

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

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**FORM 10-Q**

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(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, 2020

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**  
(State or other jurisdiction of  
incorporation or organization)

**41-1464066**  
(I.R.S. Employer  
Identification No.)

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

Registrant's telephone number, including area code: (713) 296-6000

Securities registered pursuant to Section 12(b) of the Act: None

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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 every Interactive Data File required to be submitted 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 such files). Yes  No

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>	Emerging growth company	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 registrant's units outstanding as of June 30, 2020 1,022

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## **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 the Partnership’s (as defined below in the Notes to Consolidated Financial Statements) 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 the Partnership’s examination of historical operating trends, the information that was used to prepare the Partnership’s estimate of proved reserves as of December 31, 2019, and other data in its 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,” “continue,” “seek,” “guidance,” “might,” “outlook,” “possibly,” “potential,” “should,” “would,” or similar terminology. Although the Partnership believes that the expectations reflected in such forward-looking statements are reasonable under the circumstances, it can give no assurance that such expectations will prove to have been correct. Important factors that could cause actual results to differ materially from the Partnership’s expectations include, but are not limited to, the Partnership’s assumptions about:

- the scope, duration, and reoccurrence of any epidemics or pandemics (including specifically the coronavirus disease 2019 (COVID-19) pandemic) and the actions taken by third parties, including, but not limited to, governmental authorities, customers, contractors, and suppliers, in response to such epidemics or pandemics;
- the market prices of oil, natural gas, natural gas liquids (NGLs), and other products or services;
- the supply and demand for oil, natural gas, NGLs and other products or services;
- pipeline and gathering system capacity and availability;
- production and reserve levels;
- drilling risks;
- economic and competitive conditions;
- the availability of capital resources;
- capital expenditure and other contractual obligations;
- weather conditions;
- inflation rates;
- the availability of goods and services;
- legislative, regulatory, or policy changes, including environmental regulation and initiatives addressing the impact of global climate change;
- terrorism or cyberattacks;
- the capital markets and related risks such as general credit, liquidity, market, and interest-rate risks; and
- other factors disclosed under Item 2 – “Properties — Estimated Proved Reserves and Future Net Cash Flows,” Item 7 – “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and elsewhere in the Partnership’s most recently filed Annual Report on Form 10-K and other filings that it makes with the Securities and Exchange Commission.

Other factors or events that could cause the Partnership’s actual results to differ may emerge from time to time, and it is not possible for the Partnership to predict all of them. All subsequent written and oral forward-looking statements attributable to the Partnership, or persons acting on its behalf, are expressly qualified in their entirety by the cautionary statements. Except as required by law, the Partnership assumes no duty to update or revise its forward-looking statements, whether based on changes in internal estimates or expectations, new information, future developments, or otherwise.

PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

APACHE OFFSHORE INVESTMENT PARTNERSHIP  
STATEMENT OF CONSOLIDATED OPERATIONS  
(Unaudited)

	For the Quarter Ended June 30,		For the Six Months Ended June 30,	
	2020	2019	2020	2019
<b>REVENUES:</b>				
Oil and gas sales	\$ 93,071	\$ 302,027	\$ 324,565	\$ 601,538
Interest income	5,240	29,099	23,312	56,957
	<u>98,311</u>	<u>331,126</u>	<u>347,877</u>	<u>658,495</u>
<b>EXPENSES:</b>				
Depreciation, depletion and amortization	31,435	73,540	95,823	144,553
Asset retirement obligation accretion	14,688	19,699	26,524	39,150
Lease operating expenses	99,027	93,115	206,923	208,722
Gathering and transportation costs	3,711	3,928	8,680	8,698
Administrative	78,216	82,134	160,350	164,268
	<u>227,077</u>	<u>272,416</u>	<u>498,300</u>	<u>565,391</u>
NET INCOME (LOSS)	<u>\$ (128,766)</u>	<u>\$ 58,710</u>	<u>\$ (150,423)</u>	<u>\$ 93,104</u>
<b>NET INCOME (LOSS) ALLOCATED TO:</b>				
Managing Partner	\$ (20,444)	\$ 20,614	\$ (16,648)	\$ 36,130
Investing Partners	(108,322)	38,096	(133,775)	56,974
	<u>\$ (128,766)</u>	<u>\$ 58,710</u>	<u>\$ (150,423)</u>	<u>\$ 93,104</u>
NET INCOME (LOSS) PER INVESTING PARTNER UNIT	<u>\$ (106)</u>	<u>\$ 37</u>	<u>\$ (131)</u>	<u>\$ 56</u>
WEIGHTED AVERAGE INVESTING PARTNER UNITS OUTSTANDING	<u>1,021.5</u>	<u>1,021.5</u>	<u>1,021.5</u>	<u>1,021.5</u>

