

Apache

08.04.2016

SECOND-QUARTER 2016

FINANCIAL AND OPERATIONAL SUPPLEMENT

NOTICE TO INVESTORS

Certain statements in this earnings supplement contain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 including, without limitation, expectations, beliefs, plans and objectives regarding anticipated financial and operating results, asset divestitures, estimated reserves, drilling locations, capital expenditures, price estimates, typical well results and well profiles, type curve, and production and operating expense guidance included in this earnings supplement. Any matters that are not historical facts are forward looking and, accordingly, involve estimates, assumptions, risks and uncertainties, including, without limitation, risks, uncertainties and other factors discussed in our most recently filed Annual Report on Form 10-K, recently filed Quarterly Reports on Form 10-Q, recently filed Current Reports on Form 8-K available on our website, www.apachecorp.com, and in our other public filings and press releases. These forward-looking statements are based on Apache Corporation's (Apache) current expectations, estimates and projections about the company, its industry, its management's beliefs and certain assumptions made by management. No assurance can be given that such expectations, estimates or projections will prove to have been correct. A number of factors could cause actual results to differ materially from the projections, anticipated results or other expectations expressed in this earnings supplement, including, Apache's ability to meet its production targets, successfully manage its capital expenditures and to complete, test and produce the wells and prospects identified in this earnings supplement, to successfully plan, secure necessary government approvals, finance, build and operate the necessary infrastructure, and to achieve its production and budget expectations on its projects.

Whenever possible, these "forward-looking statements" are identified by words such as "expects," "believes," "anticipates," "projects," "guidance," and similar phrases. Because such statements involve risks and uncertainties, Apache's actual results and performance may differ materially from the results expressed or implied by such forward-looking statements. Given these risks and uncertainties, you are cautioned not to place undue reliance on such forward-looking statements, which speak only as of the date hereof. Unless legally required, we assume no duty to update these statements as of any future date. However, you should review carefully reports and documents that Apache files periodically with the Securities and Exchange Commission.

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Certain information may be provided in this supplement that includes financial measurements that are not required by, or presented in accordance with, generally accepted accounting principles (GAAP), including these measures: adjusted EBITDA(X), adjusted earnings per share, pro forma production, cash flow from operations, and net debt. These non-GAAP measures should not be considered as alternatives to GAAP measures, such as net income or net cash from operating activities, and may be calculated differently from, and therefore may not be comparable to, similarly titled measures used at other companies.

None of the information contained in this document has been audited by any independent auditor. This supplemental document is prepared as a convenience for securities analysts and investors and may be useful as a reference tool. Apache intends to continue to publish this supplement in conjunction with our quarterly earnings release, but may elect to modify the format or discontinue publication at any time, without notice to securities analysts or investors.

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SECOND-QUARTER 2016 FINANCIAL AND OPERATIONAL RESULTS

SECOND-QUARTER 2016 KEY METRICS

▶ Earnings Per Share	(\$0.65)	↑ NM	From 1Q'16
▶ Adjusted Earnings Per Share ⁽¹⁾	(\$0.26)	↑ NM	
▶ Net Cash From Operating Activities	\$744 Million	↑ 211%	
▶ Adjusted EBITDA(X) ⁽¹⁾	\$787 Million	↑ 43%	
▶ Pro Forma Production ⁽²⁾	461 Mboe/d	↓ 4%	
▶ E&P and GTP Investment ⁽³⁾	\$391 Million	↓ 7%	

Note: All comparisons are to 1Q'16 as revised under Successful Efforts accounting method.

(1) For a reconciliation to the most directly comparable GAAP financial measure please refer to the appendix.

(2) Excludes tax barrels and noncontrolling interest in Egypt.

(3) Excludes capital associated with noncontrolling interest in Egypt.

KEY 2Q RESULTS

Under full cost and successful efforts

	2Q16		Description of Differences
	Full Cost	Successful Efforts	
Earnings Per Share	(\$1.58)	(\$0.65)	Primarily lower under full cost as a result of full cost ceiling test write downs
Adjusted Earnings per Share ¹	\$0.05	\$(0.26)	Lower Adjusted EPS under successful efforts mainly due to depreciation and exploration expense
Net Cash from Operating Activities (in millions)	\$781	\$744	Cash flow from operating activities is lower under successful efforts as a result of exploratory costs incurred that were capitalized under full cost
Adjusted EBITDA(X) ⁽¹⁾ (in millions)	\$739	\$787	Adjusted EBITDA(X) is higher under successful efforts due to impact on revenues from Egypt tax barrels
Pro Forma Production ⁽²⁾ (Mboe/d)	461	461	No differences
Oil and Gas Capital Investment (in millions) ⁽³⁾	\$518	\$505	Capital Investment is higher under full cost due to capitalized interest

(1) For a reconciliation to the most directly comparable GAAP financial measure refer to the appendix.

(2) Excludes tax barrels and noncontrolling interest in Egypt.

(3) Excludes capital associated with noncontrolling interest in Egypt.

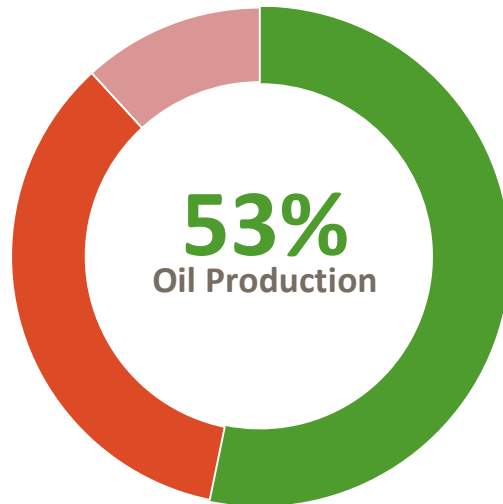
SECOND-QUARTER 2016 HIGHLIGHTS

- ▶ Substantial increase in net cash from operating activities and EBITDAX from the first quarter
- ▶ Excellent progress reducing LOE
- ▶ Production trending in line with guidance
- ▶ Limited activity in the quarter, but excellent well results in Permian Basin, Egypt and North Sea
- ▶ Cash position increased by \$200 million to \$1.2 billion

