SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 1997

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 0-13546

APACHE OFFSHORE INVESTMENT PARTNERSHIP

(Exact name of registrant as specified in its charter)

Delaware — 41-1464066

(State or other jurisdiction of incorporation or organization) — (I.R.S. Employer Identification Number)

Suite 100, One Post Oak Central
2000 Post Oak Boulevard, Houston, TX — 77056-4400

(Address of Principal Executive Offices) — (Zip Code)

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 X NO

PART I - FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS

APACHE OFFSHORE INVESTMENT PARTNERSHIP
STATEMENT OF INCOME
(Unaudited)

	For the Quarter Ended September 30,		For the Nine Months Ended September 30,	
	1997	1996	1997	1996
REVENUES:				
Oil and gas sales	$ 2,751,530	$ 3,414,308	$ 9,150,173	$ 13,231,038
Interest income	41,214	22,607	66,376	22,607
Other income	89,250	--	89,250	--
	2,881,994	3,436,915	9,305,799	13,253,645
EXPENSES:				
Depreciation, depletion and amortization	693,231	825,367	2,167,320	3,360,187
Lease operating	83,130	269,154	340,606	980,800
Administrative	135,000	132,499	405,000	397,499
Interest	--	84,420	12,818	295,857
	911,361	1,311,440	2,925,744	5,034,343
NET INCOME	$ 1,970,633	$ 2,125,475	$ 6,380,055	$ 8,219,302
Net income allocated to:				
Managing Partner	$ 462,058	$ 504,691	$ 1,493,315	$ 1,968,718
Investing Partners	1,508,575	1,620,784	4,886,740	6,250,584
	$ 1,970,633	$ 2,125,475	$ 6,380,055	$ 8,219,302
NET INCOME PER WEIGHTED AVERAGE INVESTING PARTNER UNIT	$ 1,268	$ 1,351	$ 4,090	$ 5,177
WEIGHTED AVERAGE INVESTING PARTNER UNITS OUTSTANDING	1,190.1	1,199.7	1,194.8	1,207.4

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

APACHE OFFSHORE INVESTMENT PARTNERSHIP
STATEMENT OF CASH FLOWS
(Unaudited)

	For the Nine Months Ended September 30,	
	1997	1996
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 6,380,055	$ 8,219,302
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	2,167,320	3,360,187
Changes in operating assets and liabilities:		
Decrease in accrued revenues receivable	1,975,005	587,508
Increase (decrease) in accrued operating expenses payable	(193,482)	237,747
Decrease in payable to Apache Corporation	(548,380)	(503,863)
Net cash provided by operating activities	9,780,518	11,900,881
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to oil and gas properties	(2,322,219)	(440,433)
Non-cash portion of oil and gas property additions	200,123	(288,205)
(Increase) decrease in drilling advances	(37,326)	8,570
Net cash used in investing activities	(2,159,422)	(720,068)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repurchase of Partnership Units	(114,132)	(141,732)
Distributions to Investing Partners	(1,197,827)	(1,212,321)
Distributions to Managing Partner, net	(1,833,177)	(1,953,153)
Payments on long-term debt	(1,997,500)	(4,760,000)
Net cash used in financing activities	(5,142,636)	(8,067,206)
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,478,460	3,113,607
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,737,470	104
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 4,215,930	$ 3,113,711
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for interest	$ 11,073	$ 244,855

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

APACHE OFFSHORE INVESTMENT PARTNERSHIP
BALANCE SHEET

	September 30, 1997 (Unaudited)	December 31, 1996
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 4,215,930	$ 1,737,470
Accrued revenues receivable	1,071,180	3,046,185
Drilling advances	37,326	--
	5,324,436	4,783,655
OIL AND GAS PROPERTIES, on the basis of full cost accounting:		
Proved properties	165,200,122	162,877,903
Less - Accumulated depreciation, depletion and amortization	(157,577,214)	(155,409,894)
	7,622,908	7,468,009
	$ 12,947,344	$ 12,251,664
LIABILITIES AND PARTNERS' CAPITAL		
CURRENT LIABILITIES:		
Distribution payable	$ 4,164,512	$ --
Accrued exploration and development	714,071	513,948
Accrued operating expenses payable and other	205,416	398,898
Payable to Apache Corporation	294,704	843,084
	5,378,703	1,755,930
LONG-TERM DEBT	--	1,997,500
PARTNERS CAPITAL:		
Managing Partner	751,327	1,091,189
Investing Partners (1,189.9 and 1,197.9 units outstanding, respectively)	6,817,314	7,407,045
	7,568,641	8,498,234
	$ 12,947,344	$ 12,251,664