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

**APACHE OFFSHORE INVESTMENT PARTNERSHIP**  
**STATEMENT OF CONSOLIDATED CASH FLOWS**  
(Unaudited)

	<b>For the Six Months Ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income (loss)	\$ (150,423)	\$ 93,104
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation, depletion and amortization	95,823	144,553
Asset retirement obligation accretion	26,524	39,150
Changes in operating assets and liabilities:		
Accrued receivables	41,780	21,180
Receivable from/payable to Apache Corporation	(7,764)	(842)
Accrued operating expenses	(2,472)	(14,414)
Asset retirement obligations	(427,638)	(129,215)
Net cash provided by (used in) operating activities	<u>(424,170)</u>	<u>153,516</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Additions to oil and gas properties	(8)	(18,368)
Net cash used in investing activities	<u>(8)</u>	<u>(18,368)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Contributions from (distributions to) Managing Partner	45,179	(30,565)
Net cash used in financing activities	<u>45,179</u>	<u>(30,565)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(378,999)	104,583
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	5,020,432	5,103,336
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 4,641,433</u>	<u>\$ 5,207,919</u>

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

**APACHE OFFSHORE INVESTMENT PARTNERSHIP**  
**CONSOLIDATED BALANCE SHEET**  
(Unaudited)

	June 30, 2020	December 31, 2019
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 4,641,433	\$ 5,020,432
Accrued revenues receivable	66,913	108,693
Receivable from Apache Corporation	175	—
	<u>4,708,521</u>	<u>5,129,125</u>
<b>OIL AND GAS PROPERTIES, on the basis of full cost accounting:</b>		
Proved properties	195,715,123	195,401,395
Less – Accumulated depreciation, depletion and amortization	(191,555,037)	(191,459,215)
	<u>4,160,086</u>	<u>3,942,180</u>
	<u>\$ 8,868,607</u>	<u>\$ 9,071,305</u>
<b>LIABILITIES AND PARTNERS' CAPITAL</b>		
<b>CURRENT LIABILITIES:</b>		
Payable to Apache Corporation	\$ —	\$ 7,589
Asset retirement obligation	581,084	614,493
Accrued operating expenses	74,528	77,000
Accrued development costs	—	76,410
	<u>655,612</u>	<u>775,492</u>
<b>ASSET RETIREMENT OBLIGATION</b>	<u>829,215</u>	<u>806,789</u>
<b>PARTNERS' CAPITAL:</b>		
Managing Partner	520,139	491,608
Investing Partners (1,021.5 units outstanding)	6,863,641	6,997,416
	<u>7,383,780</u>	<u>7,489,024</u>
	<u>\$ 8,868,607</u>	<u>\$ 9,071,305</u>

