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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2016

OR

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

For the transition period from __________ to __________

Commission File Number 1-4300

APACHE CORPORATION
(exact name of registrant as specified in its charter)

Delaware	**41-0747868**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**

One Post Oak Central, 2000 Post Oak Boulevard, Suite 100, Houston, Texas 77056-4400
(Address of principal executive offices)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Number of shares of registrant's common stock outstanding as of July 31, 2016	379,423,069

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DESCRIPTION

Forward-Looking Statements and Risk

This report includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical facts included or incorporated by reference in this report, including, without limitation, statements regarding our future financial position, business strategy, budgets, projected revenues, projected costs, and plans and objectives of management for future operations, are forward-looking statements. Such forward-looking statements are based on our examination of historical operating trends, the information that was used to prepare our estimate of proved reserves as of December 31, 2015, and other data in our possession or available from third parties. In addition, forward-looking statements generally can be identified by the use of forward-looking terminology such as “may,” “will,” “could,” “expect,” “intend,” “project,” “estimate,” “anticipate,” “plan,” “believe,” or “continue” or similar terminology. Although we believe that the expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such expectations will prove to have been correct. Important factors that could cause actual results to differ materially from our expectations include, but are not limited to, our assumptions about:

- the market prices of oil, natural gas, NGLs, and other products or services;
- our commodity hedging arrangements;
- the integration of acquisitions;
- the supply and demand for oil, natural gas, NGLs, and other products or services;
- production and reserve levels;
- drilling risks;
- economic and competitive conditions;
- the availability of capital resources;
- capital expenditure and other contractual obligations;
- currency exchange rates;
- weather conditions;
- inflation rates;
- the availability of goods and services;
- legislative or regulatory changes;
- the impact on our operations from changes in the Egyptian government;
- terrorism or cyber attacks;
- occurrence of property acquisitions or divestitures;
- the securities or capital markets and related risks such as general credit, liquidity, market, and interest-rate risks; and
- other factors disclosed under Items 1 and 2—Business and Properties—Estimated Proved Reserves and Future Net Cash Flows, Item 1A—Risk Factors, Item 7—Management’s Discussion and Analysis of Financial Condition and Results of Operations, Item 7A—Quantitative and Qualitative Disclosures About Market Risk and elsewhere in our most recently filed Annual Report on Form 10-K, other risks and uncertainties in our second-quarter 2016 earnings release, other factors disclosed under Part II, Item 1A—Risk Factors of this Quarterly Report on Form 10-Q, and other filings that we make with the Securities and Exchange Commission.

All subsequent written and oral forward-looking statements attributable to the Company, or persons acting on its behalf, are expressly qualified in their entirety by the cautionary statements. We assume no duty to update or revise our forward-looking statements based on changes in internal estimates or expectations or otherwise.

PART I – FINANCIAL INFORMATION

ITEM 1 – FINANCIAL STATEMENTS

APACHE CORPORATION AND SUBSIDIARIES
STATEMENT OF CONSOLIDATED OPERATIONS
(Unaudited)

	For the Quarter Ended June 30,		For the Six Months Ended June 30,	
	2016	**2015***	**2016**	**2015 ***
	(In millions, except per common share data)			
REVENUES AND OTHER:				
Oil and gas production revenues				
Oil revenues	$ 1,118	$ 1,618	$ 1,940	$ 2,911
Gas revenues	209	315	432	623
Natural gas liquids revenues	59	58	101	116
	1,386	1,991	2,473	3,650
Other	(21)	28	(24)	22
Gain on divestitures	17	227	16	209
	1,382	2,246	2,465	3,881
OPERATING EXPENSES:				
Lease operating expenses	359	467	737	948
Gathering and transportation	52	49	104	105
Taxes other than income	65	55	76	128
Exploration	91	225	186	483
General and administrative	103	111	196	195
Depreciation, depletion, and amortization:				
Oil and gas property and equipment	629	711	1,265	1,454
Other assets	40	83	82	166
Asset retirement obligation accretion	38	36	76	72
Impairments	173	512	173	2,424
Transaction, reorganization, and separation	9	66	24	120
Financing costs, net	104	117	209	241
	1,663	2,432	3,128	6,336
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(281)	(186)	(663)	(2,455)
Current income tax provision	144	900	134	848
Deferred income tax benefit	(225)	(169)	(226)	(1,318)
NET LOSS FROM CONTINUING OPERATIONS INCLUDING NONCONTROLLING INTEREST	(200)	(917)	(571)	(1,985)
Net income (loss) from discontinued operations, net of tax	—	120	—	(118)
NET LOSS INCLUDING NONCONTROLLING INTEREST	(200)	(797)	(571)	(2,103)
Net income attributable to noncontrolling interest	44	63	45	91
NET LOSS ATTRIBUTABLE TO COMMON STOCK	$ (244)	$ (860)	$ (616)	$ (2,194)
NET LOSS ATTRIBUTABLE TO COMMON SHAREHOLDERS:				
Net loss from continuing operations attributable to common shareholders	$ (244)	$ (980)	$ (616)	$ (2,076)
Net income (loss) from discontinued operations	—	120	—	(118)
Net loss attributable to common shareholders	$ (244)	$ (860)	$ (616)	$ (2,194)
NET LOSS PER COMMON SHARE:				
Basic net loss from continuing operations per share	$ (0.65)	$ (2.60)	$ (1.63)	$ (5.50)
Basic net income (loss) from discontinued operations per share	—	0.32	—	(0.31)
Basic net loss per share	$ (0.65)	$ (2.28)	$ (1.63)	$ (5.81)
DILUTED NET LOSS PER COMMON SHARE:				
Diluted net loss from continuing operations per share	$ (0.65)	$ (2.60)	$ (1.63)	$ (5.50)
Diluted net income (loss) from discontinued operations per share	—	0.32	—	(0.31)
Diluted net loss per share	$ (0.65)	$ (2.28)	$ (1.63)	$ (5.81)
WEIGHTED-AVERAGE NUMBER OF COMMON SHARES OUTSTANDING:				
Basic	379	378	379	377
Diluted	379	378	379	377
DIVIDENDS DECLARED PER COMMON SHARE	$ 0.25	$ 0.25	$ 0.50	$ 0.50

*Financial information for 2015 has been recast to reflect retrospective application of the successful efforts method of accounting. See Note 1.

The accompanying notes to consolidated financial statements
are an integral part of this statement.

APACHE CORPORATION AND SUBSIDIARIES
STATEMENT OF CONSOLIDATED CASH FLOWS
(Unaudited)

	For the Six Months Ended June 30,	
	2016	2015*
	(In millions)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss including noncontrolling interest	$ (571)	$ (2,103)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Loss from discontinued operations	—	118
Gain on divestitures	(16)	(209)
Exploratory dry hole expense and unproved leasehold impairments	139	385
Depreciation, depletion, and amortization	1,347	1,620
Asset retirement obligation accretion	76	72
Impairments	173	2,424
Provision (benefit) from deferred income taxes	(226)	(1,318)
Other	91	26
Changes in operating assets and liabilities:		
Receivables	237	333
Inventories	1	74
Drilling advances	(30)	118
Deferred charges and other	(65)	(81)
Accounts payable	(118)	(410)
Accrued expenses	(57)	505
Deferred credits and noncurrent liabilities	2	69
NET CASH PROVIDED BY CONTINUING OPERATING ACTIVITIES	983	1,623
NET CASH PROVIDED BY DISCONTINUED OPERATIONS	—	159
NET CASH PROVIDED BY OPERATING ACTIVITIES	983	1,782
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to oil and gas property	(925)	(2,783)
Leasehold and property acquisitions	(118)	(128)
Additions to gas gathering, transmission, and processing facilities	—	(94)
Proceeds from sale of Kitimat LNG	—	854
Proceeds from sale of other oil and gas properties	48	119
Other, net	29	(67)
NET CASH USED IN CONTINUING INVESTING ACTIVITIES	(966)	(2,099)
NET CASH PROVIDED BY DISCONTINUED OPERATIONS	—	4,372
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(966)	2,273
CASH FLOWS FROM FINANCING ACTIVITIES:		
Commercial paper and bank credit facilities, net	—	(1,570)
Distributions to noncontrolling interest	(93)	(40)
Dividends paid	(189)	(189)
Other	(1)	15
NET CASH USED IN FINANCING ACTIVITIES	(283)	(1,784)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(266)	2,271
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,467	679
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 1,201	$ 2,950
SUPPLEMENTARY CASH FLOW DATA:		
Interest paid, net of capitalized interest	$ 206	$ 218
Income taxes paid, net of refunds	201	278

*Financial information for 2015 has been recast to reflect retrospective application of the successful efforts method of accounting. See Note 1.

The accompanying notes to consolidated financial statements are an integral part of this statement.

APACHE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(Unaudited)

	June 30, 2016	December 31, 2015*
	(In millions)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,201	$ 1,467
Receivables, net of allowance	1,016	1,253
Inventories	530	570
Drilling advances	202	172
Prepaid assets and other	343	290
	3,292	3,752
PROPERTY AND EQUIPMENT:		
Oil and gas, on the basis of successful efforts accounting:		
Proved properties	42,469	41,728
Unproved properties and properties under development, not being amortized	2,285	2,277
Gathering, transmission and processing facilities	862	1,052
Other	1,098	1,093
	46,714	46,150
Less: Accumulated depreciation, depletion, and amortization	(26,571)	(25,312)
	20,143	20,838
OTHER ASSETS:		
Deferred charges and other	911	910
	$ 24,346	$ 25,500
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 544	$ 618
Other current liabilities (Note 5)	1,026	1,223
	1,570	1,841
LONG-TERM DEBT	8,719	8,716
DEFERRED CREDITS AND OTHER NONCURRENT LIABILITIES:		
Income taxes	2,308	2,529
Asset retirement obligation	2,706	2,562
Other	347	362
	5,361	5,453
COMMITMENTS AND CONTINGENCIES (Note 9)		
EQUITY:		
Common stock, $0.625 par, 860,000,000 shares authorized, 412,532,393 and 411,218,105 shares issued, respectively	258	257
Paid-in capital	12,487	12,619
Accumulated deficit	(2,596)	(1,980)
Treasury stock, at cost, 33,174,414 and 33,183,930 shares, respectively	(2,888)	(2,889)
Accumulated other comprehensive loss	(119)	(119)
APACHE SHAREHOLDERS' EQUITY	7,142	7,888
Noncontrolling interest	1,554	1,602
TOTAL EQUITY	8,696	9,490
	$ 24,346	$ 25,500

*Financial information for 2015 has been recast to reflect retrospective application of the successful efforts method of accounting. See Note 1.

The accompanying notes to consolidated financial statements
are an integral part of this statement.

APACHE CORPORATION AND SUBSIDIARIES
STATEMENT OF CONSOLIDATED CHANGES IN EQUITY
(Unaudited)

	Common Stock	Paid-In Capital	Retained Earnings (Accumulated Deficit)	Treasury Stock	Accumulated Other Comprehensive Loss	APACHE SHAREHOLDERS' EQUITY	Non Controlling Interest	TOTAL EQUITY
					(In millions)			
BALANCE AT DECEMBER 31, 2014 previously reported	$ 256	$ 12,438	$ 16,249	$ (2,890)	$ (116)	$ 25,937	$ 2,200	$ 28,137
Effect of change in accounting principle	—	152	(7,594)	—	—	(7,442)	(154)	(7,596)
BALANCE AT DECEMBER 31, 2014 as recast	$ 256	$ 12,590	$ 8,655	$ (2,890)	$ (116)	$ 18,495	$ 2,046	$ 20,541
Net income (loss)	—	—	(2,194)	—	—	(2,194)	91	(2,103)
Distributions to noncontrolling interest	—	—	—	—	—	—	(40)	(40)
Common dividends ($0.50 per share)	—	—	(189)	—	—	(189)	—	(189)
Other	1	45	—	1	—	47	—	47
BALANCE AT JUNE 30, 2015	$ 257	$ 12,635	$ 6,272	$ (2,889)	$ (116)	$ 16,159	$ 2,097	$ 18,256
BALANCE AT DECEMBER 31, 2015 previously reported	$ 257	$ 12,467	$ (7,153)	$ (2,889)	$ (116)	$ 2,566	$ 1,662	$ 4,228
Effect of change in accounting principle	—	152	5,173	—	(3)	5,322	(60)	5,262
BALANCE AT DECEMBER 31, 2015 as recast	$ 257	$ 12,619	$ (1,980)	$ (2,889)	$ (119)	$ 7,888	$ 1,602	$ 9,490
Net income (loss)	—	—	(616)	—	—	(616)	45	(571)
Distributions to noncontrolling interest	—	—	—	—	—	—	(93)	(93)
Common dividends ($0.50 per share)	—	(189)	—	—	—	(189)	—	(189)
Other	1	57	—	1	—	59	—	59
BALANCE AT JUNE 30, 2016	$ 258	$ 12,487	$ (2,596)	$ (2,888)	$ (119)	$ 7,142	$ 1,554	$ 8,696

Financial information for prior periods has been recast to reflect retrospective application of the successful efforts method of accounting. See Note 1.

The accompanying notes to consolidated financial statements
are an integral part of this statement.

APACHE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

These consolidated financial statements have been prepared by Apache Corporation (Apache or the Company) without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). They reflect all adjustments that are, in the opinion of management, necessary for a fair statement of the results for the interim periods. All such adjustments are of a normal recurring nature and are on a basis consistent with the annual audited consolidated financial statements, except as described in Note 1 below. Certain information, accounting policies, and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP) have been omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. This Quarterly Report on Form 10-Q for the quarter ended June 30, 2016, should be read along with Apache's Annual Report on Form 10-K for the fiscal year ended December 31, 2015, which contains a summary of the Company's significant accounting policies and other disclosures.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company's financial statements for prior periods include reclassifications that were made to conform to the current-period presentation. During the second quarter of 2015, Apache completed the sale of its Australian LNG business and oil and gas assets. Results of operations and consolidated cash flows for the divested Australia assets are reflected as discontinued operations in the Company's financial statements for all periods presented. For more information regarding these divestitures, please refer to Note 3—Acquisitions and Divestitures.

Recast Financial Information for Change in Accounting Principle

In the second quarter of 2016, Apache voluntarily changed its method of accounting for its oil and gas exploration and development activities from the full cost method to the successful efforts method of accounting. The financial information for prior periods has been recast to reflect retrospective application of the successful efforts method, as prescribed by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 932 "Extractive Activities—Oil and Gas." Although the full cost method of accounting for oil and gas exploration and development activities continues to be an accepted alternative, the successful efforts method of accounting is the generally preferred method of the U.S. Securities and Exchange Commission (SEC) and is more widely used in the industry such that the change will improve comparability of the Company's financial statements to its peers. The Company believes the successful efforts method provides a more representational depiction of assets and operating results. The successful efforts method also provides for the Company's investments in oil and gas properties to be assessed for impairment in accordance with ASC 360 "Property, Plant, and Equipment" rather than valuations based on prices and costs prescribed under the full cost method as of the balance sheet date. For more detailed information regarding the effects of the change to the successful efforts method, please refer to Note 2—Change in Accounting Principle. The Company has recast certain historical information for all periods presented, including the Statement of Consolidated Operations, Statement of Consolidated Cash Flows, Consolidated Balance Sheet, Statement of Consolidated Changes in Equity, and related information in Notes 1, 2, 3, 4, 5, 7, 8, 10, 11, and 12.

In the first quarter of 2016, the Company retrospectively adopted a new accounting standard update ASU 2015-03 "Simplifying the Presentation of Debt Issuance Costs," which requires debt issuance costs to be presented as a direct deduction from the carrying value of the associated debt liability, consistent with debt discounts. For more information regarding this update, please refer to Note 7—Debt and Financing Costs.

As of June 30, 2016, Apache's significant accounting policies, other than those discussed above, are consistent with those discussed in Note 1—Summary of Significant Accounting Policies to the consolidated financial statements contained in Apache's Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates with regard to these financial statements include the fair value determination of acquired assets and liabilities, the estimate of proved oil and gas reserves and related present value estimates of future net cash flows therefrom, the assessment of asset retirement obligations, the estimates of fair value for long-lived assets and goodwill, and the estimate of income taxes. Actual results could differ from those estimates.

Fair Value Measurements

Certain assets and liabilities are reported at fair value on a recurring basis in Apache's consolidated balance sheet. ASC 820-10-35 provides a hierarchy that prioritizes and defines the types of inputs used to measure fair value. The fair value hierarchy gives the highest priority to Level 1 inputs, which consist of unadjusted quoted prices for identical instruments in active markets. Level 2 inputs consist of quoted prices for similar instruments. Level 3 valuations are derived from inputs that are significant and unobservable; hence, these valuations have the lowest priority.

The valuation techniques that may be used to measure fair value include a market approach, an income approach, and a cost approach. A market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. An income approach uses valuation techniques to convert future amounts to a single present amount based on current market expectations, including present value techniques, option-pricing models, and the excess earnings method. The cost approach is based on the amount that currently would be required to replace the service capacity of an asset (replacement cost).

Apache also uses fair value measurements on a nonrecurring basis when certain qualitative assessments of its assets indicate a potential impairment. For the six-month period ended June 30, 2016, the Company recorded asset impairments totaling $281 million in connection with fair value assessments in the current low commodity price environment. Impairments totaling $176 million were recorded for oil and gas properties in the U.S. and Canada and $105 million was recorded for GTP assets, which were written down to their fair values. The oil and gas property impairments are discussed in further detail below in "Oil and Gas Property."

For the six-month period ended June 30, 2015, the Company recorded asset impairments totaling $2.7 billion in connection with fair value assessments in the current low commodity price environment. Impairments totaling $2.6 billion were recorded for oil and gas properties, which were written down to their fair values. Also, for the six-month period ended June 30, 2015, the Company recorded $163 million for the impairment of goodwill. As of June 30, 2016 and December 31, 2015, remaining goodwill in the consolidated balance sheet totaled $87 million for our Egypt reporting unit.

Oil and Gas Property

The Company follows the successful efforts method of accounting for its oil and gas property. Under this method of accounting, exploration costs such as exploratory dry holes, exploratory geological and geophysical costs, delay rentals, unproved impairments, and exploration overhead are expensed as incurred. All costs related to production, general corporate overhead, and similar activities are expensed as incurred. If an exploratory well provides evidence to justify potential development of reserves, drilling costs associated with the well are initially capitalized, or suspended, pending a determination as to whether a commercially sufficient quantity of proved reserves can be attributed to the area as a result of drilling. This determination may take longer than one year in certain areas depending on, among other things, the amount of hydrocarbons discovered, the outcome of planned geological and engineering studies, the need for additional appraisal drilling activities to determine whether the discovery is sufficient to support an economic development plan, and government sanctioning of development activities in certain international locations. At the end of each quarter, management reviews the status of all suspended exploratory well costs in light of ongoing exploration activities; in particular, whether the Company is making sufficient progress in its ongoing exploration and appraisal efforts or, in the case of discoveries requiring government sanctioning, whether development negotiations are underway and proceeding as planned. If management determines that future appraisal drilling or development activities are unlikely to occur, associated suspended exploratory well costs are expensed.

Acquisition costs of unproved properties are assessed for impairment at least annually and are transferred to proved oil and gas properties to the extent the costs are associated with successful exploration activities. Significant undeveloped leases are assessed individually for impairment based on the Company's current exploration plans. Unproved oil and gas properties with individually insignificant lease acquisition costs are amortized on a group basis over the average lease term at rates that provide for full amortization of unsuccessful leases upon lease expiration or abandonment. Costs of expired or abandoned leases are charged to exploration expense, while costs of productive leases are transferred to proved oil and gas properties. Costs of maintaining and retaining unproved properties, as well as amortization of individually insignificant leases and impairment of unsuccessful leases, are included in exploration costs in the statement of consolidated operations.

Costs to develop proved reserves, including the costs of all development wells and related equipment used in the production of crude oil and natural gas, are capitalized. Depreciation of the cost of proved oil and gas properties is calculated using the unit-of-production (UOP) method. The UOP calculation multiplies the percentage of estimated proved reserves produced each quarter by the cost of those reserves. The reserve base used to calculate depreciation for leasehold acquisition costs and the cost to acquire proved properties is the sum of proved developed reserves and proved undeveloped reserves. With respect to lease and well equipment costs, which include development costs and successful exploration drilling costs, the reserve base includes only proved developed reserves. Estimated future dismantlement, restoration and abandonment costs, net of salvage values, are included in the depreciable cost.

Oil and gas properties are grouped for depreciation in accordance with ASC 932 "Extractive Activities - Oil and Gas." The basis for grouping is a reasonable aggregation of properties with a common geological structural feature or stratigraphic condition, such as a reservoir or field.

When circumstances indicate that proved oil and gas properties may be impaired, the Company compares unamortized capitalized costs to the expected undiscounted pre-tax future cash flows for the associated assets grouped at the lowest level for which identifiable cash flows are independent of cash flows of other assets. If the expected undiscounted pre-tax future cash flows, based on Apache's estimate of future crude oil and natural gas prices, operating costs, anticipated production from proved reserves and other relevant data, are lower than the unamortized capitalized cost, the capitalized cost is reduced to fair value. Fair value is generally estimated using the income approach described in the ASC 820 "Fair Value Measurement." If applicable, the Company utilizes accepted bids as the basis for determining fair value. The expected future cash flows used for impairment reviews and related fair value calculations are typically based on judgmental assessments of future production volumes, commodity prices, operating costs, and capital investment plans, considering all available information at the date of review. These assumptions are applied to develop future cash flow projections that are then discounted to estimated fair value, using a discount rate believed to be consistent with those applied by market participants. Apache has classified these fair value measurements as Level 3 in the fair value hierarchy.

The following table represents non-cash impairments of the carrying value of the Company's proved and unproved property and equipment for the second quarters and first six months of 2016 and 2015:

	Quarter Ended June 30,		**Six Months Ended June 30,**	
	2016	**2015**	**2016**	**2015**
	(In millions)			
Oil and Gas Property:				
Proved	$ 68	$ 349	$ 68	$ 2,261
Unproved	66	148	108	316

Proved properties impaired during the quarter ended June 30, 2016 had an aggregate fair value of $143 million. Proved properties impaired during the quarter ended March 31, 2015 had an aggregate fair value of $1.2 billion, and properties impaired during the quarter ended June 30, 2015 had an aggregate fair value of $516 million.

On the statement of consolidated operations, unproved impairments are recorded in exploration expense, and proved impairments are recorded in impairments. Gains and losses on significant divestitures are recognized in the statement of consolidated operations. See Note 3—Acquisitions and Divestitures for more detail.

<u>New Pronouncements Issued But Not Yet Adopted</u>

In March 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-09, which seeks to simplify accounting for share-based payment transactions including income tax consequences, classification of awards as either equity or liabilities, and the classification on the statement of cash flows. The new standard requires the Company to recognize the income tax effects of awards in the income statement when the awards vest or are settled. The guidance is effective for fiscal years beginning after December 15, 2016. Early adoption is permitted and if an entity early adopts the guidance in an interim period, any adjustments must be reflected as of the beginning of the fiscal year that includes that interim period. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, a new lease standard requiring lessees to recognize lease assets and lease liabilities for most leases classified as operating leases under previous U.S. GAAP. The guidance is effective for fiscal years beginning after December 15, 2018 with early adoption permitted. The Company will be required to use a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.

In May 2014, the FASB and the International Accounting Standards Board (IASB) issued a joint revenue recognition standard, ASU 2014-09. The new standard removes inconsistencies in existing standards, changes the way companies recognize revenue from contracts with customers, and increases disclosure requirements. The guidance requires companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. In March 2016, the FASB issued ASU 2016-08, which provides further clarification on the principal versus agent evaluation. The guidance is effective for annual and interim periods beginning after December 15, 2017. The standard is required to be adopted using either the full retrospective approach, with all prior periods presented adjusted, or the modified retrospective approach, with a cumulative adjustment to retained earnings on the opening balance sheet. The Company is currently evaluating the level of effort needed to implement the standard, the impact of adopting this standard on its consolidated financial statements, and whether to use the full retrospective approach or the modified retrospective approach.

2. CHANGE IN ACCOUNTING PRINCIPLE

During the second quarter of 2016, the Company voluntarily changed its method of accounting for oil and gas exploration and development activities from the full cost method to the successful efforts method. Accordingly, financial information for prior periods has been recast to reflect retrospective application of the successful efforts method. In general, under successful efforts, exploration expenditures such as exploratory dry holes, exploratory geological and geophysical costs, delay rentals, unproved impairments, and exploration overhead are charged against earnings as incurred, versus being capitalized under the full cost method of accounting. Successful efforts also provides for the assessment of potential property impairments under ASC 360 by comparing the net carrying value of oil and gas properties with associated projected undiscounted pre-tax future net cash flows. If the expected undiscounted pre-tax future net cash flows are lower than the unamortized capitalized costs, the capitalized cost is reduced to fair value. Under the full cost method of accounting, a write-down would be required if the net carrying value of oil and gas properties exceeds a full cost "ceiling," using an unweighted arithmetic average of commodity prices in effect on the first day of each of the previous 12 months. In addition, gains or losses, if applicable, are generally recognized on the dispositions of oil and gas property and equipment under the successful efforts method, as opposed to an adjustment to the net carrying value of the remaining assets under the full cost method. Apache's consolidated financial statements have been recast to reflect these differences.

The following tables present the effects of the change to the successful efforts method in the statement of consolidated operations:

	Changes to the Statement of Consolidated Operations		
For the Quarter Ended June 30, 2016	**Under Full Cost**	**Changes**	**As Reported Under Successful Efforts**
	(In millions, except per share data)		
Oil revenues	$ 1,062	$ 56	$ 1,118
Natural gas revenues	218	(9)	209
NGL revenues	59	—	59
Oil and gas production revenues	1,339	47	1,386
Other	(22)	1	(21)
Gain on divestiture	5	12	17
Exploration	—	91	91
Depreciation, depletion, and amortization:			
Oil and Gas Property and Equipment			
Recurring	507	122	629
Additional	671	(671)	—
Impairments	105	68	173
Financing costs, net	90	14	104
Current income tax provision	25	119	144
Deferred income tax provision (benefit)	(120)	(105)	(225)
NET LOSS FROM CONTINUING OPERATIONS INCLUDING NONCONTROLLING INTEREST	(622)	422	(200)
Net income (loss) attributable to noncontrolling interest	(21)	65	44
NET LOSS FROM CONTINUING OPERATIONS ATTRIBUTABLE TO COMMON SHAREHOLDERS	(601)	357	(244)
Net income (loss) from discontinued operations	—	—	—
NET LOSS ATTRIBUTABLE TO COMMON SHAREHOLDERS	(601)	357	(244)
Per common share			
Basic net loss from continuing operations per share	$ (1.58)	$ 0.93	$ (0.65)
Basic net loss from discontinued operations per share	—	—	—
Basic net loss per share	$ (1.58)	$ 0.93	$ (0.65)
Diluted net loss from continuing operations per share	$ (1.58)	$ 0.93	$ (0.65)
Diluted net loss from discontinued operations per share	—	—	—
Diluted net loss per share	$ (1.58)	$ 0.93	$ (0.65)

For the Quarter Ended June 30, 2015	Changes to the Statement of Consolidated Operations		
	Under Full Cost	Changes*	As Reported Under Successful Efforts
	(In millions, except per share data)		
Oil revenues	$ 1,599	$ 19	$ 1,618
Natural gas revenues	295	20	315
NGL revenues	58	—	58
Oil and gas production revenues	1,952	39	1,991
Other	25	3	28
Gain on divestiture	—	227	227
Exploration	—	225	225
Depreciation, depletion, and amortization:			
Oil and Gas Property and Equipment			
Recurring	923	(212)	711
Additional	5,816	(5,816)	—
Impairments	—	512	512
Financing costs, net	63	54	117
Current income tax provision (benefit)	665	235	900
Deferred income tax provision (benefit)	(1,525)	1,356	(169)
NET LOSS FROM CONTINUING OPERATIONS INCLUDING NONCONTROLLING INTEREST	(4,832)	3,915	(917)
Net income attributable to noncontrolling interest	36	27	63
NET LOSS FROM CONTINUING OPERATIONS ATTRIBUTABLE TO COMMON SHAREHOLDERS	(4,868)	3,888	(980)
Net loss from discontinued operations	(732)	852	120
NET LOSS ATTRIBUTABLE TO COMMON SHAREHOLDERS	(5,600)	4,740	(860)
Per common share			
Basic net loss from continuing operations per share	$ (12.89)	$ 10.29	$ (2.60)
Basic net loss from discontinued operations per share	(1.94)	2.26	0.32
Basic net loss per share	$ (14.83)	$ 12.55	$ (2.28)
Diluted net loss from continuing operations per share	$ (12.89)	$ 10.29	$ (2.60)
Diluted net loss from discontinued operations per share	(1.94)	2.26	0.32
Diluted net loss per share	$ (14.83)	$ 12.55	$ (2.28)

For the Six Months Ended June 30, 2016	Changes to the Statement of Consolidated Operations		
	Under Full Cost	Changes*	As Reported Under Successful Efforts
	(In millions, except per share data)		
Oil revenues	$ 1,857	$ 83	$ 1,940
Natural gas revenues	441	(9)	432
NGL revenues	101	—	101
Oil and gas production revenues	2,399	74	2,473
Other	(27)	3	(24)
Gain on divestiture	3	13	16
Exploration	—	186	186
Depreciation, depletion, and amortization:			
Oil and Gas Property and Equipment			
Recurring	1,059	206	1,265
Additional	1,159	(1,159)	—
Impairments	105	68	173
Financing costs, net	180	29	209
Current income tax provision	61	73	134
Deferred income tax provision (benefit)	(301)	75	(226)
NET LOSS FROM CONTINUING OPERATIONS INCLUDING NONCONTROLLING INTEREST	(1,183)	612	(571)
Net income (loss) attributable to noncontrolling interest	(93)	138	45
NET LOSS FROM CONTINUING OPERATIONS ATTRIBUTABLE TO COMMON SHAREHOLDERS	(1,090)	474	(616)
Net income (loss) from discontinued operations	—	—	—
NET LOSS ATTRIBUTABLE TO COMMON SHAREHOLDERS	(1,090)	474	(616)
Per common share			
Basic net loss from continuing operations per share	$ (2.88)	$ 1.25	$ (1.63)
Basic net loss from discontinued operations per share	—	—	—