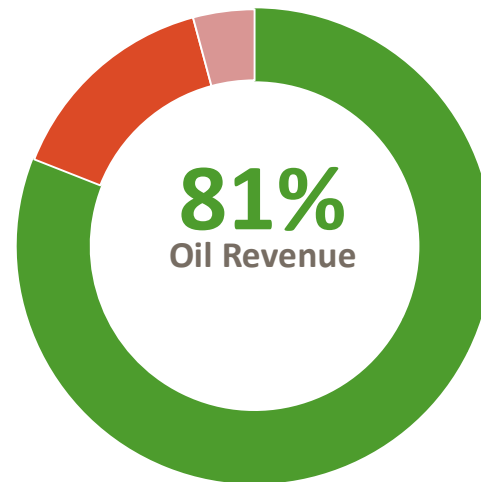
PRODUCTION AND REVENUES BY PRODUCT

2Q 2016

Reported Production
535 MBOE/D



Oil and Gas Revenue
\$1.4 Billion

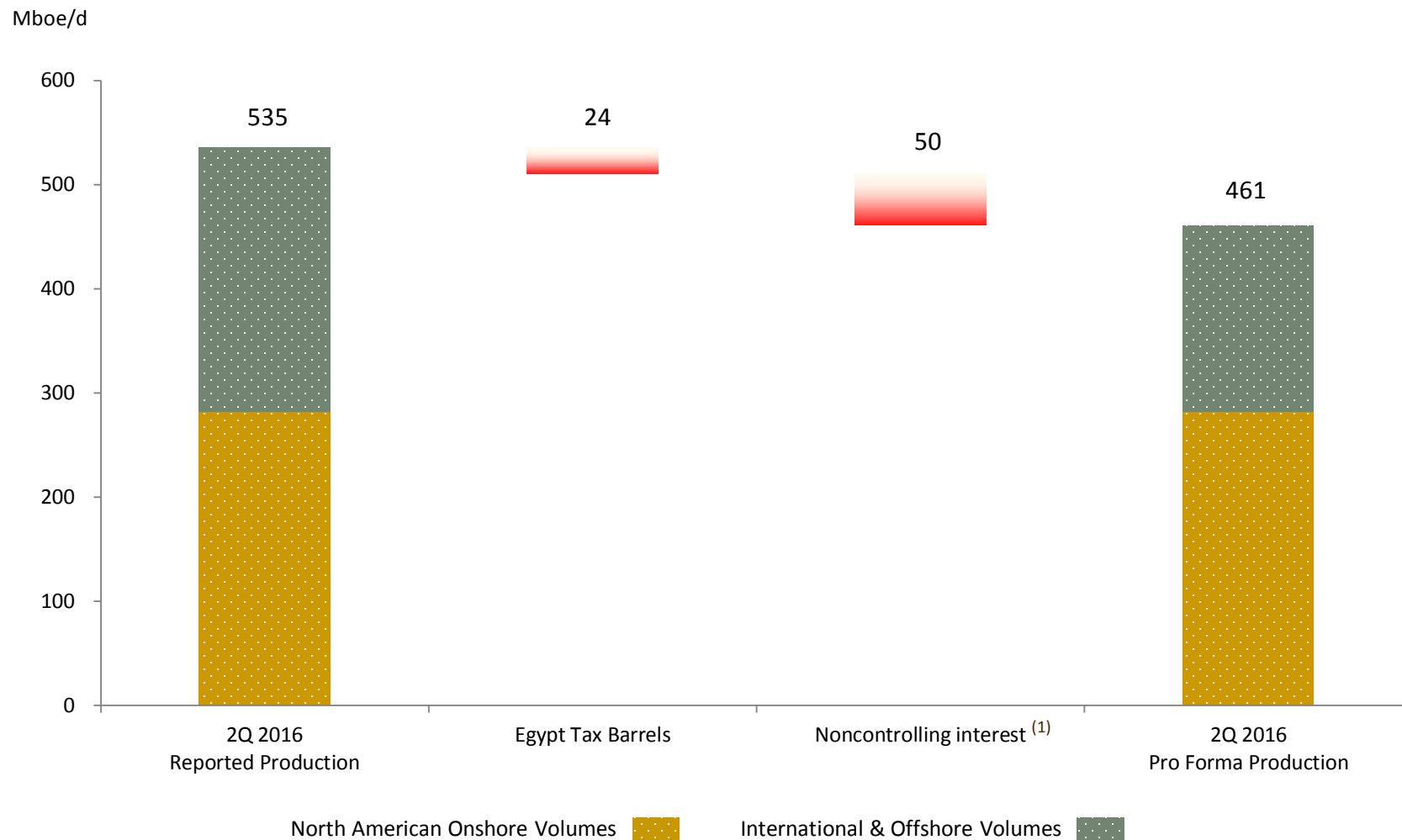


Oil Natural Gas NGLs

Note: Reported volumes include noncontrolling interest and tax barrels in Egypt.

PRO FORMA PRODUCTION RECONCILIATION

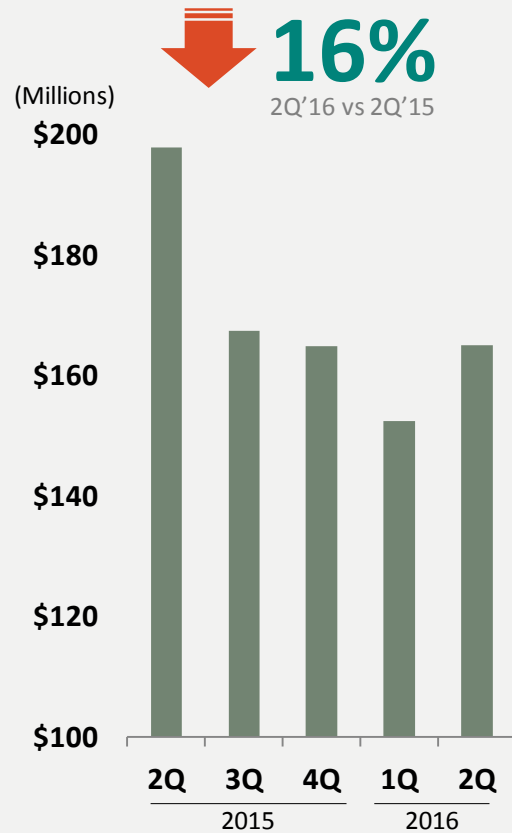
2Q 2016



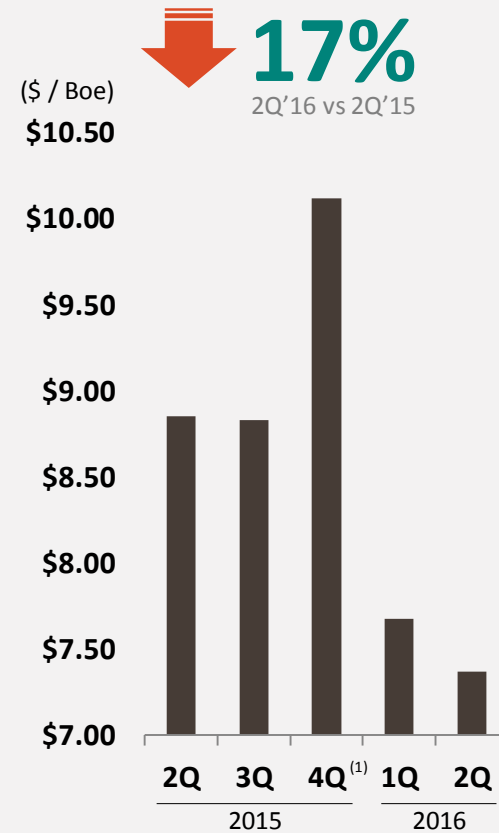
(1) Excludes tax barrels associated with noncontrolling interest.

