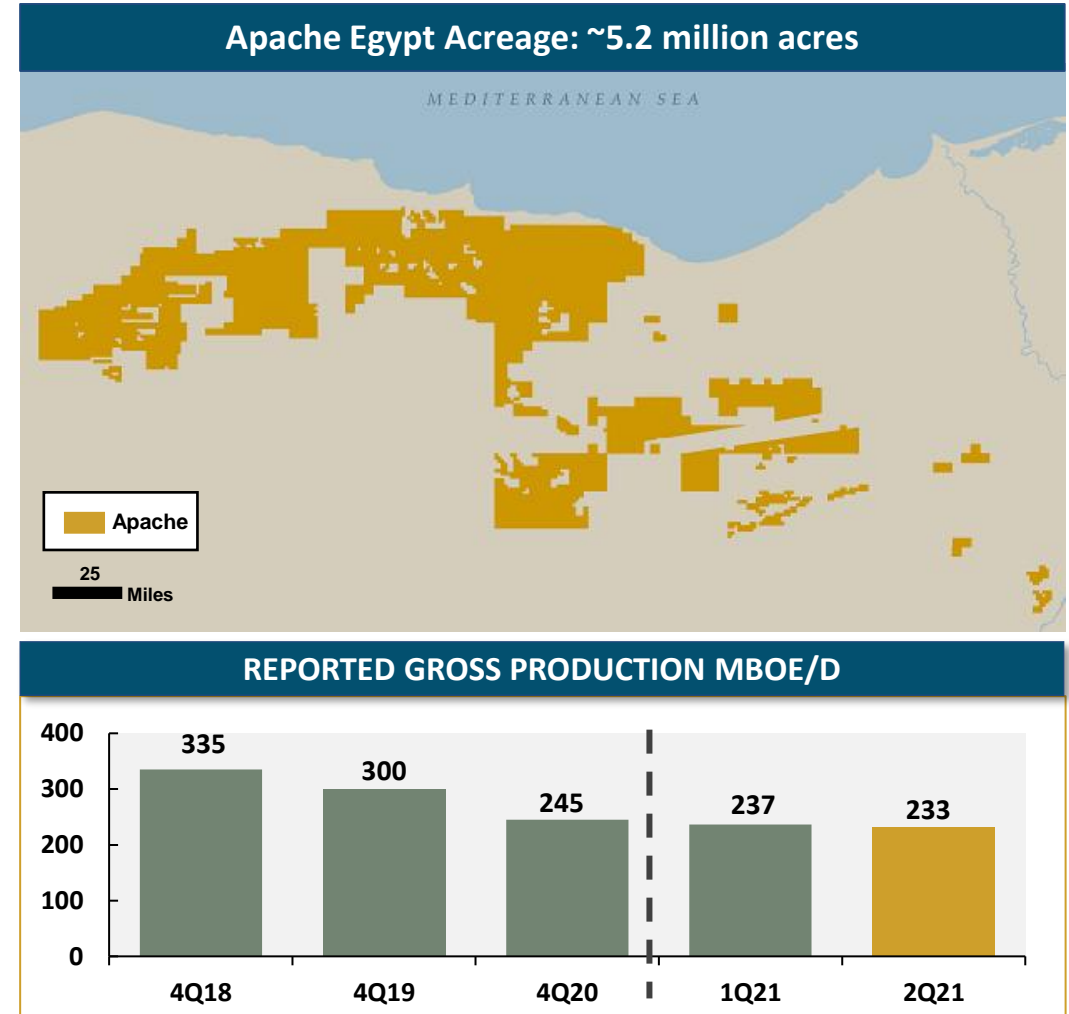
- Currently running 2 rigs in Permian Basin
- Strong performance from 2021 Permian completions
- May add 3<sup>rd</sup> rig in Permian, Alpine High, or Austin Chalk



