SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

[MARK ONE]
[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED] FOR THE FISCAL YEAR ENDED DECEMBER 31, 1994,
OR
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED] FOR THE TRANSITION PERIOD FROM _____ TO _____
COMMISSION FILE NUMBER 1-4300

APACHE CORPORATION

A DELAWARE CORPORATION
IRS EMPLOYER NO. 41-0747868
ONE POST OAK CENTRAL
2000 POST OAK BOULEVARD, SUITE 100
HOUSTON, TEXAS 77056-4400

TELEPHONE NUMBER (713) 296-6000

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Common Stock, $1.25 Par Value	New York Stock Exchange Chicago Stock Exchange
Common Stock Purchase Rights	New York Stock Exchange Chicago Stock Exchange
9.25% Notes due 2002	New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: NONE

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. / /

Aggregate market value of the voting stock held by non-affiliates of registrant as of February 28, 1995	$1,536,184,325
Number of shares of registrant's common stock outstanding as of February 28, 1995	61,447,373

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of registrant's proxy statement relating to registrant's 1995 annual meeting of shareholders have been incorporated by reference into Part III hereof.

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DESCRIPTION

All defined terms under Rule 4-10(a) of Regulation S-X shall have their statutorily-prescribed meanings when used in this report. Quantities of natural gas are expressed in this report in terms of thousand cubic feet (Mcf), million cubic feet (MMcf) or billion cubic feet (Bcf). Oil is quantified in terms of barrels (bbls), thousands of barrels (Mbbls) and millions of barrels (MMbbls). Natural gas is compared to oil in terms of barrels of oil equivalent (boe) or million barrels of oil equivalent (MMboe). Oil and natural gas liquids are compared with natural gas in terms of million cubic feet equivalent (MMcfe) and billion cubic feet equivalent (Bcfe). One barrel of oil is the energy equivalent of six Mcf of natural gas. Daily oil and gas production is expressed in terms of barrels of oil per day (bopd) and thousands of cubic feet of gas per day (Mcfd), respectively. Gas sales volumes may be expressed in terms of one million British thermal units (MMBtu), which is approximately equal to one Mcf. With respect to information relating to the Company's working interest in wells or acreage, "net" oil and gas wells or acreage is determined by multiplying gross wells or acreage by the Company's working interest therein. Unless otherwise specified, all references to wells and acres are gross.

PART I

ITEM 1. BUSINESS

GENERAL

Apache Corporation (Apache or the Company), a Delaware corporation formed in 1954, is an independent energy company that explores for, develops, produces, gathers, processes and markets natural gas and crude oil. Domestically, Apache's exploration and production interests are spread over 15 states, focusing on the Gulf of Mexico, the Anadarko Basin of Oklahoma, the Permian Basin of West Texas and New Mexico, the Gulf Coast and the Rocky Mountain regions. Internationally, Apache has production interests in Australia and is currently focusing its international exploration efforts offshore Western Australia, along the Pacific Rim and in Africa. Apache's common stock has been listed on the New York Stock Exchange since 1969, and on the Chicago Stock Exchange since 1960.

Apache holds interests in many of its domestic and international properties through operating subsidiaries, such as MW Petroleum Corporation (MW), Apache Energy Resources Corporation (AERC, formerly known as Hadson Energy Resources Corporation), Apache Energy Limited (AEL, formerly known as Hadson Energy Limited), Apache International, Inc. and Apache Overseas, Inc. Properties referred to in this document may be held by those subsidiaries. Apache treats all operations as one segment of business.

1994 RESULTS

In 1994, Apache had net income of $42.8 million, or $.70 per share, on total revenues of $545.6 million. Net cash provided by operating activities during 1994 was $335.6 million.

The year represents Apache's seventeenth consecutive year of production growth and seventh consecutive year of oil and gas reserves growth. Apache's average daily production was approximately 36 Mbbls of oil and 427 MMcf of natural gas for the year. The Company's estimated proved reserves at December 31, 1994, were 269 MMboe, of which approximately 63 percent was natural gas. Apache's growth in reserves during the year reflects the replacement of 197 percent of the Company's 1994 production. Approximately 46 percent of the newly added reserves were acquired through Apache's ongoing acquisition efforts. The remainder was attributable to Apache's active drilling and workover program, which yielded 243 new producing domestic wells out of 299 attempts, and involved 390 domestic workover and recompletion projects during the year.

At December 31, 1994, Apache had interests in approximately 3,677 net oil and gas wells and 781,336 net developed acres of oil and gas properties. In addition, the Company had interests in 603,802 net undeveloped acres under domestic leases and 4,239,290 net undeveloped acres under international exploration and production rights.

APACHE'S GROWTH STRATEGY

Apache's growth strategy is to increase production, reserves and cash flow through a combination of acquisitions, moderate-risk drilling and development of its inventory of existing projects. The Company also emphasizes reducing operating costs per unit produced and selling marginal and non-strategic properties in order to increase its profit margins.

For Apache, property acquisition is only one phase in a continuing cycle of business growth. Apache's aim is to follow each acquisition cycle with a cycle of reserve enhancement, property consolidation and cash flow acceleration, facilitating asset growth and debt reduction. This approach requires well-planned and carefully executed property development and a commitment to a selective program of ongoing property dispositions. It motivates Apache to target acquisitions that have ascertainable additional reserve potential and to apply an active drilling, workover and recompletion program to realize the potential of the acquired undeveloped and partially developed properties. Apache prefers to operate its properties so that it can best influence their development, and the Company therefore operates properties accounting for over 75 percent of its production.

Pursuing its acquire-and-develop strategy, Apache increased its total proved reserves more than 240 MMboe, or nearly eight-fold, in the last ten years. In addition to its acquisition strategy, Apache continues to develop and exploit its existing inventory of workover, recompletion and other development projects to increase reserves and production. During 1994, Apache acquired $180 million of additional properties and replaced over 106 percent of its domestic production through its drilling, workover and recompletion program.

Apache's international investments supplement its long-term growth strategy. Although international exploration is recognized as higher-risk than most of Apache's domestic activities, it offers potential for greater rewards and significant reserve additions. Apache directed its international efforts in 1994 towards the exploration and development of properties in Western Australia, China, Indonesia, Egypt, The Congo and the Ivory Coast of Western Africa, where it believes that reserve additions may be made through higher-risk exploration and through improved production practices and recovery techniques.

RECENT ACQUISITIONS AND DISPOSITIONS

1994 ACQUISITIONS. On December 30, 1994, Apache purchased substantially all of the U.S. oil and gas properties of Crystal Oil Company (Crystal) for approximately $95.8 million. The producing properties acquired from Crystal are located primarily along the Arkansas-Louisiana border and in southern Louisiana, and daily production at the time of acquisition was approximately 20 MMcf of gas and 2,700 bbls of oil. The acquisition also included approximately 32,000 net undeveloped mineral acres in southern Louisiana. Apache acquired an average 80-percent working interest in the properties overall, including a 97-percent working interest in two fields that account for approximately 60 percent of the value.

During 1994, Apache also acquired approximately 15 MMboe of proved reserves through 87 smaller, tactical acquisitions for an aggregate consideration of $84.2 million. Apache also sold $5.9 million of its non-strategic properties during 1994.

TRANSACTIONS IN EARLY 1995. On March 1, 1995, Apache purchased certain oil and gas properties from Texaco Exploration and Production Inc. (Texaco) for an adjusted purchase price of $571 million, effective January 1, 1995. The transaction is subject to customary closing and post-closing adjustments, and includes proved reserves at the effective date of approximately 113 million barrels of energy equivalent, of which approximately 70 percent is oil. The most recently reported average current daily production on the acquired properties is approximately 20 Mbbls of oil and 85 MMcf of gas.

The Texaco properties are highly concentrated, with approximately two-thirds of the reserves located in 54 fields, and are in producing regions where Apache has existing operations -- the Permian Basin, the Gulf Coast of Texas and Louisiana, western Oklahoma, eastern Texas, the Rocky Mountains and the Gulf of Mexico. Apache will operate approximately two-thirds of the production and acquire an average working interest of 70 percent in the operated properties. The total acquisition includes approximately 500,000 net mineral acres, as well as a substantial quantity of seismic data.

On December 21, 1994, Apache entered into a merger agreement with DEKALB Energy Company (DEKALB), under which the shareholders of DEKALB will receive, in the aggregate, between 8.0 and 8.9 million shares of Apache common stock and DEKALB will become a wholly-owned subsidiary of Apache. The transaction will be accounted for using the pooling of interests method of accounting. Apache and DEKALB estimate that the cost required to complete the transaction will total between $8 and $10 million.

DEKALB's reported oil and gas reserves, located almost entirely in Canada, were estimated to be approximately 364 Bcfe, and included approximately 300 Bcf of natural gas and 11 MMbbls of hydrocarbon liquids. DEKALB also has approximately 150,000 net undeveloped mineral acres, and has ownership interests in 14 gas processing plants, six of which it operates. Upon completion, the DEKALB merger will provide Apache with a substantial presence in North America's largest natural gas basin, together with the infrastructure, including skilled professionals, to conduct Canadian operations, and properties with significant further development potential.

The merger has been approved by the board of directors of Apache and DEKALB, and holders of a majority of DEKALB's voting stock have agreed to vote their shares to approve the merger. Consummation of the DEKALB merger is subject to the satisfaction of certain conditions including the receipt of necessary regulatory approvals and certain other consents, and is currently expected to be completed in the second quarter of 1995.

In early 1995, Apache announced plans to accelerate the disposition of approximately $200 million of lower margin and non-strategic properties, including sales of a substantial portion of its Rocky Mountain properties and non-strategic assets in its other regions.

1993 ACQUISITIONS. In 1993, Apache entered into two agreements to purchase a combined 104 Bcfe of proved reserves in the Gulf of Mexico from Hall-Houston Oil Company (Hall-Houston) for an aggregate consideration of $113.7 million. In June 1993, Apache closed the first of the two transactions, paying $29.3 million for Hall-Houston's interest in Mustang Island Blocks 787 and 805. Apache acquired substantially all of Hall-Houston's other producing properties in the Gulf of Mexico for an additional $84.4 million in the second transaction which closed on August 31, 1993. With the Hall-Houston acquisitions, Apache more than doubled its existing interest in offshore gas production, acquiring interests in 63 producing fields and 12 fields under development or awaiting pipeline connections.

Apache acquired Hadson Energy Resources Corporation (now AERC) through a series of private transactions and a subsequent merger on November 12, 1993. The aggregate consideration paid for the acquisition was approximately $98 million, including the issuance of 307,977 shares of Apache common stock. Apache acquired AERC and its subsidiaries subject to approximately $67.6 million of net liabilities at the time of the merger. Through the acquisition of AERC, Apache added proved reserves of 66 Bcfe domestically and 64 Bcfe in Australia. AERC's reserves fit well with Apache's existing interests in Oklahoma and the Carnarvon Basin offshore Western Australia. Domestically, nearly two-thirds of the value of AERC's properties are concentrated in Oklahoma, where Apache was already the largest independent gas producer. AERC's operations in Western Australia, including the Harriet complex of oil and natural gas fields, provide Apache with the reserves and infrastructure required for the commercial development of certain other Australian interests.

During 1993, Apache also acquired 11 MMboe of proved reserves through 71 smaller, tactical acquisitions for an aggregate consideration of $76.5 million. Apache also sold $3.3 million of its non- strategic properties during 1993.

EXPLORATION AND PRODUCTION

The Company's domestic exploration and production activities are divided into five operating regions, the Gulf of Mexico, Midcontinent, Permian Basin, Gulf Coast and Rocky Mountain regions. Approximately 96 percent of the Company's proved reserves are located in these five domestic operating regions. Internationally, the Company conducts its Australian exploration and production and Indonesian exploration through its Australian region. Apache's other international interests are directed by the Company and its subsidiaries through the Company's principal offices located in Houston, Texas.

GULF OF MEXICO. As a result of Apache's acquisitions of Matagorda Island Blocks 681 and 682 in late 1992 and the Hall-Houston acquisition in 1993, the Gulf of Mexico became Apache's largest producing region. Due to the growth resulting from these acquisitions, Apache divided its former Gulf Coast region into two regions: Gulf of Mexico and Gulf Coast. The Gulf of Mexico region encompasses all of Apache's interests in properties offshore Texas, Louisiana and Alabama. By year-end 1994, Apache increased its production in the Gulf of Mexico to approximately 203 MMcf of gas per day.

At December 31, 1994, the Gulf of Mexico region encompassed 282,302 net acres, located in both state and federal waters, and accounted for 48.1 MMboe, or 18 percent, of the Company's year-end 1994 reserves. Apache participated in 28 wells which were drilled in the region during the year, 21 of which were completed as producers. The Company performed 36 workover and recompletion operations in the region during 1994.

MIDCONTINENT. Apache's Midcontinent region is known for its sizable position in the Anadarko Basin. Apache has drilled and operated in the Anadarko Basin for over three decades, developing an extensive database of geologic information and a substantial acreage position. In 1993, Apache enhanced its position through the acquisition of AERC with its significant acreage and producing interests in the Anadarko Basin.

At December 31, 1994, Apache held an interest in 271,770 net acres in the region, which accounted for approximately 75.7 MMboe, or 28 percent, of Apache's total proved reserves. Apache participated in 103 wells which were drilled in the Midcontinent region during the year, 90 of which were completed as producing wells. The Company performed 36 workover and recompletion operations in the region during 1994.

PERMIAN BASIN. The Permian Basin of West Texas and New Mexico remained an important region to Apache in 1994, generating 17 percent of the Company's production revenues for the year. As of December 31, 1994, Apache held an interest in 103,247 net acres in the region, which accounted for 57.6 MMboe, or 21 percent, of the Company's total proved reserves. Apache's operations in the Permian Basin focused primarily on workovers and recompletions, which totaled 51 for the year. Compared with 1993, Apache nearly doubled its drilling activity in the region during 1994, with 32 of the 38 wells drilled in the region completed as producers.

GULF COAST. The Gulf Coast region encompasses the Texas and Louisiana coasts, central Texas, Mississippi and Alabama. In 1994, the region was one of the most prominent in the Company in the number of workover and recompletion projects completed and the number of wells drilled. Apache participated in 85 wells drilled in the Gulf Coast region during the year, 74 of which were completed as producers, including 30 Austin Chalk wells in central Texas, all of which were productive. The Company performed 173 workover and recompletion operations during 1994 in the Gulf Coast region. As of December 31, 1994, the region encompassed approximately 194,107 net acres, and accounted for 43 MMboe, or 16 percent, of the Company's year-end 1994 total proved reserves.

ROCKY MOUNTAIN. In the Rocky Mountain region, Apache emphasized oil enhancement opportunities during 1994, conducting 94 development projects. At year-end, Apache held an interest in 481,162 net acres in the region, which accounted for approximately 34.2 MMboe, or 13 percent, of the Company's total proved reserves. Apache participated in 45 wells in the region during the year, 26 of which were productive. Apache has announced the Company's intention to sell in 1995 substantially all of its Rocky Mountain properties in connection with its property rationalization program, which emphasizes the disposition of lower margin properties. The Company currently intends to close its Rocky Mountain regional office, located in Denver, Colorado, and redeploy those employees to provide support for its Gulf Coast and Permian Basin operations and the Company's operations in Canada following the DEKALB merger.

AUSTRALIA. The state of Western Australia has become an important region for Apache following the completion of the AERC acquisition. In the fourth quarter of 1993, Apache consolidated the operation of its Australian properties with AERC's Australian subsidiary, AEL, headquartered in Perth, Western Australia. During 1994, AEL participated in two successful horizontal development wells in the Harriet field offshore Western Australia and also participated in nine exploratory wells. Average oil production in the region increased by 70 percent from 1993 to approximately 3,200 bbls per day for 1994, primarily as a result of the addition of the AERC properties in the second half of 1993.

As of December 31, 1994, Apache held 3,373,150 net developed and undeveloped acres in Western Australia. Australian reserves accounted for 10.8 MMboe, or four percent, of the Company's total proved reserves at year end. Through AEL and its subsidiaries, Apache also owns a 22.5-percent interest in and operates the Harriet Gas Gathering Project, a gas processing and compression facility with a throughput capacity of 80 MMcfd, and a 60-mile, 12-inch offshore pipeline with a throughput capacity of 175 MMcfd. The facilities are located in close proximity to AEL's producing properties offshore in the Carnarvon Basin. During 1994, AEL produced 2.9 bcf of natural gas. Through AEL, Apache acts as operator for most of its properties in Western Australia.

In early 1993, Apache took over as operator and increased its interest in the Java Sea IV block offshore Indonesia and the Padang Panjang block on the island of Sumatra, Indonesia. In early 1994, operations for Indonesia were consolidated under the direction of AEL out of its offices in Perth, Western Australia. In 1994, two exploratory wells were drilled in Indonesia, one of which was a discovery.

OTHER INTERNATIONAL OPERATIONS. Outside of Australia, Apache's international interests currently consist only of exploration interests. In 1994, Apache Overseas, Inc., Apache International, Inc. and their subsidiaries (excluding Australia and Indonesia as referred to above) drilled three gross exploratory wells - one each in Egypt, China and The Congo, resulting in two discoveries.

One discovery well was in Zhao Dong block in the Bohai Bay, offshore the People's Republic of China, where Apache has a 33-percent interest in an area containing approximately 48,677 undeveloped acres (16,225 acres net to Apache). The well tested at a rate of over 2,000 bbls per day and was confirmed by an appraisal well which tested at over 3,500 bbls per day. Future plans call for at least one additional appraisal well which, if successful, would lead to field development of the block.

Apache holds a 25-percent interest in the two-million acre Qarun block in the western desert of Egypt which is operated by Phoenix Resource Companies of Qarun. In 1994, Apache participated in an apparent discovery well in the Qarun block which was plugged and abandoned when well bore problems developed. Plans call for an appraisal well on the same structure. In February 1995, Apache and its partners announced the discovery of a second field in the Qarun block approximately two kilometers from its first apparent discovery. The second well tested at rates up to 1,370 bopd.

In the Congo, an Apache subsidiary participated in a discovery well that tested at a rate over 2,000 bbls per day. Through its subsidiary, Apache holds a 20-percent working interest in the well. An appraisal well and an additional exploratory well are planned for 1995.

OIL AND NATURAL GAS MARKETING

During 1994, Apache sold approximately 89 percent of its domestic natural gas on the spot market through Natural Gas Clearinghouse (NGC) or through market responsive contracts with other parties; the remaining 11 percent was sold into long-term, premium-priced contracts. Sales to NGC accounted for 40 percent of the Company's oil and gas revenues in 1994. Apache and NGC have agreed that NGC will market substantially all of Apache's domestic spot market gas production under terms of their agreement which is effective through September 1995. The Company believes that if the NGC contract were terminated, it would not have a material adverse effect on the Company due to the existence of alternative marketing arrangements and purchasers.

In December 1994, the Company signed a long-term gas contract under which Apache received an advance payment of $67.4 million. Apache will supply the purchaser with approximately 43 Bcf of gas over six years, with volumes averaging 20 MMcfd. Initial deliveries began in January 1995. Apache also signed a long-term gas supply agreement with a cogeneration company in August 1994, under which Apache will supply a minimum of 51.1 Bcf over ten years for use in electric power generation from its cogeneration facility located in Northeast Texas. Deliveries of approximately 20 MMcfd are scheduled to begin in early 1997.

Apache assumed its own domestic crude oil marketing operations in 1992. Most of Apache's crude oil production is sold through lease-level marketing to refiners, traders and transporters, generally under 30-day contracts that renew automatically until canceled.

In Australia, approximately 22 Bcf of AEL's proved gas reserves are dedicated to the Gas Corporation of Western Australia, a corporation owned by the government of Western Australia, doing business as AlintaGas (formerly SECWA), under a long-term contract with a remaining period of 7 1/2 years. The agreement contains take-or-pay provisions that require AlintaGas to purchase a minimum of 35 MMcfd (approximately eight MMcfd net to AEL) through the remainder of the contract term at a stated minimum price that escalates with the Western Australia consumer price index. Payments received under this contract are in Australian dollars. If for any reason the AlintaGas contract was canceled, AEL might not be able to find other markets for its gas produced from the Harriet field.

AEL markets all oil and natural gas liquids produced from its interests in the Harriet field through a contract with Marubeni International Petroleum (Singapore) Pte Limited (Marubeni), which was extended in 1994. Pricing under the contract in 1994 represented a fixed premium to the average of the quoted spot market prices of Tapis and Dubai crude oil, with payment made in U.S. dollars. Production sold under this contract in 1994 realized an average price of $18.23 per barrel (exclusive of the impact of hedging activities). In 1995, pricing under this contract will represent a fixed premium of the quoted spot market price of Tapis crude oil. The Company believes that if this contract were terminated, it would not have a material adverse effect on the Company due to the demand for Australian crude oil and the existence of alternative purchasers.

OIL AND NATURAL GAS PRICES

Natural gas prices remained volatile in 1994 with Apache's average gas prices during the year ranging from $1.48 per Mcf in October to $2.15 per Mcf in February. Fluctuations are largely due to natural gas supply and demand perceptions. Apache's average realized gas price of $1.81 per Mcf for 1994 declined 11 percent from the prior-year average of $2.03 per Mcf. Apache's 1993 average realized natural gas price increased 15 percent above the 1992 average of $1.76 per Mcf.

Due to the escalating price contract with AlintaGas, AEL's natural gas production in Western Australia is not subject to the same degree of price volatility as is its domestic gas production, however, natural gas sales under the AlintaGas contract represented only about two percent of the Company's total natural gas sales at year end. In 1994, the price received for production under the contract averaged $1.94 per Mcf. Total Australian gas sales in 1994, including sales under the AlintaGas contract and spot sales to other parties, averaged $1.90 per Mcf, six percent above the 1993 average of $1.79 per Mcf.

Oil prices remained vulnerable due to unpredictable political and economic forces during 1994, but partially recovered from the five-year low that Apache experienced in the fourth quarter of 1993. Management believes that, absent a comprehensive U.S. energy policy, oil prices will continue to fluctuate in response to changes in the policies of the Organization of Petroleum Exporting Countries (OPEC), events in the Middle East and other factors associated with the world political environment. As a result of the many uncertainties associated with levels of production maintained by OPEC and other oil producing countries, the availabilities of world-wide energy supplies and the competitive relationships and consumer perceptions of various energy sources, management is unable to predict what changes will occur in crude oil and natural gas prices.

Apache's worldwide crude oil price averaged $15.66 per barrel in 1994, seven percent lower than the average price of $16.78 per barrel in 1993, and 14 percent lower than the average price of $18.16 per barrel in 1992. Apache's average crude oil price for its Australian production, including production sold under the Marubeni contract, was $17.95 per barrel in 1994, seven percent lower than the average price in 1993.

Terms of the acquisition of MW from Amoco Production Company (Amoco) included an oil and gas price sharing provision under which certain price sharing payments may be payable to Amoco. Pursuant to this provision, to the extent that oil prices exceed specified reference prices that rise to $33.12 per barrel over the eight-year period ending June 30, 1999, and to the extent that gas prices exceed specified reference prices that rise to $2.68 per Mcf over the five-year period ending June 30, 1996, Apache will share the excess price realization with Amoco on a portion of the MW production.

From time to time, Apache buys or sells contracts to hedge a limited portion of its future oil and gas production against exposure to spot market price changes. (See Note 8 to the Company's financial statements under Item 8 below.)

The Company's business has been and will continue to be affected by future worldwide changes in oil and gas prices and the relationship between the prices of oil and gas. No assurance can be given as to the trend in, or level of, future oil and gas prices.

RESERVE VALUE CEILING TEST

Under the Securities and Exchange Commission's full cost accounting rules, the Company reviews the carrying value of its oil and gas properties each quarter on a country-by-country basis. Under full cost accounting rules, capitalized costs of oil and gas properties may not exceed the present value of estimated future net revenues from proved reserves, discounted at 10 percent, plus the lower of cost or fair market value of unproved properties, as adjusted for related tax effects and deferred tax reserves. Application of this rule generally requires pricing future production at the unescalated oil and gas prices in effect at the end of each fiscal quarter and requires a write-down if the "ceiling" is exceeded, even if prices declined for only a short period of time. If a write-down is required, the one-time charge to earnings would not impact cash flow from operating activities. The Company had no write-downs due to ceiling test limitations during 1994, but a further weakening of oil and gas prices from year-end levels would likely result in a write-down of oil and gas properties during 1995.

GOVERNMENT REGULATION OF THE OIL AND GAS INDUSTRY

The Company's exploration, production and marketing operations are regulated extensively at the federal, state and local levels, as well as by other countries in which the Company does business. Oil and gas exploration, development and production activities are subject to various laws and regulations governing a wide variety of matters. For example, hydrocarbon-producing states have statutes or regulations addressing conservation practices and the protection of correlative rights, and such regulations may affect Apache's operations and limit the quantity of hydrocarbons Apache may produce and sell. Other regulated matters include marketing, pricing, transportation, and valuation of royalty payments.

At the federal level, the Federal Energy Regulatory Commission (FERC) regulates interstate transportation of natural gas under the Natural Gas Act and regulates the maximum selling prices of certain categories of gas sold in "first sales" in interstate and intrastate commerce under the Natural Gas Policy Act (NGPA). Effective January 1, 1993, the Natural Gas Wellhead Decontrol Act deregulated natural gas prices for all "first sales" of natural gas, which includes all sales by Apache of its own production. As a result, all sales of the Company's domestically produced natural gas may be sold at market prices, unless otherwise committed by contract.

Apache's gas sales are affected by regulation of intrastate and interstate gas transportation. In an attempt to promote competition, the FERC has issued a series of orders which have altered significantly the marketing and transportation of natural gas. The effect of these orders has been to enable the Company to market its natural gas production to purchasers other than the interstate pipelines located in the vicinity of its producing properties. The Company believes that these changes have generally improved the Company's access to transportation and have enhanced the marketability of its natural gas production. To date, Apache has not experienced any material adverse effect on gas marketing as a result of these FERC orders; however, the Company cannot predict what new regulations may be adopted by the FERC and other regulatory authorities, or what effect subsequent regulations may have on its future gas marketing.

ENVIRONMENTAL MATTERS

Apache, as an owner or lessee and operator of oil and gas properties, is subject to various federal, state, local and foreign country laws and regulations relating to discharge of materials into, and protection of, the environment. These laws and regulations may, among other things, impose liability on the lessee under an oil and gas lease for the cost of pollution clean-up resulting from operations, subject the lessee to liability for pollution damages, require suspension or cessation of operations in affected areas and impose restrictions on the injection of liquids into subsurface aquifers that may contaminate groundwater.

Apache maintains insurance coverage which it believes are customary in the industry, although it is not fully insured against all environmental risks. The Company is not aware of any environmental claims existing as of December 31, 1994, which would have a material impact upon the Company's financial position or results of operations.

Apache has made and will continue to make expenditures in its efforts to comply with these requirements, which it believes are necessary business costs in the oil and gas industry. Apache has established policies for continuing compliance with environmental laws and regulations, including regulations applicable to its operations in Australia and other countries. Apache has also established operational procedures designed to limit the environmental impact of its field facilities. The costs incurred by these policies and procedures are inextricably connected to normal operating expenses such that the Company is unable to separate the expenses related to environmental matters; however, the Company does not believe any such additional expenses are material to its financial position or results of operations.

Although environmental requirements do have a substantial impact upon the energy industry, generally these requirements do not appear to affect Apache any differently, or to any greater or lesser extent, than other companies in the industry. Apache does not believe that compliance with federal, state, local or foreign country provisions regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, will have a material adverse effect upon the capital expenditures, earnings or competitive position of the Company or its subsidiaries, but there is no assurance that changes in or additions to laws or regulations regarding the protection of the environment will not have such an impact.

COMPETITION

The oil and gas industry is highly competitive. Because oil and gas are fungible commodities, the principal form of competition with respect to product sales is price competition. Apache strives to maintain the lowest finding and production costs possible to maximize profits.

As an independent oil and gas company, Apache frequently competes for reserve acquisitions, exploration leases, licenses, concessions and marketing agreements against companies with substantially larger financial and other resources than Apache possesses. Moreover, many competitors have established strategic long-term positions and maintain strong governmental relationships in countries in which the Company may seek new entry. Apache expects this high degree of competition to continue.

EMPLOYEES

On December 31, 1994, Apache had 1,086 full-time employees.

OFFICES

Apache's principal executive offices are located at One Post Oak Central, 2000 Post Oak Boulevard, Suite 100, Houston, Texas 77056-4400. During 1994, the Company maintained regional exploration and production offices in Tulsa, Oklahoma; Houston, Texas; Denver, Colorado; and Perth, Western Australia. In 1995, the Company intends to close its Denver, Colorado office and open a new office in Calgary, Alberta to oversee exploration and production activities in Canada following the DEKALB merger.

ITEM 2. PROPERTIES

OIL AND GAS EXPLORATION AND PRODUCTION PROPERTIES AND RESERVES

ACREAGE

The developed and undeveloped acreage, including both domestic leases and international production and exploration rights that Apache held as of December 31, 1994, are as follows:

	UNDEVELOPED ACREAGE		DEVELOPED ACREAGE	
	GROSS ACRES	NET ACRES	GROSS ACRES	NET ACRES
GULF OF MEXICO				
Alabama	--	--	54,749	13,432
Louisiana	113,933	51,755	240,371	99,056
Texas	96,543	58,805	130,889	59,254
Total	210,476	110,560	426,009	171,742
MIDCONTINENT				
Arkansas	833	637	3,900	1,824
Kansas	40	40	--	--
Louisiana	11,905	6,427	82,360	37,668
Oklahoma	40,657	15,555	445,935	166,976
Texas	4,939	3,679	74,382	38,964
Total	58,374	26,338	606,577	245,432
PERMIAN BASIN				
New Mexico	4,801	2,026	62,613	19,036
Texas	73,548	37,206	67,650	44,979
Total	78,349	39,232	130,263	64,015
GULF COAST				
Alabama	1,153	678	483	204
Florida	162	14	--	--
Louisiana	5,686	4,678	67,090	26,961
Mississippi	2,042	781	12,944	3,686
New Mexico	--	--	7,698	3,676
Texas	48,620	27,103	181,314	126,326
Total	57,663	33,254	269,529	160,853
ROCKY MOUNTAIN				
Colorado	57,845	34,035	3,001	2,412
Kansas	6,190	2,047	160	--
Michigan	--	--	40	6
Montana	27,862	10,177	10,952	7,444
Nebraska	658	329	80	10
Nevada	149,493	65,674	1,880	881
New Mexico	10,975	10,421	39,290	27,999
North Dakota	48,950	20,214	43,371	23,318
South Dakota	720	146	3,640	2,835
Utah	200	200	1,680	1,034
Wyoming	461,137	251,175	35,516	20,805
Total	764,030	394,418	139,610	86,744
TOTAL DOMESTIC	1,168,892	603,802	1,571,988	728,786

	UNDEVELOPED ACREAGE		DEVELOPED ACREAGE	
	GROSS ACRES	NET ACRES	GROSS ACRES	NET ACRES
INTERNATIONAL				
Australia	6,833,430	3,320,600	280,460	52,550
China	48,677	16,225	--	--
The Congo	236,228	47,245	--	--
Egypt	1,927,380	481,845	--	--
Indonesia	722,290	280,890	--	--
Ivory Coast	269,338	92,485	--	--
TOTAL INTERNATIONAL	10,037,343	4,239,290	280,460	52,550
TOTAL COMPANY	11,206,235	4,843,092	1, 852,448	781,336

PRODUCTIVE OIL AND GAS WELLS

The number of productive oil and gas wells, operated and non-operated, in which Apache had an interest as of December 31, 1994, is set forth below.

	GAS		OIL	
	GROSS	NET	GROSS	NET
Gulf of Mexico	440	122	40	4
Midcontinent	1,580	515	344	139
Permian Basin	452	100	2,195	813
Gulf Coast	568	382	1,441	1,034
Rocky Mountain	232	142	772	420
International	3	1	27	5
Total	3,275	1,262	4,819	2,415

GROSS WELLS DRILLED

The following table sets forth the number of gross exploratory and gross development wells drilled in the last three fiscal years in which the Company participated. The number of wells drilled refers to the number of wells commenced at any time during the respective fiscal year. "Productive" wells are either producing wells or wells capable of commercial production. At December 31, 1994, the Company was participating in 29 domestic wells and one international well in the process of drilling.

	EXPLORATORY			DEVELOPMENTAL		
	PRODUCTIVE	DRY	TOTAL	PRODUCTIVE	DRY	TOTAL
1994						
Domestic	20	17	37	223	39	262
International	7	8	15	2	--	2
Total	27	25	52	225	39	264
1993						
Domestic	12	19	31	198	37	235
International	3	5	8	--	--	--
Total	15	24	39	198	37	235
1992						
Domestic	10	32	42	145	16	161
International	--	6	6	--	--	--
Total	10	38	48	145	16	161

NET WELLS DRILLED

The following table sets forth, for each of the last three fiscal years, the number of net exploratory and net developmental wells drilled by Apache.

	EXPLORATORY			DEVELOPMENTAL		
	PRODUCTIVE	DRY	TOTAL	PRODUCTIVE	DRY	TOTAL
1994						
Domestic	10.7	10.4	21.1	100.1	27.0	127.1
International	2.3	2.4	4.7	.4	--	.4
Total	13.0	12.8	25.8	100.5	27.0	127.5
1993						
Domestic	4.2	10.4	14.6	90.4	22.2	112.6
International	0.6	1.3	1.9	--	--	--
Total	4.8	11.7	16.5	90.4	22.2	112.6
1992						
Domestic	3.2	16.6	19.8	60.1	8.0	68.1
International	--	1.1	1.1	--	--	--
Total	3.2	17.7	20.9	60.1	8.0	68.1

Production and Pricing Data

The following table describes, for each of the last three fiscal years, oil, natural gas liquids (NGLs) and gas production for the Company, average production costs and average sales prices.

	Production			Average	Average Sales Price		
Year Ended December 31,	Oil (Mbbls)	NGLs (Mbbls)	Gas (MMcf)	Production Cost per boe	Oil (per bbl)	NGLs (per bbl)	Gas (per Mcf)
1994	13,084	493	155,905	$3.48	$15.66	$12.39	$1.81
1993	12,294	486	110,622	4.10	16.78	12.35	2.03
1992	12,056	533	95,982	4.38	18.16	12.34	1.76

ESTIMATED RESERVES AND RESERVE VALUE INFORMATION

The following information relating to estimated reserve quantities, reserve values and discounted future net revenues is derived from, and qualified in its entirety by reference to, the more complete reserve and revenue information and assumptions included in the Company's financial statements under Item 8 below. The Company's estimates of proved reserve quantities of its domestic properties and certain international properties have been subject to review by Ryder Scott Company Petroleum Engineers. There are numerous uncertainties inherent in estimating quantities of proved reserves and projecting future rates of production and timing of development expenditures. The following reserve information represents estimates only and should not be construed as being exact. See Supplemental Oil and Gas Disclosures under Item 8 below.

The following table sets forth the Company's estimated proved developed and undeveloped reserves as of December 31, 1994, 1993 and 1992:

1994	Natural Gas (Bcf)	Oil, NGLs and Condensate (MMbbls)
Developed	910.3	89.4
Undeveloped	106.0	10.5
Total	1,016.3	99.9
1993		
Developed	720.7	79.4
Undeveloped	127.5	10.3
Total	848.2	89.7
1992		
Developed	585.4	73.1
Undeveloped	57.9	7.6
Total	643.3	80.7

The following table sets forth the estimated future value of all proved reserves of the Company, and proved developed reserves of the Company, as of December 31, 1994, 1993 and 1992. Future reserve values are based on year-end prices except in those instances where the sale of gas and oil is covered by contract terms providing for determinable escalations. Operating costs, production and ad valorem taxes, and future development costs are based on current costs with no escalations.

	Estimated Future Net Revenues		Present Value of Estimated Future Net Revenues Before Income Taxes (Discounted at 10 Percent)	
	Proved	Proved Developed	Proved	Proved Developed
	(In thousands)			
December 31,				
1994	$2,201,585	$2,016,523	$1,396,844	$ 1,311,591
1993	2,074,505	1,783,187	1,359,117	1,189,268
1992	1,747,113	1,581,853	1,062,558	987,497

At December 31, 1994, estimated future net revenues expected to be received from all proved reserves of the Company, and from proved developed reserves of the Company, were as follows:

	Proved	Proved Developed
	(In thousands)	
December 31,		
1995	$ 325,137	$ 354,516
1996	296,704	277,788
1997	244,404	218,053
Thereafter	1,335,340	1,166,166
Total	$2,201,585	$2,016,523

The Company believes that no major discovery or other favorable or adverse event has occurred since December 31, 1994, which would cause a significant change in the estimated proved reserves reported herein. The estimates above are based on year-end pricing in accordance with the Securities and Exchange Commission (SEC) guidelines and do not reflect current prices. Since January 1, 1994, no oil or gas reserve information has been filed with, or included in any report to, any U.S. authority or agency other than the SEC and the Energy Information Administration (EIA). The basis of reporting reserves to the EIA for the Company's reserves is identical to that set forth in the foregoing table.

TITLE TO INTERESTS

The Company believes that its title to the various interests set forth above is satisfactory and consistent with the standards generally accepted in the oil and gas industry, subject only to immaterial exceptions which do not detract substantially from the value of the interests or materially interfere with their use in the Company's operations. The interests owned by the Company may be subject to one or more royalty, overriding royalty and other outstanding interests customary in the industry. The interests may additionally be subject to burdens such as net profits interests, liens incident to operating agreements and current taxes, development obligations under oil and gas leases and other encumbrances, easements and restrictions, none of which detract substantially from the value of the interests or materially interfere with their use in the Company's operations.

ITEM 3. LEGAL PROCEEDINGS

The information set forth under the caption "Litigation" in Note 9 to the Company's financial statements under Item 8 below is incorporated herein by reference.

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

No matters were submitted for a vote of security holders during the fourth quarter of 1994.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Apache's common stock, par value $1.25 per share, is traded on the New York Stock Exchange and the Chicago Stock Exchange under the symbol APA. The table below provides certain information regarding Apache common stock for 1994 and 1993. Prices shown are from the New York Stock Exchange Composite Transactions Reporting System.

	1994			1993		
	PRICE RANGE			PRICE RANGE		
	HIGH	LOW	DIVIDENDS PER SHARE	HIGH	LOW	DIVIDENDS PER SHARE
First Quarter	$26 7/8	$22 1/2	$ 0.07	$26 1/4	$17 5/8	$ 0.07
Second Quarter	29	22 1/4	0.07	30 1/4	24 3/8	0.07
Third Quarter	29 1/4	23	0.07	33 1/2	26 3/8	0.07
Fourth Quarter	28 7/8	23 5/8	0.07	31 1/4	20 3/8	0.07

The closing price per share of Apache common stock, as reported on the New York Stock Exchange Composite Transactions Reporting System for February 28, 1995, was $25.00. At December 31, 1994, there were 61,440,004 shares of Apache common stock outstanding, held by approximately 10,400 shareholders of record and 30,000 beneficial owners.

Each share of Apache common stock also represents one common stock purchase right which, under certain circumstances, would entitle the holder to acquire additional shares of common stock. See Note 6 to the Company's financial statements under Item 8 below.

The Company has paid cash dividends on its common stock for 112 consecutive quarters and intends to continue the payment of dividends at current levels, although future dividend payments will depend upon the Company's level of earnings, financial requirements and other relevant factors.

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected financial data of the Company and its consolidated subsidiaries for each of the years in the five-year period ended December 31, 1994, which information has been derived from the Company's audited financial statements. This information should be read in connection with and is qualified in its entirety by the more detailed information and financial statements under Item 8 below.

	At or for the Year Ended December 31,				
	1994	1993*	1992	1991**	1990
	(In thousands, except per share amounts)				
INCOME STATEMENT DATA					
Total revenues	$ 545,621	$ 466,638	$ 454,300	$ 356,930	$ 273,410
Net income	42,837	37,334	47,776	34,615	40,297
Net income per common share	.70	.70	1.02	.76	.90
Cash dividends per common share	.28	.28	.28	.28	.28
BALANCE SHEET DATA					
Working capital (deficit)	$ (12,891)	$ (62,450)	$ (43,775)	$ (55,023)	$ 15,678
Total assets	1,879,022	1,592,407	1,218,704	1,209,291	829,634
Long-term debt	657,486	453,009	454,373	490,988	194,781
Shareholders' equity	816,180	785,854	475,209	439,941	386,780
Common shares outstanding at end of year	61,440	61,085	46,936	46,855	44,694

*Includes financial data for AERC after June 30, 1993, and for Hall-Houston after July 31, 1993. See Note 1 to the Company's financial statements under Item 8 below.

**Includes financial data for MW after June 30, 1991.

Reference is made to Item 7, "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS," for a discussion of significant acquisitions and to the Summary of Significant Accounting Policies and Note 1 to the Company's financial statements under Item 8 below.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

OVERVIEW

Apache's financial performance during 1994 is best understood in light of the following factors:

PRODUCTION INCREASES; COMMODITY PRICES -- The current year's performance was affected by substantial increases in natural gas production partially offset by lower average oil and natural gas prices for the year. Apache's natural gas production increased by 41 percent over the prior year, attributable principally to developmental drilling, recompletions and acquisitions completed in 1993. These gains were partially offset as Apache's average realized natural gas price declined 11 percent from the prior year. Apache's oil production increased by six percent over the prior year. Although oil prices improved from the five-year low experienced in the fourth quarter of 1993, Apache's average realized oil price in 1994 was seven percent lower than in 1993.

ACQUISITIONS-- Apache continued to acquire properties in 1994, acquiring $180 million of oil and gas properties in the current year following its mid-1993 acquisition of Hadson Energy Resources Corporation (now known as Apache Energy Resources Corporation or AERC) and substantially all of the producing properties of Hall-Houston Oil Company (Hall-Houston) in the Gulf of Mexico for an aggregate of $211.7 million. The Company's 1994 performance reflects a full 12 months of ownership of AERC and the Hall-Houston properties; however, over half of the 1994 acquisitions were booked in the fourth quarter, too late to have a significant impact on the Company's 1994 performance. Acquisitions which closed in 1993 and 1994 accounted for approximately 40 percent of the overall increase in gas production from a year ago.

INCREASE IN AVERAGE COMMON SHARES OUTSTANDING -- The weighted average number of shares of Apache common stock outstanding in 1994 increased by 7.8 million shares (15 percent) over 1993, primarily as a result of the issuance of 5.8 million shares in connection with a public stock offering in March 1993 and the issuance of 7.8 million shares in connection with the conversion of $150 million of subordinated debentures in September 1993. Proceeds from these transactions reduced outstanding debt by $281.8 million.

RESULTS OF OPERATIONS

NET INCOME AND REVENUES

The Company reported net income for the year of $42.8 million, a 15-percent increase from 1993 earnings of $37.3 million. Net income of $.70 per share was unchanged from 1993, as the increase in 1994 net income was offset by the increase in the weighted average number of shares of Apache common stock outstanding. Significant factors contributing to the higher earnings were increased oil production and substantially increased natural gas production partially offset by decreases in oil and natural gas prices. Volume and price information concerning the Company's 1994 and 1993 oil and gas production is summarized in the following table:

Selected Oil and Gas Operating Statistics	1994	1993	Increase (Decrease)
Gas volume - Mcf per day:			
Domestic	419,161	299,486	40%
International	7,975	3,589	122%
Total	427,136	303,075	41%
Average Gas Price - Per Mcf	$ 1.81	$ 2.03	(11)%

Selected Oil and Gas Operating Statistics	1994	1993	Increase (Decrease)
Oil volume - Barrels per day:			
Domestic	32,669	31,809	3%
International	3,177	1,874	70%
Total	35,846	33,683	6%
Average Oil Price - Per barrel	$ 15.66	$ 16.78	(7)%
Natural Gas Liquids (NGL) - Barrels per day:	1,352	1,331	2%
Average NGL Price - Per barrel	$ 12.39	$ 12.35	--

Revenues for 1994 totaled $545.6 million, or 17 percent higher than a year ago. Oil and gas revenues in 1994 totaled $493.5 million, an increase of 13 percent over production revenues of $437.3 million in 1993. Production revenues were influenced by record natural gas production, declining natural gas prices, increased oil production and lower average oil prices for the year. In addition, Apache's gathering, processing and marketing revenues increased 71 percent to $44.3 million in 1994 from $25.9 million in 1993. Revenues from international operations increased 70 percent to $26.3 million with a full twelve months of Australian production from the AERC acquisition.

Natural gas sales contributed $282.5 million to revenues, up 26 percent from 1993, the result of higher annual production partially offset by lower prices during 1994. Gas production for the year averaged 427 MMcf per day, up 41 percent from 1993, positively affecting gas sales by $92.1 million. This increase is principally the result of production increases from developmental drilling and the contribution from 12 months of operations from properties acquired in 1993, the most significant of which were the offshore properties acquired from Hall-Houston and the properties acquired in the merger with AERC. Acquisitions added approximately 49 MMcfd of production increases for the year, whereas developmental drilling and recompletions accounted for nearly 75 MMcfd.

Apache's average realized price for its natural gas was $1.81 per Mcf during 1994, 11 percent lower than the average price of $2.03 per Mcf during 1993, which negatively affected gas sales by $34.6 million. During 1994, Apache's average realized gas prices ranged from $1.48 per Mcf in October to $2.15 per Mcf in February. Gas prices remained depressed during the second half of 1994 due to warmer than usual weather in the northeastern United States and higher volumes of gas held in inventory by utilities and gas storage facilities. Hedging activities increased Apache's 1994 gas price by $.01 per Mcf ($1.6 million in sales) compared to $.05 per Mcf decrease ($5.4 million in sales) in 1993. The 1994 hedging was in the form of floating for fixed price swap agreements, with hedged volumes ranging from 10,000 MMBtud to 40,000 MMBtud. Hedging activities in 1993 included a $3.8 million net loss from swap agreements and a $1.6 million payment to Amoco Production Company (Amoco) under the terms of the price support hedging agreement described in Footnote 8 to the Company's financial statements. With natural gas spot prices rising significantly during the second and third quarters of 1993, the 1993 hedging activities in effect mitigated the upside potential of improving prices.

The impact of increased oil production was offset by lower oil prices in 1994. Oil production contributed $204.9 million to revenues during 1994, less than one percent below Apache's oil sales in 1993. Average daily oil production of approximately 35.8 Mbbls of oil increased six percent over the prior year, positively affecting oil sales by $13.3 million, as acquisitions offset the effects of natural depletion. Oil sales represented 42 percent of total oil and gas sales in 1994 compared to 47 percent of total oil and gas sales in 1993.

The Company's average realized oil price of $15.66 per barrel declined seven percent from 1993, negatively affecting oil sales by $14.7 million. Apache's average realized oil prices in 1994 ranged from $12.65 per barrel in March to $17.77 per barrel in July. Hedging activities increased Apache's average realized oil price by $.20 per barrel ($2.6 million in sales) as compared to a $.39 per barrel increase ($4.8 million in sales) in 1993. The 1994 hedges were in the form of floating for fixed price swap agreements with respect to the sale of oil, whereas 1993 sales hedges were due to the price support hedging agreement with Amoco.

Revenues from the sale of natural gas liquids increased one percent from 1993, to $6.1 million in 1994. The higher revenue reflects slightly increased volumes incidental to Apache's increased gas production.

Revenues from gas gathering, processing and marketing were $44.3 million in 1994, up 71 percent from 1993. The revenue increase primarily reflects additional volumes sold under crude oil and natural gas contracts, an activity that generally creates relatively low margins. Gross margins from gathering, processing and marketing were $6.4 million in 1994, an increase of 32 percent from 1993.

Other revenues increased to $7.4 million in 1994, up from $2.8 million in 1993. Non-recurring revenues in 1994 included $4 million from the favorable resolution of take-or-pay contract issues and $2.2 million in gains from the sale of stock held for investment.

COSTS AND EXPENSES

Operating costs per equivalent unit of production declined 14 percent in 1994, as a 27-percent increase in production volumes more than offset an eight-percent increase in operating costs. Aggregate operating costs increased from $128.1 million in 1993 to $137.8 million in 1994. Operating costs include lifting costs, workover expense, and applicable domestic or foreign production taxes. On an equivalent unit of production basis, operating costs in 1994 declined to $3.48 per boe, down from $4.10 per boe in 1993. Apache's declining costs per boe reflect increasing natural gas production and lower production costs associated with the operation of gas-bearing properties as compared with oil-bearing properties. The decline in unit cost reflects the Company's continued cost saving efforts and the addition of offshore properties which are not subject to production taxes and traditionally have lower unit lifting costs.

Depreciation, depletion and amortization (DD&A) expense rose 32 percent year-over-year to $232.6 million due to increased domestic sales of oil and natural gas and a higher domestic amortization rate expressed as a percentage of sales. Apache's domestic amortization rate of 45.5 percent of sales for 1994 increased from 38.7 percent in 1993. The increase in DD&A as a percentage of sales is a result of lower natural gas and oil prices during 1994 and a higher average finding cost in 1993 compared to recent years. Recurring international DD&A increased as a result of substantially increased Australian production.

Although Apache increased its international exploration activity in 1994, international impairments declined to $7.3 million in 1994 from $23.2 million in 1993, reflecting the Company's successful international exploration efforts in China, Egypt, The Congo and Indonesia during 1994.

Administrative, selling and other costs increased $1.7 million in 1994, or five percent from 1993. Administrative, selling and other costs, on an equivalent unit of production basis, declined 17 percent from the prior year to $.88 per boe in 1994 from $1.06 per boe in 1993, reflecting the increase in production over the prior year and results of the Company's sustained efforts to contain costs. The Company integrated AERC and the Hall-Houston properties with minimal increases in administrative staff.

Net financing costs of $30.7 million were 14 percent higher than 1993. This was primarily as a result of increasing interest rates and increased debt in 1994 related to the AERC and Hall-Houston acquisitions which were funded in the second half of 1993. By year end, effective interest rates on Apache's floating rate debt, which includes all advances under its bank credit facility, increased approximately 59 percent over year-end 1993 as market rates increased at six different times during the year. Apache's average effective interest rate during 1994 increased to 6.65 percent from 4.96 percent during 1993. On an equivalent unit of production basis, net financing costs declined to $.78 per boe in 1994 from $.86 per boe in 1993, as increased production offset the rising cost of financing. On December 31, 1994, Apache's outstanding debt balance was $658 million, an increase of 42 percent from $462 million on December 31, 1993.

PRIOR-YEAR COMPARATIVE INFORMATION

The Company reported net income for 1993 of $37.3 million, or $.70 per share, a 22-percent decrease from 1992 earnings of $47.8 million, or $1.02 per share. Significant factors contributing to the lower earnings were after-tax charges to earnings of $7.8 million, or $.15 per share, taken in the third quarter related to international impairments and changes in tax laws, the decline in the Company's realized oil prices during 1993, and the $18.5 million after-tax gain recognized during 1992 on the sale of the Company's interest in Natural Gas Clearinghouse (NGC). Excluding only the gain on the 1992 NGC sale, the Company's 1993 earnings increased 28 percent over 1992.

Volume and price information concerning the Company's 1993 and 1992 oil and gas production is summarized in the following table:

Selected Oil and Gas Operating Statistics	1993	1992	Increase (Decrease)
Gas volume - Mcf per day:			
Domestic	299,486	262,245	14%
Foreign	3,589	--	--
Total	303,075	262,245	16%
Average Gas Price - Per Mcf	$ 2.03	$ 1.76	15%
Oil volume - Barrels per day:			
Domestic	31,809	31,874	--
Foreign	1,874	1,066	76%
Total	33,683	32,940	2%
Average Oil Price - Per Barrel	$ 16.78	$ 18.16	(8)%
Natural Gas Liquids (NGL) - Barrels per day	1,331	1,458	(9)%
Average NGL Price - Per barrel	$ 12.35	$ 12.34	--

Revenues for 1993 totaled $466.6 million, a three-percent increase over the Company's 1992 revenues. Production revenues in 1993 totaled $437.3 million compared to $394.6 million in 1992. Oil and gas revenues were influenced by improved gas prices over 1992, declining second-half oil prices, and the acquisition of AERC and the Hall-Houston properties in the second half of the year. Revenues from international operations increased 93 percent in 1993, to $15.5 million, with six months of Australian production from the 1993 AERC acquisition.

Natural gas sales in 1993 contributed $225 million to revenues, up 33 percent from 1992, the result of sustained higher prices and higher production during 1993. During 1992, Apache's average realized gas price ranged from $1.17 per Mcf in February, the lowest price in 13 years, to a high of $2.40 per Mcf in October. Apache's average realized price for 1992 was $1.76 per Mcf. In 1993, prices remained in the higher range established in the latter half of 1992. Apache's average realized price for 1993 was $2.03 per Mcf, up 15 percent over the 1992 average, positively affecting 1993 gas sales by $30.4 million. Hedging activities decreased gas sales by $5.4 million ($.05 per Mcf) in 1993 as compared to a $2.5 million decrease in 1992. Both years included losses on swap agreements and price sharing obligations with Amoco.

The impact of higher gas prices was augmented by higher gas production in 1993 as compared with 1992. Gas production for the year averaged 303.1 MMcf per day, up 16 percent from 1992, positively affecting gas sales by $25.8 million. This increase is principally the result of production from newly acquired properties, the most significant of which were the offshore properties acquired from Hall-Houston, the additional 93-percent working interest in Matagorda Island Blocks 681 and 682 acquired in 1992, and the properties acquired in the merger with AERC. Combined, these three acquisitions comprised 332 Bcfe of proved reserves at year end 1993 and contributed 68 MMcf of gas per day to Apache's 1993 average daily production.

The impact of increased oil production in 1993 was offset by lower oil prices. Oil production contributed $206.3 million to revenues during 1993, six percent below Apache's record $218.9 million in oil sales in 1992. Average daily oil production of approximately 33.7 Mbbls of oil increased two percent over the prior year, positively affecting oil sales by $4.3 million, as acquisitions, continuing workover and recompletion operations, and new drilling in the Permian Basin and Austin Chalk trend offset the effects of natural depletion.

The Company's average realized oil price of $16.78 per barrel declined eight percent from 1992, negatively affecting oil sales by $16.9 million. Hedging activities boosted Apache's average realized oil price in 1993 by $.39 per barrel ($4.8 million in sales) as compared to a $.44 per barrel increase ($5.3 million in sales) in 1992. These were due to Amoco price support hedging activities.

Revenues from the sale of natural gas liquids and sulfur in 1993 declined 12 percent from 1992 to $6.0 million, a result of lower prices for natural gas liquids and the sale of the Whitney Canyon gas processing plant in 1992. The sale of natural gas liquids declined from 1.5 Mbbls per day in 1992 to 1.3 Mbbls per day in 1993.

Revenues from gas gathering, processing and marketing were $25.9 million in 1993, down 10 percent from 1992. The decline primarily reflects the sale of Apache's interest in a gas gathering system in western Oklahoma in March 1993. As a result, gross margins from gathering, processing and marketing were $4.9 million in 1993, a decline of 32 percent from 1992.

Operating costs were up two percent in 1993 to $128.1 million, as a decline in operating costs per barrel of oil equivalent was offset by the impact of increased production. Operating costs include lifting costs, workover expense, and applicable domestic or foreign production taxes. On an equivalent unit of production basis, operating costs declined six percent in 1993 to $4.10 per boe, down from $4.38 per boe in 1992. Apache's declining costs per boe reflect increasing natural gas production and lower production costs associated with operating gas-bearing properties as compared to oil-bearing properties. Apache's operating costs were also reduced by refunds of well-control insurance totaling $.7 million and production tax refunds totaling $1.8 million during 1993.

DD&A expense rose 12 percent year-over-year to $176.3 million due to increased sales of natural gas and increased Australian production. Although Apache's domestic amortization rate of 38.7 percent of sales for 1993 was down slightly from 1992, declining oil prices and the higher costs associated with newly acquired offshore properties, which reflect shorter reserve lives and faster expected payouts, combined to increase Apache's domestic amortization rate in the second half of 1993. Recurring international DD&A increased as a result of substantially increased Australian production.

International impairments, which rose to $23.2 million in 1993 from $12 million in 1992, included $6.7 million of the Company's investment in West Africa which the Company wrote-off in the third quarter of 1993 when it recognized a reduced probability of establishing commercial operations on two of Apache's concessions. The 1993 impairments also included provisions for Apache's investment in the Java Sea (Indonesia) and Nanteau (France).

Administrative, selling and other costs were down five percent from those incurred in 1992, despite the Company's acquisitions during 1993. The reduction reflects the Company's sustained efforts to contain costs, the non-recurring administrative costs incurred in the 1992 corporate relocation to Houston, and the integration of MW. In 1993, Apache successfully assimilated the AERC and Hall-Houston properties with minimal additions to its administrative staff. Administrative cost reductions were partially offset, however, by expenses associated with an employee benefit plan based on Apache common stock, which increased in price by approximately 25 percent from year-end 1992 to year-end 1993.

Net financing costs declined 17 percent in 1993 despite the use of bank debt to fund the AERC and Hall-Houston acquisitions. The decline is primarily attributable to a decline of approximately 100 basis points in Apache's effective interest in 1993 as compared with 1992, reflecting a general decline in interest rates and the conversion of Apache's 7 1/2-percent convertible subordinated debentures due 2000 into shares of Apache common stock in September 1993. Interest expense also declined as a result of Apache's repayment of bank debt from a portion of the $131.8 million in net proceeds of its public offering of common stock in March 1993, the successful conversion of approximately $150 million of its 7 1/2-percent convertible subordinated debentures due 2000 and through the redemption of $7 million of 9-percent convertible subordinated debentures due 2001. Debt reductions attributable to the public offering and debt conversion in 1993 were offset by debt incurred in connection with acquisitions. On December 31, 1993, Apache's outstanding debt balance was $462 million, an increase of one percent from $455.5 million on December 31, 1992.

CASH FLOW, LIQUIDITY AND CAPITAL RESOURCES

CAPITAL COMMITMENTS

Apache's primary needs for cash are for exploration, development and acquisition of oil and gas properties, repayment of principal and interest on outstanding debt, and payment of dividends. The Company generally funds its exploration and development activities through internally generated cash flows. Apache budgets its capital expenditures based upon projected cash flows and routinely adjusts its capital expenditures in response to changes in oil and gas prices and corresponding changes in cash flow.

Expenditures for exploration and development increased to $302.5 million in 1994 from $218.9 million in 1993. Domestically, Apache completed 243 producing wells out of 299 gross wells drilled during the year compared with 266 gross wells drilled in 1993, of which 210 were completed as producers. Internationally, the Company had discoveries on nine of 17 wells drilled in 1994, while completing three of eight wells as producers in 1993. Domestic expenditures for exploration and development in 1995, including workover and recompletion operations, are expected to decline to approximately $170 million as additional funds are used to reduce debt. The Company will step-up its international activities in 1995 with exploration and development expenditures expected to rise to approximately $45 million, up from $32 million in 1994.

Cash expenditures for acquisitions during 1994 were $180 million, compared to $260.9 million in 1993. The most significant acquisition that Apache closed during 1994 was the purchase of substantially all of the U.S. oil and gas properties of Crystal Oil Company for $95.8 million. Apache also acquired approximately $84.2 million of other oil and gas properties through a number of different transactions during 1994. Funds for the 1994 acquisitions were obtained principally from borrowings under the Company's revolving bank credit facility.

During the fourth quarter of 1994, Apache entered into a merger agreement with DEKALB Energy Company (DEKALB), with DEKALB to survive as a wholly-owned subsidiary of Apache and DEKALB shares to be converted into the right to receive shares of Apache common stock. The Company contemplates that between 8.0 and 8.9 million shares of Apache common stock will be issued in connection with the merger.

On March 1, 1995, Apache purchased certain oil and gas properties from Texaco Exploration and Production Inc. (Texaco) for approximately $571 million in cash, subject to adjustment. Apache delivered a $25 million deposit, representing a portion of the purchase price, upon execution of the purchase and sale agreement with Texaco in December 1994, and delivered the balance in cash at closing. Funds for the Texaco transaction were obtained from several sources, including increased borrowing capacity under the Company's bank credit facility and proceeds of Apache's $172.5 million 6-percent Convertible Subordinated Debentures due 2002 (6-percent debentures), which were issued on January 4, 1995. On March 1, 1995, lenders increased the Apache revolving credit facility to $1 billion, subject to borrowing base availability.

The Company aggressively pursues acquisition opportunities as part of its reserve growth strategy. The amount and timing of future funding requirements for acquisitions are dependent upon several factors, including the market for oil and gas properties, and cannot be predicted for the upcoming year.

The aggregate cost of acquisitions in 1993, including the value of the shares issued and liabilities added through the merger of AERC, totaled $324.6 million. Apache's most significant transactions during 1993 were its acquisitions of oil and gas properties from Hall-Houston for $113.7 million in cash and the acquisition of AERC for approximately $98 million in cash and the issuance of 307,977 shares of Apache common stock. Apache also acquired more than $76.5 million of other properties during 1993, primarily representing purchases of additional working interests in properties in which Apache already held an interest, including the purchase of Key Production Company's interest in certain properties held by Apache Operating Partnership L.P. prior to its dissolution during the first quarter of 1993.

Other capital expenditures for 1993 include the purchase of NGC's interest in a gas gathering system in western Oklahoma which was sold in March 1993, in a transaction described under "Capital Resources and Liquidity" below.

At December 31, 1994, Apache had outstanding $454 million under its revolving bank credit facility, $25.8 million in additional bank debt consolidated through the AEL banker's acceptance facility, and an aggregate of $177.8 million in principal amount of other long-term debt, comprised principally of notes and debentures maturing in the years 1997 through 2002. The Company's overall debt at December 31, 1994, had increased $195.6 million from December 31, 1993, partly the result of borrowing to fund acquisitions and the purchase of approximately $15 million of AERC shares tendered to the Company in the first quarter of 1994. Apache made cash payments on long-term debt totaling $28.7 million in 1994, of which $9 million was scheduled under the Company's debt obligations and the remaining amount was paid due to the termination of AERC's bank credit facility. Interest payments on the Company's outstanding debt obligations during 1995 are projected (using weighted average balances for floating rate obligations) to be approximately $89 million, while scheduled principal payments for 1995 currently total $.1 million.

Dividends paid during 1994 totaled $17.1 million, up 15 percent from 1993, primarily due to the issuance of approximately 5.8 million shares in connection with the Company's March 1993 common stock offering, and the issuance of approximately 7.8 million shares in September 1993 upon the conversion of its subordinated debentures. The Company's dividend policy currently provides for the payment of regular quarterly dividends at the rate of $.28 per share annually. Although no change in the dividend policy is contemplated for 1995, the declaration and amount of future dividends is dependent upon the Company's cash requirements, applicable debt covenants and other factors deemed relevant by the Board of Directors.

CAPITAL RESOURCES AND LIQUIDITY

The Company's primary capital resources are net cash provided by operating activities, proceeds from financing activities and proceeds from sales of non-strategic assets.

Net cash provided by operating activities during 1994 was $335.6 million, up $110.5 million from 1993. The 49-percent improvement in cash flows primarily reflects increased natural gas production and a $67.4 million advance on future gas deliveries related to the Company's sale of approximately 43.8 Bcf of natural gas for delivery over a six-year period. (See Note 5 to the Company's financial statements). Eliminating the effects of forward sale transactions, net cash provided by operating activities increased by 19 percent over 1993, reflecting the results of increased production partially offset by lower oil and gas prices.

The Company anticipates that it will engage in additional forward sale transactions in the future if sales can be made under terms and conditions that are favorable to the Company in light of market conditions. Future cash flows will be influenced by product prices and production volumes and are not presently ascertainable.

On January 4, 1995, Apache completed the issuance of $172.5 million principal amount of its 6-percent debentures to reduce bank debt, provide funding for acquisitions and general corporate purposes. The debentures are convertible at the option of the holder into Apache common stock at a conversion price of $30.68 per share.

On March 1, 1995, in connection with the acquisition of certain oil and gas properties from Texaco, lenders increased the size of Apache's revolving credit facility from $700 million to $1 billion, subject to borrowing base availability. The borrowing base is the estimated loan value of the Company's oil and gas reserves, not including reserves outside the United States and subject to certain other exclusions, based upon forecast rates of production, as periodically redetermined by the lenders. Upon closing the Texaco transaction on March 1, 1995, Apache had approximately $840 million in loans outstanding under the facility with approximately $60 million remaining available. (See Note 3 to the Company's financial statements under Item 8 below.)

Under terms of the credit agreement, as amended March 1, 1995, the Company must (i) maintain a minimum tangible net worth of $650 million, which is adjusted quarterly for subsequent earnings and securities transactions, and (ii) maintain a ratio (A) earnings before interest, taxes, depreciation, depletion and amortization to (B) consolidated interest expense, of not less than 3.7:1. Restrictive covenants under the facility include certain limitations on indebtedness and contingent obligations, as well as certain restrictions on liens and investments in international subsidiaries. The Company has complied with its financial ratios and restrictive covenants at all times since the inception of the revolving credit facility in July 1991. The facility matures on March 1, 2000, and may be extended in one-year increments with the lenders' consent.

In May 1994, Apache terminated AERC's bank credit facility and converted the banker's acceptance facility of Apache Energy Limited (AEL), a wholly-owned Australian subsidiary of AERC, from a reducing term credit facility to a revolving credit facility with a commitment of $30 million, subject to financial covenants and borrowing base availability. The AEL facility provides for advances discounted at a varying rate over the discount rate prevailing in the Canadian banker's acceptance market. Under the terms of AEL's revolving credit facility, AEL must maintain certain minimum financial ratios, including a current ratio (including funds available under the AEL credit facility) of 1.0 to 1.0, a ratio of consolidated cash flow to debt service of 1.1 to 1.0, and a ratio of consolidated cash flow to consolidated interest expense of 3.0 to 1.0. In addition, AEL must maintain a minimum tangible net worth of $30 million, which is adjusted quarterly for subsequent earnings, and satisfy restrictive covenants similar to those under Apache's revolving credit facility. At year end, the borrowing base was $30 million of which $25.8 million was outstanding, and AEL was in compliance with the financial ratios and restrictive covenants under the facility. Apache and its subsidiaries (other than AEL and its subsidiaries) have not guaranteed the AEL credit facility.

In March 1993, Apache and NGC completed the sale of their respective interests in a gathering system in western Oklahoma. Apache received gross cash proceeds of approximately $32.2 million in the transaction, of which $16.4 million was attributable to NGC's interest in the system.

Also in March 1993, Apache completed the public offering of approximately 5.8 million shares of Apache common stock for net proceeds of $131.8 million. Net proceeds of the offering were used to repay outstanding debt under Apache's revolving bank credit facility. In September 1993, Apache completed the conversion of its 7 1/2-percent convertible subordinated debentures due 2000, resulting in the issuance of approximately 7.8 million shares of Apache common stock. Primarily as a result of the conversion and Apache's March 1993 equity offering, Apache's debt as a percentage of capital declined to 37 percent at December 31, 1993.

In May 1992, Apache issued 9.25-percent notes due 2002 in the principal amount of $100 million. Proceeds from the offering were used to reduce bank debt, pay off its 9 1/2-percent convertible debentures due 1996 and for general corporate purposes. In December 1992, the Company privately placed 3.93-percent convertible notes due 1997 in the principal amount of $75 million. The 3.93-percent notes are not redeemable before maturity and are convertible into Apache common stock at the option of the holders at any time prior to maturity at a conversion price of $27.00 per share. Proceeds from the sale of the 3.93-percent notes were used to repay bank debt.

The Company had $15.1 million in cash and cash equivalents on hand at December 31, 1994, down from $17.1 million at the end of 1993. The Company's ratio of current assets to current liabilities at year end of .9:1 improved from a ratio of .7:1 from year-end 1993.

Management believes that cash on hand at year end, net cash generated from operations, proceeds from the sale of the 6-percent debentures, and increased borrowing capacity under its revolving bank credit facility will be adequate to satisfy the Company's financial obligations, including its purchase obligation with respect to the Texaco properties (see "Capital Commitments"), and to meet future liquidity needs for at least the next two fiscal years.

FUTURE TRENDS

The closing of the acquisition of the Texaco properties and the DEKALB merger mark the completion of a major acquisition cycle which will be followed by property consolidation and rationalization. Apache is committed to reducing its debt to capitalization ratio through the selective disposition of marginal and non-strategic properties and through property development focused on cash flow and debt reduction. In that regard, Apache announced on February 15, 1995, the Company's plan to sell substantially all of the oil and gas properties in its Rocky Mountain region, which includes many lower margin properties. The Company anticipates that divestiture of the Rocky Mountain properties, together with disposal of non-strategic assets in other operating regions, will result in total proceeds of approximately $200 million. While total capital expenditures will be higher in 1995 due to the acquisition of properties from Texaco, domestic exploration and development costs will be reduced from their 1994 levels as a result of low product prices and the commitment to reduce debt. Property dispositions and reduced domestic exploration outlays in 1995 will likely result in lower production and reserves from the level achieved upon completion of the Texaco and DEKALB transactions. The following factors may also impact Apache's operating results and financial condition in the future.