QUARTERLY COSTS TRENDING DOWN

Gross Overhead - Cash Cost

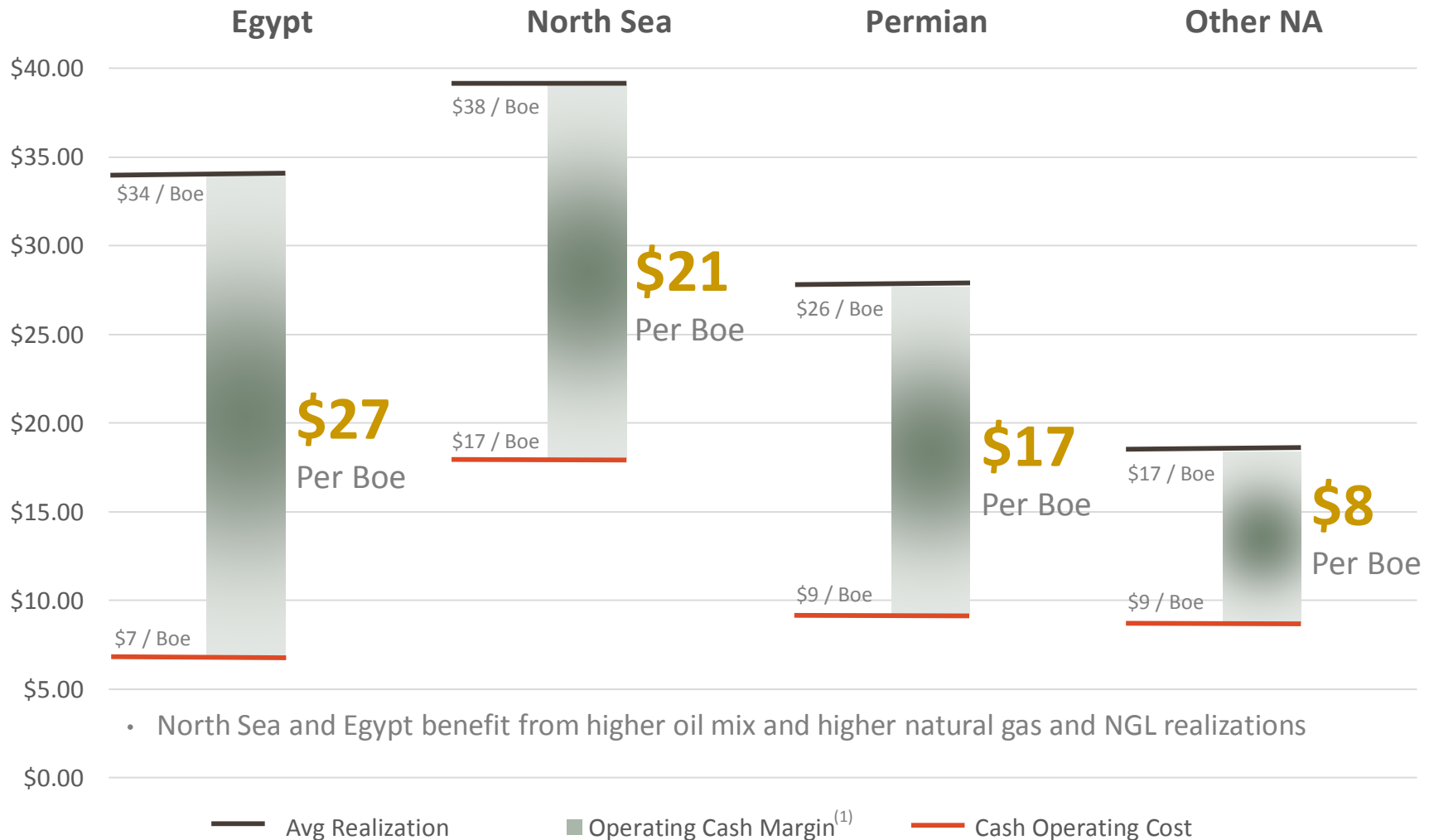


Lease Operating Expense Per Boe



(1) Lease operating expenses per Boe were impacted by Egyptian impairments, which resulted in negative tax barrels for the quarter.

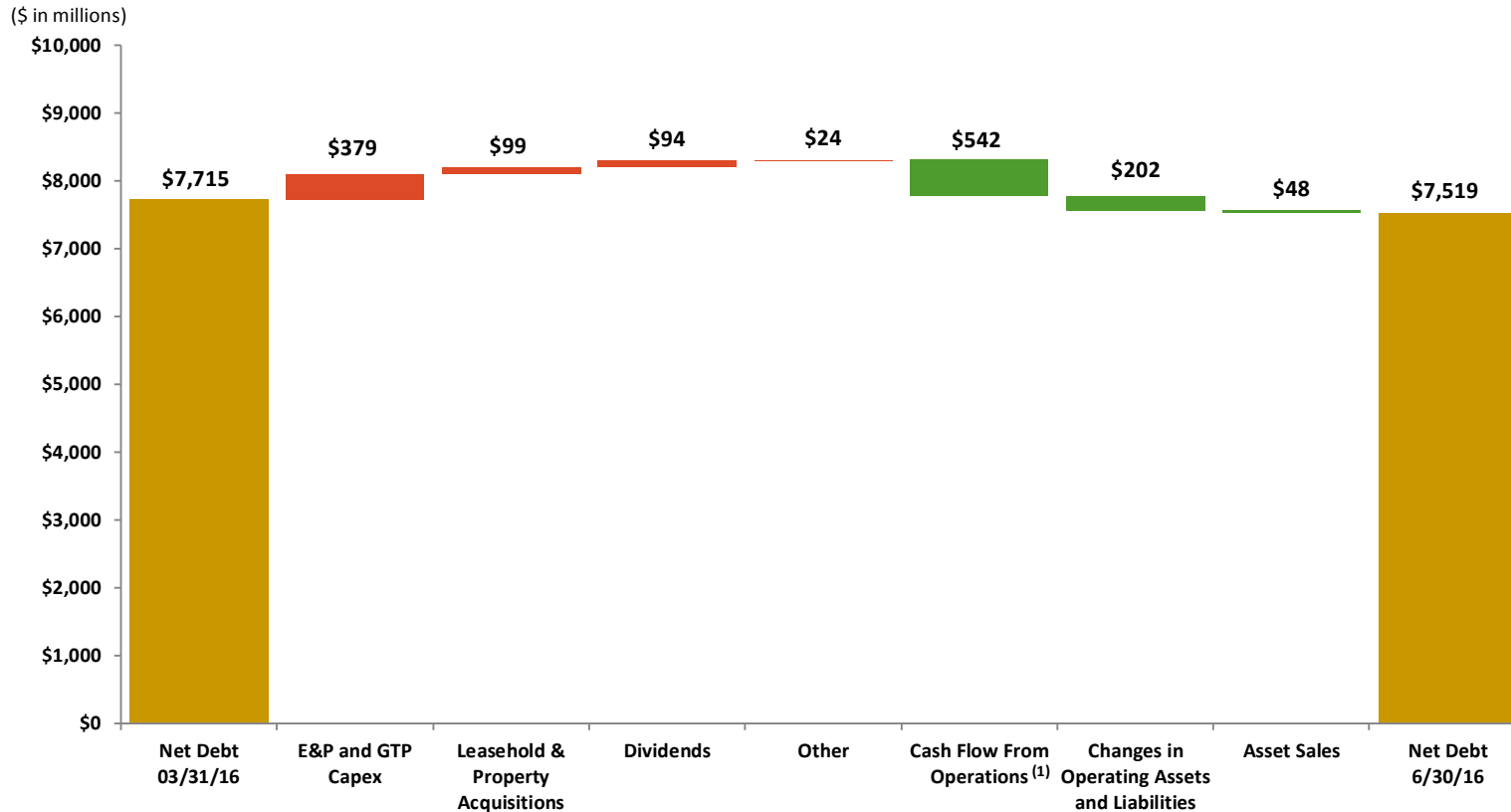
2Q 2016 OPERATING CASH MARGINS



- North Sea and Egypt benefit from higher oil mix and higher natural gas and NGL realizations

(1) Operating cash margins calculated as price realizations less lease operating expenses, gathering and transportation costs and taxes other than income (including PRT).

2Q 2016 NET DEBT RECONCILIATION



(1) Net cash provided by operating activities before changes in operating assets and liabilities.

OIL AND GAS CAPITAL INVESTMENT

	For the Quarter Ended, June 30, 2016	For the Six Months Ended, June 30, 2016
	(\$ in millions)	
E&P and GTP Investment		
Permian.....	\$ 132	\$ 271
MidCon / Gulf Coast.....	20	59
Canada.....	6	32
N.A. Onshore.....	158	362
Gulf of Mexico.....	12	19
Other.....	(10)	(10)
North America.....	160	371
Egypt (Apache's interest only) ⁽¹⁾	57	170
North Sea.....	173	267
Other.....	1	2
	\$ 391	\$ 810
Leasehold and Property Acquisitions		
North America.....	\$ 35	\$ 54
International.....	79	79
	\$ 114	\$ 133
Total.....	\$ 505	\$ 943

(1) Second quarter and YTD 2016 excludes noncontrolling interest share in Egypt of \$49 million and \$106 million, respectively.