# Egypt

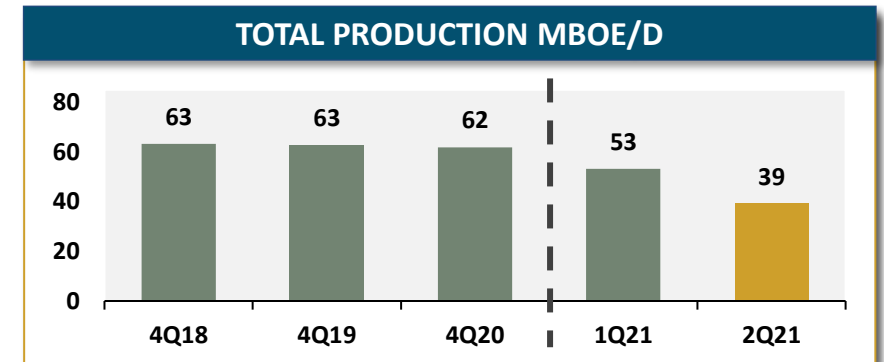
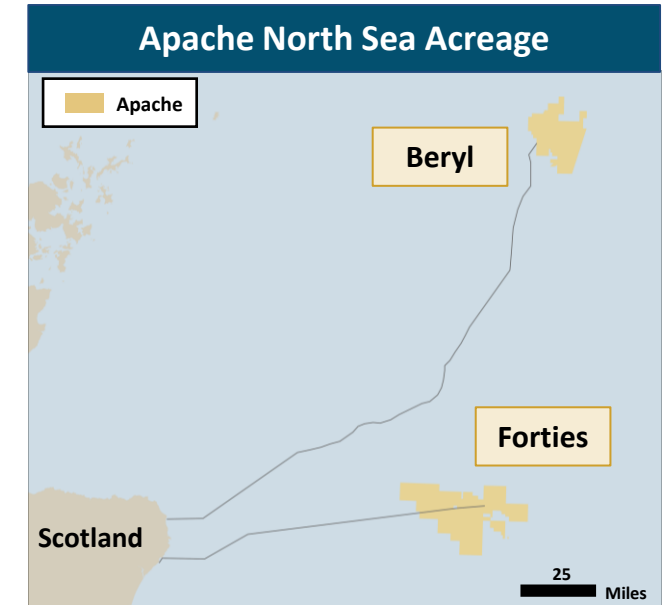
- Country's largest oil producer and onshore acreage holder
- Deep, high-quality inventory
- Running 8 rigs: Gross production to begin trending up in 2H'21
- Egypt PSC modernization<sup>(1)</sup> could enable a return to oil-focused production growth

(1) Pending certain approvals within the Government of Egypt and ratification by the Egyptian Parliament.