Basic net loss per share	$ (2.88)	$ 1.25	$ (1.63)
Diluted net loss from continuing operations per share	$ (2.88)	$ 1.25	$ (1.63)
Diluted net loss from discontinued operations per share	—	—	—
Diluted net loss per share	$ (2.88)	$ 1.25	$ (1.63)

For the Six Months Ended June 30, 2015	Changes to the Statement of Consolidated Operations		
	Under Full Cost	Changes*	As Reported Under Successful Efforts
	(In millions, except per share data)		
Oil revenues	$ 2,879	$ 32	$ 2,911
Natural gas revenues	595	28	623
NGL revenues	116	—	116
Oil and gas production revenues	3,590	60	3,650
Other	17	5	22
Gain on divestiture	—	209	209
Exploration	—	483	483
General and administrative	193	2	195
Depreciation, depletion, and amortization:			
Oil and Gas Property and Equipment			
Recurring	1,922	(468)	1,454
Additional	13,036	(13,036)	—
Impairments	—	2,424	2,424
Financing costs, net	133	108	241
Current income tax provision (benefit)	580	268	848
Deferred income tax provision (benefit)	(4,460)	3,142	(1,318)
NET LOSS FROM CONTINUING OPERATIONS INCLUDING NONCONTROLLING INTEREST	(9,336)	7,351	(1,985)
Net income attributable to noncontrolling interest	51	40	91
NET LOSS FROM CONTINUING OPERATIONS ATTRIBUTABLE TO COMMON SHAREHOLDERS	(9,387)	7,311	(2,076)
Net loss from discontinued operations	(864)	746	(118)
NET LOSS ATTRIBUTABLE TO COMMON SHAREHOLDERS	(10,251)	8,057	(2,194)
Per common share			
Basic net loss from continuing operations per share	$ (24.88)	$ 19.38	$ (5.50)
Basic net loss from discontinued operations per share	(2.29)	1.98	(0.31)
Basic net loss per share	$ (27.17)	$ 21.36	$ (5.81)
Diluted net loss from continuing operations per share	$ (24.88)	$ 19.38	$ (5.50)
Diluted net loss from discontinued operations per share	(2.29)	1.98	(0.31)
Diluted net loss per share	$ (27.17)	$ 21.36	$ (5.81)

The following tables present the effects of the change to the successful efforts method in the statement of consolidated cash flows:

For the Six Months Ended June 30, 2016	Changes to the Statement of Consolidated Cash Flows		
	Under Full Cost	Changes*	As Reported Under Successful Efforts
	(In millions)		
Net loss including noncontrolling interest	$ (1,183)	$ 612	$ (571)
Gain on divestitures, net	(3)	(13)	(16)
Exploratory dry hole expense and unproved leasehold impairments	—	139	139
Depreciation, depletion, and amortization	2,300	(953)	1,347
Impairments	105	68	173
Provision for (benefit from) deferred income taxes	(301)	75	(226)
Changes in operating assets and liabilities	(28)	(2)	(30)
Net cash provided by operating activities	1,057	(74)	983
Additions to oil and gas property	(999)	74	(925)
Net cash used in investing activities	(1,040)	74	(966)
NET INCREASE (DECREASE) IN CASH	(266)	—	(266)
BEGINNING CASH BALANCE	1,467	—	1,467
ENDING CASH BALANCE	1,201	—	1,201

For the Six Months Ended June 30, 2015	Changes to the Statement of Consolidated Cash Flows		
	Under Full Cost	Changes*	As Reported Under Successful Efforts
		(In millions)	
Net loss including noncontrolling interest	$ (10,200)	$ 8,097	$ (2,103)
Loss from discontinued operations	864	(746)	118
Gain on divestitures, net	—	(209)	(209)
Exploratory dry hole expense and unproved leasehold impairments	—	385	385
Depreciation, depletion, and amortization	15,124	(13,504)	1,620
Impairments	—	2,424	2,424
Provision for (benefit from) deferred income taxes	(4,460)	3,142	(1,318)
Changes in operating assets and liabilities	311	297	608
Net cash provided by operating activities - continuing operations	1,737	(114)	1,623
Net cash provided by operating activities - discontinued operations	196	(37)	159
Additions to oil and gas property	(2,987)	204	(2,783)
Net cash used in investing activities - continuing operations	(2,303)	204	(2,099)
Net cash provided by investing activities - discontinued operations	4,335	37	4,372
NET INCREASE (DECREASE) IN CASH	2,181	90	2,271
BEGINNING CASH BALANCE	769	(90)	679
ENDING CASH BALANCE	2,950	—	2,950

The following tables present the effects of the change to the successful efforts method in the consolidated balance sheet:

June 30, 2016	Changes to the Consolidated Balance Sheet		
	Under Full Cost	Changes	As Reported Under Successful Efforts
		(In millions)	
PROPERTY AND EQUIPMENT:			
Property and equipment - cost	$ 94,657	$ (47,943)	$ 46,714
Less: Accumulated depreciation, depletion, and amortization	(81,920)	55,349	(26,571)
PROPERTY AND EQUIPMENT, NET	12,737	7,406	20,143
Deferred charges and other	937	(26)	911
TOTAL ASSETS	16,966	7,380	24,346
Deferred income taxes	796	1,512	2,308
Paid-in capital	12,342	145	12,487
Accumulated deficit	(8,243)	5,647	(2,596)
Accumulated other comprehensive loss	(116)	(3)	(119)
Noncontrolling interest	1,475	79	1,554
TOTAL EQUITY	2,828	5,868	8,696

December 31, 2015	Changes to the Consolidated Balance Sheet		
	Under Full Cost	Changes*	As Reported Under Successful Efforts
		(In millions)	
PROPERTY AND EQUIPMENT:			
Property and equipment - cost	$ 93,825	$ (47,675)	$ 46,150
Less: Accumulated depreciation, depletion, and amortization	(79,706)	54,394	(25,312)
PROPERTY AND EQUIPMENT, NET	14,119	6,719	20,838
TOTAL ASSETS	18,781	6,719	25,500
Deferred income taxes	1,072	1,457	2,529
Paid-in capital	12,467	152	12,619
Accumulated deficit [1]	(7,153)	5,173	(1,980)
Accumulated other comprehensive loss	(116)	(3)	(119)
Noncontrolling interest	1,662	(60)	1,602
TOTAL EQUITY	4,228	5,262	9,490

*In conjunction with recasting the financial information for the adoption of the successful efforts method of accounting, we corrected certain immaterial errors in the North Sea pertaining to the improper calculation of deferred tax liabilities associated with capitalized interest under the full cost method.

[1] The cumulative effect of the change to the successful efforts method on retained earnings (accumulated deficit) as of January 1, 2015 was a decrease of $7.6 billion.

3. ACQUISITIONS AND DIVESTITURES

2016 Activity

Leasehold and Property Acquisitions

During the second quarter and first six months of 2016, Apache completed $99 million and $118 million, respectively, of leasehold and property acquisitions primarily in our North America onshore regions and Egypt.

Transaction, Reorganization, and Separation

During the second quarter and first six months of 2016, Apache recorded $9 million and $24 million, respectively, in expense related to various asset transactions, company reorganization, and employee separation.

2015 Activity

Canada Divestiture

In April 2015, Apache's subsidiaries completed the sale of its 50 percent interest in the Kitimat LNG project and upstream acreage in the Horn River and Liard natural gas basins to Woodside Petroleum Limited (Woodside). Proceeds at closing were $854 million, of which approximately $344 million were associated with LNG assets and $510 million were associated with upstream assets. The proceeds are subject to post-closing adjustments. For additional details related to post-closing adjustments, please see Note 9—Commitments and Contingencies.

The Kitimat LNG assets classified as held for sale as of December 31, 2014 were impaired $655 million in the fourth quarter of 2014. Apache recognized a $146 million gain on the sale of the upstream assets upon completion of the sale.

Australia Divestitures

Woodside Sale In April 2015, Apache's subsidiaries completed the sale of its interest in the Wheatstone LNG project and associated upstream oil and gas assets to Woodside. Proceeds at closing were $2.8 billion, of which approximately $1.4 billion were associated with LNG assets and $1.4 billion were associated with the upstream assets. The proceeds are subject to post-closing adjustments. For additional details related to post-closing adjustments, please see Note 9—Commitments and Contingencies.

The Wheatstone LNG assets and associated upstream assets were impaired $833 million in the fourth quarter of 2014 and classified as held for sale on the consolidated balance sheet as of December 31, 2014. An additional impairment of approximately $49 million was recognized in the first quarter of 2015. No additional gain or loss was recognized on the ultimate disposal of the LNG project and upstream assets.

Consortium Sale In June 2015, Apache's subsidiaries completed the sale of the Company's Australian subsidiary Apache Energy Limited (AEL) to a consortium of private equity funds managed by Macquarie Capital Group Limited and Brookfield Asset Management Inc. Total proceeds of $1.9 billion included customary, post-closing adjustments for the period between the effective date, October 1, 2014, and closing. A loss of approximately $139 million was recognized for the sale of AEL.

Upon closing of the sale of substantially all Australian operations, the associated results of operations for the divested Australian assets and the losses on disposal were classified as discontinued operations in all periods presented in this Quarterly Report on Form 10-Q. Sales and other operating revenues and loss from discontinued operations related to the Australia dispositions were as follows:

	For the Quarter Ended June 30,		For the Six Months Ended June 30,	
	2016	2015	2016	2015
	(In millions)			
Revenues and other from discontinued operations	$ —	$ 101	$ —	$ 288
Impairment on Woodside sale	$ —	$ —	$ —	$ (49)
Loss on Consortium sale	—	(139)	—	(139)
Income from divested Australian operations	—	18	—	28
Income tax benefit	—	241	—	42
Income (loss) from Australian discontinued operations, net of tax	$ —	$ 120	$ —	$ (118)

Leasehold and Property Acquisitions

During the second quarter and first six months of 2015, Apache completed $36 million and $128 million, respectively, of leasehold and property acquisitions primarily in our North America onshore regions.

Transaction, Reorganization, and Separation

During the second quarter and first six months of 2015, Apache recorded $66 million and $120 million, respectively, in expense related to various asset transactions, company reorganization, and employee separation.

4. CAPITALIZED EXPLORATORY WELL COSTS

The Company’s capitalized exploratory well costs were $262 million and $245 million at June 30, 2016 and December 31, 2015, respectively. The increase is primarily attributable to drilling activities, partially offset by successful transfers and dry hole write-offs. Exploratory well costs that have been capitalized for a period greater than one year since the completion of drilling were $93 million and $61 million at June 30, 2016 and December 31, 2015, respectively. The exploratory well costs that had been capitalized for a period greater than one year at December 31, 2015 are associated with the Aviat discovery in the North Sea and comprise exploration and appraisal activities. The amount of exploratory well costs capitalized for a period greater than one year increased by $32 million during the six months ended June 30, 2016 as a result of exploration drilling in Suriname. No suspended exploratory well costs previously capitalized for greater than one year at December 31, 2015 were charged to dry hole expense during the six months ended June 30, 2016. Projects with suspended exploratory well costs capitalized for a period greater than one year since the completion of drilling are those identified by management as exhibiting sufficient quantities of hydrocarbons to justify potential development. Management is actively pursuing efforts to assess whether reserves can be attributed to these projects.

5. OTHER CURRENT LIABILITIES

The following table provides detail of our other current liabilities as of June 30, 2016 and December 31, 2015:

	June 30, 2016	December 31, 2015
	(In millions)	
Accrued operating expenses	$ 120	$ 139
Accrued exploration and development	475	637
Accrued compensation and benefits	99	166
Accrued interest	146	144
Accrued income taxes	54	47
Current debt	1	1
Current asset retirement obligation	36	36
Other	95	53
Total Other current liabilities	$ 1,026	$ 1,223

6. ASSET RETIREMENT OBLIGATION

The following table describes changes to the Company’s asset retirement obligation (ARO) liability for the six-month period ended June 30, 2016:

	(In millions)
Asset retirement obligation at December 31, 2015	$ 2,598
Liabilities incurred	6
Liabilities acquired	34
Liabilities settled	(31)
Accretion expense	76
Revisions in estimated liabilities	59
Asset retirement obligation at June 30, 2016	2,742
Less current portion	36
Asset retirement obligation, long-term	$ 2,706

7. DEBT AND FINANCING COSTS

The following table presents the carrying amounts and estimated fair values of the Company’s outstanding debt as of June 30, 2016 and December 31, 2015:

	June 30, 2016		December 31, 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In millions)			
Commercial paper and committed bank facilities	$ —	$ —	$ —	$ —
Notes and debentures	8,720	9,393	8,717	8,330
Total Debt	$ 8,720	$ 9,393	$ 8,717	$ 8,330

The Company’s debt is recorded at the carrying amount, net of related unamortized discount and debt issuance costs, on its consolidated balance sheet. The carrying amount of the Company’s commercial paper, committed bank facilities, and uncommitted bank lines approximates fair value because the interest rates are variable and reflective of market rates. Apache uses a market approach to determine the fair value of its notes and debentures using estimates provided by an independent investment financial data services firm (a Level 2 fair value measurement).

As of June 30, 2016, the Company had a $3.5 billion five-year revolving credit facility which matures in June 2020. Proceeds from borrowings may be used for general corporate purposes. Apache’s available borrowing capacity under this facility supports its $3.5 billion commercial paper program. The commercial paper program, which is subject to market availability, facilitates Apache borrowing funds for up to 270 days at competitive interest rates. As of June 30, 2016, the Company had no debt outstanding under commercial paper, committed bank facilities, and uncommitted bank lines.

As of June 30, 2016, the Company had a £900 million three-year letter of credit facility which matures in February 2019. The facility is available for letters of credit and loans to cash collateralize letter of credit obligations to the extent letters of credit are unavailable under the facility. As of June 30, 2016, no letters of credit or loans were outstanding under this facility. Subsequently, as of the date of this filing, a letter of credit for approximately £96 million was outstanding under this facility.

In April 2015, the FASB issued ASU 2015-03 "Simplifying the Presentation of Debt Issuance Costs," which requires debt issuance costs to be presented as a direct deduction from the carrying value of the associated debt liability. The Company adopted this update in the first quarter of 2016 and applied the changes retrospectively for all periods presented. At December 31, 2015, the Company had debt issuance costs of $61 million classified as a long-term asset as a component of "deferred charges and other" on the balance sheet that have been netted against "long-term debt" in these unaudited interim financial statements. As of June 30, 2016, long-term debt is presented net of debt issuance costs of $58 million.

Financing Costs, Net

The following table presents the components of Apache's financing costs, net:

	For the Quarter Ended June 30,		For the Six Months Ended June 30,	
	2016	2015	2016	2015
	(In millions)			
Interest expense	$ 116	$ 123	$ 232	$ 251
Amortization of deferred loan costs	2	2	3	4
Capitalized interest	(12)	(5)	(23)	(9)
Interest income	(2)	(3)	(3)	(5)
Financing costs, net	$ 104	$ 117	$ 209	$ 241

8. INCOME TAXES

The Company estimates its annual effective income tax rate for continuing operations in recording its quarterly provision for income taxes in the various jurisdictions in which the Company operates. Non-cash write-downs of the carrying value of the Company's proved oil and gas properties, statutory tax rate changes, and other significant or unusual items are recognized as discrete items in the quarter in which they occur.

During the second quarter of 2016, Apache's effective income tax rate was primarily impacted by an increase in the valuation allowance on Canadian deferred tax assets. During the second quarter of 2015, Apache's effective tax rate was primarily impacted by non-cash impairments of the carrying value of the Company's proved oil and gas properties and an increase in the amount of valuation allowances on Canadian deferred tax assets and U.S. foreign tax credits.

Apache's 2016 year-to-date effective tax rate is primarily impacted by an increase in the valuation allowance on Canadian deferred tax assets. Apache's 2015 year-to-date effective tax rate was primarily impacted by non-cash impairments of the carrying value of the Company's proved oil and gas properties and an increase in the amount of valuation allowances on Canadian deferred tax assets and U.S. foreign tax credits, offset by a $414 million deferred tax benefit associated with a reduction in the U.K. statutory income tax rate from 62 percent to 50 percent.

9. COMMITMENTS AND CONTINGENCIES

Legal Matters

Apache is party to various legal actions arising in the ordinary course of business, including litigation and governmental and regulatory controls. As of June 30, 2016, the Company has an accrued liability of approximately $30 million for all legal contingencies that are deemed to be probable of occurring and can be reasonably estimated. Apache's estimates are based on information known about the matters and its experience in contesting, litigating, and settling similar matters. Although actual amounts could differ from management's estimate, none of the actions are believed by management to involve future amounts that would be material to Apache's financial position, results of operations, or liquidity after consideration of recorded accruals. For material matters that Apache believes an unfavorable outcome is reasonably possible, the Company has disclosed the nature of the matter and a range of potential exposure, unless an estimate cannot be made at this time. It is management's opinion that the loss for any other litigation matters and claims that are reasonably possible to occur will not have a material adverse effect on the Company's financial position, results of operations, or liquidity.

For additional information on each of the Legal Matters described below, please see Note 9—Commitments and Contingencies to the consolidated financial statements contained in Apache's Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

Argentine Environmental Claims and Argentina Tariff

No material change in the status of the YPF Sociedad Anónima and Pioneer Natural Resources Company indemnities matters has occurred since the filing of Apache's Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

Louisiana Restoration

As more fully described in Apache's Annual Report on Form 10-K for its 2015 fiscal year, numerous surface owners have filed claims or sent demand letters to various oil and gas companies, including Apache, claiming that, under either express or implied lease terms or Louisiana law, the companies are liable for damage measured by the cost of restoration of leased premises to their original condition as well as damages for contamination and cleanup.

On or about July 28, 2016, in a case captioned *Keith Stutes, District Attorney for the 15th Judicial District of the State of Louisiana v. Gulfport Energy Corporation et al.*, Docket No. 102156, in the 15th Judicial District Court, Parish of Vermilion, State of Louisiana, plaintiff asserts coastal zone claims similar to the claims filed previously by Plaquemines Parish and Cameron Parish against Apache and various other oil and gas producers. In respect of three lawsuits filed by the Parish of Plaquemines against the Company and other oil and gas producers in the 25th Judicial District Court for the Parish of Plaquemines, State of Louisiana (captioned *Parish of Plaquemines v. Rozel Operating Company et al.*, Docket No. 60-996; *Parish of Plaquemines v. Apache Oil Corporation et al.*, Docket No. 61-000; and *Parish of Plaquemines v. HHE Energy Company et al.*, Docket No. 60-983), in April 2016 the Plaquemines Parish Council reversed course and decided not to dismiss the lawsuits. The Louisiana Attorney General has announced his intention to intervene in the three Plaquemines Parish proceedings and in the Cameron Parish proceedings in the Parish's 38th Judicial District Court, captioned *Parish of Cameron v. BEPCO, L.P., et al.*, Docket No. 10-19572; *Parish of Cameron v. BP America Production Company et al.*, Docket No. 10-19576; *Parish of Cameron v. Apache Corporation (of Delaware) et al.*, Docket No. 10-19579; *Parish of Cameron v. Atlantic Richfield Company et al.*, Docket No. 10-19577; *Parish of Cameron v. Alpine Exploration Companies, Inc., et al.*, Docket No. 10-19580; and *Parish of Cameron v. Auster Oil and Gas, Inc., et al*, Docket No. 10-19582. The Cameron Parish proceedings have been removed to the United States District Court for the Western District of Louisiana, subject to any effort by plaintiff to remand the proceedings to state court.

No other material change in the status of these matters has occurred since the filing of Apache's Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

Apollo Exploration Lawsuit

In a fourth amended petition filed on March 21, 2016, in a case captioned *Apollo Exploration, LLC, Cogent Exploration, Ltd. Co. & SellmoCo, LLC v. Apache Corporation*, Cause No. CV50538 in the 385th Judicial District Court, Midland County, Texas, plaintiffs have reduced their alleged damages to approximately $500 million (having previously claimed in excess of $1.1 billion) relating to certain purchase and sale agreements, mineral leases, and areas of mutual interest agreements concerning properties located in Hartley, Moore, Potter, and Oldham Counties, Texas. Apache believes that plaintiffs' claims lack merit, and further that plaintiffs' alleged damages, even as amended, are grossly inflated. Apache will vigorously oppose the claims. No other material change in the status of these matters has occurred since the filing of Apache's Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

Escheat Audits

There has been no other material change with respect to the review of the books and records of the Company and its subsidiaries and related entities by the State of Delaware, Department of Finance (Unclaimed Property), to determine compliance with the Delaware Escheat Laws, since the filing of Apache's Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

Burrup-Related Gas Supply Lawsuits

In the cases captioned *Radhika Oswal v. Australia and New Zealand Banking Group Limited* (ANZ) *et al.*, No. SCI 2011 4653 and *Pankaj Oswal v. Australia and New Zealand Banking Group Limited* (ANZ) *et al.*, No. SCI 2012 01995, in the Supreme Court of Victoria, trial commenced on May 30, 2016, and is ongoing. Apache Corporation, Apache Energy Limited (now known as Quadrant Energy Australia Limited), and Apache Northwest Pty Ltd (now known as Quadrant Northwest Pty Ltd) have, subject to certain conditions precedent, reached a settlement on confidential terms with each of the plaintiffs and related entities. No other material change in the status of this matter has occurred since the filing of Apache's Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

Environmental Matters

As of June 30, 2016, the Company had an undiscounted reserve for environmental remediation of approximately $57 million. The Company is not aware of any environmental claims existing as of June 30, 2016, that have not been provided for or would otherwise have a material impact on its financial position, results of operations, or liquidity. There can be no assurance, however, that current regulatory requirements will not change or past non-compliance with environmental laws will not be discovered on the Company’s properties.

Apache Canada Ltd. (ACL) reported a produced water release from a water injection pipeline in a remote area of the Belloy Field that occurred on or about May 4, 2016. The cause of the release remains under investigation. With respect to this release, the summons and information containing charges relating to a leak of produced water in the Zama area that occurred on or between October 3 and October 25, 2013, and the summons and information containing charges relating to a leak of produced water in the Belloy Field operating area that occurred on or about January 20, 2014, the Company does not expect the economic impact of these incidents to have a material effect on the Company’s financial position, results of operations, or liquidity. No other material change in the status of these matters has occurred since the filing of Apache’s Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

Australian Operations Divestiture Dispute

By a Sale and Purchase Agreement dated April 9, 2015 (“SPA”), the Company and its subsidiaries divested their remaining Australian operations to Viraciti Energy Pty Ltd, which has since been renamed Quadrant Energy Pty Ltd (“Quadrant”). Closing occurred on June 5, 2015. By letter dated June 6, 2016, Quadrant provided the Company with a one-year placeholder notice of claim under the SPA concerning tax and other issues totaling approximately $200 million in the aggregate. The Company is in the process of reviewing the issues raised by Quadrant and believes at this time that these matters will not have a material adverse effect on the Company’s financial position, results of operation, or liquidity.

LNG Divestiture Dispute

In respect of the purchase by Woodside of the Wheatstone and Kitimat LNG projects and accompanying upstream oil and gas reserves from the Company and its subsidiaries, several court proceedings are pending in the Supreme Court of Western Australia (Case Nos. 2315 of 2015, 2798 of 2015, 1504 of 2016, 1520 of 2016, and 1521 of 2016) concerning or arising out of the Wheatstone sale and purchase agreement, including whether certain amounts are due and owing Apache from Woodside and whether certain of Woodside’s purchase price adjustment claims are time-barred. In addition, Woodside is attempting to commence third party expert determination proceedings at the ICC International Centre for ADR in respect of certain aspects of its purchase price adjustment claims. The Company believes that under the terms of the sale and purchase agreements, Woodside’s requests for payment of purchase price adjustments lack merit and further that Woodside must reimburse Apache certain costs relating to Wheatstone and Kitimat; therefore, the Company has not recorded a liability associated with this dispute. No other material change in the status of these matters has occurred since the filing of Apache’s Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

10. CAPITAL STOCK

Net Loss per Common Share

A reconciliation of the components of basic and diluted net loss per common share for the quarters ended June 30, 2016 and 2015 is presented in the table below.

	For the Quarter Ended June 30,					
	2016			2015		
	Loss	Shares	Per Share	Income (Loss)	Shares	Per Share
	(In millions, except per share amounts)					
Basic:						
Loss from continuing operations	$ (244)	379	$ (0.65)	$ (980)	378	$ (2.60)
Income (loss) from discontinued operations	—	379	—	120	378	0.32
Loss attributable to common stock	$ (244)	379	$ (0.65)	$ (860)	378	$ (2.28)
Effect of Dilutive Securities:						
Stock options and other	$ —	—	$ —	$ —	—	$ —
Diluted:						
Loss from continuing operations	$ (244)	379	$ (0.65)	$ (980)	378	$ (2.60)
Income (loss) from discontinued operations	—	379	—	120	378	0.32
Loss attributable to common stock	$ (244)	379	$ (0.65)	$ (860)	378	$ (2.28)

	For the Six Months Ended June 30,					
	2016			2015		
	Loss	Shares	Per Share	Loss	Shares	Per Share
	(In millions, except per share amounts)					
Basic:						
Loss from continuing operations	$ (616)	379	$ (1.63)	$ (2,076)	377	$ (5.50)
Loss from discontinued operations	—	379	—	(118)	377	(0.31)
Loss attributable to common stock	$ (616)	379	$ (1.63)	$ (2,194)	377	$ (5.81)
Effect of Dilutive Securities:						
Stock options and other	—	—		—	—	
Diluted:						
Loss from continuing operations	$ (616)	379	$ (1.63)	$ (2,076)	377	$ (5.50)
Loss from discontinued operations	—	379	—	(118)	377	(0.31)
Loss attributable to common stock	$ (616)	379	$ (1.63)	$ (2,194)	377	$ (5.81)

The diluted earnings per share calculation excludes options and restricted stock units that were anti-dilutive totaling 6.3 million and 8.3 million for the quarters ended June 30, 2016 and 2015, respectively, and 7.4 million and 8.3 million for the six months ended June 30, 2016 and 2015, respectively.

Common Stock Dividends

For the quarters ended June 30, 2016, and 2015, Apache paid $95 million and $95 million, respectively, in dividends on its common stock. For the six months ended June 30, 2016 and 2015, the Company paid $189 million and $189 million, respectively.

Stock Repurchase Program

Apache's Board of Directors has authorized the purchase of up to 40 million shares of the Company's common stock. Shares may be purchased either in the open market or through privately negotiated transactions. The Company initiated the buyback program on June 10, 2013, and through December 31, 2015, had repurchased a total of 32.2 million shares at an average price of $88.96 per share. The Company is not obligated to acquire any specific number of shares and has not purchased any shares during 2016.

11. BUSINESS SEGMENT INFORMATION

Apache is engaged in a single line of business. Both domestically and internationally, the Company explores for, develops, and produces natural gas, crude oil, and natural gas liquids. At June 30, 2016, the Company had production in four reporting segments: the United States, Canada, Egypt, and offshore the United Kingdom in the North Sea (North Sea). Apache also pursues exploration interests in other areas that may, over time, result in reportable discoveries and development opportunities. Financial information for each country is presented below:

	United States	Canada	Egypt(1)	North Sea	Other International	Total(3)
			(In millions)			
For the Quarter Ended June 30, 2016						
Oil and Gas Production Revenues	$ 520	$ 73	$ 542	$ 251	$ —	$ 1,386
Operating Income (Loss)[2]	$ (109)	$ (57)	$ 220	$ (115)	$ —	$ (61)
Other Income (Expense):						
Gain (loss) on divestitures, net						17
Other						(21)
General and administrative						(103)
Transaction, reorganization, and separation						(9)
Financing costs, net						(104)
Loss Before Income Taxes						$ (281)
For the Six Months Ended June 30, 2016						
Oil and Gas Production Revenues	$ 929	$ 156	$ 934	$ 454	$ —	$ 2,473
Operating Income (Loss)[2]	$ (267)	$ (118)	$ 261	$ (101)	$ (1)	$ (226)
Other Income (Expense):						
Gain (loss) on divestitures, net						16
Other						(24)
General and administrative						(196)
Transaction, reorganization, and separation						(24)
Financing costs, net						(209)
Loss Before Income Taxes						$ (663)
Total Assets	$ 12,383	$ 2,070	$ 5,520	$ 4,326	$ 47	$ 24,346

	United States	Canada	Egypt(1)	North Sea	Other International	Total(3)
			(In millions)			
For the Quarter Ended June 30, 2015						
Oil and Gas Production Revenues	$ 767	$ 138	$ 703	$ 383	$ —	$ 1,991
Operating Income (Loss)(2)	$ (363)	$ (78)	$ 335	$ (40)	$ (1)	$ (147)
Other Income (Expense):						
Gain (loss) on divestitures, net						227
Other						28
General and administrative						(111)
Transaction, reorganization, and separation						(66)
Financing costs, net						(117)
Loss From Continuing Operations Before Income Taxes						$ (186)
For the Six Months Ended June 30, 2015						
Oil and Gas Production Revenues	$ 1,427	$ 271	$ 1,256	$ 696	$ —	$ 3,650
Operating Income (Loss)(2)	$ (2,382)	$ (174)	$ 499	$ (72)	$ (1)	$ (2,130)
Other Income (Expense):						
Gain (loss) on divestitures, net						209
Other						22
General and administrative						(195)
Transaction, reorganization, and separation						(120)
Financing costs, net						(241)
Loss From Continuing Operations Before Income Taxes						$ (2,455)
Total Assets	$ 20,367	$ 3,932	$ 7,435	$ 4,488	$ 580	$ 36,802

(1) Includes a noncontrolling interest in Egypt.

(2) Operating Income (Loss) consists of oil and gas production revenues less lease operating expenses, gathering and transportation costs, taxes other than income, exploration costs, depreciation, depletion, and amortization, asset retirement obligation accretion, and impairments. The operating income (loss) of U.S., Canada, and North Sea includes asset impairments totaling $125 million, $9 million, and $105 million, respectively, for the second quarter of 2016. The operating income (loss) of U.S., Canada, and North Sea includes asset impairments totaling $166 million, $10 million, and $105 million, respectively, for the first six months of 2016. The operating income (loss) of U.S., Canada, Egypt, and North Sea includes asset impairments totaling $465 million, $27 million, $5 million, and $163 million, respectively, for the second quarter of 2015. The operating income (loss) of U.S., Canada, Egypt, and North Sea include asset impairments totaling $2.4 billion, $54 million, $267 million, and $13 million, respectively, for the first six months of 2015.