(2) Includes a \$10M incentive credit for prior year new venture drilling.

SECOND-QUARTER 2016 REGIONAL SUMMARY

SECOND-QUARTER 2016 GLOBAL OPERATIONS

GLOBAL KEY STATS

- ▶ *Reported Production:* 535,456 Boe/d
- ▶ *Drilled & Completed Wells*:* 44 gross, 39 net
- ▶ *Rigs:* Avg 12 rigs

N.A. ONSHORE KEY STATS

- ▶ *Reported Production:* 281,987 Boe/d
- ▶ *Drilled & Completed Wells*:* 26 gross, 22 net
- ▶ *Rigs:* Avg 4 rigs

INTERNATIONAL & GOM KEY STATS

- ▶ *Reported Production:* 253,469 Boe/d
- ▶ *Drilled & Completed Wells*:* 18 gross, 16 net
- ▶ *Rigs:* Avg 8 rigs



* Includes operated wells completed but not necessarily placed onto production.

PERMIAN: 2Q 2016 REGION SUMMARY

Midland Basin

- Placed four gross wells on production targeting the Wolfcamp and Lower Spraberry formations.
- The Connell 38B 2HM and Connell 38C 2HM Wolfcamp wells each averaged 30-day initial production (IP) rates of approximately 1,300 Boe/d from 1-mile lateral completions.
- Improving completion techniques and targeting specific landing zones are driving stronger production performance.

Delaware Basin

- Placed two gross operated wells on production targeting the 3rd Bone Spring formation in the Pecos Bend area.
- The Blue Jay Unit 103H achieved a 30-day average IP rate of nearly 3,200 Boe/d. In the first 90 days of production, this well has produced over 147,000 barrels of oil.

Central Basin Platform / NW Shelf

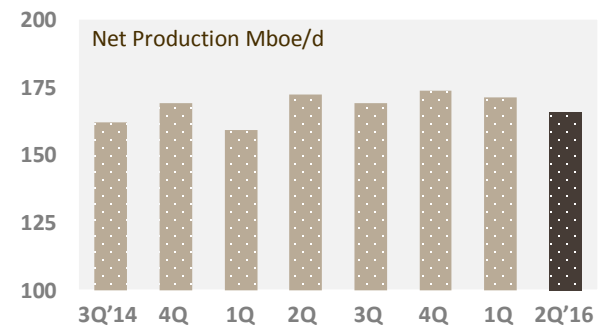
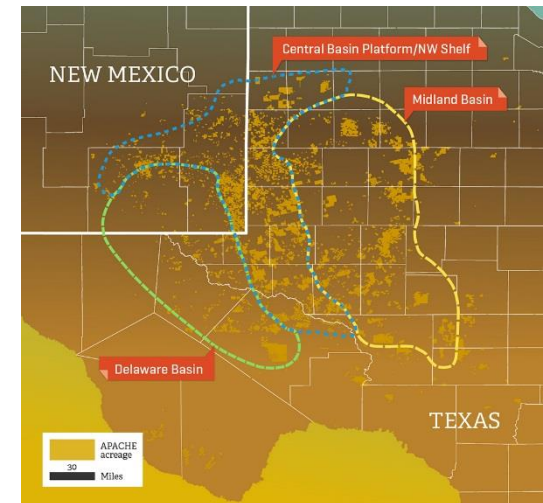
- Placed on production nine horizontal Yeso wells on the NW Shelf and two wells located in the Central Basin Platform during the quarter.
- Apache is evaluating new horizontal drilling on the CBP/NW Shelf while reinvigorating traditional programs such as waterflood and CO2 injection projects.

PERMIAN KEY STATS

SECOND-QUARTER 2016

- Reported Production: 165,455 Boe/d
- Drilled & Completed Wells*: 24 gross, 20 net
- Rigs: Avg 4 rigs

*Operated wells completed but not necessarily placed onto production.



2Q 2016 NORTH AMERICAN ONSHORE WELL RECAP

Well Name	Play	Area	County	Lateral	Average 30-Day IP	Avg 30-Day IP / 1,000 Lateral Ft	% Oil
MIDLAND BASIN							
Connell 38C 2HM	Wolfcamp B	Powell-Miller	Upton	5,024'	1,308 Boe/d	260	82%
Connell 38B 2HM	Wolfcamp B	Powell-Miller	Upton	5,074'	1,295 Boe/d	255	81%
DELAWARE BASIN							
Blue Jay 103H	3 rd Bone Spring	Pecos Bend	Loving	5,097'	3,158 Boe/d	620	61%
CENTRAL BASIN PLATFORM / NORTHWEST SHELF							
Hummingbird #7	Yeso	NW / Shelf	Eddy	4,197'	734 Boe/d	175	68%
MIDCONTINENT							
Truman #3-28H	Woodford	SCOOP	Grady	4,443'	1,834 Boe/d	413	18%

EGYPT: 2Q 2016 SUMMARY

Operational Activity

- Gross production of 350 Mboe/d was down modestly from 1Q due primarily to outages at a third-party gas plant.
- On a pro forma basis volumes declined sequentially by 2,800 boe/d primarily due to the impact of improving Brent oil prices on the cost recovery mechanism in the production sharing contracts.
- Apache placed 14 wells on production, achieving a drilling success rate of 93%.

Exploration Activity

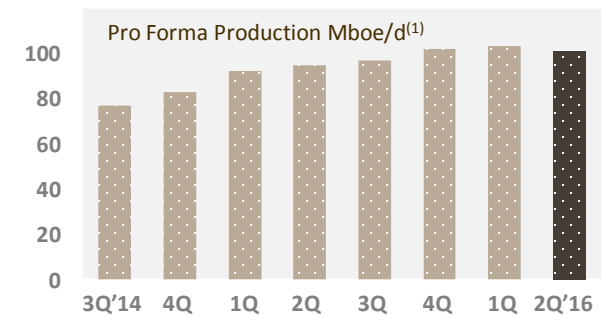
- Apache's joint venture with Shell has planned three tight gas wells targeting the Apollonia formation.
- The company recently finished the first well with the biggest frac in Egypt's history, completing 8 stages with 625,000 pounds per stage.
- Initial test rates were encouraging as the well has been choked back to 7 MMcf/d.

EGYPT KEY STATS

SECOND-QUARTER 2016

- Reported Production: 175,175 Boe/d
- Drilled & Completed Wells*: 15 gross, 14 net
- Rigs: Avg 4 rigs

*Operated wells completed but not necessarily placed onto production.



(1) Excludes tax barrels and noncontrolling interest

NORTH SEA: 2Q 2016 SUMMARY

Forties Field

- One platform rig remained active during the quarter, performing workover and maintenance activities.

Beryl Area

- The Beryl Bravo BCR B81 well was placed on production in late June with a 30-day average IP rate of 37 MMcfe/d.
- The LP7 development well was placed on production with an average 30-day IP rate of 42 MMcfe/d.
- The FNT well was also placed on production with a 30 day average production rate of over 6,200 boe/d.
- Storr, an exploration prospect targeting the Beryl and Nansen sands, spud during the quarter and is expected to reach TD by year end.