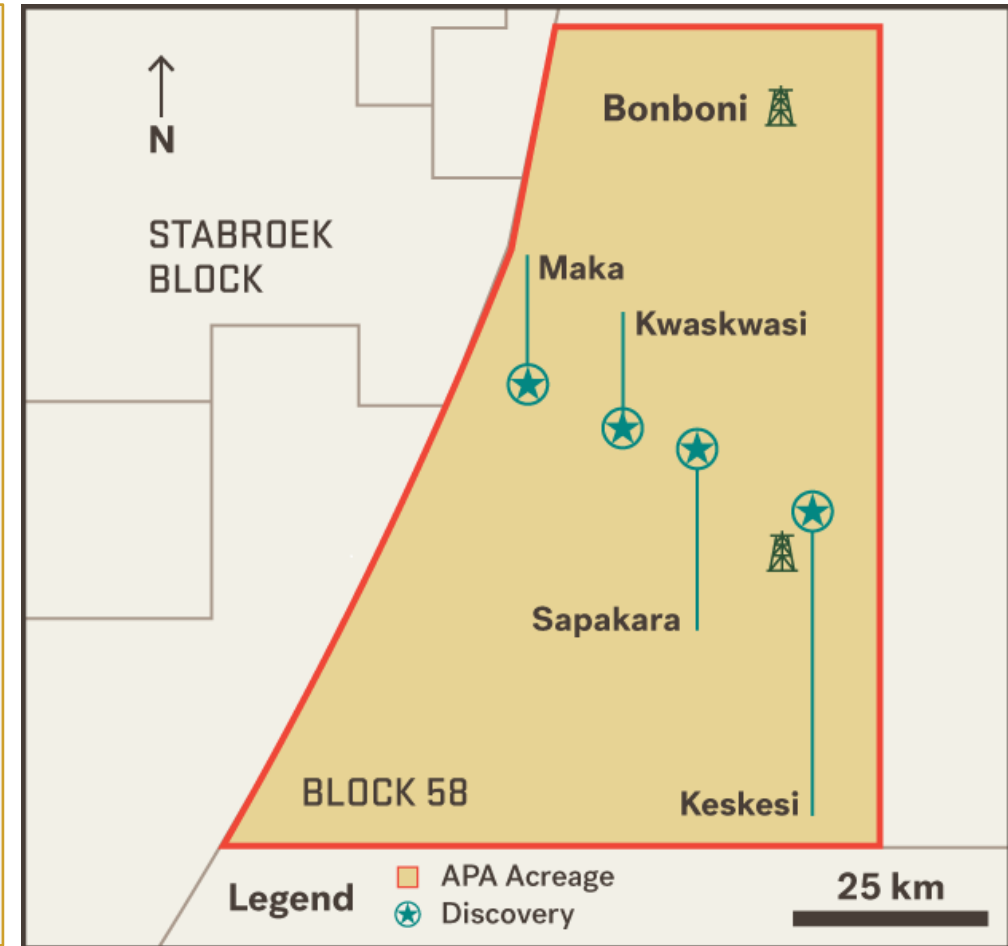
# North Sea

- Maintaining 1 floating rig & 1 platform crew
- Activity set capable of sustaining production in 55 to 60 Mboe/d range for several years
- Both planned and unplanned operational downtime impacting 2021 volumes and unit costs
- Anticipate production rebound in 2H'21 and in 2022