CONTINUING VOLATILITY OF PRODUCT PRICES

In 1994, spot market natural gas prices remained volatile and continued to behave unpredictably. Spot market oil prices, which are especially vulnerable to complex and unpredictable political and economic forces, also remained volatile in 1994, as Apache's average realized price fluctuated from $12.65 per barrel in March to $17.77 per barrel in July. Management believes that, absent a comprehensive U.S. energy policy, oil prices will continue to fluctuate in response to changes in the policies of the Organization of Petroleum Exporting Countries (OPEC), events in the Middle East and events in certain non-OPEC countries. Management also believes that gas prices will remain volatile and may fluctuate due to supply and demand perceptions.

MARKETING AND HEDGING

In August 1994, Apache named a vice president of marketing to a newly created position to oversee the marketing and sale of the Company's gas production. The Company expects to take a more active roll in the marketing of Apache's production in 1995. Also during 1994, Apache undertook a comprehensive review of its risk management policies and procedures, with emphasis on commodity hedging. At December 31, 1994, Apache had two open swap agreements hedging a total of 30,000 MMBtud of natural gas. (See Note 8 to the Company's financial statements.) The Company is likely to increase the use of commodity derivatives contracts to either fix or support oil and gas prices at targeted levels, or to minimize the impact of price fluctuations.

CEILING TEST FOR FULL COST COMPANIES

Oil and gas producers that conduct their financial reporting under the full cost accounting rules are subject to Securities and Exchange Commission (SEC) rules that require quarterly "ceiling test" calculations. This test requires a write-down when the capitalized cost of oil and gas properties exceeds the present value of proved reserves, plus the lower of cost or market value for unproved properties. (See Supplemental Oil and Gas Disclosures to the Company's financial statements). The test is applied at the end of each fiscal quarter on a country-by-country basis, and requires a write-down if the "ceiling" is exceeded, even if prices decline only for a short period of time. Many full cost companies, including Apache, are concerned about the impact of prolonged unfavorable gas prices on their ceiling test calculations. A further deterioration of gas or oil prices from year-end levels would likely result in the Company recording a non-cash charge to earnings related to its oil and gas properties in the first quarter of 1995. SEC rules permit the exclusion of capitalized costs and present value of recently acquired properties in performing ceiling test calculations. Pursuant to these rules, Apache has requested waivers and the SEC has granted one-year waivers with respect to the properties acquired from Texaco and Crystal. If the ceiling is exceeded on all domestic properties, Apache will be required to perform an additional ceiling test excluding the Texaco and Crystal properties and record a write-down of carrying value if the ceiling is still exceeded.

ENVIRONMENTAL REGULATION

The Company operates under numerous state and federal laws regulating the discharge of materials into, and the protection of, the environment. In the ordinary course of business, Apache conducts an ongoing review of the effects of these various environmental laws on its business and operations. The estimated cost of continued compliance with current environmental laws, based upon the information currently available, is not material to the Company's financial position or results of operations. It is impossible to determine whether and to what extent Apache's future performance may be affected by environmental laws; however, management does not believe that such laws will have a material adverse effect on the Company's financial position or results of operations.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements and supplementary financial information required to be filed under this item are presented on pages F-1 through F-28 of this Form 10-K, and are incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information set forth under the captions "Information About Nominees for Election as Directors," "Continuing Directors," "Executive Officers of the Company," and "Voting Securities and Principal Holders" in the Company's proxy statement relating to the Company's 1995 annual meeting of shareholders (the "Proxy Statement") is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information set forth under the captions "Summary Compensation Table," "Option/SAR Grants Table," "Option/SAR Exercises and Year-End Value Table," "Employment Contracts and Termination of Employment and Change-in-Control Arrangements," and "Director Compensation" in the Proxy Statement is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information set forth under the caption "Voting Securities and Principal Holders" in the Proxy Statement is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information set forth under the caption "Certain Business Relationships and Transactions" in the Proxy Statement is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) DOCUMENTS INCLUDED IN THIS REPORT:

1. FINANCIAL STATEMENTS

2. FINANCIAL STATEMENT SCHEDULES

Financial statement schedules have been omitted because they are either not required, not applicable or the information required to be presented is included in the Company's financial statements and related notes.

3. EXHIBITS

EXHIBIT NO.	DESCRIPTION
2.1 --	Stock Purchase Agreement, dated July 1, 1991, between Registrant and Amoco Production Company (incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K, dated July 1, 1991, SEC File No. 1-4300, filed July 19, 1991).
2.2 --	Purchase and Sale Agreement between Hall-Houston Oil Company, as seller, and Registrant, as buyer, dated as of June 2, 1993 (incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K, dated August 31, 1993, SEC File No. 1-4300, filed September 7, 1993).
2.3 --	Purchase and Sale Agreement between Hall-Houston Oil Company, as seller, and Registrant, as buyer, dated as of August 13, 1993 (incorporated by reference to Exhibit 10.2 to Registrant's Current Report on Form 8-K, dated August 31, 1993, SEC File No. 1-4300, filed September 7, 1993).
2.4 --	Form of Acquisition Agreement between Registrant, HERC Acquisition Corporation and Hadson Energy Resources Corporation, dated August 26, 1993, and amended September 28, 1993 (incorporated by reference to Exhibit 2.1 to Registrant's Registration Statement on Form S-4, Registration No. 33-67954, filed September 29, 1993).
2.5 --	Purchase and Sale Agreement by and between Texaco Exploration and Production Inc., as seller, and Registrant, as buyer, dated December 22, 1994 (incorporated by reference to Exhibit 99.3 to Registrant's Current Report on Form 8-K, dated November 29, 1994, SEC File No. 1-4300, filed December 29, 1994).
2.6 --	Agreement and Plan of Merger among Registrant, XPX Acquisitions, Inc. and DEKALB Energy Company, dated December 21, 1994 (incorporated by reference to Exhibit 2.1 to Registrant's Registration Statement on Form S-4, Registration No. 33-57321, filed January 17, 1995).
2.7 --	Matagorda Island 681 Field Purchase and Sale Agreement with Option to Exchange, dated November 24, 1992, between Shell Offshore Inc., SOI Royalties Inc., and Registrant (incorporated by reference to Exhibit 10.7 to Apache Offshore Investment Partnership's Annual Report on Form 10-K for year ended December 31, 1992, SEC File No. 0-13546).
3.1 --	Restated Certificate of Incorporation of Registrant, dated December 1, 1993, as filed with the Secretary of State of Delaware on December 16, 1993 (incorporated by reference to Exhibit 3.1 to Registrant's Annual Report on Form 10-K for year ended December 31, 1993, SEC File No. 1-4300).
3.2 --	Bylaws of Registrant, dated as of December 9, 1992 (incorporated by reference to Exhibit 3.3 to Registrant's Annual Report on Form 10-K for year ended December 31, 1992, SEC File No. 1-4300).
4.1 --	Form of common stock certificate (incorporated by reference to Exhibit 4.4 to Amendment No. 1 to Registrant's Registration Statement on Form S-3, Registration No. 33-5097, filed May 16, 1986).

EXHIBIT NO.	DESCRIPTION
4.2 --	Rights Agreement, dated as of January 10, 1986, between Registrant and First Trust Company, Inc., rights agent, relating to the declaration of Rights to Registrant's common stockholders of record on January 24, 1986 (incorporated by reference to Exhibit 4.9 to Registrant's Annual Report on Form 10-K for year ended December 31, 1985, SEC File No. 1-4300).
10.1 --	Second Amended and Restated Credit Agreement, dated April 30, 1994, among Registrant, the lenders named therein, and The First National Bank of Chicago and Chemical Bank, as agents (incorporated by reference to Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q for quarter ended June 30, 1994, SEC File No. 1-4300).
*10.2 --	Third Amended and Restated Credit Agreement, dated March 1, 1995, among Registrant, the lenders named therein, and The First National Bank of Chicago, as Administrative Agent and Arranger, and Chemical Bank, as Co-Agent and Arranger.
10.3 --	Fiscal Agency Agreement, dated as of January 4, 1995, between Registrant and Chemical Bank, as fiscal agent (incorporated by reference to Exhibit 99.2 to Registrant's Current Report on Form 8-K, dated December 6, 1994, SEC File No. 1-4300, filed January 11, 1995.)
+10.4 --	1982 Employee Stock Option Plan, as updated in January 1987 to conform to the Tax Reform Act of 1986 (incorporated by reference to Exhibit 10.7 to Registrant's Annual Report on Form 10-K for year ended December 31, 1990, SEC File No. 1-4300).
+10.5 --	Apache Corporation Corporate Administrative Group Incentive Plan, effective as of January 1, 1989 (incorporated by reference to Exhibit 10.8 to Registrant's Annual Report on Form 10-K for year ended December 31, 1990, SEC File No. 1-4300).
+10.6 --	First Amendment to Apache Corporation Corporate Administrative Group Incentive Plan, effective January 1, 1990 (incorporated by reference to Exhibit 10.14 to Registrant's Annual Report on Form 10-K for year ended December 31, 1993, SEC File No. 1-4300).
* +10.7 --	Apache Corporation Retirement/401(k) Savings Plan, dated December 22, 1994, effective January 1, 1995.
+10.8 --	Non-Qualified Retirement/Savings Plan of Apache Corporation, dated November 16, 1989 (incorporated by reference to Exhibit 10.11 to Registrant's Annual Report on Form 10-K for year ended December 31, 1989, SEC File No. 1-4300).
+10.9 --	Apache International, Inc. Common Stock Award Plan, dated February 12, 1990 (incorporated by reference to Exhibit 10.13 to Registrant's Annual Report on Form 10-K for year ended December 31, 1989, SEC File No. 1-4300).
+10.10 --	Apache Corporation 1990 Phantom Stock Appreciation Plan, dated as of September 28, 1990 (incorporated by reference to Exhibit 10.17 to Registrant's Annual Report on Form 10-K for year ended December 31, 1990, SEC File No. 1-4300).
+10.11 --	Apache Corporation 1990 Stock Incentive Plan, dated as of September 28, 1990 (incorporated by reference to Exhibit 10.18 to Registrant's Annual Report on Form 10-K for year ended December 31, 1990, SEC File No. 1-4300).

EXHIBIT NO.	DESCRIPTION
+10.12 --	Amendment No. 1 to the Apache Corporation 1990 Stock Incentive Plan, dated as of July 17, 1992 (incorporated by reference to Exhibit 4.4 to Registrant's Registration Statement on Form S-8, Registration No. 33-53442, filed October 19, 1992).
*+10.13 --	Apache Corporation 1995 Stock Option Plan, adopted February 9, 1995.
+10.14 --	Apache Corporation Income Continuance Plan, as amended and restated February 24, 1988 (incorporated by reference to Exhibit 10.19 to Registrant's Annual Report on Form 10-K for year ended December 31, 1990, SEC File No. 1-4300).
*+10.15 --	Apache Corporation Directors' Deferred Compensation Plan, as amended and restated September 14, 1994.
+10.16 --	Apache Corporation Phantom Stock Appreciation Plan for Directors, effective as of May 4, 1989 (incorporated by reference to Exhibit 10.22 to Registrant's Annual Report on Form 10-K for year ended December 31, 1990, SEC File No. 1-4300).
+10.17 --	Apache Corporation Outside Directors' Retirement Plan, effective December 15, 1992 (incorporated by reference to Exhibit 10.25 to Registrant's Annual Report on Form 10-K for year ended December 31, 1992, SEC File No. 1-4300).
+10.18 --	Apache Corporation Equity Compensation Plan for Non-Employee Directors, adopted February 9, 1994, and form of Restricted Stock Award Agreement (incorporated by reference to Exhibit 10.26 to Registrant's Annual Report on Form 10-K for year ended December 31, 1993, SEC File No. 1-4300).
+10.19 --	Amended and Restated Employment Agreement, dated December 5, 1990, between Registrant and Raymond Plank (incorporated by reference to Exhibit 10.9 to Registrant's Annual Report on Form 10-K for year ended December 31, 1990, SEC File No. 1-4300).
+10.20 --	Amended and Restated Employment Agreement, dated December 20, 1990, between Registrant and John A. Kocur (incorporated by reference to Exhibit 10.10 to Registrant's Annual Report on Form 10-K for year ended December 31, 1990, SEC File No. 1-4300).
+10.21 --	Employment Agreement, dated March 20, 1991, between Registrant and William J. Johnson (incorporated by reference to Exhibit 10.15 to Registrant's Annual Report on Form 10-K for year ended December 31, 1992, SEC File No. 1-4300).
+10.22 --	Employment Agreement, dated June 6, 1988, between Registrant and G. Steven Farris (incorporated by reference to Exhibit 10.6 to Registrant's Annual Report on Form 10-K for year ended December 31, 1989, SEC File No. 1-4300).
+10.23 --	Consulting Agreement, dated November 1, 1993, between Registrant and John A. Kocur (incorporated by reference to Exhibit 10.30 to Registrant's Annual Report on Form 10-K for year ended December 31, 1993, SEC File No. 1-4300).
*+10.24 --	Consulting Agreement, effective April 28, 1994, between Registrant and William J. Johnson.
*+10.25 --	Consulting Agreement, effective January 1, 1995, between Registrant and John L. Moran.
*11.1 --	Statement regarding computation of earnings per share of Registrant's common stock for the year ended December 31, 1994.

EXHIBIT NO.	DESCRIPTION
*21.1 --	Subsidiaries of Registrant.
*23.1 --	Consent of Arthur Andersen LLP.
*23.2 --	Consent of Ryder Scott Company Petroleum Engineers.
*27.1 --	Financial Data Schedule.

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* Filed herewith.

+ Management contracts or compensatory plans or arrangements required to be filed herewith pursuant to Item 14 hereof.

Note: Debt instruments of the Registrant defining the rights of long-term debt holders in principal amounts not exceeding 10 percent of the Registrant's consolidated assets have been omitted and will be provided to the Commission upon request.

(b) REPORTS ON FORM 8-K

The following reports on Form 8-K were filed during the fiscal quarter ended December 31, 1994:

November 29, 1994 - Item 5. Other Events - Registrant entered into a memorandum of understanding, and subsequently into a purchase and sale agreement with Texaco Exploration and Production Inc., under which Registrant will acquire Texaco's interest in over 300 oil and gas fields for approximately $600 million, subject to certain adjustments.

December 6, 1994 - Item 5. Other Events - Registrant issued $172.5 million principal amount of 6 percent Convertible Subordinated Debentures due 2002, which are convertible into the Registrant's common stock at a conversion price of $30.68 per share.

December 21, 1994 - Item 5. Other Events - Registrant entered into an agreement and plan of merger with DEKALB Energy Company pursuant to which (i) each outstanding share of DEKALB stock will be converted into the right to receive between .85 and .90 shares of the Registrant's common stock, and (ii) DEKALB will become a wholly-owned subsidiary of the Registrant.

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, thereunto duly authorized.

APACHE CORPORATION

Date: March 6, 1995

By: /s/ Raymond Plank
Raymond Plank,
Chairman and Chief Executive Officer

POWER OF ATTORNEY

The officers and directors of Apache Corporation, whose signatures appear below, hereby constitute and appoint Raymond Plank, G. Steven Farris, Z. S. Kobiashvili and Mark A. Jackson, and each of them (with full power to each of them to act alone), the true and lawful attorney-in-fact to sign and execute, on behalf of the undersigned, any amendment(s) to this report and each of the undersigned does hereby ratify and confirm all that said attorneys shall do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.*

SIGNATURE	TITLE	DATE
/s/ Raymond Plank Raymond Plank	Chairman and Chief Executive Officer (Principal Executive Officer)	March 6, 1995
/s/ Mark A. Jackson Mark A. Jackson	Vice President, Finance	March 6, 1995
/s/ R. Kent Samuel R. Kent Samuel	Controller and Chief Accounting Officer	March 6, 1995

* Apache Corporation does not have a Principal Financial Officer.

SIGNATURE	TITLE	DATE
/s/ Frederick M. Bohen Frederick M. Bohen	Director	March 6, 1995
/s/ Virgil B. Day Virgil B. Day	Director	March 6, 1995
/s/ G. Steven Farris G. Steven Farris	Director	March 6, 1995
/s/ Randolph M. Ferlic Randolph M. Ferlic	Director	March 6, 1995
/s/ Eugene C. Fiedorek Eugene C. Fiedorek	Director	March 6, 1995
/s/ W. Brooks Fields W. Brooks Fields	Director	March 6, 1995
/s/ Robert V. Gisselbeck Robert V. Gisselbeck	Director	March 6, 1995
/s/ Stanley K. Hathaway Stanley K. Hathaway	Director	March 6, 1995
/s/ John A. Kocur John A. Kocur	Director	March 6, 1995
/s/ Jay A. Precourt Jay A. Precourt	Director	March 6, 1995
/s/ Joseph A. Rice Joseph A. Rice	Director	March 6, 1995

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To The Shareholders of Apache Corporation:

We have audited the accompanying consolidated balance sheet of Apache Corporation (a Delaware corporation) and Subsidiaries as of December 31, 1994 and 1993, and the related statements of consolidated income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 1994. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Apache Corporation and Subsidiaries as of December 31, 1994 and 1993, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1994, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Houston, Texas
March 1, 1995

REPORT OF MANAGEMENT

The financial statements and related financial information of Apache Corporation and Subsidiaries were prepared by and are the responsibility of management. The statements have been prepared in conformity with generally accepted accounting principles and include amounts that are based on management's best estimates and judgments.

Management maintains and places reliance on systems of internal control designed to provide reasonable assurance, weighing the costs with the benefits sought, that all transactions are properly recorded in the Company's books and records, that policies and procedures are adhered to and that assets are safeguarded. The systems of internal controls are supported by written policies and guidelines, internal audits and the selection and training of qualified personnel.

The consolidated financial statements have been audited by Arthur Andersen LLP, independent public accountants. Their audits included developing an overall understanding of the Company's accounting systems, procedures and internal controls and conducting tests and other auditing procedures sufficient to support their opinion on the fairness of the consolidated financial statements.

The Board of Directors exercises its oversight responsibility for the financial statements through its Audit Committee, composed solely of directors who are not employed by Apache. The Audit Committee meets periodically with management, internal auditors and the independent public accountants to ensure that they are successfully completing designated responsibilities. The internal auditors and independent public accountants have open access to the Audit Committee to discuss auditing and financial reporting issues.

Raymond Plank
Chairman of the Board
and Chief Executive Officer

Mark A. Jackson
Vice President, Finance

R. Kent Samuel
Controller and Chief Accounting Officer

APACHE CORPORATION AND SUBSIDIARIES

STATEMENT OF CONSOLIDATED INCOME

	For the Year Ended December 31,		
	1994	1993	1992
	(In thousands)		
REVENUES:			
Oil and gas production revenues	$ 493,500	$ 437,342	$ 394,552
Gathering, processing and marketing revenues	44,287	25,862	28,594
Equity in income of affiliates	459	624	2,695
Gain on sale of investment in affiliate	--	--	28,345
Other revenues	7,375	2,810	114
	545,621	466,638	454,300
OPERATING EXPENSES:			
Depreciation, depletion and amortization	232,612	176,335	157,508
International impairments	7,300	23,200	12,000
Operating costs	137,820	128,113	125,337
Gathering, processing and marketing costs	37,866	21,010	21,452
Administrative, selling and other	34,870	33,193	35,010
Financing costs:			
Interest expense	32,066	28,102	35,314
Amortization of deferred loan costs	3,922	3,896	3,888
Capitalized interest	(4,889)	(4,764)	(6,035)
Interest income	(403)	(352)	(652)
	481,164	408,733	383,822
INCOME BEFORE INCOME TAXES	64,457	57,905	70,478
Provision for income taxes	21,620	20,571	22,702
NET INCOME	$ 42,837	$ 37,334	$ 47,776
NET INCOME PER COMMON SHARE	$ .70	$ .70	$ 1.02
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	61,317	53,534	46,904

The accompanying summary of significant accounting policies and notes to consolidated financial statements are integral parts of this statement.

APACHE CORPORATION AND SUBSIDIARIES
STATEMENT OF CONSOLIDATED CASH FLOWS

	For the Year Ended December 31,		
	1994	1993	1992
	(In thousands)		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 42,837	$ 37,334	$ 47,776
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, depletion and amortization	232,612	176,335	157,508
International impairments	7,300	23,200	12,000
Amortization of deferred loan costs	3,922	3,896	3,888
Provision for deferred income taxes	25,370	20,571	14,034
	312,041	261,336	235,206
Gain on sale of investment in affiliate	--	--	(28,345)
Cash distributions in excess of (less than) earnings of affiliates	(459)	(662)	2,650
Gain on sale of stock held for investment	(2,178)	--	--
Changes in operating assets and liabilities, net of effects of acquisitions:			
(Increase) decrease in receivables	(9,961)	(9,590)	356
(Increase) decrease in advances to oil and gas ventures and other	(2,281)	137	(3,598)
Increase in deferred charges and other	(3,238)	(3,904)	(1,415)
Increase (decrease) in payables	(14,905)	(4,152)	2,187
Increase (decrease) in accrued operating costs	541	(8,177)	(8,660)
Increase in advance from gas purchaser	67,376	--	--
Decrease in deferred credits and noncurrent liabilities	(11,338)	(9,915)	(3,983)
Net cash provided by operating activities	335,598	225,073	194,398
CASH FLOWS FROM INVESTING ACTIVITIES:			
Exploration and development expenditures	(302,530)	(218,930)	(136,691)
Acquisition of oil and gas properties	(179,972)	(190,181)	(62,955)
Noncash portion of net oil and gas property additions	7,595	7,104	2,434
Purchase of AERC stock, net of cash acquired	(13,885)	(70,692)	--
Purchase of stock held for investment	(5,051)	--	--
Proceeds from sale of oil and gas properties	5,854	3,255	37,167
Prepaid acquisition cost	(25,377)	--	--
Proceeds from sale of stock held for investment	6,640	--	--
Proceeds from sale of gas gathering system	--	32,201	--
Proceeds from sale of investment in affiliate	--	--	50,700
Other capital expenditures, net	(11,306)	(30,471)	(7,495)
Other, net	(1,716)	1,145	(1,173)
Net cash used by investing activities	(519,748)	(466,569)	(118,013)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Long-term borrowings	224,279	275,424	266,378
Payments on long-term debt	(28,719)	(162,000)	(306,565)
Dividends paid	(17,131)	(14,919)	(13,130)
Proceeds from issuance of common stock	4,599	134,223	630
Payments to acquire treasury stock	(4)	(25)	(3)
Costs of debt and equity transactions	(875)	(270)	(3,971)
Net cash provided (used) by financing activities	182,149	232,433	(56,661)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,001)	(9,063)	19,724
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	17,064	26,127	6,403
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 15,063	$ 17,064	$ 26,127

The accompanying summary of significant accounting policies and notes to consolidated financial statements are integral parts of this statement.

APACHE CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

	December 31, 1994	December 31, 1993
	(In thousands)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 15,063	$ 17,064
Receivables	101,801	91,840
Inventories	8,868	7,152
Advances to oil and gas ventures and other	9,165	6,884
	134,897	122,940
PROPERTY AND EQUIPMENT:		
Oil and gas, on the basis of full cost accounting:		
Proved properties	2,953,121	2,516,801
Unproved properties and properties under development, not being amortized	145,925	105,597
Gas gathering, transmission and processing facilities	25,809	25,809
Other	47,121	36,938
	3,171,976	2,685,145
Less: Accumulated depreciation, depletion and amortization	(1,486,543)	(1,248,685)
	1,685,433	1,436,460
OTHER ASSETS:		
Deferred charges and other	58,692	33,007
	$ 1,879,022	$ 1,592,407

The accompanying summary of significant accounting policies and notes to consolidated financial statements are integral parts of this statement.

APACHE CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

	December 31, 1994	December 31, 1993
	(In thousands)	
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt	$ 100	$ 9,017
Accounts payable	87,674	118,447
Accrued operating expense	14,772	17,371
Accrued income taxes	--	6,048
Accrued exploration and development	22,678	15,083
Accrued compensation and benefits	10,384	9,170
Other accrued expenses	12,180	10,254
	147,788	185,390
LONG-TERM DEBT	657,486	453,009
DEFERRED CREDITS AND OTHER NONCURRENT LIABILITIES:		
Income taxes	156,180	128,554
Advance from gas purchaser	67,376	--
Other	34,012	39,600
	257,568	168,154
COMMITMENTS AND CONTINGENCIES (Note 9)		
SHAREHOLDERS' EQUITY:		
Common stock, $1.25 par, 215,000,000 shares authorized, 62,558,979 and 62,334,241 shares issued, respectively	78,199	77,918
Paid-in capital	543,583	540,155
Retained earnings	207,850	182,195
Treasury stock, at cost, 1,118,975 and 1,248,827 shares, respectively	(13,452)	(14,414)
	816,180	785,854
	$ 1,879,022	$ 1,592,407

The accompanying summary of significant accounting policies and notes to consolidated financial statements are integral parts of this statement.

APACHE CORPORATION AND SUBSIDIARIES

STATEMENT OF CONSOLIDATED SHAREHOLDERS' EQUITY

	Common Stock	Paid-In Capital	Retained Earnings	Treasury Stock	Total Shareholders' Equity
			(In thousands)		
BALANCE, DECEMBER 31, 1991	$ 60,303	$ 268,966	$ 126,122	$ (15,450)	$ 439,941
Net income	--	--	47,776	--	47,776
Dividends ($.28 per common share)	--	--	(13,135)	--	(13,135)
Common shares issued	77	382	--	--	459
Treasury shares issued	--	(52)	--	223	171
Treasury shares purchased	--	--	--	(3)	(3)
BALANCE, DECEMBER 31, 1992	60,380	269,296	160,763	(15,230)	475,209
Net income	--	--	37,334	--	37,334
Dividends ($.28 per common share)	--	--	(15,902)	--	(15,902)
Common shares issued	17,538	270,859	--	--	288,397
Treasury shares issued	--	--	--	841	841
Treasury shares purchased	--	--	--	(25)	(25)
BALANCE, DECEMBER 31, 1993	77,918	540,155	182,195	(14,414)	785,854
Net income	--	--	42,837	--	42,837
Dividends ($.28 per common share)	--	--	(17,182)	--	(17,182)
Common shares issued	281	3,428	--	--	3,709
Treasury shares issued	--	--	--	966	966
Treasury shares purchased	--	--	--	(4)	(4)
BALANCE, DECEMBER 31, 1994	$ 78,199	$ 543,583	$ 207,850	$(13,452)	$ 816,180

The accompanying summary of significant accounting policies and notes to consolidated financial statements are integral parts of this statement.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements include the accounts of Apache Corporation (Apache or the Company) and its subsidiaries after elimination of intercompany balances and transactions. The Company's interests in oil and gas ventures and partnerships are proportionately consolidated. Investments in incorporated affiliates in which Apache owns between a 20-percent and 50-percent interest are accounted for using the equity method.

INVENTORIES

Inventories consist principally of tubular goods and production equipment stated at the lower of weighted average cost or market.

PROPERTY AND EQUIPMENT

The Company uses the full cost method of accounting for its investment in oil and gas properties. Under this method, the Company capitalizes all acquisition, exploration and development costs incurred for the purpose of finding oil and gas reserves, including salaries, benefits and other internal costs directly attributable to these activities. Apache capitalized $30.9 million, $25.4 million and $24 million of internal costs in 1994, 1993 and 1992, respectively. Costs associated with production and general corporate activities are expensed in the period incurred. Internal costs attributable to the management of the Company's producing properties, before recoveries from industry partners, totaled $12.2 million, $10.2 million and $10 million in 1994, 1993 and 1992, respectively, and are included in operating costs on the Company's Statement of Consolidated Income. Interest costs related to development projects in progress for an extended period are also capitalized to oil and gas properties. Unless significant reserves are involved, proceeds from the sale of oil and gas properties are accounted for as reductions to capitalized costs and gains or losses are not recognized.

Apache computes the provision for depreciation, depletion and amortization (DD&A) of oil and gas properties on a quarterly basis using the future gross revenue method. The quarterly provision is calculated on a country-by-country basis by multiplying the quarter's oil and gas revenues by an overall rate which is determined by dividing the unamortized cost of proved oil and gas properties by the total estimated future oil and gas revenues from proved reserves. The amortizable base includes estimated future development cost and dismantlement, restoration and abandonment costs, net of estimated salvage values. These future costs are generally estimated by engineers employed by Apache.

Apache limits, on a country-by-country basis, the capitalized costs of proved oil and gas properties, net of accumulated DD&A, to the estimated future net cash flows from proved oil and gas reserves, net of related tax effects, discounted at 10 percent. If capitalized costs exceed this limit, the excess is charged to DD&A expense. The Company has not recorded any write downs of capitalized costs in any of the periods presented.

The costs of certain unevaluated domestic and foreign leasehold acreage and wells in the process of being drilled are not being amortized. Costs not being amortized are periodically assessed for possible impairments or reductions in value. If a reduction in value has occurred, costs being amortized are increased or a charge is made against earnings for those international operations where a reserve base is not yet established.

Buildings, equipment, gas gathering, transmission and processing facilities are depreciated on a straight-line basis over the estimated useful lives of the assets which range from three to 20 years. Accumulated depreciation for these assets totaled $23.7 million and $17.2 million at December 31, 1994 and 1993, respectively.

ACCOUNTS PAYABLE

Included in accounts payable at December 31, 1994 and 1993, are liabilities of approximately $30.3 million and $38.6 million, respectively, representing the amount by which checks issued but not presented to the Company's banks for collection exceeded balances in applicable bank accounts.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- (CONTINUED)

REVENUE RECOGNITION

Apache uses the sales method of accounting for natural gas revenues. Under this method, revenues are recognized based on actual volumes of gas sold to purchasers. The volumes of gas sold may differ from the volumes to which Apache is entitled based on its interests in the properties. Differences between volumes sold and volumes based on entitlements create gas imbalances which are generally reflected as adjustments to reported gas reserves and future cash flows. Adjustments for gas imbalances totaled less than one percent of Apache's proved gas reserves at December 31, 1994. Revenue is deferred and a liability is recorded for those properties where the estimated remaining reserves will not be sufficient to enable the underproduced owner to recoup their entitled share through production.

HEDGING ACTIVITIES

The Company periodically enters into commodity derivative contracts in order to either fix or support oil and gas prices at targeted levels and to minimize the impact of price fluctuations. Apache uses swaps, puts or fixed-price contracts to hedge its commodity prices. Gains or losses on these hedging activities are recognized in oil and gas production revenues when the hedged production occurs. Estimates of future liabilities and receivables applicable to oil and gas commodity hedges are reflected in future cash flows from proved reserves in the supplemental oil and gas disclosures, with such estimates based on prices in effect as of the date of the reserve report.

The Company also purchases interest rate caps and enters into interest rate swap transactions in its management of interest rate exposure. Interest rate swap agreements generally involve the exchange of fixed and floating interest payment obligations without the exchange of the underlying principal amounts. Gains or losses on these activities are recognized in interest expense in the period hedged by the agreements.

INCOME TAXES

The Company provides deferred income taxes for all temporary differences between financial and income tax reporting. Effective January 1, 1993, the Company implemented the provisions of Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes." Under the liability method specified by SFAS No. 109, deferred taxes are determined based on the estimated future tax effect of differences between the financial statement and tax bases of assets and liabilities given the provisions of enacted tax laws. The adoption of SFAS No. 109 did not have a material effect on the accompanying financial statements.

FOREIGN CURRENCY TRANSLATION

The U.S. dollar is considered the functional currency for each of the Company's international operations. Translation gains or losses are recognized in current net income and were not material in any of the periods presented.

INCOME PER COMMON SHARE

Income per common share amounts are based on the weighted average number of common shares outstanding. The effects of common equivalent shares, which would include shares from the assumed conversion of the 3.93-percent notes, were immaterial or were not dilutive for each of the periods presented. Furthermore, fully diluted income per share, assuming conversion of certain of the convertible debentures, was not significantly different than primary income per share for all periods presented.

STATEMENT OF CONSOLIDATED CASH FLOWS

The Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. These investments are carried at cost which approximates market.

APACHE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ACQUISITIONS AND DIVESTITURES

Completed Transactions

In December 1994, Apache purchased substantially all of the U.S. oil and gas properties of Crystal Oil Company (Crystal) for approximately $95.8 million. The producing oil and gas properties acquired from Crystal are located primarily along the Arkansas-Louisiana border and southern Louisiana. The acquisition also included approximately 32,000 net undeveloped mineral acres in southern Louisiana.

In 1993, Apache purchased the stock of Hadson Energy Resources Corporation, (now known as Apache Energy Resources Corporation, AERC) for approximately $98 million through a series of privately negotiated transactions and a merger offer approved by a majority of AERC stockholders. In July 1993, Apache completed the purchase of 4.2 million shares of AERC's outstanding common stock, or approximately 68 percent of the AERC common stock then outstanding, for $59.2 million. The Company agreed to pay an additional $1.00 per share ($4.2 million) to the selling stockholders if the Company increased its ownership in AERC to 80 percent or more. Pursuant to the merger agreement approved by AERC stockholders on November 12, 1993, AERC stockholders other than Apache could elect to receive, for each share of AERC common stock, either $15 in cash or .574 share of Apache common stock. Apache issued 307,977 shares of Apache common stock valued at $7.9 million and paid a total of $76.1 million to former stockholders of AERC as consideration for the merger. At December 31, 1993, Apache reflected a liability of $13.9 million accrued for AERC shares which had not yet been surrendered to Apache. During 1994, Apache completed the purchase of the remaining AERC shares.

Also in 1993, Apache entered into two agreements to purchase 104 Bcfe of proved reserves from Hall-Houston Oil Company (Hall-Houston) for an aggregate consideration of $113.7 million. In June 1993, Apache closed the first of the two transactions, paying $29.3 million for Hall-Houston's interest in Mustang Island Blocks 787 and 805. The second transaction, encompassing substantially all of Hall-Houston's producing properties in the Gulf of Mexico for an additional $84.4 million, was completed in August 1993. The acquisitions included interests in 63 producing fields and 12 fields under development or awaiting pipeline connections.

Effective November 1, 1992, Apache completed the acquisition of Shell Offshore Inc.'s 93-percent working interest in Matagorda Island Blocks 681 and 682 in the Gulf of Mexico. Apache paid $57.4 million for properties, which included 14 miles of gathering lines and approximately 11,500 net acres of leases.

All of the above acquisitions have been accounted for using the purchase method of accounting and have been included in the financial statements of Apache since the dates of acquisition.

Effective May 1, 1992, Apache sold its 31.67-percent general partnership interest in Natural Gas Clearinghouse (NGC) for $50.7 million. The Company recognized a gain on the sale of approximately $28.3 million or $18.5 million after tax.

The following unaudited pro forma summary of the Company's consolidated results of operations in 1993 was prepared as if the Hall-Houston and AERC acquisitions occurred as of January 1, 1993. The pro forma data for 1992 assumes that the Hall-Houston and AERC acquisitions and the NGC sale occurred as of or prior to January 1, 1992. The pro forma data is based on numerous assumptions and is not necessarily indicative of future operations.

(Unaudited)	For the Year Ended December 31, 1993	1992
	(In thousands, except per share data)	
Oil and gas production revenues	$ 481,754	$ 472,914
Total revenues	515,071	507,502
Net income	36,970	27,016
Income per share	$ .69	$ .57
Weighted average shares outstanding	53,812	47,212

1995 Acquisition

On March 1, 1995, Apache purchased certain oil and gas properties from Texaco Exploration and Production Inc. (Texaco) for an adjusted purchase price of $571 million, effective January 1, 1995. The transaction is subject to customary closing and post-closing adjustments. Apache delivered a $25 million deposit, representing a portion of the purchase price, upon execution of the purchase and sale agreement with Texaco in December 1994, and delivered the balance in cash at closing. Funds for the Texaco transaction were obtained from several sources, including increased borrowing capacity under the Company's bank credit facility and proceeds of Apache's $172.5 million 6-percent Convertible Subordinated Debentures due 2002, which were issued on January 4, 1995. (See Note 3.)

Planned Transactions

On December 21, 1994, Apache entered into a merger agreement with DEKALB Energy Company (DEKALB), under which shareholders of DEKALB will receive, in the aggregate, between eight and 8.9 million shares of Apache common stock and DEKALB will become a wholly-owned subsidiary of Apache. The transaction will be accounted for using the pooling of interests method and is expected to be completed in April 1995. Apache and DEKALB estimate that the cost required to complete the transaction will total between $8 and $10 million.

On February 15, 1995, Apache announced plans to sell non-core oil and gas properties in the Company's Rocky Mountain region and close its Denver, Colorado office. The Company anticipates that divestiture of selected Rocky Mountain properties, together with the disposition of non-strategic assets in its other operating regions, will result in total proceeds of approximately $200 million.

2. INVESTMENTS IN EQUITY SECURITIES

Apache has certain investments in equity securities which are classified as available for sale pursuant to SFAS No. 115. At December 31, 1994, the aggregate cost basis totaled $7.2 million and the related aggregate fair value approximated cost.

During 1994, the Company realized gross gains totaling $2.2 million from the sale of available-for-sale securities. Apache utilizes the average cost method in computing realized gains or losses, which are included in other revenues on the accompanying Statement of Consolidated Income.

At December 31, 1993, Apache owned approximately 20 percent of the outstanding shares of Key Production Company, Inc. (Key). In the fourth quarter of 1994, Apache reduced its ownership interest in Key to approximately 10 percent and discontinued reporting equity earnings from the former affiliate. Equity earnings attributable to Key, and an equity investment in NGC during part of 1992 (See Note 1), is presented below:

	For the Year Ended December 31,		
	1994	1993	1992
	(In thousands)		
Income from affiliates:			
Key Production Company	$ 459	$ 624	$ 4
Natural Gas Clearinghouse	--	--	2,691
	$ 459	$ 624	$2,695

3. DEBT

LONG-TERM DEBT

	December 31,	
	1994	1993
	(In thousands)	
Senior debt:		
Apache revolving bank facility	$ 454,000	$ 240,000
9.25-percent notes due 2002, net of discount	99,713	99,688
3.93-percent convertible notes due 1997	75,000	75,000
	628,713	414,688
Other obligations:		
AEL acceptance facility	25,800	22,000
AERC bank facility	--	19,550
Share of offshore partnership financing	2,973	4,636
Other notes payable	100	1,152
	28,873	47,338
Total debt	657,586	462,026
Less: Current maturities	(100)	(9,017)
Long-term debt	$ 657,486	$ 453,009

At December 31, 1994, Apache had a $700 million revolving bank facility funded by a group of banks. The maximum amount available was subject to periodic redetermination of a borrowing base, determined solely at the discretion of the banks, predicated upon the Company's oil and gas reserve values and forecast rate of production. As of December 31, 1994, the borrowing base was $560 million and the principal amount outstanding was $454 million. The bank facility was scheduled to mature on April 30, 1998, and the agreement provided for perpetual one-year extensions as requested year-by-year by the Company and subject to the approval of the banks. Interest on amounts borrowed was charged at the First National Bank of Chicago's base rate or at London Interbank Offered Rates (LIBOR) plus a margin determined by the Company's public senior debt rating and its ratio of debt to total capital. At December 31, 1994, the margin was .375 percent. Facility and commitment fees were also determined similar to borrowing fees. The Company paid a facility fee of .25 percent on the available portion of the commitment and .125 percent of the unavailable portion of the commitment.

On March 1, 1995, the Company's revolving bank facility agreement was amended and restated, increasing the facility to $1 billion. The Company's borrowing base, including the value of the Texaco properties, was initially set at $765 million. The facility expires on March 1, 2000, and may be extended in one-year increments with the lender's consent. In addition to the borrowing base predicated on the Company's oil and gas reserve value, the bank facility provides a non-conforming borrowing base as defined in the agreement. The initial non-conforming borrowing base of $135 million is available until May 10, 1996, and at reduced amounts through November 4, 1996. Financial covenants of the amended agreement are similar to those existing at December 31, 1994, and are described below. Based on the Company's ratio of debt to total capital at March 1, 1995, the interest rate margin over LIBOR increased from .375 percent to 1.125 percent. At the March 1, 1995 debt level, the Company will pay a facility fee of .375 percent of the available portion of the commitment and .1875 percent of the unavailable portion of the commitment.

The 9.25-percent notes totaling $100 million were issued in May 1992 and will mature in June 2002. The notes are not redeemable prior to maturity.

In December 1992, Apache issued the 3.93-percent convertible notes. These notes mature in November 1997, and are not redeemable prior to maturity. They are convertible into Apache common stock at $27 per share, subject to adjustment under certain circumstances.

The indentures for the two note issues impose substantially similar obligations on the Company including limits on the Company's ability to incur debt secured by certain liens and on its ability to enter into certain sale and leaseback transactions. Upon certain changes in control of the Company, both issues are subject to mandatory repurchase (or conversion at the option of the noteholders in the case of the 3.93-percent notes).

Financial covenants of the bank facility and the 3.93-percent notes require the Company to maintain a minimum consolidated tangible net worth ($576 million as of December 31, 1994 and $650 million as amended on March 1, 1995), which will be adjusted quarterly for subsequent earnings and equity transactions, and to maintain a ratio of (i) earnings before interest expense, state and federal taxes and depreciation, depletion and amortization to (ii) consolidated interest expense of not less than 3.7:1 for the banks and 3.5:1 for the lenders under the 3.93-percent notes. The Company was in compliance with all financial covenants at December 31, 1994.

In conjunction with the AERC acquisition, Apache assumed two bank credit agreements outstanding at the time it acquired a majority interest in AERC. During 1994, Apache terminated a bank credit facility held in the name of AERC and amended and restated the debt agreement of AERC's wholly-owned subsidiary, Apache Energy Limited (AEL, formerly known as Hadson Energy Limited). The AEL Acceptance Facility is a separate credit facility provided by Bank of Montreal which provided funding for the construction of an offshore gas gathering project. The borrowing base is $30 million, of which $25.8 million was outstanding at December 31, 1994. The AEL credit facility is not guaranteed by Apache.

An $18 million banking facility made by Apache on behalf of Apache Offshore Investment Partnership had $11.1 million outstanding at December 31, 1994, of which Apache's share was $3 million. Availability under this facility is reduced quarterly by $1.5 million beginning in October 1995.

On January 4, 1995, Apache completed the issue of $172.5 million of 6-percent Convertible Subordinated Debentures due 2002 (6-percent debentures). The debentures are convertible at the option of the holder into Apache common stock at a conversion price of $30.68 per share.

As of December 31, 1994 and 1993, the Company had approximately $12 million and $14 million, respectively, of unamortized costs associated with its various debt obligations. These costs are reflected as deferred charges and other in the accompanying Consolidated Balance Sheet and are being amortized over the life of the related debt.

See Note 8 for disclosure concerning the fair value of debt instruments.

AGGREGATE MATURITIES OF DEBT (in thousands)

	December 31, 1994	Proforma at March 1, 1995*
1995	$ 100	$ 100
1996	160	75,160
1997	76,607	76,607
1998	455,205	1,205
1999	25,800	25,800
Thereafter	99,714	1,037,214
	$657,586	$1,216,086

*Pro forma data reflects the issuance of $172.5 million of 6 percent debentures as described above and $840 million outstanding under the revolving bank facility on March 1, 1995.

4. INCOME TAXES

As discussed in the Summary of Significant Accounting Policies, effective January 1, 1993, the Company adopted SFAS No. 109 "Accounting for Income Taxes." The cumulative effect of adopting this statement was not material to the accompanying financial statements.

The total provision for income taxes consists of the following:

	For the Year Ended December 31,		
	1994	1993	1992
	(In thousands)		
Current taxes:			
Federal	$ (3,750)	$ --	$ 8,949
State	--	--	856
Foreign	--	--	110
Deferred taxes	25,370	20,571	14,034
	$ 21,620	$ 20,571	$ 23,949

The 1993 provision for income taxes includes a $3.5 million charge for the change in federal statutory rates from 34 percent to 35 percent enacted under the Omnibus Budget Reconciliation Act of 1993 (OBRA).

The 1992 provision for income taxes includes approximately $1.2 million for Apache's tax provision related to its share of NGC's partnership income. This provision was reflected as a reduction of equity in income of affiliates in the Statement of Consolidated Income.

A reconciliation of the federal statutory income tax rates to the effective rate is as follows:

	For the Year Ended December 31,		
	1994	1993	1992
Statutory income tax rate	35.0%	35.0%	34.0%
State income tax, less federal benefit	1.9	1.9	2.0
Reversal of prior period timing differences at rates in excess of current statutory rates	--	--	(1.8)
Utilization of federal income tax credits	(2.4)	(3.7)	--
Increase in corporate income tax rate provided for in OBRA	--	6.0	--
All other, net	(1.0)	(3.3)	(.8)
	33.5%	35.9%	33.4%

Deferred taxes are determined based on the estimated future tax effects of differences between the financial statement and tax bases of assets and liabilities using the provisions of enacted tax laws.

The net deferred tax liability as of December 31, 1994, is comprised of the following:

	December 31, 1994	December 31, 1993
	(In thousands)	
Deferred tax assets:		
Accrued expenses	$ (2,984)	$ (8,696)
Deferred income	(30,343)	(3,287)
Deferred compensation	(1,927)	(2,380)
Net operating loss carryforwards	(22,443)	(18,392)
Alternative minimum tax credits	(20,792)	(20,734)
Other	(7,706)	(4,238)
Total deferred tax assets	(86,195)	(57,727)
Deferred tax liabilities:		
Depreciation, depletion and amortization	234,441	181,981
Other	7,934	4,300
Total deferred tax liabilities	242,375	186,281
Deferred income tax (asset) liability	$ 156,180	$ 128,554

No valuation allowance has been recorded against deferred tax assets at December 31, 1994.

U.S. deferred taxes have not been provided on foreign earnings totaling $25 million which are permanently reinvested abroad. Presently, limited foreign tax credits are available to reduce the U.S. taxes on such amounts if repatriated.

At December 31, 1994, the Company has U.S. federal net operating loss carryforwards of $27 million and statutory depletion carryforwards of $6.6 million available to reduce future U.S. federal taxable income. The net operating loss carryforwards will expire unless otherwise utilized, beginning in 1995. The statutory depletion may be carried forward indefinitely. The Company has alternative minimum tax (AMT) credit carryforwards of $20.8 million. AMT credits can be carried forward indefinitely and may only be used to reduce regular tax liabilities in excess of AMT liabilities. The Company also has foreign net operating loss carryforwards of $22.2 million and foreign capital loss carryforwards of $8.4 million which may be carried forward indefinitely and may be utilized to reduce future foreign taxable income.

5. ADVANCE FROM GAS PURCHASER

In December 1994, Apache received $67.4 million from a purchaser as an advance payment for future natural gas deliveries of 20,000 MMBtu per day over a six-year period commencing January 1995. As a condition of the arrangement with the purchaser, Apache entered into a gas price swap contract with a third party under which Apache became a fixed price payor at identical volumes and at prices starting at $1.81 per MMBtu and escalating at $.10 per MMBtu per year through the year 2000. In addition, the purchaser will pay to Apache a monthly fee of $.05 per MMBtu on the contracted volumes. The net result of these related transactions is that gas delivered to the purchaser will be reported as revenue at prevailing spot prices in the future with Apache realizing a small premium associated with the monthly fee to be paid by the purchaser.

The payment has been classified as an advance on the December 31, 1994 balance sheet and will be reduced as gas is delivered to the purchaser under the terms of the contract. Gas volumes delivered to the purchaser will be reported as revenues at prices used to calculate the amount advanced, before inputed interest, minus or plus amounts paid or received by Apache applicable to the price swap agreement. Interest expense will be recorded based on a 9 1/2-percent rate.

6. CAPITAL STOCK

COMMON STOCK OUTSTANDING

	1994	1993	1992
Balance, beginning of year	61,085,414	46,936,240	46,854,794
Treasury shares issued (acquired), net	129,852	119,087	19,791
Shares issued:			
Public offering	--	5,795,000	--
Acquisition of AERC	2,974	305,003	--
Conversion of 7 1/2-percent debentures	--	7,816,453	--
Dividend reinvestment plan	13,789	--	--
Stock options	207,975	113,631	61,655
Balance, end of year	61,440,004	61,085,414	46,936,240

Public Offering -- In March 1993, Apache completed the public offering of approximately 5.8 million shares of Apache common stock for net proceeds of $131.8 million.

Stock Option Plans -- At December 31, 1994, common shares totaling 1,766,925 were reserved for issuance under stock option plans for officers and key employees. The outstanding options expire at various dates through 2004 and are exercisable at prices ranging from $8.625 to $26.875 with an aggregate exercise price of $21 million. The following table summarizes the changes in stock options for the year and the number of common shares available for grant at year end:

	1994	1993	1992
Outstanding, beginning of year	909,875	846,550	666,650
Exercised ($7.313 to $26.625)	(207,975)	(115,200)	(94,050)
Granted ($13.875 to $26.875)	376,200	264,600	326,700
Canceled or expired ($8.625 to $26.875)	(125,800)	(86,075)	(52,750)
Outstanding, end of year	952,300	909,875	846,550
Available for grant, end of year	814,625	1,121,775	1,300,300

Rights to Purchase Common Stock -- In 1986, the Company declared a dividend of one right to purchase one share of common stock at $50 per share (subject to adjustment) on each outstanding share of common stock (the Rights). The Rights are exercisable only if certain persons or groups acquire 20 percent or more of the common stock or commence a tender offer for 30 percent or more of the common stock. If the Company engages in certain business combinations or a 20-percent stockholder engages in certain transactions with the Company, the Rights become exercisable for Apache common stock or common stock of the corporation acquiring the Company (as the case may be) at 50 percent of the then-market price. Any Rights that are or were beneficially owned by a person who has acquired 20 percent or more of the common stock and who engages in certain transactions or realizes the benefits of certain transactions with the Company will become void. The Company may redeem the Rights at a specified price at any time until 10 business days after public announcement that a person has acquired 20 percent or more of the outstanding shares of common stock. The Rights will expire on January 31, 1996, unless earlier redeemed by the Company. Unless the Rights have been previously redeemed, all shares of common stock issued by the Company will include Rights.

Preferred Stock -- The Company has five million shares of no par preferred stock authorized, of which none are outstanding.

7. NON-CASH INVESTING AND FINANCING ACTIVITIES

A summary of non-cash investing and financing activities is presented below.

In 1993, Apache purchased Hadson Energy Resources Corporation (now AERC) for approximately $98 million in cash and Apache common stock. The accompanying financial statements included the following attributable to the acquisition:

	(In thousands)
Value of properties acquired, including gathering facilities	$ 159,996
Common stock issued (305,003 shares)	(7,777)
Liability for AERC shares not surrendered as of December 31, 1993	(13,906)
Cash paid, net of cash acquired	(70,692)
Net AERC liabilities added through consolidation	$ 67,621

During the first quarter of 1994, the Company issued 2,974 shares of Apache common stock and paid $13.9 million for AERC shares which had not been surrendered by the end of 1993.

In September 1993, Apache called for the redemption of its 7 1/2-percent convertible subordinated debentures due 2000. Following receipt of the notice of redemption, nearly all holders of the debentures elected to convert the principal amount of their debentures into shares of Apache common stock. Holders of less than one-tenth of one percent of the debentures elected to receive cash ($.1 million).

	(In thousands)
Long-term debt converted into common stock	$149,900
Unamortized debt issue costs charged to equity	(2,686)
Increase to shareholders' equity (common stock issued, 7.8 million shares)	$147,214

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	For the Year Ended December 31,		
	1994	1993	1992
	(In thousands)		
Cash paid (received) during the year for:			
Interest, net of amounts capitalized	$26,291	$30,379	$27,373
Income taxes, net of refunds	6,260	(780)	19,642

8. FINANCIAL INSTRUMENTS AND OFF-BALANCE-SHEET RISK

The following table presents the carrying amounts and estimated fair values of the Company's financial instruments at December 31, 1994 and 1993.

	1994		1993	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In thousands)			
Cash and cash equivalents	$ 15,063	$ 15,063	$ 17,064	$ 17,064
Investment securities	7,242	7,422	--	--
Long-term debt:				
Bank debt	(479,800)	(479,800)	(281,550)	(281,550)
9.25-percent notes due 2002	(99,714)	(100,213)	(99,688)	(100,311)
3.93-percent convertible notes due 1997	(75,000)	(79,928)	(75,000)	(87,323)
Unrecognized financial instruments:				
Interest rate swap	--	(181)	--	--
Commodity price swaps	--	(3,090)	--	--

The following methods and assumptions were used to estimate the fair value of the financial instruments summarized in the above table. The carrying values of trade receivables and trade payables included in the accompanying Consolidated Balance Sheet approximated market value at December 31, 1994 and 1993.

Cash and Cash Equivalents -- The carrying amounts approximated fair value due to the short maturity of these instruments.

Investment Securities -- The fair value of investments are based on quoted market prices.

Debt -- The fair value of the 9.25-percent notes was based on the quoted market price for that issue, while the fair value of the 3.93-percent notes was estimated based on quotes obtained from private investment firms. The difference between the carrying amount and the fair value of the Company's other debt obligations was not significant.

Interest Rate Instruments -- The Company periodically enters into various financial instruments to manage its interest rate exposure. At December 31, 1994, the Company had one outstanding interest rate swap agreement with a notional principal amount totaling $14 million. The notional amount reduces by $2 million quarterly through July 1996, with interest fixed at 8.15 percent.

The fair value of the open interest rate swap was the estimated amount that the Company would pay to terminate the swap agreement, taking into account current interest rates and the credit worthiness of the swap counterparties.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS --- (CONTINUED)

Commodity Price Hedges -- The Company enters into certain commodity derivative contracts to reduce the risk caused by fluctuations in the prices of oil and natural gas. During the last three years, Apache has used swaps, puts and fixed-price contracts to hedge its commodity prices. Apache's hedging activities are primarily conducted with major investment and commercial banks which the Company believes are minimal credit risks. The agreements call for Apache to receive, or make, payments based upon the differential between a fixed and a variable commodity price as specified in the contract.

At December 31, 1994, Apache had two open price swap contracts as discussed below. Also at December 31, 1994, Apache's Consolidated Balance Sheet included deferred credits totaling $.9 million for gains realized on the early termination of commodity price hedges. The hedging gains will be amortized to oil and gas production revenues over periods ranging from one to 38 months.

Apache entered into a swap agreement under which the Company will receive a fixed price of $2.1825 per MMBtu and pay the floating price on 10,000 MMBtu per day over a five-year period starting in January 1995. Based on the estimated amount Apache would receive to terminate the swap agreement, the fair value of this asset at December 31, 1994 was $3.3 million.

Apache also entered into a swap agreement, as discussed in Note 5, to become a fixed price payor on 20,000 MMBtu per day over a six-year period starting January 1995. The estimated amount Apache would have to pay to terminate this contract at December 31, 1994 was $6.4 million.

In connection with the purchase of MW Petroleum Corporation in mid-1991, the Company and Amoco Production Company (Amoco) entered into a hedging agreement. Under the terms of this agreement, Apache would receive support payments in the event oil prices fell below specified reference prices for any year during the two-year period ended June 30, 1993, and Amoco will receive payments in the event oil prices rose above specified reference prices for any year during the eight-year period ending June 30, 1999, or in the event gas prices exceeded specified reference prices for any year during the five-year period ending June 30, 1996. In the event price sharing payments are due to Amoco, the volumes listed below would be doubled until Amoco recovers its net payments to Apache ($5.8 million through the contract year ended June 30, 1994) plus interest.

The notional volumes and the reference prices specified in the Amoco price support agreement are summarized below:

	Oil		Gas	
Year Ended June 30:	MMbbl	Price	Bcf	Price
1995	2.8	$ 26.25	12.3	$ 2.45
1996	2.4	27.80	10.5	2.68
1997	2.0	29.48	--	--
1998	1.7	31.25	--	--
1999	1.4	33.12	--	--

Based on the Company's projection of oil and gas prices for the years noted above, Apache will not be liable to Amoco for future price sharing payments.

9. COMMITMENTS AND CONTINGENCIES

Investment in Program Operations -- Prior to 1989, the Company organized numerous oil and gas limited partnerships. At December 31, 1994, Apache was contingently liable for $8.1 million of bank financing arranged by the Company on behalf of the Apache Offshore Investment Partnership (See Note 3).

As compensation for its services as general partner and operator, the Company shares in oil and gas revenues, receives a management fee in accordance with formulas described in each limited partnership agreement, and is reimbursed for administrative, exploration and production expenses incurred on behalf of the partnerships. These reimbursements ($.5 million, $.6 million and $4.8 million in the years 1994, 1993 and 1992, respectively) have been netted against operating expenses in the accompanying financial statements.

Litigation -- The Company is involved in litigation and is subject to governmental and regulatory controls arising in the ordinary course of business. It is the opinion of the Company's management that all claims and litigation involving the Company are not likely to have a material adverse effect on its financial position or results of operations.

Environmental -- Apache, as an owner and operator of oil and gas properties, is subject to various federal, state, local and foreign country laws and regulations relating to discharge of materials into, and protection of, the environment. These laws and regulations may, among other things, impose liability on the lessee under an oil and gas lease for the cost of pollution clean-up resulting from operations, subject the lessee to liability for pollution damages, require suspension or cessation of operations in affected areas and impose restrictions on the injection of liquids into subsurface aquifers that may contaminate ground water. Apache maintains insurance coverage which it believes are customary in the industry, although it is not fully insured against all environmental risks. The Company is not aware of any environmental claims existing as of December 31, 1994, which would have a material impact on its financial position or results of operations.

International Commitments -- The Company, through its subsidiaries, has acquired or has been conditionally or unconditionally granted exploration rights in Australia, The Congo, Egypt, China, Indonesia and the Ivory Coast. In order to comply with the contracts and agreements granting these rights, the Company, through various wholly-owned subsidiaries, is committed to expend approximately $50 million through 1997.

Retirement and Deferred Compensation Plans -- The Company provides a retirement/401(k) savings plan and a non-qualified retirement/savings plan for employees. These plans allow participating employees to elect to contribute up to 10 percent of their salaries, with Apache making matching contributions up to a maximum of six percent of each employee's salary. In addition, the Company annually contributes a percentage of each participating employee's compensation, as defined, to the plan. Vesting in the Company's contributions occurs at the rate of 20 percent per year. Total expenses under these plans were $5.2 million, $5 million and $4.2 million for 1994, 1993 and 1992, respectively.

Lease Commitments -- The Company has leases for office space with varying expiration dates through 2007. Net rental expense was $4.1 million, $4.6 million and $5.7 million for 1994, 1993 and 1992, respectively.

As of December 31, 1994, minimum rental commitments under long-term operating leases are as follows:

	Rental Commitments	Sublease Rentals	Net Minimum Rental Commitments
		(In thousands)	
1995	$ 6,744	$ (1,355)	$ 5,389
1996	6,858	(1,396)	5,462
1997	5,171	(582)	4,589
1998	4,986	--	4,986
1999	5,433	--	5,433
Thereafter	37,150	--	37,150
	$ 66,342	$ (3,333)	$ 63,009

10. CUSTOMER INFORMATION

Major Purchasers -- NGC has been the principal purchaser of Apache's spot market gas production since April 1990. Sales to NGC accounted for 40 percent, 36 percent and 27 percent of the Company's oil and gas revenues in 1994, 1993 and 1992, respectively. Sales to Amoco represented 11 percent and 27 percent of the Company's 1993 and 1992 oil and gas revenues, respectively, and were less than 10 percent for 1994.

Concentration of Credit Risk -- The Company's revenues are derived principally from uncollateralized sales to customers in the oil and gas industry; therefore, customers may be similarly affected by changes in economic and other conditions within the industry. Apache has not experienced significant credit losses on such sales. The Company believes that if the NGC contract was terminated, it would not have a material adverse effect on the Company due to the existence of alternative marketing arrangements and purchasers.

The proved gas reserves in the Carnarvon Basin of Western Australia acquired in the AERC acquisition are dedicated for sale to the Gas Corporation of Western Australia, a corporation owned by the government of Western Australia, doing business as AlintaGas (formerly SECWA), pursuant to a long-term, take-or-pay contract. If the AlintaGas contract were terminated, the Company might not be able to find other markets for the gas produced from these fields. Although the Company considers such an occurrence highly unlikely, the loss of the AlintaGas contract might force the Company to write-down the carrying value of these fields.

APACHE CORPORATION AND SUBSIDIARIES

SUPPLEMENTAL OIL AND GAS DISCLOSURES
(UNAUDITED)

Oil and Gas Operations -- The following table sets forth revenue and direct cost information relating to the Company's oil and gas exploration and production activities. Apache has no long-term agreements to purchase oil or gas production from foreign governments or authorities.

	For the Year Ended December 31,		
	1994	1993	1992
	(In thousands)		
UNITED STATES			
Oil and gas revenues	$ 467,161	$ 421,845	$ 386,533
Operating costs:			
Depreciation, depletion and amortization	212,329	163,285	149,909
Lease operating	107,361	102,830	99,934
Production taxes	22,280	21,218	23,803
Income tax	44,821	50,035	39,045
	386,791	337,368	312,691
Results of operations	$ 80,370	$ 84,477	$ 73,842
Amortization rate	45.5%	38.7%	38.8%
INTERNATIONAL			
Oil and gas revenues	$ 26,339	$ 15,497	$ 8,019
Operating costs:			
Depreciation, depletion and amortization	11,754	7,214	3,883
Impairments	7,300	23,200	12,000
Lease operating	6,257	3,456	1,600
Production taxes	1,922	609	--
Income tax (benefit)	(295)	(6,264)	(3,181)
	26,938	28,215	14,302
Results of operations	$ (599)	$ (12,718)	$ (6,283)
Amortization rate-recurring	44.6%	46.6%	48.7%
TOTAL			
Oil and gas revenues	$ 493,500	$ 437,342	$ 394,552
Operating costs:			
Depreciation, depletion and amortization	224,083	170,499	153,792
Impairments	7,300	23,200	12,000
Lease operating	113,618	106,286	101,534
Production taxes	24,202	21,827	23,803
Income tax	44,526	43,771	35,864
	413,729	365,583	326,993
Results of operations	$ 79,771	$ 71,759	$ 67,559

SUPPLEMENTAL OIL AND GAS DISCLOSURES -- (CONTINUED)
(UNAUDITED)

Costs Not Being Amortized -- The following table sets forth a summary of oil and gas property costs not being amortized at December 31, 1994, by the year in which such costs were incurred.

	Total	1994	1993	1992	1991 and Prior
			(In thousands)		
Leasehold and seismic	$ 102,466	$ 38,220	$ 28,828	$ 2,931	$ 32,487
Exploration and development	9,206	9,206	--	--	--
International	34,253	22,856	11,397	--	--
Total	$ 145,925	$ 70,282	$ 40,225	$ 2,931	$ 32,487

Capitalized Costs Incurred -- The following table sets forth the capitalized costs incurred in oil and gas producing activities.

	For the Year Ended December 31,		
	1994	1993	1992
	(In thousands)		
UNITED STATES			
Acquisition of proved properties	$ 179,972	$ 242,659	$ 62,955
Acquisition of unproved properties	32,526	14,342	8,226
Exploration	16,722	16,979	17,074
Development	216,451	164,839	93,277
Capitalized interest	4,889	4,764	6,035
Property sales	(5,854)	(3,255)	(37,167)
	444,706	440,328	150,400
INTERNATIONAL			
Acquisition of proved properties	--	81,942	--
Exploration	30,089	18,006	10,091
Development	1,853	--	1,988
	31,942	99,948	12,079
TOTAL			
Acquisition of proved properties	179,972	324,601	62,955
Acquisition of unproved properties	32,526	14,342	8,226
Exploration	46,811	34,985	27,165
Development	218,304	164,839	95,265
Capitalized interest	4,889	4,764	6,035
Property sales	(5,854)	(3,255)	(37,167)
	$ 476,648	$ 540,276	$ 162,479

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Foreign acquisitions in 1993 included $16.8 million of unevaluated costs added through the merger of AERC.

APACHE CORPORATION AND SUBSIDIARIES

SUPPLEMENTAL OIL AND GAS DISCLOSURES -- (CONTINUED)
(UNAUDITED)

Capitalized Costs -- The following table sets forth the capitalized costs and related accumulated depreciation, depletion and amortization, including impairments, relating to the Company's oil and gas production, exploration and development activities.

	December 31,	
	1994	1993
	(In thousands)	
UNITED STATES		
Proved properties	$ 2,810,670	$ 2,390,644
Unproved properties	111,672	86,992
	2,922,342	2,477,636
Accumulated depreciation, depletion and amortization	(1,383,556)	(1,171,227)
	1,538,786	1,306,409
INTERNATIONAL		
Proved properties	142,451	126,157
Unproved properties	34,253	18,605
	176,704	144,762
Accumulated depreciation, depletion and amortization	(79,270)	(60,216)
	97,434	84,546
TOTAL		
Proved properties	2,953,121	2,516,801
Unproved properties	145,925	105,597
	3,099,046	2,622,398
Accumulated depreciation, depletion and amortization	(1,462,826)	(1,231,443)
	$ 1,636,220	$ 1,390,955

APACHE CORPORATION AND SUBSIDIARIES

SUPPLEMENTAL OIL AND GAS DISCLOSURES -- (CONTINUED)
(UNAUDITED)

Oil and Gas Reserve Information -- Proved oil and gas reserve quantities are based on estimates prepared by the Company's engineers in accordance with guidelines established by the Securities and Exchange Commission (SEC). The Company's estimates of proved reserve quantities of its domestic properties and certain international properties are subject to review by Ryder Scott Company Petroleum Engineers, independent petroleum engineers. International proved reserves, for all periods presented below, are located in Australia.

There are numerous uncertainties inherent in estimating quantities of proved reserves and projecting future rates of production and timing of development expenditures. The following reserve data represents estimates only and should not be construed as being exact.

OIL, CONDENSATE AND NATURAL GAS LIQUIDS

	1994			1993			1992		
	United States	Int'l	Total	United States	Int'l	Total	United States	Int'l	Total
	(Thousands of barrels)								
Total proved reserves:									
Beginning of year	83,723	6,000	89,723	80,195	464	80,659	79,166	648	79,814
Extensions, discoveries and other additions	9,669	349	10,018	10,885	--	10,885	7,112	--	7,112
Purchases of minerals in-place	9,232	--	9,232	9,871	5,095	14,966	226	--	226
Revisions of previous estimates	5,347	273	5,620	(3,215)	1,125	(2,090)	7,796	206	8,002
Production	(12,418)	(1,159)	(13,577)	(12,096)	(684)	(12,780)	(12,199)	(390)	(12,589)
Sales of properties	(1,108)	--	(1,108)	(1,917)	--	(1,917)	(1,906)	--	(1,906)
End of year	94,445	5,463	99,908	83,723	6,000	89,723	80,195	464	80,659
Proved developed reserves:									
Beginning of year	74,288	5,113	79,401	72,596	464	73,060	68,573	648	69,221
End of year	84,085	5,322	89,407	74,288	5,113	79,401	72,596	464	73,060

NATURAL GAS

	1994			1993			1992		
	United States	Int'l	Total	United States	Int'l	Total	United States	Int'l	Total
	(Million cubic feet))								
Total proved reserves:									
Beginning of year	814,859	33,360	848,219	643,299	--	643,299	602,048	--	602,048
Extensions, discoveries and other additions	190,386	408	190,794	119,210	--	119,210	68,650	--	68,650
Purchases of minerals in-place	158,309	--	158,309	174,115	33,343	207,458	68,685	--	68,685
Revisions of previous estimates	(21,937)	1,114	(20,823)	(7,335)	1,327	(6,008)	34,042	--	34,042
Production	(152,994)	(2,911)	(155,905)	(109,312)	(1,310)	(110,622)	(95,982)	--	(95,982)
Sales of properties	(4,335)	--	(4,335)	(5,118)	--	(5,118)	(34,144)	--	(34,144)
End of year	984,288	31,971	1,016,259	814,859	33,360	848,219	643,299	--	643,299
Proved developed reserves:									
Beginning of year	696,421	24,251	720,672	585,424	--	585,424	549,742	--	549,742
End of year	888,039	22,265	910,304	696,421	24,251	720,672	585,424	--	585,424

APACHE CORPORATION AND SUBSIDIARIES

SUPPLEMENTAL OIL AND GAS DISCLOSURES -- (CONTINUED)
(UNAUDITED)

Future Net Cash Flows -- Future revenues are based on year-end prices except in those instances where the sale of natural gas is covered by contract terms providing for determinable escalations. Operating costs, production and ad valorem taxes and future development costs are based on current costs with no escalation.

The following table sets forth unaudited information concerning future net cash flows for oil and gas reserves, net of income tax expense. Income tax expense has been computed using expected future tax rates and giving effect to permanent differences and credits which, under current laws, relate to oil and gas producing activities. This information does not purport to present the fair market value of the Company's oil and gas assets, but does present a standardized disclosure concerning possible future net cash flows that would result under the assumptions used.