Project Development

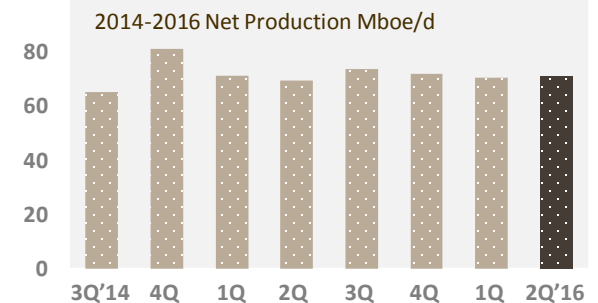
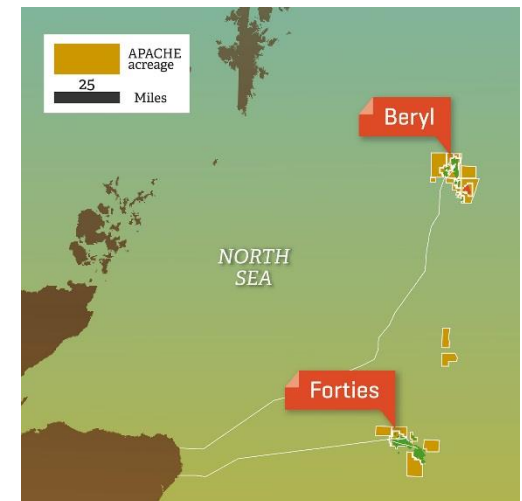
- Recently completed our Aviat gas-for-power project at Forties.
- This environmentally friendly project enables a switch from diesel to natural gas to power our Forties Field. It will extend the economic life of Forties, improve safety and reduce costs.

NORTH SEA KEY STATS

SECOND-QUARTER 2016

- ▶ Reported Production: 70,740 Boe/d
- ▶ Drilled & Completed Wells*: 3 gross, 2 net
- ▶ Rigs: Avg 4 rigs

*Operated wells completed but not necessarily placed onto production.



INTERNATIONAL 2Q 2016 DRILLING RECAP

North Sea Well Highlights

Well Name	Field	30-Day Average IP
LP7	Nevis	42 MMcfe/d
BCR	Beryl	37 MMcfe/d
FNT	Beryl	6,234 Boe/d

Program Success Rate

100%

Egypt Well Highlights

Well Name	Basin	30-Day Average IP
HYDRA 2 ST	Shushan	44 MMcfe/d
WRZK 168	Alamein	3,409 Boe/d ⁽¹⁾
Imhotep S-1X	Matruh	3,094 Boe/d
WKAL A-16	Faghur	1,485 Boe/d ⁽¹⁾

Program Success Rate

93%

(1) Less than 30 days of production.

EGYPT: PRODUCTION DETAIL

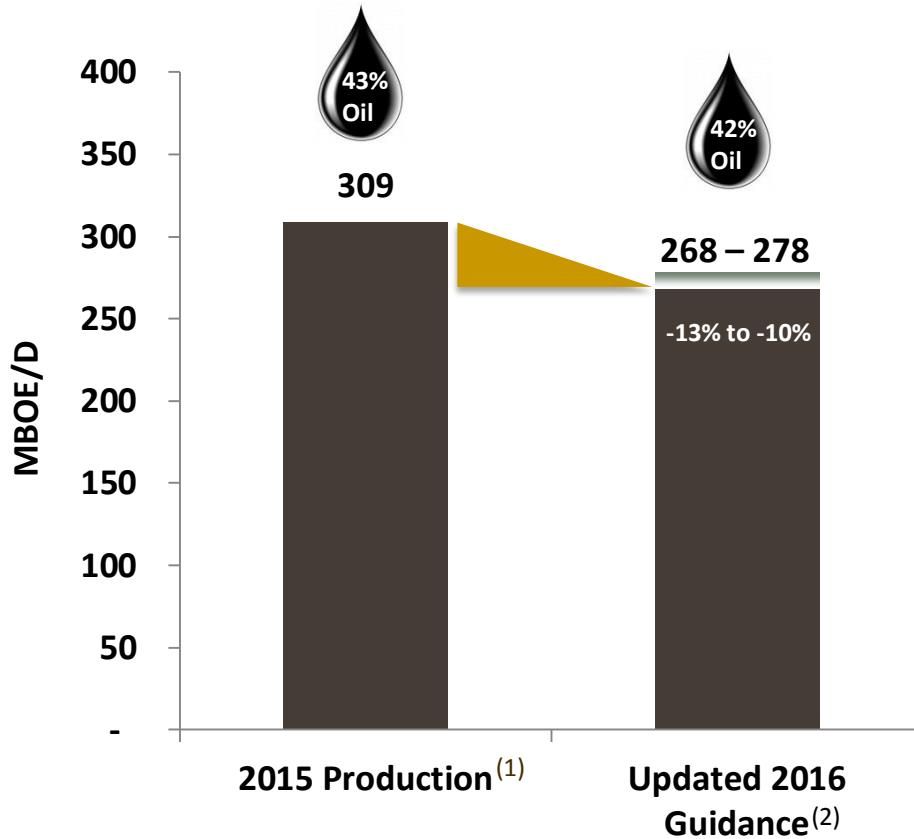
	1Q 2016			2Q 2016		
	Liquids (Bbls/d)	Gas (Mcf/d)	Boe/d	Liquids (Bbls/d)	Gas (Mcf/d)	Boe/d
Gross Production	211,992	846,047	353,000	213,975	814,283	349,689
Net Production	99,547	397,598	165,813	107,173	408,013	175,175
% Gross	47%	47%	47%	50%	50%	50%
Less: Tax Barrels	8,560	14,072	10,905	19,405	30,038	24,411
Net Production Excluding Tax Barrels	90,987	383,526	154,908	87,768	377,975	150,764
% Gross	43%	45%	44%	41%	46%	43%
Less: Noncontrolling Interest	30,232	127,842	51,539	29,204	125,991	50,203
Pro Forma Production	60,755	255,684	103,369	58,564	251,984	100,561
% Gross	29%	30%	29%	27%	31%	29%

Mboe/d	2014				2015				2016
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	YTD
Gross Production	353	351	346	344	344	349	362	352	351
Net Production	160	159	160	153	162	185	165	103	170
Pro Forma Production	76	74	77	83	92	95	97	102	102
Brent Oil Benchmark Pricing	\$107	\$110	\$103	\$77	\$55	\$64	\$51	\$45	\$41

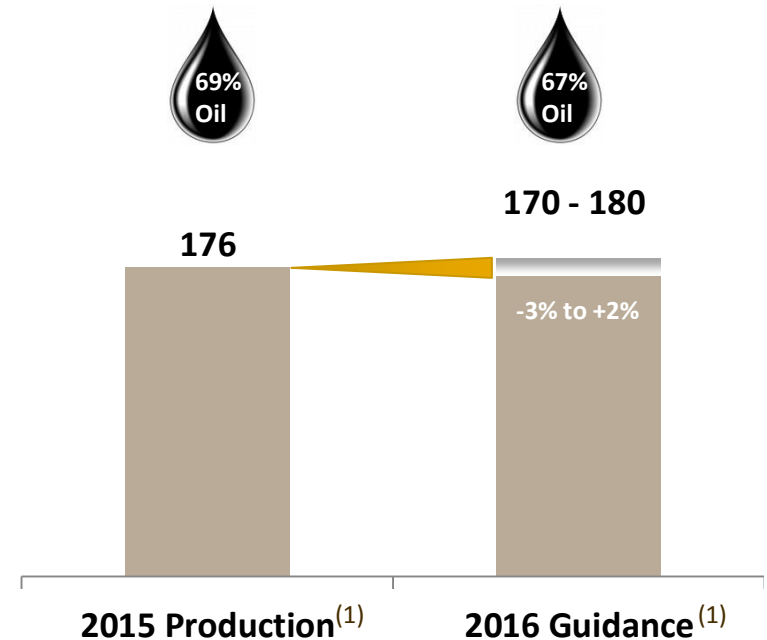
2016 PRODUCTION GUIDANCE AND CAPITAL PROGRAM