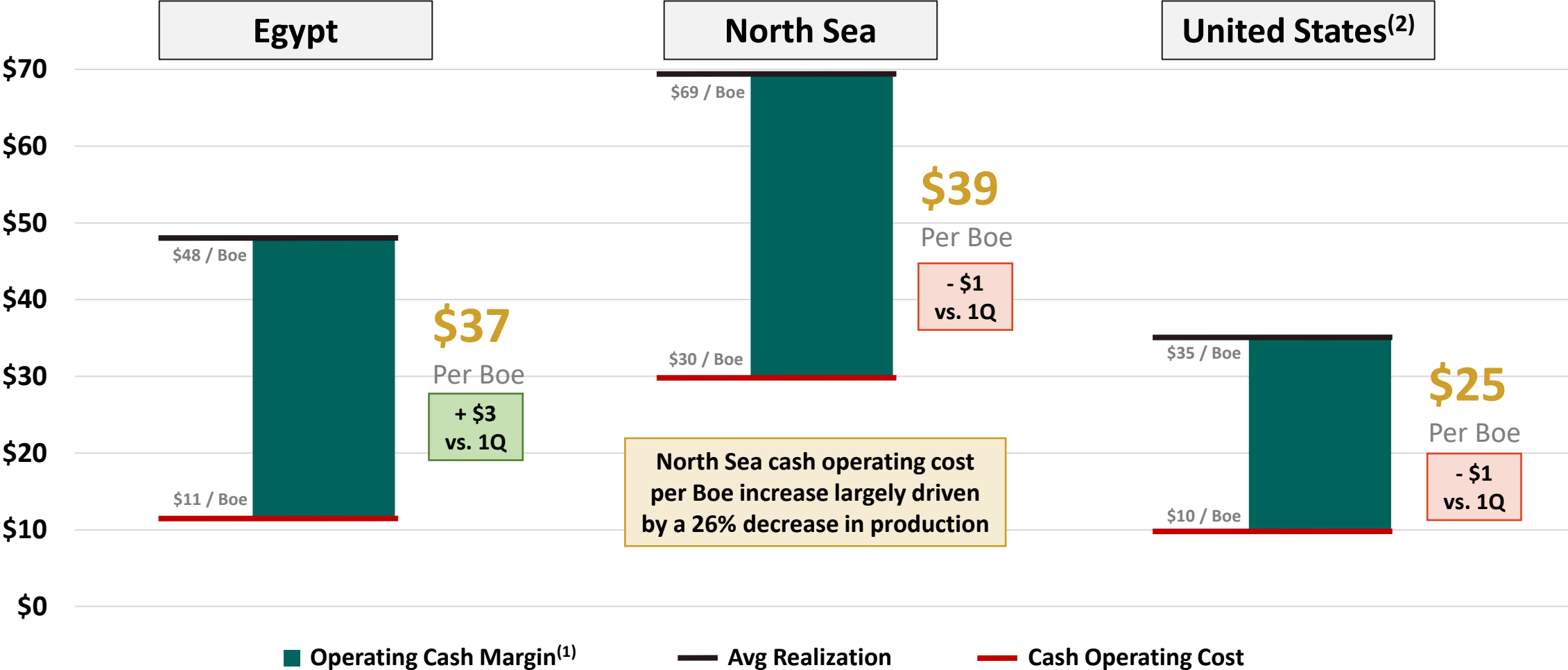
# Suriname

- **Block 58 (APA 50% WI): World Class Opportunity**
  - 4 Discoveries since Jan. 2020, appraisal drilling underway
  - Recent successful appraisal result at **Sapakara South-1**, flow test to be conducted later this year
- **Keskesi South-1** appraisal well drilling - spud in late May
- **Bonboni** exploration prospect drilling – spud in late August
- **Block 53 (APA 45% WI):** Contracted rig to drill exploration well early '22



# Appendix

# 2Q 2021 Operating Cash Margins



(1) Operating cash margins calculated as price realizations less lease operating expenses, gathering, processing, & transmission costs, and taxes other than income.  
(2) Excludes Altus Midstream (ALTM).



# 3Q21 Guidance

	New	
<b>Production (Mboe/d)</b>		
United States.....	233	<b>3Q21 CBP Sale Production Impact</b>  <b>U.S. Total Production: 4 Mboe/d</b> <b>U.S. Oil: 3 Mbo/d</b>
International (Adjusted).....	102	
Total Adjusted Production.....	335	
United States Oil (Mbo/d).....	75	
Upstream Capital Investment (\$ in millions) <sup>(1)</sup> .....	\$280	
Upstream Lease Operating Expense (\$ in millions).....	\$325	
DD&A (\$ in millions).....	\$350	
General & Administrative Expenses (\$ in millions).....	\$80	
North Sea Current Tax Expense (\$ in millions).....	\$40	
Gathering, Processing & Transmission Expense (\$ in millions).....	\$65	
Net Loss on Oil and Gas Purchases and Sales (\$ in millions) <sup>(2)</sup> .....	\$35	

(1) Refer to glossary of referenced terms for definition of Upstream Capital Investment.

(2) Consists of transport & fuel costs, net purchased oil and gas sales/costs and impact of natural gas basis hedges.