(3) Amounts for 2015 have been restated to exclude Australia discontinued operations.

12. SUPPLEMENTAL GUARANTOR INFORMATION

In December 1999, Apache Finance Canada issued approximately $300 million of publicly-traded notes due in 2029. The notes are fully and unconditionally guaranteed by Apache. The following condensed consolidating financial statements are provided as an alternative to filing separate financial statements.

Apache Finance Canada is 100 percent owned by Apache Corporation. As such, these condensed consolidating financial statements should be read in conjunction with Apache's consolidated financial statements and the notes thereto, of which this note is an integral part.

APACHE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
For the Quarter Ended June 30, 2016

	Apache Corporation	Apache Finance Canada	All Other Subsidiaries of Apache Corporation	Reclassifications & Eliminations	Consolidated
			(In millions)		
REVENUES AND OTHER:					
Oil and gas production revenues	$ 270	$ —	$ 1,116	$ —	$ 1,386
Equity in net income of affiliates	(76)	6	—	70	—
Other	(22)	9	(8)	—	(21)
Gain (loss) on divestiture	(1)	—	18	—	17
	171	15	1,126	70	1,382
OPERATING EXPENSES:					
Lease operating expenses	66	—	293	—	359
Gathering and transportation	10	—	42	—	52
Taxes other than income	22	—	43	—	65
Exploration	76	—	15	—	91
General and administrative	86	—	17	—	103
Depreciation, depletion, and amortization	159	—	510	—	669
Asset retirement obligation accretion	5	—	33	—	38
Impairments	61	—	112	—	173
Transaction, reorganization, and separation	9	—	—	—	9
Financing costs, net	64	7	33	—	104
	558	7	1,098	—	1,663
NET INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(387)	8	28	70	(281)
Provision (benefit) for income taxes	(143)	2	60	—	(81)
NET INCOME (LOSS) FROM CONTINUING OPERATIONS INCLUDING NONCONTROLLING INTEREST	(244)	6	(32)	70	(200)
Net income (loss) from discontinued operations, net of tax	—	—	—	—	—
NET INCOME (LOSS) INCLUDING NONCONTROLLING INTEREST	(244)	6	(32)	70	(200)
Net income attributable to noncontrolling interest	—	—	44	—	44
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON STOCK	$ (244)	$ 6	$ (76)	$ 70	$ (244)

APACHE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
For the Quarter Ended June 30, 2015

	Apache Corporation	Apache Finance Canada	All Other Subsidiaries of Apache Corporation	Reclassifications & Eliminations	Consolidated
			(In millions)		
REVENUES AND OTHER:					
Oil and gas production revenues	$ 434	$ —	$ 1,557	$ —	$ 1,991
Equity in net income (loss) of affiliates	(172)	35	(1)	138	—
Other	(7)	12	4	19	28
Gain (loss) on divestiture	(16)	—	243	—	227
	239	47	1,803	157	2,246
OPERATING EXPENSES:					
Lease operating expenses	108	—	359	—	467
Gathering and transportation	7	—	42	—	49
Taxes other than income	33	—	22	—	55
Exploration	166	—	59	—	225
General and administrative	74	—	18	19	111
Depreciation, depletion, and amortization	232	—	562	—	794
Asset retirement obligation accretion	3	—	33	—	36
Impairments	201	—	311	—	512
Transaction, reorganization, and separation	66	—	—	—	66
Financing costs, net	116	11	(10)	—	117
	1,006	11	1,396	19	2,432
NET INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(767)	36	407	138	(186)
Provision (benefit) for income taxes	(79)	2	808	—	731
NET INCOME (LOSS) FROM CONTINUING OPERATIONS INCLUDING NONCONTROLLING INTEREST	(688)	34	(401)	138	(917)
Net loss from discontinued operations, net of tax	(172)	—	292	—	120
NET INCOME (LOSS) INCLUDING NONCONTROLLING INTEREST	(860)	34	(109)	138	(797)
Net income attributable to noncontrolling interest	—	—	63	—	63
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON STOCK	$ (860)	$ 34	$ (172)	$ 138	$ (860)

APACHE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
For the Six Months Ended June 30, 2016

	Apache Corporation	Apache Finance Canada	All Other Subsidiaries of Apache Corporation	Reclassifications & Eliminations	Consolidated
			(In millions)		
REVENUES AND OTHER:					
Oil and gas production revenues	$ 487	$ —	$ 1,986	$ —	$ 2,473
Equity in net income (loss) of affiliates	(184)	(20)	—	204	—
Other	6	21	(51)	—	(24)
Gain (loss) on divestiture	(2)	—	18	—	16
	307	1	1,953	204	2,465
OPERATING EXPENSES:					
Lease operating expenses	144	—	593	—	737
Gathering and transportation	19	—	85	—	104
Taxes other than income	43	—	33	—	76
Exploration	126	—	60	—	186
General and administrative	163	—	33	—	196
Depreciation, depletion, and amortization	315	—	1,032	—	1,347
Asset retirement obligation accretion	9	—	67	—	76
Impairments	61	—	112	—	173
Transaction, reorganization, and separation	24	—	—	—	24
Financing costs, net	125	17	67	—	209
	1,029	17	2,082	—	3,128
NET INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(722)	(16)	(129)	204	(663)
Provision (benefit) for income taxes	(106)	4	10	—	(92)
NET INCOME (LOSS) FROM CONTINUING OPERATIONS INCLUDING NONCONTROLLING INTEREST	(616)	(20)	(139)	204	(571)
Net loss from discontinued operations, net of tax	—	—	—	—	—
NET INCOME (LOSS) INCLUDING NONCONTROLLING INTEREST	(616)	(20)	(139)	204	(571)
Net income attributable to noncontrolling interest	—	—	45	—	45
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON STOCK	$ (616)	$ (20)	$ (184)	$ 204	$ (616)

APACHE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
For the Six Months Ended June 30, 2015

	Apache Corporation	Apache Finance Canada	All Other Subsidiaries of Apache Corporation	Reclassifications & Eliminations	Consolidated
			(In millions)		
REVENUES AND OTHER:					
Oil and gas production revenues	$ 799	$ —	$ 2,851	$ —	$ 3,650
Equity in net income (loss) of affiliates	(1,419)	(18)	—	1,437	—
Other	(45)	26	22	19	22
Gain (loss) on divestiture	(29)	—	238	—	209
	(694)	8	3,111	1,456	3,881
OPERATING EXPENSES:					
Lease operating expenses	232	—	716	—	948
Gathering and transportation	16	—	89	—	105
Taxes other than income	67	—	61	—	128
Exploration	261	—	222	—	483
General and administrative	136	—	40	19	195
Depreciation, depletion, and amortization	494	—	1,126	—	1,620
Asset retirement obligation accretion	7	—	65	—	72
Impairments	1,365	—	1,059	—	2,424
Transaction, reorganization, and separation	120	—	—	—	120
Financing costs, net	215	21	5	—	241
	2,913	21	3,383	19	6,336
NET INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(3,607)	(13)	(272)	1,437	(2,455)
Provision for income taxes	(1,585)	5	1,110	—	(470)
NET INCOME (LOSS) FROM CONTINUING OPERATIONS INCLUDING NONCONTROLLING INTEREST	(2,022)	(18)	(1,382)	1,437	(1,985)
Net loss from discontinued operations, net of tax	(172)	—	54	—	(118)
NET INCOME (LOSS) INCLUDING NONCONTROLLING INTEREST	(2,194)	(18)	(1,328)	1,437	(2,103)
Net income attributable to noncontrolling interest	—	—	91	—	91
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON STOCK	$ (2,194)	$ (18)	$ (1,419)	$ 1,437	$ (2,194)

APACHE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
For the Six Months Ended June 30, 2016

	Apache Corporation	Apache Finance Canada	All Other Subsidiaries of Apache Corporation	Reclassifications & Eliminations	Consolidated
			(In millions)		
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ 110	$ —	$ 873	$ —	$ 983
CASH FLOWS FROM INVESTING ACTIVITIES:					
Additions to oil and gas property	(53)	—	(872)	—	(925)
Leasehold and property acquisitions	(53)	—	(65)	—	(118)
Investment in subsidiaries, net	(39)	—	—	39	—
Other	(3)	—	80	—	77
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(148)	—	(857)	39	(966)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Intercompany borrowings	—	1	38	(39)	—
Distributions to noncontrolling interest	—	—	(93)	—	(93)
Dividends paid	(189)	—	—	—	(189)
Other	1	(1)	(1)	—	(1)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(188)	—	(56)	(39)	(283)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(226)	—	(40)	—	(266)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	378	—	1,089	—	1,467
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 152	$ —	$ 1,049	$ —	$ 1,201

APACHE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
For the Six Months Ended June 30, 2015

	Apache Corporation	Apache Finance Canada	All Other Subsidiaries of Apache Corporation	Reclassifications & Eliminations	Consolidated
			(In millions)		
CASH PROVIDED BY (USED IN) CONTINUING OPERATING ACTIVITIES	$ 54	$ (21)	$ 1,590	$ —	$ 1,623
CASH PROVIDED BY DISCONTINUED OPERATIONS	—	—	159	—	159
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	54	(21)	1,749	—	1,782
CASH FLOWS FROM INVESTING ACTIVITIES:					
Additions to oil and gas property	(1,095)	—	(1,688)	—	(2,783)
Leasehold and property acquisitions	(124)	—	(4)	—	(128)
Additions to gas gathering, transmission, and processing facilities	(24)	—	(70)	—	(94)
Proceeds from sale Kitimat LNG	—	—	854	—	854
Proceeds from sale of other oil and gas properties	4	—	115	—	119
Investment in subsidiaries, net	82	—	—	(82)	—
Other	(16)	—	(51)	—	(67)
NET CASH USED IN CONTINUING INVESTING ACTIVITIES	(1,173)	—	(844)	(82)	(2,099)
NET CASH PROVIDED BY DISCONTINUED OPERATIONS	—	—	4,372	—	4,372
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(1,173)	—	3,528	(82)	2,273
CASH FLOWS FROM FINANCING ACTIVITIES:					
Commercial paper and bank credit facilities, net	(1,570)	—	—	—	(1,570)
Intercompany borrowings	4,562	(10)	(4,634)	82	—
Distributions to noncontrolling interest	—	—	(40)	—	(40)
Dividends paid	(189)	—	—	—	(189)
Other	2	31	(18)	—	15
NET CASH PROVIDED BY (USED IN) CONTINUING FINANCING ACTIVITIES	2,805	21	(4,692)	82	(1,784)
NET CASH USED IN DISCONTINUED OPERATIONS	—	—	—	—	—
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	2,805	21	(4,692)	82	(1,784)
NET DECREASE IN CASH AND CASH EQUIVALENTS	1,686	—	585	—	2,271
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	267	—	412	—	679
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 1,953	$ —	$ 997	$ —	$ 2,950

APACHE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATING BALANCE SHEET
June 30, 2016

	Apache Corporation	Apache Finance Canada	All Other Subsidiaries of Apache Corporation	Reclassifications & Eliminations	Consolidated
			(In millions)		
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	$ 152	$ —	$ 1,049	$ —	$ 1,201
Receivables, net of allowance	330	—	686	—	1,016
Inventories	32	—	498	—	530
Drilling advances	6	—	196	—	202
Deferred tax asset	(28)	—	28	—	—
Prepaid assets and other	193	—	150	—	343
Intercompany receivable	5,371	—	—	(5,371)	—
	6,056	—	2,607	(5,371)	3,292
PROPERTY AND EQUIPMENT, NET	6,304	—	13,839	—	20,143
OTHER ASSETS:					
Intercompany receivable	—	—	11,083	(11,083)	—
Equity in affiliates	15,908	(1,080)	699	(15,527)	—
Deferred charges and other	93	1,000	818	(1,000)	911
	$ 28,361	$ (80)	$ 29,046	$ (32,981)	$ 24,346
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES:					
Accounts payable	$ 324	$ (2)	$ 222	$ —	$ 544
Other current liabilities	403	2	621	—	1,026
Intercompany payable	—	—	5,371	(5,371)	—
	727	—	6,214	(5,371)	1,570
LONG-TERM DEBT	8,431	297	(9)	—	8,719
DEFERRED CREDITS AND OTHER NONCURRENT LIABILITIES:					
Intercompany payable	10,976	—	107	(11,083)	—
Income taxes	(114)	5	2,417	—	2,308
Asset retirement obligation	277	—	2,429	—	2,706
Other	922	(1)	426	(1,000)	347
	12,061	4	5,379	(12,083)	5,361
COMMITMENTS AND CONTINGENCIES					
APACHE SHAREHOLDERS' EQUITY	7,142	(381)	15,908	(15,527)	7,142
Noncontrolling interest	—	—	1,554	—	1,554
TOTAL EQUITY	7,142	(381)	17,462	(15,527)	8,696
	$ 28,361	$ (80)	$ 29,046	$ (32,981)	$ 24,346

APACHE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATING BALANCE SHEET
December 31, 2015

	Apache Corporation	Apache Finance Canada	All Other Subsidiaries of Apache Corporation	Reclassifications & Eliminations	Consolidated
			(In millions)		
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	$ 378	$ —	$ 1,089	$ —	$ 1,467
Receivables, net of allowance	314	—	939	—	1,253
Inventories	34	—	536	—	570
Drilling advances	16	—	156	—	172
Prepaid assets and other	102	—	188	—	290
Intercompany receivable	5,212	—	—	(5,212)	—
	6,056	—	2,908	(5,212)	3,752
PROPERTY AND EQUIPMENT, NET	6,546	—	14,292	—	20,838
OTHER ASSETS:					
Intercompany receivable	—	—	10,744	(10,744)	—
Equity in affiliates	16,092	(807)	446	(15,731)	—
Deferred charges and other	96	1,001	813	(1,000)	910
	$ 28,790	$ 194	$ 29,203	$ (32,687)	$ 25,500
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES:					
Accounts payable	$ 409	$ —	$ 209	$ —	$ 618
Other current liabilities	539	3	681	—	1,223
Intercompany payable	—	—	5,212	(5,212)	—
	948	3	6,102	(5,212)	1,841
LONG-TERM DEBT	8,418	298	—	—	8,716
DEFERRED CREDITS AND OTHER NONCURRENT LIABILITIES:					
Intercompany payable	10,744	—	—	(10,744)	—
Income taxes	(412)	4	2,937	—	2,529
Asset retirement obligation	271	—	2,291	—	2,562
Other	933	250	179	(1,000)	362
	11,536	254	5,407	(11,744)	5,453
COMMITMENTS AND CONTINGENCIES					
APACHE SHAREHOLDERS' EQUITY	7,888	(361)	16,092	(15,731)	7,888
Noncontrolling interest	—	—	1,602	—	1,602
TOTAL EQUITY	7,888	(361)	17,694	(15,731)	9,490
	$ 28,790	$ 194	$ 29,203	$ (32,687)	$ 25,500

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

The following discussion relates to Apache Corporation and its consolidated subsidiaries and should be read in conjunction with our consolidated financial statements and accompanying notes included under Part I, Item 1, "Financial Statements" of this Quarterly Report on Form 10-Q, as well as our consolidated financial statements, accompanying notes and Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015. Financial information for all periods has been recast to reflect the retrospective application of the successful efforts method of accounting, as discussed under Note 1 in Part I, Item 1, of this Quarterly Report on Form 10-Q. Results of operations and consolidated cash flows for our divested Australia assets are reflected as discontinued operations in all periods presented in this Quarterly Report on Form 10-Q for the quarter ended June 30, 2016.

Overview

Apache Corporation, a Delaware corporation formed in 1954, is an independent energy company that explores for, develops, and produces natural gas, crude oil, and natural gas liquids. The Company has exploration and production interests in four geographic areas: the United States (U.S.), Canada, Egypt, and offshore the United Kingdom (U.K.) in the North Sea (North Sea). Apache also pursues exploration interests in other areas that may over time result in reportable discoveries and development opportunities.

Apache reported a second quarter loss of $244 million, or $0.65 per common share. These results include after-tax asset impairments of $139 million, or $0.37 per common share. During the second quarter of 2016, Apache generated cash from operating activities of $744 million, a substantial increase from last quarter but significantly lower than the $1.2 billion in second quarter of last year.

While Apache continues to be negatively impacted by low commodity prices, we have seen positive results from our aggressive efforts to reduce costs. Lease operating expenses in the second quarter were $108 million lower, or 23 percent, from the same quarter in 2015. These reductions were driven by efforts to align staffing levels, renegotiate contracts, and reduce third-party contractor costs. In addition, we diligently focused on improving our well costs, realizing substantial drilling efficiencies and cost reductions compared to the prior year, and we have been able to maintain these savings for the past two quarters.

We now project 2016 full-year capital spending to be at the high end of our $1.4 billion to $1.8 billion guidance range. Our capital allocation process will remain methodical and rigorous, with a primary focus on returns. We remain committed to achieving "cash flow neutrality" in 2016, and we believe we remain on track to exit the year with no significant change in net debt (debt less cash) related to year-end 2015. We exited the second quarter with $1.2 billion in cash, an increase of $200 million from the end of the first quarter of this year, and $3.5 billion in available committed borrowing capacity.

Operating Highlights

Significant operating activities for the quarter include the following:

Overall

- Equivalent production decline from second quarter of 2015 levels was only 8 percent, despite a significant reduction in capital investments in 2015 and the first quarter of 2016 when compared to prior-year levels.
- Liquids production for the second quarter of 2016 averaged 348 thousand barrels of oil equivalent per day (Mboe/d), with crude oil representing 82 percent of total liquids production. Liquids production decreased 6 percent from the second quarter of 2015.

North America

- Onshore equivalent production was down 11 percent for the quarter relative to the 2015 period. This production performance is notable given a significant reduction in North American onshore exploration and development capital spending during 2015 and the first half of 2016.
- Second quarter equivalent production from the Permian Basin region, which accounts for more than half of our total onshore North American production, decreased 4 percent from the second quarter of 2015 despite significantly fewer wells placed on production during the second quarter of 2016.

International and Offshore

- In Egypt, we averaged 4 rigs and placed 14 wells on production during the quarter. Gross equivalent production remained flat compared with the second quarter of 2015, driven by an increase of 4 percent in higher margin oil production, which was offset by a decline in lower margin natural gas production. On a net basis, equivalent production declined 5 percent from the second quarter of 2015, the impact of cost recovery volumes under our production-sharing contracts.
- North Sea average daily production increased 2 percent for the second quarter of 2016 from the second quarter of last year as a result of three new wells brought onto production late in the first quarter of 2016.

Results of Operations

Oil and Gas Revenues

The table below presents revenues by geographic region and each region's percent contribution to revenues for 2016 and 2015.

	For the Quarter Ended June 30,				For the Six Months Ended June 30,			
	2016		2015		2016		2015	
	$ Value	% Contribution	$ Value	% Contribution	$ Value	% Contribution	$ Value	% Contribution
	($ in millions)							
Total Oil Revenues:								
United States	$ 409	37%	$ 627	39%	$ 722	37%	$ 1,137	39%
Canada	46	4%	75	4%	85	5%	135	5%
North America	455	41%	702	43%	807	42%	1,272	44%
Egypt (1)	437	39%	572	36%	733	38%	1,018	35%
North Sea	226	20%	344	21%	400	20%	621	21%
International (1)	663	59%	916	57%	1,133	58%	1,639	56%
Total (1)	$ 1,118	100%	$ 1,618	100%	$ 1,940	100%	$ 2,911	100%
Total Natural Gas Revenues:								
United States	$ 62	30%	$ 90	29%	$ 124	29%	$ 193	31%
Canada	23	11%	61	19%	64	15%	128	21%
North America	85	41%	151	48%	188	44%	321	52%
Egypt (1)	102	49%	127	40%	195	45%	231	37%
North Sea	22	10%	37	12%	49	11%	71	11%
International (1)	124	59%	164	52%	244	56%	302	48%
Total (1)	$ 209	100%	$ 315	100%	$ 432	100%	$ 623	100%
Total Natural Gas Liquids (NGL) Revenues:								
United States	$ 49	83%	$ 50	86%	$ 83	82%	$ 97	84%
Canada	4	7%	2	4%	7	7%	8	7%
North America	53	90%	52	90%	90	89%	105	91%
Egypt (1)	3	5%	4	7%	6	6%	7	6%
North Sea	3	5%	2	3%	5	5%	4	3%
International (1)	6	10%	6	10%	11	11%	11	9%
Total (1)	$ 59	100%	$ 58	100%	$ 101	100%	$ 116	100%
Total Oil and Gas Revenues:								
United States	$ 520	38%	$ 767	38%	$ 929	38%	$ 1,427	39%
Canada	73	5%	138	7%	156	6%	271	8%
North America	593	43%	905	45%	1,085	44%	1,698	47%
Egypt (1)	542	39%	703	36%	934	38%	1,256	34%
North Sea	251	18%	383	19%	454	18%	696	19%
International (1)	793	57%	1,086	55%	1,388	56%	1,952	53%
Total (1)	$ 1,386	100%	$ 1,991	100%	$ 2,473	100%	$ 3,650	100%
Discontinued Operations:								
Oil Revenues	$ —		$ 57		—		138	
Natural Gas Revenues	—		53		—		140	
NGL Revenues	—		—		—		—	
Total	$ —		$ 110		—		278	

(1) Includes revenues attributable to a noncontrolling interest in Egypt.

Production

The table below presents the second-quarter and year-to-date 2016 and 2015 production and the relative increase or decrease from the prior period.

	For the Quarter Ended June 30,			For the Six Months Ended June 30,		
	2016	Increase (Decrease)	2015	2016	Increase (Decrease)	2015
Oil Volume – b/d						
United States	106,741	(16)%	127,698	111,300	(12)%	127,171
Canada	12,917	(18)%	15,791	13,690	(16)%	16,330
North America	119,658	(17)%	143,489	124,990	(13)%	143,501
Egypt[(1)(2)]	106,223	2 %	103,865	102,241	3 %	99,494
North Sea	59,124	—	58,873	58,043	(4)%	60,279
International	165,347	2 %	162,738	160,284	—	159,773
Total	285,005	(7)%	306,227	285,274	(6)%	303,274
Natural Gas Volume – Mcf/d						
United States	408,126	(9)%	446,788	408,943	(7)%	441,333
Canada	246,830	(13)%	282,971	256,635	(10)%	285,251
North America	654,956	(10)%	729,759	665,578	(8)%	726,584
Egypt[(1)(2)]	408,013	(15)%	478,170	402,806	(8)%	437,611
North Sea	60,318	7 %	56,367	65,556	23 %	53,423
International	468,331	(12)%	534,537	468,362	(5)%	491,034
Total	1,123,287	(11)%	1,264,296	1,133,940	(7)%	1,217,618
NGL Volume – b/d						
United States	55,632	1 %	54,944	55,666	9 %	51,104
Canada	5,092	(13)%	5,825	5,797	(1)%	5,839
North America	60,724	—	60,769	61,463	8 %	56,943
Egypt[(1)(2)]	950	(26)%	1,289	1,119	(7)%	1,204
North Sea	1,563	89 %	826	1,486	74 %	856
International	2,513	19 %	2,115	2,605	26 %	2,060
Total	63,237	1 %	62,884	64,068	9 %	59,003
BOE per day[(3)]						
United States	230,393	(10)%	257,107	235,123	(7)%	251,831
Canada	59,148	(14)%	68,778	62,260	(11)%	69,711
North America	289,541	(11)%	325,885	297,383	(8)%	321,542
Egypt[(2)]	175,175	(5)%	184,848	170,494	(2)%	173,634
North Sea	70,740	2 %	69,094	70,455	1 %	70,038
International	245,915	(3)%	253,942	240,949	(1)%	243,672
Total	535,456	(8)%	579,827	538,332	(5)%	565,214
Discontinued Operations:						
Oil (b/d)	—		9,849	—		15,346
Natural Gas (Mcf/d)	—		149,336	—		189,789
NGL (b/d)	—		—	—		—
BOE/d	—		34,738	—		46,978

(1) Gross oil, natural gas, and NGL production in Egypt for the second quarter and six-month period of 2016 and 2015 were as follows:

	For the Quarter Ended June 30,		For the Six Months Ended June 30,	
	2016	2015	2016	2015
Oil (b/d)	212,218	203,319	211,032	200,568
Natural Gas (Mcf/d)	814,283	861,181	830,165	861,555
NGL (b/d)	1,757	2,549	1,951	2,436

(2) Includes production volumes per day attributable to a noncontrolling interest in Egypt for the second quarter and six-months period of 2016 and 2015 of:

	For the Quarter Ended June 30,		For the Six Months Ended June 30,	
	2016	2015	2016	2015
Oil (b/d)	35,357	34,580	34,017	33,144
Natural Gas (Mcf/d)	136,029	158,848	134,266	145,598
NGL (b/d)	317	430	373	402

(3) The table shows production on a barrel of oil equivalent basis (boe) in which natural gas is converted to an equivalent barrel of oil based on a 6:1 energy equivalent ratio. This ratio is not reflective of the price ratio between the two products.

Pricing

The table below presents second-quarter and year-to-date 2016 and 2015 pricing and the relative increase or decrease from the prior periods.

	For the Quarter Ended June 30,			For the Six Months Ended June 30,		
	2016	**Increase (Decrease)**	**2015**	**2016**	**Increase (Decrease)**	**2015**
Average Oil Price - Per barrel						
United States	$ 41.95	(22)%	$ 53.94	$ 35.61	(28)%	$ 49.38
Canada	39.39	(25)%	52.22	34.11	(26)%	45.81
North America	41.45	(23)%	53.75	35.34	(28)%	48.97
Egypt	45.42	(25)%	60.83	39.47	(30)%	56.56
North Sea	45.56	(29)%	64.03	39.64	(30)%	56.86
International	45.47	(26)%	61.86	39.53	(30)%	56.67
Total	43.14	(26)%	58.06	37.37	(30)%	53.03
Average Natural Gas Price - Per Mcf						
United States	$ 1.70	(23)%	$ 2.21	$ 1.67	(31)%	$ 2.42
Canada	1.01	(57)%	2.34	1.36	(45)%	2.46
North America	1.44	(36)%	2.26	1.55	(36)%	2.44
Egypt	2.72	(7)%	2.91	2.65	(9)%	2.92
North Sea	3.95	(46)%	7.35	4.11	(44)%	7.37
International	2.88	(15)%	3.38	2.86	(16)%	3.40
Total	2.04	(26)%	2.74	2.09	(26)%	2.83
Average NGL Price - Per barrel						
United States	$ 9.74	(4)%	$ 10.11	$ 8.17	(22)%	$ 10.52
Canada	8.54	94 %	4.41	6.88	(11)%	7.74
North America	9.64	1 %	9.56	8.05	(21)%	10.23
Egypt	27.68	(4)%	28.95	27.24	(15)%	32.14
North Sea	22.25	(28)%	30.94	20.29	(27)%	27.75
International	24.30	(18)%	29.73	23.28	(23)%	30.32
Total	10.22	—	10.24	8.67	(21)%	10.93
Discontinued Operations:						
Oil price ($/Bbl)	$ —		$ 63.60	$ —		$ 49.76
Natural Gas price ($/Mcf)	—		3.88	—		4.07
NGL price ($/Bbl)	—		—	—		—

Second-Quarter 2016 compared to Second-Quarter 2015

Crude Oil Revenues Crude oil revenues for the second quarter of 2016 totaled $1.1 billion, a $500 million decrease from the comparative 2015 quarter. A 7 percent decrease in average daily production reduced second-quarter 2016 revenues by $84 million compared to the prior-year quarter, while 26 percent lower average realized prices decreased revenues by $416 million. Crude oil accounted for 81 percent of oil and gas production revenues and 53 percent of worldwide production in the second quarter of 2016. Crude oil prices realized in the second quarter of 2016 averaged $43.14 per barrel, compared with $58.06 per barrel in the comparative prior-year quarter.

Worldwide oil production decreased 21.2 Mb/d to 285.0 Mb/d, primarily a result of reduced drilling activity in response to low commodity prices. Decreases from natural decline were partially offset by new production in the North Sea’s Beryl field and in Egypt.

Natural Gas Revenues Gas revenues for the second quarter of 2016 totaled $209 million, an $106 million decrease from the comparative 2015 quarter. An 11 percent decrease in average daily production reduced second-quarter revenues by $26 million compared to the prior-year quarter, while 26 percent lower average realized prices decreased revenues by $80 million. Natural gas accounted for 15 percent of our oil and gas production revenues and 35 percent of our equivalent production during the second quarter of 2016.

NGL Revenues NGL revenues for the second quarter of 2016 totaled $59 million, a $1 million increase from the comparative 2015 quarter. A 1 percent increase in average daily production increased second-quarter 2016 revenues by approximately $1 million, while average realized prices remained essentially flat for the second quarter of 2016 compared to the prior-year quarter. NGLs accounted for 4 percent of our oil and gas production revenues and 12 percent of our equivalent production during the second quarter of 2016.

Worldwide production of NGLs increased 353 b/d to 63.2 Mb/d in the second quarter of 2016, primarily the result of new production from completion activity in our North American onshore areas, gas processing plant downtime in the prior year period, and changes to existing gas processing arrangements.

Year-to-Date 2016 compared to Year-to-Date 2015

Crude Oil Revenues Crude oil revenues for the first six months of 2016 totaled $1.9 billion, a $971 million decrease from the comparative 2015 period. A 6 percent decrease in average daily production reduced 2016 oil revenues by $111 million compared to the prior-year period, while 30 percent lower average realized prices decreased revenues by $860 million. Crude oil accounted for 79 percent of oil and gas production revenues and 53 percent of worldwide production for the first six months of 2016, compared to 80 percent and 54 percent, respectively, for the 2015 period. Crude oil prices realized in the first six months of 2016 averaged $37.37 per barrel, compared with $53.03 per barrel in the comparative prior-year period.

Worldwide production decreased 18.0 Mb/d to 285.3 Mb/d in the first six months of 2016 from the comparative prior-year period, primarily a result of reduced drilling activity in response to lower commodity prices.