2016 PRODUCTION GUIDANCE

▶ North American Onshore



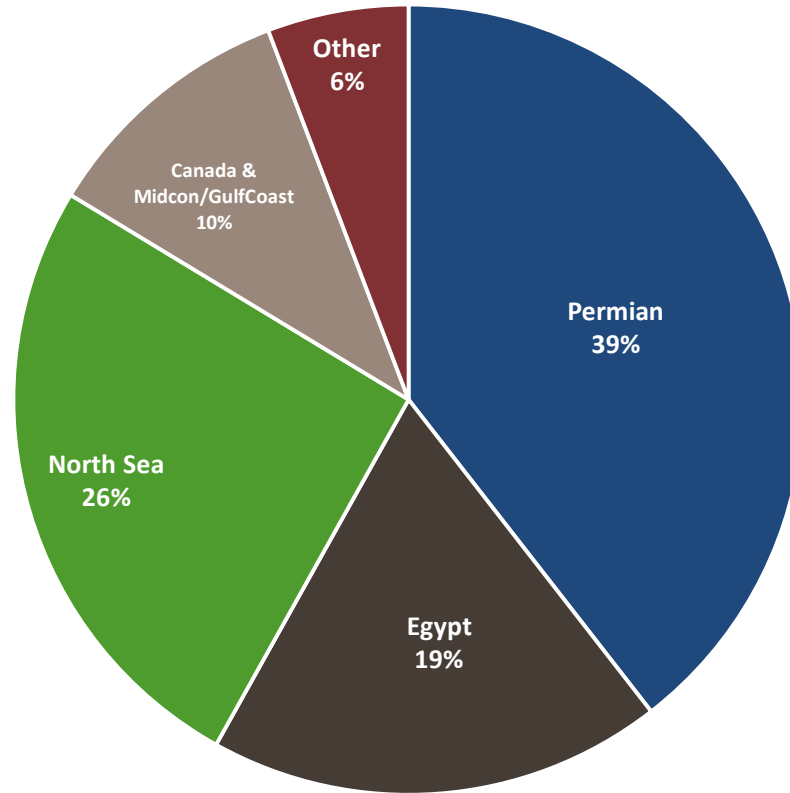
▶ International and Offshore



- (1) Production excludes volumes related to noncontrolling interest, tax barrels in Egypt and asset sales in 2015. For a reconciliation to the most directly comparable financial measure please refer to our fourth-quarter 2015 earnings release.
- (2) Revised up on May 5, 2016; first-quarter 2016 earnings release.

APACHE 2016 CAPITAL PROGRAM

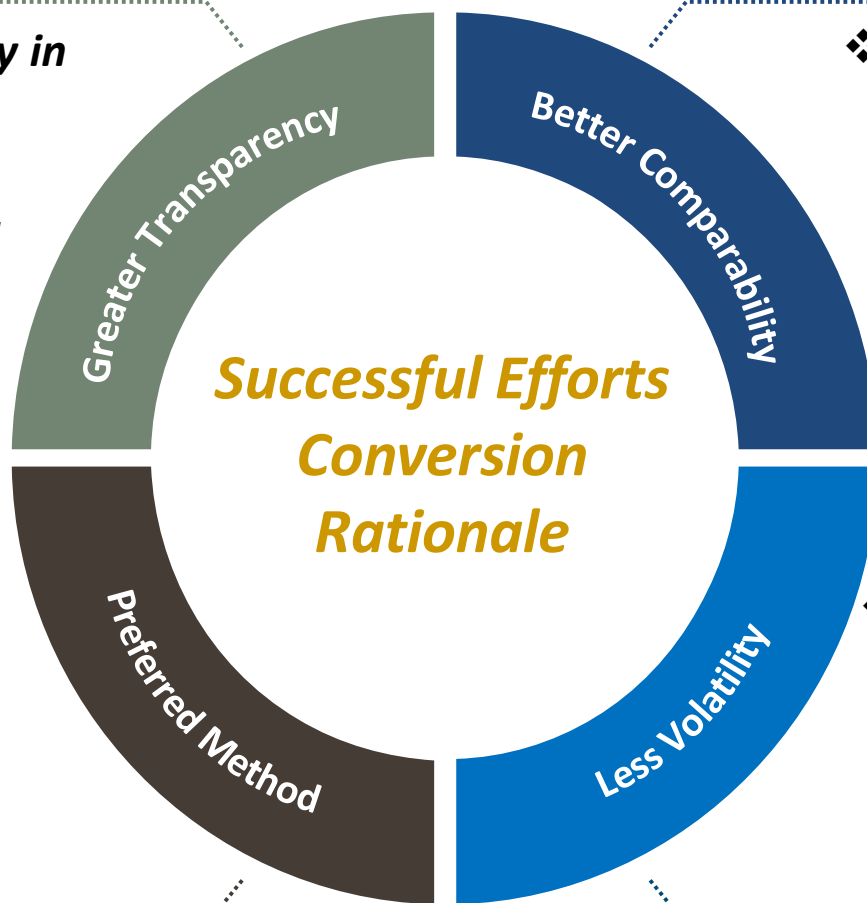
Regional Allocation⁽¹⁾



(1) Revised on August 4th in conjunction with second-quarter 2016 results.

2016 SUCCESSFUL EFFORTS ACCOUNTING OVERVIEW

MANAGEMENT RATIONALE FOR CHANGE TO SUCCESSFUL EFFORTS METHOD OF ACCOUNTING



- ❖ *Greater transparency in results of our assets*
- ❖ *Enhances operating decision making and capital allocation process*

- ❖ *Vast majority of large cap E&P peers utilize successful efforts accounting methodology*

- ❖ *Preferred method under US GAAP and favored by the investment community*

- ❖ *Eliminates proved property impairments based on historical prices, which are not indicative of fair value of our assets*

OVERVIEW OF SIGNIFICANT DIFFERENCES – FULL COST VS. SUCCESSFUL EFFORTS

CATEGORY	FULL COST	SUCCESSFUL EFFORTS
Depletion Expense	Calculated at the country level	Calculated at an aggregation of properties with common geological structure or stratigraphic condition
Exploration Costs: Impairment of Non-producing Leasehold Exploration Dry Holes Exploration G&G Exploration G&A Delay Rentals	All exploration costs are capitalized under full cost	All exploration costs are charged to expense, except for leasehold and well costs associated with successful exploratory wells.
G&A	More internal costs are capitalized	More internal costs are expensed
Interest	Generally more capitalized	Generally more expensed
Proved Property Impairments	Full Cost ceiling tests are performed quarterly using historical commodity prices, which are not an indicator of fair value	Assessed at least annually, or when an impairment indicator exists; based on fair value which provides a more accurate measurement
O&G Property Sales	Generally reduces asset basis by amount of proceeds received	Generally gain or loss is recognized
Discontinued Ops/Assets Held for Sale	Occurs less frequently	Occurs more frequently

EFFECT ON RETAINED EARNINGS

Transition from full cost to successful efforts

Retained Earnings as of 3/31/16 under FC	\$ (7,642)
Cumulative Effect of <i>Differences under SE</i> as of 3/31/16	5,290
Retained Earnings as of 3/31/16 under SE	\$ (2,352)

Differences under SE driving retained earnings impact:

1. *Exploration Expense*
2. *DD&A and Impairment Adjustments*
3. *Change in Capitalized Interest*
4. *Gain (Loss) on Divestitures*
5. *Valuation Allowance and Other Taxes*
6. *Other*

EFFECT ON RETAINED EARNINGS

Explanation of differences

1. *Exploration Expense* \$ (7,975)
2. *DD&A and Impairment Adjustments*
3. *Change in Capitalized Interest*
4. *Gain (Loss) on Divestitures*
5. *Valuation Allowance and Other Taxes*
6. *Other*

Certain exploration costs capitalized under the full cost accounting rules are expensed under successful efforts. The recognition of **exploration expense reduced retained earnings by \$8 billion** under successful efforts.