	December 31,		
	1994	1993	1992
	(In thousands)		
UNITED STATES			
Cash inflows	$ 3,401,300	$ 3,062,525	$ 2,789,334
Production and development costs	(1,294,801)	(1,085,205)	(1,045,549)
Income tax expense	(376,932)	(362,353)	(338,177)
Net cash flows	1,729,567	1,614,967	1,405,608
10-percent annual discount rate	(628,408)	(550,887)	(542,118)
Discounted future net cash flows	1,101,159	1,064,080	863,490
INTERNATIONAL			
Cash inflows	163,303	154,466	9,231
Production and development costs	(68,217)	(57,281)	(5,903)
Income tax expense	(27,910)	(24,680)	(588)
Net cash flows	67,176	72,505	2,740
10-percent annual discount rate	(15,366)	(21,209)	(26)
Discounted future net cash flows	51,810	51,296	2,714
TOTAL			
Cash inflows	3,564,603	3,216,991	2,798,565
Production and development costs	(1,363,018)	(1,142,486)	(1,051,452)
Income tax expense	(404,842)	(387,033)	(338,765)
Net cash flows	1,796,743	1,687,472	1,408,348
10-percent annual discount rate	(643,774)	(572,096)	(542,144)
Discounted future net cash flows*	$ 1,152,969	$ 1,115,376	$ 866,204

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* Estimated future net cash flows before income tax expense, discounted 10 percent, totaled approximately $1.40 billion, $1.36 billion and $1.06 billion as of December 31, 1994, 1993 and 1992, respectively.

APACHE CORPORATION AND SUBSIDIARIES

SUPPLEMENTAL OIL AND GAS DISCLOSURES -- (CONTINUED)
(UNAUDITED)

The following table sets forth the principal sources of change in the discounted future net cash flows:

	For the Year Ended December 31,		
	1994	1993	1992
	(In thousands)		
Sales, net of production costs	$ (355,680)	$ (309,229)	$ (269,215)
Net change in prices and production costs	(113,871)	(78,162)	(23,318)
Discoveries and improved recovery, net of related costs	176,429	205,255	113,467
Change in future development costs	26,462	450	16,913
Revision of quantities	12,499	(29,360)	78,020
Purchases	163,511	347,860	99,228
Accretion of discount	135,912	106,256	99,797
Change in income taxes	(134)	(47,387)	(17,609)
Sales of properties	(6,878)	(3,500)	(40,413)
Change in production rates and other	(657)	56,989	(9,869)
	$ 37,593	$ 249,172	$ 47,001

Impact of Pricing -- The estimates of cash flows and reserve quantities shown above are based on year-end oil and gas prices, except in those cases where future gas sales are covered by contracts at specified prices. Estimates of future liabilities and receivables applicable to oil and gas commodity hedges are reflected in future cash flows from proved reserves with such estimates based on prices in effect as of the date of the reserve report. Fluctuations are largely due to supply and demand perceptions for natural gas and volatility in oil prices.

Under SEC rules, companies that follow full cost accounting methods are required to make quarterly "ceiling test" calculations. Under this test, capitalized costs of oil and gas properties may not exceed the present value of estimated future net revenues from proved reserves, discounted at 10 percent, plus the lower of cost or fair market value of unproved properties, as adjusted for related tax effects and deferred tax reserves. Application of these rules during periods of relatively low oil and gas prices, even if of short-term duration, may result in write-downs.

Many full cost companies, including Apache, are concerned about the impact of prolonged unfavorable gas prices on their ceiling test calculations. A further deterioration of gas or oil prices from year-end levels would likely result in the Company recording a non-cash charge to earnings related to its oil and gas properties in the first quarter of 1995. SEC rules permit the exclusion of capitalized costs and present value of recently acquired properties in performing ceiling test calculations. Pursuant to these rules, Apache has requested waivers and the SEC has granted one-year waivers with respect to the properties acquired from Texaco and Crystal. If the ceiling is exceeded on all domestic properties, Apache will be required to perform an additional ceiling test excluding the Texaco and Crystal properties and record a write-down of carrying value if the ceiling is still exceeded.

APACHE CORPORATION AND SUBSIDIARIES

SUPPLEMENTAL QUARTERLY FINANCIAL DATA
(UNAUDITED)

	First	Second	Third	Fourth	Total
	(In thousands, except per share amounts)				
1994					
Revenues	$121,591	$134,947	$140,765	$148,318	$545,621
Expenses, net	112,184	124,751	130,191	135,658	502,784
Net income	$ 9,407	$ 10,196	$ 10,574	$ 12,660	$ 42,837
Net income per common share	$ .15	$ .17	$ .17	$ .21	$ .70
1993					
Revenues	$108,592	$111,270	$122,013	$124,763	$466,638
Expenses, net	97,000	99,775	120,932	111,597	429,304
Net income	$ 11,592	$ 11,495	$ 1,081	$ 13,166	$ 37,334
Net income per common share	$ .24	$ .22	$ .02	$ .22	$ .70

INDEX TO EXHIBITS

EXHIBIT NO.	DESCRIPTION
2.1 --	Stock Purchase Agreement, dated July 1, 1991, between Registrant and Amoco Production Company (incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K, dated July 1, 1991, SEC File No. 1-4300, filed July 19, 1991).
2.2 --	Purchase and Sale Agreement between Hall-Houston Oil Company, as seller, and Registrant, as buyer, dated as of June 2, 1993 (incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K, dated August 31, 1993, SEC File No. 1-4300, filed September 7, 1993).
2.3 --	Purchase and Sale Agreement between Hall-Houston Oil Company, as seller, and Registrant, as buyer, dated as of August 13, 1993 (incorporated by reference to Exhibit 10.2 to Registrant's Current Report on Form 8-K, dated August 31, 1993, SEC File No. 1-4300, filed September 7, 1993).
2.4 --	Form of Acquisition Agreement between Registrant, HERC Acquisition Corporation and Hadson Energy Resources Corporation, dated August 26, 1993, and amended September 28, 1993 (incorporated by reference to Exhibit 2.1 to Registrant's Registration Statement on Form S-4, Registration No. 33-67954, filed September 29, 1993).
2.5 --	Purchase and Sale Agreement by and between Texaco Exploration and Production Inc., as seller, and Registrant, as buyer, dated December 22, 1994 (incorporated by reference to Exhibit 99.3 to Registrant's Current Report on Form 8-K, dated November 29, 1994, SEC File No. 1-4300, filed December 29, 1994).
2.6 --	Agreement and Plan of Merger among Registrant, XPX Acquisitions, Inc. and DEKALB Energy Company, dated December 21, 1994 (incorporated by reference to Exhibit 2.1 to Registrant's Registration Statement on Form S-4, Registration No. 33-57321, filed January 17, 1995).
2.7 --	Matagorda Island 681 Field Purchase and Sale Agreement with Option to Exchange, dated November 24, 1992, between Shell Offshore Inc., SOI Royalties Inc., and Registrant (incorporated by reference to Exhibit 10.7 to Apache Offshore Investment Partnership's Annual Report on Form 10-K for year ended December 31, 1992, SEC File No. 0-13546).
3.1 --	Restated Certificate of Incorporation of Registrant, dated December 1, 1993, as filed with the Secretary of State of Delaware on December 16, 1993 (incorporated by reference to Exhibit 3.1 to Registrant's Annual Report on Form 10-K for year ended December 31, 1993, SEC File No. 1-4300).
3.2 --	Bylaws of Registrant, dated as of December 9, 1992 (incorporated by reference to Exhibit 3.3 to Registrant's Annual Report on Form 10-K for year ended December 31, 1992, SEC File No. 1-4300).
4.1 --	Form of common stock certificate (incorporated by reference to Exhibit 4.4 to Amendment No. 1 to Registrant's Registration Statement on Form S-3, Registration No. 33-5097, filed May 16, 1986).

EXHIBIT NO.	DESCRIPTION
4.2 --	Rights Agreement, dated as of January 10, 1986, between Registrant and First Trust Company, Inc., rights agent, relating to the declaration of Rights to Registrant's common stockholders of record on January 24, 1986 (incorporated by reference to Exhibit 4.9 to Registrant's Annual Report on Form 10-K for year ended December 31, 1985, SEC File No. 1-4300).
10.1 --	Second Amended and Restated Credit Agreement, dated April 30, 1994, among Registrant, the lenders named therein, and The First National Bank of Chicago and Chemical Bank, as agents (incorporated by reference to Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q for quarter ended June 30, 1994, SEC File No. 1-4300).
*10.2 --	Third Amended and Restated Credit Agreement, dated March 1, 1995, among Registrant, the lenders named therein, and The First National Bank of Chicago, as Administrative Agent and Arranger, and Chemical Bank, as Co-Agent and Arranger.
10.3 --	Fiscal Agency Agreement, dated as of January 4, 1995, between Registrant and Chemical Bank, as fiscal agent (incorporated by reference to Exhibit 99.2 to Registrant's Current Report on Form 8-K, dated December 6, 1994, SEC File No. 1-4300, filed January 11, 1995.)
+10.4 --	1982 Employee Stock Option Plan, as updated in January 1987 to conform to the Tax Reform Act of 1986 (incorporated by reference to Exhibit 10.7 to Registrant's Annual Report on Form 10-K for year ended December 31, 1990, SEC File No. 1-4300).
+10.5 --	Apache Corporation Corporate Administrative Group Incentive Plan, effective as of January 1, 1989 (incorporated by reference to Exhibit 10.8 to Registrant's Annual Report on Form 10-K for year ended December 31, 1990, SEC File No. 1-4300).
+10.6 --	First Amendment to Apache Corporation Corporate Administrative Group Incentive Plan, effective January 1, 1990 (incorporated by reference to Exhibit 10.14 to Registrant's Annual Report on Form 10-K for year ended December 31, 1993, SEC File No. 1-4300).
* +10.7 --	Apache Corporation Retirement/401(k) Savings Plan, dated December 22, 1994, effective January 1, 1995.
+10.8 --	Non-Qualified Retirement/Savings Plan of Apache Corporation, dated November 16, 1989 (incorporated by reference to Exhibit 10.11 to Registrant's Annual Report on Form 10-K for year ended December 31, 1989, SEC File No. 1-4300).
+10.9 --	Apache International, Inc. Common Stock Award Plan, dated February 12, 1990 (incorporated by reference to Exhibit 10.13 to Registrant's Annual Report on Form 10-K for year ended December 31, 1989, SEC File No. 1-4300).
+10.10 --	Apache Corporation 1990 Phantom Stock Appreciation Plan, dated as of September 28, 1990 (incorporated by reference to Exhibit 10.17 to Registrant's Annual Report on Form 10-K for year ended December 31, 1990, SEC File No. 1-4300).
+10.11 --	Apache Corporation 1990 Stock Incentive Plan, dated as of September 28, 1990 (incorporated by reference to Exhibit 10.18 to Registrant's Annual Report on Form 10-K for year ended December 31, 1990, SEC File No. 1-4300).

EXHIBIT NO.	DESCRIPTION
+10.12 --	Amendment No. 1 to the Apache Corporation 1990 Stock Incentive Plan, dated as of July 17, 1992 (incorporated by reference to Exhibit 4.4 to Registrant's Registration Statement on Form S-8, Registration No. 33-53442, filed October 19, 1992).
*+10.13 --	Apache Corporation 1995 Stock Option Plan, adopted February 9, 1995.
+10.14 --	Apache Corporation Income Continuance Plan, as amended and restated February 24, 1988 (incorporated by reference to Exhibit 10.19 to Registrant's Annual Report on Form 10-K for year ended December 31, 1990, SEC File No. 1-4300).
*+10.15 --	Apache Corporation Directors' Deferred Compensation Plan, as amended and restated September 14, 1994.
+10.16 --	Apache Corporation Phantom Stock Appreciation Plan for Directors, effective as of May 4, 1989 (incorporated by reference to Exhibit 10.22 to Registrant's Annual Report on Form 10-K for year ended December 31, 1990, SEC File No. 1-4300).
+10.17 --	Apache Corporation Outside Directors' Retirement Plan, effective December 15, 1992 (incorporated by reference to Exhibit 10.25 to Registrant's Annual Report on Form 10-K for year ended December 31, 1992, SEC File No. 1-4300).
+10.18 --	Apache Corporation Equity Compensation Plan for Non-Employee Directors, adopted February 9, 1994, and form of Restricted Stock Award Agreement (incorporated by reference to Exhibit 10.26 to Registrant's Annual Report on Form 10-K for year ended December 31, 1993, SEC File No. 1-4300).
+10.19 --	Amended and Restated Employment Agreement, dated December 5, 1990, between Registrant and Raymond Plank (incorporated by reference to Exhibit 10.9 to Registrant's Annual Report on Form 10-K for year ended December 31, 1990, SEC File No. 1-4300).
+10.20 --	Amended and Restated Employment Agreement, dated December 20, 1990, between Registrant and John A. Kocur (incorporated by reference to Exhibit 10.10 to Registrant's Annual Report on Form 10-K for year ended December 31, 1990, SEC File No. 1-4300).
+10.21 --	Employment Agreement, dated March 20, 1991, between Registrant and William J. Johnson (incorporated by reference to Exhibit 10.15 to Registrant's Annual Report on Form 10-K for year ended December 31, 1992, SEC File No. 1-4300).
+10.22 --	Employment Agreement, dated June 6, 1988, between Registrant and G. Steven Farris (incorporated by reference to Exhibit 10.6 to Registrant's Annual Report on Form 10-K for year ended December 31, 1989, SEC File No. 1-4300).
+10.23 --	Consulting Agreement, dated November 1, 1993, between Registrant and John A. Kocur (incorporated by reference to Exhibit 10.30 to Registrant's Annual Report on Form 10-K for year ended December 31, 1993, SEC File No. 1-4300).
*+10.24 --	Consulting Agreement, effective April 28, 1994, between Registrant and William J. Johnson.
*+10.25 --	Consulting Agreement, effective January 1, 1995, between Registrant and John L. Moran.
*11.1 --	Statement regarding computation of earnings per share of Registrant's common stock for the year ended December 31, 1994.
*21.1 --	Subsidiaries of Registrant.
*23.1 --	Consent of Arthur Andersen LLP.
*23.2 --	Consent of Ryder Scott Company Petroleum Engineers.
*27.1 --	Financial Data Schedule.

* Filed herewith.

+ Management contracts or compensatory plans or arrangements required to be filed herewith pursuant to Item 14 hereof.

EXHIBIT 10.2

THIRD AMENDED AND RESTATED CREDIT AGREEMENT

dated as of March 1, 1995

among

APACHE CORPORATION,

and

THE LENDERS NAMED HEREIN,

and

THE FIRST NATIONAL BANK OF CHICAGO,
as Administrative Agent and Arranger

and

CHEMICAL BANK,
as Co-Agent and Arranger

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THIRD AMENDED AND RESTATED CREDIT AGREEMENT

This Third Amended and Restated Credit Agreement, dated as of March 1, 1995, is among Apache Corporation, a Delaware corporation (the "Company"), the various commercial lending institutions as are or may become parties hereto (the "Lenders"), The First National Bank of Chicago, as Administrative Agent and Arranger and Chemical Bank, as Co-Agent (the "Co-Agent") and as Arranger.

RECITALS:

1. The Company, the Lenders, The First National Bank of Chicago as Administrative Agent and as Collateral Agent and Chemical Bank, as Co-Agent have heretofore entered into that certain Reducing Revolving Credit and Term Loan Agreement, dated as of July 1, 1991, that certain Amendment No. 1, dated as of November 1, 1991 and that certain Amendment No. 2, dated as of December 1, 1991 (as so amended, the "July 1991 Agreement"), pursuant to which the Lenders agreed to make Term Loans and Revolving Loans (each as defined in the July 1991 Agreement and herein called, respectively, the "1991 Term Loans" and the "1991 Revolving Loans").

2. In order to restructure the indebtedness incurred by the Company to the Lenders pursuant to the July 1991 Agreement, the Company, the Lenders, the Administrative Agent, the Collateral Agent and the Co-Agent entered into that certain Amended and Restated Credit Agreement, dated as of April 15, 1992, a first amendment thereto, dated July 21, 1992, a second amendment thereto dated December 31, 1992, the Third Amendment to Amended and Restated Credit Agreement, dated as of April 30, 1993, and the Fourth Amendment to Amended and Restated Credit Agreement, dated as of July 13, 1993 (as so amended, the "April 1992 Agreement"), pursuant to which the Lenders agreed to make Revolving Loans (as defined in the April 1992 Agreement and herein called "1992 Revolving Loans").

3. In order to restructure the indebtedness incurred by the Company to the Lenders pursuant to the July 1991 Agreement, as renewed, restated extended and converted into 1992 Revolving Loans pursuant to the April 1992 Agreement, the Company, the Lenders, the Administrative Agent, the Collateral Agent and the Co-Agent for the Lenders entered into that certain Second Amended and Restated Credit Agreement dated as of April 30, 1994 (the "April 1994 Agreement") pursuant to which the Lenders agreed to make Revolving Loans (as defined in the April 1994 Agreement and herein called "1994 Revolving Loans"), each in an aggregate amount not to exceed the amount set forth beside the name of such bank on Schedule A.

4. On the terms and subject to the conditions of this Agreement, all 1994 Revolving Loans of the Lenders to the Company outstanding on the Effective Date (as hereinafter defined) shall, on the Effective Date, be renewed, restated, extended and converted into (but shall not be deemed to be repaid) Revolving Loans under this Agreement.

5. The Company, the Lenders, the Administrative Agent, the Co-Agent and the Arrangers hereby amend the April 1994 Agreement and restate the April 1994 Agreement in its entirety as follows:

ARTICLE I

DEFINITIONS AND TERMS OF CONSTRUCTION

1.1. Definitions. The following terms (whether or not underscored) when used in this Agreement, including its preamble and recitals, shall, except

where the context otherwise requires, have the following meanings (such meanings to be equally applicable to the singular and the plural forms thereof):

"Accepting Lender" is defined in Section 2.2.

"Acknowledgment of Guaranty" means an acknowledgment to guaranty, substantially in the form of Exhibit I hereto, dated the Effective Date, duly executed and delivered to the Administrative Agent by each of MW Petroleum and Apache Energy Resources.

"Acquisition" means any transaction, or any series of related transactions, consummated after the date of this Agreement, by which the Company or any of the Subsidiaries (i) acquires any going business or all or substantially all of the assets of any Person or division thereof, whether through purchase of assets, merger or otherwise or (ii) directly or indirectly acquires (in one transaction or as the most recent transaction in a series of transactions) at least a majority (in number of votes) of the securities of a corporation which have ordinary voting power for the election of directors (other than securities having such power only by reason of the happening of a contingency).

"Administrative Agent" means The First National Bank of Chicago in its capacity as administrative agent for the Lenders pursuant to Article XV, and not in its individual capacity as a Lender or in its capacity as an Engineering Bank or Arranger, and any successor Administrative Agent appointed pursuant to Article XV.

"Advance" means a borrowing hereunder consisting of the aggregate amount of the several Loans made by the Lenders or any of them to the Company on the same Borrowing Date, at the same Rate Option (or on the same interest basis in the case of a Competitive Bid Loan) and, in the case of Eurodollar Loans, for the same Interest Period.

"Affiliate" of any Person means any Person directly or indirectly controlling, controlled by or under direct or indirect common control of such Person, but shall not, in the case of the Company or any Subsidiary, include (except for the purposes of Sections 11.9 and 15.9) Apache Energy Limited or its Subsidiaries. A Person shall be deemed to control another Person if the controlling Person owns directly or indirectly 20% or more of any class of voting securities of the controlled Person or possesses, directly or indirectly, the power to direct or cause the direction of the management or policies of the controlled Person, whether through ownership of stock, by contract or otherwise.

"Agents" means each of the Administrative Agent, the Arrangers, the Co-Agent and the Engineering Banks.

"Aggregate Available Commitment" means, as of the time a determination thereof is to be made, the lesser of (x) the Aggregate Commitment, and (y) the sum of the Borrowing Base plus the then effective Non-conforming Borrowing Base, as such Aggregate Available Commitment shall be reduced from time to time pursuant to Section 2.3(a), (d), (e) or (f) or Section 4.2(d).

"Aggregate Commitment" means, as of the time a determination thereof is to be made, the sum of the Commitments of all the Lenders hereunder, being $1,000,000,000 as of the date hereof, and as reduced from time to time after the date hereof pursuant to Sections 4.2(d), 4.6 and 13.1.

"Aggregate Unavailable Commitment" means, as of the time a determination thereof is to be made, the difference between (x) the Aggregate Commitment and (y) the Aggregate Available Commitment.

"Agreement" means this Third Amended and Restated Credit Agreement, as it may be amended, supplemented, restated or otherwise modified and in effect from time to time.

"Agreement Accounting Principles" means, on any date, those generally accepted accounting principles applied in preparing the financial statements referred to in Section 8.4.

"Alternate Base Rate" means, on any date and with respect to all Floating Rate Advances, a fluctuating rate of interest per annum equal to the higher of (i) the Corporate Base Rate, and (ii) the Federal Funds Effective Rate most recently determined by the Administrative Agent plus 1/2%. Changes in the rate of interest on that portion of any Advance maintained as a Floating Rate Advance will take effect simultaneously with each change in the Alternate Base Rate. The Administrative Agent will give notice promptly to the Company and the Lenders of changes in the Alternate Base Rate.

"Alternate Base Rate Spread" means the applicable rate per annum set forth in Schedule B.

"Anniversary Date" means any March 1, with the first such date being March 1, 1996.

"Annual Certificate of Extension" means a certificate of the Company, executed by an Authorized Officer and delivered to the Administrative Agent, which requests an extension of the then scheduled Termination Date pursuant to Section 2.2.

"Apache Energy Limited" means Apache Energy Limited, an Australian corporation, f/k/a Hadson Energy Limited.

"Apache Energy Resources" means Apache Energy Resources Corporation, a Delaware corporation, f/k/a Hadson Energy Resources Corporation.

"Apache Guaranty" means that certain Guaranty, dated as of April 30, 1994, by Apache Energy Resources in favor of the Agents and the Lenders, as such may be amended, supplemented, restated, reaffirmed or otherwise modified from time to time.

"Approved Engineers" means Ryder Scott Company Petroleum Engineers or Netherland, Sewell & Associates, Inc. or other independent petroleum engineers of recognized standing and experience in the evaluation of hydrocarbon reserves who each of the Engineering Banks and the Required Lenders determine to be acceptable.

"Approved Engineers' Report" means a report prepared (except to the extent set forth below) and certified by the Approved Engineers and furnished by the Company to the Lenders pursuant to Section 9.1(d) or (e) which shall set forth (i) the estimated volume and rate of production of Hydrocarbons which may reasonably be expected to be produced from Proved Reserves for each Property, (ii) a computation of the projected gross revenues from Proved Reserves attributable to each Property, (iii) a computation of the future net revenues for each Property, showing separately net revenues from Proved Developed Producing Reserves, Proved Developed Non-Producing Reserves and Proved Undeveloped Reserves, and (iv) projections as to the amount of Proved Reserves for each Property, showing separately Proved Developed Producing Reserves, Proved Developed Non-Producing Reserves and Proved Undeveloped Reserves; provided, that such Properties shall not include Properties the subject of Limited Recourse Indebtedness permitted by Section 11.1(d) or Properties on which a Lien has been granted pursuant to the facility described in item 1 of Schedule 11.1. The Approved Engineers' Report shall be prepared using economic parameters (including

pricing, inflation and discount rate) provided by the Engineering Banks and in accordance with established criteria generally accepted in the oil and gas industry for use by independent petroleum engineers in making determinations and appraisals of hydrocarbon reserves, including assumptions, estimates and projections as to production expenses, availability of reserves and rates of production; provided, however, that in preparing such report, the Approved Engineers need only make an independent evaluation of Properties comprising not less than (x) 70% in value of the Properties included in the most recent Approved Engineers' Report and (y) 80% in value of any Properties not included in the most recent Approved Engineers' Report, and may review the evaluation by the Company's petroleum engineers in accordance with the foregoing criteria of the remainder of the Properties. The Engineering Banks may, in their sole discretion after consulting with the Company, require modification of any assumption, projection or estimate which they (acting reasonably) find unacceptable.

"April 1992 Agreement" is defined in Recital 2.

"April 1994 Agreement" is defined in Recital 3.

"Arranger" means each of First Chicago and Chemical in their respective capacities as arranger pursuant to Article XV and not in their respective individual capacities as a Lender, an Engineering Bank, the Administrative Agent, or the Co-Agent, as the case may be.

"Assignment Agreement" means an agreement executed by an assignor Lender and an assignee Lender pursuant to Section 17.3 substantially in the form of Exhibit D hereto.

"Authorized Officer" means any officer of the Company, acting singly, specified as such to the Administrative Agent in writing by the Vice President/Treasurer.

"Borrowing Base" means the Borrowing Base then in effect calculated and established in accordance with the terms and provisions of Section 2.3.

"Borrowing Date" means any Business Day on which an Advance is made hereunder.

"Borrowing Notice" is defined in Section 3.3.

"Business Day" means (i) with respect to any borrowing, payment or rate selection of Eurodollar Advances, a day other than Saturday or Sunday on which banks are open for business in Chicago and New York and on which dealings in United States dollars are carried on in the London interbank market and (ii) for all other purposes, a day other than Saturday or Sunday on which banks are open for business in Chicago and New York.

"Capitalized Lease" means, with any respect to a Person, any lease of property by such Person as lessee which would be capitalized on a balance sheet of such Person prepared in accordance with Agreement Accounting Principles.

"Capitalized Lease Obligations" means, with respect to a Person, the amount of the obligations of such Person under Capitalized Leases which would be shown as a liability on a balance sheet of such Person prepared in accordance with Agreement Accounting Principles.

"Cash Equivalent Investment" means, at any time:

(a) any evidence of Indebtedness, maturing not more than one year after such time, issued or guaranteed by the United States Government;

(b) commercial paper, maturing not more than nine months from the date of issue, which is issued by any Agent or any Agent's holding company, or by

(i) a corporation (other than the Company or an Affiliate of the Company) organized under the laws of any state of the United States or of the District of Columbia and rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Investors Service, Inc., or

(ii) any Lender (or its holding company) which has (or which at the time is a subsidiary of a holding company which has) a Qualified Long Term Rating;

(c) any certificate or deposit or banker's acceptance, maturing not more than one year after such time, which is issued by any Agent or any Agent's holding company, or by either

(i) a commercial banking institution that is a member of the Federal Reserve System and has a combined capital and surplus and undivided profits of not less than $500,000,000, which has (or which at the time is a subsidiary of a holding company which has) a Qualified Long Term Rating, or

(ii) any Lender which has (or which is a subsidiary of a holding company which has) a Qualified Long Term Rating; or

(d) any repurchase agreement entered into with any Agent or any Lender (or other commercial banking institution of the stature referred to in clause (c)(i)) which

(i) is secured by a fully perfected security interest in any obligation of the type described in any of clauses (a) through (c); and

(ii) has a market value at the time such repurchase agreement is entered into of not less than 100% of the repurchase obligation of such Lender or Agent (or other commercial banking institution) thereunder.

"CERCLA" means the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended.

"CERCLIS" means the Comprehensive Environmental Response, Compensation and Liability Information System List.

"Change in Control" means:

(a) the failure by the Company to own, free and clear of all Liens or encumbrances, 100% of the outstanding capital stock of each of MW Petroleum and Apache Energy Resources on a fully diluted basis or the failure of MW Petroleum to own, free and clear of all Liens or encumbrances, 100% of the outstanding capital stock of MWJR on a fully diluted basis, except as a result of the merger of any of MW Petroleum, Apache Energy Resources and MWJR into the Company pursuant to Section 11.2; or

(b) any Unrelated Person or any Unrelated Persons acting together which would constitute a Group, together with any Affiliates or Related Persons thereof (in each case also constituting Unrelated Persons), shall at any time either

(i) Beneficially Own more than 20% of the aggregate voting power of all classes of Voting Stock of the Company or (ii) succeed in having sufficient of its or their nominees elected to the Board of Directors of the Company such that such nominees, when added to any existing director remaining on the Board of Directors of the Company after such election who is an Affiliate or Related Person of such Person or Group, shall constitute a majority of the Board of Directors of the Company. As used herein (A) "Beneficially Own" means "beneficially own" as defined in Rule 13d-3 of the Securities Exchange Act of 1934, as amended, or any successor provision thereto; (B) Group" means a "group" for purposes of Section 13(d) of the Securities Exchange Act of 1934, as amended; (C) Unrelated Person" means at any time any Person other than the Company or any Subsidiary and other than any trust for any employee benefit plan of the Company or any Subsidiary of the Company; (D) "Related Person" of any Person shall mean any other Person owning (1) 5% or more of the outstanding common stock of such Person or (2) 5% or more of the Voting Stock of such Person; and (E) "Voting Stock" of any Person shall mean capital stock of such Person which ordinarily has voting power for the election of directors (or persons performing similar functions) of such Person, whether at all times or only so long as no senior class of securities has such voting power by reason of any contingency.

"Chemical" means Chemical Bank in its individual capacity and its successors.

"Claims" is defined in Section 14.7.

"Co-Agent" is defined in the Preamble.

"Code" means the Internal Revenue Code of 1986, as amended, reformed or otherwise modified and in effect from time to time.

"Commitment" means, with respect to each Lender, the obligation of such Lender to make Loans not exceeding the amount set forth as its Commitment opposite its signature below or in the relevant Assignment Agreement, as such amount may be modified from time to time pursuant to the provisions of this Agreement, including any Assignment Agreement executed by such Lender and its Assignee Lender and delivered pursuant to Section 17.3 and any reduction pursuant to Sections 4.6, or 13.1; it being understood, however, that a change in the Borrowing Base does not constitute a modification of any Commitment.

"Company" is defined in the Preamble.

"Company's Engineers' Report" means a report prepared by the Company's engineering staff and certified by the Company's head of Technical Services and furnished by the Company to the Lenders pursuant to Section 9.1(f) which shall set forth (i) the estimated volume and rate of production of Hydrocarbons which may reasonably be expected to be produced from Proved Reserves for each Property, (ii) a computation of the projected gross revenues from Proved Reserves attributable to each Property, (iii) a computation of the future net revenues for each Property, showing separately net revenues from Proved Developed Producing Reserves, Proved Developed Non-Producing Reserves and Proved Undeveloped Reserves and (iv) projections as to the amount of Proved Reserves for each Property, showing separately Proved Developed Producing Reserves, Proved Developed Non-Producing Reserves and Proved Undeveloped Reserves; provided, that such Properties shall not include Properties the subject of Limited Recourse Indebtedness permitted by Section 11.1(d) or Properties on which a Lien has been granted pursuant to the facility described in item 1 of Schedule 11.1. The

Company's Engineers' Report shall be prepared using economic parameters (including pricing, inflation and discount rate) provided by the Engineering Banks and in accordance with established criteria generally accepted in the oil and gas industry for use by independent petroleum engineers in making determinations and appraisals of hydrocarbon reserves, including assumptions, estimates and projections as to production expenses, availability of reserves and rates of production. The Engineering Banks may, in their sole discretion after consulting with the Company, require modification of any assumption, projection or estimate which they (acting reasonably) find unacceptable.

"Competitive Bid Advance" means a borrowing hereunder consisting of the aggregate amount of the several Competitive Bid Loans made by some or all of the Lenders to the Company at the same time, having the same Stated Maturity Date and for the same Interest Period.

"Competitive Bid Borrowing Notice" is defined in Section 3.4(e).

"Competitive Bid Loan" means, with respect to a Lender, a competitive bid loan made by such Lender pursuant to Section 2.1 and Section 3.4 as the result of a Competitive Bid Borrowing Notice from the Company requesting a Competitive Bid Advance.

"Competitive Bid Margin" means the margin above or below the applicable Eurodollar Base Rate or Alternate Base Rate offered for a Bid Loan, expressed as a percentage (rounded to the nearest 1/16 of 1%) to be added or subtracted from the Eurodollar Base Rate or the Alternate Base Rate, as applicable.

"Competitive Bid Note" means a promissory note in substantially the form of Exhibit "A-2" hereto, with applicable insertions, duly executed and delivered to the Administrative Agent by the Company for the account of a Lender and payable to the order of such Lender, including any amendment, modification, renewal or replacement of such promissory note.

"Competitive Bid Quote" means a Competitive Bid Quote substantially in the form of Exhibit K hereto completed and delivered by a Lender to the Administrative Agent in accordance with Section 3.4(c).

"Competitive Bid Quote Request" means a Competitive Bid Quote Request substantially in the form of Exhibit E hereto completed and delivered by the Company to the Administrative Agent in accordance with Section 3.4(a).

"Consolidated Interest Expense" means, for any period for which a determination thereof is to be made, total interest expense, whether paid or accrued (but excluding that attributable to Capitalized Leases), of the Company and the Consolidated Subsidiaries on a consolidated basis including, without limitation, all commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing.

"Consolidated Net Income" means, for any period for which a determination thereof is to be made, the net income (or loss) after taxes of the Company and the Consolidated Subsidiaries on a consolidated basis for such period taken as a single accounting period; provided that there shall be excluded the income (or loss) of any Affiliate of the Company or other Person (other than a Consolidated Subsidiary of the Company) in which any Person (other than the Company or any of the Consolidated Subsidiaries) has a joint interest, except to the extent of the amount of dividends or other distributions actually paid to the Company or any of the Consolidated Subsidiaries by such Affiliate or other Person during such period.

"Consolidated Subsidiary" means, as of the time a determination thereof is to be made, any Subsidiary or other entity the accounts of which would be

consolidated with those of the Company in its consolidated financial statements if such statements were prepared as of such date.

"Consolidated Tangible Net Worth" means, as of the time a determination thereof is to be made, the consolidated stockholders' equity of the Company and the Consolidated Subsidiaries, less their consolidated intangible assets, all determined as of such date in accordance with Agreement Accounting Principles.

"Contingent Obligation" means, with respect to any Person as of the time a determination thereof is to be made, any agreement, undertaking or arrangement by which such Person guarantees, endorses or otherwise becomes or is contingently liable (by direct or indirect agreement, contingent or otherwise, to provide funds for payment, to supply funds to, or otherwise invest in, a debtor, or otherwise to assure a creditor against loss) in respect of any Indebtedness, obligation or other liability of itself or any other Person (other than by endorsements of instruments in the course of collection), or guarantees the payment of dividends or other distributions upon the shares or partnership interests of any other Person, or is liable in respect of the obligations of a partnership of which such Person is a partner.

"Continuation/Conversion Notice" means a notice by means of telecopy or telephone (confirmed in writing promptly thereafter if by telephone) of continuation or conversion, which notice shall specify the principal amount to be continued or converted, the date of such continuation or conversion, the type of Revolving Loan and, if such Revolving Loan is to be a Revolving Eurodollar Loan, the Interest Period, which notice, when delivered by telecopy or confirmed in writing, shall be substantially in the form of Exhibit "F" and executed on behalf of the Company by an Authorized Officer.

"Controlled Group" means all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with the Company or any Subsidiary, are treated as a single employer under Section 414(b) or 414(c) of the Code.

"Corporate Base Rate" means a rate per annum equal to the corporate base rate of interest announced by First Chicago from time to time, changing when and as said corporate base rate changes.

"Debt" means all Indebtedness of the type referred to in clauses (i), (ii), (iii), (iv) and (v) of the definition of Indebtedness.

"Debt/Capitalization Ratio" means, as of the time a determination thereof is to be made, the ratio expressed as a decimal of (x) the aggregate outstanding amount of the consolidated Debt of the Company and its Consolidated Subsidiaries, to (y) the sum of the consolidated stockholders' equity of the Company and its Consolidated Subsidiaries plus the aggregate outstanding amount of the consolidated Debt of the Company and its Consolidated Subsidiaries; provided, however, that for purposes of the definitions of Alternate Base Rate Spread and Eurodollar Spread and for purposes of Section 2.5(a) the Debt/Capitalization Ratio on each day commencing on the forty-fifth (45th) day following the end of a calendar quarter shall be deemed to be the lesser of (a) the Debt/ Capitalization Ratio as of the end of such calendar quarter and (b) the Debt/Capitalization Ratio as of the final day of the month following the end of such calendar quarter, in each case based on a certificate received by the Administrative Agent and the Lenders from the Vice President and Treasurer of the Company pursuant to Section 9.1(k), provided further that until the forty-fifth (45th) day following the calendar quarter ending March 31, 1995, the Debt/Capitalization Ratio shall be deemed to be in the range of 0.550 to 0.599 for purposes of the definition of Alternate Base Rate Spread and Eurodollar Spread.

"Declining Lender" is defined in Section 2.2.

"Default" means an event described in Article XII.

"DEKALB" means DEKALB Energy Company, a Delaware corporation.

"DEKALB Merger" means the Acquisition by XPX Acquisitions, Inc., a Delaware corporation ("XPX") wholly with the Company's common stock (except for cash for (i) fractional shares, (ii) payments in respect of dissenters' rights and (iii) certain employee options), of, and the subsequent merger with and into, DEKALB, with DEKALB as the survivor.

"DEKALB Notes" means (i) DEKALB Energy Company 10% Notes due April 15, 1998 issued in an original aggregate amount not in excess of $50,000,000, and (ii) DEKALB Energy Company 9-7/8% Notes due July 15, 2000 issued in an original aggregate amount not in excess of $75,000,000, both issued pursuant to that certain Indenture, dated as of April 1, 1988, between DEKALB and Continental Illinois National Bank and Trust Company of Chicago, a national banking association, as Trustee (the "DEKALB Trustee"), as modified and supplemented by that certain First Supplemental Indenture, dated as of April 1, 1988, between DEKALB and the DEKALB Trustee.

"Drilling Partnership" means each general and limited partnership in existence and which has not been dissolved by action of the general partner at the Effective Date (other than Apache Offshore Investment Partnership) whose sole general partner and managing partner, if any, is the Company, and which is engaged principally in the business of exploration for, and the production of, oil and gas.

"EBITDDA" means, for any period for which a determination thereof is to be made, without duplication, the sum of the amounts for such period of (i) Consolidated Net Income, (ii) Consolidated Interest Expense, (iii) depreciation expense and depletion expense, (iv) amortization expense, (v) federal and state taxes, (vi) other non-cash charges and expenses and (vii) any losses arising outside of the ordinary course of business which have been included in the determination of Consolidated Net Income; less any gains arising outside of the ordinary course of business which have been included in the determination of Consolidated Net Income, all as determined on a consolidated basis for the Company and the Consolidated Subsidiaries.

"Effective Date" means a date agreed upon by the Company, the Arrangers and the Administrative Agent as the date on which the conditions precedent set forth in Section 7.1 of this Agreement have been satisfied.

"Effectiveness Notice" means a notice and certificate of the Company properly executed by an Authorized Officer addressed to the Lenders and delivered to the Administrative Agent, in sufficient number of counterparts to provide one for each Lender, whereby the Company certifies satisfaction of all the conditions precedent to the effectiveness of this Agreement under Section 7.1.

"Engineering Bank" means each of First Chicago and Chemical in their respective capacities as Engineering Banks.

"Environmental Law" means any federal, state, or local statute, or rule or regulation promulgated thereunder, any judicial or administrative order or judgment or written administrative request to which the Company or any Subsidiary is party or which are applicable to the Company or any Subsidiary or the Properties (whether or not by consent), and any provision or condition of any permit, license or other governmental operating authorization, relating to (A) protection of the environment, persons or the public welfare from actual or potential exposure for the effects of exposure to any actual or potential release, discharge, spill or emission (whether past or present) of, or regarding the manufacture, processing, production, gathering, transportation, importation, use, treatment,

storage or disposal of, any chemical, raw material, pollutant, contaminant or toxic, corrosive, hazardous, or non-hazardous substance or waste, including petroleum; or (B) occupational or public health or safety.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

"Eurodollar Advance" means a Eurodollar Bid Rate Advance or a Eurodollar Revolving Advance.

"Eurodollar Auction" means a solicitation of Competitive Bid Quotes setting forth Competitive Bid Margins pursuant to Section 3.4.

"Eurodollar Base Rate" means, with respect to a Eurodollar Revolving Advance or a Eurodollar Bid Rate Advance for the relevant Interest Period, the rate determined by the Administrative Agent to be the arithmetic average of the rates reported to the Administrative Agent by each Reference Lender as the rate at which deposits in U.S. dollars are offered by such Reference Lender to first-class banks in the London interbank market at approximately 11 a.m. (London time) two Business Days prior to the first day of such Interest Period, in the approximate amount of such Reference Lender's relevant Eurodollar Revolving Loan or, in the case of a Eurodollar Bid Rate Loan, the amount of the Eurodollar Bid Rate Loan requested by the Company, and having a maturity approximately equal to such Interest Period. If any Reference Lender fails to provide such quotation to the Administrative Agent, then the Administrative Agent shall determine the Eurodollar Base Rate on the basis of the quotations of the remaining Reference Lender.

"Eurodollar Bid Rate" means, with respect to a Eurodollar Bid Rate Loan made by a given Lender for the relevant Interest Period, the sum of (i) the Eurodollar Base Rate and (ii) the Competitive Bid Margin offered by such Lender and accepted by the Company.

"Eurodollar Bid Rate Advance" means a Competitive Bid Advance which bears interest at a Eurodollar Bid Rate.

"Eurodollar Bid Rate Loan" means a Competitive Bid Loan which bears interest at the Eurodollar Bid Rate.

"Eurodollar Loan" means a Eurodollar Bid Rate Loan or a Eurodollar Revolving Loan.

"Eurodollar Revolving Advance" means a Revolving Advance which bears interest at a Eurodollar Rate.

"Eurodollar Revolving Loan" means a Revolving Loan which bears interest at a Eurodollar Rate.

"Eurodollar Rate" means, with respect to a Loan or Advance for each day during the relevant Interest Period, the sum of (i) the quotient of (a) the Eurodollar Base Rate applicable to that Interest Period, divided by (b) one minus the Reserve Requirement (expressed as a decimal) applicable to that Interest Period, plus (ii) the Eurodollar Spread applicable to that day. The Eurodollar Rate shall be rounded, if necessary, to the next higher 1/16 of 1%.

"Eurodollar Spread" means the applicable rate per annum set forth in Schedule B.

"Federal Funds Effective Rate" means, for any period for which a determination thereof is made, a fluctuating interest rate per annum equal for each day during such period to (i) the weighted average of the rates on overnight

federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published for such day (or, if such day is not a Business Day, for the preceding Business Day) by the Federal Reserve Bank of New York; or (ii) if such rate is not so published for any day which is a Business Day, the average of the quotations at approximately 10 a.m. (Chicago time) for such day on such transactions received by the Administrative Agent from three federal funds brokers of recognized standing selected by it.

"First Chicago" means The First National Bank of Chicago in its individual capacity, and its successors and assigns.

"Floating Bid Rate" means, with respect to a Floating Bid Rate Loan made by a given Lender, the sum of (i) the Alternate Base Rate, changing when and as the Alternate Base Rate changes, and (ii) the Competitive Bid Margin offered by such Lender and accepted by the Company.

"Floating Bid Rate Advance" means a Competitive Bid Advance which bears interest at the Floating Bid Rate.

"Floating Bid Rate Loan" means a Competitive Bid Loan which bears interest at the Floating Bid Rate.

"Floating Rate Auction" means a solicitation of Competitive Bid Quotes setting forth the Competitive Bid Margin for Floating Bid Rates pursuant to Section 3.4.

"Floating Rate Revolving Advance" means a Revolving Advance which bears interest at the Floating Revolving Rate.

"Floating Rate Revolving Loan" means a Revolving Loan which bears interest at the Floating Revolving Rate.

"Floating Revolving Rate" means a rate per annum equal to the sum of the Alternate Base Rate, changing when and as the Alternate Base Rate changes, plus the Alternate Base Rate Spread, in effect from time to time.

"Guarantor" means each of MW Petroleum, Apache Energy Resources and any Subsidiary of the Company which is a guarantor pursuant to a Guaranty in favor of the Agents and the Lenders delivered pursuant to Section 9.11.

"Guaranty" means the MW Guaranty, the Apache Guaranty and each other Guaranty delivered pursuant to Section 9.11, in each case as such Guaranty may from time to time be amended, supplemented, restated, reaffirmed or otherwise modified.

"Hazardous Material" means

i. any "hazardous substance", as defined by CERCLA;

ii. any "hazardous waste", as defined by the Resource Conservation and Recovery Act, as amended;

iii. any petroleum, crude oil or any fraction thereof;

iv. any hazardous, dangerous or toxic chemical, material, waste or substance within the meaning of any Environmental Law;

v. any radioactive material, including any naturally occurring radioactive material, and any source, special or by-product material as defined in 42 U.S.C. Section 2011 et. seq., and any amendments or reauthorizations thereof;

vi. asbestos-containing materials in any form or condition; or

vii. polychlorinated biphenyls in any form or condition.

"Hydrocarbon Interests" means leasehold and other interests in or under leases with respect to property located in the United States of America and any other countries acceptable to the Required Lenders, mineral fee interests, production sharing contracts, overriding royalty and royalty interests, net profit interests and production payment interests, insofar and only insofar as such interests relate to Hydrocarbons located in the United States of America and any other countries acceptable to the Required Lenders, including any reserved or residual interests of whatever nature.

"Hydrocarbons" means oil, gas and all other liquid or gaseous hydrocarbons and all products refined therefrom and all other minerals and substances including, sulfur, geothermal steam, water, carbon dioxide, helium and any and all other minerals, ores or substances of value and the products and proceeds therefrom.

"include" or "including" means including without limiting the generality of any description preceding such terms, and, for purposes of this Agreement and each other Loan Document, the parties hereto agree that the rule of ejusdem generis shall not be applicable to limit a general statement, which is followed by or referable to an enumeration of specific matters, to matters similar to the matters specifically mentioned.

"Indebtedness" means, with respect to a Person, such Person's (i) obligations for borrowed money, (ii) obligations representing the deferred purchase price of property or services, including obligations payable out of Hydrocarbon production, other than accounts payable arising in the ordinary course of such Person's business payable on terms customary in the trade, (iii) obligations, whether or not assumed, secured by Liens (other than Liens permitted by Section 11.5, clauses (a) through (d) or clauses (f) through (h)) or payable out of the proceeds of production from property now or hereafter owned or acquired by such Person, (iv) obligations which are evidenced by notes, bonds, debentures, acceptances, or other instruments, (v) Capitalized Lease Obligations, (vi) liabilities under interest rate swap, exchange, collar or cap agreements and all other agreements or arrangements designed to protect such Person against fluctuations in interest rates or currency exchange rates, (vii) liabilities under commodity hedge, commodity swap, exchange, collar or cap agreements, fixed price agreements and all other agreements or arrangements designed to protect a person against fluctuations in oil or gas prices, and (viii) obligations, contingent or otherwise, relative to the amount of all letters of credit, whether or not drawn, and (ix) all Contingent Obligations of such Person in respect of any of the foregoing; provided, however, that such term shall not include any amounts included as deferred credits on the financial statements of such Person or of a consolidated group including such Person, determined in accordance with Agreement Accounting Principles; provided further that for purposes of the foregoing clauses (ii) and (iii), obligations pursuant to any oil, gas and/or mineral leases, farm-out agreements, division orders, contracts for the exchange or processing of oil, gas and/or other hydrocarbons, unitization and pooling declarations and agreements, operating agreements, development agreements, area of mutual interest agreements, and other agreements which are customary in the oil, gas and other mineral exploration, development and production business and in the business of processing of gas and gas condensate production for the extraction of products therefrom shall not be Indebtedness.

"Indemnified Person" is defined in Section 14.7.

"Interest Period" means, with respect to a Eurodollar Bid Rate Advance or a Eurodollar Revolving Advance, a period of one (1), two (2), three (3) or,

subject to availability, six (6) months commencing on a Business Day selected by the Company pursuant to this Agreement. Such Interest Period shall end on (but exclude) the day which corresponds numerically to such date one (1), two (2), three (3) or six (6) months thereafter, provided, however, that if there is no such numerically corresponding day in such next, second, third or sixth succeeding month, such Eurodollar Interest Period shall end on the last Business Day of such next, second, third or sixth succeeding month. Notwithstanding the foregoing, with respect only to Eurodollar Revolving Loans and Eurodollar Bid Rate Loans outstanding prior to the ninetieth day following the Closing Date (or such earlier date communicated to the Company by the Arrangers), (i) the Company may, select such other Interest Periods as the Lenders may from time to time agree commencing on a Business Day selected by the Company and ending on (but excluding) the day such number of days after such date and (ii) the Company may not select any Interest Period ending after such ninetieth day (or such earlier date communicated to the Company by the Arrangers). If an Interest Period would otherwise end on a day which is not a Business Day, such Interest Period shall end on the next succeeding Business Day; provided, however, that if said next succeeding Business Day falls in the next month, such Interest Period shall end on the immediately preceding Business Day.

"International" means Apache International, Inc., a Delaware corporation, Subsidiaries of Apache International, Inc., and Subsidiaries of the Company which own properties or conduct operations or propose to own properties or conduct operations exclusively outside of the United States of America, except for Apache Energy Resources, Subsidiaries of Apache Energy Resources, Apache Energy Limited, and Apache Overseas, Inc.

"Investment" means, with respect to any Person, any loan, advance, extension of credit (excluding accounts receivable arising in the ordinary course of business on terms customary in the trade) or contribution of capital by such Person to any other Person or any investment in, or purchase or other acquisition of, the stock, notes, debentures or other securities of any other Person made by such Person. The amount of any Investment shall be the original principal or capital amount thereof less all returns of principal or equity thereon (and without adjustment by reason of the financial condition of such other Person) and shall, if made by the transfer or exchange of property other than cash, be deemed to have been made in an original principal or capital amount equal to the fair market value of such property.

"Invitation for Competitive Bid Quotes" means an Invitation for Competitive Bid Quotes substantially in the form of Exhibit H hereto, completed and delivered by the Administrative Agent to the Lenders in accordance with Section 3.4(b).

"July 1991 Agreement" is defined in Recital 1.

"Lenders" means the financial institutions listed on the signature pages of this Agreement and their respective successors and assigns in accordance with Section 17.3 (including any commercial lending institution becoming a party hereto pursuant to an Assignment Agreement) or otherwise by operation of law.

"Lending Installation" means any office, branch, subsidiary or affiliate of any Lender, the Administrative Agent or any Arranger.

"Lien" means any interest in assets or property securing an obligation owed to, or a claim by, a Person other than the owner of the asset or property, whether such interest is based on the common law, statute or contract, and whether such obligation or claim is fixed or contingent, and including any security interest, mortgage, pledge, lien, claim, charge, encumbrance, contract for deed, installment sales contract, production payment, lessor's interest under a Capitalized Lease or analogous instrument, in, of or on any Person's assets or properties in favor of any other Person.

"Limited Recourse Indebtedness" is defined in Section 11.1.

"Loan" means any of the Revolving Loans and the Competitive Bid Loans.

"Loan Documents" means this Agreement, the Notes, the Guaranties, the Assignment Agreements, and the agreement with respect to fees described in Section 2.5(b), together with all exhibits, schedules and attachments thereto, and all other agreements, documents, certificates, financing statements and instruments from time to time executed and delivered pursuant to or in connection with any of the foregoing.

"MW Guaranty" means that certain Guaranty, dated as of July 1, 1991, by MW Petroleum Corporation, a Delaware corporation, as assumed by MW Petroleum pursuant to that certain Assumption Agreement, dated as of December 24, 1991, as amended, supplemented, reaffirmed, restated or otherwise modified.

"MW Petroleum" means MW Petroleum Corporation, a Colorado corporation.

"MWJR" means MWJR Petroleum Corporation, a Delaware corporation.

"Material Adverse Effect" means with respect to any matter that such matter (i) could reasonably be expected to materially and adversely affect the assets, business, properties, condition (financial or otherwise), prospects, or results of operations of the Company and its Subsidiaries, taken as a whole, or the value or condition of the Properties taken as a whole, or the ability of the Company or any Subsidiary to perform its respective obligations under any of the Loan Documents or (ii) has been brought by or before any court or arbitrator or any governmental body, agency or official, and draws into question or otherwise has or reasonably could be expected to have a material adverse effect on the validity or enforceability of any material provision of any Loan Document against any obligor party thereto or the rights, remedies and benefits available to the Agents and the Lenders under the Loan Documents.

"Multiemployer Plan" means a Plan maintained pursuant to a collective bargaining agreement to which the Company or any member of the Controlled Group is a party and to which more than one employer is obligated to make contributions.

"1992 Revolving Loans" is defined in Recital 2.

"1994 Revolving Loans" is defined in Recital 3.

"1995 Engineers' Report" means those certain engineering reports of the Company's engineers, Ryder Scott Company Petroleum Engineers, dated as of January 25, 1995 with respect to the Properties, copies of which have been delivered to each of the Lenders.

"Non-conforming Borrowing Base" means the amount by which outstanding Advances may exceed the Borrowing Base then in effect, but in no event shall such Non-conforming Borrowing Base exceed (a) $135,000,000 prior to May 10, 1996, (b) $85,000,000 on and after May 10, 1996 through November 4, 1996 and (c) $0.0 thereafter, as such Non-conforming Borrowing Base may be reduced pursuant to Section 4.2(d) or 4.6 or as a result of a redetermination of the Borrowing Base or reduction in the Aggregate Available Commitment, provided that at no time shall the Non-conforming Borrowing Base be increased.

"Note" means any Revolving Note or any Competitive Bid Note.

"Notice of Assignment" is defined in Section 17.3(b).

"Obligations" means all unpaid principal of and accrued and unpaid interest on the Notes, all accrued and unpaid facility fees, and all other obligations of the Company or any Subsidiary to any Lender or any Agent, whether or not contingent, arising under or in connection with any of the Loan Documents, and all obligations in respect of any interest rate swap or interest rate cap or collar agreement or other interest rate hedging agreement entered into by the Company or any Subsidiary with any Lender.

"Offshore" means Apache Offshore Petroleum Limited Partnership, a Delaware limited partnership.

"or" as used in this Agreement is not exclusive.

"Original Revolving Loans" is defined in Recital 1.

"Original Term Loans" is defined in Recital 1.

"Original Termination Date" means March 1, 2000.

"Participant" is defined in Section 17.2(a).

"Payment Date" means the second day of January and the first day of each April, July and October of each calendar year, commencing April 1, 1995.

"PBGC" means the Pension Benefit Guaranty Corporation and its successors and assigns.

"Person" means any corporation, natural person, firm, joint venture, partnership, trust, unincorporated organization, enterprise, government or any department or agency of any government.

"Plan" means an employee pension benefit plan which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code as to which the Company or any member of the Controlled Group may have any liability.

"Projections" means the Company's Operations and Financial Summary Data consisting of the Company Case dated 2/15/95 and the Liquidating Case dated 2/2/95.

"Properties" means Hydrocarbon Interests and the properties now or hereafter pooled or unitized with Hydrocarbon Interests; all presently existing or future unitization, pooling agreements and declarations of pooled units and the units created thereby (including without limitation all units created under orders, regulations and rules of any governmental body or agency having jurisdiction) which may affect all or any portion of the Hydrocarbon Interests; all operating agreements, contracts and other agreements which relate to any of the Hydrocarbon Interests or the production, sale, purchase, exchange or processing of Hydrocarbons from or attributable to such Hydrocarbon Interests and such properties; all Hydrocarbons in and under and which may be produced and saved or attributable to the Hydrocarbon Interests and such properties; all Hydrocarbons in and under and which may be produced and saved or attributable to the Hydrocarbon Interests and such properties, the lands covered thereby and all oil in tanks and all rents, issues, profits, proceeds, products, revenues and other incomes from or attributable to the Hydrocarbon Interests and such properties; all tenements, hereditaments, appurtenances and properties in anywise appertaining, belonging, affixed or incidental to the Hydrocarbon Interests, properties, rights, titles, interests and estates described or referred to above, including any and all property, real or personal, now owned or hereinafter acquired and situated upon, used, held for use or useful in connection with the operating, working or development of any of such Hydrocarbon Interests or

property (excluding drilling rigs, automotive equipment or other personal property which may be on such premises for the purpose of drilling a well or for other similar temporary uses) and including any and all oil wells, gas wells, injection wells or other wells, buildings, structures, fuel separators, liquid extraction plants, plant compressors, pumps, pumping units, field gathering systems, tanks and tank batteries, fixtures, valves, fittings, machinery and parts, engines, boilers, meters, apparatus, equipment, appliances, tools, implements, cables, wires, towers, casing, tubing and rods, surface leases, rights-of-way, easements and servitudes together with all additions, substitutions, replacements, accessions and attachments to any and all of the foregoing in each case which are owned by the Company or any Subsidiary.

"Proved Developed Non-Producing Reserves" means, with respect to the Properties, those quantities of Hydrocarbons, estimated with reasonable certainty, as demonstrated by geological and engineering data, to be economically recoverable from the Properties by producing methods under existing economic conditions using existing equipment and operating methods from locations which are behind the casing of existing wells or at minor depths below the present bottom of such wells and which are expected to be produced through these wells in the predictable future, where a relatively small expenditure is required for completion or recompletion to make such Hydrocarbons available for production.

"Proved Developed Producing Reserves" means, with respect to the Properties, those quantities of Hydrocarbons, estimated with reasonable certainty, as demonstrated by geological and engineering data, to be economically recoverable from the Properties by producing methods under existing economic conditions using existing equipment and operating methods from existing completion intervals open for production in existing wells.

"Proved Reserves" means, with respect to the Properties, the sum of Proved Developed Producing Reserves, Proved Developed Non-Producing Reserves and Proved Undeveloped Reserves.

"Proved Undeveloped Reserves" means, with respect to the Properties, those quantities of Hydrocarbons, estimated with reasonable certainty, as demonstrated by geological and engineering data, to be economically recoverable from the Properties by producing methods under existing economic conditions using existing equipment, or equipment for which there is a reasonable expectation of or commitment to installation in the future, and operating methods from (i) existing wells where a relatively large expenditure is required for completion or recompletion and (ii) new wells on undrilled locations (a) which are direct offsets to existing wells then or previously open for production, (b) which are within known proved productive limits of the subject formation, estimated with reasonable certainty, (c) which conform to existing completion intervals for existing wells and (d) which will be developed with a reasonable degree of certainty.

"Purchase and Sale Agreement" means that certain Purchase and Sale Agreement dated December 22, 1994 by and between Texaco and the Company, as the same may be amended, supplemented or otherwise modified from time to time.

"Purchaser" is defined in Section 17.3(a).

"Qualified Long Term Rating" means in respect of any Person, a Person which has publicly traded debt securities rated either A- or higher by Standard & Poor's Corporation or A(3) or higher by Moody's Investors Service, Inc.

"Rate Option" means the Eurodollar Rate or the Floating Rate.

"Rating Agency" means each of Duff & Phelps Credit Rating Company, Moody's Investors Service, Inc. and Standard & Poor's Corporation.

"Reference Lenders" means First Chicago and Chemical.

"Regulation D" means Regulation D of the Board of Governors of the Federal Reserve System from time to time in effect and shall include any successor or other regulation or official interpretation of said Board of Governors or any successor Person relating to reserve requirements applicable to member banks of the Federal Reserve System or any successor Person.

"Regulation U" means any of Regulations G, T, U or X of the Board of Governors of the Federal Reserve System from time to time in effect and shall include any successor or other regulations or official interpretations of said Board of Governors or any successor Person relating to the extension of credit for the purpose of purchasing or carrying margin stocks applicable to member banks of the Federal Reserve System or any successor Person.

"Release" means a "release", as such term is defined in CERCLA.

"Replacement Lender" is defined in Section 2.2.

"Reportable Event" means a reportable event as defined in Section 4043 of ERISA and the regulations issued under such section, with respect to a Plan, excluding, however, such events as to which the PBGC by regulation waived the requirement of Section 4043(a) of ERISA that it be notified within 30 days of the occurrence of such event, provided that a failure to meet the minimum funding standard of Section 412 of the Code and of Section 302 of ERISA shall be a Reportable Event regardless of the issuance of any such waivers in accordance with either Section 4043(a) of ERISA or Section 412(d) of the Code.

"Required Lenders" means, as of any date of determination, Lenders (including First Chicago and Chemical) having in the aggregate at least 66-2/3% of the Aggregate Commitment or, if the Aggregate Commitment has been terminated, Lenders holding at least 66-2/3% of the then outstanding principal amount of the Loans.

"Reserve Requirement" means, with respect to an Interest Period, the maximum aggregate reserve requirement (including all basic, emergency, supplemental, marginal and other reserves and taking into account any transitional adjustments or regulations issued from time to time by the Board of Governors of the Federal Reserve System) which is then applicable to assets or liabilities consisting of and including with a maturity equal to that of the "Eurocurrency Liabilities", as defined in Regulation D, having a term approximately equal or comparable to such Interest Period.

"Revolving Advance" means a borrowing hereunder consisting of the aggregate amount of the several Revolving Loans made by the Lenders or any of them to the Company on the same Borrowing Date, at the same Rate Option and, in the case of Eurodollar Revolving Loans, for the same Interest Period.

"Revolving Loan" means, with respect to a Lender, a revolving loan made by such Lender pursuant to Sections 2.2 and 3.3 as the result of a Borrowing Notice from the Company requesting an Advance.

"Revolving Note" means a promissory note in substantially the form of Exhibit "A-1" hereto (with appropriate insertions and deletions), duly executed and delivered to the Administrative Agent by the Company and payable to the order of a Lender in the amount of its Commitment, including any amendment, modification, renewal or replacement of such promissory note.

"Sale" means any sale, transfer, assignment, lease, conveyance, exchange, swap or other disposition.

"Schedules" means Schedules A, 8.8, 11.1 and 11.12 hereto.

"Single Employer Plan" means a Plan maintained by the Company or any member of the Controlled Group for employees of the Company or any member of the Controlled Group.

"Solvent" means, with respect to any Person at any time, a condition under which

the fair saleable value of such Person's assets is, on the date of determination, greater than the total amount of such Person's liabilities (including contingent and unliquidated liabilities) at such time;

such Person is able to pay all of its liabilities as such liabilities mature; and

such Person does not have unreasonably small capital with which to conduct its business.

For purposes of this definition

(i) the amount of a Person's contingent or unliquidated liabilities at any time shall be that amount which, in light of all the facts and circumstances then existing, represents the amount which can reasonably be expected to become an actual or matured liability;

(ii) the "fair saleable value" of an asset shall be the amount which may be realized within a reasonable time either through collection or sale of such asset at its regular market value; and

(iii) the "regular market value" of an asset shall be the amount which a capable and diligent business person could obtain for such asset from an interested buyer who is willing to purchase such asset under ordinary selling conditions.

"Stated Maturity Date" is defined in Section 3.4(a).

"Subordinated Indebtedness" means any Indebtedness described in Schedule 11.1 as subordinated indebtedness and any Indebtedness of the Company or any of its Subsidiaries permitted pursuant to Section 11.1(c).

"Subsidiary" means, with respect to any Person, any other Person more than 50% of the outstanding voting securities of which shall at the time be owned or controlled, directly or indirectly, by such Person; provided, that with respect to the Company, Subsidiaries shall include MW Petroleum, MWJR, each Drilling Partnership and any other Person more than 50% of the outstanding voting securities of which shall at the time be owned or controlled, directly or indirectly, by the Company or by one or more Subsidiaries or by the Company and one or more Subsidiaries; further provided, that, notwithstanding the foregoing, Subsidiaries of the Company shall not include, for the purposes of Article VIII (except for Sections 8.10, 8.15 and 8.16), Article IX, Article XI (except for Sections 11.2 and 11.9) and Article XII (except for Section 12.1 insofar as the representation or warranty which is breached or shall be false was made pursuant to Section 8.10, Section 8.15 or Section 8.16), Apache Energy Limited and its Subsidiaries.

"Termination Date" means the Original Termination Date, or such other later date as may result from any extension requested by the Company and consented to by the Lenders pursuant to Section 2.2.

"Texaco" means Texaco Exploration and Production Inc., a Delaware corporation.

"Texaco Acquisition" means the acquisition by the Company pursuant to the Purchase and Sale Agreement of Properties as described therein.

"Transferee" is defined in Section 17.4.

"Unfunded Liabilities" means, (i) in the case of Single Employer Plans, the amount (if any) by which the present value of all vested nonforfeitable benefits under such Plan exceeds the fair market value of all Plan assets allocable to such benefits, all determined as of the then most recent valuation date for such Plans, and (ii) in the case of Multiemployer Plans, the withdrawal liability that would be incurred by the Controlled Group if all members of the Controlled Group completely withdrew from all Multiemployer Plans.

"Unmatured Default" means an event which but for the lapse of time or the giving of notice, or both, would constitute a Default.

"Utilized Commitment" means the sum of the aggregate outstanding principal amount of Loans. With respect to each Lender, its share, in dollars, of the Utilized Commitment shall be calculated as the sum of the aggregate outstanding principal amount of such Lender's Loans.

"Wholly-Owned Subsidiary" means any Subsidiary all of the outstanding voting securities of which shall at the time be owned or controlled, directly or indirectly, by the Company or one or more Wholly-Owned Subsidiaries, or by the Company and one or more Wholly-Owned Subsidiaries, or any similar business organization which is so owned or controlled.

1.2. Use of Defined Terms. Unless otherwise defined or the context otherwise requires, terms for which meanings are provided in this Agreement shall have such meanings when used in each Schedule and Exhibit hereto and in each Note, Borrowing Notice, Competitive Bid Borrowing Notice, Continuation/Conversion Notice, Loan Document, notice and other communication delivered from time to time in connection with this Agreement or any other Loan Document.

1.3. Cross References. Unless otherwise specified, references in this Agreement and in each other Loan Document to any Article, Section, Exhibit or Schedule are references to such Article or Section of or Schedule or Exhibit to this Agreement or such other Loan Document, as the case may be, and, unless otherwise specified, references in any Article, Section or definition to any clause are references to such clause of such Article, Section or definition.

1.4. Accounting and Financial Determination. Unless otherwise specified, all accounting terms used herein or in any other Loan Document shall be interpreted, all accounting determinations and computations hereunder or thereunder, and all financial statements required to be delivered hereunder or thereunder, shall be prepared in accordance with, the Agreement Accounting Principles.

ARTICLE II

THE FACILITIES

2.1. The Facility.

(a) Description of Facility. On the Effective Date, all outstanding 1994 Revolving Loans shall be renewed, restated, extended and converted into (but shall not be deemed to be repaid) Revolving Loans under this Agreement; provided, however, that from and including the Effective Date the Eurodollar Spread applicable with respect to such renewed, restated, extended and converted 1994 Revolving Loans shall be determined pursuant to this Agreement. On the terms and subject to the conditions set forth in this Agreement (including satisfaction of the conditions precedent set forth in Article VII), the Lenders grant to the Company a revolving credit facility pursuant to which, and upon the terms and conditions herein set out:

(i) each Lender severally agrees to make Revolving Loans to the Company in accordance with this Section and Article III; and

(ii) each Lender may, in its sole discretion, make bids to make Competitive Bid Loans to the Company in accordance with this Section and Article III.

(b) Facility Amount. In no event may the aggregate principal amount of all outstanding Loans (including both the Revolving Loans and the Competitive Bid Loans) exceed the Aggregate Available Commitment and no Lender shall be obligated to make any Loan hereunder if, after giving effect to such Loan, the sum of the aggregate outstanding principal amount of all Loans would exceed the Aggregate Available Commitment (as then in effect after giving effect to any reductions thereof to be effectuated on such day).

(c) All Loans. Subject to the terms and conditions of this Agreement, the Company may borrow, repay and reborrow all Loans made under this Agreement at any time prior to the Termination Date. The obligations of the Lenders to make Loans shall cease on the Termination Date, and any and all Loans outstanding on such date shall be due and payable on such date.

(d) Revolving Advances. Each Revolving Advance hereunder shall consist of borrowings made from the several Lenders ratably in proportion to the amounts of their respective Commitments. The aggregate outstanding amount of Competitive Bid Loans shall reduce each Lender's portion of the Aggregate Available Commitment ratably in the proportion such Lender's Commitment bears to the Aggregate Commitment regardless of which Lender or Lenders makes such Competitive Bid Loans.

(e) Competitive Bid Loans. In addition to Revolving Loans pursuant to Section 2.1(d), but subject to the terms and conditions of this Agreement (including, without limitation, the limitation set forth in Section 2.1(b) as to the maximum aggregate principal amount of all outstanding Loans hereunder, the Company may, as set forth in this Section 2.1(e) and Article III, at any time request the Lenders, prior to the Termination Date, to make offers to make Competitive Bid Advances to the Company. Each Lender may, but shall have no obligation to, make such offers and the Company may, but shall have no obligation to, accept such offers.

2.2. Extension of Termination Date and of Commitment.

(a) Subject to the other provisions of this Agreement, the Aggregate Commitment shall be effective for an initial period from the Effective Date to the Original Termination Date; provided that the Aggregate Commitment, and concomitantly the Termination Date, may be extended for successive one year periods expiring on the date which is one (1) year from the then scheduled Termination Date. If the Company shall request in an Annual Certificate of Extension delivered to the Administrative Agent concurrently with delivery of the Approved Engineers' Report delivered prior to the then scheduled Termination Date pursuant to Section 9.1(d) that the Aggregate Commitment be extended for one year from the then scheduled Termination Date, then the Administrative Agent shall promptly notify each Lender of such request and each Lender shall notify the Administrative Agent, no later than the next date by which each Lender is required, pursuant to Section 2.3(a), to (i) approve or disapprove the Engineering Banks' determination of the Borrowing Base and (ii) whether it, in the exercise of its sole discretion, will extend the Termination Date for such one year period. Any Lender which shall not timely notify the Administrative Agent whether it will extend the Termination Date shall be deemed to not have agreed to extend the Termination Date. No Lender shall have any obligation whatsoever to agree to extend the Termination Date. Any agreement to extend the Termination Date by any Lender shall be irrevocable, except as provided in Section 2.2(c).