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

The financial statements included herein have been prepared by the Apache Offshore Investment Partnership (Partnership), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission, and reflect all adjustments which are, in the opinion of management, necessary for a fair statement of the results for the interim periods, on a basis consistent with the annual audited financial statements. All such adjustments are of a normal, recurring nature. Certain information, accounting policies, and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted pursuant to such rules and regulations, although the Partnership believes that the disclosures are adequate to make the information presented not misleading. These financial statements should be read in conjunction with the financial statements and the summary of significant accounting policies and notes thereto included in the Partnership's latest annual report on Form 10-K.

1. OTHER ACCRUED EXPENSES

Accrued expenses payable at September 30, 1997, primarily represented operating costs accrued in August and September that will be paid in subsequent months.

2. PAYABLE TO/RECEIVABLE FROM APACHE

The payable to/receivable from Apache Corporation, the Partnership's managing partner (Apache or Managing Partner), represents the net result of the Investing Partners' revenue and expenditure transactions in the current month. Generally, cash in this amount will be transferred to/from Apache in the following month after the Partnership's transactions are processed and the net results of operations are determined.

3. RIGHT OF PRESENTMENT

In February 1994, an amendment to the Partnership Agreement created a right of presentment under which all Investing Partners have a limited and voluntary right to offer their Units to the Partnership twice each year to be purchased for cash. The first right of presentment offer for 1997 was based upon a valuation date of December 31, 1996 for a purchase price of $13,621 per Unit, plus interest to the date of payment. The offer was made to the Investing Partners on April 28, 1997 and, as a result, the Partnership acquired 7.999 Units for a total of $114,132 in cash. A second right of presentment offer of $10,946 per Unit, plus interest to the date of payment, was made to the Investing Partners on October 30, 1997, based on a valuation date of June 30, 1997. The Partnership is not in a position to predict how many Units will be presented for repurchase under the October 1997 offer and cannot, at this time, determine if the Partnership will have sufficient funds available to repurchase Units. The Amended Partnership Agreement contains limitations on the number of Units that the Partnership can repurchase, including a limit of 10 percent of the outstanding Units on an annual basis.

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

RESULTS OF OPERATIONS

The Partnership realized the fourth highest earnings and cash flow from operating activities for the nine months ended September 30, 1997, as compared with any prior nine month period in its history. Strong natural gas and crude oil prices as well as lower lease operating and financing costs contributed to the Partnership's results. The average realized natural gas price for the first nine months was the second highest in 11 years. Given strong cash flow, the Partnership repaid all outstanding debt and terminated its revolving credit facility on January 31, 1997, rendering the Partnership debt free for the first time in its 14 years. In addition, as of October 1, 1997, the Partnership has made distributions totaling $4,500 per-Unit and repurchased shares under the right of presentment program.

Net Income and Revenue

The Partnership reported net income of $2.0 million in the third quarter of 1997, versus $2.1 million in the prior year period. Earnings per Investing Partner Unit decreased six percent, from $1,351 to $1,268. The decrease was attributable to lower natural gas production and lower crude oil prices, mitigated by lower depreciation, depletion and amortization expense (DD&A), lease operating expense (LOE) and financing costs.

For the nine months of 1997, net income of $6.4 million, or $4,090 per Investing Partner Unit, decreased 22 percent and 21 percent, respectively, from $8.2 million and $5,177 per Unit in the same period last year. Impacting 1997 results were lower natural gas and crude oil production, lower average realized gas and crude oil prices, mitigated by lower DD&A, LOE and financing costs.