Natural Gas Revenues Gas revenues for the first six months of 2016 totaled $432 million, a $191 million decrease from the comparative 2015 period. A 7 percent decrease in average daily production reduced 2016 natural gas revenues by $29 million compared to the prior-year period, while 26 percent lower average realized prices decreased revenues by $162 million. Natural gas accounted for 17 percent of our oil and gas production revenues and 35 percent of our equivalent production for the first six months of 2016, compared to 17 percent and 36 percent, respectively, for the 2015 period.

Our worldwide natural gas production decreased 83.7 MMcf/d to 1,134 MMcf/d in the first six months of 2016 from the comparative prior-year period, primarily the result of reduced drilling activity in response to lower commodity prices.

NGL Revenues NGL revenues for the first six months of 2016 totaled $101 million, a $15 million decrease from the comparative 2015 period. A 9 percent increase in average production increased 2016 NGL revenues by $9 million compared to the prior-year period, while 21 percent lower average realized prices decreased revenues by $24 million. NGLs accounted for nearly 4 percent of oil and gas production revenues and 12 percent of our equivalent production for the first six months of 2016, compared to 3 percent and 10 percent, respectively, for the 2015 period.

Worldwide production of NGLs increased 5.1 Mb/d to 64.1 Mb/d in the first six months of 2016 from the comparative prior-year period, primarily as a result of North American onshore production growth from drilling and recompletion activity and also new production in North Sea's Beryl field.

Operating Expenses

The table below presents a comparison of our expenses on an absolute dollar basis and a boe basis. Our discussion may reference expenses on a boe basis, on an absolute dollar basis or both, depending on their relevance. Operating expenses include costs attributable to a noncontrolling interest in Egypt but, for the quarter and six months ended June 30, 2015, exclude discontinued operations in Australia.

	For the Quarter Ended June 30,				For the Six Months Ended June 30,			
	2016	2015	2016	2015	2016	2015	2016	2015
	(In millions)		(Per boe)		(In millions)		(Per boe)	
Lease operating expense	$ 359	$ 467	$ 7.38	$ 8.85	$ 737	$ 948	$ 7.52	$ 9.26
Gathering and transportation	52	49	1.06	0.92	104	105	1.07	1.04
Taxes other than income	65	55	1.33	1.04	76	128	0.78	1.25
Exploration	91	225	1.87	4.26	186	483	1.90	4.72
General and administrative	103	111	2.10	2.10	196	195	2.00	1.90
Depreciation, depletion, and amortization:								
Oil and gas property and equipment	629	711	12.92	13.47	1,265	1,454	12.91	14.22
Other assets	40	83	0.83	1.57	82	166	0.84	1.62
Asset retirement obligation accretion	38	36	0.78	0.68	76	72	0.77	0.71
Impairments	173	512	3.56	9.72	173	2,424	1.77	23.70
Transaction, reorganization, and separation	9	66	0.17	1.25	24	120	0.24	1.17
Financing costs, net	104	117	2.15	2.23	209	241	2.13	2.35
Total	$ 1,663	$ 2,432	$ 34.15	$ 46.09	$ 3,128	$ 6,336	$ 31.93	$ 61.94

Lease Operating Expenses (LOE) LOE decreased $108 million, or 23 percent, for the quarter, and $211 million, or 22 percent, for the six-month period, on an absolute dollar basis relative to the comparable periods of 2015. On a per-unit basis, LOE decreased 17 percent to $7.38 per boe for the second quarter of 2016, and 19 percent to $7.52 per boe for the first six months of 2016, as compared to the prior-year periods. These reductions reflect the impact of our continued focus on cost reductions consistent with the current price environment.

Gathering and Transportation Gathering and transportation costs totaled $52 million and $104 million in the second quarter and first six months of 2016, respectively, an increase of $3 million from the second quarter of 2015, while staying flat when compared to the first six months of 2015. The second quarter increase from the prior year period was driven primarily by rate changes in our North American onshore properties.

Taxes other than Income Taxes other than income totaled $65 million and $76 million for the second quarter and first six months of 2016, respectively, an increase of $10 million from the second quarter of 2015 and a decrease of $52 million from the first six months of 2015. The North Sea Petroleum Revenue Tax (PRT) is assessed on qualifying fields in the U.K. North Sea. U.K. PRT was $34 million higher than the second quarter of 2015 and $7 million lower than the first six months of 2015, respectively, as a result of lower revenues, a lower PRT rate, and additional qualifying costs reducing prior-year PRT. Severance tax expense and ad valorem tax expense decreased $9 million and $4 million, respectively, on lower oil production and commodity prices during the second quarter compared to the prior year quarter. For the first six months of 2016, severance tax expense and ad valorem tax expense decreased $21 million and $12 million, respectively, compared to the first six months of 2015.

On March 24, 2016, the U.K. government released Finance Bill 2016, which provides tax relief to exploration and production (E&P) companies operating in the North Sea. The bill is expected to receive Royal Assent later this year. Under the bill, the U.K. PRT rate will be reduced to zero from the current 35 percent rate and will be effective January 1, 2016. Upon enactment, PRT expense ceases prospectively. As a further result of this change, the Company expects to record a charge of approximately $290 million (after-tax) for PRT benefits that are no longer expected to be realizable from future abandonment activities.

Exploration Expense Exploration expense includes unproved leasehold impairments, exploration dry hole expense, geological and geophysical expenses, and the costs of maintaining and retaining unproved leasehold properties. Exploration expenses in the second quarter and first six months of 2016 decreased $134 million and $297 million, respectively, from the comparative prior-year periods as a result of a reduction in unproved leasehold impairments and reduced drilling activity in response to lower commodity prices.

The following table presents a summary of exploration expense:

	For the Quarter Ended June 30,		For the Six Months Ended June 30,	
	2016	2015	2016	2015
	(In millions)			
Unproved leasehold impairments	$ 66	$ 148	$ 108	$ 316
Dry hole expense	3	35	31	69
Geological and geophysical expense	4	17	9	47
Exploration overhead and other	18	25	38	51
	$ 91	$ 225	$ 186	$ 483

General and Administrative (G&A) Expenses In line with our continued focus on cost reduction efforts, G&A expense for the second quarter of 2016 was $8 million lower than the second quarter of 2015. For the first six months of 2016, G&A expense remained flat as the result of $18 million in reductions from lower than expected incentive compensation payouts and lower stock based compensation expense during the first half of 2015. Absent these benefits to the first half of 2015 G&A, G&A expense for the first six months of 2016 would have been $17 million lower.

Depreciation, Depletion, and Amortization (DD&A) Oil and gas property DD&A expense of $629 million in the second quarter of 2016 decreased $82 million compared to the second quarter of 2015. For the first six months of 2016, oil and gas property DD&A expense decreased $189 million compared to prior-year period. The Company's oil and gas property DD&A rate decreased $0.55 per boe and $1.31 per boe in the second quarter and first six months of 2016, respectively, compared to the comparable prior-year periods. The primary factor driving both lower absolute dollar expense and lower DD&A per boe rates was the reduction in the Company's oil and gas properties as a result of impairments to proved properties in 2015.

Impairments During each of the second quarter and first six months of 2016, the Company recorded asset impairments totaling $173 million related to certain property and equipment, compared to $512 million and $2.4 billion of impairments in the second quarter and first six months of 2015, respectively.

Transaction, Reorganization, and Separation The Company incurred $9 million and $24 million for the second quarter and first six months of 2016, respectively, related to company reorganization costs. The costs incurred for the year includes approximately $19 million for employee separation and $5 million for consolidation of office space and other reorganization efforts.

Financing Costs, Net Financing costs incurred during the period comprised the following:

	For the Quarter Ended June 30,		For the Six Months Ended June 30,	
	2016	2015	2016	2015
	(In millions)			
Interest expense	$ 116	$ 123	$ 232	$ 251
Amortization of deferred loan costs	2	2	3	4
Capitalized interest	(12)	(5)	(23)	(9)
Interest income	(2)	(3)	(3)	(5)
Financing costs, net	$ 104	$ 117	$ 209	$ 241

Net financing costs decreased $13 million and $32 million in the second quarter and first six months of 2016, respectively compared to the same prior-year period on lower interest expense.

Provision for Income Taxes The Company estimates its annual effective income tax rate for continuing operations in recording its quarterly provision for income taxes in the various jurisdictions in which the Company operates. Non-cash impairments of the carrying value of the Company’s proved and unproved oil and gas properties, statutory tax rate changes, and other significant or unusual items are recognized as discrete items in the quarter in which they occur.

During the second quarter of 2016, Apache’s effective income tax rate was primarily impacted by an increase in the valuation allowance on Canadian deferred tax assets. During the second quarter of 2015, Apache’s effective tax rate was primarily impacted by non-cash impairments of the carrying value of the Company's proved oil and gas properties and an increase in the amount of valuation allowances on Canadian deferred tax assets and U.S. foreign tax credits.

Apache’s 2016 year-to-date effective tax rate is primarily impacted by an increase in the valuation allowance on Canadian deferred tax assets. Apache’s 2015 year-to-date effective tax rate was primarily impacted by non-cash impairments of the carrying value of the Company’s proved oil and gas properties and an increase in the amount of valuation allowances on Canadian deferred tax assets and U.S. foreign tax credits, offset by a $414 million deferred tax benefit associated with a reduction in the U.K. statutory income tax rate from 62 percent to 50 percent.

On March 24, 2016, the U.K. government released Finance Bill 2016. The bill is expected to receive Royal Assent later this year. Under the bill, the U.K. corporate income tax rate will be reduced from 50 percent to 40 percent, effective January 1, 2016. Under U.S. GAAP, the effect of a change in tax rate will be recognized at the date of enactment (i.e., the date when the bill receives Royal Assent). As such, the proposed rate change is not reflected in the current financial statements. Upon the bill receiving Royal Assent, the Company will record a deferred tax benefit of approximately $239 million related to the remeasurement of the Company's December 31, 2015 U.K. deferred income tax liability.

Capital Resources and Liquidity

Operating cash flows are the Company's primary source of liquidity. We may also elect to utilize available committed borrowing capacity, access to both debt and equity capital markets, or proceeds from the sale of nonstrategic assets for all other liquidity and capital resource needs.

Apache's operating cash flows, both in the short-term and the long-term, are impacted by highly volatile oil and natural gas prices, as well as costs and sales volumes. Significant changes in commodity prices impact our revenues, earnings, and cash flows. These changes potentially impact our liquidity if costs do not trend with changes in commodity prices. Historically, costs have trended with commodity prices, albeit with a lag. Sales volumes also impact cash flows; however, they have a less volatile impact in the short-term.

Apache's long-term operating cash flows are dependent on reserve replacement and the level of costs required for ongoing operations. Cash investments are required to fund activity necessary to offset the inherent declines in production and proved crude oil and natural gas reserves. Future success in maintaining and growing reserves and production is highly dependent on the success of our drilling program and our ability to add reserves economically. Deterioration in commodity prices also impacts estimated quantities of proved reserves. In the second quarter of 2016, we recognized negative reserve revisions of approximately 10 percent of our year-end 2015 estimated proved reserves as a result of lower prices. If realized prices for the remainder of 2016 approximate commodity future prices as of June 30, 2016, the Company does not expect additional negative revisions for the remainder of the year.

We believe the liquidity and capital resource alternatives available to Apache, combined with proactive measures to adjust our capital budget to reflect lower commodity prices and anticipated operating cash flows, will be adequate to fund short-term and long-term operations, including our capital spending program, repayment of debt maturities, payment of dividends, and any amount that may ultimately be paid in connection with commitments and contingencies.

For additional information, please see Part II, Item 1A, "Risk Factors" of the Previously Filed Quarterly Report and Part I, Items 1 and 2, "Business and Properties," and Item 1A, "Risk Factors," in our Annual Report on Form 10-K for our 2015 fiscal year.

Sources and Uses of Cash

The following table presents the sources and uses of our cash and cash equivalents for the periods presented.

	For the Six Months Ended June 30,	
	2016	**2015**
	(In millions)	
Sources of Cash and Cash Equivalents:		
Net cash provided by continuing operating activities	$ 983	$ 1,623
Proceeds from asset divestitures	48	5,666
Other	28	—
	1,059	7,289
Uses of Cash and Cash Equivalents:		
Capital expenditures[(1)]	$ 925	$ 2,877
Leasehold and property acquisitions	118	128
Net cash used by Australia discontinued operations	—	162
Net commercial paper and bank loan repayments	—	1,570
Dividends paid	189	189
Distributions to noncontrolling interest	93	40
Other	—	52
	1,325	5,018
Increase (decrease) in cash and cash equivalents	$ (266)	$ 2,271

(1) The table presents capital expenditures on a cash basis; therefore, the amounts may differ from those discussed elsewhere in this document, which include accruals.

Net Cash Provided by Continuing Operating Activities Operating cash flows are our primary source of capital and liquidity and are impacted, both in the short-term and the long-term, by volatile oil and natural gas prices. The factors that determine operating cash flow are largely the same as those that affect net earnings, with the exception of non-cash expenses such as DD&A, exploratory dry hole expense, asset impairments, asset retirement obligation (ARO) accretion, and deferred income tax expense, which affect earnings but do not affect cash flows.

Net cash provided by continuing operating activities for the first six months of 2016 totaled $983 million, a decrease of $640 million from the first six months of 2015. The decrease primarily reflects lower commodity prices.

For a detailed discussion of commodity prices, production, and expenses, refer to the “Results of Operations” of this Item 2. For additional detail on the changes in operating assets and liabilities and the non-cash expenses that do not impact net cash provided by operating activities, please see the statement of consolidated cash flows in Part I, Item 1, Financial Statements of this Quarterly Report on Form 10-Q.

Asset Divestitures The Company had asset divestitures totaling $48 million and $5.7 billion in the first six months of 2016 and 2015, respectively. For information regarding our acquisitions and divestitures, please see Note 3—Acquisitions and Divestitures.

Capital Expenditures Worldwide exploration and development (E&D) expenditures for the first six months of 2016 totaled $925 million, compared to $2.8 billion for the first six months of 2015. This reduction is a direct result of our proactive measures to adjust our capital budget to reflect lower commodity prices and operating cash flows. Apache operated an average of 12 drilling rigs during the second quarter of 2016.

Apache also completed leasehold and property acquisitions totaling $118 million and $128 million during the first six months of 2016 and 2015, respectively. Our 2016 acquisition investments continue to focus on adding new leasehold positions to our North American onshore portfolio.

Apache’s investment in gas gathering, transmission, and processing facilities totaled $94 million in the first six months of 2015. No meaningful expenses were incurred during 2016.

Dividends For the six-month periods ended June 30, 2016 and 2015, the Company paid $189 million and $189 million, respectively, in dividends on its common stock.

Liquidity

The following table presents a summary of our key financial indicators at the dates presented:

	June 30, 2016	December 31, 2015
	(In millions)	
Cash and cash equivalents	$ 1,201	$ 1,467
Total debt	8,720	8,717
Equity	8,696	9,490
Available committed borrowing capacity	3,500	3,500

Cash and cash equivalents The Company had $1.2 billion in cash and cash equivalents as of June 30, 2016, compared to $1.5 billion at December 31, 2015. At June 30, 2016, approximately $1.0 billion of the cash was held by foreign subsidiaries. The cash held by foreign subsidiaries should not be subject to additional U.S. income taxes if repatriated. The majority of the cash is invested in highly liquid, investment grade securities with maturities of three months or less at the time of purchase.

Debt As of June 30, 2016, outstanding debt, which consisted of notes and debentures, totaled $8.7 billion. As of June 30, 2016, Apache had $483,000 of notes due March 2017 classified as short-term debt on the consolidated balance sheet.

Available committed borrowing capacity In June 2015, the Company entered into a five-year revolving credit facility with $3.5 billion in commitments and rights to increase commitments to $4.5 billion. Proceeds from borrowings may be used for general corporate purposes. Apache’s available borrowing capacity under this facility supports its commercial paper program of currently $3.5 billion. The commercial paper program, which is subject to market availability, facilitates Apache borrowing funds for up to 270 days at competitive interest rates. As of June 30, 2016, the Company had no debt outstanding under commercial paper, committed bank facilities, and uncommitted bank lines.

In February 2016, the Company entered into a three-year letter of credit facility providing £900 million in commitments, with options to increase commitments to £1.075 billion and extend the term by one year. The facility is available for letters of credit and loans to cash collateralize letter of credit obligations to the extent letters of credit are unavailable under the facility. The facility’s representations and warranties, covenants, and events of default are substantially similar to those in the Company’s $3.5 billion revolving credit facility. Commissions are payable on outstanding letters of credit and borrowings bear interest (at a base rate or LIBOR), plus a margin. Letter of credit commissions, the interest margin, and the facility fee vary depending on the Company’s senior unsecured long-term debt rating. This facility is available for the Company’s letter of credit needs, particularly those which may arise in respect of abandonment obligations assumed in various North Sea acquisitions. As of June 30, 2016, no letters of credit or loans were outstanding under this facility. Subsequently, as of the date of this filing, a letter of credit for approximately £96 million was outstanding under this facility.

The Company was in compliance with the terms of all credit facilities as of June 30, 2016.

ITEM 3 – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Commodity Risk

The Company's revenues, earnings, cash flow, capital investments and, ultimately, future rate of growth are highly dependent on the prices we receive for our crude oil, natural gas, and NGLs, which have historically been very volatile because of unpredictable events such as economic growth or retraction, weather, political climate, and global supply and demand. Our average crude oil realizations have decreased 26 percent to $43.14 per barrel in the second quarter of 2016 from $58.06 per barrel in the comparable period of 2015. Our average natural gas price realizations have decreased 26 percent to $2.04 per Mcf in the second quarter of 2016 from $2.74 per Mcf in the comparable period of 2015.

We periodically enter into derivative positions on a portion of our projected oil and natural gas production through a variety of financial and physical arrangements intended to manage fluctuations in cash flows resulting from changes in commodity prices. Apache periodically uses futures contracts, swaps, and options to mitigate commodity price risk. Apache does not hold or issue derivative instruments for trading purposes. As of June 30, 2016, Apache had no open commodity derivative positions.

Foreign Currency Risk

The Company's cash flow stream relating to certain international operations is based on the U.S. dollar equivalent of cash flows measured in foreign currencies. In Canada, oil and gas prices and costs, such as equipment rentals and services, are generally denominated in Canadian dollars but heavily influenced by U.S. markets. Our North Sea production is sold under U.S. dollar contracts, and the majority of costs incurred are paid in British pounds. In Egypt, all oil and gas production is sold under U.S. dollar contracts, and the majority of the costs incurred are denominated in U.S. dollars. Revenue and disbursement transactions denominated in Canadian dollars and British pounds are converted to U.S. dollar equivalents based on average exchange rates during the period.

Foreign currency gains and losses also arise when monetary assets and monetary liabilities denominated in foreign currencies are translated at the end of each month. Currency gains and losses are included as either a component of "Other" under "Revenues and Other" or, as is the case when we re-measure our foreign tax liabilities, as a component of the Company's provision for income tax expense on the statement of consolidated operations. A foreign currency net gain or loss of $137 million would result from a 10 percent weakening or strengthening, respectively, in the Canadian dollar and British pound as of June 30, 2016.

ITEM 4 – CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

John J. Christmann IV, the Company's Chief Executive Officer and President, in his capacity as principal executive officer, and Stephen J. Riney, the Company's Executive Vice President and Chief Financial Officer, in his capacity as principal financial officer, evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2016, the end of the period covered by this report. Based on that evaluation and as of the date of that evaluation, these officers concluded that the Company's disclosure controls and procedures were effective, providing effective means to ensure that information we are required to disclose under applicable laws and regulations is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and communicated to our management, including our principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

We periodically review the design and effectiveness of our disclosure controls, including compliance with various laws and regulations that apply to our operations both inside and outside the United States. We make modifications to improve the design and effectiveness of our disclosure controls, and may take other corrective action, if our reviews identify deficiencies or weaknesses in our controls.

Changes in Internal Control over Financial Reporting

In the quarter ended June 30, 2016, Apache modified certain policies, procedures, and related internal controls that were impacted by the change in accounting principle from the full cost method to the successful efforts method of accounting. There was no other change in our internal controls over financial reporting during the period covered by this Quarterly Report on Form 10-Q that materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Please refer to both Part I, Item 3 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2015 (filed with the SEC on February 26, 2016) and Note 9—Commitments and Contingencies in the notes to the consolidated financial statements set forth in Part I, Item 1 of this Quarterly Report on Form 10-Q, for a description of material legal proceedings.

ITEM 1A. RISK FACTORS

Please refer to Part I, Item 1A—Risk Factors of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2015, and Part I, Item 3—Quantitative and Qualitative Disclosures About Market Risk of this Quarterly Report on Form 10-Q.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Apache's Board of Directors has authorized the purchase of up to 40 million shares of the Company's common stock. Shares may be purchased either in the open market or through privately negotiated transactions. The Company initiated the buyback program on June 10, 2013, and through December 31, 2015, had repurchased a total of 32.2 million shares at an average price of $88.96 per share. The Company is not obligated to acquire any specific number of shares and has not purchased any additional shares during 2016.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. MINE SAFETY DISCLOSURES

None

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

3.1	–	Restated Certificate of Incorporation of Registrant, dated September 19, 2013, as filed with the Secretary of State of Delaware on September 19, 2013 (incorporated by reference to Exhibit 3.2 to Registrant's Current Report on Form 8-K filed September 20, 2013, SEC File No. 001-4300).
3.2	–	Certificate of Amendment of Restated Certificate of Incorporation of Registrant, dated May 14, 2015, as filed with the Secretary of State of Delaware on May 14, 2015 (incorporated by reference to Exhibit 3.2 to Registrant's Current Report on Form 8-K filed May 20, 2015, SEC File No. 001-4300).
3.3	–	Bylaws of Registrant, as amended February 3, 2016 (incorporated by reference to Exhibit 3.1 to Registrant's Current Report on Form 8-K filed February 9, 2016, SEC File No. 001-4300).
*10.1	–	Apache Corporation 2011 Omnibus Equity Compensation Plan, as amended and restated May 12, 2016.
10.2	–	Apache Corporation 2016 Omnibus Compensation Plan, dated February 3, 2016, effective May 12, 2016 (incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K filed May 16, 2016, SEC File No. 001-4300.)
*10.3	–	Apache Corporation Deferred Delivery Plan, as amended and restated May 12, 2016.
*10.4	–	Apache Corporation Non-Employee Directors' Restricted Stock Units Program, effective May 12, 2016.
*10.5	–	Apache Corporation Outside Directors' Deferral Program, effective May 12, 2016.
*31.1	–	Certification (pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act) by Principal Executive Officer.
*31.2	–	Certification (pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act) by Principal Financial Officer.
*32.1	–	Section 1350 Certification (pursuant to Sarbanes-Oxley Section 906) by Principal Executive Officer and Principal Financial Officer.
*101.INS	–	XBRL Instance Document.
*101.SCH	–	XBRL Taxonomy Schema Document.
*101.CAL	–	XBRL Calculation Linkbase Document.
*101.DEF	–	XBRL Definition Linkbase Document.
*101.LAB	–	XBRL Label Linkbase Document.
*101.PRE	–	XBRL Presentation Linkbase Document.

* Filed herewith

SIGNATURES

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

		APACHE CORPORATION
Dated:	August 4, 2016	/s/ STEPHEN J. RINEY
		Stephen J. Riney
		Executive Vice President and Chief Financial Officer
		(Principal Financial Officer)
Dated:	August 4, 2016	/s/ REBECCA A. HOYT
		Rebecca A. Hoyt
		Senior Vice President, Chief Accounting Officer, and Controller
		(Principal Accounting Officer)

Exhibit 10.1

APACHE CORPORATION
2011 Omnibus Equity Compensation Plan

As Amended and Restated Effective May 12, 2016

Section 1

Introduction

1.1 *Establishment.* Apache Corporation, a Delaware corporation (hereinafter referred to, together with its Affiliates (as defined below) as the "Company" except where the context otherwise requires), previously established the Apache Corporation 2011 Omnibus Equity Compensation Plan, effective May 5, 2011, which plan was amended and restated effective May 16, 2013, February 3, 2014, and December 15, 2015, and is hereby amended and restated effective May 12, 2016 (the “Plan”), as it may be further amended and restated from time to time.

1.2 *Purpose*. The purpose of the Plan is to provide Eligible Persons designated by the Committee for participation in the Plan with equity-based incentives to: (i) encourage such individuals to continue in the long-term service of the Company and its Affiliates, (ii) create in such individuals a more direct interest in the future success of the operations of the Company, (iii) attract outstanding individuals, and (iv) retain and motivate such individuals. The Plan is intended to provide eligible individuals with the opportunity to invest in the Company, thereby relating incentive compensation to increases in stockholder value and more closely aligning the compensation of such individuals with the interests of the Company's stockholders.

Accordingly, this Plan provides for the granting of Incentive Stock Options, Non-Qualified Stock Options, Performance Awards, Restricted Stock, Restricted Stock Units, Stock Appreciation Rights or any combination of the foregoing, as the Committee determines is best suited to the circumstances of the particular individual as provided herein.

1.3 *Effective Date*. The Effective Date of the Plan (the “Effective Date”) is May 5, 2011. This Plan and each Award granted hereunder are conditioned on and shall be of no force or effect until the Plan is approved by the stockholders of the Company. The Committee (or its delegate in accordance with Section 3.4(b) hereof) may award grants, the entitlement to 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) *"Administrative Agent"* means any designee or agent that may be appointed by the Committee pursuant to subsections 3.1(h) and 3.4 hereof.

(b) *"Affiliate"* means any entity other than the Company that is affiliated with the Company through stock or equity ownership or otherwise and is designated as an Affiliate for purposes of the Plan by the Committee; provided, however, that, notwithstanding any other provisions of the

Plan to the contrary, for purposes of NQSOs and SARs, if an individual who otherwise qualifies as an Eligible Person provides services to such an entity and not to the Company, such entity may only be designated an Affiliate if the Company qualifies as a "service recipient," within the meaning of Internal Revenue Code Section 409A, with respect to such individual; provided further that such definition of "service recipient" shall be determined by (a) applying Internal Revenue Code Section 1563(a)(1), (2), and (3), for purposes of determining a controlled group of corporations under Internal Revenue Code Section 414(b), using the language "at least 50 percent" instead of "at least 80 percent" each place it appears in Internal Revenue Code Section 1563(a)(1), (2), and (3), and by applying Treasury Regulations Section 1.414(c)-2, for purposes of determining trades or businesses (whether or not incorporated) that are under common control for purposes of Internal Revenue Code Section 414(c), using the language "at least 50 percent" instead of "at least 80 percent" each place it appears in Treasury Regulations Section 1.414(c)-2, and (b) where the use of Shares with respect to the grant of an Option or SAR to such an individual is based upon legitimate business criteria, by applying Internal Revenue Code Section 1563(a)(1), (2), and (3), for purposes of determining a controlled group of corporations under Internal Revenue Code Section 414(b), using the language "at least 20 percent" instead of "at least 80 percent" at each place it appears in Internal Revenue Code Section 1563(a)(1), (2), and (3), and by applying Treasury Regulations Section 1.414(c)-2, for purposes of determining trades or businesses (whether or not incorporated) that are under common control for purposes of Internal Revenue Code Section 414(c), using the language "at least 20 percent" instead of "at least 80 percent" at each place it appears in Treasury Regulations Section 1.414(c)-2; provided further that for purposes of ISOs, "Affiliate" shall mean any present or future corporation which is or would be a "subsidiary corporation" of the Company as the term is defined in Section 424(f) of the Internal Revenue Code.

(c) *"Award"* means any Stock Option, Stock Appreciation Right, Restricted Stock, Restricted Stock Unit, Performance Award, Dividend Equivalent or any other stock-based award granted to a Participant under the Plan.

(d) *"Board"* means the Board of Directors of the Company.

(e) *"Change of Control"* shall have the meaning assigned to such term in the Company's Income Continuance Plan as in effect on the Effective Date.

(f) *"Committee"* means the Management Development and Compensation Committee of the Board or such other Committee of the Board that is empowered hereunder to administer the Plan. The Committee shall be constituted at all times so as to permit the Plan to be administered by "non-employee directors" (as defined in Rule 16b-3 of the Exchange Act) and "outside directors" (as defined in Treasury Regulations Section 1.162-27 (e)(3)) and to satisfy such additional regulatory or listing requirements as the Board may determine to be applicable or appropriate.

(g) *"Deferred Delivery Plan"* means the Company's Deferred Delivery Plan, as it has been or may be amended from time to time, or any successor plan.

(h) *“Dividend Equivalent”* means a right, granted to an Eligible Person to receive cash, Stock, other Awards or other property equal in value to dividends paid with respect to a specified number of shares of Stock, or other periodic payments.

(i) *"Eligible Persons"* means those employees of the Company or of any Affiliates, members of the Board, and members of the board of directors of any Affiliates who are designated as Eligible Persons by the Committee. Notwithstanding the foregoing, grants of Incentive Stock Options may not be granted to anyone who is not an employee of the Company or an Affiliate.

(j) “*Exchange Act”* means the Securities Exchange Act of 1934, as amended.

(k) *“Exercise Date”* means the date of exercise determined in accordance with subsection 6.2(g) hereof.

(l) *"Fair Market Value"* means the per share closing price of the Stock as reported on The New York Stock Exchange, Inc. Composite Transactions Reporting System for a particular date or, if the Stock is not so listed on such date, as reported on NASDAQ or on such other exchange or electronic trading system which, on the date in question, reports the largest number of traded shares of Stock, provided, however, that if on the date Fair Market Value is to be determined there are no transactions in the Stock, Fair Market Value shall be determined as of the immediately preceding date on which there were transactions in the Stock; provided further, however, that if the foregoing provisions are not applicable, the fair market value of a share of the Stock as determined by the Committee by the reasonable application of such reasonable valuation method, consistently applied, as the Committee deems appropriate; provided further, however, that, with respect to ISOs, such Fair Market Value shall be determined subject to Section 422(c)(7) of the Internal Revenue Code. For purposes of the foregoing, a valuation prepared in accordance with any of the methods set forth in Treasury Regulation Section 1.409A-1(b)(5)(iv)(B)(2), consistently used, shall be rebuttably presumed to result in a reasonable valuation. This definition is intended to comply with the definition of "fair market value" contained in Treasury Regulation Section 1.409A-1(b)(5)(iv) and should be interpreted consistently therewith.