(b) If all the Lenders notify the Administrative Agent pursuant to clause (a) of this Section 2.2 of their agreement to extend the Termination Date (such Lenders agreeing to extend the Termination Date herein called the "Accepting Lenders"), then the Administrative Agent shall so notify each Lender and the Company, and such extension shall be effective without other or further action by any party hereto for such additional one year period.

(c) If Lenders constituting at least the Required Lenders approve the extension of the then scheduled Termination Date and if one (1) or more of the Lenders shall notify, or be deemed to notify, the Administrative Agent pursuant to clause (a) of this Section 2.2 that it will not extend the then scheduled Termination Date (such Lenders herein called the "Declining Lenders"), then (A) the Administrative Agent shall promptly so notify the Company and the Accepting Lenders, (B) the Accepting Lenders shall, upon the Company's election to extend the then scheduled Termination Date in accordance with clause (i) or (ii) below, extend the then scheduled Termination Date and (C) the Company shall pursuant to a notice delivered to the Administrative Agent, the Accepting Lenders and the Declining Lenders, no later than the fifth day following the date by which each Lender is required, pursuant to Section 2.2(a), to approve or disapprove the requested extension of the Aggregate Commitment, either:

(i) elect to extend the Termination Date with respect to the Accepting Lenders and direct the Declining Lenders to terminate their Commitments, which termination shall become effective on the date which would have been the Termination Date except for the operation of this Section 2.2. On such date, (x) the Company shall deliver a notice of the effectiveness of such termination to the Declining Lenders with a copy to the Administrative Agent and (y) the Company shall pay in full in immediately available funds all Obligations of the Company owing to the Declining Lenders and (z) upon the occurrence of the events set forth in clauses (x) and (y), the Declining Lenders shall each cease to be a Lender hereunder for all purposes, other than for

purposes of Section 14.7, and shall cease to have any obligations or any Commitment hereunder, other than to the Agents pursuant to Section 15.8 and the Administrative Agent shall promptly notify the Accepting Lenders and the Company of the new Aggregate Commitment; or

(ii) elect to extend the Termination Date with respect to the Accepting Lenders and, prior to or no later than the then scheduled Termination Date, (A) to replace one or more of the Declining Lender or Lenders with another lender or lenders reasonably acceptable to the Administrative Agent (such lenders herein called the "Replacement Lenders") and (B) the Company shall pay in full in immediately available funds all Obligations of the Company owing to the Declining Lenders which are not being replaced, as provided in clause (i) above; provided that (x) the Replacement Lender or Lenders shall purchase, and the Declining Lender or Lenders shall sell, the Notes of the Declining Lender or Lenders being replaced and the Declining Lender's or Lenders' rights hereunder without recourse or expense to, or warranty by, such Declining Lender or Lenders being replaced for a purchase price equal to the aggregate outstanding principal amount of the Note or Notes payable to such Declining Lender or Lenders plus any accrued but unpaid interest on such Note or Notes and accrued but unpaid fees in respect of such Declining Lender's or Lenders' Loans and Commitments hereunder, and (y) all obligations of the Company owing under or in connection with this Agreement to the Declining Lender or Lenders being replaced (including, without limitation, such increased costs, breakage fees payable under Section 6.3 and all other costs and expenses payable to each such Declining Lender) shall be paid in full in immediately available funds to such Declining Lender or Lenders concurrently with such replacement, and (z) upon the payment of such amounts referred to in clauses (x) and (y), the Replacement Lender or Lenders shall each constitute a Lender hereunder and the Declining Lender or Lenders being so replaced shall no longer constitute a Lender (other than for purposes of Section 14.7), and shall no longer have any obligations hereunder, other than to the Agents pursuant to Section 15.8; or

(iii) elect to revoke and cancel the extension request in such Annual Certificate of Extension by giving notice of such revocation and cancellation to the Administrative Agent (which shall promptly notify the Lenders thereof) no later than the fifth day following the date by which each Lender is required, pursuant to Section 2.2(a), to approve or disapprove the requested extension of the Aggregate Commitment.

If the Company fails to timely provide the election notice referred to in this clause (c), the Company shall be deemed to have revoked and cancelled the extension request in the Annual Certificate of Extension and to have elected not to extend the Aggregate Commitment, and the concomitant Termination Date with respect to the Accepting Lenders, and on the then scheduled Termination Date the Company shall repay in full all amounts outstanding under the Loans.

2.3. Borrowing Base and Aggregate Available Commitment.

(a) Initial Borrowing Base; Scheduled Semi-Annual and Discretionary Determinations of the Borrowing Base; Procedures for Determination of the Borrowing Base. The initial Borrowing Base shall be $765,000,000. The Borrowing Base shall be redetermined upon receipt by the Administrative Agent, the Engineering Banks and the Lenders of the

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relevant Approved Engineers' Report or Company's Engineers' Report, as the case may be, pursuant to Sections 2.3(b) or (e) or 9.1(d), (e) or (f). The redeterminations of the Borrowing Base described in the preceding sentence shall be made as follows: The Engineering Banks shall make a determination of the Borrowing Base in accordance with the criteria described in clause (c) of this Section 2.3, within thirty (30) days after receipt of the Approved Engineers' Report or the Company's Engineers' Report, as the case may be. Within ten (10) days following such determination, the Administrative Agent shall notify the Lenders in writing of such determination the amount, if any, of the Non-conforming Borrowing Base and the resulting Aggregate Available Commitment. Each Lender shall notify the Administrative Agent in writing, by telex or by facsimile transmission whether it approves or disapproves of any such determination within ten (10) Business Days of its receipt of such notice from the Administrative Agent; provided that any Lender which does not so notify the Administrative Agent shall be deemed to have approved of such determination. Upon the approval (or deemed approval) by the Required Lenders, such determination shall thereafter be the Borrowing Base or the Aggregate Available Commitment, as the case may be, and the Administrative Agent shall within five (5) days of such approval notify the Company in writing of such redetermined Borrowing Base. The Administrative Agent shall promptly notify the Company and the Lenders of any change in the Borrowing Base. Additionally, the Aggregate Available Commitment may or will be reduced from time to time as provided in Sections 2.3(d), (e) and (f), Section 4.2(d) and Section 11.1.

(b) Determination of Borrowing Base at Request of Company. The Company may request one Borrowing Base determination between any regularly scheduled semi-annual redeterminations of the Borrowing Base by delivery to the Administrative Agent, the Engineering Banks and the Lenders of a written request for such determination; provided that a deemed request for a determination of the Borrowing Base pursuant to Section 11.1(c), (d) or (e) shall not preclude the Company's requesting a Borrowing Base determination to which it is otherwise entitled pursuant to this clause (b). In connection with such determination the Company shall deliver to the Administrative Agent, the Engineering Banks and the Lenders such reports and information concerning the Properties (which may include in the Engineering Banks' sole discretion an Approved Engineers' Report or a Company's Engineers' Report as of such date) as the Engineering Banks shall deem appropriate in its or their sole discretion.

(c) Criteria for Determination of the Borrowing Base. Each determination by the Engineering Banks and the approval by the Required Lenders of the Borrowing Base attributable to the Properties owned by the Company and its Subsidiaries including Properties owned through partnerships (but not to exceed in each case an undivided share of such Properties equal to the Company's ownership share of such partnerships) shall be made by them in the exercise of their respective sole discretion based on their then current engineering criteria and oil and gas lending criteria, all as determined using the then most recently received Approved Engineers' Report or Company's Engineers' Report, as the case may be, and, subject to the approval of the Required Lenders to the extent set forth in clause (a) of this Section 2.3, shall be conclusive and binding in the absence of manifest error.

(d) Redeterminations of Borrowing Base Upon Material Adverse Effect. In the event of:

(i) the assertion or filing of any adverse claim, defect or encumbrance affecting or purporting to affect the title of the Company or any Subsidiary to any Property; or

(ii) any blow out or other casualty affecting any Property or the production of oil and gas therefrom; or

(iii) any withholding after one hundred twenty (120) days following commencement of production by any Person of sums due the Company or any Subsidiary in respect of Hydrocarbons produced, which withholding results from an allegation or claim affecting such Person's rights to such payment;

which would have or be a Material Adverse Effect, the Engineering Banks shall have the right in their sole discretion to reduce the Borrowing Base, either temporarily or permanently, by the amount included therein with respect to the interest as to which a claim, defect, encumbrance, withholding or dispute has arisen or exists or a casualty has occurred. The failure of the Engineering Banks to make any such reduction upon receipt of any notice with respect to any such claim, dispute or casualty shall not preclude their later election to so reduce the Borrowing Base.

(e) Redetermination of Borrowing Base Upon Material Changes. In the event that "material changes" occur between the dates of determination of the Borrowing Base (i) in oil and/or gas prices, (ii) in taxes, (iii) in anticipated rates or amounts of production from any Properties included in the Borrowing Base, (iv) in the Company's or any Subsidiary's, as the case may be, title or purported title to the Properties, (v) in operating, lease, royalty and other arrangements relating to the Properties, (vi) in operating costs with respect to the Properties, or (vii) in the Company's anticipated revenues as a result of the Company or any of its Subsidiaries' granting a Lien upon any of its Properties securing Indebtedness permitted by Section 11.1(g) or incurring Indebtedness permitted by Section 11.1(g), then in any such event the Engineering Banks may, in their sole discretion, redetermine the Borrowing Base in accordance with the standards set forth in Section 2.3(c) prior to the receipt of either a new Approved Engineers' Report or a new Company's Engineers' Report by adjusting the Borrowing Base to reflect the changes which have occurred. For the purposes hereof, "material changes" shall be deemed to have occurred for purposes of this Section 2.3(e) when such changes would in the aggregate result in a material decrease in the Borrowing Base as determined by the Engineering Banks in their sole and absolute discretion.

(f) Reduction of Aggregate Available Commitment Upon Sales of Certain Properties. Upon consummation of the Sale of any Property in the Borrowing Base constituting a permitted and designated Sale under clause (iii) of Section 11.3, the Aggregate Available Commitment shall be reduced on account of such Sale by an amount equal to the proceeds of such Sale net of reasonable incidental brokerage and legal costs actually paid to third parties, net of taxes associated with such Sale payable in cash concurrently with the consummation of such Sale, and net of federal and state income taxes estimated to be due in respect of such Sale by the Company acting reasonably and in good faith, provided reserves for such taxes are established by the Company. Upon the consummation of the Sale of any Property in the Borrowing Base constituting a permitted Sale under clause (iv) of Section 11.3, the Aggregate Available Commitment shall be reduced by an amount equal to the amount of the mandatory prepayment, if any, required to be made under Section 4.2(d) on account of such Sale.

(g) Title Warranty. Delivery to the Lenders of any Approved Engineers' Report or Company's Engineers' Report shall be deemed to be a reaffirmation as of the date of delivery of such report of the representation and warranties in Section 8.14.

2.4. [Intentionally Omitted.]

2.5. Facility Fee; Other Fees.

(a) Facility Fee.

(i) The Company agrees to pay to the Administrative Agent for the account of each Lender a facility fee for the period from (and including) the date hereof to the Termination Date, at the applicable rates per annum set forth in Schedule B on such Lender's ratable portion of the Aggregate Available Commitment as in effect from time to time; provided, however, that a reduction in a Lender's portion of the Aggregate Available Commitment pursuant to Section 2.1(d) shall not reduce such Lender's ratable portion of the Aggregate Available Commitment for the purposes of this Section 2.5(a)(i).

(ii) The Company agrees to pay to the Administrative Agent for the account of each Lender a facility fee for the period from (and including) the date hereof to the Termination Date, at one-half of the rates applicable per annum set forth in Schedule B on such Lender's ratable portion of the Aggregate Unavailable Commitment as in effect from time to time; provided, however, that a reduction in a Lender's portion of the Aggregate Available Commitment pursuant to Section 2.1(d) shall not reduce such Lender's ratable portion of the Aggregate Unavailable Commitment for the purposes of this Section 2.5(a)(ii).

Facility fees accruing pursuant to this Section 2.5(a) shall be payable in arrears on each Payment Date hereafter and on the Termination Date. In addition to the foregoing, the Company agrees to pay all fees accruing prior to date hereof with respect to each Lender's commitments under the April 1994 Agreement.

(b) Agents' Fees. The Company shall pay to each Agent for its own respective account such fees in connection with this Agreement as previously have been agreed in a writing among them (as such writing may hereafter be amended, supplemented, restated or otherwise modified and in effect).

ARTICLE III

BORROWING; SELECTING RATE OPTIONS; ETC.

3.1. Method of Borrowing.

(a) Revolving Loans. Not later than noon Chicago time on each Borrowing Date for Revolving Loans, each Lender shall make available its Loan or Loans, in funds immediately available in Chicago, to the Administrative Agent at its address specified pursuant to Article XVIII. The Administrative Agent will make the funds so received from the Lenders with respect to Revolving Loans available to the Company at the Administrative Agent's aforesaid address.

(b) Competitive Bid Loans. Not later than noon Chicago time on the Borrowing Date specified for each Competitive Bid Loan, each Lender whose Competitive Bid Quote in respect thereof the Company accepted pursuant to Section 3.4(e) shall make available its Competitive Bid Loan,

in funds immediately available in Chicago, to the Administrative Agent at its address specified pursuant to Article XVIII. The Administrative Agent will make the funds so received from the Lenders with respect to Competitive Bid Loans available to the Company at the Administrative Agent's aforesaid address.

3.2. [Intentionally Omitted.]

3.3. Method of Selecting Rate Options and Interest Periods for Revolving Loans. The Company shall select the Rate Option and Interest Period applicable to each Revolving Advance from time to time. The Company shall give the Administrative Agent irrevocable notice (a "Borrowing Notice") not later than (a) 10:00 a.m. Chicago time on the Borrowing Date of each Floating Rate Revolving Advance, and (b) 11:00 a.m. Chicago time at least three (3) Business Days before the Borrowing Date for each Eurodollar Revolving Advance, specifying:

(i) the Borrowing Date, which shall be a Business Day, of such Revolving Advance,

(ii) the aggregate amount of such Revolving Advance,

(iii) the Rate Option selected for such Revolving Advance,

(iv) in the case of each Eurodollar Revolving Advance, the Interest Period applicable thereto.

Each Eurodollar Revolving Advance shall bear interest from and including the first day of the Interest Period applicable thereto to (but not including) the last day of such Interest Period at the interest rate determined from time to time as applicable to such Eurodollar Revolving Advance. The Company shall select Interest Periods with respect to Eurodollar Revolving Advances so that it is not necessary to pay a Eurodollar Revolving Advance prior to the last day of the applicable Interest Period in order to make the mandatory repayment on the Termination Date.

3.4. Competitive Bid Loans.

(a) Competitive Bid Quote Request. When the Company wishes to request offers to make Competitive Bid Loans under this Agreement, it shall transmit to the Administrative Agent by telex or telecopy a Competitive Bid Quote Request substantially in the form of Exhibit E hereto so as to be received no later than (i) 10:00 a.m. (Chicago time) at least four Business Days prior to the Borrowing Date proposed therein, in the case of a Eurodollar Auction or (ii) 9:00 a.m. (Chicago time) at least one Business Day prior to the Borrowing Date proposed therein, in the case of a Floating Rate Auction specifying:

(i) the proposed Borrowing Date, which shall be a Business Day, for the proposed Competitive Bid Advance;

(ii) the aggregate principal amount of such Competitive Bid Advance;

(iii) whether the Competitive Bid Quotes requested are to set forth a Eurodollar Bid Rate or a Floating Bid Rate, or both;

(iv) in the case of each Floating Rate Auction, the maturity date (relative to each Competitive Bid Loan, its "Stated Maturity Date") for the proposed Competitive Bid Advance (which Stated Maturity Date may not be earlier than the date occurring

seven (7) days after the proposed Borrowing Date of such Competitive Bid Advance or later than the earlier of (x) the date occurring 185 days after the proposed Borrowing Date of such Competitive Bid Advance and (y) the Termination Date); and

(v) in the case of each Eurodollar Bid Rate Advance, the Interest Period applicable thereto (which may not end after the Termination Date); provided that the final day of the Interest Period applicable to each Eurodollar Bid Rate Loan shall be the Stated Maturity Date thereof.

The Company may request offers to make Competitive Bid Loans for more than one Interest Period in a single Competitive Bid Quote Request. No Competitive Bid Quote Request shall be given within 5 Business Days (or such other number of days as the Company and the Administrative Agent may agree) of any other Competitive Bid Quote Request. A Competitive Bid Quote Request that does not conform substantially to the format of Exhibit E hereto shall be rejected, and the Administrative Agent shall promptly notify the Company of such rejection by telex or telecopy.

(b) Invitation for Competitive Bid Quotes. Promptly and in any event before the close of business on the same Business Day of receipt of a Competitive Bid Quote Request that is not rejected pursuant to Section 3.4(a), the Administrative Agent shall send to each of the Lenders by telex or telecopy an Invitation for Competitive Bid Quotes substantially in the form of Exhibit H hereto, which shall constitute an invitation by the Company to each Lender to submit Competitive Bid Quotes offering to make the Competitive Bid Loans to which such Competitive Bid Quote Request relates in accordance with this Section 3.4; provided that the Administrative Agent shall not be required to send an Invitation for Competitive Bid Quotes to any Lender that has failed to submit a Competitive Bid Quote after each of the last three Invitations for Competitive Bid Quotes sent to such Lender unless the Company or such Lender has given notice to the Administrative Agent specifically referring to such Invitation for Competitive Bid Quotes and requesting that this proviso not apply to such Invitation for Competitive Bid Quotes, in which case this proviso automatically shall not apply to such Invitation for Competitive Bid Quotes.

(c) Submission and Contents of Competitive Bid Quotes.

(i) Each Lender may, in its sole discretion, submit a Competitive Bid Quote containing an offer or offers to make Competitive Bid Loans in response to any Invitation for Competitive Bid Quotes. Each Competitive Bid Quote must comply with the requirements of this Section 3.4(c) and must be submitted to the Administrative Agent by telex or telecopy at its offices specified pursuant to Article XVIII not later than (a) 10:00 a.m. (Chicago time) at least three Business Days prior to the proposed Borrowing Date, in the case of a Eurodollar Auction or (b) 9:00 a.m. (Chicago time) on the proposed Borrowing Date, in the case of a Floating Rate Auction (or, in either case upon reasonable prior notice to the Lenders, such other time and date as the Company and the Administrative Agent may agree); provided that Competitive Bid Quotes submitted by First Chicago may only be submitted if the Administrative Agent or First Chicago notifies the Company of the terms of the offer or offers contained therein not later than 15 minutes prior to the latest time at which the relevant Competitive Bid Quotes must be submitted by the other Lenders. Subject to

Articles VII and XII, any Competitive Bid Quote so made shall be irrevocable except with the written consent of the Administrative Agent given on the instructions of the Company.

(ii) Each Competitive Bid Quote shall be in substantially the form of Exhibit K hereto and shall in any case specify:

a. the proposed Borrowing Date, which shall be the same as that set forth in the applicable Invitation for Competitive Bid Quotes;

b. the Stated Maturity Date and the principal amount of the Competitive Bid Loan for which each such offer is being made, which principal amount (1) may be greater than, less than or equal to the Commitment of the quoting Lender, (2) must be at least $5,000,000 and an integral multiple of $1,000,000, and (3) may not exceed the principal amount of Competitive Bid Loans for which offers were requested;

c. the Competitive Bid Margin offered for each such Competitive Bid Loan;

d. the minimum amount, if any, of the Competitive Bid Loan which may be accepted by the Company; and

e. the identity of the quoting Lender.

(iii) The Administrative Agent shall reject any Competitive Bid Quote that:

a. is not substantially in the form of Exhibit K hereto or does not specify all of the information required by Section 3.4(c)(ii);

b. contains qualifying, conditional or similar language, other than any such language contained in Exhibit K hereto;

c. proposes terms other than or in addition to those set forth in the applicable Invitation for Competitive Bid Quotes; or

d. arrives after the time set forth in Section 3.4(c)(i).

If any Competitive Bid Quote shall be rejected pursuant to this Section 3.4(c)(iii), then the Administrative Agent shall notify the relevant Lender of such rejection as soon as practical.

(d) Notice to Company. The Administrative Agent shall promptly notify the Company of the terms (i) of any Competitive Bid Quote submitted by a Lender that is in accordance with Section 3.4(c) and (ii) of any Competitive Bid Quote that amends, modifies or is otherwise inconsistent with a previous Competitive Bid Quote submitted by such Lender with respect to the same Competitive Bid Quote Request. Any such subsequent Competitive Bid Quote shall be disregarded by the Administrative Agent unless such subsequent Competitive Bid Quote specifically states that it is submitted solely to correct a manifest error in such former Competitive Bid Quote. The Administrative Agent's notice to the Company shall specify the aggregate principal amount of Competitive Bid Loans for which offers

have been received for each Interest Period or Stated Maturity Date specified in the related Competitive Bid Quote Request and the respective principal amounts and Eurodollar Bid Rates or Floating Bid Rates, as the case may be, so offered.

(e) Acceptance and Notice by Company. Not later than (i) 11:00 a.m. (Chicago time) at least three Business Days prior to the proposed Borrowing Date, in the case of a Eurodollar Auction or (ii) 10:00 a.m. (Chicago time) on the proposed Borrowing Date, in the case of a Floating Rate Auction (or, in either case upon reasonable prior notice to the Lenders, such other time and date as the Company and the Administrative Agent may agree), the Company shall notify the Administrative Agent of its acceptance or rejection of the offers so notified to it pursuant to Section 3.4(d); provided, however, that the failure by the Company to give such notice to the Administrative Agent shall be deemed to be a rejection of all such offers. In the case of acceptance, such notice (a "Competitive Bid Borrowing Notice") shall specify the aggregate principal amount and the Interest Period and Stated Maturity Date of each offer that is accepted. The Company may accept any Competitive Bid Quote in whole or in part (subject to the terms of Section 3.4(c)(ii)d); provided that:

a. the aggregate principal amount of each Competitive Bid Advance may not exceed the applicable amount set forth in the related Competitive Bid Quote Request;

b. acceptance of offers may only be made on the basis of ascending Eurodollar Bid Rates or Floating Bid Rates, as the case may be; and

c. the Company may not accept any offer that is described in Section 3.4(c)(iii) or that otherwise fails to comply with the requirements of this Agreement.

(f) Allocation by Administrative Agent. If offers are made by two or more Lenders with the same Eurodollar Bid Rates or Floating Rates, as the case may be, for a greater aggregate principal amount than the amount in respect of which offers are accepted for the related Interest Period, the principal amount of Competitive Bid Loans in respect of which such offers are accepted shall be allocated by the Administrative Agent among such Lenders as nearly as possible (in such multiples, not greater than $1,000,000, as the Administrative Agent may deem appropriate) in proportion to the aggregate principal amount of such offers; provided, however, that no Lender shall be allocated a portion of any Competitive Bid Advance which is less than the minimum amount which such Lender has indicated that it is willing to accept. Allocations by the Administrative Agent of the amounts of Competitive Bid Loans shall be conclusive in the absence of manifest error. The Administrative Agent shall promptly, but in any event on the same Business Day, notify each Lender of its receipt of a Competitive Bid Borrowing Notice and the aggregate principal amount of such Competitive Bid Advance allocated to each participating Lender.

3.5. Minimum Amount of Each Advance. Each requested Advance shall be in the minimum amount of $5,000,000 (and in multiples of $1,000,000 if in excess thereof); provided, however, that any Floating Bid Rate Advance and any Floating Rate Revolving Advance may be in the amount of the difference between (i) the Aggregate Available Commitment minus (ii) the sum of the outstanding principal amount of all Loans.

3.6. Continuation and Conversion Elections. By providing a Continuation/Conversion Notice to the Administrative Agent on or before 11:00 a.m.

Chicago time, in the case of a Eurodollar Revolving Loan, or 10:00 a.m. Chicago time, in the case of a Floating Rate Revolving Loan, on a Business Day, the Company may from time to time irrevocably elect, on, in the case of a Eurodollar Revolving Loan, not less than three nor more than five, and in the case of a Floating Rate Revolving Loan not less than one or more than three, Business Days' notice, that all, or any portion in an aggregate minimum amount of $5,000,000 and an integral multiple of $1,000,000 or the remaining balance of any Revolving Loans be, in the case of Floating Rate Revolving Loans converted into Eurodollar Revolving Loans or, in the case of Eurodollar Revolving Loans converted into Floating Rate Revolving Loans or continued as Eurodollar Revolving Loans (in the absence of delivery of a Continuation/Conversion Notice with respect to any Eurodollar Revolving Loan at least three Business Days before the last day of the then current Interest Period with respect thereto, such Eurodollar Revolving Loan shall, on such last day, automatically convert to a Floating Rate Revolving Loan); provided, however, that no portion of the outstanding principal amount of any Loans may be continued as, or be converted into, a Eurodollar Advance when any Default has occurred and is continuing.

3.7. Telephonic Notices. The Company hereby authorizes the Lenders and the Administrative Agent to extend Advances, effect Rate Option selections and submit Competitive Bid Quotes based on telephonic notices made by any Person or Persons the Administrative Agent or any Lender in good faith believes to be acting on behalf of the Company. The Company agrees to deliver promptly to the Administrative Agent a written confirmation of each telephonic notice signed by an Authorized Officer. If the written confirmation differs in any material respect from the action taken by the Administrative Agent and the Lenders, the records of the Administrative Agent and the Lenders shall govern absent manifest error.

3.8. Rate after Maturity. Except as provided in the next sentence, any Advance not paid at maturity, whether by acceleration or otherwise, shall bear interest until paid in full at a rate per annum equal to the Floating Revolving Rate plus 2%. In the case of a Eurodollar Advance the maturity of which is accelerated, such Eurodollar Advance shall bear interest for the remainder of the applicable Interest Period, at the higher of the rate (including the Eurodollar Spread or the Competitive Bid Margin, as applicable) otherwise applicable to such Interest Period plus 2% per annum or the Floating Revolving Rate plus 2% per annum.

3.9. Interest Payment Dates; Determination of Interest and Fees.

(a) Interest Payment Dates.

(i) Interest accrued and unpaid on each Floating Rate Revolving Advance shall be payable on each Payment Date and on any date on which such Floating Rate Revolving Advance is paid or prepaid, whether due to acceleration or otherwise. Interest accrued on each Eurodollar Revolving Advance shall be payable on the last day of its applicable Interest Period and on any date on which such Eurodollar Revolving Advance is prepaid, whether due to acceleration or otherwise. Interest accrued on each Eurodollar Revolving Advance having an Interest Period longer than three (3) months shall also be payable on the last day of each three-month interval during such Interest Period.

(ii) Interest on the outstanding principal amount of Competitive Bid Loans shall be payable on the Stated Maturity Date for each such Competitive Bid Loan; provided, however, that in the case of a Eurodollar Bid Rate Advance having an Interest Period longer than three (3) months, interest accrued on such Eurodollar

Bid Rate Advance shall also be payable on the last day of each three-month interval during such Interest Period.

Interest shall be payable for the day an Advance is made but not for the day of any payment on the amount paid if payment is received prior to noon (local time) at the place of payment. If any payment of principal of, or interest on, an Advance shall become due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day (except as provided in the definition of Interest Period) and, in the case of a principal payment, such extension of time shall be included in computing interest in connection with such payment.

(b) Determination of Interest and Fees. Interest on any Advance or portion thereof bearing interest at the Floating Revolving Rate or the Floating Bid Rate and facility fees shall be calculated for actual days elapsed on the basis of a 365- or, if applicable, 366-day year, and all other interest and fees shall be calculated for actual days elapsed on the basis of a 360-day year. Changes in the Alternate Base Rate Spread and the Eurodollar Spread attributable to a change in the Debt/Capitalization Ratio or to a change in the Company's Long-term Debt Rating, if any, shall be effective on the forty-fifth (45th) day of a calendar quarter.

3.10. Notification of Advances, Interest Rates, Prepayments and Commitment Reductions. Promptly after receipt thereof, the Administrative Agent will notify each Lender of the contents of each commitment reduction notice, Borrowing Notice, Continuation/Conversion Notice, Competitive Bid Quote Request and repayment notice received by it hereunder. The Administrative Agent will notify each Lender of the Eurodollar Rate applicable to each Eurodollar Advance promptly upon determination of such Eurodollar Rate and will give each Lender prompt notice of each change in the Alternate Base Rate. Each Reference Lender agrees to furnish timely information for the purpose of determining the Eurodollar Rate.

3.11. Non-Receipt of Funds by the Administrative Agent. Unless the Company or a Lender, as the case may be, notifies the Administrative Agent prior to the date on which it is scheduled to make payment to the Administrative Agent of (i) in the case of a Lender, the proceeds of a Loan or (ii) in the case of the Company, a payment of principal, interest, fees or other amounts to the Administrative Agent for the account of the Lenders or any Agent, that it does not intend to make such payment, the Administrative Agent may assume that such payment has been made. The Administrative Agent may, but shall not be obligated to, make the amount of such payment available to the intended recipient in reliance upon such assumption. If such Lender or the Company, as the case may be, has not in fact made such payment to the Administrative Agent, the recipient of such payment shall, on demand by the Administrative Agent, repay to the Administrative Agent the amount so made available together with interest thereon in respect of each day during the period commencing on the date such amount was so made available by the Administrative Agent until the date the Administrative Agent recovers such amount at a rate per annum equal to (i) in the case of payment by a Lender, the Federal Funds Effective Rate for such day or (ii) in the case of payment by the Company, the interest rate applicable to the relevant Loan or, in the case of payments in respect of interest, fees or other amounts, at a rate equal to the Floating Rate.

ARTICLE IV

MANDATORY PAYMENTS; REDUCTIONS OF COMMITMENTS; ETC.

4.1. [Intentionally Omitted.]

4.2. Mandatory Prepayments.

(a) Mandatory Prepayment on Account of Excess of Outstandings Over Aggregate Available Commitment. In the event that after giving effect to all other payments or prepayments required to be made under this Section 4.2 on any Business Day the aggregate outstanding principal amount of the Loans shall at any time exceed the Aggregate Available Commitment, the Company shall within ninety (90) days make a mandatory prepayment on the Loans in an amount equal to such excess together with all interest accrued on the amount of such prepayment to the date thereof. Notwithstanding that the Company shall have a 90-day period in which to make any mandatory prepayment specified in this Section 4.2(a), (i) the Company shall not be entitled to borrow Loans during such period without meeting the test under Section 2.1(b) and (ii) the Company shall make all other prepayments and payments required under or in connection with this Agreement as required; provided, that for purposes of the foregoing provisions of this sentence the conversion of an outstanding Eurodollar Loan into a Floating Rate Loan during such period shall not be deemed to be the borrowing of a Loan.

(b) Mandatory Prepayment on Account of Sales of Certain Properties Included in the Borrowing Base. Promptly upon the consummation of any Sale of any Property included in the Borrowing Base constituting (and designated by the Company in a notice to the Administrative Agent as constituting) a permitted Sale under clause (iii) of Section 11.3 and in any event within three (3) Business Days thereof, the Company shall make a mandatory prepayment hereunder equal to the amount, if any, by which the aggregate outstanding principal amount of all Loans on the date of such mandatory prepayment exceeds the Aggregate Available Commitment (as then in effect after giving effect to any reduction thereof resulting from such Sale).

(c) [Intentionally Omitted.]

(d) Mandatory Prepayment on Account of Extraordinary Sales of Properties. In the event the Company or any Subsidiary proposes to consummate a Sale of any Property, which Sale is not otherwise permitted under clause (i) or (ii) of Section 11.3 or otherwise permitted and designated under clause (iii) of Section 11.3, the Company shall promptly notify the Administrative Agent, the Engineering Banks and the Lenders of such proposed Sale, which notice shall describe such Property and, if known, the proposed terms of Sale. In connection therewith the Company shall deliver to the Administrative Agent, the Engineering Banks and the Lenders such reports and information concerning such Property (which may include in the Engineering Banks' sole discretion an Approved Engineers' Report or a Company's Engineers' Report as of such date) and such Sale as each of the Engineering Banks shall deem appropriate in its sole discretion. Promptly following receipt of such report and information, the Engineering Banks shall make a recommendation (and the Administrative Agent shall notify the Lenders in writing of such recommendation) of (A) if the Non-conforming Borrowing Base is $0.00, whether they approve of such Sale and, if so approved, the amount of prepayment that the Company shall be required to make under this Section 4.2(d) (which amount shall also be the amount of the reduction in the Aggregate Available Commitment pursuant to Section 2.3(f)), and (B) if the Non-conforming Borrowing Base is not $0.00, whether to approve such sale, which recommendations shall be made by the Engineering Banks in the exercise of their sole discretion; provided, however, that in the event the Company or any Subsidiary proposes to consummate a Sale with respect to a Property not included within the Borrowing Base when the Non-conforming Borrowing Base is $0.00, no mandatory prepayment shall be required; and provided further, that in

no event shall the Aggregate Available Commitment be reduced by an amount in excess of the proceeds of such Sale net of costs, charges, and taxes incidental to the Sale, as provided in Section 2.3(f) for Sales pursuant to clause (iii) of Section 11.3; and provided further, that until the Non-conforming Borrowing Base is $0.00, the Aggregate Available Commitment automatically shall be reduced upon consummation of any such approved Sale by an amount equal to the proceeds of such Sale net of costs, charges and taxes incidental to such Sale. Each Lender shall notify the Administrative Agent in writing, by telex or by facsimile transmission whether it approves or disapproves (which approval or disapproval shall be made by each Lender in the exercise of its sole discretion) of such recommendation and of such Sale within ten (10) Business Days of its receipt of such recommendation from the Administrative Agent; provided, that any Lender which does not so notify the Administrative Agent shall be deemed to have approved of such Sale, and, if applicable, such amount of prepayment and such reduction in the Aggregate Available Commitment. Upon the approval of the Required Lenders, the Administrative Agent shall promptly notify the Company of such determination. The Company promptly upon the consummation of any such permitted Sale and in any event within three (3) Business Days thereof, shall, if required, make a mandatory prepayment hereunder in the amount so determined in accordance with this clause (d) or, in the amount that the outstanding principal amount of the Loans exceeds the Aggregate Available Commitment as so automatically reduced, as the case may be.

(e) Application of Mandatory Prepayments. Each mandatory prepayment made under this Section 4.2 shall be applied (i) first, ratably among the Lenders with respect to any principal and interest due in connection with Revolving Loans, (ii) second, after all amounts described in clause (i) have been satisfied, ratably among those Lenders for whom any payment of principal and interest is due in connection with any Competitive Bid Loans and (iii) third, after all amounts described in clauses (i) and (ii) have been satisfied, ratably to any other Obligations then due.

4.3. Voluntary Prepayments. The Company may from time to time, at its option, prepay outstanding Advances, upon three (3) Business Days' prior notice to the Administrative Agent in the case of a Eurodollar Advance, or upon one (1) Business Day's prior notice to the Administrative Agent in the case of a Floating Rate Advance; provided that each such prepayment shall be in a minimum aggregate amount of $4,000,000 or any integral multiple of $1,000,000 in excess thereof without penalty or premium, except that if such prepayment of a Eurodollar Loan occurs prior to a last day of any applicable Interest Period, the Company shall also pay the amount specified in Section 6.3 at the time of such prepayment. Such prepayments shall be applied, at the Company's option, against outstanding Revolving Loans and Competitive Bid Loans and against installments or amounts due on account thereof in such order of application as the Company shall direct; provided, that if the Company fails to direct an order of application at or prior to the time of such notice of prepayment, then such prepayments shall be applied (i) first, ratably among the Lenders with respect to any principal and interest due in connection with Revolving Loans, (ii) second, after all amounts described in clause (i) have been satisfied, ratably among those Lenders for whom any payment of principal and interest is due in connection with any Competitive Bid Loans and (iii) third, after all amounts described in clauses (i) and (ii) have been satisfied, ratably to any other Obligations then due; provided, further, that if, at the time of any such prepayment, any Default shall have occurred and shall be continuing, then the holders of the Obligations shall share such prepayment on a pro rata basis, based on the respective amount of Obligations owing to each such holder (whether or not matured and currently payable and whether consisting of principal, accrued

interest, fees, expenses, indemnities or other types of Obligations) as of the date of occurrence of such Default.

4.4. Method of Payment. All payments of principal, interest, and fees hereunder shall be made by noon (local time at the place of payment) on the date when due in immediately available funds to the Administrative Agent at the Administrative Agent's address specified pursuant to Article XVIII, or at any other single Lending Installation of the Administrative Agent specified not less than five (5) days prior to the date when due in writing by the Administrative Agent to the Company and shall be applied (i) first, ratably among the Lenders with respect to any principal and interest due in connection with Revolving Loans, (ii) second, after all amounts described in clause (i) have been satisfied, ratably among those Lenders for whom any payment of principal and interest is due in connection with any Competitive Bid Loans and (iii) third, after all amounts described in clauses (i) and (ii) have been satisfied, ratably to any other Obligations then due; provided, however, that, if, at the time of any such payment, any Default shall have occurred and shall be continuing, then the holders of the Obligations shall share such payment on a pro rata basis, based on the respective amount of Obligations owing to each such holder (whether or not matured and currently payable and whether consisting of principal, accrued interest, fees, expenses, indemnities or other types of Obligations) as of the date of occurrence of such Default. As between the Company and any Lender, the timely receipt of any payment by the Administrative Agent from the Company for the account of such Lender shall constitute receipt by such Lender. Each payment delivered to the Administrative Agent for the account of any Lender shall be delivered promptly by the Administrative Agent to such Lender in the same type of funds which the Administrative Agent received at its address specified pursuant to Article XVIII or at any Lending Installation specified in a notice received by the Administrative Agent from such Lender. Each of the Company and the Administrative Agent shall be deemed to have complied with this Section 4.4 with respect to any payment if it shall have initiated a wire transfer to the appropriate recipient thereof and furnished such recipient with the identifying number of such wire transfer.

4.5. Notes. Each Lender is hereby authorized to record the principal amount of each of its Loans and each repayment thereof, on the schedule attached to each of its Notes, provided, however, that the failure to so record shall not affect the Company's obligations under any such Note.

4.6. Voluntary Reductions of Commitments and the Non-conforming Borrowing Base. The Company may permanently reduce the Aggregate Commitment or the Non-conforming Borrowing Base in whole, or in part, ratably among the Lenders, in a minimum aggregate amount of $5,000,000 or any integral multiple of $1,000,000 in excess thereof; provided, however, that the amount of the Aggregate Commitment may not be reduced to an amount which would cause it to be less than the outstanding principal amount of the Loans and further provided that any reduction of the Aggregate Commitment shall first reduce the portion of the Aggregate Commitment attributable to the Non-conforming Borrowing Base until the Non-conforming Borrowing Base is reduced to $0.00. All accrued facility fees shall be payable on the effective date of any such reduction or termination of the Aggregate Commitment.

4.7. Voluntary and Mandatory Prepayments. Any prepayments of principal of the Loans, whether voluntary or mandatory, shall include accrued interest to, but not including, the date of the prepayment on the principal amount being prepaid.

ARTICLE V

[Intentionally Omitted.]

ARTICLE VI

CHANGE IN CIRCUMSTANCES; TAXES

6.1. Yield Protection. If any law or any governmental or quasi-governmental rule, regulation, policy, guideline or directive (whether or not having the force of law), or any reasonable interpretation thereof, or compliance of any Lender with such,

(a) imposes or increases or deems applicable any reserve, assessment, insurance charge, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Lender or any applicable Lending Installation (other than reserves and assessments taken into account in determining the interest rate applicable to Eurodollar Advances), or

(b) imposes any other condition the result of which is to increase the cost to any Lender or any applicable Lending Installation of making, funding or maintaining Loans or reduces any amount receivable by any Lender or any applicable Lending Installation in connection with Loans, or requires any Lender or any applicable Lending Installation to make any payment calculated by reference to the amount of Loans held or interest received, by an amount reasonably deemed material by such Lender,

then, within 15 days of demand by such Lender, the Company shall pay such Lender that portion of such increased expense incurred or reduction in an amount received which such Lender reasonably determines is attributable to making, funding and maintaining its Loans and its Commitment.

6.2. Availability of Rate Options. If any Lender determines that maintenance of its Eurodollar Loans at a suitable Lending Installation would violate any applicable law, rule, regulation or directive, whether or not having the force of law, (i) the Administrative Agent shall suspend the availability of the Eurodollar Rate with respect to such Lender until such time as such situation is no longer the case, (ii) any Eurodollar Loans from such Lender then outstanding shall bear interest at the Floating Rate for the remainder of the Interest Period applicable to such Loan and (iii) until such time as such situation is no longer the case, any Eurodollar Advance made thereafter shall consist of a Floating Rate Loan made by such Lender(s) and Eurodollar Loans made by each other Lender. If the Required Lenders reasonably determine that deposits of a type or maturity appropriate to match fund Eurodollar Advances are not available, the Administrative Agent shall suspend the availability of the Eurodollar Rate with respect to any Eurodollar Advances made after the date of any such determination until such time as such situation is no longer the case. If the Required Lenders determine that the Eurodollar Rate does not accurately reflect the cost of making a Eurodollar Advance at such Eurodollar Rate, then, if for any reason whatsoever the provisions of Section 6.1 are inapplicable, the Administrative Agent shall suspend the availability of the Eurodollar Rate with respect to any Eurodollar Advances made on or after the date of any such determination until such time as such situation is no longer the case and shall require any outstanding Eurodollar Advances to be repaid.

6.3. Funding Indemnification. If any payment of a Eurodollar Advance occurs on a date which is not the last day of the applicable Interest Period, whether because of acceleration, prepayment, conversion or otherwise (except pursuant to Section 6.2), or a Eurodollar Advance is not made on the date

specified by the Company for any reason other than default by the Lenders, the Company will indemnify each Lender for any loss or cost incurred by it resulting therefrom, including, without limitation, any loss or cost in liquidating or employing deposits acquired to fund or maintain the Eurodollar Advance (net of any cost or expense, unless Section 6.1, 6.5 or 6.6 is applicable thereto, which the Lender would have incurred with respect to such Eurodollar Advance had such prepayment or failure to fund not occurred).

6.4. Lending Installations. Each Lender may book its Loans at any Lending Installation selected by such Lender and may change its Lending Installation from time to time. All terms of this Agreement shall apply to any such Lending Installation and the Notes shall be deemed held by each Lender for the benefit of such Lending Installation. Each Lender may, by written or telex or facsimile notice to the Administrative Agent and the Company, designate a Lending Installation through which Loans will be made by it and for whose account Loan payments are to be made. To the extent reasonably possible, each Lender shall designate an alternate Lending Installation with respect to its Eurodollar Loans to reduce any liability of the Company to such Lender under Sections 6.1, 6.5 and 6.6 or to avoid the unavailability of a Rate Option under Section 6.2, so long as such designation is not disadvantageous to such Lender in the sole opinion of such Lender.

6.5. Increased Capital Costs. If any change in, or the introduction, adoption, effectiveness, interpretation, reinterpretation or phase-in of, any law or regulation, directive, guideline, decision or request (whether or not having the force of law) of any court, central bank, regulator or other governmental authority affects or would affect the amount of capital required or expected to be maintained by any Lender or any Person controlling such Lender, and such Lender determines (in its sole and absolute discretion) that the rate of return on its or such controlling Person's capital as a consequence of its Commitments or the Loans made by such Lender is reduced to a level below that which such Lender, or such controlling Person, as the case may be, could have achieved but for the occurrence of any such circumstance (taking into account such Person's policies as to capital adequacy), then, in any such case upon notice from time to time by such Lender to the Company, the Company shall immediately pay directly to such Lender additional amounts sufficient to compensate such Lender or such controlling Person for such reduction in rate of return. A statement of such Lender as to any such additional amount or amounts (including calculations thereof in reasonable detail) shall, in the absence of manifest error, be conclusive and binding on the Company. In determining such amount, such Lender may use any method of averaging and attribution that it (in its sole and absolute discretion) shall deem applicable.

6.6. Taxes. All payments by the Company or any Guarantor of principal of, and interest on, the Loans and all other amounts payable hereunder and in connection herewith shall be made free and clear of and without deduction for any present or future income, excise, stamp or franchise taxes and other taxes, fees, duties, withholdings or other charges of any nature whatsoever imposed by any taxing authority, but excluding franchise taxes and taxes imposed on or measured by any Agent's or any Lender's, as applicable, net income or receipts (such non-excluded items being called "Taxes"). In the event that any withholding or deduction from any payment to be made by the Company or any Guarantor hereunder or under any Loan Document is required in respect of any Taxes pursuant to any applicable law, rule or regulation, then the Company will

(a) pay directly to the relevant authority the full amount required to be so withheld or deducted;

(b) promptly forward to the Administrative Agent an official receipt or other documentation satisfactory to the Administrative Agent or

the relevant Agent or Lender evidencing such payment to such authority; and

(c) pay to the Administrative Agent for the account of the Agents and the Lenders such additional amount or amounts as is necessary to ensure that the net amount actually received by each Agent and Lender will equal the full amount such Agent or Lender would have received had no such withholding or deduction been required.

Moreover, if any Taxes are directly asserted against any Agent or any Lender, with respect to any payment received by it hereunder or in connection herewith, the relevant Agent or Lender may pay such Taxes and the Company will promptly pay such additional amounts (including any penalties, interest or expenses) as is necessary in order that the net amount received by such Person after the payment of such Taxes (including any Taxes on such additional amount) shall equal the amount such Person would have received had not such Taxes been asserted.

If the Company fails to pay any Taxes when due to the appropriate taxing authority or fails to remit to the Administrative Agent, for the account of the respective Agents and Lenders, the required receipts or other required documentary evidence, the Company shall indemnify the Agents and the Lenders for any incremental Taxes, interest or penalties that may become payable by any Agent or Lender as a result of any such failure. For purposes of this Section 6.6, a distribution hereunder by the Administrative Agent or any other Agent or any Lender to or for the account of any Agent or Lender shall be deemed a payment by the Company.

Notwithstanding the foregoing, if any Agent or any Lender not incorporated or organized under the laws of the United States of America, or a state thereof, fails to timely deliver the forms required to be delivered pursuant to Section 6.8 in a situation in which timely delivery of such forms would eliminate some or all requirements for withholding of United States federal income taxes by the Company or any Guarantor in connection with payments under this Agreement or the other Loan Documents, then the Company shall not be required to pay or reimburse to the Lender or Agent any amount in respect of such Taxes withheld that would not have been required to be withheld if such Lender or Agent had timely delivered such forms.

6.7. Lender Statements; Survival of Indemnity; Substitution of Lenders; Limitation on Claims by Lenders. Each Agent and Lender shall deliver to the Company and the Administrative Agent a written statement of such Agent or Lender, as the case may be, as to the amount due, if any, under Sections 6.1, 6.3, 6.5 or 6.6. Such written statement shall set forth in reasonable detail the calculations upon which such Agent or Lender, as the case may be, determined such amount and shall be final, conclusive and binding on the Company in the absence of manifest error. Determination of amounts payable under such Sections in connection with a Eurodollar Loan shall be calculated as though each Lender funded its Eurodollar Loan through the purchase of a deposit of the type and maturity corresponding to the deposit used as a reference in determining the Eurodollar Rate applicable to such Loan, whether in fact that is the case or not. Unless otherwise provided herein, the amount specified in the written statement shall be payable on demand after receipt by the Company of the written statement. The obligations of the Company under Sections 6.1, 6.3, 6.5 and 6.6 shall survive payment of the Obligations and termination of this Agreement. In the event that any Lender shall deliver to the Company and the Administrative Agent a written statement as to an amount due under Section 6.1, 6.3, 6.5 or 6.6, the Company may, at its sole expense and effort, require such Lender to transfer and assign, without recourse (in accordance with Section 17.3) all of its interests, rights and obligations under this Agreement to an assignee which shall assume such assigned obligations (which assignee may be another Lender, if a Lender accepts such assignment); provided that (i) such assignment shall not conflict with any

law, rule or regulation or order of any court or other governmental authority, (ii) the Company shall have received a written consent of the Administrative Agent and the Arrangers in the case of an entity that is not a Lender, which consent shall not be unreasonably withheld, (iii) the Company or such assignee shall have paid to the assigning Lender in immediately available funds the principal of and interest accrued to the date of such payment on the Loans made by it hereunder and all other amounts owed to it hereunder and the fee payable to the Administrative Agent pursuant to Section 17.3(b) and (iv) that nothing in the foregoing is intended or shall be construed as obligating any Lender to locate such an assignee. The Company shall not be required to pay to any Lender any amount under Section 6.1, 6.3, 6.5, or 6.6 in respect of any time or period more than twelve months prior to the time such Lender notifies or bills the Company of or for such amount.

6.8. Withholding Tax Exemption. At least five (5) Business Days prior to the first date on which interest or fees are payable hereunder (but in no event prior to the Effective Date) for the account of any Lender or any Agent, each Lender or Agent that is not incorporated or organized under the laws of the United States of America, or a state thereof, agrees that it will deliver to each of the Company and the Administrative Agent two (2) duly completed copies of United States Internal Revenue Service Form 1001 or 4224, certifying in either case that such Lender or Agent, as the case may be, is entitled to receive payments under this Agreement and the Notes without deduction or withholding of any United States federal income taxes. Each Lender or Agent which so delivers a Form 1001 or 4224 further undertakes to deliver to each of the Company and the Administrative Agent two (2) additional copies of such form (or a successor form) on or before the date that such form expires (currently, three (3) successive calendar years for Form 1001 and one (1) calendar year for Form 4224) or becomes obsolete or after the occurrence of any event requiring a change in the most recent forms so delivered by it, and such amendments thereto or extensions or renewals thereof as may be reasonably requested by the Company or the Administrative Agent, in each case certifying that such Lender or Agent, as the case may be, is entitled to receive payments under this Agreement and the Notes without deduction or withholding of any United States federal income taxes, unless an event (including without limitation any change in treaty, law or regulation) has occurred prior to the date on which any such delivery would otherwise be required which renders all such forms inapplicable or which would prevent such Lender or Agent from duly completing and delivering any such form with respect to it and such Lender or Agent, as the case may be, advises the Company and the Administrative Agent that it is not capable of receiving payments without any deduction or withholding of United States federal income tax.

ARTICLE VII

CONDITIONS PRECEDENT

7.1. Conditions of Effectiveness. The effectiveness of this Agreement and the obligation of each Lender to make Loans hereunder, are subject to the conditions precedent that the Company has furnished to the Administrative Agent all of the following, each in form and substance satisfactory to each of the Administrative Agent and the Arrangers, and each (except for the Notes, of which only one original of each type shall be signed for each Lender) in sufficient number of duly executed signed counterparts (or photocopies thereof) to provide one for the Administrative Agent, the Arrangers and each Lender:

(i) Copies of the Articles of Incorporation of each of the Company, MW Petroleum and Apache Energy Resources, together with all amendments, and certificates of good standing, all of the foregoing certified by the appropriate governmental officer in their respective jurisdiction of incorporation and, in the case

of certificates of good standing, in each jurisdiction in which its business is conducted.

(ii) Copies, certified by the Secretary or Assistant Secretary of each of the Company, Apache Energy Resources, and MW Petroleum, of their respective By-Laws and of their respective Board of Directors' resolutions (and resolutions of other bodies, if any are deemed necessary by counsel for the Administrative Agent) authorizing the execution, delivery and performance of the Loan Documents and the Purchase and Sale Agreement.

(iii) Incumbency certificates, executed by the Secretary or Assistant Secretary of each of the Company, Apache Energy Resources, and MW Petroleum, which shall identify by name and title and bear the signature of the officers of the Company, Apache Energy Resources, and MW Petroleum, respectively, authorized to sign the Loan Documents and (in the case of the Company) to make borrowings hereunder, upon which certificate the Agents and the Lenders shall be entitled to rely until informed of any change in writing by the Company, Apache Energy Resources, or MW Petroleum, respectively.

(iv) Written opinions of the Company's, MW Petroleum's, and Apache Energy Resources', counsel acceptable to each of the Arrangers, addressed to the Agents and the Lenders in substantially the form of Exhibit "B" hereto, with such modifications, additions, alterations, exceptions, assumptions and provisions as shall be acceptable to each of the Arrangers.

(v) The Notes payable to the order of each of the Lenders.

(vi) A certificate of an Authorized Officer of the Company, satisfactory to each of the Arrangers, regarding insurance maintained by the Company.

(vii) The Acknowledgment to Guaranty of each of MW Petroleum and Apache Energy Resources.

(viii) The opinion of Mayer, Brown & Platt, special counsel to the Administrative Agent and the Arrangers, substantially in the form of Exhibit "G" hereto.

(ix) The Effectiveness Notice.

(x) A certificate, signed by the Vice President/Treasurer of the Company, stating that on the Effective Date no Default or Unmatured Default has occurred and is continuing.

(xi) Copies of the Purchase and Sale Agreement and any amendments or modifications in effect with respect thereto, together with a plan of transition agreed to in writing by Texaco with respect to the Properties to be acquired pursuant to the Purchase and Sale Agreement, in each case certified by an Authorized Officer of the Company, together with the opinions of counsel for Texaco and the Company required to be delivered pursuant to the Purchase and Sale Agreement addressed to the Agents and the Lenders.

(xii) A certificate of an Authorized Officer of the Company certifying, together with other evidence satisfactory to the Administrative Agent, that, subject to the recordation of the assignments to be executed and delivered under the Purchase and Sale Agreement and the title adjustment mechanism provided therein, the Company will have defensible title to the Properties to be acquired from Texaco under the Purchase and Sale Agreement.

(xiii) Evidence, in form and substance satisfactory to the Arrangers that (1) the acquisition of the Properties pursuant to the Purchase and Sale Agreement shall have been consummated prior to or concurrently with the initial Advance in compliance with applicable law including the Hart-Scott-Rodino Antitrust Improvement Act of 1976, as amended, and pursuant to the terms and conditions set forth in the Purchase and Sale Agreement without giving effect to waivers or amendments (except waivers or amendments consented to by the Arrangers) and (2) the purchase price for the acquisition and Sale shall not exceed $597,000,000 in cash.

(xiv) A copy of the letter from Apache to Texaco dated February 14, 1995, concerning the Properties described in Schedule 11.3 regarding the Hugoton/Panhandle properties to be sold to Cross Timbers Production Company for $20 million, which is expected to close on or before April 1, 1995, a description of the subject properties being attached to such letter of February 14, 1995.

(xv) Such other instruments and documents as any of the Arrangers or its counsel may have reasonably requested.

The effectiveness of this Agreement and the obligation of each Lender to make Loans hereunder, are further conditioned upon satisfaction of the following on or prior to the Effective Date:

(a) the Administrative Agent shall have received the fees to be received as set forth in the agreement with respect to fees described inSection 2.5(b) and Chemical Bank shall have received the fees described in the letter dated February 3, 1995.

(b) Upon the effectiveness of this Agreement, the Administrative Agent, on behalf of the Company, shall have paid to each bank listed in Schedule A, on the Effective Date, with proceeds of the initial Loans made available hereunder, an amount equal to the unpaid principal and accrued interest on all 1994 Revolving Loans made by each such bank to the Company which are outstanding on the Effective Date, plus all fees, costs (including, without limitation, costs resulting from the repayment of such 1994 Revolving Loans prior to the last day of the applicable Interest Period thereof, as more fully described in Section 6.3 of the April 1994 Agreement) and expenses payable to each such bank under the April 1994 Agreement, which amounts shall be promptly delivered by the Administrative Agent to each such bank at the address specified pursuant to Article XVIII of the April 1994 Agreement or at any other address specified in a notice received by the Administrative Agent from each such bank. The Lenders and the Agents hereby consent to such repayment.

7.2. Each Advance. The Lenders shall not be required to make any Advance unless on the applicable Borrowing Date:

(a) There exists no Default or Unmatured Default.

(b) The representations and warranties contained in Article VIII, including in Sections 8.3 and 8.7, or contained in any other Loan Document are true and correct as of such Borrowing Date except for changes in the Schedules hereto reflecting transactions permitted by this Agreement.

(c) All legal requirements arising under or in connection with the Loan Documents or applicable laws, rules or regulations and incident to the making of such Advance shall be satisfactory to the Arrangers and their respective counsel.

(d) No event, occurrence, action, inaction or other item shall have occurred which could have or could cause a Material Adverse Effect.

Each Borrowing Notice, Competitive Bid Borrowing Notice and Continuation/Conversion Notice with respect to each Advance shall constitute a representation and warranty by the Company that the conditions contained in Sections 7.2(a) and 7.2(b) have been satisfied and, that after giving effect to such Advance and the assignment or application of the proceeds thereof, the outstanding Loans will not exceed the Aggregate Commitment.

ARTICLE VIII

REPRESENTATIONS AND WARRANTIES

The Company represents and warrants to the Lenders and the Agents that:

8.1. Corporate Existence and Standing. The Company is a corporation, and each Subsidiary is a corporation or other legal entity, in either case duly incorporated or otherwise properly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation or organization and has all requisite authority, permits and approvals, and is in good standing to conduct its business in each jurisdiction in which its business is conducted.

8.2. Authorization and Validity. The Company and each Subsidiary has the corporate or partnership power and authority and legal right to execute and deliver the Loan Documents and to perform its respective obligations thereunder, and the Company has the corporate power and authority and legal right to execute and deliver the Purchase and Sale Agreement and to perform its obligations thereunder. The execution and delivery by the Company and each Subsidiary of the Loan Documents to which it is a party and the execution and delivery by the Company of the Purchase and Sale Agreement and the performance in each case of the Company's and such Subsidiary's obligations thereunder have been duly authorized by proper corporate or partnership proceedings, and the Loan Documents and the Purchase and Sale Agreement have been duly executed and delivered and constitute legal, valid and binding obligations of the Company and each Subsidiary party thereto, in each case enforceable against the Company and such Subsidiary in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally.

8.3. No Conflict; Government Consent. Neither the execution and delivery by the Company and each Subsidiary of the Loan Documents and, in the case of the Company, the Purchase and Sale Agreement, nor the consummation of the transactions therein contemplated, nor compliance with the provisions thereof will violate any law, rule, regulation, order, writ, judgment, injunction, decree or award binding on the Company or any Subsidiary or the Company's or any Subsidiary's articles of incorporation or by-laws or partnership agreement or the provisions of any indenture, instrument or agreement to which the Company or any Subsidiary is a party or is subject, or by which it, or its property, is bound,

or conflict with or constitute a default thereunder, or result in the creation or imposition of any Lien in, of or on all or any part of the property of the Company or any Subsidiary. No order, consent, approval, license, authorization, or validation of, or filing, recording or registration with, or exemption by, any governmental or public body or authority, or any subdivision thereof, is required to authorize, or is required in connection with the execution, delivery and performance of, or the legality, validity, binding effect or enforceability of, any of the Loan Documents or the Purchase and Sale Agreement.

8.4. Financial Statements. The consolidated financial statements of the Company dated December 31, 1993 heretofore delivered to the Lenders were prepared in accordance with generally accepted accounting principles in effect on the date such statements were prepared and fairly present the consolidated financial condition of the Company and the Subsidiaries at such date and the consolidated results of their operations for the period then ended.

8.5. Material Adverse Change. Since December 31, 1993, there has been no change in the business, assets, properties, operations, condition (financial or otherwise) or results of operations or prospects of the Company and its Subsidiaries, Apache Energy Resources, or MW Petroleum and its Subsidiaries or any legal or regulatory development which could have or be a Material Adverse Effect.

8.6. Taxes. The Company and the Subsidiaries have filed all United States federal tax returns and all other tax returns which are required to be filed and have paid all taxes due pursuant to said returns or pursuant to any assessment received by the Company or any Subsidiary, except such taxes, if any, as are being contested in good faith and as to which adequate reserves have been provided. The United States income tax returns of the Company and the Subsidiaries (other than MW Petroleum and MWJR) have been audited by the Internal Revenue Service or, if no audit was performed, the statute of limitations permitting such an audit has run, through the fiscal year ended December 31, 1989. No tax liens have been filed and no claims are being asserted with respect to any such taxes. The charges, accruals and reserves on the books of the Company and the Subsidiaries in respect of any taxes or other governmental charges are adequate.

8.7. Litigation and Contingent Obligations. There is no litigation, arbitration, governmental investigation, proceeding or inquiry pending or, to the knowledge of any of their officers, threatened against or affecting the Company or any Subsidiary which is or could have a Material Adverse Effect. The Company and its Subsidiaries have no material contingent obligations not provided for or disclosed in the financial statements referred to in Section 8.4.

8.8. Subsidiaries. Schedule 8.8 hereto contains an accurate list of all of the presently existing Subsidiaries of the Company as of the date of this Agreement, setting forth their respective jurisdictions of incorporation or organization and the percentage of their respective capital stock or, the revenue share attributable to the general and limited partnership interests, as the case may be, owned by the Company or other Subsidiaries. All of the issued and outstanding shares of capital stock of such Subsidiaries which are corporations have been duly authorized and issued and are fully paid and non-assessable.

8.9. ERISA. The Unfunded Liabilities of all Plans do not in the aggregate exceed $10,000,000. Each Plan complies in all material respects with all applicable requirements of law and regulations, no Reportable Event has occurred with respect to any Plan, neither the Company nor any other members of the Controlled Group has withdrawn from any Plan or initiated steps to do so, and no steps have been taken to terminate any Plan.

8.10. Accuracy of Information. No information, exhibit or report furnished by the Company or any Subsidiary to any Agent or to any Lender in connection with the negotiation of, or compliance with, the Loan Documents contained any material misstatement of fact or omitted to state a material fact or any fact necessary to make the statements contained therein not misleading.

8.11. Regulation-U. Margin stock (as defined in Regulation U) constitutes less than 25% of those assets of the Company and the Subsidiaries which are subject to any limitation on sale, pledge, or other restriction hereunder.

8.12. Material Agreements. Neither the Company nor any Subsidiary is in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in (i) any agreement to which it is a party, which default might have a Material Adverse Effect, (ii) any agreement or instrument evidencing or governing Indebtedness which default might have a Material Adverse Effect or (iii) the Purchase and Sale Agreement which default might have a Material Adverse Effect.

8.13. Compliance With Laws. The Company and the Subsidiaries have complied in all material respects with all applicable statutes, rules, regulations, orders and restrictions of any domestic or foreign government or any instrumentality or agency thereof, having jurisdiction over the conduct of their respective businesses or the ownership of their respective Properties. Neither the Company nor any of the Subsidiaries has received any notice to the effect that it, its operations or the Properties are not in material compliance with any of the requirements of applicable federal, state or local environmental, health and safety statutes and regulations, or are the subject of any federal or state investigation evaluating whether any remedial action is needed to respond to a release of any toxic or hazardous waste or substance into the environment, whether from the Properties or elsewhere, which in any case would have a Material Adverse Effect.

8.14. Title to Properties. Each of the Company and the Subsidiaries has defensible title to substantially all of its properties (including Properties acquired pursuant to the Purchase and Sale Agreement) and assets, whether legal or beneficial, free and clear of any and all Liens other than those Liens permitted by Section 11.5; provided, that for purposes of this Section 8.14 the failure of title to any Property acquired pursuant to the Purchase and Sale Agreement shall not be a breach of this Section 8.14, if and so long as, the Company is diligently pursuing its recourse against Texaco under the Purchase and Sale Agreement. The 1995 Engineers' Report refers to and covers all of the reserves in the Properties as of the Effective Date and such Report covers no reserves other than in such Properties.

8.15. Investment Company Act. Neither the Company nor any Subsidiary is an "investment company" or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended.

8.16. Public Utility Holding Company Act. Neither the Company nor any Subsidiary is a "holding company" or a "subsidiary company" of a "holding company", or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company", within the meaning of the Public Utility Holding Company Act of 1935, as amended.

8.17. Subordinated Indebtedness. The Obligations constitute senior indebtedness which is entitled to the benefits of the subordination provisions of all outstanding Subordinated Indebtedness.

8.18. Post-Retirement Benefits. The present value of the expected cost of post-retirement medical and insurance benefits payable by the Company and its

Subsidiaries to its employees and former employees, as estimated by the Company in accordance with reasonable procedures and assumptions deemed reasonable by the Required Lenders, does not exceed $2,000,000.

8.19. Solvency. As of the Effective Date, (i) the Company is Solvent, (ii) the Consolidated Subsidiaries of the Company on a consolidated basis are Solvent and (iii) each Guarantor and its Consolidated Subsidiaries on a consolidated basis is Solvent.

8.20. Environmental Warranties. In the ordinary course of its business, the Company conducts an ongoing review of the effect of Environmental Laws on the business, operations and Properties of the Company and its Subsidiaries, in the course of which it identifies and evaluates associated liabilities and costs (including any capital or operating expenditures required for clean-up or closure of Properties presently owned or operated, any capital or operating expenditures required to achieve or maintain compliance with environmental protection standards imposed by law or as a condition of any license, permit or contract, any related constraints on operating activities, including any periodic or permanent shutdown of any facility or reduction in the level of or change in the nature of operations conducted thereat and any actual or potential liabilities to third parties, including employees, and any related costs and expenses). On the basis of this review, the Company has reasonably concluded that, except as disclosed in writing by the Company to the Lenders and the Agents, to the best of its knowledge after due inquiry:

(a) all facilities and property (including underlying groundwater) owned, leased or operated by the Company or any Subsidiary have been, and continue to be, owned, leased or operated by the Company or any Subsidiary in material compliance with all Environmental Laws;

(b) there have been no past, and there are no pending or threatened

(i) claims, complaints, notices or inquiries to, or requests for information received by, the Company or any Subsidiary with respect to any alleged violation of any Environmental Law, that, singly or in the aggregate, have or may reasonably be expected to have a Material Adverse Effect, or

(ii) claims, complaints, notices or inquiries to, or requests for information received by, the Company or any Subsidiary regarding potential liability under any Environmental Law or under any common law theories relating to operations or the condition of any facilities or property (including underlying groundwater) owned, leased or operated by the Company or any Subsidiary that, singly or in the aggregate, have, or may reasonably be expected to have a Material Adverse Effect;

(c) there have been no Releases of Hazardous Materials at, on or under any property now or previously owned or leased by the Company or any Subsidiary that, singly or in the aggregate, have, or may reasonably be expected to have, a Material Adverse Effect;

(d) the Company and each Subsidiary have been issued and are in material compliance with all permits, certificates, approvals, licenses and other authorizations relating to environmental matters and necessary or desirable for their businesses;

(e) no property now or previously owned, leased or operated by the Company or any Subsidiary is listed or proposed for listing on the National Priorities List pursuant to CERCLA, or, to the extent that such

listing may, singly or in the aggregate, have, or may reasonably be expected to have a Material Adverse Effect, on the CERCLIS or on any other federal or state list of sites requiring investigation or clean-up;

(f) there are no underground storage tanks, active or abandoned, including petroleum storage tanks, on or under any property now or previously owned, leased or operated by the Company or any Subsidiary that, singly or in the aggregate, have, or may reasonably be expected to have, a Material Adverse Effect;

(g) none of the Company or any Subsidiary has directly transported or directly arranged for the transportation of any Hazardous Material to any location which is listed or proposed for listing on the National Priorities List pursuant to CERCLA, or, to the extent that such listing may, singly or in the aggregate, have, or may reasonably be expected to have, a Material Adverse Effect, on the CERCLIS or on any federal or state list or which is the subject of federal, state or local enforcement actions or other investigations which may lead to material claims against the Company or such Subsidiary for any remedial work, damage to natural resources or personal injury, including claims under CERCLA;

(h) there are no polychlorinated biphenyls, radioactive materials or friable asbestos present at any property now or previously owned or leased by the Company or any Subsidiary that, singly or in the aggregate, have, or may reasonably be expected to have, a Material Adverse Effect; and

(i) no condition exists at, on or under any property now or previously owned or leased by the Company or any Subsidiary which, with the passage of time, or the giving of notice or both, would give rise to material liability under any Environmental Law that, singly or in the aggregate have, or may reasonably be expected to have a Material Adverse Effect.

ARTICLE IX

AFFIRMATIVE COVENANTS

During the term of this Agreement, unless the Required Lenders shall otherwise consent in writing:

9.1. Financial Reporting. The Company will maintain a system of accounting established and administered in accordance with generally accepted accounting principles, and furnish to the Lenders:

(a) As soon as available and in any event within 90 days after the close of each of its fiscal years, an unqualified audit report certified by independent certified public accountants, acceptable to the Required Lenders, prepared in accordance with generally accepted accounting principles on a consolidated basis for itself and its Consolidated Subsidiaries, including balance sheets as of the end of such period, related profit and loss and reconciliation of surplus statements, and a statement of cash flows, accompanied by a certificate of said accountants to the effect that, in the course of their examination necessary for their certification of the foregoing, they have obtained no knowledge of any Default or Unmatured Default, or if, in the opinion of such accountants, any Default or Unmatured Default shall exist, stating the nature and status thereof.