# 2021 Guidance

	Previous	New	
<b>Production (Mboe/d)</b>			
United States.....	220 – 225	227	<b>2021 CBP Sale Production Impact</b>  <b>U.S. Total Production: 2 Mboe/d</b> <b>U.S. Oil: 1 Mbo/d</b>
International.....	170 – 175	163	
Reported Production.....	390 – 400	390	
Less: Egypt Tax Barrels.....	17	25	
Less: Egypt Noncontrolling Interest.....	33	30	
Total Adjusted Production.....	340 – 350	335	
United States Oil (Mbo/d).....	74	75	
Upstream Capital Investment (\$ in millions) <sup>(1)</sup> .....	\$1,100	\$1,100	
Upstream Lease Operating Expense (\$ in millions).....	\$1,200	\$1,200	
DD&A (\$ in millions).....	\$1,525	\$1,400	
General & Administrative Expenses (\$ in millions).....	\$315	\$325	
North Sea Current Tax Expense (\$ in millions).....	\$150	\$175	
Gathering, Processing & Transmission Expense (\$ in millions).....	\$250	\$250	
Net Loss on Oil and Gas Purchased and Sales (\$ in millions) <sup>(2)</sup> .....	\$140	\$140	

(1) Refer to glossary of referenced terms for definition of Upstream Capital Investment.

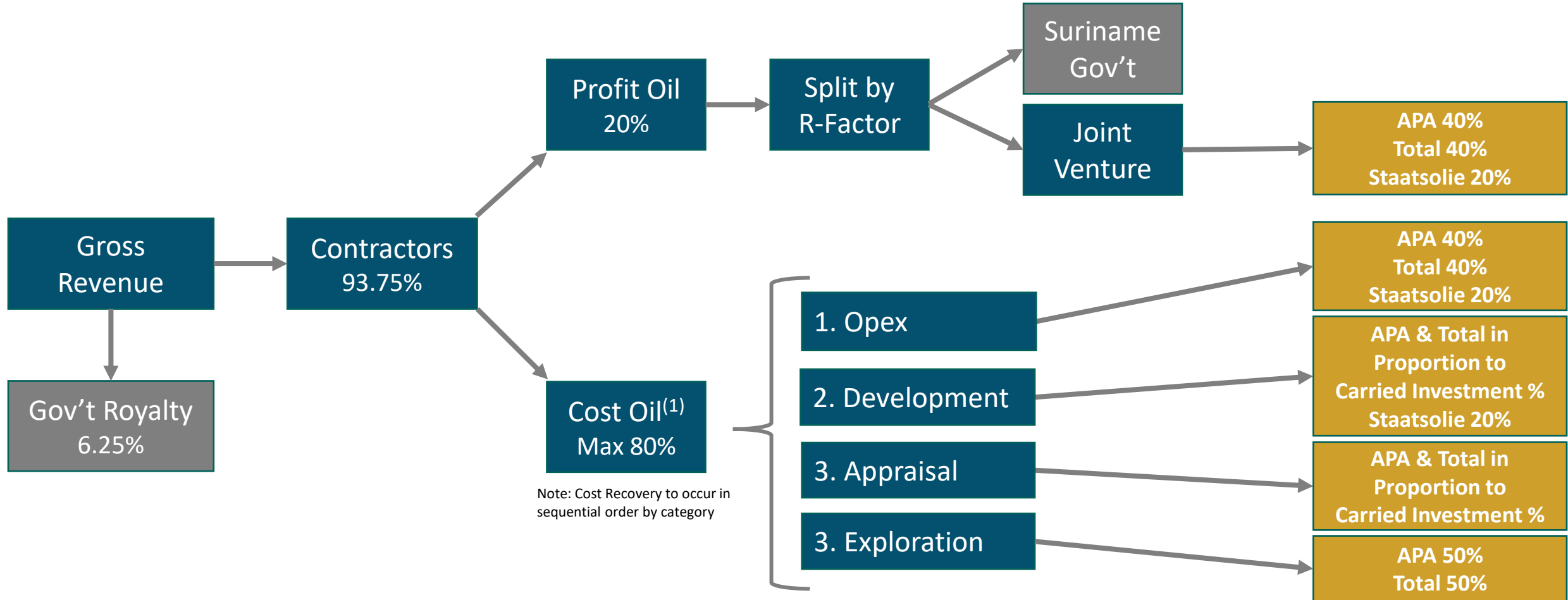
(2) Consists of transport & fuel costs, net purchased oil and gas sales/costs and impact of natural gas basis hedges.