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

**APACHE OFFSHORE INVESTMENT PARTNERSHIP**  
**STATEMENT OF CONSOLIDATED CHANGES IN PARTNERS' CAPITAL**  
(Unaudited)

	Managing Partner	Investing Partners	Total
<b>For the Quarter Ended June 30, 2019</b>			
BALANCE, MARCH 31, 2019	\$ 474,636	\$ 7,055,959	\$ 7,530,595
Distributions	(25,499)	—	(25,499)
Net income	20,614	38,096	58,710
BALANCE, JUNE 30, 2019	<u>\$ 469,751</u>	<u>\$ 7,094,055</u>	<u>\$ 7,563,806</u>
<b>For the Quarter Ended June 30, 2020</b>			
BALANCE, MARCH 31, 2020	\$ 508,259	\$ 6,971,963	\$ 7,480,222
Contributions	32,324	—	32,324
Net loss	(20,444)	(108,322)	(128,766)
BALANCE, JUNE 30, 2020	<u>\$ 520,139</u>	<u>\$ 6,863,641</u>	<u>\$ 7,383,780</u>
<b>For the Six Months Ended June 30, 2019</b>			
BALANCE, DECEMBER 31, 2018	\$ 464,186	\$ 7,037,081	\$ 7,501,267
Distributions	(30,565)	—	(30,565)
Net income	36,130	56,974	93,104
BALANCE, JUNE 30, 2019	<u>\$ 469,751</u>	<u>\$ 7,094,055</u>	<u>\$ 7,563,806</u>
<b>For the Six Months Ended June 30, 2020</b>			
BALANCE, DECEMBER 31, 2019	\$ 491,608	\$ 6,997,416	\$ 7,489,024
Contributions	45,179	—	45,179
Net loss	(16,648)	(133,775)	(150,423)
BALANCE, JUNE 30, 2020	<u>\$ 520,139</u>	<u>\$ 6,863,641</u>	<u>\$ 7,383,780</u>

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

**APACHE OFFSHORE INVESTMENT PARTNERSHIP**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

Apache Offshore Investment Partnership, a Delaware general partnership (the Investment Partnership), was formed on October 31, 1983, consisting of Apache Corporation, a Delaware corporation (Apache or the Managing Partner), as Managing Partner and public investors (the Investing Partners). The Investment Partnership invested its entire capital in Apache Offshore Petroleum Limited Partnership, a Delaware limited partnership (the Operating Partnership). The primary business of the Investment Partnership is to serve as the sole limited partner of the Operating Partnership. The accompanying financial statements include the accounts of both the Investment Partnership and the Operating Partnership. The term “Partnership,” as used herein, refers to the Investment Partnership or the Operating Partnership, as the case may be.

These financial statements have been prepared by the Partnership, 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, on a basis consistent with the annual audited financial statements. 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 Partnership believes that the disclosures are adequate to make the information presented not misleading. These financial statements should be read in conjunction with the Partnership’s Annual Report on Form 10-K for the fiscal year ended December 31, 2019, which contains a summary of the Partnership’s significant accounting policies and other disclosures.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As of June 30, 2020, the Partnership’s significant accounting policies are consistent with those discussed in Note 2 of its consolidated financial statements contained in the Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

**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 and disclosure of contingent 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 estimate of proved oil and gas reserve quantities and the related present value of estimated future net cash flows therefrom and the assessment of asset retirement obligations. Actual results could differ from those estimates.

**Oil and Gas Property**

The Partnership follows the full-cost method of accounting for its oil and gas property. Under this method of accounting, all costs incurred for both successful and unsuccessful exploration and development activities, and oil and gas property acquisitions are capitalized. The net book value of oil and gas properties may not exceed a calculated “ceiling.” The ceiling limitation is the estimated future net cash flows from proved oil and gas reserves, discounted at 10 percent per annum. Estimated future net cash flows are calculated using end-of-period costs and an unweighted arithmetic average of commodity prices in effect on the first day of each of the previous 12 months, held flat for the life of the production, except where prices are defined by contractual arrangements. For a discussion of the calculation of estimated future net cash flows, please refer to Note 10—Supplemental Oil and Gas Disclosures (Unaudited) to the consolidated financial statements contained in the Partnership’s Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

Any excess of the net book value of proved oil and gas properties over the ceiling is charged to expense and reflected as “Additional depreciation, depletion and amortization” in the accompanying statement of consolidated operations. Such limitations are tested quarterly. The Partnership had no write-downs of the carrying value of its proved oil and gas properties during the first six months of 2020 and 2019.