(m) *“Incentive Stock Option”* or *“ISO”* means any Option intended to be and designated as an incentive stock option and which satisfies the requirements of Section 422 of the Internal Revenue Code or any successor provision thereto.

(n) *"Internal Revenue Code" or "Code"* means the Internal Revenue Code of 1986, as it may be amended from time to time, and any successor thereto. Any reference to a section of the Internal Revenue Code or Treasury Regulation shall be treated as a reference to any successor section.

(o) “*Involuntary Termination*” means the termination of employment of the Participant by the Company or its successor for any reason on or after a Change of Control; provided, that the termination does not result from an act of the Participant that (i) constitutes common-law fraud, a felony, or a gross malfeasance of duty, or (ii) is materially detrimental to the best interests of the Company or its successor.

(p) *“Non-Qualified Stock Option”* or *“NQSO”* means any Option that is not intended to qualify as an “incentive stock option” under Section 422 of the Internal Revenue Code.

(q) *“Option”* means an option to purchase a number of shares of Stock granted pursuant to subsection 6.1.

(r) *“Option Price”* means the price at which shares of Stock subject to an option may be purchased, determined in accordance with subsection 6.2(b) hereof.

(s) *"Participant"* means an Eligible Person designated by the Committee, from time to time during the term of the Plan to receive one or more Awards under the Plan.

(t) *“Performance Award”* is a right to either a number of shares of Stock or SARs (“Performance Shares”) determined (in either case) in accordance with subsection 9.1 of this Plan based on the extent to which the applicable Performance Goals are achieved. A Performance Share shall be of no value to a Participant unless and until earned in accordance with subsection 9.2 hereof.

(u) *“Performance Goals”* are the performance conditions, if any, established pursuant to subsection 9.1 by the Committee in connection with an Award.

(v) *“Performance Period”* with respect to a Performance Award is a period not less than one calendar year or one fiscal year of the Company, beginning not earlier than the year in which such Performance Award is granted, which may be referred to herein and by the Committee by use of the calendar of fiscal year in which a particular Performance Period commences.

(w) *“Restricted Stock”* means Stock granted to an Eligible Person under Section 8 hereof, that is subject to certain restrictions and to a risk of forfeiture.

(x) *“Restricted Stock Unit”* means a right, granted to an Eligible Person under Section 8 hereof, to receive Stock, cash or a combination thereof at the end of a specified vesting period.

(y) *“Restriction Period”* shall have the meaning assigned to such term in subsection 8.1.

(z) *"Stock"* means the $0.625 par value common stock of the Company and or any security into which such common stock is converted or exchanged upon merger, consolidation, or any capital restructuring (within the meaning of Section 13) of the Company.

(aa) *“Stock Appreciation Right”* or *“SAR”* means a right granted to an Eligible Person to receive an amount in cash, Stock, or other property equal to the excess of the Fair Market Value as of the Exercise Date of one share of Stock over the SAR Price times the number of shares of Stock to which the Stock Appreciation Right relates. Stock Appreciation Rights may be granted in tandem with Options or other Awards or may be freestanding.

(bb) *“SAR Price”* means the price at which the Stock Appreciation Right was granted, which shall be determined in the same manner as the Option Price of an Option in accordance with subsection 6.2 hereof.

(cc) "*Voluntary Termination with Cause*" occurs upon a Participant's separation from service of his own volition and one or more of the following conditions occurs without the Participant's consent on or after a Change of Control:

(i) There is a material diminution in the Participant's base compensation, compared to his rate of base compensation on the date of the Change of Control.

(ii) There is a material diminution in the Participant's authority, duties or responsibilities.

(iii) There is a material diminution in the authority, duties or responsibilities of the Participant's supervisor, such as a requirement that the Participant (or his supervisor) report to a corporate officer or employee instead of reporting directly to the board of directors.

(iv) There is a material diminution in the budget over which the Participant retains authority.

(v) There is a material change in the geographic location at which the Participant must perform his service, including, for example the assignment of the Participant to a regular workplace that is more than 50 miles from his regular workplace on the date of the Change of Control.

The Participant must notify the Company of the existence of one or more adverse conditions specified in clauses (i) through (v) above within 90 days of the initial existence of the adverse condition. The notice must be provided in writing to Apache Corporation's Senior Vice President, Human Resources or his/her delegate. The notice may be provided by personal delivery or it may be sent by email, inter-office mail, regular mail (whether or not certified), fax, or any similar method. Apache Corporation's Senior Vice President, Human Resources or his/her delegate shall acknowledge receipt of the notice within 5 business days; the acknowledgement shall be sent to the Participant by certified mail. Notwithstanding the foregoing provisions of this definition, if the Company remedies the adverse condition within 30 days of being notified of the adverse condition, no Voluntary Termination with Cause shall occur.

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

3.1 *Administration by the Committee.* The Plan shall be administered by the Committee. In accordance with the provisions of the Plan, the Committee shall, in its sole discretion, adopt rules and regulations for carrying out the purposes of the Plan, including, without limitation, the authority to:

(a) Grant Awards;

(b) Select the Eligible Persons and the time or times at which Awards shall be granted;

(c) Determine the type and number of Awards to be granted, the number of shares of Stock to which an Award may relate and the terms, conditions, restrictions, and Performance Goals relating to any Award;

(d) Determine whether, to what extent, and under what circumstances an Award may be settled, canceled, forfeited, exchanged, or surrendered;

(e) Construe and interpret the Plan and any Award;

(f) Prescribe, amend, and rescind rules and procedures relating to the Plan;

(g) Determine the terms and provisions of Award agreements;

(h) Appoint designees or agents (who need not be members of the Committee or employees of the Company) to assist the Committee with the administration of the Plan;

(i) Communicate the material terms of each Award to its recipient within a relatively short period of time after approval; and

(j) Make all other determinations deemed necessary or advisable for the administration of the Plan.

3.2 *Committee Discretion*. The Committee shall, in its absolute discretion, and without amendment to the Plan, have the power to accelerate, waive or modify, at any time, any term or condition of an Award that is not mandatory under this Plan; provided, however, that the Committee shall not have any discretion to accelerate, waive or modify any term or condition of an Award that is intended to qualify as “performance-based compensation” for purposes of Section 162(m) of the Internal Revenue Code if such discretion would cause the Award to not so qualify. In the event of a Change of Control, the provisions of Section 12 hereof shall be mandatory and shall govern the vesting and exercisability schedule of any Award granted hereunder.

3.3 *Indemnification*. No member of the Committee shall be liable for any action, omission, or determination made in good faith. The Company shall indemnify (to the extent permitted under Delaware law) and hold harmless each member of the Committee and each other director or employee of the Company to whom any duty or power relating to the administration or interpretation of the Plan has been delegated against any cost or expense (including counsel fees) or liability (including any sum paid in settlement of a claim with the approval of the Committee) arising out of any action, omission or determination relating to the Plan, unless, in either case, such action, omission or determination was taken or made by such member, director or employee in bad faith and without reasonable belief that it was in the best interests of the Company. 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.

3.4 *Committee Delegation*.

(a) 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 appoint an Administrative Agent, who need not be a member of the Committee or an employee of the Company, to assist the Committee in administration of the Plan and to whom it may delegate such powers as the Committee deems appropriate, except that the Committee shall determine any dispute. The Committee may correct any defect, supply any omission or reconcile any inconsistency in the Plan, or in any Award 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 inconsistency;

(b) The Committee has delegated authority to the Chief Executive Officer of the Company to grant Awards to employees of the Company who are not the Company's executive officers (as such term is defined for purposes of Section 16 of the Exchange Act) and who are below the level of Regional Vice President or Staff Vice President; provided, that any such Awards may only be granted in accordance with guidelines established by the Committee.

3.5 *Compliance with Section 162(m).* Except as expressly otherwise stated in any resolution of the Committee, the Plan is intended to comply with the requirements of Section 162(m) or any successor section(s) of the Internal Revenue Code ("Section 162(m)") as to any "covered employee" as defined in Section 162(m), and shall be administered, interpreted, and construed consistently therewith. The Committee is authorized to take such additional action, if any, that may be required to ensure that the Plan and any Award under the Plan satisfy the requirements of Section 162(m), taking into account any regulations or other guidance issued by the Internal Revenue Service.

Section 4

Stock Subject to the Plan

4.1 *Number of Shares*. Subject to adjustments pursuant to Section 4.4 hereof, up to (a) 25,500,000 shares of Stock are authorized for issuance under the Plan plus (b) effective May 16, 2013, 17,000,000 additional shares of Stock are authorized for issuance under the Plan in accordance with the Plan's terms and subject to such restrictions or other provisions as the Committee may from time to time deem necessary. Notwithstanding the foregoing, the number of aggregate shares of Stock available for issuance under the Plan at any given time shall be reduced by (i) 1.0 share for each share of Stock granted in the form of Stock Options or Stock Appreciation Rights, or (ii) 2.39 shares for each share of Stock granted in the form of any Award that is not a Stock Option or Stock Appreciation Right. During the duration of the Plan, no Eligible Person may be granted Options which in the aggregate cover in excess of 5 percent of the total shares of Stock authorized under the Plan. No Award may be granted under the Plan on or after the 10-year anniversary of the Effective Date. The foregoing to the contrary notwithstanding, within the aggregate limit described in the first sentence of this Section 4.1, up to 25,500,000 (effective May 16, 2013, up to 42,500,000) shares of Stock may be issued pursuant to ISOs granted under the Plan.

4.2 *Availability of Shares Not Issued under Awards.* If shares of Stock which may be issued pursuant to the terms of the Plan awarded hereunder are forfeited, cancelled, exchanged or surrendered or if an Award otherwise terminates or expires without a distribution of shares to the holder of such Award, the shares of

Stock with respect to such Award shall, to the extent of any such forfeiture, cancellation, exchange, surrender, termination or expiration, again be available for Awards under the Plan; provided, however, that in such case, the number of shares of Stock that may be issued under the Plan shall increase by 1.0 share for each share related to a Stock Option or a Stock Appreciation Right that is so forfeited, cancelled, exchanged or surrendered or expired and by 2.39 shares for each such share which is not related to a Stock Option or a Stock Appreciation Right. The number of shares available shall not be increased by shares tendered, surrendered or withheld in connection with the exercise or settlement of an Award or the related tax withholding obligations. Furthermore, when a SAR is settled in shares, the number of shares subject to the SAR under the SAR Award agreement will be counted against the aggregate number of shares with respect to which Awards may be granted under the Plan as one share for every share subject to the SAR, regardless of the number of shares used to settle the SAR upon exercise.

4.3 *Stock Offered*. The Company shall at all times during the term of the Plan retain as authorized and unissued Stock and/or Stock in the Company's treasury, at least the number of shares from time to time require under the provisions of the Plan, or otherwise assure itself of its ability to perform its obligations hereunder.

4.4 *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 rights to acquire Stock, or through a Stock split, reverse Stock split, subdivision, consolidation, combination, reclassification or recapitalization involving the Stock (any of the foregoing being herein called a “capital restructuring”), 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, in each case, equitably and proportionally adjusted to take into account the occurrence of any of the above events, (i) the number and kind of shares of Stock or other property (including cash) that may thereafter be issued pursuant to subsections 4.1 and 4.10, (ii) the number and kind of shares of Stock or other property (including cash) issued or issuable in respect of outstanding Awards; and (iii) the exercise price, grant price, or purchase price relating to any Award; provided that, with respect to Incentive Stock Options, such adjustment shall be made in accordance with Section 424(h) of the Internal Revenue Code; (iv) the Performance Goals, and (v) the individual limitations applicable to Awards.

4.5 *Other Changes in Stock*. In the event there shall be any change, other than as specified in subsections 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 Awards or which have been reserved for issuance pursuant to the Plan but are not then subject to an Award, then such adjustments shall be made by the Committee and shall be effective for all purposes of the Plan and on each outstanding Award 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 an outstanding Award 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 aggregate Option Price shall be increased by the amount of the price that is payable by the Participant for such additional shares or other securities as if the Participant had exercised his entire Option immediately prior to the grant of 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 aggregate 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.

4.9 *Code Section 409A*. For any Award that is not subject to Internal Revenue Code Section 409A before the adjustments identified in the preceding sections of this Section 4, no adjustment shall be made that would cause the Award to become subject to Internal Revenue Code Section 409A. For an Award that is subject to Internal Revenue Code Section 409A before the adjustments identified in the preceding sections of this Section 4, no adjustment shall cause the Award to violate Internal Revenue Code Section 409A, without the prior written consent of both the Participant and the Committee.

4.10 *Award Limits*. The following limits shall apply to grants of all Awards under the Plan:

(a) *Options*: The maximum aggregate number of shares of Stock that may be subject to Options granted in any calendar year to any one Participant shall be 250,000 shares.

(b) *SARs:* The maximum aggregate number of shares that may be subject to Stock Appreciation Rights granted in any calendar year to any one Participant shall be 250,000 shares. Any shares covered by Options which include tandem SARs granted to one Participant in any calendar year shall reduce this limit on the number of shares subject to SARs that can be granted to such Participant in such calendar year.

(c) *Restricted Stock or Restricted Stock Units*: The maximum aggregate number of shares of Stock that may be subject to Awards of Restricted Stock or Restricted Stock Units granted in any calendar year to any one Participant shall be 250,000 shares.

(d) *Performance Awards*: The maximum aggregate grant with respect to Performance Awards granted in any calendar year to any one Participant shall be 250,000 shares (or SARs based on the value of such number of shares).

To the extent required by Section 162(m) of the Code, shares subject to Options or SARs which are canceled shall continue to be counted against the limits set forth in paragraphs (a) and (b) immediately preceding.

4.11 *Repayment/Forfeiture of Awards*. If required by the Sarbanes-Oxley Act of 2002 and/or by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, each Participant's Award shall be conditioned on repayment or forfeiture in accordance with applicable law and the related Award agreement shall reflect any such condition. In addition, the Committee may establish such conditions for repayment or forfeiture of Awards as the Committee may adopt by policy for the Company or any Affiliate.

Section 5

Granting of Awards to Participants

5.1 *Participation.* Participants in the Plan shall be those Eligible Persons who, in the judgment of the Committee (or, pursuant to Section 3.4(b), the Chief Executive Officer of the Company), 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 Affiliate, 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 Awards; provided, however, that the grant of each such Award shall be separately approved by the Committee or granted in accordance with Section 3.4(b) hereof, and receipt of one such Award shall not result in automatic receipt of any other Award. Upon determination that an Award is to be granted to a Participant, as soon as practicable, 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. Awards shall be deemed to be granted as of the date specified in the grant resolution of the Committee (or, in the case of grants made pursuant to Section 3.4(b), in accordance with the guidelines established by 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.

Awards granted to members of the Board shall be recommended to the full Board by the Management Development and Compensation Committee and approved by the full Board.

5.2 *Notification to Participants and Delivery of Documents.* As soon as practicable after such determinations have been made, each Participant shall be notified of (a) his/her designation as a Participant, (b) the date of grant, (c) the number and type of Awards granted to the Participant, (d) in the case of Performance Awards, the Performance Period and Performance Goals, (e) in the case of Restricted Stock or Restricted Stock Units, the Restriction Period (as defined in subsection 8.1), and (f) any other terms or conditions imposed by the Committee with respect to the Award.

5.3 *Delivery of Award Agreement*. This requirement for delivery of a written Award agreement is satisfied by electronic delivery of such agreement provided that evidence of the Participant's receipt of such electronic delivery is available to the Company and such delivery is not prohibited by applicable laws and regulations.

Section 6

Stock Options

6.1 *Grant of Stock Options*. Coincident with or following designation for participation in the Plan, an Eligible Person may be granted one or more Options. Grants of Options under the Plan shall be made by the Committee or in accordance with Section 3.4(b). 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 6.2(j) hereof.

6.2 *Stock Option Agreements*. Each Option granted under the Plan shall be identified as either an Incentive Stock Option or a Non-Qualified Stock Option (or, if no such identification is made, then it shall be a Non-Qualified Stock Option) and evidenced by a written agreement which shall be entered into by the Company and the Participant to whom the Option is granted, and which shall contain the following terms and conditions set out in this subsection 6.2, as well as such other terms and conditions, not inconsistent therewith, as the Committee may consider appropriate.

(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, the Option Price, shall be determined in each case by the Committee and set forth in the Stock Option agreement. The price may vary according to a formula specified in the Stock Option agreement, but in no event shall the Option Price ever be less than the Fair Market Value of the Stock on the date the Option is granted.

(c) *No Backdating*. There shall be no backdating of Options, and each Option shall be dated the actual date that the Committee adopts the resolution awarding the grant of such Option.

(d) *Limitations on Incentive Stock Options*. No Incentive Stock Option may be granted to an individual if, at the time of the proposed grant, such individual owns (or is attributed to own by virtue of the Internal Revenue Code) Stock possessing more than 10 percent of the total combined voting power of all classes of stock of the Company or any Affiliate unless (i) the exercise price of such Incentive Stock Option is at least 110 percent of the Fair Market Value of a share of Stock at the time such Incentive Stock Option is granted and (ii) such Incentive Stock Option is not exercisable after the expiration of five years from the date such Incentive Stock Option is granted.

To the extent that the aggregate Fair Market Value of Stock of the Company with respect to which Incentive Stock Options are exercisable for the first time by a Participant during any calendar year under the Plan and any other option plan of the Company (or any Affiliate) shall exceed $100,000, such Options shall be treated as Non-Qualified Stock Options. Such Fair Market Value shall be determined as of the date on which each such Incentive Stock Option is granted.

(e) *Duration of Options*. 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.

(f) *Termination of Options*. During the lifetime of a Participant to whom a Stock Option is granted, the Stock Option may be exercised only by such Participant or, in the case of disability (as determined pursuant to the Company's Long-Term Disability Plan or any successor plan) by the Participant's designated legal representative, except to the extent such exercise would cause any Award intended to qualify as an ISO not to so qualify. Once a Participant to whom a Stock Option was granted dies, the Stock Option may be exercised only by the personal representative of the Participant's estate or, with respect to Stock Options that are not Incentive Stock Options, as otherwise provided in Section 14.2. Unless the Stock Option agreement shall specify a longer or shorter period, at the discretion of the Committee, then the Participant (or representative, or, if applicable pursuant to Section 14.2, designated beneficiary) may exercise the Stock Option for a period of up to three months after such Participant terminates employment or ceases to be a member of the Board.

(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 or to the Administrative Agent of written notice specifying the number of shares of Stock with respect to which such Option is exercised and payment to the Company of the aggregate 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 Participant's obligation to deliver written notice of exercise is satisfied by electronic delivery of such notice through means satisfactory to the Committee and prescribed by the Company. The exercise of the Option shall be deemed effective on the date such notice is received by the Office of the Secretary or by the Administrative Agent and payment is made to the Company of the aggregate Option Price (the "Exercise Date"); however, if payment of the aggregate Option Price is made pursuant to a sale of shares of Stock as contemplated by subsection 6.2(g)(iv)(E) below, the Exercise Date shall be deemed to be the date of such sale. 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 Exchange Act or any applicable state law, and such restriction, or notice thereof, shall be placed on the certificates representing the Stock so purchased. The purchase of such Stock shall take place upon delivery of such notice to the Office of the Secretary of the Company or to the Administrative Agent, at which time the aggregate Option Price shall be paid in full to the Company by any of the methods or any combination of the methods set forth in subsection 6.2(g)(iv) below.

(ii) The shares of Stock to which the Participant is entitled as a result of the exercise of the Option shall be issued by the Company and either (A) delivered by electronic means to an account designated by the Participant or (B) delivered to the Participant in the form of a properly executed certificate or certificates representing such shares of Stock. If shares of Stock are used to pay all or part of the aggregate Option Price, the Company shall issue and deliver to the Participant the additional shares of Stock, in excess of the aggregate Option

Price or portion thereof paid using shares of Stock, to which the Participant is entitled as a result of the Option exercise.

(iii) The Company’s obligation to deliver the shares of Stock to which the Participant is entitled as a result of the exercise of the Option shall be subject to the payment in full to the Company of the aggregate Option Price and the required tax withholding.

(iv) The aggregate Option Price shall be paid by any of the following methods or any combination of the following methods:

(A) in cash, including the wire transfer of funds in U.S. dollars to one of the Company's bank accounts located in the United States, with such bank account to be designated from time to time by the Company;

(B) by personal, certified or cashier's check payable in U.S. dollars to the order of the Company;

(C) by delivery to the Company or the Administrative Agent of certificates representing a number of shares of Stock then owned by the Participant, the aggregate Fair Market Value of which (as of the Exercise Date) is equal to the aggregate Option Price of the Option being exercised, properly endorsed for transfer to the Company, provided that the shares of Stock used for this purpose must have been owned by the Participant for a period of at least six months;

(D) by certification or attestation to the Company or the Administrative Agent of the Participant's ownership (as of the Exercise Date) of a number of shares of Stock, the aggregate Fair Market Value of which (as of the Exercise Date) is not greater than the aggregate Option Price of the Option being exercised, provided that the shares of Stock used for this purpose have been owned by the Participant for a period of at least six months; or

(E) by delivery to the Company or the Administrative Agent of a properly executed notice of exercise together with irrevocable instructions to a broker to promptly deliver to the Company, by wire transfer or check as noted in subsection 6.2(g)(iv)(A) and (B) above, 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 aggregate Option Price.

(h) *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 not less than the minimum amount of tax withholding required by law, including without limitation Sections 3102 and 3402 or any successor section(s) of the Internal Revenue Code and applicable state and local income and other tax laws, by payment of such taxes in cash (including wire transfer), by check, or as provided in Section 11 hereof.

(i) *Repricing Prohibited*. Subject to Sections 4, 6, 12, 13, and 16, outstanding Stock Options granted under this Plan shall not be repriced without approval by the Company’s stockholders. In particular, neither the Board nor the Committee may take any action: (1) to amend the terms of an outstanding Option or SAR to reduce the Option Price or grant price thereof, cancel an Option or SAR and replace it with a new Option or SAR with a lower Option Price or grant price, or take any other action (whether in the form of an amendment, cancellation or replacement grant, or a cash-out of underwater options) that has an economic effect that is the same as any such reduction or cancellation or (2) to cancel an outstanding Option or SAR having an Option Price or grant price above the then-current Fair Market Value of the Stock in exchange for the grant of another type of Award, without, in each such case, first obtaining approval of the stockholders of the Company of such action.

(j) *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.

(k) *Section 409A Avoidance*. Once granted, no Stock Option shall be modified, extended, or renewed in any way that would cause the Stock Option to be subject to Internal Revenue Code Section 409A. The Option Period shall not be extended to any date that would cause the Stock Option to become subject to Internal Revenue Code Section 409A. The Option Price shall not be adjusted to reflect any dividends declared and paid on the Stock between the date of grant and the date the Stock Option is exercised.

(l) *Vesting Period*. Each Stock Option agreement shall state the vesting period (the period which ends as of a date that the Option is no longer restricted or subject to forfeiture) that applies to the specified number of shares of Stock granted pursuant thereto. In respect of the employees of the Company (including executive officers), such vesting period for the entire Option award shall in no event be less than three years following the grant date, and, subject to Sections 12 and 13 of the Plan, the Committee may not waive such minimum vesting period except in the case of the Participant's death or disability.

Section 7

7.1 *Stock Appreciation Rights*. The Committee (or, if so provided pursuant to Section 3.4(b), the Chief Executive Officer of the Company) is authorized to grant SARs to Participants either alone (“freestanding”) or in tandem with other Awards, including Performance Awards, Options, and Restricted Stock. Stock Appreciation Rights granted in tandem with any Award must be granted at the same time as the Award is granted. Stock Appreciation Rights granted in tandem with Options shall terminate and no longer be exercisable upon the termination or exercise of the related Stock Options. Options granted in tandem with Stock Appreciation Rights shall terminate and no longer be exercisable upon the termination or exercise of the related Stock Appreciation Rights. The Committee shall establish the terms and conditions applicable to any Stock Appreciation Rights, which terms and conditions need not be uniform but may not be inconsistent with the terms of the Plan. Freestanding Stock Appreciation Rights shall generally be subject to terms and conditions substantially similar to those described in Section 4 and subsection 6.2 for Options, including, but not limited to, the requirements of subsections 6.2(b), (d), (i) and (l) and subsection 4.7 regarding general adjustment rules, minimum price, duration, and prohibition on repricing.

7.2 *Section 409A Avoidance*. The SAR Price may be fixed on the date it is granted or the SAR Price may vary according to an objective formula specified by the Committee at the time of grant. However, the

SAR Price can never be less than the Fair Market Value of the Stock on the date of grant. The SAR grant must specify the number of shares to which it applies, which must be fixed at the date of grant (subject to adjustment pursuant to Sections 4, 6, and 11). Once granted, no SAR shall be modified, extended, or renewed in any way that would cause the SAR to be subject to Internal Revenue Code Section 409A. The period during which the SAR may be exercised shall not be extended to any date that would cause the SAR to become subject to Internal Revenue Code Section 409A. The value of the SAR shall not be adjusted to reflect any dividends declared and paid on the Stock between the date of grant and the date the SAR is exercised; however, the right to one or more dividends declared and paid on the Stock between the date of grant and the date the SAR is exercised may be set forth in a separate arrangement.

Section 8

Restricted Stock and Restricted Stock Units

8.1 *Restriction Period*. At the time an Award of Restricted Stock or Restricted Stock Units is made, the Committee shall establish the terms and conditions applicable to such Award, including the period of time (the "Restriction Period") and attainment of performance goals during which certain restrictions established by the Committee shall apply to the Award. Awards of Restricted Stock or Restricted Stock Units may also be made in accordance with Section 3.4(b). In respect of the employees of the Company (including executive officers), such Restriction Period, the time ending as of the date upon which the entire Award of Restricted Stock or Restricted Stock Units is no longer restricted or subject to forfeiture provisions, shall in no event be less than three years following the initial grant date of the Award of Restricted Stock or Restricted Stock Units (such Restriction Period to include periods of time during which the achievement of specific performance goals or other performance is measured with respect to such Awards), and, subject to Sections 12 and 13 of the Plan, the Committee may not waive such minimum Restriction Period except in the case of the Participant's death or disability. Each such Award, and designated portions of the same Award, may have a different Restriction Period. Except as permitted or pursuant to Sections 12 and 13 hereof, the Restriction Period applicable to a particular Award shall not be changed. Restricted Stock or Restricted Stock Units may or may not be subject to Internal Revenue Code Section 409A. If they are subject to Internal Revenue Code Section 409A, the grant of the Restricted Stock or Restricted Stock Units must contain the provisions needed to comply with the requirements of Internal Revenue Code Section 409A, including but not limited to (i) the timing of any election to defer receipt of the Restricted Stock or Restricted Stock Units beyond the date of vesting, (ii) the timing of any payout election, and (iii) the timing of the settlement of Restricted Stock or a Restricted Stock Unit. Restricted Stock or Restricted Stock Units that are subject to Internal Revenue Code Section 409A may be adjusted to reflect any dividends declared and paid on the Stock between the date of grant and the date the Restricted Stock or Restricted Stock Unit vests, but only to the extent permitted in IRS guidance of general applicability.

8.2 *Certificates for Stock*. Restricted Stock shall be evidenced in such manner as the Committee shall determine. If certificates representing Restricted Stock are registered in the name of the Participant, the Committee may require that such certificates bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Restricted Stock, that the Company retain physical possession of the certificates, and that the Participant deliver a stock power to the Company, endorsed in blank, relating to the Restricted Stock represented by a stock certificate registered in the name of the Participant.

8.3 *<u>Restricted Stock Terms and Conditions</u>*. Participants shall have the right to enjoy all shareholder rights during the Restriction Period except that:

(a) The Participant shall not be entitled to delivery of the Stock certificate until the Restriction Period shall have expired.

(b) The Participant may not sell, transfer, pledge, exchange, hypothecate, or otherwise dispose of the Stock during the Restriction Period.

(c) A breach of the terms and conditions established by the Committee with respect to the Restricted Stock shall cause a forfeiture of the Restricted Stock and any dividends withheld thereon.

(d) Dividends and Splits. As a condition to the grant of an Award of Restricted Stock, the Committee may specify whether any cash dividends paid on a share of Restricted Stock be automatically reinvested in additional shares of Restricted Stock or applied to the purchase of additional Awards under this Plan. Unless otherwise determined by the Committee, Stock distributed in connection with a Stock split or Stock dividend, and other property distributed as a dividend, shall be subject to restrictions and a risk of forfeiture to the same extent as the Restricted Stock with respect to which such Stock or other property has been distributed.

8.4 *<u>Restricted Stock Units</u>*. The Committee (or, if so provided pursuant to Section 3.4(b), the Chief Executive Officer of the Company) is authorized to grant Restricted Stock Units to Participants, which are rights to receive Stock at the end of a specified deferral period, subject to the following terms and conditions:

Award and Restrictions. Settlement of an Award of Restricted Stock Units shall occur upon expiration of the vesting period specified for such Restricted Stock Unit by the Committee (or, if permitted by the Committee, as elected by the Participant pursuant to Section 8.5). In addition, Restricted Stock Units shall be subject to such restrictions (which may include a risk of forfeiture) as the Committee may impose, if any, which restrictions may lapse at the expiration of the vesting or deferral period, as the case may be, or at earlier specified times (including based on achievement of performance goals and/or future service requirements), separately or in combination, in installments or otherwise, as the Committee may determine. Restricted Stock Units shall be satisfied by the delivery of cash or Stock in the amount equal to the Fair Market Value of the specified number of shares of Stock covered by the Restricted Stock Units, or a combination thereof, as determined by the Committee at the date of grant or thereafter.

8.5 *<u>Deferral of Receipt of Restricted Stock Units</u>*. With the consent of the Committee, a Participant who has been granted a Restricted Stock Unit may by compliance with the then applicable procedures under the Plan irrevocably elect in writing to defer receipt of all or any part of any distribution associated with that Restricted Stock Unit Award in accordance with either the terms and conditions of the Deferred Delivery Plan or the terms and conditions specified under the grant agreement and related documents. The terms and conditions of any such deferral, including, but not limited to, the period of time for, and form of, election; the manner and method of payout; and the use and form of Dividend Equivalents in respect of stock-based units resulting from such deferral, shall be as determined by the Committee. The Committee may, at any time and from time to time, but prospectively only except as hereinafter provided, amend, modify, change, suspend, or cancel any and all of the rights, procedures, mechanics, and timing parameters relating to such deferrals. In addition, the Committee may, in its sole discretion, accelerate the pay out of such deferrals (and any earnings thereon), or any portion thereof, either in a lump sum or in a series of payments, but only to the extent that the payment or the change in timing of the payment will not cause a violation of Internal Revenue Code Section 409A.