# Open Commodity Derivative Positions (As of August 4, 2021)

Production Period	Trade Type	Index	Units	Daily Volume	Weighted Avg Price \$ / Unit
WTI Hedges					
July – September 2021	Fixed Swap	NYMEX WTI	BBL	22,000	\$60.15
October – December 2021	Fixed Swap	NYMEX WTI	BBL	11,000	\$58.59
Brent Hedges					
July – September 2021	Fixed Swap	Dated Brent	BBL	18,000	\$63.08
October – December 2021	Fixed Swap	Dated Brent	BBL	9,000	\$61.44
Midland Basis Hedges					
July – September 2021	Basis Swap	Midland / WTI	BBL	22,000	\$0.61
October – December 2021	Basis Swap	Midland / WTI	BBL	11,000	\$0.70
Natural Gas Basis Hedges					
July 2021 – December 2021	Basis Swap	IF Waha / IF HSC	MMBtu	130,054	(\$0.35)
January 2022 – December 2022	Basis Swap	IF Waha / IF HSC	MMBtu	120,000	(\$0.37)
January 2023 – December 2023	Basis Swap	IF Waha / IF HSC	MMBtu	80,000	(\$0.42)

# APA / Total Suriname Joint Venture

## Summary Terms and Production Sharing Contract Mechanics



Note: Assumes Staatsolie exercises its participation rights of 20% at development plan approval.

(1) Cost oil becomes profit oil after full recovery. Cost oil is capped at 80%, calculated on a quarterly basis and ring-fenced by development area.

# Summary of Terms

## Suriname PSC

- Cost oil recovery ceiling of 80% after royalty payment
- Unrecovered cost oil balances carried forward until fully recovered on a project-by-project basis
- Staatsolie has participation rights of up to 20% at development plan approval
- Suriname corporate tax rate of 36% and NOLs carry forward
  - Taxable Income = (Cost Oil + Profit Oil + Other Income if any) – (Opex + Exploration/Appraisal Capex + Depreciation of Development Capital + Non-Recoverable Costs)
- Profit oil subject to following R-Factor calculation:

(Cum. Rev. – Cum. Roy. – Cum. Tax)  
Cumulative Costs

R-Factor	Gov't %	Contractor %
0 - 1.25	20	80
1.25 - 1.50	25	75
1.50 - 1.75	30	70
1.75 - 2.00	40	60
2.00 - 3.00	50	50
3.00+	70	30

## APA / Total JV

- Parties have the right to alternate proposals of exploration wells up to 8 wells per year
- Either party may non-consent any exploration, appraisal or development. Once out, there is no back-in option
- If parties do not agree on location of exploration wells, Total and APA will alternate selections
- Total pays disproportionate percentage of Appraisal / Development costs (see below table)
  - Total recovers carry through cost oil mechanism at the same disproportionate percentage
- APA receives royalty on first 1.5B bbls of gross production
  - Paid quarterly based on average Brent price
- Total makes \$75 million cash payment to APA on first commercial oil production

Appraisal / Development Spend <sup>(1)</sup>		
Spend (\$)	Total %	APA %
0 – 10B	87.5%	12.5%
>10B – 15B	75.0%	25.0%
>15B	62.5%	37.5%

Royalty	
Brent	Royalty / bbl
≤ \$65	\$0.25
> \$65 ≤ \$80	\$0.375
> \$80	\$0.5

(1) Percentages apply to the capital spend between APA and Total, whether Staatsolie participates or not.