Component	Explanation for SE	Impact (in millions)
Impairment of Non-Producing Leasehold	Impairment of significant undeveloped leases and amortization of individually insignificant leases are included in exploration expense.	\$ (4,120)
Geological & Geophysical, Delay Rentals, & Other Exploration	Costs of maintaining and retaining unproved properties, exploratory geological and geophysical costs, and internal costs that can be directly identified with exploration activities are included in exploration expense.	(2,180)
Dry Hole Expense	Costs of unsuccessful exploratory wells.	(1,675)
Total		\$ (7,975)

EFFECT ON RETAINED EARNINGS

Explanation of differences

1. Exploration Expense	\$ (7,975)
2. DD&A and Impairment Adjustments	14,920
3. Change in Capitalized Interest	
4. Gain (Loss) on Divestitures	
5. Valuation Allowance and Other Taxes	
6. Other	

The impact of reversing oil and gas property write-downs under the full cost accounting method, recording successful efforts impairments and recording the difference in depletion resulted in an **increase to retained earnings of \$14.9 billion**.

Component	Explanation for SE	Impact (in millions)
Reversal of Full Cost Ceiling Test Write-Downs	Impairments previously recognized under full cost ceiling tests must be reversed. The full cost ceiling test write-downs included exploratory costs capitalized under full cost, which are treated as exploration expense under successful efforts.	\$ 29,704
Successful Efforts Impairments	Proved properties reviewed at least annually, or when an impairment indicator exists by comparing capitalized costs to undiscounted future net cash flows. A fair value assessment is performed if capitalized costs are greater than the undiscounted cash flows and an impairment is recognized in the amount of excess carrying value above the fair value.	(13,250)
Depletion Adjustment	Depletion expense is generally lower since certain costs capitalized under full cost are expensed under successful efforts. However, significant full cost write-downs could result in periods of higher depletion under successful efforts.	(1,534)
Total		\$ 14,920

EFFECT ON RETAINED EARNINGS

Explanation of differences

1. Exploration Expense	\$ (7,975)
2. DD&A and Impairment Adjustments	14,920
3. Change in Capitalized Interest	(1,306)
4. Gain (Loss) on Divestitures	(989)
5. Valuation Allowance and Other Taxes	
6. Other	

Under successful efforts, less interest is generally capitalized, increasing the amount expensed as Financing Costs, net. The effect is a **\$1.3 billion reduction to retained earnings** under successful efforts.

Gains and losses on property divestments are reported more frequently. The total effect is a **\$1 billion reduction to retained earnings** under successful efforts.

Component	Explanation for SE	Impact (in millions)
Change in Capitalized Interest	<p>Full Cost: Unusually significant investments in unproved properties and major development projects that are not being currently depreciated, depleted, or amortized and on which exploration or development activities are in progress are assets qualifying for capitalization of interest cost. Apache had greater amounts of assets qualifying for interest capitalization under the full cost method of accounting.</p> <p>Successful Efforts: Capitalized interest is calculated based on the value of projects in which activities are in progress to ready the assets for its intended use and the portion of leasehold cost associated with prospects actively being developed.</p>	\$ (1,306)
Gain (Loss) on Divestitures	<p>Gains or losses are realized upon the sale of oil and gas property calculated as the difference between the consideration received and the net book value of the asset sold.</p> <p>Under Full Cost, no gain or loss is recognized unless such adjustments would significantly alter the relationship between capitalized costs and proved reserves. Generally, this is when properties sold are greater than 25% of reserves in a given country.</p>	(989)

EFFECT ON RETAINED EARNINGS

Explanation of differences

1. Exploration Expense	\$ (7,975)
2. DD&A and Impairment Adjustments	14,920
3. Change in Capitalized Interest	(1,306)
4. Gain (Loss) on Divestitures	(989)
5. Valuation Allowance and Other Taxes	720
6. Other	(80)
<hr/>	
Cumulative Effect on March 31, 2016 Retained Earnings	\$ 5,290

Component	Explanation for SE	Impact (in millions)
Tax Valuation Allowance and Other Taxes	Primarily related to an adjustment of tax valuation allowance as a result of the impact of the successful-efforts conversion on deferred taxes.	\$ 720
Other	Other changes resulting from the conversion to successful efforts, including the impact on G&A, non-controlling interest, and other revenue.	(80)

2Q 2016 INCOME STATEMENT

Under full cost and successful efforts

APACHE CORPORATION AND SUBSIDIARIES STATEMENT OF CONSOLIDATED OPERATIONS (Unaudited)			
For the Quarter Ended June 30, 2016			
	Under Full Cost	Changes	Under Successful Efforts
(In millions, except per share data)			
REVENUES AND OTHER:			
Oil and gas production revenues:			
Oil revenues	\$ 1,062	\$ 56	\$ 1,118
Gas revenues	218	(9)	209
Natural gas liquids revenues	59	-	59
Oil and gas production revenues	1,339	47	1,386
Other revenue	(22)	1	(21)
Gain/(loss) on divestiture	5	12	17
	<u>1,322</u>	<u>60</u>	<u>1,382</u>
COSTS AND EXPENSES:			
Lease operating expenses	359	-	359
Gathering and transportation	52	-	52
Taxes other than income	65	-	65
Exploration Expense	-	91	91
General and Administrative	103	-	103
Depreciation, Depletion, and Amortization			
Oil and Gas Property and Equipment			
Recurring	507	122	629
Additional	671	(671)	-
Other assets	40	-	40
Asset retirement obligation accretion	38	-	38
Impairment Expense	105	68	173
Acquisition, divestiture, and separation costs	9	-	9
Financing costs, net	90	14	104
	<u>2,039</u>	<u>(376)</u>	<u>1,663</u>
NET INCOME (LOSS) FROM CONTINUING OPERATIONS			
BEFORE INCOME TAXES	(717)	436	(281)
Current income tax provision	25	119	144
Deferred income tax provision (benefit)	(120)	(105)	(225)
Income from Continuing Operations, including Noncontrolling Interest	(622)	422	(200)
Net Income Attributable to Discontinued Operations	-	-	-
Net Income Attributable to Noncontrolling Interest	(21)	65	44
Net Income (Loss) Attributable to Common Stockholders	<u>\$ (601)</u>	<u>\$ 357</u>	<u>\$ (244)</u>
Per Common Share from Continuing Operations			
Net Income (Loss) Attributable to Common Stockholders - Basic	\$ (1.58)	\$ 0.93	\$ (0.65)
Net Income (Loss) Attributable to Common Stockholders - Diluted	\$ (1.58)	\$ 0.93	\$ (0.65)

NON-GAAP RECONCILIATIONS

NON-GAAP RECONCILIATION

Adjusted earnings under successful efforts

Reconciliation of income attributable to common stock to adjusted earnings

Adjusted earnings and adjusted earnings per share are non-GAAP financial measures. Adjusted earnings generally exclude certain items that management believes affect the comparability of operating results or are not related to Apache's ongoing operations. Management uses adjusted earnings to evaluate the company's operational trends and performance relative to other oil and gas companies. Management believes this presentation may be useful to investors who follow the practice of some industry analysts who adjust reported company earnings for items that may obscure underlying fundamentals and trends.