8.6 *Bonus Stock and Awards in Lieu of Obligations*. The Committee is authorized to grant Stock as a bonus, or to grant Stock or other Awards in lieu of obligations to pay cash or deliver other property under this Plan or under plans or compensatory arrangements, provided that, in the case of Participants subject to Section 16 of the Exchange Act, the amount of such grants remains within the discretion of the Committee to the extent necessary to ensure that acquisitions of Stock or other Awards are exempt from liability under Section 16(b) of the Exchange Act. Stock or Awards granted hereunder shall be subject to such other terms as shall be determined by the Committee. In the case of any grant of Stock to an officer of the Company or an Affiliate in lieu of salary or other cash compensation, the number of shares granted in place of such compensation shall be reasonable, as determined by the Committee.

8.7 *Dividend Equivalents*. The Committee is authorized to grant Dividend Equivalents to a Participant, entitling the Participant to receive cash, Stock, other Awards, or other property equal in value to dividends paid with respect to a specified number of shares of Stock, or other periodic payments. Dividend Equivalents may be awarded on a free-standing basis or in connection with another Award. The Committee may provide that Dividend Equivalents shall be paid or distributed when accrued or shall be deemed to have been reinvested in additional Stock, Awards, or other investment vehicles, and subject to risk of forfeiture, as the Committee may specify. Notwithstanding the foregoing, Dividend Equivalents shall not be granted in connection with the grant of any Options or Stock Appreciation Right.

Section 9

Performance Awards

9.1 *Establishment of Performance Goals for Company*. Performance Goals applicable to a Performance Award shall be established by the Committee in its absolute discretion on or before the date of grant and within the time period prescribed by, and shall otherwise comply with the requirements of, Code Section 162(m)(4)(C), or any successor provision thereto, and the regulations thereunder, for performance-based compensation. Such Performance Goals may include or be based upon any of the following criteria, either in absolute amount, per share, or per barrel of oil equivalent (boe): pretax income or after tax income, operating profit, return on equity, capital or investment, earnings, book value, increase in cash flow return, sales or revenues, operating expenses (including, but not limited to, lease operating expenses, severance taxes and other production taxes, gathering and transportation, general and administrative costs, and other components of operating expenses), stock price appreciation, implementation or completion of critical projects or processes, production growth, reserve growth, and/or corporate acquisition goals based on value of assets acquired or similar objective measures.

Where applicable, the Performance Goals may be expressed in terms of attaining a specified level of a particular criteria or attaining a percentage increase or decrease in a particular criteria, and may be applied relative to internal goals or levels attained in prior years or related to other companies or indices or as ratios expressing relationship between Performance Goals, or any combination thereof, as determined by the Committee.

The Performance Goals may include a threshold level of performance below which no vesting will occur, levels of performance at which specified vesting will occur, and a maximum level of performance at which full vesting will occur.

The Committee may in its discretion classify Participants into as many groups as it determines, and as to any Participant relate his/her Performance Goals partially, or entirely, to the measured performance, either absolutely or relatively, of an identified subsidiary, division, operating company, test strategy, or new venture of the Company and/or its Affiliates.

Notwithstanding any other provision of the Plan, payment or vesting of any Performance Award shall not be made until the applicable Performance Goals have been satisfied and any other material terms of such Award were in fact satisfied. The Committee shall certify in writing the attainment of each Performance Goal. Notwithstanding any provision of the Plan to the contrary, with respect to any Performance Award, (a) the Committee may not adjust, downwards or upwards, any amount payable, or other benefits granted, issued, retained, and/or vested pursuant to such an Award on account of satisfaction of the applicable Performance Goals and (b) the Committee may not waive the achievement of the applicable Performance Goals, except in the case of the Participant's death or disability, or a Change of Control.

9.2 *Levels of Performance Required to Earn Performance Awards*. At or about the same time that Performance Goals are established for a specific period, the Committee shall in its absolute discretion establish the percentage of the Performance Awards granted for such Performance Period which shall be earned by the Participant for various levels of performance measured in relation to achievement of Performance Goals for such Performance Period.

9.3 *Other Restrictions*. The Committee shall determine the terms and conditions applicable to any Performance Award, which may include restrictions on the delivery of Stock payable in connection with the Performance Award and restrictions that could result in the future forfeiture of all or part of any Stock earned. The Committee may provide that shares of Stock issued in connection with a Performance Award be held in escrow and/or legended. Performance Awards may or may not be subject to Internal Revenue Code Section 409A. If a Performance Award is subject to Internal Revenue Code Section 409A, the Performance Award grant agreement shall contain the terms and conditions needed to comply with the requirements of Internal Revenue Code Section 409A, including but not limited to (i) the timing of any election to defer receipt of the Performance Award, (ii) the timing of any payout election, and (iii) the timing of the actual payment of the Performance Award. Performance Awards that are subject to Internal Revenue Code Section 409A may be adjusted to reflect any dividends declared and paid on the Stock between the date of grant and the date the Performance Award is paid, but only to the extent permitted in IRS guidance of general applicability.

9.4 *Notification to Participants*. Promptly after the Committee has established the Performance Goals with respect to a Performance Award, the Participant shall be provided with written notice of the Performance Goals so established.

9.5 *Measurement of Performance against Performance Goals*. The Committee shall, as soon as practicable after the close of a Performance Period, determine (a) the extent to which the Performance Goals for such Performance Period have been achieved and (b) the percentage of the Performance Awards earned as a result.

These determinations shall be absolute and final as to the facts and conclusions therein made and be binding on all parties. Promptly after the Committee has made the foregoing determination, each Participant who has earned Performance Awards shall be notified. For all purposes of this Plan, notice shall be deemed to have been given the date action is taken by the Committee making the determination. Participants may not sell, transfer, pledge, exchange, hypothecate, or otherwise dispose of all or any portion of their Performance Awards during the Performance Period.

9.6 *Treatment of Performance Awards Earned*. Upon the Committee's determination that a percentage of any Performance Award has been earned for a Performance Period, Participants to whom such earned Performance Awards have been granted and who have been in the employ of the Company or Affiliates continuously from the date of grant until the end of the Performance Period, subject to the exceptions set forth in the Performance Award agreement and in Sections 10 and 12 hereof, shall be entitled, subject to the other conditions of this Plan, to payment in accordance with the terms and conditions of the Performance Awards. Performance Awards shall under no circumstances become earned or have any value whatsoever for any Participant who is not in the employ of the Company or its Affiliates continuously during the entire Performance Period for which such Performance Award was granted, except as provided in Sections 10 and 12.

9.7 *Subsequent Performance Award Grants*. Following the grant of Performance Awards with respect to a Performance Period, additional Participants may be designated by the Committee for grant of Performance Awards for such Performance Period subject to the same terms and conditions set forth for the initial grants, except that the Committee, in its sole discretion, may reduce the value of the amounts to which subsequent Participants may become entitled, prorated according to reduced time spent during the Performance Period, and the applicable Performance Award agreement shall be modified to reflect such reduction.

9.8 *Stockholder Privileges*. No Participant shall have any rights as a stockholder with respect to any shares of Stock covered by a Performance Award until the Participant becomes the holder of record of such Stock.

Section 10

Termination of Employment, Death, Disability, etc.

10.1 *Termination of Employment*. Except as provided herein, the treatment of an Award upon a termination of employment or any other service relationship by and between a Participant and the Company or an Affiliate shall be specified in the agreement controlling such Award. To the extent such Award is subject to Section 409A of the Code, such termination of employment or any other service relationship shall be a "separation from service" within the meaning of Treasury Regulation Section 1.409A-1(h) with respect to any Award intended to comply with Section 409A of the Internal Revenue Code; provided, that a "separation from service" shall occur only if both the Company and the Participant expect the Participant's level of services to permanently drop by more than half.

10.2 *Termination for Cause*. If the employment of the Participant by the Company is terminated for cause, as determined by the Committee, all Awards to such Participant shall thereafter be void for all purposes. As used in subsections 9.1, 10.2, and 10.3 hereof, "cause" shall mean a gross violation, as determined by the Committee, of the Company's established policies and procedures, provided that the effect of this subsection 10.2 shall be limited to determining the consequences of a termination and that nothing in this subsection 10.2 shall restrict or otherwise interfere with the Company's discretion with respect to the termination of any employee.

10.3 *Performance Awards.* Except as set forth below, each Performance Award shall state that each such Award shall be subject to the condition that the Participant has remained an Eligible Person from the date of grant until the applicable vesting date as follows:

(a) If the Participant voluntarily leaves the employment of the Company or an Affiliates, or if the employment of the Participant is terminated by the Company for cause or otherwise, any Performance Award to such Participant not previously vested shall thereafter be void and forfeited for all purposes.

(b) A Participant shall become vested in all Performance Awards that have met the Performance Goals within the Performance Period on the date the Participant retires from employment with the Company on or after attaining retirement age (which for all purposes of this Plan is determined to be age 65, unless otherwise designated by the Committee at the time the Award is granted), on the date the Participant dies while employed by the Company, or on the date the Participant terminates service with the Company and the Affiliates due to permanent disability (as determined pursuant to the Company's Long-Term Disability Plan or any successor plan, unless the Performance award is subject to Internal Revenue Code Section 409A, in which case "permanent disability" must also fall within the meaning specified in Internal Revenue Code Section 409A(a)(2)(C) or a more restrictive meaning established by the Committee) while employed by the Company. Such Participant shall not become entitled to any payment which may arise due to the occurrence of a Performance Goal after the Participant dies, terminates service due to permanent disability, or retires. Payment shall occur as soon as administratively convenient following the date the Participant dies, terminates service due to permanent disability, or retires, but in no event shall the payment occur later than March 15 in the calendar year immediately following the calendar year in which the Participant died, so terminates service, or retired. If the Participant dies before receiving payment, the payment shall be made to those entitled pursuant to Section 14.2 of this Plan.

10.4 *Forfeiture Provisions*. Subject to Sections 12 and 14, in the event a Participant terminates employment during a Restriction Period for the Participant's Restricted Stock or Restricted Stock Units, such Awards will be forfeited; provided, however, that the Committee may provide for proration or full payout in the event of (a) death, (b) permanent disability, or (c) any other circumstances the Committee may determine.

Section 11

Tax Withholding

11.1 *Withholding Requirement*. The Company and any Affiliate is authorized to withhold from any Award granted, or any payment relating to an Award under this Plan, including from a distribution of Stock, amounts of withholding and other taxes or social security payments due or potentially payable in connection with any transaction involving an Award, and to take such other action as the Committee may deem advisable to enable the Company and Participants to satisfy obligations for the payment of withholding taxes and other tax or social security obligations relating to any Award. This authority shall include authority to withhold or receive Stock or other property and to make cash payments in respect thereof, in satisfaction of a Participant's tax obligations, either on a mandatory or elective basis at the discretion of the Committee.

11.2 *Withholding Requirement – Stock Options and SARs*. The Company's obligations to deliver shares of Stock upon the exercise of an Option or SAR shall be subject to the Participant's satisfaction of all applicable federal, state, and local income and other tax and social security withholding requirements.
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 required tax withholding, or any part thereof:

(a) by the delivery to the Company or the Administrative Agent of a number of shares of Stock then owned by the Participant, the aggregate Fair Market Value of which (as of the Exercise Date) is not greater than the amount required to be withheld, provided that such shares have been held by the Participant for a period of at least six months;

(b) by certification or attestation to the Company or the Administrative Agent of the Participant's ownership (as of the Exercise Date) of a number of shares of Stock, the aggregate Fair Market Value of which (as of the Exercise Date) is not greater than the amount required to be withheld, provided that such shares of Stock have been owned by the Participant for a period of at least six months; or

(c) by the Company or the Administrative Agent withholding from the shares of Stock otherwise issuable to the Participant upon exercise of the Option, a number of shares of Stock, the aggregate Fair Market Value of which (as of the Exercise Date) is not greater than the amount required to be withheld. Any such elections by Participants to have shares of Stock withheld for this purpose will be subject to the following restrictions:

(i) all elections shall be made on or prior to the Exercise Date; and

(ii) all elections shall be irrevocable.

11.3 *Section 16 Requirements*. If the Participant is an officer or director of the Company within the meaning of Section 16 or any successor section(s) of the Exchange Act ("Section 16"), the Participant must satisfy the requirements of Section 16 and any applicable rules and regulations thereunder with respect to the use of shares of Stock to satisfy such tax withholding obligation.

11.4 *Restricted Stock and Performance Award Payment and Tax Withholding*. Each Restricted Stock and Performance Award agreement shall provide that, upon payment of any entitlement under such an Award, the Participant shall make appropriate arrangements with the Company to provide for the amount of minimum tax and social security withholding required by law, including without limitation Sections 3102 and 3402 or any successor section(s) of the Internal Revenue Code and applicable state and local income and other tax and social security laws. The withholding may be deducted from the Award. Any payment under such an Award shall be made in a proportion of cash and shares of Stock, determined by the Committee, such that the cash portion shall be sufficient to cover the withholding amount required by this Section. The cash portion of any payment shall be based on the Fair Market Value of the shares of Stock on the applicable date of vesting to which such tax withholding relates. Such cash portion shall be withheld by the Company to satisfy applicable tax and social security withholding requirements.

Section 12

Change of Control

12.1 *In General*. In the event of the occurrence of a Change of Control of the Company:

(a) Without further action by the Committee or the Board,

all outstanding Options shall fully vest upon the Participant's Involuntary Termination or Voluntary Termination with Cause occurring on or after a Change of Control. Such newly vested Options shall be fully exercisable as of the date of the Involuntary Termination or Voluntary Termination with Cause on or after a Change of Control occurs.

(b) Without further action by the Committee or the Board,

all unvested Restricted Stock Awards and Restricted Stock Units shall fully vest upon the Participant's Involuntary Termination or Voluntary Termination with Cause occurring on or after a Change of Control. Such newly vested Restricted Stock Units shall be converted to Stock and the Participant shall be issued the requisite number of shares, after any withholding under Section 11, as soon as administratively practicable after the Involuntary Termination or Voluntary Termination with Cause on or after a Change of Control occurs, unless the Participant had elected to defer Restricted Stock Units to the Deferred Delivery Plan in which case the Participant's account in the Deferred Delivery Plan shall be credited with deferred Restricted Stock Units as of the date of the Involuntary Termination or Voluntary Termination with Cause on or after the Change of Control occurs.

(c) Assuming the achievement of a Performance Goal, the entitlement to receive cash and Stock under any outstanding Performance Award grants shall vest automatically, without further action by the Committee or the Board, and shall become payable as follows:

(i) If such Change of Control occurs subsequent to the achievement of a Performance Goal, any remainder of such payout amount shall vest as of the date of the Participant's Involuntary Termination or Voluntary Termination with Cause occurring on or after the date of such Change of Control and shall be paid by the Company to the Participant within thirty (30) days of the date of such Involuntary Termination or Voluntary Termination with Cause which occurs on or after the date of the Change of Control in the manner set out in subsection 12.1 hereof.

(ii) If the achievement of a Performance Goal occurs subsequent to the date of a Change of Control, the applicable payout amount shall vest in full for which the Performance Period has not yet ended as of the date of the Participant's Involuntary Termination or Voluntary Termination with Cause occurring on or after such Change of Control and shall be paid by the Company to the Participant within thirty (30) days after the later of (1) the date of the Participant's Involuntary Termination or Voluntary Termination with Cause or (2) the date that the Performance Goal is reached. The payment will occur only if the Participant is employed at the time that the Performance Goal is reached or if the Performance Goal is reached after the Participant's Involuntary Termination or Voluntary Termination with Cause occurring on or after the Change of Control.

(d) To the extent that any Award is subject to Internal Revenue Code Section 409A, the Award shall contain appropriate provisions to comply with Internal Revenue Code Section 409A, which shall supersede the provisions of subsections (a), (b), and (c).

Section 13

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, then the Committee, or the board of directors of any corporation assuming the obligations of the Company, shall, as to the Plan and outstanding Awards make appropriate provision for the adoption and continuation of the Plan by the acquiring or successor corporation and for the protection of any holders of such outstanding Awards 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. Additionally, upon the occurrence of such an event and provided that a Performance Goal has occurred, upon written notice to the Participants, the Committee may accelerate the vesting and payment dates of the entitlement to receive cash and Stock under outstanding Awards so that all such existing entitlements are paid prior to any such event. If a Performance Goal has not yet been attained, the Committee in its discretion may make equitable payment or adjustment.

In its discretion, and on such terms and conditions as it deems appropriate, the Committee may provide, either by the terms of an agreement applicable to any Award or by resolution adopted prior to the occurrence of a Change of Control or an event described in this Section 13, that any outstanding Award (or portion thereof) shall be converted into a right to receive cash, on or as soon as practicable following the closing date or expiration date of the transaction resulting in the Change of Control or such event in an amount equal to the highest value of the consideration to be received in connection with such transaction for one share of Stock, or, if higher, the highest Fair Market Value of a share of Stock during the thirty (30) consecutive business days immediately prior to the closing date or expiration date of such transaction, less the per-share Option Price or grant price of SARs, as applicable to the Award, multiplied by the number of shares subject to such Award, or the applicable portion thereof.

Section 14

Rights of Employees and Participants

14.1 *Employment*. Neither anything contained in the Plan or any agreement nor the granting of any Award 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 Affiliate, or interfere in any way with the right of the Company or any Affiliate, 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 Award.

An Eligible Person who has been granted an Award in one year shall not necessarily be entitled to be granted Awards in subsequent years.

14.2 *Non-transferability*. Except as otherwise determined at any time by the Committee as to any Awards other than ISOs, no right or interest of any Participant in an Award 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, bankruptcy, or court order; provided that the Committee may permit further transferability of Awards other than ISOs, on a general or a specific basis, and may impose conditions and limitations on any permitted transferability, subject to any applicable Restriction Period; provided further, however, that no Award may be transferred for value or other consideration without first obtaining approval thereof by the stockholders of the Company. In the event of a Participant's death, a Participant's rights and interests in any Award as set forth in an Award agreement, shall be transferable by testamentary will or the laws of descent and distribution, or, with respect to Awards other than Incentive Stock Options, a beneficiary designation that is in a form approved by the Committee and in compliance with the provisions of this Plan, applicable law, and the applicable Award agreement, and payment of any entitlements due under the Plan shall be made to the Participant's designated beneficiary, legal representatives, heirs, or legatees, as applicable. 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. If any individual entitled to payment or to exercise rights with respect to the Plan is a minor, the Committee shall cause the payment to be made to (or the right to be exercised by) the custodian or representative who, under the state law of the minor's domicile, is authorized to act on behalf of the minor or is authorized to receive funds on behalf of the minor. With respect to those Awards, if any, that are permitted to be transferred to another individual, references in the Plan to exercise or payment related to such Awards by or to the Participant shall be deemed to include, as determined by the Committee, the Participant's permitted transferee. A Participant's unexercised Option or SAR, or amounts due but remaining unpaid to such Participant, at the Participant's death, shall be exercised or paid as designated by the Participant by will or by the laws of descent and distribution, or, with respect to any unexercised Option or SAR other than an Incentive Stock Option, in accordance with the Participant's beneficiary designation in a form approved by the Committee and in compliance with the provisions of this Plan, applicable law and the applicable Award agreement. In the event any Award is exercised by or otherwise paid to the executors, administrators, heirs or distributees of the estate of a deceased Participant, or the transferee or designated beneficiary of an Award, in any such case, pursuant to the terms and conditions of the Plan and the applicable Award agreement and in accordance with such terms and conditions as may be specified from time to time by the Committee, the Company shall be under no obligation to issue shares of Stock thereunder unless and until the Company is satisfied, as determined in the discretion of the Committee, that the person or persons exercising such Award, or to receive such payment, are the duly appointed legal representative of the deceased Participant's estate or the proper legatees or distributees thereof, or the valid transferee or designated beneficiary of such Award, as applicable. Any purported assignment, transfer or encumbrance of an Award that does not comply with this Section 14.2 shall be void and unenforceable against the Company.

14.3 *Noncompliance with Internal Revenue Code Section 409A*. If an Award is subject to the requirements of Internal Revenue Code Section 409A, to the extent that the Company or an Affiliate takes any action that causes a violation of Internal Revenue Code Section 409A or fails to take reasonable actions required to comply with Internal Revenue Code Section 409A, in each case as determined by the Committee, the Company shall pay an additional amount to the Participant (or beneficiary) equal to the additional income tax imposed pursuant to Internal Revenue Code Section 409A on the Participant as a result of such violation, plus any taxes imposed on this additional payment.

Section 15

Other Employee Benefits

The amount of any income deemed to be received by a Participant as a result of the payment under an Award or exercise shall not constitute "earnings" or "compensation" 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 16

Amendment, Modification, and Termination

The Committee or the Board may at any time terminate, and from time to time may amend or modify the Plan, and the Committee or the Board may, to the extent permitted by the Plan, from time to time amend or modify the terms of any Award theretofore granted, including any Award agreement, in each case, retroactively or prospectively; provided, however, that no amendment or modification of the Plan 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 an applicable statutory or regulatory requirements, unless the Company, on the advice of outside counsel, determines that stockholder approval is not necessary.

Notwithstanding any other provision of this Plan, no amendment, modification, or termination of the Plan or any Award shall adversely affect the previously accrued material rights or benefits of a Participant under any outstanding Award theretofore awarded under the Plan, without the consent of such Participant holding such Award, except to the extent necessary to avoid a violation of Internal Revenue Code Section 409A or the Board or the Committee determines, on advice of outside counsel or the Company's independent accountants, that such amendment or modification is required for the Company, the Plan, or the Award to satisfy, comply with, or meet the requirements of any law, regulation, listing rule, or accounting standard applicable to the Company.

The Committee shall have the authority to adopt (without the necessity for further stockholder approval) such modifications, procedures, and subplans as may be necessary or desirable to comply with the provisions of the laws (including, but not limited to, tax laws and regulations) of countries other than the United States in which the Company may operate, so as to assure the viability of the benefits of the Plan to Participants employed in such countries.

Section 17

Requirements of Law

17.1 *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, including applicable federal and state securities laws. The Company may require a Participant, as a condition of receiving payment under an Award, to give written assurances in substance and form satisfactory to the Company and its counsel to such effect as the Company deems necessary or appropriate in order to comply with federal and applicable state securities laws.

17.2 *Section 409A of the Code*. It is intended that this Plan shall comply with the provisions of, or an exemption from, Internal Revenue Code Section 409A and the Treasury regulations relating thereto. Awards are intended to be exempt from Internal Revenue Code Section 409A to the extent possible. Any Award or payment that qualifies for an exemption shall be considered as the first payment(s) made under the Plan. For purposes of the limitations on nonqualified deferred compensation under Internal Revenue Code Section 409A, each payment of compensation under this Plan shall be treated as a separate payment of compensation for purposes of applying the deferral election rules and the exemption for certain short-term deferral amounts under Internal Revenue Code Section 409A. In no event may the Participant, directly or indirectly, designate the calendar year of any payment subject to Internal Revenue Code Section 409A under this Plan.

Six-month Delay for Specified Participants. Notwithstanding any other provision of this Plan, to the extent that the right to any payment (including the provision of benefits) hereunder provides for the “deferral of compensation” within the meaning of Internal Revenue Code Section 409A(d)(1), the payment shall be paid (or provided) in accordance with the following: If the Participant is a “Specified Employee” within the meaning of Internal Revenue Code Section 409A(a)(2)(B)(i) on the date of the Participant's Separation from Service (the “Separation Date”), and if an exemption from the six (6) month delay requirement of Internal Revenue Code Section 409A(a)(2)(B)(i) is not available, then no such payment shall be made or commence during the period beginning on the Separation Date and ending on the date that is six months following the Separation Date or, if earlier, on the date of the Participant's death. The amount of any payment that would otherwise be paid to the Participant during this period shall instead be paid to the Participant on the first day of the first calendar month following the end of the period.

Prohibition on Acceleration. Unless a payment is exempt from Internal Revenue Code Section 409A, the date of payment may not be accelerated and any payment made pursuant to the termination and liquidation of the Plan shall not be accelerated except in compliance with Internal Revenue Code Section 409A generally and Treasury Regulation § 1.409A-3(j)(4)(ix) specifically.

17.3 *Section 16 Requirements*. If a Participant is an officer or director of the Company within the meaning of Section 16 of the Exchange Act, Awards granted hereunder shall be subject to all conditions required under Rule 16b-3, or any successor rule(s) promulgated under the Exchange Act, to qualify the Award for any exemption 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 Award.

17.4 *Governing Law*. The Plan and all agreements hereunder shall be construed in accordance with and governed by the laws of the State of Texas.

Section 18

Duration of the Plan

The Plan shall terminate as of May 12, 2016. No awards shall be granted on or after such termination date; however, the terms of the Plan shall continue to apply to all Awards outstanding when the Plan terminates.

Dated: May 12, 2016

ATTEST:	APACHE CORPORATION
/s/ Cheri L. Peper	By: /s/ Margery M. Harris
Cheri L. Peper Corporate Secretary	Margery M. Harris Executive Vice President, Human Resources

Exhibit 10.3

APACHE CORPORATION
DEFERRED DELIVERY PLAN

As Amended and Restated May 12, 2016

APACHE CORPORATION

DEFERRED DELIVERY PLAN

Apache established this Plan effective as of February 10, 2000. Apache is now amending and restating the Plan in its entirety effective as of May 12, 2016.

Apache intends for this Plan to provide a select group of management or highly compensated employees of the Company with the opportunity to defer income, and, in conjunction with the 2007 and 2011 Omnibus Equity Compensation Plans and the 2016 Omnibus Compensation Plan, to be appropriately rewarded when Apache's shares increase in value, to induce such employees to remain in the employ of the Company, and to reward those employees for their valuable services to the Companies.

Apache intends that the Plan not be treated as a "funded" plan for purposes of either the Code or ERISA. Apache also intends for this Plan to comply with the requirements of Code §409A, and the Plan shall be interpreted in that light.

ARTICLE I DEFINITIONS

1.01 Definitions

Defined terms used in this Plan shall have the meanings set forth below:

(a) "Account" means the memorandum account maintained for each Participant that is credited with all Participant Deferrals and any contributions by the Company. Each Participant's Account is divided into subaccounts, as determined by the Committee, and in general each award or deferral will be allocated to its own subaccount.

(b) "Apache" means Apache Corporation or any successor thereto.

(c) "Affiliated Entity" means any legal entity that is treated as a single employer with Apache pursuant to Code §414(b), §414(c), §414(m), or §414(o).

(d) "Beneficiary" means a Participant's beneficiary, as determined in section 5.04.

(e) "Change of Control" means a change of control as defined in the Income Continuance Plan that is also described in Code §409A(a)(2)(A)(v).

(f) "Code" means the Internal Revenue Code of 1986, as amended. Any reference to a particular section of the Code or the regulations issued thereunder shall be treated as a reference to any successor section.

(g) "Committee" means the Management Development and Compensation Committee of Apache's Board of Directors. The Committee shall be constituted at all times so as to permit the Plan to be administered by "non-employee directors" (as defined in Rule 16b-3 of the Securities Exchange Act of 1934, as amended).

(h) "Company" means Apache and any Affiliated Entity that, with approval of the Board of Directors of Apache, has adopted the Plan.

(i) "Company Deferrals" means the allocations to a Participant's Account made pursuant to section 3.02.

(j) "Compensation" means amounts deferrable under this Plan, as determined by the Committee.

(k) "Election Agreement" means an agreement made by an eligible employee whereby he elects the amount(s) to be withheld from his Compensation pursuant to section 3.01.

(l) "ERISA" means the Employee Retirement Income Security Act of 1974, as amended. Any reference to a particular section of ERISA or the regulations issued thereunder shall be treated as a reference to any successor section.

(m) "Fair Market Value" means the per share closing price of the Stock as reported on The New York Stock Exchange, Inc. Composite Transactions Reporting System for a particular date or, if the Stock is not so listed on such date, as reported on NASDAQ or on such other exchange or electronic trading system which, on the date in question, reports the largest number of traded shares of Stock, provided, however, that if on the date Fair Market Value is to be determined there are no transactions in the Stock, Fair Market Value shall be determined as of the immediately preceding date on which there were transactions in the Stock; provided further, however, that if the foregoing provisions are not applicable, the fair market value of a share of the Stock as determined by the Committee by the reasonable application of such reasonable valuation method, consistently applied, as the Committee deems appropriate. For purposes of the foregoing, a valuation prepared in accordance with any of the methods set forth in Treasury Regulation §1.409A-1(b)(5)(iv)(B)(2), consistently used, shall be rebuttably presumed to result in a reasonable valuation. This definition is intended to comply with the definition of "fair market value" contained in Treasury Regulation §1.409A-1(b)(5)(iv) and should be interpreted consistently therewith.

(n) "Participant" means any eligible employee selected to participate in the Plan.

(o) "Participant Deferrals" means the amounts of a Participant's Compensation that elects to defer and have allocated to his Account pursuant to section 3.01.

(p) "Plan" means the plan set forth in this document, as amended.

(q) "Plan Year" means the calendar year.

(r) "Separation from Service" has the same meaning as the term "separation from service" in Code §409A(a)(2)(A)(i), determined using the default rules in the regulations and other guidance of general applicability issued pursuant to Code §409A, except that a Separation from Service occurs only if both the Company and the Participant expect the Participant's level of services to permanently drop by more than half. A Participant who has a Separation from Service "Separates from Service."

(s) "Spouse" means the individual of the opposite sex to whom a Participant is lawfully married according to the laws of the state of the Participant's domicile.

(t) "Stock" means the $0.625 par value common stock of Apache.

(u) "Stock Units" mean investment units and any related units from dividend amounts. Each Stock Unit is equivalent to one share of Stock.

(v) "Trust" means the trust or trusts, if any, created by the Company to provide funding for the distribution of benefits in accordance with the provisions of the Plan. The assets of any such Trust remain subject to the claims of the Company's general creditors in the event of the Company's insolvency.

(w) "Trust Agreement" means the written instrument pursuant to which each separate Trust is created.