# Glossary of Referenced Terms & Non-GAAP Reconciliations



# Glossary of Referenced Terms

- **Upstream Capital Investment:** Includes exploration, development, gathering, processing, and transmission capital, capitalized overhead, and settled asset retirement obligations, and excludes capitalized interest, non-cash asset retirement additions and revisions, and Egypt noncontrolling interest, in each case associated with Apache's upstream business.
- **Free Cash Flow:** Cash flow from operations before changes in operating assets and liabilities (including Egypt minority interest) plus dividends received from Altus (ALTM), minus:
  - Upstream capital investment (including Egypt minority interest)
  - Distributions to noncontrolling interest (Egypt)
  - APA Corp. dividend payments
  - Cash flow impacts of ALTM
- In addition to the terms above, a list of commonly used definitions and abbreviations can be found in Apache Corporation's Form 10-K for the year ended December 31, 2020.

# Non – GAAP Reconciliation

## Cash Flow Before Changes in Operating Assets & Liabilities and Free Cash Flow

### 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.

(\$ in millions)

	For the Quarter Ended June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
Net cash provided by operating activities	\$ 969	\$ 84	\$ 1,640	\$ 586
Changes in operating assets and liabilities	(212)	66	(37)	87
Cash flows from operations before changes in operating assets and liabilities	\$ 757	\$ 150	\$ 1,603	\$ 673
Adjustments to free cash flow:				
Altus Midstream cash flows from operations before changes in operating assets and liabilities	(56)	(32)	(95)	(76)
Upstream capital investment including noncontrolling interest - Egypt	(294)	(256)	(569)	(747)
Distributions to Sinopec noncontrolling interest	(20)	(8)	(60)	(40)
Dividends paid to APA common stockholders	(10)	(10)	(19)	(104)
Upstream free cash flow	\$ 377	\$ (156)	\$ 860	\$ (294)
Dividends received from Altus Midstream	19	-	38	-
Free cash flow	\$ 396	\$ (156)	\$ 898	\$ (294)

# Non – GAAP Reconciliation

## Upstream Capital Investment

### Reconciliation of Costs Incurred to Upstream Capital Investment

Management believes the presentation of upstream capital investments is useful for investors to assess the Company's expenditures related to our upstream capital activity. We define capital investments as costs incurred for oil and gas activities, adjusted to exclude 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 the Company's cash expenditures related to upstream capital activity and is consistent with how we plan our capital budget.

(\$ in millions)

	For the Quarter Ended June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
Costs incurred in oil and gas property:				
Acquisitions				
Proved	\$ 2	\$ 1	\$ 3	\$ 7
Unproved	1	2	3	3
Exploration and development	304	266	588	756
Total Costs incurred in oil and gas property	\$ 307	\$ 269	\$ 594	\$ 766
Reconciliation of Costs incurred to Upstream capital investment:				
Total Costs incurred in oil and gas property	\$ 307	\$ 269	\$ 594	\$ 766
Asset retirement obligations settled vs. incurred - oil and gas property	6	5	8	13
Capitalized interest	(2)	-	(4)	-
Exploration seismic and administration costs	(17)	(18)	(29)	(32)
Upstream capital investment including noncontrolling interest - Egypt	\$ 294	\$ 256	\$ 569	\$ 747
Less noncontrolling interest - Egypt	(37)	(40)	(69)	(89)
Total Upstream capital investment	\$ 257	\$ 216	\$ 500	\$ 658

# Non – GAAP Reconciliation

## Net Debt

### 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 the Company or any of its other subsidiaries.

(\$ in millions)

	June 30, 2021			December 31, 2020		
	APA Upstream	Altus Midstream	APA Consolidated	APA Upstream	Altus Midstream	APA Consolidated
Current debt - Apache	\$ 215	\$ -	\$ 215	\$ 2	\$ -	\$ 2
Long-term debt - Apache	7,763	-	7,763	8,146	-	8,146
Long-term debt - Altus	-	657	657	-	624	624
Total debt	7,978	657	8,635	8,148	624	8,772
Cash and cash equivalents	1,174	75	1,249	238	24	262
Net debt	<u>\$ 6,804</u>	<u>\$ 582</u>	<u>\$ 7,386</u>	<u>\$ 7,910</u>	<u>\$ 600</u>	<u>\$ 8,510</u>