(b) As soon as available and in any event within 45 days after the close of the first three quarterly periods of each of its fiscal years, for itself and the Consolidated Subsidiaries, consolidated unaudited balance sheets as at the close of each such period and consolidated profit and loss and reconciliation of surplus statements and a statement of cash flows for the period from the beginning of such fiscal year to the end of such quarter.

(c) Together with the financial statements required under clauses (a) and (b), a compliance certificate in substantially the form of Exhibit "C" hereto signed by its vice president/treasurer and addressing the matters set forth therein.

(d) Promptly after December 31 of each calendar year, commencing December 31, 1994, and in any event not later than March 15 of the next succeeding calendar year, an Approved Engineers' Report prepared as of December 31 of such calendar year, in form and substance satisfactory to the Engineering Banks.

(e) Within 45 days in the case of a Company's Engineers' Report and 60 days in the case of an Approved Engineers' Report, of any request by the Required Lenders in connection with any (other than the scheduled semi-annual redeterminations of the Borrowing Base) determination of the Borrowing Base pursuant to Section 2.3(a), an Approved Engineers' Report or a Company's Engineers' Report, as the case may be, prepared as of the date of such request, in form and substance satisfactory to the Required Lenders.

(f) Promptly after June 30 of each calendar year and in any event not later than September 15 of such calendar year, a Company's Engineers' Report prepared as of June 30 of such calendar year, in form and substance satisfactory to the Engineering Banks.

(g) Promptly upon the furnishing thereof to the shareholders of the Company copies of all financial statements, reports and proxy statements so furnished.

(h) Promptly upon the filing thereof, copies of all publicly available registration statements and annual, quarterly, monthly or other regular reports which the Company or any Subsidiary (other than a Drilling Partnership) or any other Affiliate files with the Securities and Exchange Commission.

(i) Promptly after December 31 of each calendar year, commencing December 31, 1995, and in any event no later than March 21 of the next succeeding calendar year, a budget (including specific capital expenditures information) through the Termination Date for the Company and its Subsidiaries certified by the Vice President/Treasurer of the Company and in a format consistent with the Projections and otherwise in form and substance satisfactory to the Administrative Agent and the Arrangers.

(j) At the request of the Administrative Agent, either Arranger, or the Required Lenders promptly after June 30 of each calendar year, commencing June 30, 1995, and in any event prior to October 1 of such calendar year, an update of the budget described in clause (i) of this Section 9.1 in form and substance satisfactory to the Administrative Agent and signed by the Vice President/Treasurer of the Company.

(k) Promptly and in any event within 40 days after the close of each calendar quarter during each year, a certificate of an Authorized Officer certifying to the Administrative Agent and the Lenders the

Debt/Capitalization Ratio and the calculation thereof as of the last day of the immediately preceding calendar quarter.

(l) Such other information (including engineering, financial and non-financial information) as the Administrative Agent, either Arranger or any Lender may from time to time reasonably request.

9.2. Use of Proceeds. The Company will, and will cause each Subsidiary to, use the proceeds of the Loans (i) to refinance existing Indebtedness of the Company and the Subsidiaries, (ii) for the Company's and the Subsidiaries' general corporate purposes or (iii) to pay the purchase price, fees and expenses of or relating to the Texaco Acquisition.

9.3. Notice of Default, Unmatured Default, Litigation and Material Adverse Effect. The Company will give prompt notice in writing to the Lenders, to Apache Energy Resources, and to MW Petroleum of (i) the occurrence of any Default or Unmatured Default and the steps, if any, being taken to cure it, (ii) the occurrence of any adverse development with respect to any labor controversy, litigation, action or proceeding described in Section 8.7, or the commencement of any labor, controversy, litigation, action or proceeding of the type described in Section 8.7 together with copies of all material pleadings relating thereto, and (iii) the occurrence of any other development, financial or otherwise, which might have or be a Material Adverse Effect or might materially adversely affect the ability of the Company to repay the Obligations.

9.4. Conduct of Business. The Company will, and will cause its Subsidiaries to, carry on and conduct its respective business in substantially the same manner and in substantially the same fields of enterprise as it is presently conducted and, except to the extent permitted by Section 11.2, will, and will cause each Subsidiary to, do all things necessary to remain duly incorporated or organized, validly existing and in good standing as a domestic corporation or partnership, as the case may be, in its jurisdiction of incorporation or organization and maintain all requisite authority to conduct its business in each jurisdiction in which its business is conducted.

9.5. Taxes. The Company will, and will cause each Subsidiary to, pay when due all taxes, assessments and governmental charges and levies upon it or its income, profits or property, and all lawful claims which, if unpaid, might become a Lien upon any properties of the Company or any Subsidiary, except those which are being contested in good faith by appropriate proceedings and with respect to which adequate reserves in accordance with generally accepted accounting principles have been set aside on its books.

9.6. Insurance. The Company and its Subsidiaries will maintain, with financially sound and reputable insurers, insurance with respect to their respective properties and business against such liabilities, casualties, risks and contingencies and in such types and amounts as customary in the case of corporations engaged in the same or similar businesses and similarly situated. Upon the request of the Administrative Agent, the Company will furnish or cause to be furnished to the Administrative Agent from time to time a summary of the insurance coverage of the Company and its Subsidiaries in form and substance satisfactory to the Required Lenders in their reasonable judgment, and, if requested, will furnish the Administrative Agent copies of the applicable policies. In the case of any fire, accident or other casualty causing loss or damage to any property of the Company or any of its Subsidiaries, the proceeds of such policies will be used (i) to repair or replace the damaged property or (ii) to prepay the Obligations, at the election of the Company.

9.7. Compliance with Laws. The Company will, and will cause each Subsidiary to, comply with all laws, rules, regulations, orders, writs, judgments, injunctions, decrees or awards to which it may be subject.

9.8. Maintenance of Properties. The Company will and will cause each Subsidiary to, do all things necessary to maintain, preserve, protect and keep its properties in good repair, working order and condition, and make all necessary and proper repairs, renewals and replacements so that its business carried on in connection therewith may be properly conducted at all times.

9.9. Inspection. The Company will, and will cause each Subsidiary to, permit the Lenders, by their respective representatives and agents, to inspect any of the properties, corporate books and financial records of the Company and each Subsidiary, to examine and make copies of the books of accounts and other financial records of the Company and each Subsidiary, and to discuss the affairs, finances and accounts of the Company and each Subsidiary with, and to be advised as to the same by, their respective officers at such reasonable times and intervals as the Lenders may designate. Any information received by the Lenders as a result of the foregoing shall be included in information subject to the confidentiality provisions set forth in Exhibit "J" hereto.

9.10. Operation of Properties. The Company will, and will cause each Subsidiary owning Properties included in the Borrowing Base to, preserve, operate and maintain, or cause to be preserved, operated and maintained, the Properties in a good and workmanlike manner continuously to their economic limit as a prudent operator in accordance with good oil and gas industry standards.

9.11. Delivery of Guaranties. The Company shall at its own expense from time to time cause each of its Subsidiaries which owns, legally or beneficially, Properties included in the Borrowing Base from time to time to deliver to the Administrative Agent a duly executed Guaranty, substantially in the form of Exhibit "L", together with such related documents and opinions as the Administrative Agent may request.

9.12. Environmental Covenant. The Company will, and will cause each of its Subsidiaries to,

(a) use, operate and maintain all of its facilities and properties in material compliance with all Environmental Laws, keep all necessary permits, approvals, certificates, licenses and other authorizations relating to environmental matters in effect and remain in material compliance therewith, and handle all Hazardous Materials in material compliance with all applicable Environmental Laws;

(b) (i) promptly notify the Administrative Agent and provide copies upon receipt of all material written claims, complaints, notices, liens or inquiries relating to the condition of its facilities and properties or compliance with Environmental Laws, (ii) within ninety (90) days have dismissed with prejudice any actions or proceedings relating to compliance with Environmental Laws which would or could in the reasonable opinion of either of the Arrangers have a Material Adverse Effect; and (iii) diligently pursue cure of any material underlying environmental problem which forms the basis of any such claim, complaint, notice, lien, inquiry, proceeding or action; and

(c) provide such information and certifications which either of the Arrangers may reasonably request from time to time to evidence compliance with this 9.12.

9.13. [Intentionally Omitted.]

9.14. [Intentionally Omitted.]

9.15. Further Assurances.

(a) Further Assurances. The Company will cure and will cause its respective Subsidiaries to cure promptly any defects in the creation and issuance of any Obligations and the execution and delivery of any Guaranty. The Company and each Subsidiary will at its expense promptly execute and deliver to the Administrative Agent upon request all such other and further reasonable documents, agreements and instruments in compliance with, or accomplishment of, the covenants and agreements of the Company and such Subsidiary in any Loan Document.

ARTICLE X

FINANCIAL COVENANTS

10.1. Consolidated Tangible Net Worth. The Company will maintain Consolidated Tangible Net Worth of not less than the sum of (i) $650,000,000, plus (ii) the product of 0.50 times the sum of Consolidated Net Income for each calendar quarter beginning with the calendar quarter ending June 30, 1995 during which Consolidated Net Income is greater than $0, plus (iii) the product of 0.50 times the proceeds of the sale by the Company and its Subsidiaries of securities (other than securities constituting Indebtedness) net of reasonable incidental, brokerage and legal costs actually paid to third parties (which proceeds, in the event of a pooling of interest transaction, shall be deemed to be one-half of the net addition to the Company's consolidated balance sheet) plus (iv) in the case of the DEKALB Merger, an amount equal to the product of 0.80 times the net addition to the Company's consolidated balance sheet as a result of such pooling of interest.

10.2. Ratio of EBITDDA to Consolidated Interest. The Company shall not permit the ratio of (i) EBITDDA to (ii) Consolidated Interest Expense for any four consecutive calendar quarters ending on the last day of any calendar quarter to be less than 3.70 to 1.0.

ARTICLE XI

NEGATIVE COVENANTS

11.1. Indebtedness. The Company will not, nor will it permit any Subsidiary to, create, incur or suffer to exist any Indebtedness, except:

(a) The Obligations arising under the Loan Documents, Contingent Obligations permitted under Section 11.4 and Indebtedness of International or Apache Energy Resources pursuant to Investments by the Company permitted by Section 11.12(e);

(b) Indebtedness existing on the date hereof and described in Schedule 11.1 hereto and the DEKALB Indebtedness described in Schedule 11.1;

(c) Other Indebtedness of the Company or any Subsidiary consented to by the Required Lenders in the exercise of their sole discretion having no conditions precedent or covenants or defaults more onerous to the Company or such Subsidiary than the conditions precedent and covenants and defaults contained herein and which is expressly made subordinate and junior in right of payment to the Obligations and which contains terms (including interest rates, amortization and maturity) and provisions satisfactory to the Required Lenders in the exercise of their sole discretion;

(d) Other Indebtedness of the Company or any Subsidiary consented to by the Required Lenders in the exercise of their sole discretion and constituting Limited Recourse Indebtedness, provided that such Limited Recourse Indebtedness contains terms (including interest rates, amortization and maturity) and provisions satisfactory to the Required Lenders in the exercise of their sole discretion;

(e) Other Indebtedness of the Company or any Subsidiary, consented to by the Required Lenders in the exercise of their sole discretion having no conditions precedent or covenants or defaults more onerous to the Company or such Subsidiary than the conditions precedent and covenants and defaults contained herein and which contains terms (including interest rates, amortization, maturity and the application of the proceeds thereof) and provisions satisfactory to the Required Lenders in the exercise of their sole discretion;

(f) Indebtedness of the type referred to in clause (vi) of the definition of Indebtedness;

(g) Indebtedness of the type referred to in clause (vii) of the definition of Indebtedness, provided such Indebtedness is otherwise permitted pursuant to Section 11.13;

(h) Additional Indebtedness of the Company not included in the foregoing clauses (a) through (g) in an aggregate principal amount not exceeding $40,000,000, exclusive of any Contingent Obligations permitted under Section 11.4;

provided, that if the Company shall request that any Indebtedness be permitted as Subordinated Indebtedness pursuant to clause (c), as Limited Recourse Indebtedness pursuant to clause (d), or as Indebtedness pursuant to clause (e), the Administrative Agent or any Arranger shall notify the Company that it or they, as the case may be, deem such request by the Company to be a request for a redetermination of the Borrowing Base pursuant to Section 2.3(b), in which event the Company shall supply such information and reports provided pursuant to such Section 2.3(b) and the Engineering Banks and the Required Lenders shall make a determination of the Borrowing Base in accordance with the provisions of Section 2.3(a), giving effect to such requested Indebtedness. For purposes hereof, "Limited Recourse Indebtedness" shall mean Indebtedness of a Person for which there is no recourse whatsoever to such Person for the repayment thereof other than recourse limited to the cash flow from the assets constituting collateral therefor and recourse to the extent necessary to enable amounts to be claimed in respect of such Indebtedness upon an enforcement of any Lien on any such assets; provided that (a) the extent of such recourse is limited solely to the amount of any recoveries made on any such enforcement, (b) such Person is not entitled, by virtue of any right or claim arising out of or in connection with such Indebtedness to commence proceedings for the winding up or dissolution of, or to appoint or procure the appointment of any receiver, trustee or similar person or official in respect of, such Person or any of its assets (other than the assets the subject of such Lien) and (c) except as provided in the foregoing (a) and (b), neither the Company nor any Subsidiary shall have any contingent liability in respect thereof other than Contingent Obligations permitted pursuant to Section 11.4.

11.2. Merger. The Company will not, nor will it permit any Subsidiary to, merge or consolidate with or into any other Person or Persons except that notwithstanding the foregoing, a Subsidiary may merge into the Company and a Subsidiary (other than a Guarantor) may merge into a Wholly-Owned Subsidiary; provided, however that the foregoing shall not prohibit mergers or consolidations in any calendar year not in excess of five percent (5%) of the consolidated total assets of the Company and its Consolidated Subsidiaries immediately prior to the

initial such merger or consolidation during such calendar year if (i) the Company or such Subsidiary, as the case may be, is the surviving entity of such merger (and if a merger between the Company and any Subsidiary, the Company is the surviving entity) and (ii) after giving effect to such merger or consolidation, no Default or Unmatured Default shall occur and be continuing; provided, further that the foregoing shall not prohibit the DEKALB Merger.

11.3. Sale of Assets. The Company will not, nor will it permit any Subsidiary to, lease, sell, transfer, convey, assign, issue or otherwise dispose of any of its property, assets (including stocks or partnership interests in or of any Subsidiary) or business to any other Person, whether in one transaction or in a series of transactions, except:

(i) Sales of Hydrocarbon inventory and severed oil and gas in the ordinary course of business.

(ii) Sales of Properties (other than Hydrocarbon inventory and severed oil and gas in the ordinary course of business) or other assets with a fair market value not in excess of $10,000,000 for all such Sales permitted pursuant to this clause (ii) during any consecutive six-month period.

(iii) Sales of Properties (other than sales of Hydrocarbon inventory and severed oil and gas in the ordinary course of business) having a fair market value not in excess of $50,000,000 in the aggregate for all such Sales during any period occurring between successive dates of determination of the Borrowing Base pursuant to Section 2.3; provided, however, that concurrently with any such Sale the Aggregate Available Commitment shall be reduced pursuant to Section 2.3(f), and the Company shall make any mandatory prepayment required pursuant to Section 4.2(b).

(iv) Sales of Properties (other than sales of Hydrocarbon inventory and severed oil and gas in the ordinary course of business) not described in the foregoing clause (ii) or (iii) if the Required Lenders give prior written consent to such Sale in the exercise of their sole discretion; provided, that the consent of the Required Lenders shall not be required for the Sale of the Properties described in Schedule 11.3 hereof for at least the amount described in a letter agreement dated on or prior to the Effective Date delivered pursuant to Section 7.1 (xiv); provided, further, however, that concurrently with any such Sale (A) if the Non-conforming Borrowing Base is $0.00, the Aggregate Available Commitment shall be reduced pursuant to Section 2.3(f), (B) if the Non-conforming Borrowing Base is not $0.00, the Aggregate Available Commitment shall be reduced as provided in Section 4.2(d), and (C) the Company shall make a mandatory prepayment pursuant to Section 4.2(d).

(v) Sales of assets (other than sales of Hydrocarbon inventory and severed oil and gas in the ordinary course of business and other than assets constituting Properties) if the Required Lenders give prior written consent to such Sale in the exercise of their sole discretion.

(vi) The issuance by the Company of common stock.

(vii) A transfer, conveyance or assignment to the Company of Properties as a result of the winding up and liquidation of a Drilling Partnership.

(viii) A transfer, conveyance or assignment to the Company or a Subsidiary of Properties as a result of a merger permitted pursuant to Section 11.2.

Anything herein contained to the contrary notwithstanding, the Company will not, nor will it permit any Subsidiary to, consummate any Sale otherwise permitted hereunder if it receives therefor consideration other than cash or other consideration readily convertible to cash or which is less than the fair market value of the relevant property or asset.

11.4. Contingent Obligations. The Company will not, nor will it permit any Subsidiary to, make or suffer to exist any Contingent Obligation (including, without limitation, any Contingent Obligation with respect to the obligations of a Subsidiary) in an aggregate amount for all such Persons and Contingent Obligations as of any date of determination in excess of $30,000,000 except (a) by endorsement of instruments for deposit or collection in the ordinary course of business, (b) any Contingent Obligation pursuant to any of the Loan Documents, (c) Contingent Obligations in respect of Apache Offshore Investment Partnership or Offshore outstanding as of the Effective Date or in replacement of such outstanding Contingent Obligations pursuant to the facility described in item 1 of Schedule 11.1, and not exceeding in the aggregate the lesser of (i) $40,000,000 or (ii) the greater of (A) $23,000,000 or (B) the present value (discounted at 10%) of Apache Offshore Investment Partnership's proved reserves as shown in the most recent Form 10-K filed with the Securities and Exchange Commission, (d) net Contingent Obligations of International consisting of foreign work commitments or other similar obligations under exploration or production licenses or agreements entered into by International in the ordinary course of business not to exceed net at any one time outstanding for all such Contingent Obligations of $60,000,000; provided that for purposes of this clause (d), net Contingent Obligations shall be deemed to be the difference between the aggregate for all such Contingent Obligations in respect of foreign work commitments or other similar obligations less the aggregate of such Contingent Obligations in respect of which another industry partner (which the Company reasonably believes is capable of performing such commitments or obligations) has become obligated to perform, (e) Contingent Obligations in the form of Indebtedness of the type referred to in clause vii of the definition of Indebtedness; provided such Contingent Obligations are otherwise permitted pursuant to Section 11.13; (f) Contingent Obligations in support of Indebtedness of the type referred to in clause vii of the definition of Indebtedness, in an aggregate amount as of any date of determination not in excess of $30,000,000; (g) any Contingent Obligations pursuant to Indebtedness of the type referred to in clause (vi) of the definition of Indebtedness; and (h) Contingent Obligations in respect of obligations of partnerships of which the Company or its Subsidiaries are partners pursuant to any oil, gas and/or mineral leases, farm-out agreements, division orders, contracts for the sale, delivery, purchase, exchange, or processing of oil, gas and/or other hydrocarbons, unitization and pooling declarations and agreements, operating agreements, development agreements, area of mutual interest agreements, and other agreements which are customary in the oil, gas and other mineral exploration, development and production business and in the business of processing of gas and gas condensate production for the extraction of products therefrom.

11.5. Liens. The Company will not, nor will it permit any Subsidiary or Affiliate to, create, incur, or suffer to exist any Lien in, of or on (i) any of the Company's, the Subsidiaries' and the Affiliates' consolidated assets, revenues and properties securing an amount greater than $5,000,000 in the aggregate for all such Liens or (ii) any of the Properties, except in either case:

(a) Liens for taxes, assessments or governmental charges or levies on its property if the same shall not at the time be delinquent or

thereafter can be paid without penalty, or are being contested in good faith and by appropriate proceedings and for which adequate reserves in accordance with generally accepted accounting principles shall have been set aside on its books.

(b) Liens imposed by law, such as carriers', warehousemen's and mechanics' liens and other similar liens arising in the ordinary course of business which secure obligations not more than 60 days past due or which are being contested in good faith by appropriate proceedings and for which adequate reserves in accordance with generally accepted accounting principles shall have been set aside on its books.

(c) Liens arising out of pledges or deposits under worker's compensation laws, unemployment insurance, old age pensions, or other social security or retirement benefits, or similar legislation.

(d) Utility easements, building restrictions and such other encumbrances or charges against real property as are of a nature generally existing with respect to properties of a similar character and which do not in any material way affect the marketability of the same or interfere with the use thereof in the business of the Company, the Subsidiaries or the Affiliates, as the case may be.

(e) Liens existing on the date hereof described in Schedule 11.1 and securing the Indebtedness described in Schedule 11.1 hereto or otherwise permitted in connection with Indebtedness of the type described in Section 11.1(d) consented to by the Required Lenders in the exercise of their sole discretion.

(f) Liens arising under operating agreements in respect of obligations which are not yet due or which are being contested in good faith by appropriate proceedings.

(g) Liens reserved in oil, gas and/or mineral leases for bonus or rental payments and for compliance with the terms of such leases.

(h) Liens pursuant to partnership agreements, oil, gas and/or mineral leases, farm-out agreements, division orders, contracts for the sale, delivery, purchase, exchange, or processing of oil, gas and/or other hydrocarbons, unitization and pooling declarations and agreements, operating agreements, development agreements, area of mutual interest agreements, and other agreements which are customary in the oil, gas and other mineral exploration, development and production business and in the business of processing of gas and gas condensate production for the extraction of products therefrom.

(i) Liens on Properties owned by Offshore arising out of the facility described in item 1 of Schedule 11.1.

11.6. [Intentionally Omitted.]

11.7. Restricted Payments, etc. On and at all times after the Effective Date:

(a) [Intentionally Omitted.]

(b) [Intentionally Omitted.]

(c) the Company will not and will not permit any of its Subsidiaries to make any optional payment or prepayment on, or redemption of, or redeem, purchase or defease prior to its stated maturity, any

Indebtedness other than Indebtedness incurred under this Agreement, the other Loan Documents, Indebtedness of Offshore or Indebtedness evidenced by the DEKALB Notes; provided with respect to Indebtedness of Offshore, that the optional payment or prepayment be made with proceeds of the facility described in item A.1 of Schedule 11.1; provided with respect to Indebtedness of DEKALB evidenced by the DEKALB Notes, that the optional payment or prepayment be made with proceeds of the facility described in item B.1 or B.2 of Schedule 11.1, with cash on hand at DEKALB or with proceeds of Investments permitted pursuant to Section 11.12(i); and provided that DEKALB may borrow, repay and reborrow pursuant to the facilities described as item B.1, B.2 and B.3 of Schedule 11.1;

(d) the Company will not, and will not permit any Subsidiary to, make any deposit for any of the foregoing purposes;

provided, that notwithstanding the foregoing clause (c), the Company shall be permitted to make an optional payment or prepayment on, or redeem, purchase or defease Subordinated Indebtedness or any other Indebtedness of itself or its Subsidiaries so long as the Debt/Capitalization Ratio following such payment, repayment, redemption, purchase or defeasance is less than .45 to 1.0.

11.8. Rental Obligations. The Company will not, and will not permit any of its Subsidiaries to, enter into at any time any arrangement (other than oil, gas and mineral leases and leases of rights-of-way and easements and other than short-term operating equipment rental arrangements) which does not create a Capitalized Lease Obligation and which involves the leasing by the Company or any of its Subsidiaries from any lessor of any real or personal property (or any interest therein), except arrangements which, together with all other such arrangements which shall then be in effect, will not require the payment of an aggregate amount of rentals by the Company and its Subsidiaries in excess of (excluding escalations resulting from a rise in the consumer price or similar index) $10,000,000 for any calendar year; provided, however, that any calculation made for purposes of this Section shall exclude any amounts required to be expended for normal maintenance and repairs, insurance, taxes, assessments, and other similar charges.

11.9. Transactions with Affiliates. The Company will not, and will not permit any of its Subsidiaries to, enter into, or cause, suffer or permit to exist any arrangement or contract with any of its other Affiliates unless such arrangement is fair and equitable to the Company or such Subsidiary, as the case may be, and is not of a sort which would not be entered into by a prudent Person in the position of the Company or such Subsidiary with, or which is on terms which are less favorable than are obtainable from, any Person which is not one of its Affiliates.

11.10. Negative Pledges, etc. The Company will not, and will not permit any of its Subsidiaries to, enter into, on or at any time after the Effective Date, any agreement (excluding this Agreement and any other Loan Document) directly or indirectly prohibiting the creation, assumption or perfection of any Lien upon its properties, revenues or assets, whether now owned or hereafter acquired, restricting any loans, advances or other Investments to or in the Company or any of its Subsidiaries, restricting the capitalization of the Company or any Subsidiary, restricting the ability of any Subsidiary to make dividend payments or other distributions or payments (by way of dividends, advances, repayments of loans or advances, reimbursements or otherwise) or restricting the ability of the Company or any Subsidiary to amend or otherwise modify this Agreement or any other Loan Document.

11.11. Regulation U Acquisitions. The Company will not, nor will it permit any Subsidiary to, use any of the proceeds of the Loans to purchase or carry any "margin stock" (as defined in Regulation U) or to make any Acquisition except (i) Acquisitions not involving "margin stock", where such Acquisition

shall have been approved or consented to by the board of directors or similar governing entity of the Person being acquired; (ii) Acquisitions involving "margin stock" where such Acquisitions shall have been approved or consented to by the board of directors or similar governing entity of the Person being acquired and (iii) Acquisitions of not more than 15% of the outstanding equity securities of any issuer, whether or not such securities are "margin stock"; provided, however, that the amount paid by the Company to consummate all Acquisitions of the type described in clauses (ii) and (iii) shall not exceed $15,000,000 in the aggregate.

11.12. Investments. The Company will not, and will not permit any of its Subsidiaries to make, incur, assume or suffer to exist any Investment in any other Person, except:

(a) Investments existing on the Effective Date and identified in Schedule 11.12;

(b) Cash Equivalent Investments;

(c) without duplication, Investments permitted as Indebtedness pursuant to Section 11.1 and Investments permitted as Contingent Obligations pursuant to Section 11.4;

(d) in the ordinary course of business, Investments (other than the contribution of Hydrocarbon Interests) by the Company in any Guarantor;

(e) in the ordinary course of business, (i) Investments by the Company in International or Apache Energy Limited (or by Apache Energy Resources in Apache Energy Limited) not to exceed $45,000,000 (provided that until such time as the Non-conforming Borrowing Base is $0.00, such amount shall be $30,000,000) in the aggregate for all such Investments made, incurred or assumed in any calendar year; provided, that Investments made by Apache Energy Resources in Apache Energy Limited using the proceeds of Investments by the Company in Apache Energy Resources shall not be included in such aggregate amount and (ii) Investments by the Company in International or Apache Energy Limited (or by Apache Energy Resources in Apache Energy Limited) for the purpose of capital expenditures in respect of Properties owned by International or Apache Energy Limited, as the case may be, and included in the Borrowing Base, and consisting of Hydrocarbon Interests located in countries (other than the United States of America) approved by the Required Lenders pursuant to the definition of Hydrocarbon Interests and not to exceed in the aggregate capital expenditures in respect thereof set forth in the then most recent Approved Engineers' Report or Company's Engineers' Report to be delivered pursuant to Section 9.1;

(f) Investments by Subsidiaries of International in Subsidiaries of International;

(g) Other Investments in an aggregate amount not to exceed $15,000,000 during any calendar year;

(h) Investments in Persons which (A) Persons arise as a result of joint operations of oil and gas properties located in the United States of America, in which such joint operators each directly own undivided interests, pursuant to joint operating agreements containing terms and provisions customary in the oil and gas industry and entered into in the ordinary course of business (and not arising as a result of a joint venture agreement or partnership agreement, whether written, oral, express

or implied) and (B) Investments are in respect of the joint operations of such Properties pursuant to such joint operating agreements;

(i) Investments in DEKALB and its Subsidiaries not to exceed $10,000,000 in the aggregate at any time outstanding;

provided, however, that

(j) any Investment which when made complies with the requirements of the definition of the term "Cash Equivalent Investment" may continue to be held notwithstanding that such Investment if made thereafter would not comply with such requirements; and

(k) no Investment otherwise permitted by clause (d), (e) (f) or (g) shall be permitted to be made if, immediately before or after giving effect thereto, any Default shall have occurred and be continuing.

11.13. Hedging Contracts. The Company will not and will not permit any of its Subsidiaries to enter into or become obligated under any contract for sale for future delivery of oil or gas, whether or not the subject oil or gas is to be delivered, hedging contract, forward contract, commodity swap agreement, futures contract or other similar agreement except for such contracts which in the aggregate do not cover at any time a volume of oil or gas, as the case may be, equal to more than 75% of the projected production of oil or gas, as the case may be, from the Properties included in the Borrowing Base for the term covered by such contracts.

11.14. Approval of Consents. In any instance in this Article XI where it is provided that an action may be taken by the Company or a Subsidiary only with the approval or consent of the Required Lenders, the failure by a Lender to respond to a request for such approval or consent within 10 Business Days of receipt of a request for such approval or consent (or such other length of time as specified by the Administrative Agent in such request) shall be deemed an approval of, or consent to, such request.

ARTICLE XII

DEFAULTS

The occurrence of any one or more of the following events shall constitute a "Default":

12.1. Breach of Warranties and Misleading Statements. Any representation or warranty made or deemed made pursuant to Article VIII, by or on behalf of the Company or any Subsidiary to the Lenders, the Administrative Agent, the Co-Agent, the Arrangers or the Engineering Banks under or in connection with this Agreement, any Loan, any Loan Document, or any certificate, or, information delivered in connection with this Agreement, any other Loan Document is breached or shall be false, incomplete or incorrect on the date as of which made or deemed made in any material respect.

12.2. Nonpayment of Notes, Fees and other Obligations. Nonpayment of principal of any Note when due; or nonpayment of interest upon any Note or of any facility fee or other Obligation under any of the Loan Documents within three (3) days after the same becomes due.

12.3. Breach of Certain Covenants. The breach by the Company of any of the terms or provisions of Section 9.2, 9.3, 9.15 or Article X or Article XI.

12.4. [Intentionally Omitted.]

12.5. Non-Compliance with this Agreement. The breach by the Company (other than a breach which constitutes a Default under any other Section of this Article XII) of any of the terms, provisions or covenants of this Agreement which is not remedied within 30 days after written notice from the Administrative Agent or any Lender.

12.6. Cross-Defaults.

(a) Failure of the Company or any Subsidiary to pay any Indebtedness (other than Limited Recourse Indebtedness of such Person) in excess of $25,000,000 in aggregate principal amount when due; or the default by the Company or any Subsidiary in the performance of any term, provision or condition contained in any agreement under which any such Indebtedness was created or is governed, the effect of which is to cause, or to permit the holder or holders of such Indebtedness to cause, such Indebtedness to become due prior to its stated maturity; or any such Indebtedness of the Company or any Subsidiary shall be declared to be due and payable or required to be prepaid (other than by a regularly scheduled payment) prior to the stated maturity thereof; or the Company or any Subsidiary shall not pay, or shall admit in writing its inability to pay, its debts generally as they become due.

(b) Failure of an Affiliate (other than any Subsidiary) to pay any Indebtedness (other than Limited Recourse Indebtedness) in excess of $25,000,000 in aggregate principal amount when due or any such Indebtedness of an Affiliate shall be declared to be due and payable or required to be prepaid (other than a regularly scheduled payment) prior to the stated maturity thereof; or an Affiliate shall not pay, or shall admit in writing its inability to pay, its debts as they become due, if any of the foregoing would have a Material Adverse Effect.

12.7. Voluntary Dissolution and Insolvency Proceedings and Actions. The Company, any Subsidiary or any Affiliate shall (a) have an order for relief entered with respect to it under Federal bankruptcy laws as now or hereafter in effect, (b) make an assignment for the benefit of creditors, (c) apply for, seek, consent to, or acquiesce in, the appointment of a receiver, custodian, trustee, examiner, liquidator or similar official for it or any substantial part of its property, (d) institute any proceeding seeking an order for relief under Federal bankruptcy laws as now or hereafter in effect or seeking to adjudicate it a bankrupt or insolvent, or seeking dissolution, winding up, liquidation, reorganization, arrangement, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors or fail to file an answer or other pleading denying the material allegations of any such proceeding filed against it, (e) take any corporate or partnership action to authorize or effect any of the foregoing actions set forth in this Section 12.7 or (f) fail to contest in good faith any appointment or proceeding described in Section 12.8; provided, however, that if any of the foregoing shall occur with respect to any Affiliate, it shall not constitute a Default hereunder unless it shall have a Material Adverse Effect.

12.8. Involuntary Insolvency Proceedings or Dissolution. Without the application, approval or consent of the Company, any Subsidiary or any Affiliate, a receiver, trustee, examiner, liquidator or similar official shall be appointed for such Person or any substantial part of its property, or a proceeding described in Section 12.7(d) shall be instituted against the Company, any Subsidiary or any Affiliate and such appointment continues undischarged or such proceeding continues undismissed or unstayed for a period of 30 consecutive days; provided, however, that if any of the foregoing shall occur with respect to any Affiliate, it shall not constitute a Default hereunder unless it shall have a Material Adverse Effect.

12.9. Condemnation. Any court, government or governmental agency shall condemn, seize or otherwise appropriate, or take custody or control of all or any portion of the assets of the Company or any Subsidiary with a fair market value in excess of $50,000,000 in the aggregate for all such assets; provided, that for purposes of the foregoing, the fair market value of the assets of a Subsidiary constituting a Drilling Partnership condemned, seized or otherwise appropriated or taken into custody or control shall be deemed to be the product of such fair market value times the Company's direct ownership percentage of such Drilling Partnership; and, provided, further, that this Section 12.9 shall not apply to any assets which are not included in the Borrowing Base and which are either: (i) owned by International or (ii) owned by the Company or a Subsidiary other than International and located outside of the United States of America.

12.10. Judgments. The Company or any Subsidiary shall fail within 45 days to pay, bond or otherwise discharge any uninsured portion of any judgment or order for the payment of money in excess of $10,000,000 in the aggregate for all such judgments and orders, which is not stayed on appeal or is not otherwise being appropriately contested in good faith.

12.11. Plans. The Unfunded Liabilities of all Plans shall exceed in the aggregate $10,000,000.

12.12. Material Adverse Effect. The Company, any Subsidiary, or any of the Properties shall be the subject of any proceeding or investigation pertaining to the release by any of them or from such Property of any toxic or hazardous waste or substance into the environment, or any violation of any federal, state or local environmental, health or safety law or regulation, which would, in any case, have or be a Material Adverse Effect; or the occurrence of any material adverse change in the business, assets, properties, operations, conditions or prospects (financial or otherwise) of the Company and any of its Subsidiaries taken as a whole or in the ability of the Company or its Subsidiaries to perform their respective obligations under the Loan Documents.

12.13. Other Defaults Under Loan Documents. The occurrence of any default under any Loan Document (other than this Agreement or the Notes) or the breach of any of the terms or provisions of any Loan Document (other than this Agreement or the Notes) which default or breach continues beyond any period of grace therein provided.

12.14. Failure of Loan Documents. Any Loan Document shall fail to remain in full force or effect or shall be declared null and void, or any action shall be taken to discontinue or to assert the invalidity or unenforceability of any Loan Document.

12.15. Change in Control. Any Change in Control shall occur.

ARTICLE XIII

ACCELERATION, WAIVERS, AMENDMENTS, REMEDIES; RELEASES

13.1. Acceleration. If any Default described in Section 12.7 or 12.8 occurs with respect to the Company, (a) the obligations of the Lenders to make Loans hereunder shall automatically terminate, (b) the Obligations shall immediately become due and payable without any election or action on the part of any Agent or any Lender and without presentment, demand, protest or notice of any kind, including without notice of acceleration or notice of intent to accelerate, all of which the Company and each Guarantor each hereby expressly waives, and (c) the Agents and the Lenders and each of them shall be able to exercise any rights available to it or them under the Loan Documents, the Guaranties or by law. If any other Default occurs, (a) the Required Lenders may terminate or

suspend the obligations of the Lenders to make Loans hereunder, or declare the Obligations to be due and payable, or both, whereupon the Obligations shall become immediately due and payable, without presentment, demand, protest or notice of any kind, including without notice of acceleration or notice of intent to accelerate, all of which the Company and each Guarantor each hereby expressly waives, and (b) the Agents and the Lenders and each of them shall be able to exercise any rights available to it or them under the Loan Documents, the Guaranty or by law. The Administrative Agent hereby agrees, at the written direction of the Required Lenders, subject to the provisions of Article XV, to exercise any of the foregoing rights available to it.

13.2. Amendments. Subject to the provisions of this Article XIII, the Required Lenders (or the Administrative Agent with the consent in writing of the Required Lenders) and the Company may enter into agreements supplemental hereto for the purpose of adding or elucidating any provisions to the Loan Documents or changing in any manner the rights and remedies of the Lenders or the Company hereunder or waiving any Default hereunder; provided however that Sections 2.3 and the related definitions in Section 1.1 shall not be changed without the prior written consent of the Required Lenders; provided, further however, that no such supplemental agreement shall, without the consent of each Lender affected thereby:

(a) Extend the maturity of any Loan, Note or payment under a Guaranty, or reduce the principal amount of any of them, or reduce the rate or extend the time of payment of interest or fees thereon.

(b) Reduce the percentage specified in the definition of Required Lenders.

(c) Extend the Termination Date or reduce the amount or extend the payment date for, the mandatory payments required under Section 4.2 or increase the amount of the Commitment of any Lender hereunder or permit the Company to assign its rights or obligations under this Agreement or under any other Loan Document.

(d) Amend this Section 13.2.

No amendment of any provision of this Agreement relating to any Agent shall be effective without the written consent of such Agent. The Administrative Agent may waive payment of the fee required under Section 17.3(b) without obtaining the consent of any of the Lenders.

13.3. Preservation of Rights. All remedies contained in the Loan Documents or afforded by law shall be cumulative and all shall be available to the Agents and the Lenders until the Obligations have been paid in full. No delay or omission of the Lenders, the Agents or any of them to exercise any right under the Loan Documents shall impair such right or be construed to be a waiver of any Default or an acquiescence therein, and the making of a Loan notwithstanding the existence of a Default or the inability of the Company to satisfy the conditions precedent to such Loan shall not constitute any waiver or acquiescence. Any single or partial exercise of any such right shall not preclude other or further exercise thereof or the exercise of any other right, and no waiver, amendment or other variation of the terms, conditions or provisions of the Loan Documents whatsoever shall be valid unless in writing signed by the Lenders and the Agents required pursuant to Section 13.2, and then only to the extent specifically set forth in such writing. Notwithstanding the foregoing or any other provision of this Agreement, each of the various written consents provided by the Administrative Agent on behalf of the Lenders, or any group of Lenders, with respect to the April 1994 Agreement shall remain in full force and effect according to its terms, including, without limitation, each consent contained in that certain letter from the Administrative Agent to the

Company dated January 20, 1994, concerning the purchase by the Company of up to five million shares of its common stock.

ARTICLE XIV

GENERAL PROVISIONS

14.1. Survival of Representations. All representations and warranties of the Company, MW Petroleum and any other Subsidiary contained in the July 1991 Agreement, the April 1992 Agreement, the April 1994 Agreement, this Agreement, or in any other Loan Document shall survive the delivery of the Notes and the making of the Loans herein contemplated until all the Obligations have been paid and this Agreement has been terminated.

14.2. Governmental Regulation. Anything contained in this Agreement to the contrary notwithstanding, no Lender shall be obligated to extend credit to the Company in violation of any limitation or prohibition provided by any applicable statute or regulation.

14.3. Taxes. Any taxes (excluding income taxes) or other similar assessments or charges payable or ruled payable by any governmental authority in respect of the Loan Documents shall be paid by the Company, together with interest and penalties, if any.

14.4. Headings. Article and section headings in the Loan Documents are for convenience of reference only, and shall not govern the interpretation of any of the provisions of the Loan Documents.

14.5. Entire Agreement. The Loan Documents embody the entire agreement and understanding among the Company, the Agents and the Lenders and supersede all prior agreements and understandings among the Company, the Agents and the Lenders relating to the subject matter thereof.

14.6. Several Obligations. The respective obligations of the Lenders hereunder are several and not joint and no Lender shall be the partner or agent of any other (except to the extent to which an Agent is authorized to act as such). The failure of any Lender to perform any of its obligations hereunder shall not relieve any other Lender from any of its obligations hereunder. This Agreement is not intended to, and shall not be construed so as to, confer any right or benefit upon any Person other than the parties to this Agreement and their respective successors and assigns.

14.7. Reimbursement of Costs and Expenses; Indemnification.

(a) Reimbursement of Costs and Expenses. The Company shall reimburse each Agent for any reasonable costs, internal charges and out-of-pocket expenses (including fees and expenses of consultants and attorneys' fees and time charges of attorneys for such Agent, which attorneys may be employees of such Agent) paid or incurred by such Agent in connection with the preparation, review, execution, delivery, amendment, modification and administration of the Loan Documents including, without limitation, the fees incurred by such Agent in connection with its initial evaluation of the Properties. The Company shall reimburse each Agent and the Lenders for any costs, internal charges and out-of-pocket expenses (including attorneys' fees and time charges of attorneys for the Agent and the Lenders, which attorneys may be employees of the Agents or the Lenders) paid or incurred by any Agent or any Lender in connection with the collection and enforcement of the Loan Documents.

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(b) Indemnification. In consideration of the execution and delivery of this Agreement by each Lender and the extension of the Commitments, the Company hereby indemnifies, exonerates and holds each Agent and each Lender, and their respective directors, agents, officers and employees ("Indemnified Persons") free and harmless from and against any and all losses, claims, damages, penalties, judgments, liabilities, actions, suits, costs and expenses (including, without limitation, all expenses of litigation or preparation therefor whether or not any Agent or any Lender or any Indemnified Person is a party thereto and all other attorneys' fees and disbursements) (Claims") which any of them may pay or incur as a result of, arising out of, or relating to,

(i) this Agreement, the other Loan Documents, the transactions contemplated hereby or thereby;

(ii) the direct or indirect application or proposed application of the proceeds of any Loan hereunder;

(iii) any transaction financed or to be financed in whole or in part, directly or indirectly, with the proceeds of any Loan;

(iv) any investigation, litigation or proceeding related to any acquisition or proposed acquisition by the Company, any of its Subsidiaries, Apache Energy Resources or Apache Energy Limited of all or any portion of the stock or assets of any Person, whether or not any Agent or any Lender is party thereto;

(v) any investigation, litigation or proceeding related to any environmental cleanup, audit, compliance or other matter relating to any Environmental Law or the condition of any facility or property owned, leased or operated by the Company or any Subsidiary;

(vi) the presence on or under, or the escape, seepage, leakage, spillage, discharge, emission, discharging or releases from, any facility or property owned, leased or operated by the Company or any Subsidiary thereof of any Hazardous Material (including any losses, liabilities, damages, injuries, costs, expenses or claims asserted or arising under any Environmental Law), regardless of whether caused by, or within the control of, the Company or such Subsidiary; or

(vii) any misrepresentation, inaccuracy or any breach in or of Section 8.20 or Section 9.12;

(the foregoing collectively the "Indemnified Liabilities"), except to the extent that a final order of a court of competent jurisdiction finds that such Indemnified Liability arises solely from such Indemnified Person's gross negligence or wilful misconduct. If and to the extent that the foregoing undertaking may be unenforceable for any reason, the Company hereby agrees to make the maximum contribution to the payment and satisfaction of each of the Indemnified Liabilities which is permissible under applicable law. The obligations of the Company under this Section 14.7 shall survive the termination of this Agreement or any non-assumption of this Agreement in a bankruptcy or similar proceeding. The Company shall be obligated to indemnify the Indemnified Persons for all Claims regardless of whether the Company had knowledge of the facts and circumstances giving rise to such Claims.

14.8. Numbers of Documents. All statements, notices, closing documents, and requests hereunder shall be furnished to the Administrative Agent with

sufficient counterparts so that the Administrative Agent may furnish one to each of the Lenders and each of the Agents.

14.9. Severability of Provisions. Any provision in any Loan Document that is held to be inoperative, unenforceable, or invalid in any jurisdiction shall, as to that jurisdiction, be inoperative, unenforceable, or invalid without affecting the remaining provisions in that jurisdiction or the operation, enforceability, or validity of that provision in any other jurisdiction, and to this end the provisions of all Loan Documents are declared to be severable.

14.10. Nonliability of Lenders. The relationship between the Company on the one hand and the Lenders and the Agents on the other hand shall be solely that of borrower and lender. None of the Agents nor any Lender shall have any fiduciary responsibilities to the Company or any of its Subsidiaries or Affiliates. None of the Agents nor any Lender undertakes any responsibility to the Company or any of its Subsidiaries or Affiliates to review or inform the Company of any matter in connection with any phase of the Company's or such Subsidiary's or Affiliate's business or operations.

14.11. CHOICE OF LAW. THE LOAN DOCUMENTS (OTHER THAN THOSE CONTAINING A CONTRARY EXPRESS CHOICE OF LAW PROVISION) SHALL BE CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS (AND NOT THE LAW OF CONFLICTS) OF THE STATE OF ILLINOIS, BUT GIVING EFFECT TO FEDERAL LAWS APPLICABLE TO NATIONAL BANKS.

14.12. CONSENT TO JURISDICTION. ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH, THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF ANY AGENT, THE LENDERS OR THE COMPANY SHALL BE BROUGHT AND MAINTAINED EXCLUSIVELY IN THE COURTS OF THE STATE OF ILLINOIS OR IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS; PROVIDED, HOWEVER, THAT ANY SUIT SEEKING ENFORCEMENT AGAINST ANY COLLATERAL OR OTHER PROPERTY MAY BE BROUGHT, AT ANY AGENT'S OPTION, IN THE COURTS OF ANY JURISDICTION WHERE SUCH COLLATERAL OR OTHER PROPERTY MAY BE FOUND. THE COMPANY HEREBY EXPRESSLY AND IRREVOCABLY SUBMITS TO THE JURISDICTION OF THE COURTS OF THE STATE OF ILLINOIS AND THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS FOR THE PURPOSE OF ANY SUCH LITIGATION AS SET FORTH ABOVE AND IRREVOCABLY AGREES TO BE BOUND BY ANY JUDGMENT RENDERED THEREBY IN CONNECTION WITH SUCH LITIGATION. THE COMPANY FURTHER IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS BY REGISTERED MAIL, POSTAGE PREPAID, OR BY PERSONAL SERVICE WITHIN OR WITHOUT THE STATE OF ILLINOIS. THE COMPANY HEREBY EXPRESSLY AND IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION WHICH IT MAY HAVE OR HEREAFTER MAY HAVE TO THE LAYING OF VENUE OF ANY SUCH LITIGATION BROUGHT IN ANY SUCH COURT REFERRED TO ABOVE AND ANY CLAIM THAT ANY SUCH LITIGATION HAS BEEN BROUGHT IN AN INCONVENIENT FORUM. TO THE EXTENT THAT THE COMPANY HAS OR HEREAFTER MAY ACQUIRE ANY IMMUNITY FROM JURISDICTION OF ANY COURT OF FROM ANY LEGAL PROCESS (WHETHER THROUGH SERVICE OR NOTICE, ATTACHMENT PRIOR TO JUDGMENT, ATTACHMENT IN AID OF EXECUTION OR OTHERWISE) WITH RESPECT TO ITSELF OR ITS PROPERTY, THE COMPANY HEREBY IRREVOCABLY WAIVES SUCH IMMUNITY IN RESPECT OF ITS OBLIGATIONS UNDER THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS.

14.13. Confidentiality. Each Lender and each Agent agrees to hold any confidential information which it may receive from the Company pursuant to this Agreement in confidence in accordance with the provisions set forth in Exhibit "J" hereto. In addition to the disclosures permitted in such provisions, the Lenders and the Agents each shall be permitted to make disclosures of such information in accordance with Section 17.4.

ARTICLE XV

THE ADMINISTRATIVE AGENT, THE ARRANGERS AND THE ENGINEERING BANKS

15.1. Appointment of Agents. The First National Bank of Chicago is hereby appointed Administrative Agent and Arranger hereunder and under each other Loan Document, and Chemical is hereby appointed Co-Agent and Arranger hereunder and under each other Loan Document, and each of First Chicago and Chemical is appointed as an Engineering Bank hereunder and each of the Lenders irrevocably authorizes each such Agent to act in such capacities. Each Agent agrees to act as such upon the express conditions contained in this Article XV. No Agent shall have a fiduciary relationship in respect of any Lender by reason of this Agreement or any of the other Loan Documents.

15.2. Powers. Each Agent shall have and may exercise such powers under this Agreement and the other Loan Documents as are specifically delegated to it by the terms of each thereof, together with such powers as are reasonably incidental thereto. None of the Agents shall have implied duties to the Lenders, or any obligation to the Lenders to take any action thereunder except any action by an Agent specifically provided by the Loan Documents to be taken by such Agent.

15.3. General Immunity. No Agent nor any of its respective directors, officers, agents or employees shall be liable to any Lender or any of the other Agents for any action taken or omitted to be taken by it or them hereunder or under any other Loan Document or in connection herewith or therewith except for its or their own gross negligence or wilful misconduct as established by final order of a court of competent jurisdiction.

15.4. No Responsibility for Loans, Recitals, etc. No Agent nor any of its respective directors, officers, agents or employees shall be responsible for or have any duty to ascertain, inquire into, or verify (i) any statement, warranty or representation made in connection with any Loan Document or any borrowing hereunder; (ii) the performance or observance of any of the covenants or agreements of any obligor under any Loan Document; (iii) the satisfaction of any condition specified in Article VII, except receipt by an Agent of items required to be delivered to such Agent unless such condition shall have been waived in accordance with Section 13.2; or (iv) the validity, effectiveness or genuineness of any Loan Document or any other agreement, instrument or writing furnished in connection therewith.

15.5. Action on Instructions of Lenders. Each Agent shall in all cases be fully protected in acting, or in refraining from acting, hereunder and under any other Loan Document in accordance with written instructions signed by the Required Lenders, and such instructions and any action taken or failure to act pursuant thereto shall be binding on all of the Lenders, the other Agents and all holders of Notes.

15.6. Employment of Agents and Counsel. Each Agent may execute any of its duties as Agent hereunder and under any other Loan Document by or through employees, agents, and attorneys-in-fact and shall not be answerable to the Lenders, except as to money or securities received by it or its authorized agents, for the default or misconduct of any such agents or attorneys-in-fact selected by it with reasonable care. Each Agent shall be entitled to advice of counsel concerning all matters pertaining to the agency hereby created and its respective duties hereunder and under any other Loan Document.

15.7. Reliance on Documents; Counsel. Each Agent shall be entitled to rely upon any Note, notice, consent, certificate, affidavit, letter, telegram, statement, paper or document believed by it to be genuine and correct and to have

been signed or sent by the proper person or persons, and, in, respect to legal matters, upon the opinion of counsel selected by such Agent, which counsel may be employees of the Agents or any of them.

15.8. Reimbursement and Indemnification. Each Lender agrees to reimburse and indemnify each of the Administrative Agent, each Arranger and each Engineering Bank ratably in proportion to such Lender's Aggregate Commitments, (i) for any amounts (other than principal or interest) not reimbursed by the Company or any Guarantor for which such Agent is entitled to reimbursement by the Company under the Loan Documents, and (ii) for any liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind and nature whatsoever which may be imposed on, incurred by or asserted against such Agent in any way relating to or arising out of the Loan Documents or any other document delivered in connection therewith or the transactions contemplated thereby, or the enforcement of any of the terms thereof or of any such other documents, provided that no Lender shall be so liable to the extent any of the foregoing is found by a final order of a court of competent jurisdiction to have arisen solely from such Agent's gross negligence or willful misconduct.

15.9. Rights as a Lender. With respect to its Commitments, Loans made by it and the Notes issued to it, each Agent shall have the same rights and powers hereunder and under each other Loan Document as any Lender and may exercise the same as though it did not hold such role, and the term "Lender" or "Lenders" shall, unless the context otherwise indicates, include each of them in its individual capacity. In addition to, and not by way of limitation of the rights set forth in Section 15.2 and this Section 15.9, each Agent may accept deposits from, lend money to, and generally engage in any kind of banking or trust business with the Company or any Subsidiary or any other Affiliate of the Company as if it did not hold such role.

15.10. Lender Credit Decision. Each Lender acknowledges that it has, independently and without reliance upon any Agent or any other Lender and based on the financial statements prepared by the Company and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement and the other Loan Documents. Each Lender also acknowledges that it will, independently and without reliance upon any Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement and the other Loan Documents.

15.11. Certain Successor Agents. Any Agent may resign at any time by giving thirty (30) days' prior written notice thereof to the Lenders and the Company. Upon any such resignation, the Company shall, if no Default or Unmatured Default has occurred and is continuing, have the right (subject to the consent of the Required Lenders) to appoint, on behalf of the Company and the Lenders, a Lender as a successor Agent. If no successor Agent shall have been so appointed by the Company and shall have accepted such appointment within thirty (30) days' after the retiring Agent's giving notice of resignation, then the retiring Agent may appoint, on behalf of the Company and the Lenders, a Lender as a successor Agent; provided, however, that the Company may, within the one year period following the appointment of a successor Agent, and upon thirty (30) days written notice to the Lenders, remove the successor Agent and appoint a successor Agent acceptable to the Company (subject to the consent of the Required Lenders). Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and Obligations (but not any liability arising from its gross negligence or wilful misconduct as established by a final order of a court of competent jurisdiction) hereunder and under the other Loan Documents. After any retiring Agent's resignation hereunder

as Agent, the provisions of this Article XV shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as an Agent hereunder and under the other Loan Documents.

ARTICLE XVI

SETOFF; RATABLE PAYMENTS

16.1. Setoff. In addition to, and without limitation of, any rights of the Lenders under applicable law, if the Company becomes insolvent, however evidenced, or any Default or Unmatured Default occurs, any indebtedness from any Lender to the Company (including all account balances, whether provisional or final and whether or not collected or available) may be offset and applied toward the payment of the Obligations owing to such Lender, whether or not the Obligations, or any part hereof, shall then be due and payable.

16.2. Ratable Payments. If any Lender, whether by setoff or otherwise, has payment made to it upon its Loans in a greater proportion than it would have received pursuant to an allocation using the method set forth in Section 4.3 or 4.4 (except for payments made with respect to 1994 Revolving Loans which are outstanding on the Effective Date pursuant to Section 7.1(d)), such Lender agrees, promptly upon demand, to purchase a portion of the Loans held by the other Lenders so that after such purchase each Lender will hold its ratable proportion of such type of Loans. If any Lender, whether in connection with setoff or amounts which might be subject to setoff or otherwise, receives collateral or other protection for its Obligations or such amounts which may be subject to set off, such Lender agrees, promptly upon demand, to take such action necessary such that all Lenders share in the benefits of such collateral ratably in proportion to the Obligations owing to each of them. In case any such payment is disturbed by legal process, or otherwise, appropriate further adjustments shall be made.

ARTICLE XVII

BENEFIT OF AGREEMENT; ASSIGNMENTS; PARTICIPATIONS

17.1. Successors and Assigns. The terms and provisions of the Loan Documents shall be binding upon and inure to the benefit of the Company, the Agents and the Lenders and their respective successors and assigns, except that the Company shall not have the right to assign its rights or obligations under the Loan Documents and any assignment by any Lender must be made in compliance with Section 17.3. The Administrative Agent may treat the payee of any Note as the owner thereof for all purposes hereof unless and until such payee complies with Section 17.3 in the case of an assignment thereof or, in the case of any other transfer, a written notice of the transfer is filed with such Agent. Any assignee or transferee of a Note agrees by acceptance thereof to be bound by all the terms and provisions of the Loan Documents. Any request, authority or consent of any Person, who at the time of making such request or giving such authority or consent is the holder of any Note, shall be conclusive and binding on any subsequent holder, transferee or assignee of such Note or of any Note or Notes issued in exchange therefor.

17.2. Participations.

(a) Any Lender, in the ordinary course of its business and in accordance with applicable law, at any time may sell to one or more banks or other entities ("Participants") participating interests in any Loan owing to such Lender, any Note held by such Lender, any Commitment of such Lender or any other interest of such Lender under the Loan Documents. In

the event of any such sale by a Lender of participating interests to a Participant, such Lender's Obligations under the Loan Documents shall remain unchanged, such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, such Lender shall remain the holder of any such Note or Obligation for all purposes under the Loan Documents, and the Company and the Agents shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under the Loan Documents.

(b) Each Lender shall retain the sole right to approve, without the consent of any Participant, any amendment, modification or waiver of any provision of the Loan Documents other than any amendment, modification or waiver with respect to any Loan or Commitment in which such Participant has an interest which forgives principal, interest or fees or reduces the interest rate or fees payable with respect to any such Loan or Commitment, postpones any date fixed for any regularly-scheduled payment of principal of, or interest or fees on, or reimbursement obligation with respect to, any such Loan or Commitment, releases any guarantor of any such Obligation or releases all or substantially all of the collateral (except as permitted by Section 13.2(d)), if any, securing any such Obligation.

(c) The Company agrees that each Participant shall be deemed to have the right of setoff provided in Section 16.1 in respect of its participating interest in amounts owing under the Loan Documents to the same extent as if the amount of its participating interest were owing directly to it as a Lender under the Loan Documents, provided that each Lender shall retain the right of setoff provided in Section 16.1 with respect to the amount of participating interests sold to each Participant. The Lenders agree to share with each Participant, and each Participant, by exercising the right of setoff provided in Section 16.1, agrees to share with each Lender, any amount received pursuant to the exercise of its right of setoff, such amounts to be shared in accordance with Section 16.2 as if each Participant were a Lender. The Company also agrees that each Participant shall be entitled to the benefits of Sections 6.1 and 6.3 with respect to its participation in the Commitments or the Loans outstanding from time to time; provided, that no Participant shall be entitled to receive any greater amount pursuant to such Sections than the transferor Lender would have been entitled to receive in respect of the amount of the participation transferred by such transferor Lender to such Participant had no such transfer occurred.

17.3. Assignments.

(a) Any Lender may, in the ordinary course of its business and in accordance with applicable law, at any time assign to one or more banks or other entities (Purchasers") all or any part of its rights and obligations under the Loan Documents subject to a minimum of $15,000,000 or such lesser amount as may be agreed to by the Company; provided that with respect to any Purchaser which is not an Affiliate of such assigning Lender, such assignment shall require the consent of the Company, which consent of the Company shall not be unreasonably withheld or delayed. Such assignment shall be substantially in the form of Exhibit "D" hereto. The consent of the Administrative Agent shall also be required prior to an assignment becoming effective with respect to a Purchaser which is not a Lender. All such consents shall be substantially in the form attached as Exhibits "D-II" or "D-III" to Exhibit "D" hereto and shall not be unreasonably withheld.

(b) Upon (i) delivery to the Administrative Agent of a notice of assignment, substantially in the form attached as Exhibit "D-I" to Exhibit "D" hereto (a "Notice of Assignment"), together with any consents

required by Section 17.3.(a), and (ii) payment of a $3,000 fee to the Administrative Agent for processing such assignment, such assignment shall become effective on the effective date specified in such Notice of Assignment; provided, however, that any amounts paid by the Company to, or for the benefit of, the assigning Lender, on or before the execution date of the assignment, if such date is later than the effective date of the assignment, shall be deemed paid to and for the benefit of the Purchaser for all purposes. On and after the effective date of such assignment, such Purchaser shall for all purposes be a Lender, party to this Agreement and any other Loan Document executed by the Lenders, and shall have all the rights and obligations of a Lender under the Loan Documents, to the same extent as if it were an original party hereto, and no further consent or action by the Company, the Lenders or any Agent shall be required to release the transferor Lender, with respect to the percentages of the Commitment, and the Loans assigned to such Purchaser and the transferor Lender shall henceforth be so released. Upon the consummation of any assignment to a Purchaser pursuant to this Section 17.3(b, the Company shall issue replacement Notes to such transferor Lender and shall issue new Notes or, as appropriate, replacement Notes, to such Purchaser, in each case in principal amounts reflecting their respective Commitments, as adjusted pursuant to such assignment.

(c) The provisions of the foregoing clauses (a) and (b) shall not apply to or restrict, or require the consent of or notice to any Person to effectuate, the pledge or assignment by any Agent or Lender of its rights or obligations under any Loan Documents to any Federal Reserve Bank.

17.4. Dissemination of Information. The Company authorizes each Agent and each Lender to disclose to any Participant or Purchaser or any other Person acquiring an interest in the Loan Documents by operation of law (each a "Transferee") and any prospective Transferee any and all information in such Lender's possession concerning the creditworthiness of the Company and the Subsidiaries, provided that such Transferee and prospective Transferee agrees in writing to be bound by Section 14.13 of this Agreement.

17.5. Tax Treatment. If any interest in any Loan Document is transferred to any Transferee which is organized under the laws of any jurisdiction other than the United States or any State thereof, the transferor Lender shall cause such Transferee, concurrently with the effectiveness of such transfer, to comply with the provisions of Section 6.8.

ARTICLE XVIII

NOTICES

18.1. Giving Notice. Except as otherwise permitted by Section 4.5 with respect to borrowing notices, all notices and other communications provided to any party hereto under this Agreement or any other Loan Document shall be in writing or by telex or by facsimile and addressed or delivered to such party at its address set forth below its signature hereto or at such other address as may be designated by such party in a notice to the other parties. Any notice, if mailed and properly addressed with postage prepaid, shall be deemed given when received; any notice, if transmitted by telex or facsimile, shall be deemed given when transmitted (answerback confirmed in the case of telexes).

18.2. Change of Address. The Company, each Agent, and each Lender may change the address for service of notice upon it by a notice in writing to the other parties hereto.

ARTICLE XIX

COUNTERPARTS

This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one agreement, and any of the parties hereto may execute this Agreement by signing any such counterpart. This Agreement shall be effective when it has been executed by the Company, the Agents and the Lenders and each party has notified the Administrative Agent, by telex, facsimile or telephone, that it has taken such action.

ARTICLE XX

NO ORAL AGREEMENTS

THIS WRITTEN AGREEMENT, THE NOTES, AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS AMONG THE PARTIES.

IN WITNESS WHEREOF, the Company, the Lenders and the Agents have executed this Agreement as of the date first above written.

APACHE CORPORATION

By:/s/ Clyde E. McKenzie

Title: Clyde E. McKenzie
Vice President and Treasurer
2000 Post Oak Boulevard
Suite 100
Houston, Texas 77056-4400

Attention: Clyde McKenzie
Vice President and Treasurer

with a copy to:
Zurab S. Kobiashvili
Vice President and General Counsel
2000 Post Oak Boulevard, Suite 100
Houston, Texas 77056-4400

Facsimile: (713) 296-6459
Telephone: (713) 296-6000

$550,000,000

THE FIRST NATIONAL BANK OF CHICAGO,
Individually and as Administrative
Agent, Arranger and Engineering Bank

By: /s/ W. Walter Green

Title: W. Walter Green, Attorney-in-fact
for The First National Bank of
Chicago
One First National Plaza
Chicago, Illinois 60670

Attention: W. Walter Green, III
Petroleum and Mining
Division
Suite 0363

Facsimile: (312) 732-3055
Telephone: (312) 732-7235

with a copy to:

Attention: Thomas E. Both
Syndications and
Placements/Agency
Suite 0353

Facsimile: (312) 732-2038
Telephone: (312) 732-7268

$450,000,000

CHEMICAL BANK, Individually and as Co-Agent, Arranger and Engineering Bank

By: /s/ Ronald Potter

Title: Managing Director
---

270 Park Avenue
Energy Portfolio, 10th Floor
New York, New York 10017-2070

Attention: Ronald Potter

Facsimile: (212) 270-3860
Telephone: (212) 270-2057

with a copy to:
Lori Vetters
Chemical Banking Corporation
707 Travis
5th Floor North
Houston, Texas 77002

Facsimile: (713) 236-4117
Telephone: (713) 236-4332

$1,000,000,000

AGGREGATE
COMMITMENT

SCHEDULE B

ALTERNATE BASE RATE SPREAD

Debt/Capitalization Ratio	Less than .40	.40/ .449	.45/ .499	.50/ .549	.55/ .599	.60 or greater
BBB/Baa2 or Higher* Floating Spread	0	0	0	0	.125%	.125%
BBB-/Baa3 or Higher* Floating Spread	0	0	0	0	.125%	.375%
Lower than BBB-/Baa3* Floating Spread	0	0	0	0	.375%	.50%

EURODOLLAR SPREAD

Debt/Capitalization Ratio	Less than .40	.40/ .449	.45/ .499	.50/ .549	.55/ .599	.60 or greater
BBB/Baa2 or Higher* Eurodollar Spread	.25%	.375%	.50%	.875%	1.125%	1.125%
BBB-/Baa3 or Higher* Eurodollar Spread	.375%	.50%	.625%	.875%	1.125%	1.375%
Lower than BBB-/Baa3* Eurodollar Spread	.50%	.50%	.625%	1.00%	1.375%	1.50%

FACILITY FEE RATES

Debt/Capitalization Ratio	Less than .40	.40/ .449	.45/ .499	.50/ .549	.55/ .599	.60 or greater
BBB/Baa2 or Higher* Facility Fee	.25%	.25%	.25%	.375%	.375%	.375%
BBB-/Baa3 or Higher* Facility Fee	.25%	.25%	.375%	.375%	.375%	.375%
Lower than BBB-/Baa3* Facility Fee	.25%	.25%	.375%	.375%	.375%	.50%

- -------------
* Rating of the Company's Long-Term Debt by (2) two or more Rating Agencies

EXHIBIT 10.7

APACHE CORPORATION

RETIREMENT/401(k) SAVINGS PLAN

Amended and Restated
Effective January 1, 1995

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APACHE CORPORATION
RETIREMENT/401(k) SAVINGS PLAN

PREAMBLE

Apache Corporation, a Delaware corporation ("Apache"), effective January 1, 1989, amended and restated a profit sharing plan (the "Plan") to permit before-tax employee contributions via a cash or deferred arrangement that is qualified under Code section 401(k). The Plan is hereby renamed the Apache Corporation Retirement/401(k) Savings Plan. The Plan is hereby amended and restated as set forth below, effective January 1, 1995.

Any Participant (as defined herein) in the Plan who is credited with at least one Hour of Service (as defined herein) after December 31, 1994 shall be subject to the provisions of this Plan as so amended and restated. Any Participant in the Plan who is not credited with an Hour of Service after January 1, 1995 shall continue to be governed by the provisions of the Plan as in effect immediately prior to January 1, 1995.

Each Appendix to this Plan is a part of the Plan document. It is intended that an Appendix will be used to (1) describe which business entities are actively participating in the Plan, (2) describe any special participation, eligibility, vesting or other provisions that apply to the employees of a business entity, (3) describe any special provisions that apply to Participants affected by a designated corporation transaction, and (4) describe any special distribution rules that apply to directly transferred benefits from other plans.

ARTICLE I

DEFINITIONS

The following words and phrases shall have the meaning set forth below:

1.1 "Account Owner " means a Participant who has an Account balance, an Alternate Payee who has an Account balance, or a beneficiary who has obtained an interest in the Account(s) of the previous Account Owner because of the previous Account Owner's death.

1.2 "Accounts" means the various Participant accounts established pursuant to section 4.1.

1.3 "Affiliated Entity" means:

(a) for all sections of the Plan except those listed in subsection (b), an corporation or other entity, now or hereafter formed, that is or shall become affiliated with Apache, either directly or indirectly, through stock ownership or control, and which is (i) included in the controlled group of corporations (within the meaning of Code section 1563(a) without regard to Code section 1563(a)(4) and Code section 1563(e)(3)(C)) in which Apache is also included; (ii) included in the group of entities (whether or not incorporated) under common control (within the meaning of the Code section 414(c)) in which Apache is also included; (iii) included in an affiliated service group (within the meaning of Code section 414(m)) in which Apache is also included; (iv) required to be aggregated with Apache by Code section 414(o); or (v) affiliated with Apache through stock ownership or as otherwise determined by Apache.

(b) for purposes of determining Annual Additions under section 1.4, limiting Annual Additions to a Participant's Account(s) under section 3.4, and construing the defined terms as they are used in sections 1.4 and 3.4 (such as " Compensation" and "Employee"), the term "Affiliated Entity" means any Affiliated Entity as determined in paragraphs

(a)(iii) and (a)(iv), and any entity that would be an Affiliated Entity under paragraph (a)(i) or (a)(ii) if the phrase "more than 50%" were substituted for the phrase "at least 80%" each place it occurs in Code section 1653(a)(1).

1.4 "Alternate Payee" means a Participant's Spouse, former spouse, child, or other dependent who is recognized by a QDRO as having a right to receive all, or a portion of, the benefits payable under this Plan with respect to such Participant.

1.5 "Annual Addition" means the allocations to a Participant's Account(s) for any Limitation Year, as described in detail below.