Revenues decreased 16 percent, from $3.4 million in the third quarter of 1996 to $2.9 million for the same period in 1997. Natural gas and crude oil sales contributed 77 percent and 18 percent, respectively, to the Partnership's total revenues, with five percent attributable to interest income and other income from a settlement related to High Island A-6. For the first nine months of 1997, revenues decreased 30 percent, to $9.3 million compared to the same period in 1996 due primarily to lower production and prices, with natural gas and oil contributing 78 percent and 20 percent, respectively, to total revenue.

The Partnership's gas and oil production volume and price information is summarized in the following tables:

	For the Quarter Ended September 30,			For the Nine Months Ended September 30,		
	1997	1996	Change	1997	1996	Change
Gas Volume - Mcf per day	10,726	13,950	(23%)	11,172	16,208	(31%)
Average Gas Price - per Mcf	$ 2.25	$ 2.20	2%	$ 2.39	$ 2.40	0%
Oil Volume - Barrels per day	313	297	5%	349	472	(26%)
Average Oil Price - Per barrel	$ 18.43	$ 21.45	(14%)	$ 19.53	$ 19.90	(2%)

Third Quarter 1997 Compared to Third Quarter 1996

Natural gas sales revenues for the third quarter of 1997 totaled $2.2 million, 21 percent lower than the third quarter of 1996. The decrease resulted from a 23-percent decline in natural gas production, negatively impacting revenue by $.7 million. Natural gas production decreased primarily as a result of natural declines in production at Roberto and natural declines in production coupled with the Partnership selling less than its entitlement at South Pass 83 and North Padre 969, where make-up volumes were taken by under-produced working interest owners. Also contributing to the decrease were natural declines in production combined with downtime for compressor installation work at Ship Shoal 259 and facility downtime at West Cameron 368.

The Partnership's crude oil sales revenues for the third quarter totaled $.5 million, a nine percent decrease from the third quarter of 1996. The impact of a 14-percent decrease in average realized oil prices was mitigated by a five-percent increase in production. The increase in production was primarily the result of non-recurring downward adjustment in the third quarter of 1996.

Year-to-Date 1997 Compared to Year-to-Date 1996

Gas sales for the first nine months of 1997 of $7.3 million decreased $3.4 million, or 32 percent, when compared to the same period in 1996. Average realized gas prices decreased $.01 per Mcf, when compared with the first nine months of 1996. Gas production for the first nine months of 1997 decreased by 31 percent when compared to the same period in 1996, negatively impacting revenues by $3.3 million. Production decreases in 1997 were primarily due to natural declines in production at Roberto and downtime for drilling at South Timbalier 295 and for drilling and compressor installation work at Ship Shoal 259. Also contributing to the decrease were natural declines in production combined with the Partnership taking less than its entitlement at South Pass 83 and North Padre 969, where make-up volumes were taken by under-produced working interest owners.

For the nine months ended September 30, 1997, oil sales decreased 28 percent to $1.9 million when compared to the same period last year. The Partnership's oil sales revenues were impacted by a 26 percent decline in oil production and a two percent decrease in realized prices. The decrease in sales volumes resulted from natural declines in production at East Cameron 60 and downtime resulting from drilling operations at South Timbalier 295.

Given the small number of producing wells owned by the Partnership and the fact that offshore wells tend to decline on a steeper curve than onshore wells, the Partnership's future production will be subject to more volatility than the production of entities with greater reserves and longer-lived properties.

OPERATING EXPENSES

The Partnership's DD&A expense for the third quarter of 1997 decreased 16 percent from the same period in the previous year primarily as a result of lower oil and gas sales revenue. The Partnership's DD&A rate, expressed as a percentage of sales, was 24 percent during the first nine months of 1997, decreasing from 25 percent during the same period in 1996. The decrease in the rate was a result of generally improving natural gas and crude oil prices during the last twelve months and positive reserve revisions in the fourth quarter of 1996.

LOE in the third quarter of 1997 decreased 69 percent, from $.3 million to $.1 million, from the third quarter of 1996. For the first nine months of 1997, LOE of $.3 million was down 65 percent when compared to the first nine months of 1996. The decrease was primarily the result of lower workover activity in the first nine months of 1997 and credits received from a joint venture audit during March and July 1997.