(x) "Trustee" means one or more banks, trust companies, or insurance companies designated by the Company to hold and invest the Trust fund and to pay benefits and expenses as authorized by the Committee in accordance with the terms and provisions of the Trust Agreement.

1.02 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.

ARTICLE II ELIGIBILITY AND PARTICIPATION

2.01 Eligibility and Participation

The Committee shall from time to time in its sole discretion select those employees of the Company who are eligible to participate in the Plan from among a select group of management or highly compensated employees.

2.02 Election

Participants shall complete the election procedures specified by the Committee. The election procedures may include form(s) for the Participant to designate a Beneficiary, elect Participant Deferrals by entering into an Election Agreement with the Company, select a payment option for the eventual distribution of his Account or any subaccount, and provide such other information as the Committee may reasonably require.

2.03 Failure of Eligibility

The Committee shall have the authority to determine that a Participant is no longer eligible to participate in the Plan. When a Participant becomes ineligible, all outstanding Election Agreements shall be cancelled. The determination of the Committee with respect to the termination of participation in the Plan shall be final and binding on all parties affected thereby. Any benefits vested hereunder at the time the Participant becomes ineligible to continue participation shall be distributed in accordance with the provisions of Article V.

ARTICLE III CONTRIBUTION DEFERRALS

3.01 Participant Deferrals

a. General. A Participant may elect to defer a portion of his Compensation by filing the appropriate Election Agreement with the Committee's designee. The Committee has complete discretion to establish procedures for the completion of Election Agreements, including the acceptable forms and formats of the deferral election. The Committee has complete discretion to establish the election periods during which Participants may make Election Agreements, within the bounds described in subsection (b). The Committee may establish different election periods for different types of Compensation, different grants of Compensation, or different groups of Participants.

b. Deadlines for Election Agreements.

i. Election Period. In order to make Participant Deferrals, a Participant must submit an Election Agreement during the election period established by the Committee. The election period must precede the Plan Year in which the services giving rise to the Compensation are performed, except in the following situations.

1. Performance-Based Compensation. If the Compensation is "performance-based compensation based on services performed over a period of at least 12 months" (within the meaning of Code §409A(a)(4)(B)(iii)), the election period must end at least six months before the end of the performance period.

2. New Participant. The election period for a new Participant must end no later than 30 days after he became eligible to participate in the Plan; the new Participant's initial Election Agreement may only apply to Compensation for which he has not yet performed any services. However, a Participant who has a lapse in eligibility to participate in the Plan can only use this special 30-day election when he again becomes eligible to accrue benefits (other than investment earnings), (1) on the date of his new eligibility if he has received a complete payout of his benefits from his prior episode of participation, or (2) if his lapse in eligibility was at least 24 months in duration.

3. Unvested Deferrals. The election period for any Compensation that is subject to the condition that the Participant continue to provide services for Apache and Affiliated Entities for at least 12 months, such as many grants of restricted stock units, must end within 30 days of the date the Compensation is awarded, provided that (1) the award does not vest for 12 months following the end of the election period, (2) no event other than the Participant's death or disability (within the meaning of Code §409A(2)(C)), or a Change of Control can cause vesting within the 12 months following the end of the election period, and (3) if the Participant's death or disability, or the Change of Control occurs before the first anniversary of the end of the election period, the Election Agreement shall be cancelled.

ii. Duration of and Cancellation of Election Agreements. The Committee has full discretion to determine which Compensation is subject to each Election Agreement. The Election Agreement becomes irrevocable by the Participant at the end of the election period. The Committee shall determine, at the time the Election Agreement is made, the circumstances in which the Election Agreement shall be cancelled, such as upon the Participant's disability (within the meaning of Code §409A(a)(2)(A)(ii)) or upon a Change of Control. An Election Agreement is not affected by a hardship withdrawal from the Non-Qualified Retirement/Savings Plan of Apache Corporation. However, if the Participant takes a hardship withdrawal from the Apache Corporation 401(k) Savings Plan, all outstanding Election Agreements that apply to Compensation that would have been paid to the Participant within six months after the hardship withdrawal (if the Election Agreements had not been in effect) shall be cancelled and no further Participant Deferrals made pursuant to such Election Agreements.

3.02 Company Deferrals

Upon prior approval of the Committee, the Company may credit any amount to a Participant's Account at any time.

ARTICLE IV INVESTMENT OF DEFERRALS AND ACCOUNTING; VOTING

4.01 Investments

All amounts credited to a Participant's Account shall be invested in Stock Units, with the number of Stock Units determined using the Fair Market Value of the Stock for the date as of which the amount is credited to the Participant's Account. Amounts equal to any cash dividends declared on the Stock shall be credited to the Participant's Account as of the payment date for such dividend in proportion to the number of Stock Units in the Participant's Account as of the record date for such dividend. Such dividend amounts shall be invested in Stock Units, with the number of Stock Units determined using the Fair Market Value of the Stock on the dividend payment date, and such Stock Units shall vest pursuant to section 5.01. Nothing contained in this section shall be construed to require the Company or the Committee to fund any Participant's Account.

4.02 Voting

Participants shall have no right to vote any Stock Units prior to the date on which such Stock Units are subject to distribution and shares of Stock are issued therefor.

ARTICLE V DISTRIBUTIONS

5.01 Vesting

a. General. Each award of Compensation to a Participant shall vest in accordance with the terms of the award, which are determined by the Committee. Upon the death or disability of a Participant, the award shall specify whether no vesting occurs, whether the next tranche or some other portion of the award vests, or whether the entire award vests.

b. Termination for Cause. If the employment of the Participant is terminated for cause as determined by the Company, the Participant's entire Account balance, whether vested or not, shall be forfeited immediately. For this purpose, "cause" shall mean a gross violation, as determined by the Company, of the Company's established policies and procedures.

c. Earnings. Stock Units attributable to dividend amounts credited to a Participant's Account shall vest as the Stock Units on which the dividend amounts are calculated vest.

d. Change of Control. If a change of control, within the meaning of Apache's Income Continuance Plan or any successor plan, of Apache occurs, all unvested Stock Units credited to Participants' Accounts shall become automatically vested, without further action by the Committee or Apache's board of directors.

5.02 Payouts of Company Deferrals.

a. Timing of Payout. The Committee may specify the timing of the distribution of any grant of Company Deferrals, or the Committee may allow a Participant to make a payout election for his Company Deferrals. If the Participant is given the opportunity to make a payout election, the deadline for the election is 30 days after the grant of a Company Deferral unless the Committee specifies an earlier deadline.

b. Payout Alternatives. A Participant shall receive a lump sum distribution of the subaccount(s) containing Company Deferrals six months after he Separates from Service, unless the Committee permits him to elect five installments and he so elects, in which case the first installment will be paid six months after his Separation from Service, or as soon as convenient after that date, and subsequent installments will be paid on the anniversary of the first installment, or as near to that date as is administratively convenient.

c. Death or Change of Control. If there is a Change of Control or the Participant dies before receiving all installments, the remaining vested benefits shall be paid as specified in section 5.04 or 5.05, rather than as provided for in this section.

d. Disability. Each award of Compensation will specify whether the Participant's disability (which shall fall within the meaning of the term in Code §409A(a)(2)(A)(ii)) will trigger a payout and when such payout(s) shall occur.

e. Small Accounts. See section 5.03(d) for payouts of small accounts.

5.03 Payouts of Participant Deferrals

a. Election. Each subaccount containing Participant Deferrals shall be paid in a lump sum six months after the Participant's Separation from Service unless the Committee, in its sole discretion, allows a Participant to elect, and the Participant does elect, to have the Participant Deferrals under an Election Agreement paid to him in one of the following manners. Any payout election that the Participant is permitted make with respect to deferrals pursuant to an Election Agreement must be made by the end of the election period for that Election Agreement. The Committee has the discretion to reduce the possible payout alternatives from the three identified below. Paragraph (iv) contains special rules that apply when Stock Units vest after the Participant's Separation from Service.

i. In-Service Withdrawal, Single Payment. The subaccount for Participant Deferrals from an Election Agreement will be paid in a lump sum five years after the Stock Units vest, or as near to that date as is administratively convenient. For example, if the Stock Units under a particular Election Agreement vest over four years, the Participant will receive four annual lump sums. If the Participant Separates from Service before receiving all lump sums with respect to an Election Agreement, (A), if a lump sum is scheduled to be paid during the six months after the Separation from Service, it will be paid as scheduled, and (B) if any lump sum is scheduled to be paid more than six months after the Separation from Service, it will instead be paid 6 months after his Separation from Service, or as soon thereafter as is administratively convenient.

ii. In-Service Withdrawal, Limited Installments. This payout alternative is available only if all Stock Units relating to an Election Agreement either are vested at the time of the Election Agreement or are scheduled to vest on a single date; thus, for example, this alternative is not available for a restricted stock unit award where vesting is scheduled to occur over four years. The benefits will be paid in five annual installments, with the first installment paid five years after the Stock Units vest (or, if vested when granted, five years after the date of the grant), or as near to that date as is administratively convenient. Subsequent installments are paid on the anniversary of the first installment or as near to that date as is administratively convenient. The amount of each installment is equal to the number of remaining Stock Units associated the Election Agreement, divided by the number of remaining installments, rounded down to the nearest whole Stock Unit, except that the last installment is equal to the number of remaining vested Stock Units, with any fractional share paid in cash. If the Participant Separates from Service before receiving all installments with respect to an Election Agreement, (A), any installment payment scheduled to be paid during the six months after the Separation from Service will be paid as scheduled, and (B) any remaining installment(s) will instead be paid in a lump sum 6 months after his Separation from Service, or as soon thereafter as is administratively convenient.

iii. No In-Service Withdrawal. The subaccount for the Participant Deferrals from each Election Agreement will be paid out in a single payment or in five annual installments. The single payment or the first installment payment will be paid six months after the Participant's Separation from Service or as soon thereafter as is administratively convenient; subsequent installments will be paid on each anniversary of the first installment, or as near thereto as administratively convenient. Each installment will be equal to the balance in the subaccount measured as short a period of time before the installment is paid as is administratively convenient, divided by the number of remaining annual installments, rounded down to the nearest whole Stock Unit, except that the last installment shall be equal to the number of remaining Stock Units, with any fractional share paid in cash.

iv. Vesting After Separation from Service. An award of nonqualified deferred compensation may provide that some or all of the award may vest after the Participant Separates from Service. Typically, this occurs when a Participant retires under certain conditions specified in the award. Regardless of what payout elections were made under paragraphs, (i), (ii), or (iii), payment of that portion of an award that vests after the Participant's Separation from Service will be made on the later of (A) the date that portion of the award vests or (B) six months after the Participant's Separation from Service, or as soon thereafter as is administratively convenient.

b. Existing Elections. If a Participant made an Election Agreement before 2009 for an award that vested over more than one year and the Participant elected to defer such amounts for five years after vesting occurred with each amount paid in five installments, the payments scheduled to be made on or after January 1, 2009 will, in spite of the Participant's previous election, be paid a lump sum on the fifth anniversary of date of the date such Stock Units vested, or, if later, in January of 2009. If the Participant Separates from Service before receiving all lump sums with respect to an Election Agreement, (i) if a lump sum is scheduled to be paid during the six months after the Separation from Service, it will be paid as scheduled, and (ii) if any lump sum is scheduled to be paid more than six months after the Separation from Service, it will instead be paid in January 2009 or if later six months after his Separation from Service, or as soon thereafter as is administratively convenient

c. Death, Disability, or Change of Control. If there is a Change of Control or the Participant dies or becomes disabled before receiving all vested Stock Units, the remaining vested Stock Units, as well as any additional Stock Units that vest because of the death, disability, Change of Control, shall be paid as specified in section 5.02(d), 5.04, or 5.05, rather than as originally scheduled.

d. Small Accounts. If the Fair Market Value of a Participant's Account six months after he Separates from Service is less than $100,000, (i) he shall receive a lump sum payment of the vested Account balance six months after the Separation from Service or as soon thereafter as is administratively convenient, and (ii) he shall receive a lump sum payment of any additional amounts that vest after the Separation from Service on the later of (A) the date that additional vesting occurs or (B) six months after the Participant's Separation from Service, or soon thereafter as is administratively convenient.

5.04 Distributions After Participant's Death

This section applies once a Participant dies.

a. Immediate Payment. When a Participant dies, his remaining vested Account balance shall be paid to each beneficiary in one lump sum four months after the Participant's death, which should give each beneficiary adequate time to decide whether to disclaim. However, no payment may be made before the Committee's designee has been furnished with proof of death and such other information as it may reasonably require, including information needed for tax reporting purposes. Such distribution shall be paid in whole shares of Stock, with any fractional shares paid in cash.

b. Designating Beneficiaries. Each Participant shall designate one or more persons, trusts, or other entities as his Beneficiary to receive any amounts distributable hereunder after the Participant's death, by furnishing the Committee with a beneficiary designation form. In the absence of an effective Beneficiary designation as to part or all of a Participant's interest in the Plan, such amount will be distributed to the Participant's surviving Spouse, if any, otherwise to the Participant's estate. Unless the Participant's beneficiary designation form specifies otherwise, if a Beneficiary dies after the Participant but before being paid by the Plan, the Plan shall pay the Beneficiary's estate.

c. Changing Beneficiaries. A beneficiary designation may be changed by the Participant at any time and without the consent of any previously designated Beneficiary. However, if the Participant is married, his Spouse shall be his Beneficiary unless such 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's designee. If a Participant has designated his Spouse as a Beneficiary or as a contingent Beneficiary, and the Participant and that Spouse subsequently divorce, then the former Spouse will be treated as having pre-deceased the Participant for purposes of interpreting a beneficiary designation form completed prior to the divorce; this sentence shall apply only if the Committee's designee is informed of the divorce before payment to the former Spouse is authorized.

d. Disclaimers. Any individual or legal entity who is a Beneficiary may disclaim all or any portion of his interest in the Plan, provided that the disclaimer satisfies the requirements of applicable state law and Code §2518(b). The legal guardian of a minor or legally incompetent person may disclaim for such person. The personal representative (or the individual or legal entity acting in the capacity of the personal representative according to applicable state law) may disclaim on behalf of a Beneficiary who has died. The amount disclaimed shall be distributed as if the disclaimant had predeceased the Participant.

5.05 Change of Control

a. Former Employees.

i. Separated More than Six Months. Each Participant who is not a "specified employee" (defined below) and each Participant who Separated from Service more than six months before the date of a Change of Control, including those who are already receiving installment payments, will be paid a single payment of his entire remaining vested Account balance on the date of the Change of Control or as soon thereafter as is administratively practicable.

ii. Recent Separations. Each Participant who is a specified employee and who Separated from Service less than six months before the Change of Control occurred will be paid a single payment of his entire Account balance six months after his Separation from Service, or as soon thereafter as is administratively practicable.

iii. Specified Employee. The term “specified employee” has the same meaning as the term “specified employee” in Code §409A(a)(2)(B)(i), and is determined using the default rules in the regulations and other guidance of general applicability issued pursuant to Code §409A.

b. Current Employees. Each Participant who is an employee on the date of a Change of Control will be paid a lump sum of his entire vested Account balance, including any amounts that vest upon the Change of Control, on the date of the Change of Control or as soon thereafter as is administratively practicable.

5.06 Rehires. If a Participant Separated from Service and then becomes eligible to again accrue benefits, the payment of his benefits from his first episode of participation will not be affected by his subsequent participation. He will be treated as a new Participant for making payout elections for benefits accruing during his second episode of participation, except as otherwise provided in section 3.01.

5.07 Form of Distribution. Subject to section 5.08, each payment shall be made in whole shares of Stock, with each Stock Unit being converted into one share of Stock. Any fractional Stock Units will be converted into cash based on the Fair Market Value of a share of Stock on the day preceding the day the payment is processed. Upon a change of control as defined in the Income Continuance Plan or its successor, the payment for each Stock Unit shall be one share of Stock unless the material characteristics of the Stock were affected by the Change of Control, in which case the payment for each Stock Unit shall be in the form of cash equal to the fair market value, determined as of the date of the Change of Control, of the property an Apache shareholder receives upon the change of control in exchange for one of his Shares.

5.08 Withholding

At the time of vesting or payment, as applicable, either the recipient shall pay the Plan cash sufficient to cover the required withholding or the Plan shall withhold from such payment any taxes or other amounts that are required to be withheld pursuant to any applicable law; any Stock Units withheld shall be converted into cash based on the Fair Market Value of a share of Stock (a) on the day preceding the day the payment is processed or (b) on the day the vesting occurs.

5.09 Divorce

a. General. If a Participant has divorced his Spouse, all or a portion of his Account may be allocated to his former Spouse. The Participant may be a former or current employee of the Company.

b. Contents of Order. The allocation will occur as soon as practicable after the Plan receives a judgment, decree, or order (collectively, an “order”) that (i) is made pursuant to a state domestic relations law or community property law, (ii) relates to the marital property rights of the former Spouse, (iii) unambiguously specifies the amount or percentage of the Participant’s Account that is to be allocated to the former Spouse, or unambiguously specifies the manner in which the amount or percentage is to be calculated, (iv) does not allocate any benefits that have already been allocated to a different former Spouse, (v) contains the name and last known mailing address of the Participant and eh former Spouse, (vi) the name of the Plan, (vii) does not contain any provision that violates subsections (c), (d), or (e), and (viii) contains the former Spouse’s Social Security number (or other similar taxpayer identification number) unless such number has been provided by the former Spouse to the Plan in a manner acceptable to the Committee.

c. Payout Provisions. The vested portion of the amount allocated to the former Spouse will be paid to the former Spouse in a single payment as soon as administratively practicable after (i) the Plan has determined that the order meets the requirements of subsection (b), (ii) the Plan has communicated its interpretation of the order to the Participant and former Spouse, and given them a reasonable amount of time (such as 30 days) to object to the Plan’s interpretation, (and if there is a timely objection, the parties must submit a revised order or withdraw their objections), and (iii) the parties agree to the Plan’s interpretation of the order.

d. Not Fully Vested. If the former Spouse is allocated any unvested amounts, the Plan will establish a separate account for the former Spouse. Unvested amounts are forfeited at the same time as the Participant's unvested amounts are forfeited. If an amount allocated to the former Spouse subsequently become vested, the newly-vested amount will be paid to the former Spouse in a single payment as soon as administratively practicable following the additional vesting. If the former Spouse dies before award is fully vested, the unvested amounts shall be returned to the Participant's Account.

e. Source of Funds. The order may specify which subaccounts the former Spouse's benefits shall be taken from; if the order is silent on this matter, the amount awarded to the former Spouse shall be taken from the Participant's subaccounts in the order determined by the Committee and shall be taken on a pro rata basis from the vested portion of the Account and the unvested portion.

5.10 Timing of Payments

The previous sections in this Article specify when payments will be made pursuant to the Plan, and generally provide the Plan with some flexibility, for example by providing that the payment will occur on a specific date or as near to that date as is administratively convenient. Notwithstanding such flexibility, any payment that is scheduled to occur in one calendar year shall occur in that calendar year.

5.11 Administrative Delays in Payments

The Committee may delay any payment from this Plan for as short a period as is administratively necessary. For example, a delay may be imposed upon all payments when there is a change of recordkeeper or trustee, and a delay may be imposed on payments to any recipient until the recipient has provided (a) the information needed to determine the appropriate tax withholding and tax reporting and (b) any other information reasonably requested by the Committee. If possible, the delay will satisfy one of the conditions to be considered a permissible delay under Code §409A.

5.12 Noncompliance with Code §409A

To the extent that the Company or the Committee takes any action that causes a violation of Code §409A or fails to take any reasonable action required to comply with Code §409A, Apache shall pay an additional amount (the "gross-up") to the individual(s) who are subject to the penalty tax under Code §409A(a)(1); the gross-up will be sufficient to put the individual in the same after-tax position he would have been in had there been no violation of Code §409A. The Company shall not pay a gross-up if the cause of the violation of Code §409A is the due to the recipient's action or due to the recipient's failure to take reasonable actions (such as failing to timely provide the information required for tax withholding or failing to timely provide other information reasonably requested by the Committee - with the result that the delay in payment violates Code §409A). Any gross-up will be paid as soon as administratively convenient after the Committee determines the gross-up is owed, and no later than the end of the calendar year immediately following the calendar year in which the additional taxes are remitted. However, if the gross-up is due to a tax audit or litigation addressing the existence or amount of a tax liability, the gross-up will be paid as soon as administratively convenient after the litigation or audit is completed, and no later than the end of the calendar year following the calendar year in which the audit is completed or there is a final and non-appealable settlement or other resolution of the litigation.

ARTICLE VI ADMINISTRATION

6.01 Committee to Administer and Interpret Plan

The Plan shall be administered by the Committee. The Committee shall have all discretion and powers necessary for administering the Plan, including, but not by way of limitation, full discretion and power to interpret the Plan, to determine the eligibility, status and rights of all persons under the Plan and, in general, to decide any dispute. The Committee shall direct the Company, the Trustee, or both, as the case may be, concerning distributions in accordance with the provisions of the Plan. The Committee's designee shall maintain all Plan records except records of any Trust. The Committee may delegate any of its administrative duties to a designee.

6.02 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. The Committee may appoint a designee and/or agent (who need not be a member of the Committee or an employee of the Company) to assist the Committee in administration of the Plan and to whom it may delegate such powers as the Committee deems appropriate, except that the Committee shall determine any dispute. The Committee may make its determinations with or without meetings. The Committee may authorize one or more of its members, designees or agents to sign instructions, notices and determinations on its behalf. The action of a majority of the Committee's members shall constitute the action of the Committee.

6.03 Agent for Process

Apache's General Counsel and Apache's Corporate Secretary shall each be an agent of the Plan for service of all process.

6.04 Determination of Committee Final

The decisions made by the Committee shall be final and conclusive on all persons.

ARTICLE VII TRUST

7.01 Trust Agreement

The Company may, but shall not be required to, adopt a separate Trust Agreement for the holding and administration of the funds contributed to Accounts under the Plan. The Trustee shall maintain and allocate assets to a separate account for each Participant under the Plan. The assets of any such Trust shall remain subject to the claims of the Company's general creditors in the event of the Company's insolvency.

7.02 Expenses of Trust

The parties expect that any Trust created pursuant to section 7.01 will be treated as a "grantor" trust for federal and state income tax purposes and that, as a consequence, such Trust will not be subject to income tax with respect to its income. However, if the Trust is separately taxable, the Trustee shall pay all such taxes out of the Trust. All expenses of administering any such Trust shall be a charge against and shall be paid from the assets of such Trust.

ARTICLE VIII AMENDMENT AND TERMINATION

8.01 Amendment

The Plan may be amended at any time and from time to time, retroactively or otherwise; however, no amendment shall reduce any vested benefit that has accrued on the effective date of such amendment. Each Plan amendment shall be in writing and shall be approved by the Committee and/or Apache's Board of Directors. An officer of Apache to whom the Committee and/or Apache's Board of Directors has delegated the authority to execute Plan amendments shall execute each such amendment or the Plan document restated to include all such Plan amendment(s).

The Committee shall have the authority to adopt such modifications, procedures and subplans as may be necessary or desirable to comply with the provisions of the laws (including, but not limited to, tax laws and regulations) of countries other than the United States in which the Company may operate, so as to assure the viability of the benefits of the Plan to Participants employed in such countries. In only certain limited circumstances, as described in the Treasury Regulations and other guidance of general applicability issued pursuant to Code §409A, may the termination of a plan affect the timing of the payment of Plan benefits.

8.02 Successors and Assigns; Termination of Plan

The Plan is binding upon Apache and its successors and assigns. The Plan shall continue in effect from year to year unless and until terminated by Apache's Board of Directors. Any such termination shall operate only prospectively and shall not reduce any vested benefit that has accrued on the effective date of such termination.

ARTICLE IX STOCK SUBJECT TO THE PLAN

9.01 Number of Shares

Subject to Section 4.01, and to adjustment pursuant to Section 9.03 hereof, 350,000 shares of Stock (adjusted to 735,000 shares for (i) the Company's five-percent stock dividend, record date March 12, 2003, paid April 2, 2003, and (ii) the Company's two-for-one stock split, record date December 31, 2003, distributed January 14, 2004) 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 Apache if, in the opinion of counsel for the Company, such stockholder approval is required. Shares of Stock distributed under the terms of the Plan and shares of Stock equal to the number of Stock Units credited to Participants' Accounts maintained under the Plan shall be applied to reduce the maximum number of shares of Stock remaining available for use under the Plan. However, shares of Stock represented by any Stock Units related to the deferral of income from any plan for which shares of Stock have been authorized for issuance, such as the 2007 and 2011 Omnibus Equity Compensation Plans and the 2016 Omnibus Compensation Plan, shall retain their authorization under such plan, and shall not be applied to reduce the number of shares of Stock remaining available for use under the Plan. Apache, at all times during the existence of the Plan and while any Stock Units are credited to Participants' Accounts maintained under the Plan, shall retain as Stock in Apache'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.

9.02 Other Shares of Stock

The shares of Stock represented by any Stock Units from dividend amounts that are forfeited, and any shares of Stock that for any other reason are not issued to a Participant or are forfeited, shall again become available for use under the Plan.

9.03 Adjustments for Stock Split, Stock Dividend, Etc.

If Apache 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: (a) the shares of Stock remaining available for use under the Plan; and (b) the shares of Stock then represented by Stock Units credited to Participants' Accounts maintained under the Plan.

9.04 Dividend Payable in Stock of Another Corporation, Etc.

If Apache shall at any time pay or make any dividend or other distribution upon the Stock payable in securities or other property (except cash or Stock), a proportionate part of such securities or other property shall be set aside for Stock Units credited to Participants' Accounts maintained under the Plan and delivered to any Participant upon distribution pursuant to the terms of the Plan. Prior to the time that any such securities or other property are delivered to a Participant in accordance with the foregoing, Apache 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 Apache in accordance with this Section are not delivered to a Participant because all or part of his Stock Units are forfeited pursuant to the terms of the Plan, then the applicable portion of such securities or other property shall remain the property of Apache and shall be dealt with by Apache as it shall determine in its sole discretion.

9.05 Other Changes in Stock

In the event there shall be any change, other than as specified in Sections 9.03 and 9.04 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 (a) remaining available for use under the Plan and/or (b) represented by Stock Units credited to Participants' Accounts maintained under the Plan, then such adjustments shall be made by the Committee and shall be effective for all purposes of the Plan.

9.06 Rights to Subscribe

If Apache 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 Apache or of any other corporation, there shall be reserved with respect to the Stock Units credited to Participants' Accounts maintained under the Plan the Stock or other securities which the Participant would have been entitled to subscribe for if immediately prior to such grant the shares of Stock represented by such Stock Units had been issued and outstanding. If, at the time of distribution under the terms of the Plan, the Participant subscribes for the additional shares or other securities, the price that is payable by the Participant for such additional shares or other securities shall be withheld from such distribution pursuant to Section 5.08 hereof.

9.07 General Adjustment Rules

No adjustment or substitution provided for in this Article IX shall require Apache to sell or otherwise issue a fractional share of Stock. All benefits payable under the Plan shall be distributed in whole shares of Stock, with any fractional shares paid in cash.

9.08 Determination by the Committee, Etc.

Adjustments under this Article IX shall be made by the Committee, whose determinations with regard thereto shall be final and binding upon all parties thereto.

ARTICLE X REORGANIZATION OR LIQUIDATION

In the event that Apache is merged or consolidated with another corporation and Apache 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 Apache 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 9.07 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 any Stock Units credited to Participants' Accounts maintained under the Plan, 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 Stock Units credited to Participants' Accounts maintained under the Plan by the substitution on an equitable basis of appropriate stock of Apache 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 with respect to such Stock Units as a result of such substitution or (ii) to the extent permitted by the distribution rules under Code §409A, upon written notice to the Participants, provide that all distributions from the Plan shall be made within a specified number of days of the date of such notice. In the latter event, the Committee shall accelerate the vesting of all unvested Stock Units credited to Participants' Accounts so that all such Stock Units become fully vested and, to the extent permitted by the distribution rules under Code §409A, all Stock Units are payable prior to or upon any such event.

ARTICLE XI MISCELLANEOUS

11.01 Funding of Benefits -- No Fiduciary Relationship

Benefits shall be paid either out of the Trust or, if no Trust is in existence or if the assets in the Trust are insufficient to provide fully for such benefits, then such benefits shall be distributed by the Company out of its general assets. Nothing contained in the Plan shall be deemed to create any fiduciary relationship between the Company and the Participants. Notwithstanding anything herein to the contrary, to the extent that any person acquires a right to receive benefits under the Plan, such right shall be no greater than the right of any unsecured general creditor of the Company, except to the extent provided in the Trust Agreement, if any.

11.02 Right to Terminate Employment

The Company may terminate the employment of any Participant as freely and with the same effect as if the Plan were not in existence.

11.03 Inalienability of Benefits

Except for disclaimers under section 5.04(d) and payments to a former Spouse pursuant to section 5.09, no Participant or Beneficiary has the right to assign, alienate, pledge, transfer, hypothecate, encumber, or anticipate his interest in any benefits under the Plan, nor are the benefits subject to garnishment by any creditor, nor may the benefits under the Plan be levied upon or attached. The preceding sentence does not apply to the enforcement of a federal tax levy made pursuant to Code §6331, the collection by the United States on a judgment resulting from an unpaid tax assessment, or any debt or obligation that is permitted to be collected from the Plan under federal law (such as the Federal Debt Collection Procedures Act of 1977).