(a) Annual Additions shall include: (i) Company Contributions (except as provided in paragraphs (b)(iii) and (b)(iv)) to this Plan and Company contributions to any other defined contribution plan maintained by the Company or any Affiliated Entity, including Company Matching Contributions forfeited to satisfy the ACP test of section 3.6, (ii) after-tax contributions to any other defined contribution plan maintained by the Company or an Affiliated Entity; (iii) Participant Before-Tax Contributions to this Plan and similar contributions to any other defined contribution plan maintained by the Company or an Affiliated Entity, including any such contributions distributed to satisfy the ADP test of section 3.5; (iv) forfeitures allocated to a Participant's Account(s) in this Plan and any other defined contribution plan maintained by the Company or any Affiliated Entity (except as provided in paragraphs (b)(iii) and (b)(vii) below); (v) all amounts paid or accrued after December 31, 1985 in Taxable Years ending after December 31, 1985, to a welfare benefit fund as defined in Code section 419(e) and allocated to the separate account (under the welfare benefit fund) of a Key Employee to provide post-retirement medical benefits; and (vi) contributions allocated on the Participant's behalf to any individual medical account as defined in Code section 415(l)(2).

(b) Annual Additions shall not include: (i) rollover contributions made pursuant to Code section 402(a)(5), 403(a)(4), 403(b)(8), 405(d)(3), 408(d)(3), or 409(b)(3)(C) to any defined contribution plan maintained by the Company or an Affiliated Entity; (ii) repayments of loans made to a Participant from a qualified plan maintained by the Company or any Affiliated Entity; (iii) repayments of forfeitures for rehired Participants, as described in Code sections 411(a)(7)(B) and 411(a)(3)(D); (iv) direct transfers of employee contributions from one qualified plan to any qualified defined contribution plan maintained by the Company or any Affiliated Entity; (v) deductible employee contributions within the meaning of Code section 72(o)(5); (vi) employee contributions to a simplified employee pension, if the contributions are deductible under Code section 219(a); or (vii) repayments of forfeitures of missing individuals pursuant to section 13.12.

1.6 "Code" means the Internal Revenue Code of 1986, as amended from time to time, and the regulations and rulings in effect thereunder from time to time.

1.7 "Committee" means the administrative committee provided for in section 8.4.

1.8 "Company" means Apache, an successor thereto, and any other Affiliated Entity that adopts the Plan pursuant to Article XI. Each Company is listed in Appendix A.

1.9 "Company Contributions" means all contributions to the Plan made by the Company pursuant to section 3.1 for the Plan Year.

1.10 "Company Mandatory Contributions" means all contributions to the Plan made by the Company pursuant to subsection 3.1(b) for the Plan Year.

1.11 "Company Matching Contributions" means all contributions to the Plan made by the Company pursuant to subsection 3.1(b) for the Plan Year.

1.12 "Company Stock" means shares of the $1.25 par value common stock of Apache.

1.13 "Compensation" means:

(a) Code Section 415 Compensation. For purposes of determining the limitation on Annual Additions under section 3.4 of the minimum contribution under section 12.4 when the Plan is top-heavy, Compensation shall mean those amounts reported as "wages, tips, other compensation" on Form W-2 by the Company or an Affiliated Entity. For purposes of section 3.4, Compensation shall be measured over a Limitation Year. For purposes of section 12.4, Compensation shall be measured over the portion of a Plan Year (i) after the employee has satisfied an eligibility requirement of section 2.1 and (ii) while the Employee is a Covered Employee.

(b) Code Section 414(q) Compensation. For purposes of identifying Highly Compensated Employees and Key Employees under sections 1.26, 1.28 and 1.47, Compensation shall mean those amounts reported as "wages, tips, other compensation" on Form W-2 by the Company or an Affiliated Entity; Compensation shall also include elective contributions that are not includable in the Employee's income pursuant to Code sections 125, 402(h), or 403(b). For purposes of identifying Highly Compensated Employees, Compensation shall be measured over a Determination Year. Compensation shall include only amounts paid to the Employee, and shall not include any additional amounts accrued by the Employee.

(c) Code Section 414(s) Compensation. For purposes of the ADP, ACP, and multiple use tests under sections 3.5, 3.6, and 3.7, and for purposes of allocating QNECs under subsection 3.8(b), Compensation shall mean any definition of compensation for a Plan Year, as selected by the Committee, that satisfies the requirements of Code section 414(s) and the regulations promulgated thereunder. The definition of Compensation used in one Plan Year may differ from the definition used in another Plan Year.

(d) Benefit Compensation. For purposes of determining and allocating Company Mandatory Contributions under subsection 3.1(a) and section 4.4, Compensation shall generally mean regular compensation paid by the Company.

(i) Specifically, Compensation shall include:

(A) regular salary or wages,

(B) overtime pay,

(C) bonuses,

(D) salary reductions pursuant to this Plan,

(E) salary reductions that are excludable from an Employee's gross income pursuant to Code section 125, and

(F) amounts contributed as salary deferrals to the Company's Nonqualified Retirement/Savings Plan.

(ii) Compensation shall exclude:

(A) commissions,

(B) severance pay,

(C) moving expenses,

(D) any gross-up of moving expenses to account for increased income taxes,

(E) foreign service premiums paid as an inducement to work outside of the United States,

(F) credits or benefits under this Plan,

(G) other contingent compensation,

(H) contributions to any other fringe benefit plan (including, but not limited to, overriding royalty payments or any other exploration-related payments), and

(I) bonuses paid as an inducement to enter the employment of the Company.

Compensation shall be measured over that portion of a Plan Year while the Employee is a Covered Employee. Compensation shall include only amounts paid to the Employee during the Plan Year, and shall not include any amounts accrued by but not paid to the Employee during the Plan Year.

(e) Deferral Compensation. For purposes of determining Participant Before-Tax Contributions under section 3.2 and for purposes of determining and allocating Company Matching Contributions under subsection 3.1(b), Compensation shall mean Compensation as defined in subsection (d), with the following modification. Compensation shall be measured over each pay period (i) after the Employee has satisfied the eligibility requirements of subsection 2.1(a) and (ii) while the Employee is a Covered Employee.

(f) Limit on Compensation. For purposes of calculating the minimum contribution required in top-heavy years under subsection (a), for all purposes of subsections (c) and (d), and for purposes of determining the maximum allocation of Company Matching Contributions under subsection (e), the Compensation taken into account for the appropriate time period shall not exceed the dollar limit specified in Code section 401(a)(17) in effect for the calendar year in which the time period begins.

1.14 "Covered Employee" means any employee of the Company except for:

(a) a leased employee within the meaning of Code section 414(n)(2);

(b) a non-resident alien;

(c) An Employee included in a unit of Employees covered by a collective bargaining agreement, unless the collective bargaining agreement specifically provides for such Employee's participation in the Plan; and

(d) An Employee who has worked for less than six consecutive months and whose job is classified as "temporary."

1.15 "Determination Date" means, with respect to each Plan Year, the last day of the preceding Plan Year; provided however, that in the case of the first Plan Year of the Plan, the Determination Date shall be the last day of the first Plan Year.

1.16 "Determination Year" means the Plan Year.

1.17 "Disability" means a disability due to sickness or injury which renders an Employee incapable of performing any services for the Company or an Affiliated Entity for which the Employee is qualified by education, training, or experience. Evidence of disability satisfactory to Apache shall be required.

1.18 "Domestic Relations Order" means any judgment, decree, or order (including approval of a property settlement agreement) issued by a court of competent jurisdiction that relates to the provisions of child support, alimony or

maintenance payments, or marital property rights to a Spouse, former spouse, child, or other dependent of the Participant and is made pursuant to a state domestic relations law (including a community property law).

1.19 "Employee" means each individual who performs services for the Company or an Affiliated Entity and whose wages are subject to withholding by the Company or an Affiliated Entity. The term "Employee" shall include only individuals currently performing services for the Company or an Affiliated Entity, and shall exclude former Employees who are still being paid by the Company or an Affiliated Entity (whether through the payroll system, through overriding royalty payments, through exploration-related payments, or otherwise). The term "Employee" shall also include leased employees within the meaning of Code section 414(n)(2); however, if leased employees constitute 20% or less of the Non-Highly Compensated Employees of the Company and any Affiliated Entities, the term "Employee" shall not include any leased employee covered by a qualified plan described in Code section 414(n)(5)(B) that is maintained by the leased employee's employer.

1.20 "Employment Commencement Date" means the date on which an Employee first performs an Hour of Service.

1.21 "ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and the regulations and rulings in effect thereunder from time to time.

1.22 "Family Group" means:

(a) for purposes of subsections 1.23(a) and 1.23(e), a Five-Percent Owner or one of the ten most highly paid Highly Compensated Employees of the Company or an Affiliated Entity, such Employee's Spouse, and such Employee's descendants under the age of 19; and

(b) for purposes of subsections 1.23(b) , 1.23(c), and 1.23(d), a Five-Percent Owner or one of the ten most highly paid Highly Compensated Employees of the Company or an Affiliated Entity, and such Employee's Spouse, lineal ascendants, descendants, and the spouses of any such lineal ascendants or descendants.

1.23 "Family Member" means an Employee who is a member of a Family Group. An Employee who is a member of a Family Group described in subsection 1.22(a) during any day of a Plan Year shall be considered a Family Member for the entire Plan Year. An Employee who is a member of a Family Group described in subsection 1.22(b) during any day of a Determination Year shall be considered a Family Member for the entire Determination Year. The special rules relating to Family Members are described below.

(a) The Compensation of the Family Members in one Family Group is aggregated, and the combined Compensation of such Family Members is limited to the dollar limit specified in Code section 401(a)(17) for the purposes described in subsection 1.13(f).

(b) The term "Highly Compensated Employee" shall include the Highly Compensated Employee (as determined in Section 1.26) and, if the Highly Compensated Employee is a Five-Percent Owner or one of the ten most highly paid Highly Compensated Employees of the Company or any Affiliated Entity, the term shall also include any Family Member within the same Family Group. The Employees who are among the ten most highly paid Highly Compensated Employees, the Employees who are among the 100 most highly paid Employees, and the Employees who are members of the Top-Paid Group, shall be determined before the aggregation rule of the preceding sentence is applied.

(c) The limitations of section 3.4 and 3.2(b) shall apply separately to each Family Member.

(d) For purposes of the ADP, ACP, and multiple use tests of sections 3.5, 3.6, and 3.7, if two or more Family Groups contain the same Family Member who is a Covered Employee and who has satisfied the requirements of section 2.1, all Family Members in those Family Groups are treated as one Highly Compensated Employee. The Compensation of all Family Members included in the Highly Compensated Employee shall be aggregated, and the total Compensation shall be limited to the dollar limit specified in Code section 401(a)(17). One actual deferral percentage and

one actual contribution percentage shall be calculated for such Highly Compensated Employee. Any return of Participant Before-Tax Contributions or forfeiture of Company Matching Contributions that is required by section 3.6 or 3.7 for the Highly Compensated Employee shall be apportioned, to the extent possible, among the Account(s) of each Family Member in proportion to each Family Member's Company Matching Contributions. Any return of Participant Before-Tax Contributions that is required by section 3.5 for the Highly Compensated Employee shall be apportioned among the Account(s) of each Family Member in proportion to each Family Member's Participant Before-Tax Contributions.

(e) If two or more Family Members of one Family Group are entitled to an allocation of Company Mandatory Contributions under section 4.4, the Compensation of the Family Members is aggregated and limited to the dollar limit specified in Code section 401(a)(17), and the allocation of the Family Group is based on aggregated Compensation. Each Family Member shall receive a share of the Family Group's allocation in proportion to his or her Compensation.

1.24 "Five-Percent Owner" means:

(a) With respect to a corporation, any individual who owns (either directly or indirectly according to the rules of Code section 318) more than 5% of the value of the outstanding stock of the corporation or stock processing more than 5% of the total combined voting power of all stock of the corporation.

(b) With respect to a non-corporate entity, any individual who owns (either directly or indirectly according to rules similar to those of Code section 318) more than 5% of the capital or profits interest in the entity.

An individual shall be a Five-Percent Owner for a particular year if such individual is a Five-Percent Owner at any time during such year.

1.25 "Former Amoco Employee" means an Employee who was formerly employed by Amoco Production Company or its subsidiaries and who became an Employee of the Company pursuant to the provisions of that certain Stock Purchase Agreement effective June 30, 1991, between Amoco Production Company, Apache, and others.

1.26 "Highly Compensated Employee" means:

(a) Any Employee who performs service for the Company or an Affiliated Entity during the Determination Year and who, during the Determination Year: (i) received Compensation from the Company and Affiliated Entities in excess of the dollar limit in effect under Code section 414(q)(1)(B); (ii) received Compensation from the Company and Affiliated Entities in excess of the dollar limit in effect under Code section 414(q)(1)(C) and was a member of the Top-Paid Group; and (iii) was an officer of the Company or an Affiliated Entity and received Compensation greater than 50% of the dollar limit in effect under Code section 415(b)(1)(A).

(b) A Five-Percent Owner during the Determination Year.

(c) If no officer has Compensation in excess of 50% of the limit described in paragraph (a)(iii) above, the highest paid officer for that year shall be treated as a Highly Compensated Employee.

(d) For purposes of determining Highly Compensated Employees under paragraph (a)(iii), the number of officers shall be limited to 50 (or, if lesser, the greater of three or 10% of all Employees, excluding those Employees who may be excluded in determining the Top-Paid Group).

(e) Notwithstanding the above, if the Company and Affiliated Entities maintained significant business activities in at least two significantly separate geographic areas during the Determination Year, Apache may elect, in its sole discretion, to identify Highly Compensated Employees using the simplified method described in Code section 414(q)(12). Under this method, Highly Compensated Employees are identified using the method described in subsections (a) through (d) above, with the following modifications: (i) the "dollar limit in effect under Code section

414(q)(1)(B)" in paragraph (a)(i) is replaced by the "dollar limit in effect under Code section 414(q)(1)(C)"; and (ii) paragraph (a)(ii) is deleted.

1.27 "Hour of Service" means each hour for which an Employee is paid or entitled to payment by the Company or an Affiliated Entity for the performance of duties for the Company or an Affiliated Entity during the applicable computation period. Hours of Service shall be credited to the Employee for the computation period or periods in which the duties are performed, regardless of when the Employee is paid for those duties.

1.28 "Key Employee" means an individual described in Code section 416(i) and the regulations promulgated thereunder.

1.29 "Lapse in Apache Employment" means the period commencing on the Termination from Service Date and ending on the Reemployment Commencement Date. A Participant shall incur a one-year Lapse in Apache Employment if the Participant does not perform an Hour of Service in the 12-month period beginning on any anniversary of his or her Termination from Service Date.

1.30 "Limitation Year" means the calendar year for purposes of Code section 415.

1.31 "Non-Highly Compensated Employee" means an Employee of the Company or an Affiliated Entity who is neither a Highly Compensated Employee nor a Family Member.

1.32 "Non-Key Employee" means an Employee who is not a Key Employee.

1.33 "Normal Retirement Age" means age 65.

1.34 "Normal Retirement Date" means the first of the month immediately following Normal Retirement Age.

1.35 "Participant" means any individual with an Account balance under the Plan except beneficiaries and Alternate Payees. The term "Participant" shall also include any Covered Employee who has satisfied the eligibility requirements of section 2.1, but who does not yet have an account balance.

1.36 "Participant Before-Tax Contributions" means contributions made to the Plan by the Company, at the election of the Participant, in lieu of cash, pursuant to section 3.2, that are excludable from the Participant's income under Code sections 401(k) and 402(e)(3).

1.37 "Period of Service" means a period commencing on an Employee's Employment Commencement Date or Reemployment Commencement Date, whichever is applicable, and ending on his or her Termination from Service Date. A Period of Service shall also include the period between an Employee's Termination from Service Date and his or her Reemployment Commencement Date if the Employee does not incur a one-year Lapse in Apache Employment between such dates; however, the period between the first and second anniversaries of an Employee's absence from work because of parental leave (as explained in paragraph 1.46(b)(i)) shall not be included in the Employee's Period of Service. A Period of Service for a Former Amoco Employee shall also include any periods of employment with Amoco Production Company or its subsidiaries. Periods of Service shall not include any period following a Participant's Termination from Service Date solely because of a severance payment of payments made to an individual with respect to his or her termination of employment.

1.38 "Plan Year" means the 12-month period on which the records of the Plan are kept, which shall be the calendar year.

1.39 "Qualified Domestic Relations Order ("QDRO") " means a Domestic Relations Order that creates or recognizes the existence of an Alternate Payee's right to, or assigns to an Alternate Payee the right to, receive all or a portion of the benefits payable with respect to a Participant under the Plan and with respect to which the requirements of Code section 414(p) and ERISA section 206(d)(3) are met.

1.40 "Qualified Non-Elective Contributions ("QNECs") " means any contribution to the Plan made by the Company, or any portion of the forfeitures designated as QNECs under section 5.5, that satisfies the requirements of section 3.8.

1.41 "Qualified Matching Contributions ("QMACs") " means that portion of Company Matching Contributions so designated by the Company, or any portion of the forfeitures designated as QMACs under section 5.5, that satisfy the requirements of section 3.9.

1.42 "Reemployment Commencement Date" means the first date following a Lapse in Apache Employment on which the Employee performs an Hour of Service.

1.43 "Required Beginning Date" means:

(a) for a Participant who attains age 70-1/2 after December 31, 1987, April 1 of the calendar year following the calendar year in which the Participant attains age 70-1/2;

(b) for a Participant who attains age 70-1/2 before January 1, 1988, and is not a "five-percent owner" (as defined below), April 1 of the calendar year following the later of (i) the calendar year in which the Participant attains age 70-1/2, or (ii) the calendar year in which the Participant retires;

(c) for a Participant who attains age 70-1/2 during calendar year 1988 and is not a "five-percent owner" (as defined below), April 1, 1990; and

(d) for a Participant who attains age 70-1/2 before January 1, 1988, and is a "five-percent owner" (as defined below), April 1 of the calendar year following the later of (i) the calendar year in which the Participant attains age 70-1/2, or (ii) earlier of (A) the calendar year with or within which ends the Plan Year in which the Participant becomes a "five-percent owner," or (B) the calendar year in which the Participant retires.

For purposes of this section only, a "five-percent owner" means any individual who is a Five-Percent Owner at any time subsequent to the Plan Year ending within the calendar year in which such individual attains age 65-1/2.

1.44 "Spouse" means the individual to whom a Participant is lawfully married according to the laws of the state of the Participant's domicile on one of the following dates: the date of the Participant's death, the date any election is filed pursuant to Article VI, or the date the Participant's benefits commence, as applicable.

1.45 "Taxable Year" means the accounting period of Apache for federal income tax purposes.

1.46 "Termination from Service Date" means the earlier of the following dates:

(a) the last day an Employee performs services for the Company or an Affiliated Entity if the Employee quits (except as provided in paragraph (b)(iii)), is discharged, retires, or dies; or

(b) the first anniversary of the day a former Employee is absent from the Company or Affiliated Entity for any reason other than resignation, discharge, retirement, or death (such as vacation, holiday, sickness, disability, leave of absence, or temporary lay- off), with the following exceptions:

(i) If the former Employee is absent from the Company or Affiliated Entity because of parental leave (which includes only the pregnancy of the former Employee, the birth of the

former Employee's child, the placement of a child with the former Employee in connection with adoption of such child by the former Employee, or the caring for such child immediately following birth or placement) on the first anniversary of the day the former Employee was first absent, the Termination from Service Date shall be the second anniversary of his or her absence, no Termination from Service Date shall occur.

(ii) If the former Employee is absent from the Company or Affiliated Entity for more than one year because of an approved leave of absence (either with or without pay) for any reason (including, but not limited to, jury duty and military duty) and the former Employee returns to work at or prior to the expiration of his or her leave of absence, no Termination from Service Date shall occur.

(iii) If a former Employee is absent from the Company or an Affiliated Entity because of a Disability incurred while employed by the Company or an Affiliated Entity, a Termination from Service Date shall not occur until the later of the first anniversary of his or her absence or the date he or she recovers from the Disability, regardless of whether the former Employee quits during the Disability.

1.47 "Top-Paid Group" means the top 20% of Employees ranked on the basis of Compensation received during the Determination Year. For purposes of determining the number of Employees in the Top-Paid Group, the following Employees may be excluded:

(a) any Employee who has not completed six months of service before the end of the applicable year;

(b) any Employee who normally works less than 17-1/2 hours per week, as defined in the regulations under Code section 414(q);

(c) any Employee who normally works less than six months during the applicable year, as defined in the regulations under Code section 414(q);

(d) any Employee who has not attained age 21 before the end of the applicable year; and

(e) any Employee who is a non-resident alien and who receives no earned income (within the meaning of Code section 911(d)(2)) from the Company or any Affiliated Entity that constitutes income from sources within the United States (within the meaning of Code section 861(a)(3)) during the applicable year.

Notwithstanding the foregoing, Apache may elect, on a consistent and uniform basis, to modify the permissible exclusions set forth above by substituting any shorter period of service or lower age. Apache may elect to include all Employees in determining the Top-Paid Group.

1.48 "Transferred Participant" means a Participant whose employment is transferred from the Company to Natural Gas Clearinghouse ("NGC"), a Colorado general partnership, pursuant to the terms of the Employee Benefits Agreement, effective April 1, 1990, between Apache and NGC.

1.49 "Valuation Date" means the last day of each Plan Year and any other dates as specified in section 4.2 as of which the assets of the Trust Fund are valued at fair market value and as of which the increase or decrease in the net worth of the Trust Fund is allocated among the Participants' Accounts.

1.50 "Year of Service" means all Periods of Service (measured in months) required to be taken into account under section 1.37, divided by 12. Fractional Years of Service are not taken into account.

ARTICLE II

PARTICIPATION

2.1 Participation - Required Service.

(a) Participant Before-Tax Contributions. A Covered Employee (which only includes Employees of the Company) who is a Participant in the Plan on December 31, 1994, and who is a Covered Employee on January 1, 1995, shall continue to participate on January 1, 1995. Each other Covered Employee (which only includes Employees of the Company) shall be eligible to begin to make Participant Before-Tax Contributions as of the first day of the first pay period following the later of : (i) 90 days of employment with the Company or an Affiliated Entity; or (ii) the date the Employee become a Covered Employee.

(b) Company Mandatory Contributions. Each Covered Employee shall be eligible to participate in the Plan with respect to the 6% Company Mandatory Contribution provided by section 3.1 on the day the Employee first becomes a Covered Employee.

2.2 Reemployment.

(a) Termination without Vesting. If a Participant terminates employment before having any vested interest in his or her Company Contributions Account under section 5.1 and is thereafter reemployed by the Company or an Affiliated Entity, (i) the Employee shall be treated as a new Employee for participation purposes if the Employee incurred a one-year Lapse in Apache Employment before rehire, and (ii) if the Employee did not incur a one-year Lapse in Apache Employment before rehire, the Employee shall be eligible to again participate in the Plan under section 2.1 as if he or she has been employed by the Company, but not as a Covered Employee, during the break in employment.

(b) Termination with Vesting. If the case of any Participant who terminates employment with a vested interest in his or her Company Contributions Account under section 5.1, (i) he or she shall be eligible to receive Company Mandatory Contributions as of the later of his or her Reemployment Commencement Date or the date he or she again becomes a Covered Employee, and (ii) he or she shall be eligible to make Participant Before-Tax Contributions as of the first day of the first pay period following the later of his or her Reemployment Commencement Date or the date he or she again became a Covered Employee.

2.3 Enrollment - Procedure.

Notwithstanding sections 2.1 and 2.2, a Covered Employee shall not be eligible to participate in the Plan until after completing the enrollment procedures specified by the Committee. Such enrollment procedures may, for example, require the Covered Employee to complete and sign an enrollment form or to complete a voice-response telephone enrollment. The Covered Employee shall provide the initial investment direction, the address and date of birth of the Employee, and the name, address, and date of birth of each beneficiary of the Employee, the initial rate of the Participant Before-Tax Contributions, and any other information requested by the Committee. An election to make Participant Before-Tax Contributions shall not be effective until after the Covered Employee has properly completed the enrollment procedures. The Committee may require that the enrollment procedure be completed a certain number of days prior to the date that a Covered Employee actually begins to participate.

ARTICLE III

CONTRIBUTIONS

The only contributions that can be made to the Plan are Company Contributions pursuant to section 3.1, Participant Contributions pursuant to section 3.2, contributions pursuant to subsection 5.3(b), and loan repayments.

3.1 Company Contributions.

(a) Company Mandatory Contributions. For each Plan Year, the Company shall contribute to the Trust Fund no less than 6% of the Compensation of those Participants eligible to share in an allocation of Company Mandatory Contributions pursuant to section 4.4. The Company may elect to treat any portion of forfeitures occurring during the Plan Year as Company Mandatory Contributions, pursuant to section 5.5. Company Mandatory Contributions shall be allocated to Company Contributions Accounts.

(b) Company Matching Contributions. As of the last day of each pay period, the Committee shall allocate Company Matching Contributions (including such forfeitures occurring during the pay period that are treated as Company Matching Contributions pursuant to section 5.5) to each Participant who made Participant Before-Tax Contributions during the pay period as follows. The Company Matching Contribution allocated to a Participant shall equal a "matching percentage" multiplied by that portion of the Participant Before-Tax Contributions for the pay period that do not exceed 6% of the Participant's Compensation for the pay period. The matching percentage equals 100% unless one or more of the following conditions applies, in which case the matching percentage equals 50%.

(i) The Participant is younger than age 59-1/2 on the first day of the pay period and the Participant has, in the six months preceding the pay period, sold Company Stock from any of his or her Accounts (other than sales of Company Stock necessary to fund the Participant's loan or to pay any fees charged to his or her Accounts).

(ii) The Participant has elected to invest any portion of the pay period's Company Matching Contribution in an investment option other than Company Stock. The matching percentage is 50% only to the extent that this condition applies.

(iii) The Participant has elected to invest any portion of the pay period's Participant Before-Tax Contribution in an investment other than Company Stock. The matching percentage is 50% only to the extent that this conditions applies. The matching percentage shall be applied first to the Participant Before-Tax Contributions that are invested in Company Stock. For example, if paragraphs (i) and (ii) do not apply, and if a Participant contributes 10% of Compensation as a Participant Before-Tax Contribution in the pay period and he or she elects to invest half the contribution in Company Stock and half in another investment option, then the Participant's allocation of Company Matching Contributions for the pay period will equal 100% of 5% of the pay period's Compensation plus 50% of 1% of the pay period's Compensation, for a total match of 5-1/2% of the pay period's Compensation; the remaining Participant Before-Tax Contribution (of 4% of the Participant's Compensation for the pay period) will not be matched.

Company Matching Contributions in a Plan Year shall accrue only on Participant Before-Tax Contributions up to 6% of the Code section 401(a)(17) limit for that Plan Year. Any Company Matching Contributions allocated during the Plan Year in which they were accrued shall be allocated on a temporary basis only; the allocation shall become final after the Committee verifies that the allocation complies with the terms of the Plan, including the limits of Code section 401(a)(17). Any reduction in the allocation to comply with Code section 401(a)(17), adjusted to reflect investment experience, shall be used to pay those expenses of the Plan that are properly payable from the Trust Fund or to reduce future Company Contributions to the Plan.

(c) Miscellaneous Contributions.

(i) The Company may make additional contributions to the Plan to restore amounts forfeited from the Company Contributions Accounts of certain rehired Participants, pursuant to section 5.4. This additional contribution shall be required only when the forfeitures occurring during the Plan Year are insufficient to restore such forfeited amounts, as described in section 5.5. This contribution shall be allocated to the Participant's Company Contributions Account.

(ii) The Company may make additional contributions to the Plan to satisfy the minimum contribution required by section 12.4. The Company may elect to use any portion of forfeitures

occurring during the Plan Year for this purpose, pursuant to section 5.5. For Non-Highly Compensated Employees, this contribution shall be allocated to Participant Before-Tax Contributions Accounts; for Highly Compensated Employees, this contribution shall be allocated to Company Contributions Accounts.

(iii) The Company may make additional contributions to the Plan to restore the forfeited benefit of any missing individual, pursuant to section 13.12. This additional contribution shall be required only when the forfeitures occurring during the Plan Year are insufficient to restore such forfeited amounts, as described in section 5.5.

(iv) The Company may make QNECs to the Plan to enable the Plan to satisfy the ADP, ACP, and multiple use tests of sections 3.5, 3.6, and 3.7. The Company may elect to treat any portion of forfeitures occurring during the Plan Year as QNECs, pursuant to section 5.5. QNECs shall be allocated to Participant Before-Tax Contribution Accounts.

(d) Contributions Contingent on Deductibility. The Company Contributions for a Plan Year (excluding forfeitures), when combined with Participant Before-Tax Contributions for the Plan Year, shall not exceed the amount allowable as a deduction for the Taxable Year ending with or within the Plan Year pursuant to Code section 404. The amount allowable as a deduction under Code section 404 shall include carry forwards of unused deductions for prior Taxable Years. If the Code section 404 deduction limit would be exceeded for any Plan Year, the Plan contributions shall be reduced, in the following order, until the Plan contributions equal the Code section 404 deduction limit: first, the Company Matching Contributions for those Highly Compensated Employees who are eligible to participate in the Company's Nonqualified Retirement/Savings Plan; second, the Participant Before-Tax Contributions for those Highly Compensated Employees who are eligible to participate in the Company's Nonqualified Retirement/Savings Plan; third, the Company Mandatory Contributions for those Highly Compensated Employees who are eligible to participate in the Company's Nonqualified Retirement/Savings Plan. Company Contributions other than QNECs shall be paid to the Trustee no later than the due date (including any extensions) for filing the Company's federal income tax return for such year; QNECs paid to the Trustee no later than the due date (including any extensions) for filing the Company's federal income tax return for such year shall be deductible in such year; QNECs shall be paid to the Trustee within two and one-half months after the close of the Plan Year if possible, and in no event later than 12 months after the close of the Plan Year. Company Contributions may be made without regard to current or accumulated earnings and profits; nevertheless, this Plan is intended to qualify as a "profit sharing plan" as defined in Code section 401(a). The appropriate contribution of the Company to the Trust Fund may be paid by the Company in the form of Company Stock, cash, other assets of any character, or in any combination of the foregoing, as determined by the Company.

3.2 Participant Contributions.

A Participant may elect to defer the receipt of a portion of his or her Compensation during the Plan Year and contribute such amount to the Plan as Participant Before-Tax Contributions. Participant Before--Tax Contributions may be made in whole percentages (up to a maximum of 10%) of Compensation received in a pay period. The Company shall pay the amount deducted from the Participant's Compensation to the Trustee promptly after the deduction is made.

(a) Participant After-Tax Contributions. Participants cannot make after-tax contributions to the Plan.

(b) Participant Before-Tax Contributions. Participant Before-Tax Contributions shall be allocated to Participant Before-Tax Contributions Accounts. The sum of Participant Before-Tax Contributions to this Plan and similar contributions to any other plan containing a qualified cash or deferred arrangement that is maintained by the Company or an Affiliated Entity shall not exceed the dollar limit in effect under Code section 402(g)(1) in any calendar year. The Company shall inform the Committee if such limit has been exceeded; the excess amount (less any amount already returned pursuant to section 3.5 or 3.7) shall be returned to the Participant as soon as administratively possible, and in no event later than April 15 of the succeeding calendar year. If the sum of the Participant Before-Tax Contributions, similar contributions to any qualified plan maintained by an Affiliated Entity, and any similar contributions to a qualified plan maintained by an unrelated entity exceed the dollar limit in effect under Code section 402(g)(1) in a calendar year, and the Participant is an Employee on the last day of the Plan Year and informs the Committee of the amount of the excess allocated to this Plan, then the excess (less any amount already returned pursuant to section 3.4, 3.5, or 3.7) shall be

returned to the Participant as soon as administratively practicable, and in no event later than April 15 of the succeeding calendar year. The amount returned shall be adjusted to reflect the net increase or decrease in the net worth of the Participant's Before-Tax Contributions Account attributable to such amount for the Plan Year. The Committee may use any reasonable method to allocate this adjustment. Company Matching Contributions attributable to amounts returned under this paragraph shall be forfeited. Unmatched Participant Before-Tax Contributions shall be returned first.

(c) Participant Elections. Participant Before-Tax Contributions shall be made according to rules prescribed by the Committee, and may only be made after the Company has received written authorization from a Participant to deduct such contributions from his or her Compensation. Such authorization shall remain in effect until revoked or changed by the Participant. The Participant may change his or her authorization as of the first day of any calendar quarter by filing an election no later than the first day of the quarter. In addition, a Participant may reduce his or her Participant Before-Tax Contribution rate to 0% at any time by filing an election no later than the first day of the pay period in which such suspension will occur. A Participant who has elected to reduce his or her Participant Before-Tax Contribution rate to 0% may not make Participant Before-Tax Contributions for at least three months. To be effective, any authorization, change of authorization, or notice of revocation must be filed with the Committee according to such restrictions and requirements as the Committee prescribes. The Committee shall establish procedures for Participants to change their contribution elections, which procedures shall be in writing and communicated to Participants. The Committee shall have the authority to change such procedures at any time and from time to time and shall have the authority to designate additional dates as of which a Participant may change his or her rate of Participant Before-Tax Contributions.

3.3 Return of Contributions.

Upon request of the Company, the Trustee shall return:

(a) To the Company, any Company Contribution made under a mistake of fact. The amount that shall be returned shall not exceed the excess of the amount contributed (reduced to reflect any decrease in the net worth of the appropriate Accounts attributable thereto) over the amount that would have been contributed without the mistake of fact. Appropriate reductions shall be made in the Accounts of Participants to reflect the return of any contributions previously credited to such Accounts. If the Company so requests, any contribution made under a mistake of fact shall be returned to the Company within one year after the date of payment.

(b) To the Company, any Company Contribution or Participant Before-Tax Contribution that is not deductible under Code section 404. The Company shall pay any returned Participant Before-Tax Contribution to the appropriate Participant or the Company's Nonqualified Retirement/Savings Plan, as appropriate, as soon as administratively practicable, subject to any withholding. All contributions under the Plan are expressly conditioned upon their deductibility for federal income tax purposes. The amount that shall be returned shall be the excess of the amount contributed (reduced to reflect any decreased in the net worth of the appropriate Accounts attributable thereto) over the amount that would have been contributed if there had not been a mistake in determining the deduction. Appropriate reductions shall be made in the Accounts of Participants to reflect the return of any contributions previously credited to such Accounts. Any contribution conditioned on its deductibility shall be returned within one year after it is disallowed as a deduction.

(c) A contribution shall be returned under this section only to the extent that its return will not reduce the Account(s) of a Participant to an amount less than the balance that would have been credited to the Participant's Account(s) had the contribution not been made.

3.4 Limitation on Annual Additions.

(a) The Annual Additions to a Participant's Account(s) in this Plan and any other defined contribution plan maintained by the Company or an Affiliated Entity for any Limitation Year shall not exceed in the aggregate the lesser of (i) 25% of such Employee's Compensation or (ii) the greater of $30,000 or one-quarter of the dollar limit in effect under Code section 415(b)(1)(A).

(b) If, as a result of a reasonable error in estimating Compensation, or as a result of the allocation of forfeitures, or as a result of other facts and circumstances as provided in the regulations under Code section 415, the Annual Additions to a Participant's Account(s) would, but for this subsection, exceed the foregoing limits, the Annual Additions shall be reduced, to the extent necessary, in the following order: unmatched Participant Before-Tax Contributions, then matched Participant Before-Tax Contributions and the corresponding Company Matching Contributions, and then Company Mandatory Contributions. The Company shall pay any reduction in Participant Before-Tax Contributions to the Participant as soon as administratively practicable, subject to any withholding, or, if such Participant is a participant in the Company's Nonqualified Retirement/Savings Plan, then the amount of any such reduction shall be transferred to the trustee of such plan on behalf of such Participant. The amount of any reduction of Company Contributions shall be placed in a suspense account in the Trust Fund and used to reduce Company Contributions to the Plan. The following rules shall apply to such suspense account: (i) no further Company Contributions may be made if the allocation thereof would be precluded by Code section 415; (ii) any increase or decrease in the net value of the Trust Fund attributable to the suspense account shall not be allocated to the suspense account, but shall be allocated to the Accounts; and (iii) all amounts held in the suspense account shall be allocated as of each succeeding allocation date on which forfeitures may be allocated pursuant to section 5.5 (and may be allocated more frequently if the Committee so directs), until the suspense account is exhausted.

3.5 Contribution Limits for Highly Compensated Employees (ADP Test).

(a) Limits on Contributions. Notwithstanding any provision in this Plan to the contrary, the actual deferral percentage ("ADP") test of Code section 401(k)(3) shall be satisfied. Code section 401(k) and the regulations issued thereunder are hereby incorporated by reference to the extent permitted by such regulations.

(b) Permissible Variations of the ADP Test. To the extent permitted by the regulations under Code sections 401(m) and 401(k), Participant Before-Tax Contributions, QMACs, and QNECs may be used to satisfy the ACP test of section 3.6 if they are not used to satisfy the ADP test.

(c) Advanced Limitation on Participant Before-Tax Contributions or Company Matching Contributions. The Committee may limit the Participant Before-Tax Contributions of any Highly Compensated Employee (or any Employee expected to be a Highly Compensated Employee) at any time during the Plan Year (with the result that his or her share of Company Matching Contributions may be limited). This limitation may be made, if practicable, whenever the Committee believes that the limits of this section or sections 3.4, 3.6 or 3.7 will not be satisfied for the Plan Year.

(d) Corrections to Satisfy Test. If the Committee believes that the ADP test will not be satisfied for the Plan Year, the Committee may recommend to the Company and the Company may designate any portion of its Company Matching Contributions as QMACs before such contributions are made to the Plan, pursuant to section 3.9. If the ADP test is not satisfied for the Plan Year, the Committee shall decide which one or more of the following methods shall be employed to satisfy the ADP test:

(i) The Committee may recommend to the Company and the Company may make QNECs to the Plan, pursuant to section 3.8, within two and one-half months after the close of the Plan Year if possible, and in no event later than 12 months after the close of the Plan Year.

(ii) Participant Before-Tax Contributions of Highly Compensated Employees may be returned to the Highly Compensated Employee, without the consent of either the Highly Compensated Employee or his or her Spouse, subject to the rules of subsection (e). Any such return shall be made within two and one-half months after the close of the Plan Year if possible, and in no event later than 12 months after the close of the Plan Year. Company Matching Contributions attributable to such returned amounts shall be paid to the Participant. Unmatched Participant Before-Tax Contributions shall be returned first.

(iii) In a top-heavy Plan Year, the QMACs of a Non-Key Employee who is a Highly Compensated Employee may be treated as Company Discretionary Contributions to the extent necessary to satisfy the minimum contribution requirement of section 12.4.

(e) Determining Amounts Returned. If the ADP test is not satisfied and the Committee elects to return contributions pursuant to paragraph (d)(ii) above, the following procedure shall be applied to determine the amounts returned. The Highly Compensated Employee(s) with the highest actual deferral ration (as defined in the regulations under Code section 401(k)) shall have an amount returned until his or her actual deferral ratio is reduced to the greater of (i) the actual deferral ratio that causes the ADP test to be satisfied or (ii) the actual deferral ratio of the Highly Compensated Employee with the next highest actual deferral ratio. The process described in the preceding sentence shall continue until the ADP test is satisfied. The amounts returned shall be reduced by any previous amounts returned. The amount returned shall be adjusted to reflect any increase or decrease in the net worth of the Accounts attributable to such contributions for the Plan Year. The Committee may use any reasonable method to calculate this adjustment.

(f) Coordination with Top-Heavy Provisions. Any QMACs used to satisfy the minimum contribution requirement for Non-Key Employees under section 12.4 shall not be a part of the ADP test.

3.6 Contribution Limits for Highly Compensated Employees (ACP Test).

(a) Limits on Contributions. Notwithstanding any provision in this Plan to the contrary, the actual contribution percentage ("ACP") test of Code section 401(m)(2) shall be satisfied. Code section 401(m) and the regulations issued thereunder are hereby incorporated by reference to the extent permitted by such regulations.

(b) Permissible Variations of the ACP Test. To the extent permitted by the regulations under Code sections 401(m) and 401(k), Participant Before-Tax Contributions, QMACs and QNECs may be used to satisfy this test if not used to satisfy the ADP test of section 3.5.

(c) Corrections to Satisfy Test. If the ACP test is not satisfied, the Committee shall decide which one or more of the following methods shall be employed to satisfy the ACP test:

(i) The Committee may recommend the Company and the Company may make QNECs to the Plan, pursuant to section 3.8, within two and one-half months after the close of the Plan Year if possible, and in no event later than 12 months after the close of the Plan Year.

(ii) The non-vested Company Matching Contributions allocated to Highly Compensated Employees as of any date during the Plan Year may be forfeited as of the last day of the Plan Year, subject to the rules of subsection (d). For this purpose, the vested percentage is determined as of the last day of the Plan Year; the vested percentage of any QMAC is the vested percentage that would have applied to such contribution if it had not been designated as a QMAC. Any such forfeiture shall be made as soon as practicable, within two and one-half months after the close of the Plan Year if possible, and in no event later than 12 months after the close of the Plan Year.

(iii) In a top-heavy Plan Year, the Company Matching Contributions of any Non-Key Employee who is a Highly Compensated Employee may be treated as Company Discretionary Contributions to the extent necessary to satisfy the minimum contribution requirement of section 12.4.

(iv) Those vested Company Matching Contributions and those Participant Before-Tax Contributions that are taken into account for this ACP test for any Highly Compensated Employee may be returned to such Highly Compensated Employee, without the consent of either the Highly Compensated Employee or his or her Spouse, subject to the rules of subsection (d). Any such return of Participant Before-Tax Contributions or vested Company Matching Contributions shall be made within two and one-half months after the close of the Plan Year if possible, and in no event later than 12 months after the close of the Plan Year.

(d) Determining Amount Forfeited. If the ACP test is not satisfied and the Committee elects to forfeit certain Company Matching Contributions pursuant to paragraph (d)(ii) above, the following procedure shall be applied to determine the amount forfeited. The Highly Compensated Employee(s) with the highest actual contribution ratio (as defined in the regulations under Code section 401(m)) shall have an amount forfeited until his or her actual contribution ratio is reduced to the greater of (i) the actual contribution ratio that causes the ACP test to be satisfied or (ii) the actual

contribution ratio of the Highly Compensated Employee with the next highest actual contribution ratio. The process described in the preceding sentence shall continue until the ACP test is satisfied. The process shall apply to only those Highly Compensated Employees who are not 100% vested in their Company Contributions Accounts. The amounts forfeited shall be reduced by any amounts previously returned or forfeited. The amounts forfeited shall be adjusted to reflect any increase or decrease in the net worth of the Accounts attributable to such contributions for the Plan Year. The Committee may use any reasonable method to calculate this adjustment.

(e) Coordination with Top-Heavy Provisions. Any Company Matching Contributions used to satisfy the minimum contribution requirement for Non-Key Employees under section 12.4 shall not be a part of this ACP test.

3.7 Contribution Limits for Highly Compensated Employees (Multiple Use).

(a) Limits on Contributions. Notwithstanding any provision in this Plan to the contrary, the multiple use test described in the regulations under Code section 401(m) shall be satisfied. Code section 401(m) and the regulations issued thereunder are hereby incorporated by reference to the extent permitted by such regulations.

(b) Corrections to Satisfy Multiple Use Test. If the multiple use test is not satisfied, the Company shall cause the contributions to the Accounts of the Highly Compensated Employees to be adjusted using one or more of the methods described in subsections 3.5(d) and 3.6(c). The Company shall apply such methods to all Highly Compensated Employees. The Company may also use any other correction method permitted in the regulations under Code section 401(m). Any Company Matching Contributions used to satisfy the minimum contribution requirement for Non-Key Employees under section 12.4 shall not be a part of this multiple use test.

3.8 QNECs.

QNECs shall satisfy all of the following requirements:

(a) QNECs shall be made within two and one-half months after the close of the Plan Year to which they apply, if possible, and in no event later than 12 months after the close of such Plan Year.

(b) As of the last day of each Plan Year, the Committee shall allocate the QNECs for such Plan Year (including such forfeitures occurring during such Plan Year that are treated as QNECs pursuant to section 5.5). These amounts shall be allocated to the Participant Before-Tax Contributions Accounts of those Non-Highly Compensated Employees who made Participant Before-Tax Contributions or received an allocation of Company Mandatory Contributions or performed one or more Hours of Service as a Covered Employee during such Plan Year after satisfying the eligibility requirements of section 2.1, as follows:

(i) QNECs shall be allocated to the Participant Before-Tax Contributions Account of the Non-Highly Compensated Employee(s) with the least Compensation, until either the QNECs are exhausted or the limit of section 3.4 is reached for such Non-Highly Compensated Employee(s).

(ii) Any remaining QNECs shall be allocated to the Participant Before-Tax Contributions Account of the Non-Highly Compensated Employee(s) with the next lowest Compensation, until either the QNECs are exhausted or the limit of section 3.4 is reached for such Non-Highly Compensated Employee(s).

(iii) The procedure in paragraph (ii) shall be repeated until all QNECs have been allocated.

(c) QNECs shall be treated as a Company Mandatory Contribution for purposes of calculating the percentages of Compensation for Key Employees and Non-Key Employees of section 12.4.

3.9 QMACs.

QMACs shall satisfy the following requirements:

(a) The Company may designate all or any portion of any Participant's allocation of Company Matching Contributions as Qualified Matching Contributions. Such designation shall be made before such contributions are made to the Trust Fund.

(b) QMACs shall be allocated to Participant Before-Tax Contributions Accounts.

ARTICLE IV

INTERESTS IN THE TRUST FUND

4.1 Participants' Accounts.

The Committee shall establish and maintain separate Accounts in the name of each Participant, but the maintenance of such Accounts shall not require any segregation of assets of the Trust Fund. Each Account shall contain the contributions specified below and the increase or decrease in the net worth of the Trust Fund attributable to such contributions.

(a) Participant Before-Tax Contributions Account. A Participant Before-Tax Contributions Account shall be established for each Participant who makes Participant Before-Tax Contributions, or who receives an allocation of QNECs or QMACs. The Committee may elect to establish subaccounts for the different types of contributions allocated to this Account.

(b) Company Contributions Account. A Company Contributions Account shall be established for each Participant who receives an allocation of Company Mandatory Contributions or an allocation of Company Matching Contributions that are not designated as QMACs. The Committee may elect to establish subaccounts for the different types of contributions allocated to this Account.

4.2 Valuation of Trust Fund.

(a) General. The Trustee shall value the assets of the Trust Fund at least annually as of the last day of the Plan Year, and as of any other dates determined by the Committee, at their current fair market value and determine the net worth of the Trust Fund. In addition, the Committee may direct the Trustee to have a special valuation of the assets of the Trust Fund when the Committee determines, in its sole discretion, that such valuation is necessary or appropriate or in the event of unusual market fluctuations of such assets. Such special valuation shall not include any contributions made by Participants since the preceding Valuation Date, any Company Contributions for the current Plan Year, or any unallocated forfeitures. The Trustee shall allocate the expenses of the Trust Fund occurring since the preceding Valuation Date, pursuant to section 9.2, and then determine the increase or decrease in the net worth of the Trust Fund that has occurred since the preceding Valuation Date. The Trustee shall determine the share of the increase of decrease that is attributable to the non-separately accounted for portion of the Trust Fund and to any amount separately accounted for, as described in subsections (b) and (c).

(b) Mandatory Separate Accounting. The Trustee shall separately account for (i) any individually directed investments permitted under section 9.3, and (ii) amounts subject to a Domestic Relations Order, to provide a more equitable allocation of any increase or decrease in the net worth of the Accounts.

(c) Permissible Separate Accounting. The Trustee may separately account for the following amounts to provide a more equitable allocation of any increase or decrease in the net worth of the Trust Fund:

(i) the distributable amount of a Participant, pursuant to section 6.6, including any amount distributable to an Alternate Payee or to a beneficiary of a deceased Participant; and

(ii) Company Matching Contributions made since the preceding Valuation Date;

(iii) Participant Before-Tax Contributions that were received by the Trustee since the preceding Valuation Date;

(iv) Company Matching Contributions and Participant Before-Tax Contributions of Highly Compensated Employees that may need to be distributed or forfeited to satisfy the ADP, ACP, and multiple use tests of sections 3.5, 3.6, and 3.7;

(v) Any other amounts for which separate accounting will provide a more equitable allocation of the increase or decrease in the net worth of the Trust Fund.

4.3 Allocation of Increase or Decrease in Net Worth.

(a) The Committee shall, as of each Valuation Date, allocate the increase or decrease in the net worth of the Trust Fund that has occurred since the preceding Valuation Date between the non-separately accounted for portion of the Trust Fund and the amounts separately accounted for that are identified in subsections 4.2(b) and 4.2(c).

(b) The increase or decrease attributable to the non-separately accounted for portion of the Trust Fund shall be allocated among the appropriate Accounts in the ratio that the dollar value of each such Account bore to the aggregate dollar value of all such Accounts on the preceding Valuation Date after all allocations and credits made as of such date had been completed.

(c) After the allocation in subsection (b) is completed, the Committee shall allocate any amounts separately accounted for (including the increase or decrease in the net worth of the Trust Fund attributable to such amounts) to the appropriate Account(s) if such separate accounting is no longer necessary.

4.4 Allocation of Company Mandatory Contributions.

As of the last day of the Plan Year, the Committee shall allocate the Company Mandatory Contributions for the Plan Year (including forfeitures occurring during the Plan Year that are treated as Company Mandatory Contributions pursuant to section 5.5). These amounts shall be allocated among the Company Contributions Accounts of Participants who received credit for one Hour of Service as a Covered Employee during the Plan Year and who were employed on the last day of the Plan Year. Each such Participant shall receive an allocation of 6% of his or her Compensation.

ARTICLE V

AMOUNT OF BENEFITS

5.1 Vesting Schedule.

A Participant shall have a fully vested and nonforfeitable interest in all his or her Account(s) upon his or her Normal Retirement Age if he or she is an Employee on such date, upon his or her death while an Employee or while on an approved leave of absence from the Company or an Affiliated Entity, or upon his or her termination of employment with the Company or an Affiliated Entity because of a Disability. In all other instances a Participant's vested interest shall be calculated according to the following rules.

(a) Participant Before-Tax Contributions Account. A Participant shall be fully vested at all times in his or her Participant Before-Tax Contributions Account.

(b) Company Contributions Account. A Participant shall become fully vested in his or her Company Contributions Account in accordance with the following schedule:

Completed Years of Service	Vested Percentage
fewer than 1	0
1	20
2	40
3	60
4	80
5 or more	100

(c) Special Vesting Rule. All Participants in the Plan who are Employees of the Company on July 1, 1992 shall become 100% vested with respect to all Company Matching Contributions and Company Mandatory Contributions, together with any earnings attributable thereto, made as of any date prior to July 2, 1992. If a Participant was not previously 100% vested, then the amount that becomes 100% vested pursuant to this subsection shall be allocated to a special Company Contributions Account; a new Company Contributions Account shall be established for all Company Matching Contributions not designated as QMACs and Company Mandatory Contributions made on behalf of the Participant as of any date subsequent to July 1, 1992. Whenever any Participant becomes 100% vested in the two separate Company Contributions Accounts, those Accounts shall be merged into one Company Contributions Account.

(d) Partial Termination. A partial termination of the Plan occurred as a result of the relocation of Apache's headquarters from Denver, Colorado to Houston, Texas. As a result, notwithstanding subsection (b), the Company Contributions Accounts off all Denver-based Participants who were laid off or who voluntarily severed their employment with the Company after August 5, 1991, in connection with the corporate relocation, are 100% vested.

(e) Change of Control. Notwithstanding the foregoing provisions of this section 5.1, the Company Contributions Accounts of all Participants shall be fully vested as of the effective date of a Change of Control, as defined in this subsection, and at all times thereafter. For purposes of this subsection, a "Change of Control" shall mean the event occurring when a person, partnership or corporation together with all persons, partnerships or corporations acting in concert with such person, partnership or corporation, or any or all of them, acquires more than 20% of Apache's outstanding voting securities; provided that a Change of Control shall not occur if, prior to the acquisition of more than 20% of Apache's voting securities, Apache's Board of Directors by majority vote designates the person, partnership, or corporation as an approved acquiror and resolves that a Change of Control will not have occurred for purposes of this Plan.

5.2 Forfeitures.

(a) Notwithstanding the vesting rules of section 5.1, Annual Additions to a Participant's Accounts and any increase or decrease in the net worth of the Participant's Accounts attributable to such Annual Additions may be reduced to satisfy the limits described in section 3.4. Any reduction shall be allocated as specified in section 3.4.

(b) Notwithstanding the vesting rules of section 5.1, QMACs and any increase or decrease in the net worth of the Account(s) attributable to such contributions may be forfeited as of the last day of the Plan Year to satisfy the ACP test, as provided in subsection 3.6(c). Any such forfeiture shall be allocated as specified in section 5.5.

(c) Notwithstanding the vesting rules of section 5.1, Company Matching Contributions and any increase or decrease in the net worth of the Account(s) attributable to such contributions may be forfeited as of the last day of the Plan Year if the Participant Before-Tax Contribution that they matched was returned under section 3.2 or subsection 3.5(d). Any such forfeiture shall be allocated as specified in section 5.5.

(d) Notwithstanding the vesting rules of section 5.1, a missing individual's vested Accounts may be forfeited as of the last day of any Plan Year, as provided in section 13.12. Any such forfeiture shall be allocated as specified in section 5.5.

(e) A Participant's non-vested interest in his or her Company Contributions Account shall be forfeited at the end of the Plan Year in which the Participant terminates employment. Any such forfeiture shall be allocated as specified in section 5.5.

(f) Notwithstanding the vesting rules of section 5.1, Company Matching Contributions that would violate Code section 401(a)(17), and any increase or decrease in the net worth of the Account(s) attributable to such contributions, may be forfeited as specified in subsection 3.1(b). Any such reduction shall be allocated as specified in subsection 3.1(b).

5.3 Restoration of Forfeitures.

(a) The forfeiture of a missing individual's Account(s), as described in section 13.12, shall be restored to such individual if the individual makes a claim for such amount.

(b) If a Participant is rehired before incurring five-consecutive one-year Lapses in Apache Employment , and the Participant has received a distribution of his or her entire vested interest in his or her Company Contribution Account (with the result that the Participant forfeited his or her non-vested interest in such Account), then the exact amount of the forfeiture shall be restored to the Participant's Account. All the rights, benefits and features available to the Participant when the forfeiture occurred shall be available with respect to the restored forfeiture.

(c) If a Participant who is rehired before incurring five consecutive one-year Lapses in Apache Employment has his or her Accounts restored as above provided, and again terminates employment prior to becoming fully vested in his or her Company Contributions Account, the vested portion of his or her Company Contributions Account shall be determined by applying the vested percentage determined under section 5.1 to the sum of (A) and (B), then subtracting (B) from such sum, where: (A) is the value of the Participant's Company Contributions Account as of the Valuation Date immediately following his or her most recent termination of employment; and (B) is the amount previously distributed to the Participant on account of the prior termination of employment.

(d) If a Participant is rehired after having incurred five consecutive one-year Lapses in Apache Employment, then no amount forfeited from his or her Company Contributions Account shall be restored to that Account.

5.4 Method of Forfeiture Restoration.

Forfeitures that are restored pursuant to section 5.3 shall be accomplished by an allocation of the forfeitures occurring during the Plan Year, pursuant to section 5.5, or if such forfeitures are insufficient, by a special Company Contribution, pursuant to paragraph 3.1(c)(i).

5.5 Allocation of Forfeitures.

As of the last day of each Plan Year, the forfeitures that occurred during the Plan Year shall be allocated first to restore the forfeited portions of the Company Contributions Accounts of reemployed Participants described in section 5.3. Any remaining forfeitures shall be applied to reduce any type(s) of current or future Company Contributions under section 3.1, or to pay those expenses of the Plan that are properly payable from the Trust Fund. Apache shall decide, on behalf of each employer, the amount and type(s) of Company Contributions or Plan expenses the forfeitures shall reduce.

5.6 Credits for Pre-Lapse Service.

(a) Company Contributions Made After Reemployment.

(i) A Participant who is vested in any portion of his or her Company Contributions Account, who incurs a one-year Lapse in Apache Employment, and who is thereafter reemployed, shall

receive credit for vesting purposes for Years of Service prior to a one-year Lapse in Apache Employment upon completing a Year of Service after such one-year Lapse in Apache Employment.

(ii) A Participant who is not vested in any portion of his or her Company Contributions Account, who incurs a one- year Lapse in Apache Employment and who is thereafter reemployed, shall receive credit for vesting purposes for Years of Service prior to a one-year Lapse in Apache Employment only if (A) the Participant completes a Year of Service after such Lapse in Apache Employment, and (B) the number of consecutive one-year Lapses in Apache Employment is less than the greater of five or the aggregate number of Years of Service before such lapse.

(b) Company Contributions Made Prior to Termination. Years of Service after a Participant has incurred five consecutive one-year Lapses in Apache Employment shall be disregarded in determining the vested percentage in a Participant's Company Contributions Account at the time of the lapse.

5.7 Transfers - Portability.

If any other employer adopts this or a similar profit sharing plan and enters into a reciprocal agreement with the Company that provides that (a) the transfer of a Participant from such employer to the Company (or vice versa) shall not be deemed a termination of employment for purposes of the plans, and (b) service with either or both employers shall be credited for purposes of vesting under both plans, then the transferred Participant's Account shall be unaffected by the transfer, except, if deemed advisable by the Committee, it may be transferred to the trustee of the other plan.

5.8 Reemployment - Separate Account.

If a Participant who is not fully vested terminates employment and then returns to employment with the Company or an Affiliated Entity before receiving the entire vested portion of his or her Company Contributions Account, the vested portion that has not been distributed shall be held in a separate Company Contributions Account for such Participant. The Participant shall be fully vested in such Account and no further Company Contributions shall be allocated to that Account. In all other respects, such Account shall be treated as a Company Contributions Account. A new Company Contributions Account shall be established to which all appropriate Company Contributions made after the date of reemployment shall be allocated. If a Participant becomes fully vested in two or more Company Contributions Accounts, all such amounts shall be merged into one Account.

5.9 Transfer of Participants to Natural Gas Clearinghouse.

A Transferred Participant shall be treated as though employed by the Company, for all purposes of the Plan (and not for any other purpose) other than eligibility to make Participant Before-Tax Contributions or to receive a Company Mandatory Contribution, a Company Matching Contribution, or a QNEC with respect to any period following the transfer of employment to NGC, so long as the Transferred Participant is employed by NGC. A Transferred Participant shall continue to be treated as an Employee for all purposes of the Plan (other than the eligibility to make or receive contributions), including but not limited to the right to make withdrawals under Article VII and to make investment elections pursuant to Article IX, so long as the Transferred Participant is employed by NGC. A Transferred Participant shall continue to be treated as an Employee for such purposes (and for no other purpose) until such time as his or her employment with NGC terminates, at which point such termination of employment shall be treated as termination of employment with the Company for purposes of Article VI. A Transferred Participant may borrow from the Plan under section 7.2 only if the Transferred Participant is a party in interest (within the meaning of ERISA section 3(14)) with respect to the Plan.

If a Transferred Participant transfers employment from NGC back to the Company pursuant to the terms of an Employee Benefits Agreement effective May 1, 1991 between Apache and NGC, such transfer shall not constitute a termination of employment with the Company. Any such Participant shall become eligible to participate in the Plan in accordance with the provisions of section 2.1. If the Transferred Participant previously made an irrevocable election, pursuant to the provisions of subsection 3.1(b), to have the Participant's Before-Tax Contributions, and the related

Company Matching Contributions, invested in Company Stock, such election shall continue to govern the Transferred Participant's participation in the Plan.

ARTICLE VI

DISTRIBUTION OF BENEFITS

6.1 Beneficiaries.

(a) Each Account Owner shall file with the Committee a designation of the beneficiaries and contingent beneficiaries to whom the distributable amount (determined pursuant to section 6.3) shall be paid in the event of his or her death. In the absence of an effective beneficiary designation as to any portion of the distributable amount after a Participant dies, such amount shall be paid to the Participant's surviving Spouse, or, if none, to his or her estate. In the absence of an effective beneficiary designation as to any portion of the distributable amount after any non-Participant Account Owner dies, such amount shall be paid to the Account Owner's estate.

(b) A beneficiary designation may be changed by the Account Owner at any time and without the consent of any previously designated beneficiary. However, if the Account Owner is a married Participant, his or her Spouse shall be his or her beneficiary unless his or her Spouse has consented to the designation of a different beneficiary. To be effective, the Spouse's consent must be in writing, witnessed by a notary public and filed with the Committee. Any such election shall be effective only as to the Spouse who signed the election. If a Participant has designated his or her Spouse as his or her beneficiary, and the Participant and that Spouse subsequently divorce, then the beneficiary designation shall be void and of no effect on the day such divorce is final.

6.2 Consent.

(a) Except for distributions identified in subsection (b), distributions may be made only after the appropriate consent has been obtained under this subsection. Distributions to a Participant shall be made only with the Participant's consent to the manner of distribution and the time of distributions. Distributions to a beneficiary of a deceased Participant shall be made only with the beneficiary's consent to the manner of distribution and the time of distribution. Distributions to an Alternate Payee or his or her beneficiary shall be made as specified in the QDRO. To be effective, the consent must be in writing, signed by the distributee, and filed with the Committee within 90 days before the distribution is to commence. A consent once given shall be irrevocable after distribution has begun. Nevertheless, if a distributee has elected to receive his or her distribution in the form of installments, he or she may elect to accelerate any or all remaining installments.

(b) Consent is not required for the following distributions:

(i) Corrective distributions under Article III that are returned to the Participant because the contribution is not deductible by the Company or because the contribution would exceed the limits of Code sections 401(a)(17), 415(c)(1), 4415(e), 402(g), 401(k)(3), 401(m)(2), or 401(m)(9);

(ii) Distributions that are required to comply with Code section 401(a)(9);

(iii) Immediate cashouts of less than $3,500, as described in subsection 6.5(d);

(iv) Distributions pursuant to Code section 401(a)(14); and

(v) Distributions after the later of the Participant's Normal Retirement Age or age 62, provided that the Participant has terminated employment before the distribution is made.

6.3 Distributable Amount.

The distributable amount of a Participant's Account(s) is the vested portion of the Account(s) (as determined by Article V) as of the Valuation Date coincident with or next preceding the date distribution is made to the Participant or beneficiary, reduced by (a) any amount that is payable to an Alternate Payee pursuant to section 13.9, (b) any amount withdrawn pursuant to section 7.1 since such Valuation Date, and (c) the outstanding amount of any loan under section 7.2. Nevertheless, the Committee shall temporarily suspend or limit distributions (by reducing the distributable amount), as explained in section 13.9, when the Committee is informed that a QDRO affecting the Participant's Accounts is in process or may be in process.

6.4 Manner of Distribution.

(a) The distributable amount shall be paid in accordance with either one or a combination of both of the following methods as the distributee may elect subject to the limitations of subsection (b): (i) by a lump sum distribution (other than an annuity), or (ii) by monthly, quarterly, or annual installments (which must be as nearly equal as possible) over a specified period not exceeding the joint life expectancy of the Participant and his or her beneficiary, calculated according to the regulations issued under Code section 401(a)(9). Once installment payments have begun, the distributee may elect to accelerate any or all remaining payments pursuant to such requirements as may be adopted by the Committee.

(b) Alternate Payees shall be entitled to only lump sum distributions. Only lump sum distributions are available for distributions of small amounts under subsection 6.5(d).

(c) If all or a portion of a Participant's Accounts are invested in shares of Company Stock at the time amounts become distributable pursuant to Article VI, the Participant may elect to receive a lump sum distribution of the whole shares of Company Stock allocated to his or her Accounts together with a cash lump sum payment for any fractional share and for any portion of the Accounts not invested in shares of Company Stock. The Committee shall establish appropriate election procedures from time to time with respect to distribution elections. If a Participant fails to make an election with respect to the form of distribution, the distribution of that portion of the Participant's Accounts which is invested in shares of Company Stock shall be made in the form of shares of Company Stock. Notwithstanding the foregoing, any fractional share of Company Stock shall be converted to and paid in the form of cash.

6.5 Time of Distribution.

(a) Earliest Date of Distribution. Unless an earlier distribution is permitted by subsection (b) or required by subsection (c), the earliest date that a Participant may elect to receive a distribution is as follows.

(i) Termination of Employment or Disability. A Participate may elect to receive a distribution as soon as practicable after he terminates employment or incurs a Disability. However, distribution from a Participant Before-Tax Contribution Account shall not occur pursuant to this paragraph unless (A) the Participant has separated from service within the meaning of Code section 401(k)(2)(B)(i)(I), (B) the Participant has incurred a Disability, or (C) the Participant has been affected by a corporate transaction described in Code section 401(k)(10)(A)(ii) or Code section 401(k)(10)(A)(iii).

(ii) During Employment. A Participant may not obtain a distribution while employed by the Company or an Affiliated Entity, except as provided in subsection (c) (relating to the required minimum distribution at a Participant's Required Beginning Date) or section 7.1 (relating to in-service withdrawals).

(b) Alternate Earliest Date of Distribution. Notwithstanding subsection (a), unless a Participant elects otherwise, his or her distribution shall commence no later than 60 days after the close of the latest of: (i) the Plan Year in which the Participant attains Normal Retirement Age; (ii) the Plan Year in which occurs the tenth anniversary of the year in which the Participant commenced participation in the Plan; and (iii) the Plan Year in which the Participant terminates employment with the Company and Affiliated Entities.

(c) Latest Date of Distribution. Distribution must be made (i) in a lump sum not later than the Required Beginning Date, or (ii) in installments commencing not later than the Required Beginning Date. A Participant shall receive annual distributions of at least the minimum amount required to be distributed pursuant to regulations issued under Code section 401(a)(9). In calculating the minimum required distribution, (i) the life expectancies of the Participant and his or her beneficiary shall be used, (ii) the life expectancy of the Participant shall be recalculated annually only if the Participant affirmatively elects such recalculation, (iii) if the beneficiary is the Participant's Spouse, the life expectancy of the Spouse shall be recalculated annually only if the Participant affirmatively elects such recalculation, and (iv) if the Participant does not inform the Committee of the birthdate of his or her beneficiary a reasonable time before the Required Beginning Date, the Participant's minimum required distributions shall be calculated using only the Participant's life expectancy.

(d) Small Amounts. If the aggregate value of the nonforfeitable portion of a Participant's Accounts is $3,500 or less (calculated in accordance with the applicable Treasury regulations) on the earliest date the Participant may elect to receive a distribution under this section, then the Participant shall receive a lump sum distribution as soon as practicable after terminating employment.

(e) Distribution Upon Participant's Death.

(i) This paragraph shall apply if the distribution did not begin before the Participant died. If the aggregate cash value of the nonforfeitable portion of the Participant's Accounts is $3,500 or less (calculated in accordance with applicable Treasury regulations), the beneficiary shall receive a lump sum distribution as soon as practicable after the Participant dies. Otherwise, the beneficiary may elect to have the distributable amount distributed (A) by the end of the calendar year containing the fifth anniversary of the Participant's death, or (B) in installments over a period not exceeding the life expectancy of the beneficiary, with the first installment distributed by the end of the calendar year containing the first anniversary of the Participant's death. However, if the beneficiary is the Participant's surviving Spouse, the beneficiary may elect to defer distribution until the end of the calendar year in which the Participant would have attained age 70-1/2, or, if later, the end of the calendar year containing the first anniversary of the Participant's death. If the surviving Spouse makes such an election but dies before receiving the entire distributable amount, then the rules of this paragraph shall be applied as if the Spouse were the Participant and as if the Spouse's beneficiary were the Participant's beneficiary.

(ii) If distribution began before the Participant died, then the remaining distributable amount shall be distributed at least as rapidly as under the method in use on the date of the Participant's death.

(f) Alternate Payee. Distributions to Alternate Payees and their beneficiaries shall be made as specified in section 13.9.

(g) 242(b) Elections. Notwithstanding the foregoing, distribution of a Participant's Account(s), including the Account(s) of a Participant who is a Key Employee in a top-heavy plan, may be made in accordance with all of the following rules (regardless of when such distribution commences);

(i) The distribution must be one that would not have disqualified the Plan under Code section 401(a)(9) prior to its amendment by the Tax Equity and Fiscal Responsibility Act of 1982.

(ii) The distribution must be in accordance with a method of distribution designated by the Participant whose interest in the Plan is being distributed, or if the Participant is deceased, by the designated beneficiary of such Participant.

(iii) The designation must have been in writing, signed by the Participant or designated beneficiary, and made before January 1, 1984.

(iv) The Participant must have accrued a benefit under the Plan as of December 31, 1983.