Financing costs decreased 96 percent in the first nine months when compared to the same period in 1996. The decrease was a result of the repayment of the $2.0 million of the Partnership's outstanding bank debt on January 31, 1997.

CASH FLOW, LIQUIDITY AND CAPITAL RESOURCES

Capital Resources and Liquidity

The Partnership's primary capital resource is net cash provided by operating activities, which was $9.8 million for the first nine months of 1997, a decrease of 18 percent from a year ago, driven by lower oil and gas production and gas prices which were mitigated by lower LOE. Future cash flows will similarly be influenced by fluctuations in product prices and production and operating cost.

In January 1997, the Partnership repaid the outstanding balance of the revolving credit facility (obtained by Apache on behalf of the Partnership in July 1992) and terminated the facility.

It is expected that the net cash provided by operating activities and Managing Partner contributions will be sufficient to meet the Partnership's liquidity needs through the end of 1997. However, in the event short-term operating cash requirements are greater than the Partnership's financial resources, the Partnership will seek short-term interest-bearing advances from the Managing Partner.

Capital Commitments

The Partnership's primary needs for cash are for operating expenses, drilling and recompletion expenditures, distributions to Investing Partners and the purchase of Units offered by Investing Partners under the right of presentment.

During the first nine months of 1997, the Partnership's oil and gas property additions totaled $2.3 million. At South Timbalier 295, the A-28 injection well and A-29 and A-30 development wells were drilled and are currently being completed. Additionally, the A-1 sidetrack was drilled and resulted in a dry hole because of mechanical problems running the production liner. The Partnership also participated in a compressor installation at Ship Shoal 259, the JA-8 sidetrack at Roberto and the #5 directional well at Matagorda 705. In addition, the Partnership plans to participate in a recompletion and three sidetrack wells at South Pass 83 which are projected to begin late in the fourth quarter of this year. Based on information supplied by the operators of the properties, the Partnership anticipates capital expenditures of approximately $1.0 million for the remainder of 1997. Such estimates may change based on realized prices, drilling results or changes to the development plan by the operator.

The Partnership made a $1,000 per Unit distribution during March 1997 and a $3,500 per Unit distribution on October 1, 1997. The amount of future distributions will be dependent on actual and expected production levels, realized and expected oil and gas prices, and expected drilling and recompletion expenditures.

As provided in the Amended Partnership Agreement, a second right of presentment offer for 1997 of $10,946 per Unit, plus interest to the date of payment, was made to Investing Partners on October 30, 1997, based on a valuation date of June 30, 1997. The Partnership is not in a position to predict how many Units will be presented for repurchase during 1997 and cannot, at this time, determine if the Partnership will have sufficient funds available to repurchase Units.

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 ("PSLRA")

Certain forward-looking information contained in this report is being provided in reliance upon the "safe harbor" provisions of the PSLRA, as set forth in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such information includes, without limitation, discussions as to estimates, expectations, beliefs, plans and objectives concerning the Partnership's future financial and operating performance. Such forward-looking information is subject to assumptions and beliefs based on current information known to the Partnership and factors that could yield actual results differing materially from those anticipated. Such factors include, without limitation, the prices received for the Partnership's oil and natural gas production, the costs of acquiring, finding, developing and producing reserves, the rates of production of the Partnership's hydrocarbon reserves, the Partnership's success in acquiring or finding additional reserves, unforeseen operational hazards, significant changes in tax or regulatory environments, and the political and economic uncertainties of foreign oil and gas supplies.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 2. CHANGES IN SECURITIES

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

a. Exhibits.

27.1 Financial Data Schedule.

b. Reports on Form 8-K - None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

APACHE OFFSHORE INVESTMENT PARTNERSHIP
By: Apache Corporation, General Partner

Dated: November 11, 1997 /s/ Roger B. Plank

Roger B. Plank
Vice President and Chief Financial Officer

Dated: November 11, 1997 /s/ Thomas L. Mitchell

Thomas L. Mitchell
Vice President and Controller
(Chief Accounting Officer)

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