11.04 Claims Procedure

a. General. Each claim for benefits shall be processed in accordance with the procedures that may be established by the Committee. The procedures shall comply with the guidelines specified in this section. The Committee may delegate its duties under this section.

b. Representatives. A claimant may appoint a representative to act on his behalf. The Plan shall only recognize a representative if the Plan has received a written authorization signed by the claimant and on a form prescribed by the Committee, with the following exceptions. The Plan shall recognize a claimant's legal representative, once the Plan is provided with documentation of such representation. If the claimant is a minor child, the Plan shall recognize the claimant's parent or guardian as the claimant's representative. Once an authorized representative is appointed, the Plan shall direct all information and notification regarding the claim to the authorized representative and the claimant shall be copied on all notifications regarding decisions, unless the claimant provides specific written direction otherwise.

c. Extension of Deadlines. The claimant may agree to an extension of any deadline that is mentioned in this section that applies to the Plan. The Committee or the relevant decision-maker may agree to an extension of any deadline that is mentioned in this section that applies to the claimant.

d. Fees. The Plan may not charge any fees to a claimant for utilizing the claims process described in this section.

e. Filing a Claim. A claim is made when the claimant files a claim in accordance with the procedures specified by the Committee. Any communication regarding benefits that is not made in accordance with the Plan's procedures will not be treated as a claim.

f. Initial Claims Decision. The Plan shall decide a claim within a reasonable time up to 90 days after receiving the claim. The Plan shall have a 90-day extension, but only if the Plan is unable to decide within 90 days for reasons beyond its control, the Plan notifies the claimant of the special circumstances requiring the need for the extension by the 90th day after receiving the claim, and the Plan notifies the claimant of the date by which the Plan expects to make a decision.

g. Notification of Initial Decision. The Plan shall provide the claimant with written notification of the Plan's full or partial denial of a claim, reduction of a previously approved benefit, or termination of a benefit. The notification shall include a statement of the reason(s) for the decision; references to the plan provision(s) on which the decision was based; a description of any additional material or information necessary to perfect the claim and why such information is needed; a description of the procedures and deadlines for appeal; a description of the right to obtain information about the appeal procedures; and a statement of the claimant's right to sue.

h. Appeal. The claimant may appeal any adverse or partially adverse decision. To appeal, the claimant must follow the procedures specified by the Committee. The appeal must be filed within 60 days of the date the claimant received notice of the initial decision. If the appeal is not timely and properly filed, the initial decision shall be the final decision of the Plan. The claimant may submit documents, written comments, and other information in support of the appeal. The claimant shall be given reasonable access at no charge to, and copies of, all documents, records, and other relevant information.

i. Appellate Decision. The Plan shall decide the appeal of a claim within a reasonable time of no more than 60 days from the date the Plan receives the claimant's appeal. The 60-day deadline shall be extended by an additional 60 days, but only if the Committee determines that special circumstances require an extension, the Plan notifies the claimant of the special circumstances requiring the need for the extension by the 60th day after receiving the appeal, and the Plan notifies the claimant of the date by which the Plan expects to make a decision. If an appeal is missing any information from the claimant that is needed to decide the appeal, the Plan shall notify the claimant of the missing information and grant the claimant a reasonable period to provide the missing information. If the missing information is not timely provided, the Plan shall deny the claim. If the missing information is timely provided, the 60-day deadline (or 120-day deadline with the extension) for the Plan to make its decision shall be increased by the length of time between the date the Plan requested the missing information and the date the Plan received it.

j. Notification of Decision. The Plan shall provide the claimant with written notification of the Plan's appellate decision (positive or adverse). The notification of any adverse or partially adverse decision shall include a statement of the reason(s) for the decision; reference to the plan provision(s) on which the decision was based; a description of the procedures and deadlines for a second appeal, if any; a description of the right to obtain information about the second-appeal procedures; a statement of the claimant's right to sue; and a statement that the claimant is entitled to receive, free of charge and upon request, reasonable access to and copies of all documents, records, and other information relevant to the claim.

k. Limitations on Bringing Actions in Court. Once an appellate decision that is adverse or partially adverse to the claimant has been made, the claimant may file suit in court only if he does so by the earlier of the following dates: (i) the one-year anniversary of the date of an appellate decision made on or before a Change of Control or the three-year anniversary of the date of an appellate decision made after a Change of Control, or (ii) the date on which the statute of limitations for such claim expires.

11.05 Disposition of Unclaimed Distributions

It is the affirmative duty of each Participant to inform the Plan of, and to keep on file with the Plan, his current mailing address and the mailing address of his Spouse and any Beneficiaries. If a Participant fails to inform the Plan of these current mailing addresses, neither the Plan nor the Company is responsible for any late payment of benefits or loss of benefits. The Plan, the Committee, and the Company have no duty to search for a missing individual until the date of a Change of Control, at which point the Company has the duty to undertake reasonable measures to search for the proper recipient of any payment under the Plan that is scheduled to be paid on or after the date of the Change of Control. If the missing individual is not found within a year after a payment should have been made to him, all his benefits will be forfeited. If the missing individual later is found, the exact number of Stock Units forfeited will be restored to the Account as soon as administratively convenient, without any adjustment for dividends paid in the interim.

11.06 Distributions due Infants or Incompetents

If any person entitled to a distribution under the Plan is an infant, or if the Committee determines that any such person is incompetent by reason of physical or mental disability, whether or not legally adjudicated an incompetent, the Committee shall have the power to cause the distributions becoming due to such person to be made to another for his benefit, without responsibility of the Committee to see to the application of such distributions. Distributions made pursuant to such power shall operate as a complete discharge of the Company, the Trustee, if any, and the Committee.

11.07 Addresses

Any notice, form, or election required or permitted to be given under the Plan shall be in writing and shall be given by first class mail, by Federal Express, UPS, or other carrier, by fax or other electronic means, or by personal delivery to the appropriate party, addressed:

a. If to the Company, to Apache Corporation at its principal place of business at 2000 Post Oak Boulevard, Suite 100, Houston, Texas 77056-4400 (Attention: Corporate Secretary) or at such other address as may have been furnished in writing by the Company to a Participant; or

b. If to a Participant, at the address the Participant has furnished to the Company in writing.

c. If to a Beneficiary or former Spouse, at the address the Participant has furnished to the Company in writing, or at the address the Beneficiary or former Spouse subsequently provided in writing.

11.08 Statutory References

Any reference to a specific section of the Code or other statute shall be deemed to refer to the cited section or to the appropriate successor section.

11.09 Governing Law

The Plan and all Election Agreements shall be construed in accordance with the Code, ERISA (if applicable), and, to the extent applicable, the laws of the State of Texas excluding any conflicts-of-law provisions.

Dated May 12, 2016

ATTEST:	APACHE CORPORATION
/s/ Cheri L. Peper	By: /s/ Margery M. Harris
Cheri L. Peper Corporate Secretary	Margery M. Harris Executive Vice President, Human Resources

Exhibit 10.4

Apache Corporation
Non-Employee Directors' Restricted Stock Units Program Specifications

Effective May 12, 2016

Share Plan:	2016 Omnibus Compensation Plan (the "2016 Plan"), the terms of which are incorporated herein by reference.
Administration:	This Program is administered by the Management Development and Compensation Committee of the Company's Board of Directors.
Eligible Participants:	Members of the Company's Board of Directors, as of the applicable grant date, who are neither officers nor employees of the Company.
Objective:	The program is designed to be administered in conjunction with the provisions of the current Non-Employee Directors' Compensation Plan as a means to recognize the non-employee directors for services rendered through the awarding of equity compensation.
Quarterly Grant Dates:	The last day of each calendar quarter.
Quarterly Grant to Non-Employee Directors*:	RSUs the number of which is calculated by dividing $50,000 by the Fair Market Value (as defined in the 2016 Plan) of a share of Apache Common Stock on the grant date. If applicable, the grant shall be prorated for a non-employee director's service during the calendar quarter. If the calculated number of RSUs includes a fraction, the number shall be rounded down to the nearest whole number.
Quarterly Grant to Non-Executive Chairman*:	RSUs the number of which is calculated by dividing $25,000 by the Fair Market Value (as defined in the 2016 Plan) of a share of Apache Common Stock on the grant date. If applicable, the grant shall be prorated for the non-employee, non-executive chairman's service during the calendar quarter. If the calculated number of RSUs includes a fraction, the number shall be rounded down to the nearest whole number.
Program Term:	Until termination of the 2016 Plan
Vesting:	100% as of grant date, with 100% automatic, mandatory deferral as described below.
Automatic Deferral	Upon vesting, the RSUs will be deferred into the Outside Directors' Deferral Program and the RSUs and the associated dividend amounts (converted to shares of the Company's common stock) will be distributed in a lump sum at the times specified in the Outside Directors' Deferral Program.

*These grants do not result in any change to the cash retainers for board, non-executive chairman, and committee service paid under the provisions of the Non-Employee Directors' Compensation Plan.

Apache Corporation
Outside Directors' Deferral Program

Apache hereby establishes this Program, effective as of July 16, 2014, under the provisions of the Apache Corporation 2011 Omnibus Equity Compensation Plan, and effective as of May 12, 2016, under the provisions of the Apache Corporation 2016 Omnibus Compensation Plan.

Apache intends for this Program to provide its Outside Directors with the opportunity to defer income in conjunction with the Non-Employee Directors' Restricted Stock Units Program established under the provisions of the Apache Corporation 2011 Omnibus Equity Compensation Plan and the Apache Corporation 2016 Omnibus Compensation Plan.

Apache intends that the Program not be treated as a "funded" plan for purposes of the Code. Apache also intends for this Program to comply with the requirements of Code §409A. The Program shall be interpreted in light of Apache's intentions.

ARTICLE I DEFINITIONS

1.01 Definitions

Defined terms used in this Program shall have the meanings set forth below:

(a) "Account" means the memorandum account maintained for each Participant that is credited with all Deferrals.

(b) "Apache" means Apache Corporation or any successor thereto.

(c) "Beneficiary" means a Participant's beneficiary, as determined in section 5.03.

(d) "Change of Control" means a change of control as defined in the Income Continuance Plan that is also described in Code §409A(a)(2)(A)(v).

(e) "Code" means the Internal Revenue Code of 1986, as amended. Any reference to a particular section of the Code or the regulations issued thereunder shall be treated as a reference to any successor section.

(f) "Committee" means the Management Development and Compensation Committee of Apache's Board of Directors. The Committee shall be constituted at all times so as to permit the Apache Corporation 2011 Omnibus Equity Compensation Plan and the Apache Corporation 2016 Omnibus Compensation Plan to be administered by "non-employee directors" (as defined in Rule 16b-3 of the Securities Exchange Act of 1934, as amended).

(g) "Deferrals" means any contributions to this Program.

(h) "Fair Market Value" means the per share closing price of the Stock as reported on The New York Stock Exchange, Inc. Composite Transactions Reporting System for a particular date or, if the Stock is not so listed on such date, as reported on NASDAQ or on such other exchange or electronic trading system which, on the date in question, reports the largest number of traded shares of Stock, provided, however, that if on the date Fair Market Value is to be determined there are no transactions in the Stock, Fair Market Value shall be determined as of the immediately preceding date on which there were transactions in the Stock; provided further, however, that if the foregoing provisions are not applicable, the fair market value of a share of the Stock as determined by the Committee by the reasonable application of such reasonable valuation method, consistently applied, as the Committee deems appropriate. For purposes of the foregoing, a valuation prepared in accordance with any of the methods set forth in Treasury Regulation §1.409A-1(b)(5)(iv)(B)(2), consistently used, shall be rebuttably presumed to result in a reasonable valuation. This definition is intended to comply with the definition of “fair market value” contained in Treasury Regulation §1.409A-1(b)(5)(iv) and should be interpreted consistently therewith.

(i) “NED RSU Program” means the Non-Employee Directors’ Restricted Stock Units Program as established under the Apache Corporation 2011 Omnibus Equity Compensation Plan and the Apache Corporation 2016 Omnibus Compensation Plan.

(j) “Outside Director” means any non-employee member of Apache’s board of directors.

(k) “Participant” means any Outside Director as well as any former Outside Director who has accrued benefits in the Program that have not been fully paid out.

(l) “Program” means the program set forth in this document, as amended from time to time.

(m) “Separation from Service” has the same meaning as the term “separation from service” in Code §409A(a)(2)(A)(i), determined using the default rules in the regulations and other guidance of general applicability issued pursuant to Code §409A, including the special rules for directors in Treasury Regulation §1.409A-1(h)(5). A Participant who has a Separation from Service “Separates from Service.”

(n) “Specified Employee” has the same meaning as the term “specified employee” in Code §409A(a)(2)(B)(i), and is determined using the default rules in the regulations and other guidance of general applicability issued pursuant to Code §409A.

(o) “Spouse” means the individual to whom a Participant is lawfully married according to the laws of the state of the Participant’s domicile.

(p) “Stock” means the $0.625 par value common stock of Apache.

(q) “Stock Units” mean investment units and any related units from dividend amounts. Each Stock Unit is equivalent in value to one share of Stock.

1.02 Headings; Gender and Number

The headings contained in the Program are for reference purposes only and shall not affect in any way the meaning or interpretation of the Program. Except when otherwise indicated by the context, the masculine gender shall also include the feminine gender, and the singular shall also include the plural.

ARTICLE II ELIGIBILITY AND PARTICIPATION

2.01 Eligibility and Participation

Each Outside Director on July 16, 2014 is eligible to participate in this Program on such date. Each individual who subsequently becomes an Outside Director shall be eligible to participate in the Program upon becoming an Outside Director.

2.02 Enrollment

Participants shall complete the enrollment procedures specified by the Committee. The enrollment procedures may include form(s) for the Participant to designate a Beneficiary and provide such other information as the Committee may reasonably require.

2.03 Failure of Eligibility

An Outside Director shall cease to be eligible to accrue benefits in the Program when she or she ceases to be an Outside Director. Any Program benefits accrued by the time the Participant becomes ineligible to continue participation shall be distributed in accordance with the provisions of Article V.

ARTICLE III CONTRIBUTION DEFERRALS

Before each grant of Restricted Stock Units pursuant to the NED RSU Program, the Committee shall determine (a) the number of Restricted Stock Units, if any, that will be converted into Stock and paid to each Participant upon vesting, and (b) the number of Restricted Stock Units that will be automatically contributed to this Program for the Participant upon vesting, thereby becoming Stock Units in this Program.

ARTICLE IV INVESTMENT OF DEFERRALS AND ACCOUNTING; VOTING

4.01 Investments

All amounts credited to a Participant's Account shall be invested in Stock Units, with the number of Stock Units determined using the Fair Market Value of the Stock for the date as of which the amount is credited to the Participant’s Account. Amounts equal to any cash dividends declared on the Stock shall be credited to the Participant's Account as of the payment date for such dividend in proportion to the number of Stock Units in the Participant's Account as of the record date for such dividend. Such dividend amounts shall be invested in Stock Units, with the number of Stock Units determined using the Fair Market Value of the Stock on the dividend payment date. Nothing contained in this section shall be construed to require Apache or the Committee to fund any Participant's Account.

4.02 Voting

No Participant shall have the right to vote any Stock Units prior to the date on which such Stock Units are subject to distribution and shares of Stock are issued therefor.

ARTICLE V DISTRIBUTIONS

5.01 Vesting

Each grant of Restricted Stock Units is subject to the vesting terms described in the grant agreement. Each Stock Unit is fully vested.

5.02 Payouts

a. General. The Committee shall specify, on or before any award of Restricted Stock Units, the timing of the payout of any such Restricted Stock Units that are contributed to this Program when they vest; such payout provisions would apply in lieu of any payout provision otherwise specified in this section.

b. Payout Upon Separation from Service. The Stock Units in the Program will be converted to Stock and paid to the Participant on the business day after the Participant Separates from Service, or as soon thereafter as is administratively convenient. See section 5.03 if the Participant dies before receiving all Program benefits; see section 5.04 if there is a Change of Control; see section 5.08 if the Participant is divorced and payments are made to his or her former Spouse. See the terms of the grant agreement for any special payment provisions that apply to a Participant who becomes disabled within the meaning of Code §409A(a)(2)(A)(ii).

c. Payouts of Dividend Amounts. The Stock Units acquired with dividend amounts shall be paid out at the same time as the Stock Units they relate to are paid out.

d. Delayed Payment for Specified Employees. In the rare event that a Participant is a Specified Employee when he or she Separates from Service, any benefit payments triggered by his or her Separation from Service will be delayed until six months after his or her Separation from Service.

5.03 Distributions After Participant's Death

This section applies once a Participant dies.

a. Immediate Payment. When a Participant dies, his or her remaining vested Account balance shall be paid to each Beneficiary in one lump sum four months after the Participant's death, which should give each beneficiary adequate time to decide whether to disclaim as set forth in section 5.03(d). However, no payment may be made before the Committee's designee has been furnished with proof of death and such other information as it may reasonably require, including information needed for tax reporting purposes. Such distribution shall be paid in whole shares of Stock, with any fractional shares paid in cash.

b. Designating Beneficiaries. Each Participant shall designate one or more persons, trusts, or other entities as his or her Beneficiary to receive any amounts distributable hereunder after the Participant's death, by furnishing the Committee with a beneficiary designation form. In the absence of an effective Beneficiary designation as to part or all of a Participant's interest in the Program, such amount will be distributed to the Participant's surviving Spouse, if any, otherwise to the Participant's estate. Unless the Participant's beneficiary designation form specifies otherwise, if a Beneficiary dies after the Participant but before being paid by the Program, the Program shall pay the Beneficiary's estate.

c. Changing Beneficiaries. A Beneficiary designation may be changed by the Participant at any time and without the consent of any previously designated Beneficiary. However, if the Participant is married, his or her Spouse shall be his or her Beneficiary unless such 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's designee. If a Participant has designated his or her Spouse as a Beneficiary or as a contingent Beneficiary, and the Participant and that Spouse subsequently divorce, then the former Spouse will be treated as having pre-deceased the Participant for purposes of interpreting a beneficiary designation form completed prior to the divorce; this sentence shall apply only if the Committee's designee is informed of the divorce before payment to the former Spouse is authorized.

d. Disclaimers. Any individual or legal entity who is a Beneficiary may disclaim all or any portion of his or her interest in the Program, provided that the disclaimer satisfies the requirements of applicable state law and Code §2518(b). The legal guardian of a minor or legally incompetent person may disclaim for such person. The personal representative (or the individual or legal entity acting in the capacity of the personal representative according to applicable state law) may disclaim on behalf of a Beneficiary who has died. The amount disclaimed shall be distributed as if the disclaimant had predeceased the Participant.

5.04 Change of Control. Each Participant on the date of a Change of Control will be paid a lump sum of his or her or her entire Account balance on the date of the Change of Control or as soon thereafter as is administratively practicable.

5.05 Reappointments. If a Participant Separated from Service and then becomes eligible to again accrue benefits, the payment of his or her benefits from his or her first episode of participation will not be affected by his or her subsequent participation. He or she will be treated as a new Participant for receiving grants under Article III.

5.06 Form of Distribution. Except as otherwise provided in this section, each payment shall be made in whole shares of Stock, with each Stock Unit being converted into one share of Stock. Any fractional Stock Units will be converted into cash based on the Fair Market Value of a share of Stock on the day preceding the day the payment is processed. Upon a change of control as defined in the Income Continuance Plan or its successor, the payment for each Stock Unit shall be one share of Stock unless the material characteristics of the Stock were affected by the change of control, in which case the payment for each Stock Unit shall be in the form of cash equal to the fair market value, determined as of the date of the change of control, of the property an Apache shareholder receives upon the change of control in exchange for one of his or her Shares.

5.07 Withholding

At the time of vesting or payment, as applicable, either the recipient shall pay the Program cash sufficient to cover any required withholding or the Program shall withhold from such payment any taxes or other amounts that are required to be withheld pursuant to any applicable law; any Stock Units withheld shall be converted into cash based on the Fair Market Value of a share of Stock on the day preceding the day the payment is processed.

5.08 Divorce

a. General. If a Participant has divorced his or her Spouse, all or a portion of his or her Account may be allocated to his or her former Spouse.

b. Contents of Order. The allocation will occur as soon as practicable after the Program receives a judgment, decree, or order (collectively, an “order”) that (i) is made pursuant to a state domestic relations law or community property law, (ii) relates to the marital property rights of the former Spouse, (iii) unambiguously specifies the amount or percentage of the Participant’s Account that is to be allocated to the former Spouse, or unambiguously specifies the manner in which the amount or percentage is to be calculated, (iv) does not allocate any benefits that have already been allocated to a different former Spouse, (v) contains the name and last known mailing address of the Participant and eh former Spouse, (vi) the name of the Program, (vii) does not contain any provision that violates subsections (c), (d), or (e), and (viii) contains the former Spouse’s Social Security number (or other similar taxpayer identification number) unless such number has been provided by the former Spouse to the Program in a manner acceptable to the Committee.

c. Payout Provisions. The amount allocated to the former Spouse will be paid to the former Spouse in a single payment as soon as administratively practicable after (i) the Program has determined that the order meets the requirements of subsection (b), (ii) the Program has communicated its interpretation of the order to the Participant and former Spouse, and given them a reasonable amount of time (such as 30 days) to object to the Program’s interpretation, (and if there is a timely objection, the parties must submit a revised order or withdraw their objections), and (iii) the parties agree to the Program’s interpretation of the order.

d. Source of Funds. The order may specify which subaccounts the former Spouse’s benefits shall be taken from; if the order is silent on this matter, the amount awarded to the former Spouse shall be taken pro rata from each subaccount.

5.09 Timing of Payments

The previous sections in this Article specify when payments will be made pursuant to the Program, and generally provide the Program with some flexibility, for example by providing that the payment will occur on a specific date or as near to that date as is administratively convenient. Notwithstanding such flexibility, any payment that is scheduled to occur in one calendar year shall occur in that calendar year.

5.10 Administrative Delays in Payments

The Committee may delay any payment from this Program for as short a period as is administratively necessary. For example, a delay may be imposed upon all payments when there is a change of recordkeeper or trustee, and a delay may be imposed on payments to any recipient until the recipient has provided (a) the information needed to determine the appropriate tax withholding and tax reporting and (b) any other information reasonably requested by the Committee. If possible, the delay will satisfy one of the conditions to be considered a permissible delay under Code §409A.

5.11 Noncompliance with Code §409A

To the extent that Apache or the Committee takes any action that causes a violation of Code §409A or fails to take any reasonable action required to comply with Code §409A, Apache shall pay an additional amount (the “gross-up”) to the individual(s) who are subject to the penalty tax under Code §409A(a)(1); the gross-up will be sufficient to put the individual in the same after-tax position he or she would have been in had there been no violation of Code §409A. Apache shall not pay a gross-up if the cause of the violation of Code §409A is the due to the recipient’s action or due to the recipient’s failure to take reasonable actions (such as failing to timely provide the information required for tax reporting - with the result that the delay in payment violates Code §409A). Any gross-up will be paid as soon as administratively convenient after the Committee determines the gross-up is owed, and no later than the end of the calendar year immediately following the calendar year in which the additional taxes are remitted. However, if the gross-up is due to a tax audit or litigation addressing the existence or amount of a tax liability, the gross-up will be paid as soon as administratively convenient after the litigation or audit is completed, and no later than the end of the calendar year following the calendar year in which the audit is completed or there is a final and non-appealable settlement or other resolution of the litigation.

ARTICLE VI ADMINISTRATION

6.01 Committee to Administer and Interpret Program

The Program shall be administered by the Committee. The Committee shall have all discretion and powers necessary for administering the Program, including, but not by way of limitation, full discretion and power to interpret the Program, to determine the eligibility, status and rights of all persons under the Program and, in general, to decide any dispute. The Committee shall direct Apache concerning distributions in accordance with the provisions of the Program. The Committee's designee shall maintain all Program records. The Committee may delegate any of its administrative duties to a designee.

6.02 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 Program. The Committee may appoint a designee and/or agent (who need not be a member of the Committee or an employee of Apache) to assist the Committee in administration of the Program and to whom it may delegate such powers as the Committee deems appropriate, except that the Committee shall determine any dispute. The Committee may make its determinations with or without meetings. The Committee may authorize one or more of its members, designees or agents to sign instructions, notices and determinations on its behalf. The action of a majority of the Committee's members shall constitute the action of the Committee.

6.03 Agent for Process

Apache's General Counsel and Apache's Corporate Secretary shall each be an agent of the Program for service of all process.

6.04 Determination of Committee Final

The decisions made by the Committee shall be final and conclusive on all persons.

ARTICLE VII AMENDMENT AND TERMINATION

7.01 Amendment

The Program may be amended at any time and from time to time, retroactively or otherwise; however, no amendment shall reduce any vested benefit that has accrued on the later of the actual date or the effective date of such amendment. Each Program amendment shall be in writing and shall be approved by the Committee and/

or Apache's Board of Directors. An officer of Apache to whom the Committee and/or Apache's Board of Directors has delegated the authority to execute Program amendments shall execute each such amendment or the Program document restated to include all such Program amendment(s).

The Committee shall have the authority to adopt such modifications and procedures as may be necessary or desirable to comply with the provisions of the laws (including, but not limited to, tax laws and regulations) of countries other than the United States in which Apache may operate, so as to assure the viability of the benefits of the Program to Participants employed in such countries.

In only certain limited circumstances, as described in the Treasury Regulations and other guidance of general applicability issued pursuant to Code §409A, may the full or partial termination of the Program affect the timing of the payment of Program benefits.

7.02 Successors and Assigns; Termination of Program

The Program is binding upon Apache and its successors and assigns. The Program shall continue in effect from year to year unless and until terminated by the Committee and/or Apache's Board of Directors. Any such termination shall operate only prospectively and shall not reduce any vested benefit that has accrued on the effective date of such termination.

ARTICLE VIII MISCELLANEOUS

8.01 Funding of Benefits -- No Fiduciary Relationship

Benefits shall be paid by Apache out of its general assets or available shares. Nothing contained in the Program shall be deemed to create any fiduciary relationship between Apache and the Participants. Notwithstanding anything herein to the contrary, to the extent that any person acquires a right to receive benefits under the Program, such right shall be no greater than the right of any unsecured general creditor of Apache.

8.02 Inalienability of Benefits

Except for disclaimers under section 5.03(d) and payments to a former Spouse pursuant to section 5.08, no Participant or Beneficiary has the right to assign, alienate, pledge, transfer, hypothecate, encumber, or anticipate his or her interest in any benefits under the Program, nor are the benefits subject to garnishment by any creditor, nor may the benefits under the Program be levied upon or attached. The preceding sentence does not apply to the enforcement of a federal tax levy made pursuant to Code §6331, the collection by the United States on a judgment resulting from an unpaid tax assessment, or any debt or obligation that is permitted to be collected from the Program under federal law (such as the Federal Debt Collection Procedures Act of 1977).

8.03 Claims Procedure

a. General. The Committee shall develop a reasonable claims procedure.

b. Limitations on Bringing Actions in Court. Once a final decision that is adverse or partially adverse to the claimant has been made, the claimant may file suit in court only if he or she does so by the earlier of the following dates: (i) the one-year anniversary of the date of the final decision made on or before a Change of Control or the three-year anniversary of the date of a final decision made after a Change of Control, or (ii) the date on which the statute of limitations for such claim expires.

8.04 Disposition of Unclaimed Distributions

It is the affirmative duty of each Participant to inform the Program of, and to keep on file with the Program, his or her current mailing address and the mailing address of his or her Spouse and any Beneficiaries. If a Participant fails to inform the Program of these current mailing addresses, neither the Program nor Apache is responsible for any late payment of benefits or loss of benefits. The Program, the Committee, and Apache have no duty to search for a missing individual until the date of a Change of Control, at which point Apache has the duty to undertake reasonable measures to search for the proper recipient of any payment under the Program that is scheduled to be paid on or after the date of the Change of Control or that was scheduled to be paid before the Change of Control. If the missing individual is not found within a year after a payment should have been made to him or her, all his or her benefits will be forfeited. If the missing individual later is found, the exact number of Stock Units forfeited will be restored to the Account as soon as administratively convenient, without any adjustment for dividends paid in the interim.

8.05 Distributions due Infants or Incompetents

If any person entitled to a distribution under the Program is an infant, or if the Committee determines that any such person is incompetent by reason of physical or mental disability, whether or not legally adjudicated an incompetent, the Committee shall have the power to cause the distributions becoming due to such person to be made to another for his or her benefit, without responsibility of the Committee to see to the application of such distributions. Distributions made pursuant to such power shall operate as a complete discharge of Apache and the Committee.

8.06 Addresses

Any notice, form, or election required or permitted to be given under the Program shall be in writing and shall be given by first class mail, by Federal Express, UPS, or other carrier, by fax or other electronic means, or by personal delivery to the appropriate party, addressed:

a. If to Apache, to Apache Corporation at its principal place of business at 2000 Post Oak Boulevard, Suite 100, Houston, Texas 77056-4400 (Attention: Corporate Secretary) or at such other address as may be furnished in writing by Apache to a Participant; or

b. If to a Participant, at the address the Participant has furnished to Apache in writing.

c. If to a Beneficiary or former Spouse, at the address the Participant has furnished to Apache in writing, or at the address the Beneficiary or former Spouse subsequently provided in writing.

8.07 Statutory References

Any reference to a specific section of the Code or other statute shall be deemed to refer to the cited section or to the appropriate successor section.

8.08 Governing Law

The Program shall be construed in accordance with the Code and, to the extent applicable, the laws of the State of Texas excluding any conflicts-of-law provisions.

Dated May 12, 2016

ATTEST:	APACHE CORPORATION
/s/ Cheri L. Peper	By: /s/ Margery M. Harris
Cheri L. Peper Corporate Secretary	Margery M. Harris Executive Vice President, Human Resources

EXHIBIT 31.1

CERTIFICATIONS

I, John J. Christmann IV, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Apache Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ John J. Christmann IV

John J. Christmann IV
Chief Executive Officer and President
(principal executive officer)

Date: August 4, 2016

EXHIBIT 31.2

CERTIFICATIONS

I, Stephen J. Riney, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Apache Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Stephen J. Riney

Stephen J. Riney
Executive Vice President and Chief Financial Officer
(principal financial officer)

Date: August 4, 2016

EXHIBIT 32.1

APACHE CORPORATION

**Certification of Principal Executive Officer
and Principal Financial Officer**

I, John J. Christmann IV, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge, the quarterly report on Form 10-Q of Apache Corporation for the quarterly period ending June 30, 2016, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. §78m or §78o (d)) and that information contained in such report fairly represents, in all material respects, the financial condition and results of operations of Apache Corporation.

/s/ John J. Christmann IV

By:	John J. Christmann IV
Title:	Chief Executive Officer and President
	(principal executive officer)

Date: August 4, 2016

I, Stephen J. Riney, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge, the quarterly report on Form 10-Q of Apache Corporation for the quarterly period ending June 30, 2016, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. §78m or §78o (d)) and that information contained in such report fairly represents, in all material respects, the financial condition and results of operations of Apache Corporation.

/s/ Stephen J. Riney

By:	Stephen J. Riney
Title:	Executive Vice President and Chief Financial Officer
	(principal financial officer)

Date: August 4, 2016