6.6 Direct Rollover Election.

A Participant, an Alternate Payee who is the Spouse or former Spouse of the Participant, or a surviving Spouse of a deceased Participant (collectively, the "distributee") may direct the Trustee to pay all or any portion of his or her "eligible rollover distribution" to an "eligible retirement plan" in a "direct rollover." Within a reasonable period of time before an eligible rollover distribution, the Committee shall inform the distributee of this direct rollover option, the appropriate withholding rules, other rollover options, the options regarding income taxation, and any other information required by Code section 402(f).

An "eligible rollover distribution" is any distribution or in-service withdrawal other than (a) distributions required under Code section 401(a)(9), (b) distributions of amounts that have already been subject to federal income tax (such as defaulted loans or after-tax voluntary contributions), (c) installment payments in a series of substantially equal payments made at least annually and (i) made over a specified period of ten or more years, (ii) made for the life or life expectancy of the distributee, or (iii) made for the joint life or joint life expectancy of the distributee and his or her designated beneficiary, (d) a distribution to satisfy the limits of Code section 415 or 402(g), (e) a distribution to satisfy ADP, ACP, or multiple use tests, or (f) any other actual or deemed distribution specified in the regulations issued under Code section 402(c).

For a Participant or an Alternate Payee who is the Spouse or former Spouse of the Participant, an "eligible retirement plan" is an individual retirement account or annuity described in Code section 408(a) or 408(b), an annuity plan described in Code section 403(a), or the qualified trust of a defined contribution plan that accepts eligible rollover distributions. For a surviving Spouse of a deceased Participant, an "eligible retirement plan" is an individual retirement account or annuity.

A "direct rollover" is a payment by the Trustee to the eligible retirement plan specified by the distributee.

ARTICLE VII

WITHDRAWALS

7.1 In-Service Withdrawals.

An Employee may withdraw amounts from his or her Account(s) only as provided in this section. To request a withdrawal, an Employee must submit a written request to the Committee. An Employee may make withdrawals as follows.

(a) Withdrawals for Employees Age 59-1/2 or Older.

(i) An Employee who has attained age 59-1/2 may at any time thereafter withdraw any portion of his or her Participant Before-Tax Contributions Account and any vested portion of his or her Company Contributions Account in minimum amounts of $1,000 or the Account balance, whichever is less, up to two times per Plan Year.

(ii) An Employee shall be permitted to make such a withdrawal by delivering written notice to the Committee at least 15 days prior to the next following Valuation Date. Withdrawals shall be made in cash except as provided in subsection (c) below.

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(iii) If the Employee is not fully vested in his or her Company Contributions Account at the time of a withdrawal under this subsection, the rules of subsection 5.3(c) shall be applied when determining the vested portion of the Company Contributions Account at any time thereafter.

(b) Participant Before-Tax Contributions Account. An Employee may withdraw all or any portion of his or her Participant Before- Tax Contributions, subject to the limits of subsection (d), provided that the Employee has an immediate and heavy financial need, as defined in paragraph (i), the withdrawal is needed to satisfy the financial need, as explained in paragraph (ii), and the amount of the withdrawal does not exceed the limits in paragraph (iii).

(i) Financial Need. The following expenses constitute an immediate and heavy financial need: medical care of the Employee, the Employee's Spouse, or the Employee's dependents; costs associated with the purchase of a principal residence of the Employee; tuition and related educational fees for the next 12 months of post-secondary education of the Employee, the Employee's Spouse, or the Employee's dependents; payments to prevent the Employee from being evicted from his or her principal residence; and payments to prevent the mortgage on the Employee's principle residence from being foreclosed. In addition, the Committee may determine, based on a review of all relevant facts and circumstances, that a particular expense or series of expenses of the Employee constitutes an immediate and heavy financial need.

(ii) Satisfaction of Need. The withdrawal is deemed to be needed to satisfy the Employee's financial need if (A) the Employee has obtained all withdrawals and all non-taxable loans available from the Company's and any Affiliated Entities' qualified plans, (B) for a period of at least 12 months from the date the Employee receives the withdrawal, he or she ceases to make Participant Before-Tax Contributions and elective contributions to all qualified and non-qualified plans maintained by the Company or any Affiliated Entity, and (C) the Participant Before-Tax Contributions that the Employee makes in the calendar year after the withdrawal is limited to the dollar limit in effect under Code section 402(g)(1) ($8,728 in 1992) for the calendar year after the withdrawal, less the Employee's Participant Before-Tax Contributions made during the calendar year of the withdrawal.

(iii) Maximum Withdrawal. An Employee may not withdraw more than the sum of the amount needed to satisfy his or her financial need and any taxes and penalties resulting from the withdrawal. An Employee may not withdraw any amount in excess of his or her Participant Before-Tax Contributions unless the Employee has attained age 59-1/2.

(c) Form of Payment of Withdrawal. This subsection shall be effective beginning March 1, 1990. Withdrawals under subsection (b) shall be in cash. Withdrawals under subsection (a) shall be in cash, except that any portion of a Participant's Accounts that is invested in Company Stock may, at the election of the Participant made at the time that written notice of withdrawal is made to the Committee, be withdrawn in the form of whole shares of Company Stock.

(d) Withdrawal Rules. An Employee may not withdraw any amount that has been borrowed or that is subject to a QDRO. The Committee shall temporarily suspend or limit withdrawals under this section, as explained in section 13.9, when the Committee is informed that a QDRO affecting the Employee's Accounts is in process or may be in process. The Committee shall issue such rules as to the frequency of withdrawals, and withdrawal procedures, as it deems appropriate. The Committee may postpone the withdrawal until after the next Valuation Date. The Committee may have a special valuation of the Trust Fund performed before a withdrawal is permitted. The Plan may charge a fee for the withdrawal as well as a fee for having a special valuation performed, as determined by the Committee in its sole discretion.

7.2 Loans.

The Committee is authorized, as one of the Plan fiduciaries responsible for investing Plan assets, to establish a loan program. The loan program shall become effective on the date determined by the Committee. The Committee shall administer the Plan's loan program in accordance with the following rules:

(a) Availability. Loans are available only to Participants who are Employees, Participants who are parties-in-interest (within the meaning of ERISA section 3(14)), and beneficiaries who are parties-in-interest (collectively referred to in this section as "Borrowers"). No loan shall be made to any individual while the individual falls into any of the following categories, nor shall any loan be made of amounts accrued while such individual fell into any of the following categories:

(i) owner-employee within the meaning of Code section 401(c)(3); or

(ii) Employee or officer who owns (or is considered as owning within the meaning of Code section 318(a)(1) on any day during the taxable year of the Company or Affiliated Entity) 5% or more of the stock of the Company or any Affiliated Entity that is an S corporation; or

(iii) sibling (of the whole- or half-blood), spouse, ancestor or lineal descendant of any individual described in paragraphs (i) or (ii),

unless such individual has furnished to the Committee a written exemption, granted by the Department of Labor, exempting the loan from the prohibited transaction provisions of ERISA and the Code. The Committee shall temporarily reduce the amount a Participant may borrow or temporarily prevent the Participant from borrowing, as described in section 13.9, when the Committee is informed that a QDRO affecting the Participant's Accounts is in process or may be in process.

(b) Number of Loans. A Borrower may have no more than one loan outstanding. The Committee may change the maximum number of outstanding loans allowed at any time.

(c) Loan Amount. The Committee may establish a minimum loan amount of no more than $500. The Committee may require loans to be made in increments of no more than $100. The amount that a Borrower may borrow is subject to the following limits.

(i) A Borrower may only borrow an amount up to the aggregate Participant Before-Tax Contributions made by the relevant Participant, less any of such amounts previously withdrawn.

(ii) At the time the loan from this Plan is made, the aggregate outstanding balance of all the Borrower's loans from all qualified plans maintained by the Company and Affiliated Entities, including the new loan from this Plan, shall not exceed 50% of the Borrower's vested interest in all qualified plans maintained by the Company and Affiliated Entities.

(iii) For purposes of this paragraph, the term "one-year maximum" means the largest aggregate outstanding balance, on any day in the one-year period ending on the day before the new loan from this Plan is obtained, of all loans to the Borrower from all qualified plans maintained by the Company and Affiliated Entities. For purposes of this paragraph, the term "existing loans" means the aggregate outstanding balance, on the day the new loan is made to the Borrower, of all loans to the Borrower from all qualified plans maintained by the Company and Affiliated Entities, excluding the new loan from this Plan. If the existing loans are greater than or equal to the one-year maximum, then the new loan from this Plan shall not exceed $50,000 minus the existing loans. If the existing loans are less than the one-year maximum, then the new loan from this Plan shall not exceed $50,000 minus the one-year maximum.

For purposes of applying the above limits, the vested portion of the Borrower's accounts under this Plan and all other plans maintained by the Company and Affiliated Entities shall be determined without regard to any accumulated deductible employee contributions (as defined in Code section 72(o)(5)(B)), and without regard to any amounts accrued while the Borrower was ineligible to obtain a loan (as described in subsection (a)). Notwithstanding the foregoing, the Committee may, in its sole discretion, establish lesser limits on the amounts that may be borrowed, which limits shall be applied in a non-discriminatory manner. The Committee shall temporarily reduce the amount a Participant may borrow or temporarily prevent the Participant from borrowing, as described in section 13.9, when the Committee is informed that a QDRO

affecting the Participant's Accounts is in process or may be in process. No loan shall be made of amounts that are required to be distributed prior to the end of the term of the loan.

(d) Interest. Each loan shall bear a reasonable rate of interest, which shall remain fixed for the duration of the loan. The Committee or its agent shall determine the reasonable rate of interest on the date the loan documents are prepared. The Committee shall have the authority to establish procedures from time to time for determining the rate of interest. In the absence of Committee action, the interest rate shall be equal to the prime lending rate, plus 1%, as published in the Wall Street Journal on the first day that such newspaper is published during the calendar quarter in which the loan documents are prepared.

(e) Repayment. All loans shall be repaid, with interest, in substantially level amortized payments made not less frequently than quarterly. The maximum term for a loan is four years; the minimum term for a loan is one year. The Committee has the authority to decrease the minimum term for future loans and the authority to increase the maximum term for future loans to no more than five years. Loan repayments shall be accelerated, and all loans shall be payable in full on the date the Borrower separates from service (if the Borrower is an Employee), the date the Borrower becomes ineligible to borrow from the Plan under to subsection (a), and on any other date or any other contingency as determined by the Committee. If the Borrower is an Employee, loans shall be repaid through payroll withholding unless (i) the Employee is pre- paying his or her loan, in which case the pre-payment need not be through payroll withholding, or (ii) the Employee is on an unpaid leave of absence, in which case he or she may pay any installment by personal check. Partial pre-payments are not accepted; however, the Committee may decide to accept partial pre-payments in the future.

(f) Default. A loan shall be considered to be in default if any loan installment is not paid within 60 days of its due date. If a default is not cured within five days, the Committee may, in addition to all other remedies, apply the Borrower's Plan accounts toward payment of the loan; however, the Trustee may not exercise such right of set-off with respect to the Borrower's Participant Before-Tax Account until such account has become payable, pursuant to section 6.5 or 7.1.

(g) Administration. A Borrower shall apply for a loan by completing the application procedures specified by the Committee. Until changed by the Committee, a Borrower shall apply for a loan by calling the Trustee and completing a voice application. The loan shall be processed in accordance with reasonable procedures adopted from time to time by the Committee. The Committee may impose a loan application fee, a loan origination fee, a loan pre-payment fee, and loan maintenance fees. All loans shall be evidenced by a promissory note and shall be fully secured. No Borrower whose Plan accounts are so pledged may obtain distribution of any portion of the accounts that have been pledged. The rights of the Trustee under such pledge shall have priority over all claims of the Borrower, his or her beneficiaries, and creditors. Each loan shall be treated as a directed investment. Any increase or decrease in the net worth of the Trust Fund attributable to such loan shall be allocated solely to the Plan accounts of the Borrower.

ARTICLE VIII

ALLOCATION OF RESPONSIBILITIES - NAMED FIDUCIARIES

8.1 No Joint Fiduciary Responsibilities.

The Trustee(s) and the Committee shall be the named fiduciaries under the Plan and Trust agreement and shall be the only named fiduciaries thereunder. The fiduciaries shall have only the responsibilities specifically allocated to them herein or in the Trust agreement. Such allocations are intended to be mutually exclusive and there shall be no sharing of fiduciary responsibilities. Whenever one named fiduciary is required by the Plan or Trust agreement to follow the directions of another named fiduciary, the two named fiduciaries shall not be deemed to have been assigned a shared responsibility, but the responsibility of the named fiduciary giving the directions shall be deemed his or her sole responsibility, and the responsibility of the named fiduciary receiving those directions shall be to follow them insofar as the instructions are on their face proper under applicable law.

8.2 The Company.

The Company shall be responsible for: (a) making Company Contributions; (b) certifying to the Trustee the names and specimen signatures of the members of the Committee acting from time to time; (c) keeping accurate books and records with respect to its Employees and the appropriate components of each Employee's Compensation and furnishing such data to the Committee; (d) selecting agents and fiduciaries to operate and administer the Plan and Trust; (e) appointing an investment manager if it determines that one should be appointed; and (f) reviewing periodically the performance of such agents, managers, and fiduciaries.

8.3 The Trustee.

The Trustee shall be responsible for: (a) the investment of the Trust Fund to the extent and in the manner provided in the Trust agreement; (b) the custody and preservation of Trust assets delivered to it; and (c) the payment of such amounts from the Trust Fund as the Committee shall direct.

8.4 The Committee - Plan Administrator.

The Board of Directors of Apache (the "Board") shall appoint an administrative Committee consisting of no fewer than three individuals who may be, but need not be, Participants, officers, directors, or Employees of the Company. If the Board does not appoint a Committee, Apache shall act as the Committee under the Plan. The members of the Committee shall hold office at the pleasure of the Board and shall service without compensation. The Committee shall be the "Plan administrator" as defined in section 3(16)(A) of ERISA. It shall be responsible for establishing and implementing a funding policy consistent with the objectives of the Plan and with the requirements of ERISA. This responsibility shall include establishing (and revising as necessary) short-term and long-term goals and requirements pertaining to the financial condition of the Plan, communicating such goals and requirements to the persons responsible for the various aspects of the Plan operations and monitoring periodically the implementation of such goals and requirements.

8.5 Committee to Construe Plan.

(a) The Committee shall administer the Plan and shall have all discretion, power and authority necessary for that purpose, including, but not by way of limitation, the full and absolute discretion and power to interpret the Plan, to determine the eligibility, status, and rights of all individuals under the Plan, and in general to decide any dispute and all questions arising in connection with the Plan. The Committee shall direct the Trustee concerning all distributions from the Trust Fund, in accordance with the provisions of the Plan, and shall have such other powers in the administration of the Trust Fund as may be conferred upon it by the Trust agreement. The Committee shall maintain all Plan records except records of the Trust Fund.

(b) The Committee may adjust the Account(s) of any Participant, in order to correct errors and rectify omissions, in such manner as the Committee believes will best result in the equitable and nondiscriminatory administration of the Plan.

8.6 Organization of Committee.

The Committee shall adopt such rules as it deems desirable for the conduct of its affairs and for the administration of the Plan. It may appoint agents (who need not be members of the Committee) to whom it may delegate such powers as it deems appropriate, except that any dispute shall be determined by the Committee. The Committee may make its determinations with or without meetings. It may authorize one or more of its members or agents to sign instructions, notices and determinations on its behalf. The action of a majority of the Committee shall constitute the action of the Committee.

8.7 Interested Committee Members.

If a Committee decision or action affects a small number of Participants including a Committee member, then such Committee member shall not participate in the Committee decision or action. The action of a majority of the disinterested Committee members shall constitute the action of the Committee.

8.8 Agent for Process.

Apache's Vice President, General Counsel, and Secretary shall be the agent of the Plan for service of all process.

8.9 Indemnification of Committee Members.

The Company shall indemnify and hold the members of the Committee, and each of them, harmless from the effects and consequences of their acts, omissions, and conduct in their official capacities, except to the extent that the effects and consequences thereof shall result from their own willful misconduct, breach of good faith, or gross negligence in the performance of their duties. The foregoing right of indemnification shall not be exclusive of the rights to which each such member may be entitled as a matter of law.

8.10 Conclusiveness of Action.

Any action taken by the Committee on matters within the discretion of the Committee shall be conclusive, final and binding upon all participants in the Plan and upon all persons claiming any rights hereunder, including alternate payees and beneficiaries.

8.11 Payment of Expenses.

The members of the Committee shall serve without compensation but their reasonable expenses shall be paid by the Company. The compensation of fees of accountants, counsel and other specialists and any other costs of administering the Plan or Trust Fund may be charged to the Trust Fund, to the extent permissible under the provisions of ERISA.

ARTICLE IX

TRUST AGREEMENT - INVESTMENTS

9.1 Trust Agreement.

Apache has entered into a Trust agreement to provide for the holding, investment and administration of the funds of the Plan. The Trust agreement shall be part of the Plan, and the rights and duties of any individual under the Plan shall be subject to all terms and provisions of the Trust agreement.

9.2 Expenses of Trust.

(a) Except as provided in subsection (b) below, all taxes upon or in respect of the Trust shall be paid by the Trustee out of the Trust assets, and all expenses of administering the Trust shall be paid by the Trustee out of the Trust assets, to the extent such taxes and expenses are not paid by the Company or the Account Owner. No fiduciary shall receive any compensation for services rendered to the Plan if the fiduciary is being compensated on a full time basis by the Company.

(b) To the extent not paid by the Company, all expenses of individually directed transactions in Trust assets, including without limitation the Trustee's transaction fee, brokerage commissions, transfer taxes, interest on insurance policy loans, and any taxes and penalties that may be imposed as a result of an individual's investment direction shall be assessed against the Account(s) of the Account Owner directing such transactions.

9.3 Investments.

(a) Section 404(c) Plan. The Plan is intended to be a plan described in ERISA section 404(c). To the extent that an Account Owner exercises control over the investment of his or her Accounts, no person who is a fiduciary shall be liable for any loss, or by reason of any breach, that is the direct and necessary result of the Account Owner's exercise of control.

(b) Directed Investments. Accounts shall be invested, upon the written or telephone voice-response direction of each Account Owner, in any one or more of a series of investment funds designated by the Committee from time to time. One or more such funds may, at the sole discretion of the Committee, consist of shares of Company Stock. If so directed by Account Owners, up to 100% of the Accounts under the Plan may be invested in Company Stock. The funds available for investment and the principal features thereof, including a general description of the investment objectives, the risk and return characteristics, and the type and diversification of the investment portfolio of each fund, shall be communicated to the Account Owners in the Plan from time to time. Any changes in such funds shall be immediately communicated to all Account Owners.

(c) Absence of Directions. To the extent that an Account Owner fails to affirmatively direct the investment of his or her Accounts, the Committee shall direct the Trustee in writing concerning the investment of such Accounts. The Committee shall act by majority vote. Any dissenting member of the Committee shall, having registered his or her dissent in writing, thereafter cooperate to the extent necessary to implement the decision of the Committee.

(d) Change in Investment Directions. Account Owners may change their investment directions, with respect to investment of new contributions and with respect to the investment of existing amounts allocated to Accounts, every three months unless the Committee determines that more frequent changes in investment directions shall be made available with respect to one or more of the investment funds. Such changes shall be effective, prospectively, as of the time established by the Committee. The Committee shall establish procedures for giving investment directions, which shall be in writing and communicated to Account Owners. For example, the procedures could permit an Account Owner to change the investment direction of new contributions as of the first day of every calendar quarter, provided that the Committee receives at least two weeks prior written notice; the procedures could also permit an Account Owner to change the investment direction of existing Account balances once in a calendar quarter, on any business day, by giving telephone voice-response instructions to the Trustee.

ARTICLE X

TERMINATION AND AMENDMENT

10.1 Termination of Plan or Discontinuance of Contributions.

Apache expects to continue the Plan indefinitely, but the continuance of the Plan and the payment of contributions are not assumed as contractual obligations. Apache may terminate the Plan or discontinue contributions at any time. Upon the termination (or partial termination) of the Plan or the complete discontinuance of contributions, the Accounts of all affected Participants shall become fully vested, notwithstanding any other provision hereof, the only Participants who are affected by a partial termination are those whose employment with the Company or Affiliated Entity is terminated as a result of the corporate event causing the partial termination; Employees terminated for cause are not affected by a partial termination.

10.2 Allocations upon Termination or Discontinuance of Company Contributions.

Upon the termination or partial termination of the Plan or upon the complete discontinuance of contributions , the Committee shall promptly notify the Trustee of such termination or discontinuance. The Trustee shall then determine, in the manner prescribed in section 4.2, the net worth of the Trust Fund as of the close of the last business day of the calendar month in which such notice was received by the Trustee. The Trustee shall advise the Committee of any increase or decrease in such net worth that has occurred since the preceding Valuation Date. After crediting to the Participant Before-

Tax Contributions Account of each Participant any amount contributed since the preceding Valuation Date, the Committee shall thereupon allocate, in the manner described in section 4.3, among the remaining Plan Accounts, in the manner described in Articles III, IV and V, any Company Contributions or forfeitures occurring since the preceding Valuation Date.

10.3 Procedure Upon Termination of Plan or Discontinuance of Contributions.

If the Plan has been terminated or partially terminated, or if a complete discontinuance of contributions to the Plan has occurred, then after the allocations required under section 10.2 have been completed, the Trustee shall distribute or transfer the Account(s) of affected Employees as follows.

(a) Participant Before-Tax Contributions Accounts. If the Company or Affiliated Entity maintains or establishes another defined contribution plan (other than an employee stock ownership plan defined in Code section 49756(e)(7)), then no amount in a Participant Before-Tax Contributions Account may be distributed to any Employee who has not yet attained age 59-1/2.

(b) Other Rules.

(i) If the affected Employee's Account(s) have an aggregate value of $3,500 or less (calculated in accordance with applicable Treasury regulations), then the Trustee shall distribute the Employee's Account(s) (except, if subsection (a) applies, the Participant Before-Tax Contributions Account) to the Employee in a lump sum (other than an annuity).

(ii) If the affected Employee's Account(s) have an aggregate value of more than $3,500 (calculated in accordance with applicable Treasury regulations), and if the Company or an Affiliated Entity does not maintain another defined contribution plan (other than an employee stock ownership plan within the meaning of Code section 4975(e)(7)), then the Trustee shall distribute the Employee's Account(s) to the Employee in a lump sum (other than an annuity).

(iii) If the affected Employee's Account(s) have an aggregate value of more than $3,500 (calculated in accordance with applicable Treasury regulations), and if the Company or an Affiliated Entity maintains another defined contribution plan (other than an employee stock ownership plan within the meaning of Code section 4975(e)(7)), then the Trustee shall transfer the Employee's Account(s) to the other plan unless the Employee consents to an immediate distribution of such Account(s) (except, if subsection (a) applies, for the Participant Before-Tax Contributions Account) in a lump sum (other than an annuity).

Any distribution or transfer made pursuant to this section may be in cash, in shares of Company Stock, to the extent a Participant's Accounts are invested in Company Stock, or partly in cash and partly in shares of Company Stock. After all such distributions or transfers have been made, the Trustee shall be discharged from all obligation under the Trust; no Participant or beneficiary who has received any such distribution, or for whom any such transfer has been made, shall have any further right or claim under the Plan or Trust.

10.4 Amendment by Apache.

Apache may at any time amend the Plan in any respect, without prior notice, subject to the following limitations. No amendment shall be made that would have the effect of vesting in the Company any part of the Trust Fund or of diverting any part of the Trust Fund to purposes other than for the exclusive benefit of Account Owners. The rights of any Account Owner with respect to contributions previously made shall not be adversely affected by any amendment. No amendment shall reduce or restrict, either directly or indirectly, the accrued benefit (within the meaning of Code section 411(d)(6)) provided that any Account Owner before the amendment, except as permitted by the Internal Revenue Service.

If the vesting schedule is amended, each Participant with at least three Years of Service may elect, within the period specified in the following sentence after the adoption of the amendment, to have his or her nonforfeitable percentage

computed under the Plan without regard to such amendment. The period during which the election may be made shall commence with the date the amendment is adopted and shall end on the latest of: (a) 60 days after the amendment is adopted; (b) 60 days after the amendment becomes effective; or (c) 60 days after the Participant is issued written notice of the amendment by the Company or Committee. Furthermore, no amendment shall decrease the nonforfeitable percentage, measured as of the later of the date the amendment is adopted or effective, of any Account Owner's Accounts.

Each amendment shall be in writing. Each amendment shall be approved by Apache's Board of Directors (the "Board") or by an officer of Apache who is authorized by the Board to amend the Plan. Each amendment shall be executed by an officer of Apache to whom the Board has delegated the authority to execute the amendment.

ARTICLE XI

PLAN ADOPTION BY AFFILIATED ENTITIES

11.1 Adoption of Plan.

Apache may permit any Affiliated Entity to adopt the Plan and Trust for its Employees. Thereafter, such Affiliated Entity shall deliver to the Trustee a certified copy of the resolutions or other documents evidencing its adoption of the Plan and Trust. The Employees of the Affiliated Entity adopting the Plan shall not be eligible to invest their Accounts in Company Stock until compliance with the applicable registration and reporting requirements of the securities laws.

11.2 Agent of Affiliated Entity.

By becoming a party to the Plan, each Affiliated Entity appoints Apache as its agent with authority to act for the Affiliated Entity in all transactions in which Apache believes such agency will facilitate the administration of the Plan. Apache shall have the sole authority to amend and terminate the Plan.

11.3 Disaffiliation and Withdrawal from Plan.

(a) Disaffiliation. Any Affiliated Entity that has adopted the Plan and thereafter ceases for any reason to be an Affiliated Entity shall forthwith cease to be a party to the Plan.

(b) Withdrawal. Any Affiliated Entity may, by appropriate action and written notice thereof to Apache, provide for the discontinuance of its participation in the Plan. Such withdrawal from the Plan shall not be effective until the end of the Plan Year.

11.4 Effect of Disaffiliation or Withdrawal.

If at the time of disaffiliation or withdrawal, the disaffiliating or withdrawing entity, by appropriate action, adopts a substantially identical plan that provides for direct transfers from this Plan, then, as to employees of such entity, no plan termination shall have occurred; the new plan shall be deemed a continuation of this Plan for such employees. In such case, the Trustee shall transfer to the trustee of the new plan all of the assets held for the benefit of employees of the disaffiliating or withdrawing entity, and no forfeitures or acceleration of vesting shall occur solely by reason of such action. Such payment shall operate as a complete discharge of the Trustee, and of all organizations except the disaffiliating or withdrawing entity, of all obligations under this Plan to employees of the disaffiliating or withdrawing entity and to their beneficiaries. A new plan shall not be deemed substantially identical to this Plan if it provides slower vesting than this Plan. Nothing in this section shall authorize the divesting of any vested portion of a Participant's Account(s).

11.5 Distribution Upon Disaffiliation or Withdrawal.

(a) Disaffiliation. If an entity disaffiliates from Apache and the provisions of section 11.4 are not followed, then the following rules apply to the Account(s) of employees of the disaffiliating entity.

(i) If the disaffiliating entity maintains a defined contribution plan (other than an employee stock ownership plan within the meaning of Code section 4975(e)(7)), then the Trustee shall transfer the Employee's Account(s) to the other plan, if the other plan so allows, unless the employee consents to an immediate distribution in a lump sum (other than an annuity) of the vested portion of his or her Account(s). If the other plan does not permit a transfer of Accounts, then the employee may retain his or her Accounts in this Plan until the employee consents to a distribution pursuant to Article VI. Notwithstanding the preceding sentences, an employee may not consent to an immediate distribution from his or her Participant Before-Tax Contributions Account unless he or she has attained age 59-1/2.

(ii) If the disaffiliating entity does not maintain a defined contribution plan (other than an employee stock ownership plan within the meaning of Code section 4975(e)(7)), then the Trustee shall distribute the vested portion of the employee's Account(s) to the employee in a lump sum (other than an annuity), upon the consent of the employee. If the employee does not consent to an immediate distribution, then distribution may only be made according to Article VI.

(b) Withdrawal. If an Affiliated Entity withdraws from the Plan and the provisions of section 11.4 are not followed, then the following rules apply to the Account(s) of Employees of the withdrawing entity.

(i) If the withdrawing entity maintains a defined contribution plan that accepts transfers from this Plan, then the Employee may transfer his or her Account(s) from this Plan to such plan. No forfeitures or acceleration of vesting shall occur solely by reason of such transfer.

(ii) If the withdrawing entity does not maintain a defined contribution plan that accepts transfers from this Plan, then the Employee's Account(s) shall remain in this Plan.

(c) Any distribution or transfer made pursuant to this section may be in cash, in shares of Company Stock, or partly in cash and partly in shares of Company Stock. After such distribution or transfer has been made, no Participant or beneficiary who has received any such distribution, or for whom any such transfer has been made, shall have any further right or claim under the Plan or Trust.

ARTICLE XII

TOP-HEAVY PROVISIONS

12.1 Application of Top-Heavy Provisions.

The provisions of this Article XII shall be applicable only if the Plan becomes "top-heavy" as defined below for any Plan Year beginning after December 31, 1983. If the Plan becomes "top-heavy" as of the Determination Date for a Plan Year, the provisions of this Article XII shall apply to the Plan effective as of the first day of such Plan Year and shall continue to apply to the Plan until the Plan ceases to be "top-heavy" or until the Plan is terminated or otherwise amended.

12.2 Determination of Top-Heavy Status.

The Plan shall be considered "top-heavy" for a Plan Year if, as of the Determination Date for that Plan Year, the aggregate of the Account balances (as calculated according to the regulations under Code section 416) of Key Employees under this Plan (and under all other plans required or permitted to be aggregated with this Plan) exceeds 60% of the

aggregate of the Account balances (as calculated according to the regulations under Code section 416) in this Plan (and under all other plans required or permitted to be aggregated with this Plan) of all current Employees and all former Employees who terminated employment within five years of the Determination Date. This ratio shall be referred to as the "top-heavy ratio". For purposes of determining the Account balance of any Participant, distributions made with respect to such individual within a five-year period ending on the Determination Date shall be included. This shall also apply to distributions under a terminated plan that, if it had not been terminated, would have been required to be included in an aggregation group. The Account balances of a Participant who had once been a Key Employee, but who is not a Key Employee during the Plan Year, shall not be taken into account. The following plans must be aggregated with this Plan for the top-heavy test: (a) a qualified plan maintained by the Company or an Affiliated Entity in which a Key Employee participated during this Plan Year or during the previous four Plan Years and (b) any other qualified plan maintained by the Company or an Affiliated Entity that enables this Plan or any plan described in clause (a) to meet the requirements of Code sections 401(a)(4) or 410. The following plans may be aggregated with this Plan for the top-heavy test: any qualified plan maintained by the Company or an Affiliated Entity that, in combination with the Plan or any plan required to be aggregated with this Plan when testing this Plan for top-heaviness, would satisfy the requirements of Code sections 401(a)(4) and 410. If one or more of the plans required or permitted to be aggregated with this Plan is a defined benefit plan, a Participant's "account balance" shall equal the present value of his or her accrued benefit, including any distributions within five years of the Determination Date. If the aggregation group includes more than one defined benefit plan, the same actuarial assumptions shall be used with respect to each such defined benefit plan. The foregoing top-heavy ratio shall be computed in accordance with the provisions of Code section 416(g), together with the regulations and rulings thereunder.

12.3 Special Vesting Rule.

Unless section 5.1 provides for faster vesting, the amount credited to the Participant's Company Contributions Account shall vest in accordance with the following schedule during any top-heavy Plan Year:

Completed Years of Service	Vested Percentage
fewer than 2	0
2	20
3	40
4	60
5	80
6 or more	100

12.4 Special Minimum Contribution.

Notwithstanding the provisions of section 3.1 and Article IV to the contrary, in every top-heavy Plan Year, a minimum allocation is required for each Non-Key Employee who both (a) performed one or more Hours of Service during the Plan Year as a Covered Employee after satisfying any eligibility requirement of section 2.1, and (b) was an Employee on the last day of the Plan Year. This minimum allocation is required regardless of whether such Non-Key Employee made any required contributions to the Plan for such Plan Year. The minimum allocation shall be a percentage of such Non-Key Employee's Compensation. The percentage shall be the lesser of 3% or the largest percentage of any Key Employee's Compensation contributed to the Plan. For Non-Key Employees, this percentage takes into account all Company Contributions and forfeitures, except for amounts used to restore the Accounts of a rehired or missing Participant, allocated for the Plan Year; however, any Company Matching Contributions for purposes of the ADP, ACP, and multiple use tests of sections 3.5, 3.6, and 3.7, but shall be treated as Company Mandatory Contributions for purposes of the Code section 401(a)(4) discrimination test. For Key Employees, the percentage takes into account all Company Matching Contributions and forfeitures, except for amounts used to restore the Accounts of a rehired or missing Participant, allocated for the Plan Year, and the Participant's Participant Before-Tax Contributions for the Plan Year. If this minimum allocation is not satisfied for any Non-Key Employee, the Company shall contribute the additional amount needed to satisfy this requirement to such Non-Key Employee's Participant Before-Tax Contributions Account, if the Non-Key Employee is a Non-Highly Compensated Employee, or if the Non-Key Employee is a Highly Compensated Employee, to his or her Company Contributions Account.

12.5 Change in Top-Heavy Status.

If the Plan ceases to be a "top-heavy" plan as defined in this Article XII, and if any change in the benefit structure, vesting schedule or other component of a Participant's accrued benefit shall occur as a result of such change in top-heavy status, the nonforfeitable portion of each Participant's benefit attributable to Company Contributions shall not be decreased as a result of such change. In addition, each Participant with at least three Years of Service with the Company and Affiliated Entities on the date of such change, may elect to have the nonforfeitable percentage computed under the Plan without regard to such change in status. The period during which the election may be made shall commence on the date the Plan ceases to be a top-heavy plan and shall end on the later of (a) 60 days after the change in status occurs, (b) 60 days after the change in status becomes effective, or (c) 60 days after the Participant is issued written notice of the change by the Company or the Committee.

ARTICLE XIII

MISCELLANEOUS

13.1 RIGHT TO DISMISS EMPLOYEES - NO EMPLOYMENT CONTRACT.

THE COMPANY AND AFFILIATED ENTITIES MAY TERMINATE THE EMPLOYMENT OF ANY EMPLOYEE AS FREELY AND WITH THE SAME EFFECT AS IF THIS PLAN WERE NOT IN EXISTENCE. PARTICIPATION IN THIS PLAN BY AN EMPLOYEE SHALL NOT CONSTITUTE AN EXPRESS OR IMPLIED CONTRACT OF EMPLOYMENT BETWEEN THE COMPANY OR AN AFFILIATED ENTITY AND THE EMPLOYEE.

13.2 Claims Procedure.

(a) All claims shall be filed in writing by the Participant, the Participant's beneficiary, or the authorized representative of the claimant, by completing any procedures that the Committee requires. These procedures shall be reasonable and may include the completion of forms and the submission of documents and additional information. For purposes of this section, a request for an in-service withdrawal shall be considered a claim.

(b) The Committee shall review all materials and shall decide whether to approve or deny the claim. If a claim is denied in whole or in part, written notice of denial shall be furnished by the Committee to the claimant within 90 days after the receipt of the claim by the Committee, unless special circumstances require an extension of time for processing the claim, in which event notification of the extension shall be provided to the claimant and the extension shall not exceed 90 days. The written notice shall set forth the specific reasons for such denial, specific reference to pertinent Plan provisions, a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary, all written in a manner calculated to be understood by the claimant. The notice shall include appropriate information as to the steps taken if the claimant wishes to submit the denied claim for review. The claimant may request a review upon written application, may review pertinent documents, and may submit issues or comments in writing. The claimant must request a review within the reasonable period of time prescribed by the Committee. In no event shall such a period of time be less than 60 days. The Committee shall decide all reviews of denied claims. A decision on review shall be rendered within 60 days of the receipt of request for review by the Committee. If special circumstances require a further extension of time for processing, a decision shall be rendered not later than 120 days following the Committee's receipt of the request for review. If such an extension of time for review is required, written notice of the extension shall be furnished to the claimant prior to the commencement of the extension. The Committee's decision on review shall be furnished to the claimant. Such decision shall be in writing and shall include specific reasons for the decision, written in a manner calculated to be understood by the claimant, as well as specific references to the pertinent Plan provisions on which the decision is based.

(c) The Committee shall have total discretionary authority to determine eligibility, status, and the rights of all individuals under the Plan and to construe any and all terms of the Plan.

13.3 Source of Benefits.

All benefits payable under the Plan shall be paid solely from the Trust Fund, and the Company and Affiliated Entities assume no liability or responsibility therefor.

13.4 Exclusive Benefit of Employees.

It is the intention of the Company that no part of the Trust, other than as provided in sections 3.3, 9.2, and 13.9 hereof and the Trust Agreement, ever to be used for or diverted for purposes other than for the exclusive benefit of Participants, Alternate Payees, and their beneficiaries, and that this Plan shall be construed to follow the spirit and intent of the Code and ERISA.

13.5 Forms of Notices.

Wherever provision is made in the Plan for the filing of any notice, election, or designation by a Participant, Spouse, Alternate Payee, or beneficiary, the action of such individual shall be evidenced by the execution of such form as the Committee may prescribe for the purpose.

13.6 Failure of Any Other Entity to Qualify.

If any entity adopts this Plan but fails to obtain or retain the qualification of the Plan under the applicable provisions of the Code, such entity shall withdraw from this Plan upon a determination by the Internal Revenue Service that it has failed to obtain or retain such qualification. Within 30 days after the date of such determination, the assets of the Trust Fund held for the benefit of the Employees of such entity shall be separately accounted for and disposed of in accordance with the Plan and Trust.

13.7 Notice of Adoption of the Plan.

The Company shall provide each of its Employees with notice of the adoption of this Plan, notice of any amendments to the Plan, and notice of the salient provisions of the Plan prior to the end of the first Plan Year. A complete copy of the Plan shall also be made available for inspection by Employees or any other individual with an Account balance under the Plan.

13.8 Plan Merger.

If this Plan is merged or consolidated with, or its assets or liabilities are transferred to, any other qualified plan of deferred compensation, each Participant shall be entitled to receive a benefit immediately after the merger, consolidation, or transfer that is equal to or greater than the benefit the Participant would have been entitled to receive immediately before the merger, consolidation, or transfer if this Plan had then been terminated.

13.9 Inalienability of Benefits - Domestic Relations Orders.

(a) Except as provided in section 7.2, relating to Plan loans, and subsection (b) below, no Participant or beneficiary shall have any right to assign, alienate, transfer, or encumber his or her interest in any benefits under this Plan, nor shall such benefits be subject to any legal process to levy upon or attach the same for payment of any claim against any such Participant or beneficiary.

(b) Subsection (a) shall apply to the creation, assignment, or recognition of a right to any benefit payable with respect to a Participant pursuant to a Domestic Relations Order unless such Domestic Relations Order is a QDRO, in which case the Plan shall make payment of benefits in accordance with the applicable requirements of any such QDRO.

(c) In order to be a QDRO, the Domestic Relations Order must satisfy the requirements of Code section 414(p) and ERISA section 206(d)(3). In particular, the Domestic Relations Order: (i) must specify the name and the last known mailing address of the Participant; (ii) must specify the name and mailing address of each Alternate Payee covered by the order; (iii) must specify either the amount or percentage of the Participant's benefits to be paid by the Plan to each such Alternate Payee, or the manner in which such amount or percentage is to be determined; (iv) must specify the number of payments or period to which such order applies; (v) must specify each plan to which such order applies; (vi) may not require the Plan to provide any type or form of benefit, or any option, not otherwise provided under the Plan, subject to the provisions of subsection (f); (vii) may not require the Plan to provide increased benefits (determined on the basis of actuarial value); and (viii) may not require the payment of benefits to an Alternate Payee if such benefits have already been designated to be paid to another Alternate Payee under another order previously determined to be a QDRO.

(d) In the case of any payment before an Employee has separated from service, a Domestic Relations Order shall not be treated as failing to meet the requirements of subsection (c) solely because such order requires that payment of benefits be made to an Alternate Payee (i) on or after the dates specified in subsection (f), (ii) as if the Employee had retired on the date on which such payment is to begin under such order (but taking into account only the Account balance on such date), and (iii) in any form in which such benefits may be paid under the Plan to the Employee. For purposes of this subsection, the Account balance as of the date specified in the QDRO shall be the vested portion of the Employee's Account(s) on such date.

(e) The Committee shall establish reasonable procedures to determine the qualified status of Domestic Relations Orders and to administer distributions under QDROs. Such procedures shall be in writing and shall permit an Alternate Payee to designate a representative to receive copies of notices. The Committee shall temporarily prevent the Participant from borrowing from his or her Accounts and shall temporarily suspend distributions and withdrawals from the Participant's Accounts, except to the extent necessary to make the required minimum distributions under Code section 401(a)(9), when the Committee receives a Domestic Relations Order or a draft of such an order that affects the Participant's Accounts or when one of the following individuals informs the Committee, orally and in writing, that a QDRO is in process or may be in process: the Participant, a prospective Alternate Payee, or counsel for the Participant or a prospective Alternate Payee. The Committee shall promulgate reasonable and non-discriminatory rules regarding such suspensions, including but not limited to how long such suspensions remain in effect. However, the Participant may borrow such amounts from the Plan, subject to the limits of section 7.2, and the Participant may receive such distributions and withdrawals from the Plan, subject to the rules of Articles VI and VII, as are consented to in writing by all prospective Alternate Payees identified in the Domestic Relations Order or, in the absence of a Domestic Relations Order, as are consented to in writing by the prospective Alternate Payee(s) who informed the Committee that a QDRO was in process or may be in process. When the Committee receives a Domestic Relations Order it shall promptly notify the Participant and each Alternate Payee of such receipt and provide them with copies of the Plan's procedures for determining the qualified status of the order. Within a reasonable period after receipt of a Domestic Relations Order, the Committee shall determine whether such order is a QDRO and notify the Participant and each Alternate Payee of such determination. During any period in which the issue of whether a Domestic Relations Order is a QDRO is being determined (by the Committee, by a court of competent jurisdiction, or otherwise), the Committee shall separately account for the amounts payable to the Alternate Payee if the order is determined to be a QDRO. If the order (or modification thereof) is determined to be a QDRO within 18 months after the date the first payment would have been required by such order, the Committee shall pay the amounts separately accounted for (plus any interest thereon) to the individual(s) entitled thereto. However, if the Committee determines that the order is not a QDRO, or if the issue as to whether such order is a QDRO has not been resolved within 18 months after the date of the first payment would have been required by such order, then the Committee shall pay the amounts separately accounted for (plus any interest thereon) to the individual(s) who would have been entitled to such amounts if there had been no order. Any determination that an order is a QDRO that is made after the close of the 18-month period shall be applied prospectively only. If the Plan's fiduciaries act in accordance with fiduciary provision of ERISA in treating a Domestic Relations Order as being (or not being) a QDRO or in taking action in accordance with this subsection, then the Plan's obligation to the Participant and each Alternate Payee shall be discharged to the extent of any payment made pursuant to the acts of such fiduciaries.

(f) The Alternate Payee shall have the following rights under the Plan:

(i) An Alternate Payee shall receive a lump sum distribution of his or her Plan assets as soon as administratively practicable after the Committee determines that the Domestic Relations Order

is a QDRO. If the Alternate Payee dies before the distribution is made, the distribution shall be paid to the Alternate Payee's beneficiary, as determined in subsection 6.1(a).

(ii) If the Alternate Payee cannot receive an immediate distribution of his or her entire interest in the Plan (which would occur if the Alternate Payee is awarded more than the distributable amount in section 6.3), then the Alternate Payee's remaining interest in the Plan shall be distributed as soon as administratively practicable, in annual lump sums of the distributable amount. Upon the Alternate Payee's death, his or her interest in the Plan shall be distributed in a lump sum as soon as practicable to the Alternate Payee's beneficiary, as determined in subsection 6.1(a).

(iii) Distribution to an Alternate Payee must occur on or before the Participant's Required Beginning Date.

(iv) The Alternate Payee may bring claims against the Plan in the same manner as a Participant pursuant to section 13.2.

13.10 Payments Due Minors or Incapacitated Individuals.

If any individual entitled to payment under the Plan is a minor, the Committee shall cause the payment to be made to the custodian or representative who, under the state law of the minor's domicile, is authorized to receive funds on behalf of the minor. If any individual entitled to payment under this Plan has been legally adjudicated to be mentally incompetent or incapacitated, the Committee shall cause the payment to be made to the custodian or representative who, under the state law of the incapacitated individual's domicile, is authorized to receive funds on behalf of the incapacitated individual. Payments made pursuant to such power shall operate as a complete discharge of the Trust Fund, the Trustee, and the Committee.

13.11 Uniformity of Application.

The provisions of this Plan shall be applied in a uniform and non-discriminatory manner in accordance with rules adopted by the Committee, which rules shall be systematically followed and consistently applied so that all individuals similarly situated shall be treated alike.

13.12 Disposition of Unclaimed Payments.

Each Participant, Alternate Payee, or beneficiary with an Account balance in this Plan must file with the Committee from time to time in writing his or her address, the address of each beneficiary (if applicable), and each change of address. Any communication, statement, or notice addressed to such individual at the last address filed with the Committee (or if no address is filed with the Committee then at the last address as shown on the Company's records) will be binding on such individual for all purposes of the Plan. Neither the Committee nor the Trustee shall be required to search for or locate any missing individual. If the Committee notifies an individual that he or she is entitled to a distribution and also notifies him or her that a failure to respond may result in a forfeiture of benefits, and the individual fails to claim his or her benefits under the Plan or make his or her address known to the Committee within a reasonable period of time after the notification, then the benefits under the Plan of such individual shall be forfeited. Any amount forfeited pursuant to this section shall be allocated pursuant to section 5.5. If the individual should later make a claim for this forfeited amount, the Company shall, if the Plan is still in existence, make a special contribution to the Plan equal to the forfeiture, and such amount shall be distributed to the individual; if the Plan is not then in existence, the Company shall pay the amount of the forfeiture to the individual.

13.13 Applicable Law.

This Plan shall be construed and regulated by ERISA, the Code, and, unless otherwise specified herein and to the extent applicable, the laws of the State of Texas, excluding any conflicts-of-law provisions.

ARTICLE XIV

MATTERS AFFECTING COMPANY STOCK

14.1 Voting, Etc.

The shares of Company Stock in Accounts, whether or not vested, may be voted by the Account Owner to the same extent as if duly registered in the Account Owner's name. The Trustee or its nominee in which the shares are registered shall vote the shares solely as agent of the Account Owner and in accordance with the instructions of the Account Owner. If no instructions are received, the Trustee shall vote the shares of company Stock for which it has received no voting instructions in the same proportions as the Account Owners affirmatively directed their shares of Company Stock to be voted unless the Trustee determines that a pro rata vote would be inconsistent with its fiduciary duties under ERISA. If the Trustee makes such a determination, the Trustee shall vote the Company Stock as it determines to be consistent with its fiduciary duties under ERISA. Each Account Owner who has Company Stock allocated to his or her Accounts shall direct the Trustee concerning the tender (as provided below) and the exercise of any other rights appurtenant to the Company Stock. The Trustee shall follow the directions of the Account Owner with respect to the tender.

14.2 Notices.

Apache shall cause to be mailed or delivered to each Account Owner copies of all notices and other communications sent to the Apache shareholders at the same times so mailed or delivered by Apache to its other shareholders.

14.3 Retention/Sale of Company Stock and Other Securities.

The Trustee is authorized and directed to retain the Company Stock and any other Apache securities acquired by the Trust except as follows:

(a) In the normal course of Plan administration, the Trustee shall sell Company Stock to satisfy Plan administration and distribution requirements as directed by the Committee or in accordance with provisions of the Plan specifically authorizing such sales.

(b) In the event of a transaction involving the Company Stock evidenced by the filing of Schedule 14D-1 with the Securities and Exchange Commission ("SEC") or any other similar transaction by which any person or entity seeks to acquire beneficial ownership of 50% or more of the shares of Company Stock outstanding and authorized to be issued from time to time under Apache's articles of incorporation ("tender offer"), the Trustee shall sell, convey, or transfer Company Stock pursuant to written instructions of Account Owners delivered to the Trustee in accordance with the following sections 14.4 through 14.15. For purposes of such provisions, the term "filing date" means the date relevant documents concerning a tender offer are filed with the SEC or, if such filing is not required, the date the Trustee receives actual notice that a tender offer has commenced.

(c) If Apache makes any distribution of Apache securities with respect to the shares of Company Stock held in the Plan, other than additional shares of Company Stock (any such securities are hereafter referred to as "stock rights"), the Trustee shall sell, convey, transfer, or exercise such stock rights pursuant to written instructions of Account Owners delivered to the Trustee in accordance with the following sections of this Article.

14.4 Tender Offers.

(a) Allocated Stock. In the event of any tender offer, each Account Owner shall have the right to instruct the Trustee to tender any or all shares of Company Stock, whether or not vested, that are allocated to his or her Accounts under the Plan on or before the filing date. The Trustee shall follow the instructions of the Account Owner. The Trustee shall not tender any Company Stock for which no instructions are received.

(b) Unallocated Stock. The Trustee shall tender all shares of Company Stock that are not allocated to Accounts in the same proportion as the Account Owners directed the tender of Company Stock allocated to their Accounts unless the Trustee determines that a pro rata tender would be inconsistent with its fiduciary duties under ERISA. If the Trustee makes such a determination, the Trustee shall tender or not tender the unallocated Company Stock as it determines to be consistent with its fiduciary duties under ERISA.

(c) Suspension of Share Purchases. In the event of a tender offer, the Trustee shall suspend all purchases of Company Stock pursuant to the Plan unless the Committee otherwise directs. Until the termination of such tender offer and pending such Committee direction, the Trustee shall invest available cash pursuant to the applicable provisions of the Plan and the Trust Agreement.

(d) Temporary Suspension of Certain Cash Distributions. Notwithstanding anything in the Plan to the contrary, no option to receive cash in lieu of Company Stock shall be honored during the pendency of a tender offer unless the Committee otherwise directs.

14.5 Stock Rights.

(a) General. If Apache makes a distribution of stock rights with respect to the Company Stock held in the Plan and if the stock rights become exercisable or transferable (the date on which the stock rights become exercisable or transferable shall be referred to as the "exercise date"), each Account Owner shall determine whether to exercise the stock rights, sell the stock rights, or hold the stock rights allocated to his or her Accounts. The provisions of this section shall apply to all stock rights received with respect to Company Stock held in Accounts, whether or not the Company Stock with respect to which the stock rights were issued are vested.

(b) Independent Fiduciary. The Independent Fiduciary provided for in this section 14.15 below shall act with respect to the stock rights. All Account Owner directions concerning the exercise or disposition of the stock rights shall be given to the Independent Fiduciary, who shall have the sole responsibility of assuring that the Account Owners' directions are followed.

(c) Exercise of Stock Rights. If, on or after the exercise date, an Account Owner wishes to exercise all or a portion of the stock rights allocated to his or her Accounts, the Independent Fiduciary shall follow the Account Owner's direction to the extent that there is cash or other liquid assets available in his or her Accounts to exercise the stock rights. Notwithstanding any other provision of the Plan, each Account Owner who has stock rights allocated to his or her Accounts shall have a period of five business days following the exercise date in which he or she may give instructions to the Committee to liquidate any of the assets held in his or her Accounts (except shares of Company Stock or assets such as guaranteed investment contracts or similar investments), but only if he or she does not have sufficient cash or other liquid assets in his or her Accounts to exercise the stock rights. The liquidation of any necessary investments pursuant to an Account Owner's direction shall be accomplished as soon as reasonably practicable, taking into account any timing restrictions with respect to the investment funds involved. The cash obtained shall be used to exercise the stock rights, as the Account Owner directs. Any cash that is not so used shall be invested in a cash equivalent until the next date on which the Account Owner may change his or her investment directions under the Plan.

(d) Sale of Stock Rights. On and after the exercise date, the Independent Fiduciary shall sell all or a portion of the stock rights allocated to Accounts, as the Account Owner shall direct.

14.6 Other Rights Appurtenant to the Company Stock.

If there are any rights appurtenant to the Company Stock, other than voting, tender, or stock rights, each Account Owner shall exercise or take other appropriate action concerning such rights with respect to the Company Stock, whether or not vested, that is allocated to their Accounts in the same manner as the other holders of the Company Stock, by giving written instructions to the Trustee. The Trustee shall follow all such instructions, but shall take no action with respect to allocated Company Stock for which no instructions are received. The Trustee shall exercise or take other appropriate action concerning any such rights appurtenant to unallocated Company Stock.

14.7 Information to Trustee.

Promptly after the filing date, the exercise date, or any other event that requires action with respect to the Company Stock, the Committee shall deliver or cause to be delivered to the Trustee or the Independent Fiduciary, as appropriate, a list of the names and addresses of Account Owners showing (i) the number of shares of Company Stock allocated to each Account Owner's Accounts under the Plan, (ii) each Account Owner's pro rata portion of any unallocated Company Stock, and (iii) each Account Owner's share of any stock rights distributed by Apache. The Committee shall date and certify the accuracy of such information, and such information shall be updated periodically by the Committee to reflect changes in the shares of Company Stock and other assets allocated to Accounts.

14.8 Information to Account Owners.

The Trustee or the Independent Fiduciary, as appropriate, shall distribute and/or make available to each affected Account Owner the following materials:

(a) A copy of the description of the terms and conditions of any tender offer filed with the SEC on Schedule 14D-1, or any similar materials if such filing is not required, any material distributed to shareholders generally with respect to the stock rights, and any proxy statements and any other material distributed to shareholders generally with respect to any action to be taken with respect to the Company Stock.

(b) If requested by Apache, a statement from Apache's management setting forth its position with respect to a tender offer that is filed with the SEC on Schedule 14D-9 and/or a communication from Apache given pursuant to 17 C.F.R. 240.14d-9(e), as amended.

(c) An instruction form prepared by Apache and approved by the Trustee or the Independent Fiduciary, to be used by an Account Owner who wishes to instruct the Trustee to tender Company Stock in response to the tender offer, to instruct the Independent Fiduciary to sell or exercise stock rights, or to instruct the Trustee or Independent Fiduciary with respect to any other action to be taken with respect to the Company Stock. The instruction form shall state that (i) if the Account Owner fails to return an instruction form to the Trustee by the indicated deadline, the Trustee will not tender any shares of Company Stock the Account Owner is otherwise entitled to tender, (ii) the Independent Fiduciary will not sell or exercise any right allocated to the Account except upon the written direction of the Account Owner, (iii) the Trustee or Independent Fiduciary will not take any other action that the Account Owner could have directed, and (iv) Apache acknowledges and agrees to honor the confidentiality of the Account Owner's directions to the Trustee.

(d) Such additional material or information as the Trustee or the Independent Fiduciary may consider necessary to assist the Account Owner in making an informed decision and in completing or delivering the instruction form (and any amendments thereto) to the Trustee or the Fiduciary on a timely basis.

14.9 Expenses.

The Trustee and the Independent Fiduciary shall have the right to require payment in advance by Apache and the party making the tender offer of all reasonably anticipated expenses of the Trustee and the Independent Fiduciary, respectively, in connection with the distribution of information to and the processing of instructions received from Account Owners.

14.10 Former Account Owners.

Apache shall furnish former Account Owners who have received distributions of Company Stock so recently as to not be shareholders of record with the information furnished pursuant to section 14.8. The Trustee and the Independent Fiduciary are hereby authorized to take action with respect to the Company Stock distributed to such former Account Owners in accordance with appropriate instructions from them. If the Trustee does not receive appropriate instructions, it shall take no action with respect to the distributed Company Stock.

14.11 No Recommendations.

Neither the Committee, the Committee Fiduciary, the Trustee, nor the Independent Fiduciary shall express any opinion or give any advice or recommendation to any Account Owner concerning voting the Company Stock, any tender offer, stock rights, or the exercise of any other rights appurtenant to the Company Stock, nor shall they have any authority or responsibility to do so. Neither the Trustee nor the Independent Fiduciary has any duty to monitor or police the party making a tender offer or Apache in promoting or resisting a tender offer; provided, however, that if the Trustee or the Independent Fiduciary becomes aware of activity that on its face reasonably appears to the Trustee or Independent Fiduciary to be materially false, misleading, or coercive, the Trustee or the Independent Fiduciary, as the case may be, shall promptly demand that the offending party take appropriate corrective action. If the offending party fails or refuses to take appropriate corrective action, the Trustee or the Independent Fiduciary, as the case may be, shall communicate with affected Account Owners in such manner as it deems advisable.

14.12 Trustee to Follow Instructions.

(a) So long as the Trustee and the Independent Fiduciary, as the case may be, have determined that the Plan is in compliance with ERISA section 404(c), the Trustee or the Independent Fiduciary shall tender, deal with stock rights, and act with respect to any other rights appurtenant to the Company Stock, pursuant to the terms and conditions of the particular transaction or event, and in accordance with instructions received from Account Owners. Except for voting, the Trustee or the Independent Fiduciary shall take no action with respect to Company Stock, stock rights, or other appurtenant rights for which no instructions are received, and such Company Stock, stock rights, or other appurtenant rights shall be treated like all other Company Stock, stock rights, or other appurtenant rights for which no instructions are received. The Trustee, or if an Independent Fiduciary has been appointed, the Independent Fiduciary, shall vote the allocated Company Stock that an Account Owner does not vote as specified in section 14.1.

(b) If the Trustee or Independent Fiduciary determines that the Plan does not satisfy the requirements of ERISA section 404(c), the Trustee or Independent Fiduciary shall follow the instructions of the Account Owner with respect to voting, tender, stock rights, or other rights appurtenant to the Company Stock unless the Trustee or Independent Fiduciary determines that to do so would be inconsistent with its fiduciary duties under ERISA. In such case, the Trustee or the Independent Fiduciary shall take such action as it determines to be consistent with its fiduciary duties under ERISA.

14.13 Confidentiality.

(a) The Committee shall designate one of its members (the "Committee Fiduciary") to receive investment directions and to transmit such directions to the Trustee or Independent Fiduciary, as the case may be. The Committee Fiduciary shall also receive all Account Owner instructions concerning voting, tender, stock rights, and other rights appurtenant to the Company Stock. The Committee Fiduciary shall communicate the instructions to the Trustee or the Fiduciary, as appropriate.

(b) Neither the Committee Fiduciary, the Trustee, nor the Independent Fiduciary shall reveal or release any instructions received from Account Owners concerning the Company Stock to Apache, an Affiliated Entity, or the officers, directors, employees, agents, or representatives of Apache and Affiliated Entities, except to the extent necessary to comply with Federal or state law not preempted by ERISA. If disclosure is required by Federal or state law, the information shall be disclosed to the extent possible in the aggregate rather than on an individual basis.

(c) The Committee Fiduciary shall be responsible for reviewing the confidentiality procedures from time to time to determine their adequacy. The Committee Fiduciary shall ensure that the confidentiality procedures are followed. The Committee Fiduciary shall also ensure that the Independent Fiduciary provided for in section 14.15 is appointed.

(d) Apache, with the Trustee's cooperation, shall take such action as is necessary to maintain the confidentiality of Account records including, without limitation, establishment of security systems and procedures which restrict access to Account records and retention of an independent agent to maintain such records. If an independent recordkeeping agent is retained, such agent must agree, as a condition of its retention by Apache, not to disclose the

composition of any Accounts to Apache, an Affiliated Entity or an officer, director, employee, or representative of Apache or an Affiliated Entity.

(e) Apache acknowledges and agrees to honor the confidentiality of the Account Owners' instructions to the Committee Fiduciary, the Trustee, and the Independent Fiduciary. If Apache, by it own act or omission, breaches the confidentiality of Account Owner instructions, Apache agrees to indemnify and hold harmless the Committee Fiduciary, the Trustee, or the Independent Fiduciary, as the case may be, against and from all liabilities, claims and demands, damages, costs, and expenses, including reasonable attorneys' fees, that the Committee Fiduciary, the Trustee, or the Independent Fiduciary may incur as a result thereof.

14.14 Investment of Proceeds.

If Company Stock or the rights are sold pursuant to the tender offer or the provisions of the rights, the proceeds of such sale shall be invested in accordance with the provisions of the Plan and the Trust Agreement.

14.15 Independent Fiduciary.

Apache shall appoint a fiduciary (the "Independent Fiduciary") to act solely with respect to the Company Stock in situations which the Committee Fiduciary determines involve a potential for undue influence by Apache in connection with the Company Stock and the exercise of any rights appurtenant to the Company Stock. If the Committee Fiduciary so determines, it shall give written notice to the Independent Fiduciary, which shall have sole responsibility for assuring that Account Owners receive the information necessary to make informed decisions concerning the Company Stock, are free from undue influence or coercion, and that their instructions are followed to the extent proper under ERISA. The Independent Fiduciary shall act until it receives written notice to the contrary from the Committee Fiduciary.

APACHE CORPORATION

Date: 12-22-94

By: /s/ Roger B. Rice
Its: Vice President, Human Resources

APPENDIX A

PARTICIPATING COMPANIES

The following Affiliated Entities were actively participating in the Plan as of the following dates:

Business	Participation Began As Of	Participation Ended As Of
Apache International, Inc.	September 22, 1987	N/A
Hadson Energy Resources Corporation	January 1, 1994	N/A
Apache Energy Limited (known as Hadson Energy Limited before January 1, 1995)	January 1, 1994	N/A

- - END OF APPENDIX A --

APPENDIX B

HADSON ENERGY RESOURCES CORPORATION

Introduction

Through a merger effective November 12, 1993, Apache now holds 100% of the capital stock of Hadson Energy Resources Corporation ("HERC"). HERC and its wholly owned subsidiary, Hadson Energy Limited ("HEL"), maintained the Hadson Energy Resources Corporation Employee 401(k) Plan (the "HERC Plan"), a profit sharing plan containing a cash or deferred arrangement. The HERC Plan was terminated as of profit sharing plan containing a cash or deferred arrangement. The HERC Plan was terminated as of December 31, 1993. Amounts will be transferred from the HERC Plan to this Plan as soon as administratively feasible after the Internal Revenue Service issues a favorable ruling with respect to the termination of the HERC Plan. The transferred amounts will be accounted for separately, and different distributional options will apply to them, as described below. In addition, HERC and HEL have adopted this Plan, and Apache has approved their adoption, as of January 1, 1994 for HERC's and HEL's eligible employees. The employees will be given credit in this Plan, for vesting and eligibility purposes, for their prior service with HERC and HEL.

This Appendix is intended to encompass all the protected benefits and optional forms of benefit, as required by Code section 411(d)(6), with respect to amounts transferred from the HERC Plan and shall be interpreted consistently with that intent.

Capitalized terms in this Appendix have the same meanings as those given to them in the Plan.

Service

This Appendix applies to all individuals who are common-law employees of HERC or HEL ("Current HERC Employees") as of January 1, 1994. A Period of Service for a Current HERC Employee shall include any periods of employment before January 1, 1994 with HERC, HEL, and any of HERC's subsidiaries.

Participation

Notwithstanding sections 2.1 and 3.1, a Current HERC Employee who is a Covered Employee shall be eligible to begin to make Participant Before-Tax Contributions, and shall be eligible to participate in the Plan with respect to the 6% Company Mandatory Contribution, on January 1, 1994.

Transfer of Accounts

The Trustee is authorized to accept the direct transfer of all assets from the trustee of the HERC Plan. The assets may be transferred in kind or in cash, as determined by the Committee. The Trustee shall accept a direct transfer of any participant loan from the HERC Plan; such loan shall continue to be administered according to the terms of its promissory note. The Committee shall establish such procedures, rules, and regulations as it deems necessary or appropriate to accommodate the transfer of assets. The Trustee shall separately account for all assets directly transferred to this Plan. The Trustee shall establish the following accounts for each individual whose account(s) are transferred to this Plan: a Voluntary Contribution Account (containing participant after-tax contributions and the investment earnings thereon); a Salary Deferral Account (containing participant before-tax contributions and the investment earnings thereon); a Salary Deferral Account (containing qualified non-elective contributions, qualified matching contributions, and the investment earnings thereon); and a HERC Contributions Account (containing the employer's matching contributions, the employer's discretionary contributions, and the investment earnings thereon) (collectively, the "HERC Accounts").

Amounts transferred to this Plan from the HERC Plan cannot be borrowed, and cannot be used as security for any loan from this Plan.

Distributions

Unless waived in writing by the Participant or their beneficiary after such person becomes entitled to a distribution from the Plan by reason of a Participant's death, Disability, retirement, or other termination of employment with the Company, or a termination or partial termination of the Plan, then in addition to and notwithstanding any other provisions of the Plan, the Participant or other beneficiary shall have the right to receive his or her vested interest in the balance of his or her HERC Accounts in the following optional forms and the at the following times.

To the extent that this Appendix does not provide for an alternative or contrary requirement or procedure for distribution of a Participant's HERC Account, the provisions of the Plan shall control. For example, all of the consent and beneficiary designation provisions of the Plan govern the distribution of HERC Accounts to the extent not inconsistent with the annuity requirements below, and all distributions are subject to the direct rollover rules of section 6.6.

Whether or not specifically stated hereinafter, the following provisions apply only to the HERC Account balances.

1. Death or Disability.

Distributions pursuant to the Plan provisions control in the case of distributions as a result of death or Disability, except to the extent that the annuity requirements below are applicable, and except that installment payments are not available.

2. Other than Death or Disability.

Distributions for reasons other than the Participant's death or Disability shall be made in accordance with the following:

A Participant who has attained age 59-1/2 may withdraw any vested amount from his or her HERC Accounts at any time, regardless of whether the Participant has terminated employment with HERC.

A Participant may elect to withdraw any vested amount from his or her HERC Accounts at any time after separating from service (within the meaning of Code section 401(k)(2)(B)(i)(I)) with Apache, HERC, and all Affiliated Entities.

A Participant may elect to withdraw any amount from his or her Voluntary Contributions Account at any time, regardless of whether the Participant has terminated employment with HERC.

A Participant younger than 59-1/2 who has not separated from service with Apache, HERC, and Affiliated Entities, may make a hardship withdrawal from his or her Salary Deferral Account under the same terms and conditions described in section 7.1(b) of the Plan.

Notwithstanding any of the foregoing early distribution options, a Participant whose vested interest in his or her HERC Account balances are distributed pursuant to one of the options contained in this paragraph 2 shall forfeit his or her nonvested interest in his or her HERC Account balances only as of the last day of the Plan Year in which the Participant incurs a one-year Lapse in Apache Employment.

All distributions made pursuant to this paragraph 2 shall be made in a manner consistent with, and satisfies the provisions of, paragraphs 3 and 4 below, including, but not limited to, all notice and consent requirements of Code sections 417 and 411(a)(11) and the Treasury Regulations thereunder.

3. Qualified Single Life or Joint and Survivor Annuity.

Paragraph 3 shall apply only to a Participant who elects to receive an annuity.

(a) Eligibility and Conditions. Unless the Participant elects, as provided in 3(c), not to receive benefits in the form of a qualified joint and survivor annuity, benefits attributable to HERC Account balances will be paid in a form having the effect of a qualified joint and survivor annuity (as defined in 3(b)(2)) with respect to any Participant who (1) is entitled to a distribution, and (2) satisfies the marriage requirements provided in 3(d)(2). In a similar fashion, if a Participant does not meet the marriage requirements, such benefits will be paid in a form having the effect of a single life annuity unless the Participant elects, similar to the election pursuant to 3(c) but without the spousal consent requirement, to waive the life annuity.

(b) Definitions. As used in this paragraph

(1) Life Annuity. The term "life annuity" means an annuity that provides retirement payments and requires the survival of the Participant or the Participant's spouse as one of the conditions for any payment or possible payment under the annuity.

(2) Qualified Joint and Survivor Annuity. The term "qualified joint and survivor annuity" means an annuity for the life of the Participant with a survivor annuity for the life of the Participant's spouse which is one-half of the amount of the annuity payable during the joint lives of the Participant and his or her spouse. A qualified joint and survivor annuity shall be the actuarial equivalent of a life annuity for the life of the Participant. The Committee shall direct the Trustee to apply the entire vested amount in all of the Participant's HERC Accounts (whether vested before or upon death, including the proceeds of insurance contract) to the purchase of an annuity contract that satisfies all of the requirements of this paragraph 3 and to distribute the contract to the Participant. Payments to the spouse of a deceased Participant shall not be terminated or reduced because of such spouse's remarriage.

(3) Normal Retirement Age. The term "normal retirement age" means the Participant's 65th birthday.

(4) Annuity Starting Date. The term "annuity starting date" means (i) the first day of the first period for which an amount is payable as an annuity, whether by reason of retirement or by reason of Disability, or (ii) in the case of a benefit not payable in the form of an annuity, the first day on which all events have occurred which entitled the Participant to such benefit.

(5) Day. The term "day" means a calendar day.

(c) Election Not to Take Joint and Survivor Annuity.

(1) In General. Each Participant may elect, at any time during the election period described in 3(c)(3), not to receive a qualified joint and survivor annuity. The election shall be in writing and clearly indicate that the Participant is electing to receive all of his or her benefits under the Plan in a form other than that of a qualified joint and survivor annuity.