	For the Quarter Ended June 30,		For the Six Months Ended June 30,	
	2016	2015	2016	2015
	(\$ in millions, except per share amounts)			
Income (Loss) Attributable to Common Stock (GAAP) - Successful Efforts	\$ (244)	\$ (860)	\$ (616)	\$ (2,194)
Adjustments: *				
Asset impairments, net of tax	139	486	168	1,816
Valuation allowance and other tax adjustments	13	774	30	386
Transaction, reorganization & separation costs, net of tax	5	43	15	78
Contract termination charges, net of tax	1	-	2	28
Discontinued operations, net of tax	-	(120)	-	118
Divested assets, net of tax	(13)	(145)	(12)	(133)
Adjusted Earnings (Non-GAAP)	<u>\$ (99)</u>	<u>\$ 178</u>	<u>\$ (413)</u>	<u>\$ 99</u>
Net Income (Loss) per Common Share - Diluted (GAAP)	\$ (0.65)	\$ (2.28)	\$ (1.63)	\$ (5.81)
Adjustments: *				
Asset impairments, net of tax	0.37	1.28	0.44	4.81
Valuation allowance and other tax adjustments	0.04	2.05	0.08	1.01
Transaction, reorganization & separation costs, net of tax	0.01	0.11	0.04	0.21
Contract termination charges, net of tax	-	-	0.01	0.07
Discontinued operations, net of tax	-	(0.31)	-	0.32
Divested assets, net of tax	(0.03)	(0.38)	(0.03)	(0.35)
Adjusted Earnings Per Share - Diluted (Non-GAAP)	<u>\$ (0.26)</u>	<u>\$ 0.47</u>	<u>\$ (1.09)</u>	<u>\$ 0.26</u>

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

The financial information included within this page reflects Apache's recent conversion to the successful efforts method of accounting.

NON-GAAP RECONCILIATION

Adjusted earnings under full cost

Reconciliation of income attributable to common stock to adjusted earnings under Full Cost

Adjusted earnings and adjusted earnings per share are non-GAAP financial measures. Adjusted earnings generally exclude certain items that management believes affect the comparability of operating results or are not related to Apache's ongoing operations. Management uses adjusted earnings to evaluate the company's operational trends and performance relative to other oil and gas companies. Management believes this presentation may be useful to investors who follow the practice of some industry analysts who adjust reported company earnings for items that may obscure underlying fundamentals and trends.

	For the Quarter Ended June 30,		For the Six Months Ended June 30,	
	2016	2015	2016	2015
	(\$ in millions, except per share amounts)			
Income (Loss) Attributable to Common Stock (GAAP) - Full Cost	\$ (601)	\$ (5,600)	\$ (1,090)	\$ (10,251)
Adjustments: *				
Asset impairments, net of tax	522	3,734	793	8,438
Valuation allowance and other tax adjustments	97	1,173	152	758
Transaction, reorganization & separation costs, net of tax	5	43	15	78
Contract termination charges, net of tax	1	-	2	28
Discontinued operations, net of tax	-	732	-	864
Divested assets, net of tax	(4)	-	(4)	-
Adjusted Earnings (Non-GAAP)	<u>\$ 20</u>	<u>\$ 82</u>	<u>\$ (132)</u>	<u>\$ (85)</u>
Net Income (Loss) per Common Share - Diluted (GAAP)	\$ (1.58)	\$ (14.83)	\$ (2.88)	\$ (27.17)
Adjustments: *				
Asset impairments, net of tax	1.38	9.87	2.09	22.37
Valuation allowance and other tax adjustments	0.25	3.12	0.41	2.00
Transaction, reorganization & separation costs, net of tax	0.01	0.12	0.04	0.21
Contract termination charges, net of tax	-	-	-	0.07
Discontinued operations, net of tax	-	1.94	-	2.29
Divested assets, net of tax	(0.01)	-	(0.01)	-
Adjusted Earnings Per Share - Diluted (Non-GAAP)	<u>\$ 0.05</u>	<u>\$ 0.22</u>	<u>\$ (0.35)</u>	<u>\$ (0.23)</u>

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

NON-GAAP RECONCILIATION

Adjusted EBITDA(X)

Reconciliation of income (loss) before taxes to adjusted EBITDAX

Adjusted EBITDAX is a non-GAAP financial measure. EBITDAX is a widely accepted financial indicator of a company's ability to incur and service debt, fund capital expenditures, and make distributions to shareholders. Adjusted EBITDAX generally excludes certain items that management believes affect the comparability of operating results or are not related to Apache's ongoing operations. Management uses adjusted EBITDAX to evaluate the company's operational trends and performance relative to other oil and gas companies.

	Successful Efforts EBITDAX				Full Cost EBITDA	
	For the Quarter		For the Six Months		2Q 2016	YTD 2016
	Ended June 30,		Ended June 30,			
	2016	2015	2016	2015	(\$ in millions)	
Income (loss) before income taxes (GAAP)	\$ (281)	\$ (186)	\$ (663)	\$ (2,455)	\$ (717)	(1,424)
Adjustments:						
Depreciation, depletion and amortization						
Oil and gas property and equipment	629	711	1,265	1,454	507	1,059
Additional	-	-	-	-	670	1,159
Other assets	40	83	82	166	40	82
Exploration expense	91	225	186	483	-	-
Asset retirement obligation accretion	38	36	76	72	38	76
Impairments	173	512	173	2,424	105	105
(Gain)/Loss on divestitures, net	(17)	(227)	(16)	(209)	(4)	(3)
Transaction, reorganization & separation costs	9	66	24	120	9	24
Financing costs, net	104	117	209	241	90	180
Contract termination charges	1	-	3	43	1	3
Adjusted EBITDA(X) (Non-GAAP)	\$ 787	\$ 1,337	\$ 1,339	\$ 2,339	\$ 739	\$ 1,261

NON-GAAP RECONCILIATION

Cash flow from operations

Reconciliation of net cash provided by operating activities to cash flows from continuing operations before changes in operating assets and liabilities

Cash flows from continuing operations before changes in operating assets and liabilities is a non-GAAP financial measure. Apache uses it internally and provides the information because management believes it is useful for investors and widely accepted by those following the oil and gas industry as a financial indicator of a company's ability to generate cash to internally fund exploration and development activities, fund dividend programs, and service debt. It is also used by research analysts to value and compare oil and gas exploration and production companies and is frequently included in published research when providing investment recommendations. Cash flows from operations before changes in operating assets and liabilities, therefore, is an additional measure of liquidity but is not a measure of financial performance under GAAP and should not be considered as an alternative to cash flows from operating, investing, or financing activities.

	For the Quarter Ended June 30,		For the Six Months Ended June 30,	
	2016	2015	2016	2015
Net cash provided by operating activities (GAAP)	\$ 744	\$ 1,213	\$ 983	\$ 1,782
Less: Discontinued operations	-	(99)	-	(159)
Net cash provided by operating activities excluding discontinued operations	\$ 744	\$ 1,114	\$ 983	\$ 1,623
Changes in operating assets and liabilities	(202)	(874)	30	(608)
Cash flows from continuing operations before changes in operating assets and liabilities	<u>\$ 542</u>	<u>\$ 240</u>	<u>\$ 1,013</u>	<u>\$ 1,015</u>

The financial information included within this page reflects Apache's recent conversion to the successful efforts method of accounting.

NON-GAAP RECONCILIATION

Net debt

Reconciliation of debt to net debt

Net debt is a non-GAAP financial measure. Management uses net debt as a measure of the Company's outstanding debt obligations that would not be readily satisfied by its cash and cash equivalents on hand.

	<u>June 30,</u> <u>2016</u>	<u>March 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>	<u>September 30,</u> <u>2015</u>
	(\$ in millions)			
Current debt	\$ 1	\$ 1	\$ 1	\$ -
Long-term debt	8,719	8,718	8,716	8,715
Total debt	<u>8,720</u>	<u>8,719</u>	<u>8,717</u>	<u>8,715</u>
Cash	1,201	1,004	1,467	1,655
Net debt	<u>\$ 7,519</u>	<u>\$ 7,715</u>	<u>\$ 7,250</u>	<u>\$ 7,060</u>