(2) Consent of Spouse. An election under 3(c)(1) above shall not be effective unless (i) the Participant's spouse consents in writing to the election, (ii) the election designates a beneficiary (or a form of benefits) which may not be changed without spousal consent (or the consent of the spouse expressly permits designation by the Participant without any requirement of further consent by the spouse) and (iii) the spouse's consent acknowledges the effect of the election and the consent is witnessed by a Committee member or a notary public. The spouse's consent shall be filed with the Committee at the same time that the Participant's election under 3(c)(1) is filed with the Committee. If a spousal consent shall be filed together with the Participant's election, the election shall take effect nevertheless it is established to the satisfaction of the Committee that the Participant is not married, the Participant's spouse cannot be located, or that other circumstances prescribed in the Treasury Regulations exist. Any spousal consent or establishment that spousal consent cannot be obtained shall be effective only with respect to such spouse.

(3) Election Period. The Participant shall have an election period which shall be a 90-day period ending on the annuity starting date. If a Participant makes a request for additional information as provided in 3(c)(4) below on or before the last day of the election period, the election period shall be extended to the extent necessary to

include the 90 calendar days immediately following the day the requested additional information is personally delivered or mailed to the Participant.

(4) Information to be Provided by Plan Administrator.

(i) The Plan Administrator shall provide to the Participants, at the time and in the manner specified in 3(c)(4)(ii), the following information, as applicable to the HERC Account balances under the Plan, written in nontechnical language;

(A) A general explanation of the terms and conditions of the qualified joint and survivor annuity; the Participant's right to make, and the effect of, an election to waive the joint and survivor annuity form of benefit; the right of the Participant's spouse to consent to any election to waive the joint and survivor annuity; the right to revoke an election to waive; and the effect of such a revocation; and

(B) A general explanation of the relative financial effect on a Participant's annuity of the election. Various methods may be used to explain such relative financial effect, including information as to the benefits the Participant would receive under the qualified joint and survivor annuity stated as an arithmetic or percentage reduction for a single life annuity; a table showing the difference between a straight life annuity and a qualified joint and survivor annuity in terms of a reduction in dollar amounts or a table showing a percentage reduction from the straight life annuity. The notice and explanation required by this 3(c)(4)(i) must also inform the Participant of the availability of the additional information specified in 3(c)(4)(iii) and how such information may be obtained.

(ii) The method or methods used to provide the information may vary. If mail or personal delivery is used, then, whether or not the information has been previously provided, there must be a mailing or personal delivery of the information by such time as to reasonably assure that it will be received on a date that is no less than 30 days and no more than 90 days before the annuity starting date. If a method other than mail or personal delivery is used to provide Participants with some or all of such information, it must be a method that is reasonably calculated to reach the attention of a Participant on or about the date prescribed in the immediately preceding sentence and to continue to reach the attention of such Participant during the election period applicable to the Participant for which the information is being provided (as, for example, by permanent posting, repeated publication, etc.).

(iii) The Plan Administrator must furnish to a particular Participant, upon a timely written request, a written explanation in nontechnical language of the terms and conditions of the qualified joint and survivor annuity and the financial effect upon the particular Participant's annuity of making any election under this paragraph. Such financial effect shall be given in terms of dollars per annuity payment. The Plan Administrator need not comply with more than one such request made by a particular Participant. This explanation must be personally delivered or mailed (first class mail, postage prepaid) to the Participant within 30 days from the date of the Participant's written request.

(5) Election is Revocable. Any election made under this 3(c) may be revoked in writing at any time during the specified election period, and after such election has been revoked, another election under this paragraph may be made at any time during the specified election period.

(6) Election by Surviving Spouse. The spouse of a deceased Participant may elect to have the benefits attributable to HERC Account balances paid in a form other than a survivor annuity. The Plan Administrator must furnish to the spouse, within a reasonable amount of time after a written request has been made by the spouse, a written explanation in nontechnical language of the survivor annuity and any other form of payment which may be selected. This explanation must state the financial effect (in terms of dollars) of each form of payment. The Plan Administrator need not respond to more than one such request.

(d) Additional Plan Provisions.

(1) Claim for Benefits. As a condition precedent to the payment of benefits, a Participant must express in writing to the Plan Administrator the form in which he or she prefers benefits to be paid and provide all the information reasonably necessary for the payment of such benefits. However, if a Participant files a claim for benefits with the Plan Administrator and provides the Plan Administrator with all the information necessary for the payment of benefits but does not indicate a preference as to the form for the payment of benefits, benefits attributable to HERC Account balances must be paid in the form of a qualified joint and survivor annuity if the Participant has attained normal retirement age unless such Participant has made an effective election not to receive benefits in such form.

(2) Marriage Requirements.

(i) In General. A joint an survivor annuity will be paid only if

(A) the Participant and his or her spouse have been married to each other throughout a period of one year ending on the annuity starting date; and

(B) the Participant shall notify the Plan Administrator of his or her martial status within 30 days after request is made for such information.

(ii) Special Rule. If a Participant marries within one year before his or her annuity starting date and if the Participant and such spouse have been married for at least a one year period that ends on or before the Participant's date of death, the Participant and such spouse shall be treated as having been married throughout the one-year period ending on the Participant's annuity starting date.

(3) Effect of Participant's Death on an Election or Revocation of Election. The effect of an election or a revocation of an election timely made under 3(c) shall not be altered by the death of the Participant within any particular time period after such election or revocation shall be made effective.

(e) Amount of Benefits. The amount of benefits shall be as provided in 3(b).

(f) Commencement and Duration. The monthly surviving spouse's benefit shall be payable to the spouse for life, beginning as of the first day of the calendar month coincident with or next following the Participant's death.

4. Qualified Preretirement Survivor Annuity.

Paragraph 4 shall apply only to a Participant who elects to receive an annuity.

(a) Eligibility and Conditions. Unless the Participant elects, as provided in 4(c), to waive death benefits in the form of a qualified preretirement survivor annuity, death benefits attributable to HERC Account balances will be paid in a form having the effect of a qualified preretirement survivor annuity (as defined in paragraph 4(b)(2)) with respect to any Participant who (1) dies prior to the annuity starting date, and (2) satisfies the marriage requirement of 4(d).

(b) Definitions. As used in this paragraph

(1) Life Annuity. The term "life annuity" means an annuity that provides retirement payments and requires the survival of the Participant or the Participant's spouse as one of the conditions for any payment or possible payment under the annuity.

(2) Qualified Preretirement Survivor Annuity. The term "qualified preretirement survivor annuity" means an annuity for the life of the surviving spouse of the Participant, which is the actuarial equivalent of 100% of the Participant's HERC Account balance as of his or her

date of death. The Committee shall direct the Trustee to purchase an annuity contract that satisfies all of the requirements of this paragraph 4 (provided that the present value of the annuity contract is not less than 50% of the Participant's vested amount in all of his or her HERC Accounts at his or her date of death, whether vested before or upon death, including the proceeds of insurance contracts) and to distribute the annuity contract to the surviving spouse.

(3) Normal Retirement Age. The term "normal retirement age" means the Participant's 65th birthday.

(4) Annuity Starting Date. The term "annuity starting date" means (i) the first day of the first period for which an amount is payable as an annuity, whether by reason of retirement or by reason of Disability or (ii) in the case of a benefit not payable in the form of an annuity, the first day on which all events have occurred which entitled the Participant to such benefit.

(5) Day. The term "day" means a calendar day.

(c) Election to Waive Qualified Preretirement Survivor Annuity.

(1) In General.

(i) Each Participant may elect, during the election period described in 4(c)(3), to waive the payment of death benefits in the form of a qualified preretirement survivor annuity.

(ii) The election shall be in writing and clearly indicate that the Participant is electing to waive the payment of death benefits in the form of a qualified preretirement survivor annuity.

(2) Consent of Spouse. An election under 4(c)(1) shall not be effective unless (i) the Participant's spouse consents in writing to the election, (ii) the election designates a beneficiary (or a form of benefits) which may not be changed without spousal consent (or the consent of the spouse expressly permits the designations by the Participant without any requirement of further consent by the spouse) and (iii) the spouse's consent acknowledges the effect of the election and the consent is witnessed by a Committee member or a notary public. The spouse's consent shall be filed with the Committee at the same time that the Participant's election under 4(c)(1) is filed with the Committee. If a spousal consent is not filed together with the Participant's election, the election shall take effect nevertheless if it is established to the satisfaction of the Committee that the Participant is not married, the Participant's spouse cannot be located, or that other circumstances prescribed in the Treasury Regulations exist. Any spousal consent or establishment that spousal consent cannot be obtained shall be effective only with respect to such spouse.

(3) Election Period. The Participant shall have an election period which shall be a period that ends the later of (i) the period beginning with the first day of the Plan Year in which the Participant attains age 32 and ending with the close of the Plan Year preceding the Plan Year in which the Participant attains age 35, (ii) a reasonable time after the individual becomes a Participant, (iii) a reasonable time after the joint and survivor rules become effective to the Participant or (v) a reasonable time after the Participant separates from service before attaining age 35.

(4) Information to be Provided by Plan Administrator.

(i) The Plan Administrator shall provide to the Participants, at the time and in the manner specified in 4(c)(4), the following information, as applicable to the Plan, written in nontechnical language:

(A) A general explanation of the qualified preretirement survivor annuity; the Participant's right to make, and the effect of, an election to waive the preretirement survivor annuity form of death benefit; the right of the Participant's spouse to consent to the election to waive the preretirement survivor annuity; the right to revoke an election to waive; and the effect of such a revocation.

(B) A general explanation of the relative financial effect on a Participant's death benefits of the election. Various methods may be used to explain such relative financial effect.

(ii) The method or methods used to provide the information may vary. If mail or personal delivery is used, then, whether or not the information has been previously provided, there must be a mailing personal delivery of the information by such time as to reasonably assure that it will be received within the period commencing with the first day of the Plan Year in which the Participant attains age 32 and ending with the last day of the Plan Year preceding the Plan Year in which the Participant attains age 35. If a method other than mail or personal delivery is used to provide Participants with some or all of such information, it must be a method that is reasonably calculated to reach the attention of a Participant on or about the date prescribed in the immediately preceding sentence and to continue to reach the attention of such Participant during the election period applicable to the Participant for which the information is being provided (as, for example, be permanent posting, repeated publication, etc.).

(5) Election is Revocable. Any election made under this paragraph 4 may be revoked in writing at any time during the specified election period, and after such election has been revoked, another election under this paragraph may be made at any time during the specified election period.

(6) Election by Surviving Spouse. The surviving spouse may elect to have benefits paid in a form other than a preretirement survivor annuity. The Plan Administrator must furnish to the spouse, within a reasonable amount of time after a written request has been made by the spouse, a written explanation in nontechnical language of the preretirement survivor annuity and any other form of payment that may be selected. The explanation must state the financial effect (in terms of dollars) of each form of payment. The Plan Administrator need not respond to more than one such request.

(d) Marriage Requirement. A preretirement survivor annuity will be paid only if the Participant and his or her spouse have been married to each other throughout a period of one year ending on the date of the Participant's death.

(e) Amount of Benefits. The amount shall be as provided in 4(b).

(f) Commencement and Duration. The surviving spouse's benefit shall be payable to the spouse for life, beginning as of the first day of the calendar month coincident with or next following the Participant's death.

-- END OF APPENDIX B --

APPENDIX C

CRYSTAL OIL COMPANY

Apache may enter into an asset purchase agreement with Crystal Oil Company on or about December 31, 1994 (the "Closing Date"). Apache may hire some employees of Crystal Oil Company on the Closing Date or within one week after the Closing Date ("Ex-Crystal Employees"). This Appendix shall be effective as of the Closing Date.

A Period of Service for an Ex-Crystal Employee shall include any periods of employment with Crystal Oil Company and any business treated as a single employer with Crystal Oil Company pursuant to Code section 414(b), 414(m), or 414(o).

Notwithstanding section 2.1 of the Plan, an Ex-Crystal Employee shall be eligible to begin to make Participant Before-Tax Contributions, and shall be eligible to participate in the Plan with respect to the 6% Company Mandatory Contribution, on the date he or she becomes a Covered Employee.

--END OF APPENDIX C--

EXHIBIT 10.13

APACHE CORPORATION

1995 STOCK OPTION PLAN

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APACHE CORPORATION

1995 STOCK OPTION PLAN

Section 1

Introduction

1.1 Establishment. Apache Corporation, a Delaware corporation (hereinafter referred to, together with its Affiliated Corporations (as defined in Section 2.1 hereof) as the "Company" except where the context otherwise requires), hereby establishes the Apache Corporation 1995 Stock Option Plan (the "Plan") for certain key employees of the Company. The Plan permits the grant of stock options to certain key employees of the Company.

1.2 Purposes. The purposes of the Plan are to provide the key management employees selected for participation in the Plan with added incentives to continue in the long-term service of the Company and to create in such employees a more direct interest in the future success of the operations of the Company by relating incentive compensation to increases in stockholder value, so that the income of the key management employees is more closely aligned with the interests of the Company's stockholders. The Plan is also designed to attract key employees and to retain and motivate participating employees by providing an opportunity for investment in the Company.

1.3 Effective Date. The Effective Date of the Plan (the "Effective Date") shall be May 4, 1995. This Plan and each option granted hereunder is conditioned on and shall be of no force or effect until approval of the Plan by the holders of the shares of voting stock of the Company unless the Company, on the advice of counsel, determines that stockholder approval is not necessary. The Committee (as defined in Section 2.1 hereof) may grant options the exercise of which shall be expressly subject to the condition that the Plan shall have been approved by the stockholders of the Company.

Section 2

Definitions

2.1 Definitions. The following terms shall have the meanings set forth below:

(a) "Affiliated Corporation" means any corporation or other entity (including but not limited to a partnership) which is affiliated with Apache Corporation through stock ownership or otherwise and is treated as a common employer under the provisions of Sections 414(b) and (c) or any successor section(s) of the Internal Revenue Code.

(b) "Board" means the Board of Directors of the Company.

(c) "Committee" means the Management Development and Compensation Committee of the Board, which is empowered hereunder to take actions in the administration of the Plan. The Committee shall be constituted at all times as to permit the Plan to comply with: (i) Rule 16b-3 or any successor rule(s) promulgated under the Securities Exchange Act of 1934, as amended (the "1934 Act"), and (ii) Section 162(m) or any successor section(s) of the Internal Revenue Code and the regulations promulgated thereunder.

(d) "Eligible Employees" means those full-time key employees (including, without limitation, officers and directors who are also employees) of the Company or any division thereof, upon whose judgment, initiative and efforts the Company is, or will become, largely dependent for the successful conduct of its business.

(e) "Fair Market Value" means the closing price of the Stock as reported on the New York Stock Exchange, Inc. Composite Transactions Reporting System for a particular date. If there are no Stock transactions on such date, the Fair Market Value shall be determined as of the immediately preceding date on which there were Stock transactions.

(f) "Internal Revenue Code" means the Internal Revenue Code of 1986, as it may be amended from time to time.

(g) "Option" means a right to purchase Stock at a stated price for a specified period of time. All Options granted under the Plan shall be Options which are not "incentive stock options" as described in Section 422 or any successor section(s) of the Internal Revenue Code.

(h) "Option Price" means the price at which shares of Stock subject to an Option may be purchased, determined in accordance with subsection 7.2(b) hereof.

(i) "Participant" means an Eligible Employee designated by the Committee from time to time during the term of the Plan to receive one or more Options under the Plan.

(j) "Stock" means the $1.25 par value Common Stock of the Company.

2.2 Headings; Gender and Number. The headings contained in the Plan are for reference purposes only and shall not affect in any way the meaning or interpretation of the Plan. Except when otherwise indicated by the context, the masculine gender shall also include the feminine gender, and the definition of any term herein in the singular shall also include the plural.

Section 3

Plan Administration

The Plan shall be administered by the Committee. In accordance with the provisions of the Plan, the Committee shall, in its sole discretion, select the Participants from among the Eligible Employees, determine the Options to be granted pursuant to the Plan, the number of shares of Stock to be issued thereunder, the time at which such Options are to be granted, fix the Option Price, and establish such other terms and requirements as the Committee may deem necessary, or desirable and consistent with the terms of the Plan. The Committee shall determine the form or forms of the agreements with Participants which shall evidence the particular provisions, terms, conditions, rights and duties of the Company and the Participants with respect to Options granted pursuant to the Plan, which provisions need not be identical except as may be provided herein. The Committee may from time to time adopt such rules and regulations for carrying out the purposes of the Plan as it may deem proper and in the best interests of the Company. The Committee may correct any defect, supply any omission or reconcile any inconsistency in the Plan, or in any agreement entered into hereunder, in the manner and to the extent it shall deem expedient and it shall be the sole and final judge of such expediency. No member of the Committee shall be liable for any action or determination made in good faith. The determination, interpretations and other actions of the Committee pursuant to the provisions of the Plan shall be binding and conclusive for all purposes and on all persons.

The Plan is intended to comply with the requirements of Section 162 or any successor section(s) of the Internal Revenue Code ("Section 162") as to any "covered employee" as defined in Section 162, and shall be administered, interpreted and construed consistently therewith. In accordance with this intent, the amount of compensation a Participant may receive from Options granted under the Plan shall be based solely on an increase in the value of the Stock after the date of the grant of the Option, or such other bases as may be permitted by applicable law. The Committee is authorized to take such additional action, if any, that may be required to ensure that the Plan satisfies the requirements of Section 162 and the regulations promulgated or revenue rulings published thereunder.

Section 4

Stock Subject to the Plan

4.1 Number of Shares. Subject to Section 7.1 and to adjustment pursuant to Section 4.3 hereof, two million five hundred thousand (2,500,000) shares of Stock are authorized for issuance under the Plan in accordance with the provisions of the Plan and subject to such restrictions or other provisions as the Committee may from time to time deem necessary. This authorization may be increased from time to time by approval of the Board and the stockholders of the Company if, in the opinion of counsel for the

Company, such stockholder approval is required. Shares of Stock which may be issued upon exercise of Options shall be applied to reduce the maximum number of shares of Stock remaining available for use under the Plan. The Company shall at all times during the term of the Plan and while any Options are outstanding retain as authorized and unissued Stock, or as Stock in the Company's treasury, at least the number of shares from time to time required under the provisions of the Plan, or otherwise assure itself of its ability to perform its obligations hereunder.

4.2 Other Shares of Stock. Any shares of Stock that are subject to an Option which expires, is forfeited, is cancelled, or for any reason is terminated unexercised, and any shares of Stock that for any other reason are not issued to a Participant or are forfeited shall automatically become available for use under the Plan.

4.3 Adjustments for Stock Split, Stock Dividend, Etc. If the Company shall at any time increase or decrease the number of its outstanding shares of Stock or change in any way the rights and privileges of such shares by means of the payment of a Stock dividend or any other distribution upon such shares payable in Stock, or through a Stock split, subdivision, consolidation, combination, reclassification or recapitalization involving the Stock, then in relation to the Stock that is affected by one or more of the above events, the numbers, rights and privileges of the following shall be increased, decreased or changed in like manner as if they had been issued and outstanding, fully paid and nonassessable at the time of such occurrence: (i) the shares of Stock as to which Options may be granted under the Plan; and (ii) the shares of the Stock then included in each outstanding Option granted hereunder.

4.4 Dividend Payable in Stock of Another Corporation, Etc. If the Company shall at any time pay or make any dividend or other distribution upon the Stock payable in securities or other property (except money or Stock), a proportionate part of such securities or other property shall be set aside and delivered to any Participant then holding an Option for the particular type of Stock for which the dividend or other distribution was made, upon exercise thereof. Prior to the time that any such securities or other property are delivered to a Participant in accordance with the foregoing, the Company shall be the owner of such securities or other property and shall have the right to vote the securities, receive any dividends payable on such securities, and in all other respects shall be treated as the owner. If securities or other property which have been set aside by the Company in accordance with this Section are not delivered to a Participant because an Option is not exercised, then such securities or other property shall remain the property of the Company and shall be dealt with by the Company as it shall determine in its sole discretion.

4.5 Other Changes in Stock. In the event there shall be any change, other than as specified in Sections 4.3 and 4.4 hereof, in the number or kind of outstanding shares of Stock or of any stock or other securities into which the Stock shall be changed or for

which it shall have been exchanged, and if the Committee shall in its discretion determine that such change equitably requires an adjustment in the number or kind of shares subject to outstanding Options or which have been reserved for issuance pursuant to the Plan but are not then subject to an Option, then such adjustments shall be made by the Committee and shall be effective for all purposes of the Plan and on each outstanding Option that involves the particular type of stock for which a change was effected.

4.6 Rights to Subscribe. If the Company shall at any time grant to the holders of its Stock rights to subscribe pro rata for additional shares thereof or for any other securities of the Company or of any other corporation, there shall be reserved with respect to the shares then under Option to any Participant of the particular class of Stock involved the Stock or other securities which the Participant would have been entitled to subscribe for if immediately prior to such grant the Participant had exercised his entire Option. If, upon exercise of any such Option, the Participant subscribes for the additional shares or other securities, the Option Price shall be increased by the amount of the price that is payable by the Participant for such additional shares or other securities.

4.7 General Adjustment Rules. No adjustment or substitution provided for in this Section 4 shall require the Company to sell a fractional share of Stock under any Option, or otherwise issue a fractional share of Stock, and the total substitution or adjustment with respect to each Option shall be limited by deleting any fractional share. In the case of any such substitution or adjustment, the total Option Price for the shares of Stock then subject to the Option shall remain unchanged but the Option Price per share under each such Option shall be equitably adjusted by the Committee to reflect the greater or lesser number of shares of Stock or other securities into which the Stock subject to the Option may have been changed.

4.8 Determination by the Committee, Etc. Adjustments under this Section 4 shall be made by the Committee, whose determinations with regard thereto shall be final and binding upon all parties thereto.

Section 5

Reorganization or Liquidation

In the event that the Company is merged or consolidated with another corporation and the Company is not the surviving corporation, or if all or substantially all of the assets or more than 20 percent of the outstanding voting stock of the Company is acquired by any other corporation, business entity or person, or in case of a reorganization (other than a reorganization under the United States Bankruptcy Code) or liquidation of the Company, and if the provisions of Section 8 hereof do not apply, the Committee, or the board of directors of any corporation assuming the obligations of the Company, shall, as to the Plan and outstanding Options either (i) make appropriate provision for the adoption and

continuation of the Plan by the acquiring or successor corporation and for the protection of any such outstanding Options by the substitution on an equitable basis of appropriate stock of the Company or of the merged, consolidated or otherwise reorganized corporation which will be issuable with respect to the Stock, provided that no additional benefits shall be conferred upon the Participants holding such Options as a result of such substitution, and the excess of the aggregate Fair Market Value of the shares subject to the Options immediately after such substitution over the Option Price thereof is not more than the excess of the aggregate Fair Market Value of the shares subject to such Options immediately before such substitution over the Option Price thereof, or (ii) upon written notice to the Participants, provide that all unexercised Options shall be exercised within a specified number of days of the date of such notice or such Options will be terminated. In the latter event, the Committee shall accelerate the exercise dates of outstanding Options so that all Options become fully vested prior to any such event.

Section 6

Participation

Participants in the Plan shall be those Eligible Employees who, in the judgment of the Committee, are performing, or during the term of their incentive arrangement will perform, vital services in the management, operation and development of the Company or an Affiliated Corporation, and significantly contribute, or are expected to significantly contribute, to the achievement of the Company's long-term corporate economic objectives. Participants may be granted from time to time one or more Options; provided, however, that the grant of each such Option shall be separately approved by the Committee, and receipt of one such Option shall not result in automatic receipt of any other Option. Upon determination by the Committee that an Option is to be granted to a Participant, written notice shall be given to such person, specifying the terms, conditions, rights and duties related thereto. Each Participant shall, if required by the Committee, enter into an agreement with the Company, in such form as the Committee shall determine and which is consistent with the provisions of the Plan, specifying such terms, conditions, rights and duties. Options shall be deemed to be granted as of the date specified in the grant resolution of the Committee, which date shall be the date of any related agreement with the Participant. In the event of any inconsistency between the provisions of the Plan and any such agreement entered into hereunder, the provisions of the Plan shall govern.

Section 7

Stock Options

7.1 Grant of Stock Options. Coincident with or following designation for participation in the Plan, an Eligible Employee may be granted one or more Options. Grants of

Options under the Plan shall be made by the Committee. In no event shall the exercise of one Option affect the right to exercise any other Option or affect the number of shares of Stock for which any other Option may be exercised, except as provided in subsection 7.2(j) hereof. During the life of the Plan, no Eligible Employee may be granted Options which in the aggregate pertain to in excess of 25 percent of the total shares of Stock authorized under the Plan.

7.2 Stock Option Agreements. Each Option granted under the Plan shall be evidenced by a written stock option agreement which shall be entered into by the Company and the Participant to whom the Option is granted (the "Stock Option Agreement"), and which shall contain the following terms and conditions, as well as such other terms and conditions, not inconsistent therewith, as the Committee may consider appropriate in each case.

(a) Number of Shares. Each Stock Option Agreement shall state that it covers a specified number of shares of Stock, as determined by the Committee.

(b) Price. The price at which each share of Stock covered by an Option may be purchased shall be determined in each case by the Committee and set forth in the Stock Option Agreement, but in no event shall the price be less than the Fair Market Value of the Stock on the date the Option is granted.

(c) Duration of Options; Employment Required For Exercise. Each Stock Option Agreement shall state the period of time, determined by the Committee, within which the Option may be exercised by the Participant (the "Option Period"). The Option Period must end, in all cases, not more than ten years from the date an Option is granted. Except as otherwise provided in Sections 5 and 8 hereof, each Option granted under the Plan shall become exercisable in increments such that 25-percent of the Option will become exercisable on each of the four subsequent one-year anniversaries of the date the Option is granted, but each such additional 25-percent increment shall become exercisable only if the Participant has been continuously employed by the Company from the date the Option is granted through the date on which each such additional 25-percent increment becomes exercisable.

(d) Termination of Employment, Death, Disability, Etc. Each Stock Option Agreement shall provide as follows with respect to the exercise of the Option upon termination of the employment or the death of the Participant:

(i) If the employment of the Participant by the Company is terminated within the Option Period for cause, as determined by the Company, the Option shall thereafter be void for all purposes. As used in this subsection 7.2(d), "cause" shall mean a gross violation, as determined by the Company, of the Company's established policies and procedures, provided that the effect of this subsection 7.2(d) shall be limited to

determining the consequences of a termination and that nothing in this subsection 7.2(d) shall restrict or otherwise interfere with the Company's discretion with respect to the termination of any employee.

(ii) If the Participant retires from employment by the Company on or after attaining age 65, the Option may be exercised by the Participant, or in the case of the Participant's death, by the persons specified in subsection (iii) of this subsection 7.2(d), within 36 months following his or her retirement (provided that such exercise must occur within the Option Period), but not thereafter. In any such case the Option may be exercised only as to the shares as to which the Option had become exercisable on or before the date of the Participant's retirement.

(iii) If the Participant dies, or if the Participant becomes disabled (as determined pursuant to the Company's Long-Term Disability Plan or any successor plan), during the Option Period while still employed, or within the three-month period referred to in (iv) below, or within the 36-month period referred to in (ii) above, the Option may be exercised by those entitled to do so under the Participant' s will or by the laws of descent and distribution within twelve months following the Participant's death or disability, or within the 36-month period referred to in (ii) if applicable and if longer (provided that such exercise must occur within the Option Period), but not thereafter. In any such case, the Option may be exercised only as to the shares of Stock as to which the Option had become exercisable on or before the date of the first of the Participant's disability or death.

(iv) If the employment of the Participant by the Company is terminated (which for this purpose means that the Participant is no longer employed by the Company or by an Affiliated Corporation) within the Option Period for any reason other than cause, the Participant's retirement on or after attaining age 65, the Participant's disability or death, the Option may be exercised by the Participant within three months following the date of such termination (provided that such exercise must occur within the Option Period), but not thereafter. In any such case, the Option may be exercised only as to the shares as to which the Option had become exercisable on or before the date of termination of the Participant's employment.

(e) Transferability. Each Stock Option Agreement shall provide that the Option granted therein is not transferable by the Participant except by will or pursuant to the laws of descent and distribution, and that such Option is exercisable during the Participant's lifetime only by him or her, or in the event of the Participant's disability or incapacity, by his or her guardian or legal representative.

(f) Agreement to Continue in Employment. Each Stock Option Agreement shall contain the Participant's agreement to remain in the employment of the Company, at the pleasure of the Company, for a continuous period of at least one year after the date of

such Stock Option Agreement, at the salary rate in effect on the date of such agreement or at such changed rate as may be fixed, from time to time, by the Company.

(g) Exercise, Payments, Etc.

(i) Each Stock Option Agreement shall provide that the method for exercising the Option granted therein shall be by delivery to the Office of the Secretary of the Company of written notice specifying the number of shares of Stock with respect to which such Option is exercised and payment of the Option Price. Such notice shall be in a form satisfactory to the Committee and shall specify the particular Options (or portions thereof) which are being exercised and the number of shares of Stock with respect to which the Options are being exercised. The exercise of the Option shall be deemed effective on the date such notice is received by the Office of the Secretary and payment is made to the Company of the Option Price (the "Exercise Date"). If requested by the Company, such notice shall contain the Participant's representation that he or she is purchasing the Stock for investment purposes only and his or her agreement not to sell any Stock so purchased in any manner that is in violation of the Securities Act of 1933, as amended, or any applicable state law. Such restriction, or notice thereof, shall be placed on the certificates representing the Stock so purchased. The purchase of such Stock shall take place at the principal offices of the Company upon delivery of such notice, at which time the Option Price shall be paid in full by any of the methods or any combination of the methods set forth in (ii) below. A properly executed certificate or certificates representing the Stock shall be issued by the Company and delivered to the Participant. If certificates representing Stock are used to pay all or part of the Option Price, separate certificates for the same number of shares of Stock shall be issued by the Company and delivered to the Participant representing each certificate used to pay the Option Price, and an additional certificate shall be issued by the Company and delivered to Participant representing the additional shares of Stock, in excess of the Option Price, to which the Participant is entitled as a result of the exercise of the Option.

(ii) the Option Price shall be paid by any of the following methods or any combination of the following methods:

(A) in cash;

(B) by personal, certified or cashier's check payable to the order of the Company;

(C) by delivery to the Company of certificates representing a number of shares of Stock then owned by the Participant, the Fair Market Value of which equals the Option Price of the Stock purchased pursuant to the Option, properly endorsed for transfer to the Company; provided however, that shares of Stock used for this purpose must have been held by the Participant for such minimum period of time as may be

established from time to time by the Committee; for purposes of this Plan, the Fair Market Value of any shares of Stock delivered in payment of the Option Price upon exercise of the Option shall be the Fair Market Value as of the Exercise Date; the Exercise Date shall be the day of delivery of the certificates for the Stock used as payment of the Option Price; or

(D) by delivery to the Company of a properly executed notice of exercise together with irrevocable instructions to a broker to deliver to the Company promptly the amount of the proceeds of the sale of all or a portion of the Stock or of a loan from the broker to the Participant necessary to pay the Option Price.

(h) Date of Grant. An Option shall be considered as having been granted on the date specified in the grant resolution of the Committee.

(i) Tax Withholding. Each Stock Option Agreement shall provide that, upon exercise of the Option, the Participant shall make appropriate arrangements with the Company to provide for the amount of additional tax withholding required by Sections 3102 and 3402 or any successor section(s) of the Internal Revenue Code and applicable state income tax laws, including payment of such taxes through delivery of shares of Stock or by withholding Stock to be issued under the Option, as provided in Section 13 hereof.

(j) Adjustment of Options. Subject to the limitations contained in Sections 7 and 12 hereof, the Committee may make any adjustment in the Option Price, the number of shares of Stock subject to, or the terms of an outstanding Option and a subsequent granting of an Option, by amendment or by substitution for an outstanding Option. Such amendment, substitution, or regrant may result in terms and conditions (including Option Price, number of shares of Stock covered, vesting schedule or Option Period) that differ from the terms and conditions of the original Option. The Committee may not, however, adversely affect the rights of any Participant to previously granted Options without the consent of such Participant. If such action is effected by amendment, the effective date of grant of such amendment will be the date of grant of the original Option.

7.3 Stockholder Privileges. No Participant shall have any rights as a stockholder with respect to any shares of Stock covered by an Option until the Participant becomes the holder of record of such Stock. Except as provided in Section 4 hereof, no adjustments shall be made for dividends or other distributions or other rights as to which there is a record date preceding the date on which such Participant becomes the holder of record of such Stock.

Section 8

Change in Control

8.1 In General. In the event of a change in control of the Company as defined in Section 8.3 hereof, then the Committee may, in its sole discretion, without obtaining stockholder approval, to the extent permitted in Section 12 hereof, take any or all of the following actions: (a) accelerate the dates on which any outstanding Options become exercisable or make all such Options fully vested and exercisable; (b) grant a cash bonus award to any Participant in an amount necessary to pay the Option Price of all or any portion of the Options then held by such Participant; (c) pay cash to any or all Participants in exchange for the cancellation of their outstanding Options in an amount equal to the difference between the Option Price of such Options and the greater of the tender offer price for the underlying Stock or the Fair Market Value of the Stock on the date of the cancellation of the Options; and (d) make any other adjustments or amendments to the outstanding Options.

8.2 Limitation on Payments. If the provisions of this Section 8 would result in the receipt by any Participant of a payment within the meaning of Section 280G or any successor section(s) of the Internal Revenue Code, and the regulations promulgated thereunder, and if the receipt of such payment by any Participant would, in the opinion of independent tax counsel of recognized standing selected by the Company, result in the payment by such Participant of any excise tax provided for in Sections 280G and 4999 or any successor section(s) of the Internal Revenue Code, then the amount of such payment shall be reduced to the extent required, in the opinion of independent tax counsel, to prevent the imposition of such excise tax; provided, however, that the Committee, in its sole discretion, may authorize the payment of all or any portion of the amount of such reduction to the Participant.

8.3 Definition. For purposes of the Plan, a "change in control" shall mean any of the events specified in the Company's Income Continuance Plan or any successor plan which constitute a change in control within the meaning of such plan.

Section 9

Rights of Employees; Participants

9.1 Employment. Nothing contained in the Plan or in any Option granted under the Plan shall confer upon any Participant any right with respect to the continuation of his or her employment by the Company or any Affiliated Corporation, or interfere in any way with the right of the Company or any Affiliated Corporation, subject to the terms of any separate employment agreement to the contrary, at any time to terminate such employment or to increase or decrease the level of the Participant's compensation from

the level in existence at the time of the grant of an Option. Whether an authorized leave of absence, or absence in military or government service, shall constitute a termination of employment shall be determined by the Committee at the time.

9.2 Nontransferability. No right or interest of any Participant in an Option granted pursuant to the Plan shall be assignable or transferable during the lifetime of the Participant, either voluntarily or involuntarily, or subjected to any lien, directly or indirectly, by operation of law, or otherwise, including execution, levy, garnishment, attachment, pledge or bankruptcy. In the event of a Participant' s death, a Participant's rights and interests in Options shall, to the extent provided in Section 7 hereof, be transferable by testamentary will or the laws of descent and distribution, and payment of any amounts due under the Plan shall be made to, and exercise of any Options may be made by, the Participant's legal representatives, heirs or legatees. If in the opinion of the Committee a person entitled to payments or to exercise rights with respect to the Plan is disabled from caring for his or her affairs because of mental condition, physical condition or age, payment due such person may be made to, and such rights shall be exercised by, such person's guardian, conservator or other legal personal representative upon furnishing the Committee with evidence satisfactory to the Committee of such status.

Section 10

General Restrictions

10.1 Investment Representations. The Company may require a Participant, as a condition of exercising an Option, to give written assurances in substance and form satisfactory to the Company and its counsel to the effect that such person is acquiring the Stock subject to the Option for his own account for investment and not with any present intention of selling or otherwise distributing the same, and to such other effects as the Company deems necessary or appropriate in order to comply with federal and applicable state securities laws.

10.2 Compliance with Securities Laws. Each Option shall be subject to the requirement that, if at any time counsel to the Company shall determine that the listing, registration or qualification of the shares of Stock subject to such Option upon any securities exchange or under any state or federal law, or the consent or approval of any governmental or regulatory body, is necessary as a condition of, or in connection with, the issuance or purchase of shares of Stock thereunder, such Option may not be accepted or exercised in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained on conditions acceptable to the Committee. Nothing herein shall be deemed to require the Company to apply for or to obtain such listing, registration, qualification, consent or approval.

Section 11

Other Employee Benefits

The amount of any compensation deemed to be received by a Participant as a result of the exercise of an Option shall not constitute "earnings" with respect to which any other employee benefits of such Participant are determined, including without limitation benefits under any pension, profit sharing, life insurance or salary continuation plan.

Section 12

Plan Amendment, Modification and Termination

The Board may at any time terminate, and from time to time may amend or modify the Plan provided, however, that no amendment or modification may become effective without approval of the amendment or modification by the Company's stockholders if stockholder approval is required to enable the Plan to satisfy any applicable statutory or regulatory requirements, or if the Company, on the advice of counsel, determines that stockholder approval is otherwise necessary or desirable.

No amendment, modification or termination of the Plan shall in any manner adversely affect any Option theretofore granted under the Plan, without the consent of the Participant holding such Option.

Section 13

Withholding

13.1 Withholding Requirement. The Company's obligations to deliver shares of Stock upon the exercise of an Option shall be subject to the Participant's satisfaction of all applicable federal, state and local income and other tax withholding requirements.

13.2 Withholding With Stock. At the time the Committee grants an Option, it may, in its sole discretion, grant the Participant an election to pay all such amounts of tax withholding, or any part thereof, by the transfer to the Company, or to have the Company withhold from shares of Stock otherwise issuable to the Participant upon the exercise of an Option, shares of Stock having a value equal to the amount required to be withheld or such lesser amount as may be elected by the Participant. All such elections shall be subject to the approval or disapproval of the Committee. The value of shares of Stock to be withheld shall be based on the Fair Market Value of the Stock on the Exercise Date. Any such elections by Participants to have shares of Stock withheld for this purpose will be subject to the following restrictions:

(a) All elections shall be made on or prior to the Exercise Date.

(b) All elections shall be irrevocable.

(c) If the Participant is an officer or director of the Company within the meaning of Section 16 or any successor section(s) of the 1934 Act ("Section 16"), the Participant must satisfy the requirements of such Section 16 and any applicable rules and regulations thereunder with respect to the use of Stock to satisfy such tax withholding obligation.

Section 14

Requirements of Law

14.1 Requirements of Law. The issuance of Stock and the payment of cash pursuant to the Plan shall be subject to all applicable laws, rules and regulations.

14.2 Federal Securities Laws Requirements. If a Participant is an officer or director of the Company within the meaning of Section 16, Options granted hereunder shall be subject to all conditions required under Rule 16b-3, or any successor rule(s) promulgated under the 1934 Act, to qualify the Option for any exception from the provisions of Section 16 available under such Rule. Such conditions are hereby incorporated herein by reference and shall be set forth in the agreement with the Participant which describes the Option.

14.3 Governing Law. The Plan and all Stock Option Agreements hereunder shall be construed in accordance with and governed by the laws of the State of Texas.

Section 15

Duration of the Plan

The Plan shall terminate at such time as may be determined by the Board, and no Option shall be granted after such termination. If not sooner terminated under the preceding sentence, the Plan shall fully cease and expire at midnight on May 4, 2000. Options outstanding at the time of the Plan termination shall continue to be exercisable in accordance with the Stock Option Agreement pertaining to such Option.

Dated: February 9, 1995

APACHE CORPORATION

ATTEST:

/s/ Cheri L. Peper
- ----------
Cheri L. Peper
Assistant Secretary

By: /s/ Roger B. Rice

Roger B. Rice
Vice President

EXHIBIT 10.15

APACHE CORPORATION
DIRECTORS' DEFERRED COMPENSATION PLAN

As Amended and Restated September 14, 1994

PURPOSE

The Directors' Deferred Compensation Plan (the "Plan") is designed to provide a means for the optional deferral of compensation otherwise payable to individual directors who are not employees of Apache Corporation ("Apache").

PLAN PROVISIONS

1. An individual director may elect to participate in the Plan and defer all or any portion of the directors fees ("Deferred Compensation") which may become payable to the participating director with respect to services as a director during any calendar year (the "year") by the execution of a Directors' Deferred Compensation Agreement between the participating director and Apache ("Agreement"). Directors fees shall include retainer fees and board and committee meeting attendance fees, but shall not include any expense reimbursement or any award under Apache's Equity Compensation Plan for Non-Employee Directors.

2. An Agreement must be executed by the participating director on or before December 31 of the year prior to the year for which Deferred Compensation is elected. Once executed, an Agreement shall be irrevocable with respect to the year made and shall remain in effect and be deemed a like election for Deferred Compensation with respect to all years subsequent to such year until the Agreement is terminated or amended. Any termination shall be made in writing and provided to Apache's Corporate Secretary on or before December 31 of the year prior to the year for which the termination is to be effective. A participating director may amend his election for Deferred Compensation by executing a new Agreement, which shall supersede any previous Agreement. Any new Agreement must be executed by the participating director and provided to Apache's Corporate Secretary on or before December 31 of the year prior to the year for which the amended election is to be effective.

3. In the event an Agreement is terminated, the participating director's Deferred Compensation will be retained in the Plan and paid only in accordance with the provisions of such Agreement.

4. Apache will maintain a separate Deferred Compensation memorandum account for each participating director. The amounts of Deferred Compensation, plus interest accrued on such amounts at the annual rate earned by Apache's short-term marketable securities portfolio, will be accumulated in each memorandum account.

5. All Deferred Compensation and interest accumulated in a participating director's memorandum account will be classified in the same category as other unsecured creditors and accounts payable of Apache, and neither the participating director nor his beneficiary or estate shall have any property interest whatsoever in any specific assets of Apache.

6. Upon retirement as a director of Apache, termination as a director of Apache under other circumstances, or on a date specifically designated in the applicable Agreement, the balance of the participating director's memorandum account described in Section 4 above will be paid (a) in a lump sum, or (b) in annual installments over a ten-year period (or some certain shorter period as designated in the participating director's Agreement) beginning with the first business day of the calendar year immediately following the participating director's retirement or other termination, or with the date specifically designated in the applicable Agreement.

The rate of interest defined in Section 4 above will continue to be accrued on the remaining balances and accumulated in the participating director's memorandum account during any installment payment periods.

7. The right of the participating director or any other person to receive payments under the Plan shall not be assigned, transferred, pledged or encumbered, except by will or by the laws of descent and distribution. Upon the death of a participating director, any balance remaining in the participating director's memorandum account at the time of his death will be paid in a lump sum to his designated beneficiary or, if there is no designated beneficiary, to his estate as soon as administratively practicable after the participating director's death.

8. The Plan may be amended from time to time by vote of the board of directors of Apache. However, no such Plan amendment may change a participating director's irrevocable election as provided in Section 2 above, increase the amounts payable to a participating director under the Plan, or impair any rights to amounts accumulated in the memorandum account of a participating director.

9. The Plan is to be binding upon Apache and upon its successors and assigns. The Plan shall continue in effect from year to year unless and until revoked by the board of directors of Apache. Any such revocation shall operate only prospectively and shall not affect the rights and obligations under elections previously made.

10. Except when otherwise indicated by the context, the definition of any term herein in the singular shall also include the plural, and the masculine gender shall also include the feminine gender.

11. The Plan and all Agreements hereunder shall be construed in accordance with and governed by the laws of the State of Texas.

EXHIBIT 10.24

CONSULTING AGREEMENT

THIS AGREEMENT is entered into between APACHE CORPORATION ("Apache"), a Delaware corporation and WILLIAM J. JOHNSON ("Johnson") effective April 28, 1994.

RECITALS

Since May 1, 1991, Johnson has served Apache with diligence and integrity as an officer and employee.

Apache and Johnson wish to provide for the termination of Johnson's tenure as an officer and employee of Apache.

Apache and Johnson desire to terminate the agreement of employment between Apache and Johnson dated March 20, 1991 and extinguish all rights of Apache and Johnson thereunder.

Apache wishes to provide for continued service by Johnson as a consultant to Apache.

Apache and Johnson wish to establish standards of confidentiality and conduct between them.

AGREEMENT

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Apache and Johnson agree as follows:

1. RESIGNATION. Effective 6 p.m. CST, April 28, 1994, Johnson's employment with Apache terminated and, as a result, Johnson resigns all positions as a director, officer and committee member of Apache, subsidiaries and affiliated entities.

2. TERMINATION OF AGREEMENT OF EMPLOYMENT. The agreement of employment between Apache and Johnson terminated effective 6 p.m. CST, April 28, 1994.

3. EMPLOYMENT. Notwithstanding the provisions of paragraph 2 above, commencing at 6 p.m. CST, April 28, 1994, Johnson will continue to be an employee of the company in a non-executive capacity for all purposes through 6 p.m. CST, May 15, 1994 (the "Continued Employment Period"). During the Continued Employment Period, Johnson will be compensated at a rate of $36,460.00 per month (prorated by the day).

4. CONSULTING. Apache engages Johnson to render consulting services to Apache and its subsidiaries for a period commencing May 16, 1994, and continuing through April 28, 1996 (the "Consulting Period").

5. SERVICES. During the Continued Employment Period and the Consulting Period, Johnson shall perform such consulting services as are reasonably requested by the Chief Executive Officer of Apache ("the CEO") and those are not inconsistent with Johnson's prior duties and responsibilities as an officer of Apache. Johnson shall not be required to maintain any office hours, nor shall Johnson be present at the offices except upon request of the CEO.

6. OTHER ACTIVITIES. Johnson's obligation to render consulting services shall be subordinate to, and shall be rendered only to the extent there is no interference with, his other business, employment and personal activities. Johnson shall be free to accept full-time or part-time employment with any organization, and to engage in any business enterprise on his own behalf during the Continued Employment Period, the Consulting Period or thereafter, whether or not the organization or enterprise competes with Apache, so long as Johnson complies with paragraph 7 of this agreement.

7. CONFIDENTIALITY. Johnson shall maintain the confidentiality of, and shall not disclose, Apache's business dealings, trade secrets, supplier lists, customer lists, properties, geographic or financial areas of interests, exploration plans or techniques or any other confidential information of or relating to Apache, its subsidiaries or affiliates. Johnson shall not use such information in any manner, whether for his own benefit or for the benefit of any other person or entity, or to the detriment of Apache, its subsidiaries or affiliates.

8. MONTHLY PAYMENTS. On or before the 16th day of each calendar month during the Consulting Period, Johnson shall invoice Apache for services in the amount of $36,460.00, and Apache shall pay Johnson the invoiced amount on or before the first day of the next calendar month. The invoiced amounts shall be paid if Johnson is disabled, and shall continue to be paid to Johnson's estate, heirs and successors in the event of his death. The invoiced amount shall continue to be paid without regard to Johnson's employment by another organization, his participation in a partnership, or his engagement in business for his own account. Failure or tardiness by Johnson in invoicing Apache shall not waive or release Johnson's right to payment, but amounts invoiced late shall not be due until a reasonable time after the invoice date.

9. EXPENSE REIMBURSEMENT. Subject to Apache's travel policies governing its executives, Apache shall reimburse Johnson for all travel, airline, room, entertainment, meal, beverage, car rental and other out-of-pocket expenses incurred by Johnson in the course of performing his consulting obligations under this agreement, provided that such consulting expenses are approved in advance by Apache.

10. BENEFITS. During the Continued Employment Period, Johnson shall receive the same benefits as Apache provides its executive officers. During the Consulting Period, Apache shall:

(a) provide medical, dental and vision benefits to Johnson and his dependents to the same extent, and subject to the same premium co-payments, as are extended to Apache executives; and

(b) provide life insurance and disability benefits (including supplemental group life insurance) to Johnson to the same extent as extended to Apache executives.

Apache shall not impair the cash value of any life insurance currently maintained by Apache for Johnson, and that cash value shall remain the property of Johnson. Apache shall cause its employees, insurance carriers and agents to cooperate fully with Johnson in managing and maintaining Johnson's insurance coverage, and responding to Johnson's insurance claims and responding to Johnson's inquiries concerning insurance coverages.

11. PLAN BALANCES. Apache shall cooperate with Johnson in administering his rights, pursuant to the Apache Corporation 401(k) Retirement/Savings Plan and the Non-Qualified Retirement Plan. Johnson's outstanding stock options and phantom stock units shall be governed by the terms of Apache Corporation 1990 Stock Incentive Plan and the 1990 Phantom Stock Appreciation Plan.

12. TAX AND FINANCIAL SERVICES. During the Consulting Period, Johnson shall be entitled to reimbursement from Apache for the reasonable cost of personal tax and financial counseling services provided by such tax and financial advisors as may be selected by the employee.

13. RETIREMENT BENEFITS. At age 65, Johnson shall be paid an amount equal to two-thirds his last annual salary ($350,000 per year), less (a) any amounts paid to him under the pension or retirement plans or agreements of Exxon Corporation and BP America or their affiliates, assigns or successors; (b) the actuarially defined annual equivalent of pension income from the 6% automatic company contributions to the 401(k) plan for Johnson's accounts; (c) social security payments; and (d) $1500 per month.

One-twelfth of the above amounts so determined shall be paid monthly for twenty years or for Johnson's life, whichever is less. Provided however, in the event that Johnson dies during the twenty year period and is survived by his current wife, Apache shall pay to Johnson's wife 50% of the sum determined as above provided, for the unexpired portion of said twenty year period. In the event that Johnson's wife predeceases him or dies after Johnson but prior to the expiration of the 20 year term, any benefit due Johnson's wife shall terminate and not be assignable to the estate of Johnson, his wife or otherwise.

Apache shall provide medical insurance after retirement in the form of a Medicare supplement for Johnson and his spouse under the form of insurance coverage then being provided to employees of the company, for and during Johnson's life.

14. RELEASE. Johnson releases Apache and each of its subsidiaries, affiliates, past and present, and Apache releases Johnson, from any and all rights and claims arising in any way out of Johnson's employment or acts or omissions of Apache or Johnson which occurred during the term of Johnson's employment, or arose out of the termination of Johnson's employment. Apache and Johnson further release and hold harmless each other from and against any and all claims against the other that they may have based on any negligent or intentional acts or omissions of any character whatsoever, whether related to Johnson's employment or otherwise, including without limitation statements made by, to or about Johnson or Apache which occurred prior to the effective date of this agreement, whether known or unknown by Apache or Johnson. The foregoing release includes without limitation any rights and claims under state, federal, or local laws, including without limitation, the Age Discrimination in Employment Act, the Texas Commission on Human Rights Act and the common law of the states of Texas, Colorado, and any other jurisdiction. Johnson and Apache further agree that they will not institute any charge, complaint, or litigation against the other based on such released rights and or claims. Notwithstanding the foregoing, the releases contained herein shall not apply to any rights Johnson may have under: (a) Apache 1990 Stock Incentive Plan and the Stock Appreciation Plan and the Option Agreements issued under those plans to which Johnson is a party; (b) Apache's 401(k) Plan and Non-Qualified Retirement Plan; (c) this agreement; or (d) COBRA to receive continued medical insurance benefits.

15. INDEPENDENT CONTRACTOR AND TAXES. Johnson acknowledges that his engagement under this agreement during the Consulting Period is as an independent contractor and not as an employee of Apache or its subsidiaries or affiliates. Accordingly, Johnson will be responsible for payment of all income tax and other taxes, levies or assessments by governmental entities on cash amounts payable to Johnson, and Apache will not withhold any amounts from payments made under this agreement. If the Internal Revenue Service or other governmental authority asserts that Apache should have withheld federal income taxes, Johnson's share of FICA taxes or other taxes, levies or assessments from such payments, Johnson will reimburse Apache for any monies paid by Apache to the governmental entity in compliance with such assertion, except for payments of interest or penalties.

16. NONASSIGNABILITY. Neither this agreement nor any right or interest herein will be assigned or transferred by Apache or Johnson without the other's written consent, except as to:

(a) the rights of Johnson's spouse, estate, heirs and devisees to certain benefits under this agreement as specifically set forth herein; and

(b) the sale of all or substantially all of Apache's assets or the merger or combination of Apache with another organization, if the asset purchaser or surviving organization assumes the full performance of Apache's obligations under this agreement, but Apache shall not be relieved of its obligations under this agreement by that assumption.

17. NO ATTACHMENT. Except as required by law, Johnson's right to receive payments under this agreement shall not be subject to anticipation, alienation, sale, encumbrance, pledge, hypothecation, execution, attachment, levy, offset, deduction, set off, condition, or assignment by operation of law, and any attempt, voluntary or involuntary, to affect such action shall be null and void.

18. BINDING EFFECT. This agreement shall bind and inure to the benefit of Johnson, Apache and its subsidiaries and affiliates and their permitted successors and assigns.

19. AMENDMENT, MODIFICATION, WAIVER. This agreement shall not be amended or modified except by an instrument in writing signed by the parties hereto. No term of this agreement shall be deemed to have been waived, nor shall there be an estoppel against enforcement against any provision of this agreement, except by written instrument of the party charged with such waiver or estoppel. No person or organization, including those within the definition of company, not a party to this agreement or a permitted successor to a party to this agreement, shall be a third party beneficiary of this agreement or entitled to enforce its terms. Johnson acknowledges that he has had at least 21 days to consider this agreement and has had legal advise with respect thereto.

20. REMEDIES. Upon material breach of this agreement by a party, the other party shall be entitled to seek damages for breach, and or shall be entitled to seek specific performance of this agreement. Johnson and Apache acknowledge and confess that there is no adequate remedy at law for breach of the obligations in this agreement other than the obligation for the payment of money. The prevailing party in any litigation shall be entitled to an award of attorneys' fees by the court. Interest on sums due from one party to the other shall bear interest at the rate of 18% per annum (until paid).

21. NO OTHER BENEFITS. Except as specifically provided in this agreement, Johnson shall not be entitled to any pension, profit sharing, bonus, disability, life insurance or similar plan or program of Apache, whether now existing or hereafter adopted for the benefit of Apache's employees or consultants.

22. HEADINGS AND MEANINGS. The headings of the paragraphs of this agreement are for convenience only and should not be considered in construing or interpreting the agreement.

23. GOVERNING LAW. This agreement has been executed and delivered in the state of Texas, and its validity, and interpretation or, performance and enforcement shall be governed by the laws of that state.

24. NOTICES. Any notice contemplated or permitted by this agreement shall be delivered as follows:

To Apache or the Company:

Raymond Plank
Chairman and Chief Executive Officer
APACHE CORPORATION
2000 Post Oak Boulevard
Suite 100
Houston, Texas 77056-4400
Telephone: (713) 296-6100
Telecopier: (713) 296-6490

To William J. Johnson:

WILLIAM J. JOHNSON
11523 Echo Wood
Houston, Texas 77024
Telephone: (713) 973-1259

The above addresses for a notice may be changed by written notice from the changing party to the other party.

25. REVOCATION. Johnson may rescind this agreement by written notice to Apache delivered on or before 5 p.m. on the seventh day after its execution by Apache and Johnson and with delivery to Johnson. If no such notice of rescission is timely received by Apache, the effective time of this agreement shall be as stated above. Upon rescission of this agreement, Johnson shall repay to Apache all sums pursuant to this agreement, except salary for services rendered by Johnson part prior to the effective time.

CONSULTANT

May 17, 1994
Date

/s/ William J. Johnson
William J. Johnson

APACHE CORPORATION

May 17, 1994
Date

/s/ Roger B. Rice
Roger B. Rice
Vice President, Human Resources & Administration

EXHIBIT 10.25

CONSULTING AGREEMENT

THIS AGREEMENT is entered into between APACHE CORPORATION ("Apache"), a Delaware corporation and JOHN L. MORAN ("Moran") effective January 1, 1995.

RECITALS

Since February 1, 1984, Moran has served Apache with diligence and integrity as an officer and employee.

Apache and Moran wish to provide for the termination of Moran's tenure as an officer and employee of Apache.

Apache wishes to provide for continued service by Moran as a consultant to Apache.

Apache and Moran wish to establish standards of confidentiality and conduct between them.

AGREEMENT

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Apache and Moran agree as follows:

1. RESIGNATION. Effective 6 p.m. CST, December 31, 1994, Moran's employment with Apache terminated and, as a result, Moran resigns all positions as a director, officer and committee member of Apache, subsidiaries and affiliated entities.

2. CONSULTING. Apache engages Moran to render consulting services to Apache and its subsidiaries for a period commencing January 1, 1995, and continuing through December 31, 1995 (the "Consulting Period").

3. SERVICES. During the Consulting Period, Moran shall perform such consulting services as are reasonably requested by the Chief Operating Officer of Apache ("the COO") and that are not inconsistent with Moran's prior duties and responsibilities as an officer of Apache. Moran shall not be required to maintain any office hours, nor shall Moran be present at the offices except upon request of the COO.

4. OTHER ACTIVITIES. Moran's obligation to render consulting services shall be subordinate to, and shall be rendered only to the extent there is no interference with, his other business, employment and personal activities. Moran shall be free to accept full-time or part-time employment with any organization, and to engage in any business enterprise on his own behalf during the Continued Employment Period, the Consulting Period or thereafter, whether

or not the organization or enterprise competes with Apache, so long as Moran complies with paragraph 5 of this agreement.

5. CONFIDENTIALITY. Moran shall maintain the confidentiality of, and shall not disclose, Apache's business dealings, trade secrets, supplier lists, customer lists, properties, geographic or financial areas of interests, exploration plans or techniques or any other confidential information of or relating to Apache, its subsidiaries or affiliates. Moran shall not use such information in any manner, whether for his own benefit or for the benefit of any other person or entity, or to the detriment of Apache, its subsidiaries or affiliates.

6. CONSULTING PAYMENTS. On January 31, 1995, Apache shall pay Moran $225,000.00 as a non-refundable consulting payment. On January 15, 1996, Apache shall pay Moran $225,000.00 as a non-refundable consulting payment.

7. EXPENSE REIMBURSEMENT. Subject to Apache's travel policies governing its executives, Apache shall reimburse Moran for all travel, airline, room, entertainment, meal, beverage, car rental and other out-of-pocket expenses incurred by Moran in the course of performing his consulting obligations under this agreement, provided that such consulting expenses are approved in advance by Apache.

8. BENEFITS. During the Consulting Period, Apache shall:

a) provide medical, dental and vision benefits to Moran and his dependents to the same extent, and subject to the same premium co-payments, as are extended to Apache executives; and

b) provide life insurance and disability benefits (including supplemental group life insurance) to Moran to the same extent as extended to Apache executives.

Apache shall not impair the cash value of any life insurance currently maintained by Apache for Moran, and that cash value shall remain the property of Moran. Apache shall cause its employees, insurance carriers and agents to cooperate fully with Moran in managing and maintaining Moran's insurance coverage, and responding to Moran's insurance claims and responding to Moran's inquiries concerning insurance coverages.

9. PLAN BALANCES. Apache shall cooperate with Moran in administering his rights, pursuant to the Apache Corporation 401(k) Retirement/Savings Plan and the Non-Qualified Retirement Plan. Moran's outstanding stock options and phantom stock units shall be governed by the terms of Apache Corporation 1990 Stock Incentive Plan and the 1990 Phantom Stock Appreciation Plan.

10. RELEASE. Moran releases Apache and each of its subsidiaries, affiliates, past and present, and Apache releases Moran, from any and all rights and claims arising in any way out of Moran's employment or acts or omissions of Apache or Moran which occurred during the term of Moran's employment, or arose out of the termination of Moran's employment. Apache and Moran further release and hold harmless each other from and against any and all claims against the other that they may have based on any negligent or intentional acts or omissions of any character whatsoever, whether related to Moran's employment or otherwise, including without limitation statements made by, to or about Moran or Apache which occurred prior to the effective date of this agreement, whether known or unknown by Apache or Moran. The foregoing release includes without limitation any rights and claims under state, federal, or local laws, including without limitation, the Age Discrimination in Employment Act, the Texas Commission on Human Rights Act and the common law of the states of Texas, Colorado, and any other jurisdiction. Moran and Apache further agree that they will not institute any charge, complaint, or litigation against the other based on such released rights and or claims. Notwithstanding the foregoing, the releases contained herein shall not apply to any rights Moran may have under: a) Apache 1990 Stock Incentive Plan and the Stock Appreciation Plan and the Option Agreements issued under those plans to which Moran is a party; b) Apache's 401(k) Plan and Non-Qualified Retirement Plan; c) this agreement; or d) COBRA to receive continued medical insurance benefits.

11. INDEPENDENT CONTRACTOR AND TAXES. Moran acknowledges that his engagement under this agreement during the Consulting Period is as an independent contractor and not as an employee of Apache or its subsidiaries or affiliates. Accordingly, Moran will be responsible for payment of all income tax and other taxes, levies or assessments by governmental entities on cash amounts payable to Moran, and Apache will not withhold any amounts from payments made under this agreement. If the Internal Revenue Service or other governmental authority asserts that Apache should have withheld federal income taxes, Moran's share of FICA taxes or other taxes, levies or assessments from such payments, Moran will reimburse Apache for any monies paid by Apache to the governmental entity in compliance with such assertion, except for payments of interest or penalties.

12. NONASSIGNABILITY. Neither this agreement nor any right or interest herein will be assigned or transferred by Apache or Moran without the other's written consent, except as to:

(a) the rights of Moran's spouse, estate, heirs and devisees to certain benefits under this agreement as specifically set forth herein; and

(b) the sale of all or substantially all of Apache's assets or the merger or combination of Apache with another organization, if the asset purchaser or surviving organization assumes the full performance of Apache's obligations under this agreement, but Apache shall not be relieved of its obligations under this agreement by that assumption.

13. NO ATTACHMENT. Except as required by law, Moran's right to receive payments under this agreement shall not be subject to anticipation, alienation, sale, encumbrance, pledge, hypothecation, execution, attachment, levy, offset, deduction, set off, condition, or assignment by operation of law, and any attempt, voluntary or involuntary, to affect such action shall be null and void.

14. BINDING EFFECT. This agreement shall bind and inure to the benefit of Moran, Apache and its subsidiaries and affiliates and their permitted successors and assigns.

15. AMENDMENT, MODIFICATION, WAIVER. This agreement shall not be amended or modified except by an instrument in writing signed by the parties hereto. No term of this agreement shall be deemed to have been waived, nor shall there be an estoppel against enforcement against any provision of this agreement, except by written instrument of the party charged with such waiver or estoppel. No person or organization, including those within the definition of company, not a party to this agreement or a permitted successor to a party to this agreement, shall be a third party beneficiary of this agreement or entitled to enforce its terms. Moran acknowledges that he has had at least 21 days to consider this agreement and has had legal advise with respect thereto.

16. REMEDIES. Upon material breach of this agreement by a party, the other party shall be entitled to seek damages for breach, and or shall be entitled to seek specific performance of this agreement. Moran and Apache acknowledge and confess that there is no adequate remedy at law for breach of the obligations in this agreement other than the obligation for the payment of money. The prevailing party in any litigation shall be entitled to an award of attorneys' fees by the court. Interest on sums due from one party to the other shall bear interest at the rate of 18% per annum (until paid).

17. NO OTHER BENEFITS. Except as specifically provided in this agreement, Moran shall not be entitled to any pension, profit sharing, bonus, disability, life insurance or similar plan or program of Apache, whether now existing or hereafter adopted for the benefit of Apache's employees or consultants.

18. HEADINGS AND MEANINGS. The headings of the paragraphs of this agreement are for convenience only and should not be considered in construing or interpreting the agreement.

19. GOVERNING LAW. This agreement has been executed and delivered in the state of Texas, and its validity, and interpretation or, performance and enforcement shall be governed by the laws of that state.

20. NOTICES. Any notice contemplated or permitted by this agreement shall be delivered as follows:

To Apache or the Company:

Roger B. Rice
Vice President, Human Resources and
Administration
APACHE CORPORATION
2000 Post Oak Boulevard Suite 100
Houston, Texas 77056-4400
Telephone: (713) 296-6100
Telecopier: (713) 296-6490

To John L. Moran: JOHN L. MORAN
[Residence Address]

The above addresses for a notice may be changed by written notice from the changing party to the other party.

21. REVOCATION. Moran may rescind this agreement by written notice to Apache delivered on or before 5 p.m. on the seventh day after its execution by Apache and Moran and with delivery to Moran. If no such notice of rescission is timely received by Apache, the effective time of this agreement shall be as stated above. Upon rescission of this agreement, Moran shall repay to Apache all sums pursuant to this agreement, except salary for services rendered by Moran part prior to the effective time.

CONSULTANT

1/30/95 /s/ John L. Moran
_____ _____
Date

John L. Moran

APACHE CORPORATION

1/30/95 /s/ Roger B. Rice
_____ _____
Date

Roger B. Rice
Vice President, Human Resources & Administration

EXHIBIT 11.1

APACHE CORPORATION AND SUBSIDIARIES
COMPUTATION OF EARNINGS PER SHARE
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	1994	1993	1992
Weighted Average Calculation:			
Net income	$ 42,837	$ 37,334	$ 47,776
Weighted average shares outstanding	61,317	53,534	46,904
Net income per share, based on weighted average shares outstanding	$ .70	$ .70	$ 1.02
Primary Calculation:			
Net income	$ 42,837	$ 37,334	$ 47,776
Assumed conversion of 3.93-percent debentures	2,121	2,145	141
Net income, as adjusted	$ 44,958	$ 39,479	$ 47,917
Common stock equivalents:			
Weighted average shares outstanding	61,317	53,534	46,904
Stock options	115	242	65
Common stock equivalents assuming conversion of 3.93-percent debentures	2,778	2,778	205
	64,210	56,554	47,174
Net income per common share primary	$ .70	$ .70	$ 1.02

The assumed conversion of other convertible debt would be insignificant or anti-dilutive for all the periods presented above.

EXHIBIT 21.1

APACHE CORPORATION

LISTING OF SUBSIDIARIES

EXACT NAME OF SUBSIDIARY AND NAME UNDER WHICH SUBSIDIARY DOES BUSINESS	JURISDICTION OF INCORPORATION OR ORGANIZATION
Apache Foundation	Minnesota
Apache Gathering Company	Delaware
Apache Holdings, Inc.	Delaware
Apache International, Inc.	Delaware
Apache Cote d'Ivoire, Inc.	Delaware
Apache Oil Australia Pty Limited	New South Wales, Australia
Apache Oil Azerbaijan, Inc.	Delaware
Apache Oil Congo, Inc.	Delaware
Apache Oil Egypt, Inc.	Delaware
Apache Oil Java Sea, Inc.	Delaware
Apache Oil Sumatra, Inc.	Delaware
Apache Overseas, Inc.	Delaware
Apache China Corporation LDC	Cayman Islands
Apache Cote d'Ivoire Petroleum LDC	Cayman Islands
MW Petroleum Corporation	Colorado
MWJR Petroleum Corporation	Delaware
Nagasco, Inc.	Delaware
Apache NGC, Inc.	Delaware
Apache Marketing, Inc.	Delaware
Apache Transmission Corporation - Texas	Texas
Apache Crude Oil Marketing, Inc.	Delaware
Nagasco Marketing, Inc.	Delaware
Apache Corporation (New Jersey)	New Jersey
Apache-Beals Corporation	New York
Apache Oil Corporation	Texas
Burns Manufacturing Company	Minnesota
Apache Energy Resources Corporation	Delaware
Apache Bentu Limited	Oklahoma
Hadson Bunyu Limited	Oklahoma
Apache Energy Limited	Western Australia
Apache Northwest Pty Ltd.	Western Australia
Petro Energy Limited	New South Wales, Australia
Apache Beagle Pty Ltd.	Western Australia
Apache Carnarvon Pty Ltd.	Western Australia
Apache Dampier Pty Ltd.	Western Australia
Hadson Pacific Pty Ltd.	Western Australia
Hadson Timor Sea Pty Ltd.	Western Australia
Apache (WA 225) Pty Ltd.	Western Australia
Mid Equipment, Incorporated	Delaware
XPX Acquisitions, Inc.	Delaware

EXHIBIT 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report included in this Form 10-K into Apache Corporation's previously filed Registration Statements on Form S-3 (Nos. 33-51253 and 33-53129), Form S-4 (33-57321), and Form S-8 (Nos. 33-53442, 33-37402 and 33-31407).

/s/ Arthur Andersen LLP

ARTHUR ANDERSEN LLP

Houston, Texas
March 3, 1995

EXHIBIT 23.2

[Ryder Scott Company]
[Petroleum Engineers]
[Letterhead]

CONSENT OF PETROLEUM ENGINEERS

As independent petroleum engineers, we hereby consent to the reference to our Firm's name and to our Firm's review of Apache's proved oil and gas reserve quantities as of January 1, 1995 included in the Company's Annual Report on Form 10-K for the fiscal year ending December 31, 1994, and included in or incorporated by reference into the Company's Registration Statements on Form S-3 (Nos. 33-51253 and 33-53129), Form S-4 (33-57321), and Form S-8 (Nos. 33-53442, 33-37402 and 33-31407).

/s/ Ryder Scott Company
Petroleum Engineers

RYDER SCOTT COMPANY
PETROLEUM ENGINEERS

Houston, Texas
March 3, 1995

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