## **Revenue Recognition**

There have been no significant changes to the Partnership's contracts with customers during the six months ended June 30, 2020. The Partnership generates revenue from its contracts with customers from the sale of its crude oil, natural gas, and NGL production volumes. Under these short-term commodity sales contracts, the physical delivery of each unit of quantity represents a single, distinct performance obligation on behalf of the Partnership. Contract prices are determined based on market-indexed prices, adjusted for quality, transportation, and other market-reflective differentials. Revenue is measured by allocating an entirely variable market price to each performance obligation and recognized at a point in time when control is transferred to the customer. The Partnership considers a variety of facts and circumstances in assessing the point of control transfer, including but not limited to whether the purchaser can direct the use of the hydrocarbons, the transfer of significant risks and rewards, and the Partnership's right to payment. Control typically transfers to customers upon the physical delivery at specified locations within each contract and the transfer of title.

The table below presents revenues from contracts with customers disaggregated by product type for the quarters and six months ended June 30, 2020 and 2019:

	<b>For the Quarter Ended June 30,</b>		<b>For the Six Months Ended June 30,</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Oil	\$ 78,665	\$ 272,263	\$ 283,133	\$ 535,146
Gas	12,958	22,297	34,416	53,858
NGLs	1,448	7,467	7,016	12,534
<b>Total Oil and Gas Revenue</b>	<b>\$ 93,071</b>	<b>\$ 302,027</b>	<b>\$ 324,565</b>	<b>\$ 601,538</b>

In accordance with the provisions of Accounting Standards Codification 606, variable market prices for each short-term commodity sale are allocated entirely to each performance obligation as the terms of payment relate specifically to the Partnership's efforts to satisfy its obligations. As such, the Partnership has elected the practical expedients available under the standard to not disclose the aggregate transaction price allocated to unsatisfied, or partially unsatisfied, performance obligations as of the end of the reporting period. Payment terms under all contracts with customers are typically due and received within a short-term period of one year or less, after physical delivery of the product or service has been rendered.

The Partnership records trade accounts receivable for its unconditional rights to consideration arising under sales contracts with customers. The carrying value of such receivables represents estimated net realizable value. The Partnership routinely assesses the collectability of all material trade and other receivables. The Partnership accrues a reserve on a receivable when, based on the judgment of management, it is probable that a receivable will not be collected and the amount of any reserve may be reasonably estimated. As of June 30, 2020, the carrying amounts of trade accounts receivables approximate fair value because of the short-term nature of these instruments. Receivables from contracts with customers totaled \$66,913 and \$108,693 as of June 30, 2020 and December 31, 2019, respectively. The Partnership had no allowance for doubtful accounts recorded for any comparative period presented.

## 2. RECEIVABLE FROM / PAYABLE TO APACHE CORPORATION

The receivable from/payable to Apache represents the net result of the Investing Partners' revenue received and expenditures paid in the current month. Generally, cash in this amount will be paid by Apache to the Partnership or transferred to Apache in the month after the Partnership's transactions are processed and the net results of operations are determined.

## 3. ASSET RETIREMENT OBLIGATIONS

The following table describes the changes to the Partnership's asset retirement obligation liability for the first six months of 2020:

Asset retirement obligation at December 31, 2019	\$	1,421,282
Accretion expense		26,524
Liabilities settled		(351,227)
Revisions in estimated liabilities		313,720
Asset retirement obligation at June 30, 2020		1,410,299
Less current portion		(581,084)
Asset retirement obligation, long-term	\$	829,215

Liabilities settled during the six months ended June 30, 2020 relate to well abandonment and platform removal activities at Ship Shoal 258/259. Estimated liabilities on this field were revised upward by \$313,720 during the period as a result of weather delays and unplanned infrastructure requirements to support the abandonment activities.

## 4. FAIR VALUE MEASUREMENTS

Certain assets and liabilities are reported at fair value on a recurring basis in the Partnership's consolidated balance sheet. As of June 30, 2020 and December 31, 2019, the carrying amounts of the Partnership's current assets and current liabilities approximated fair value because of the short-term nature or maturity of these instruments.

The Partnership did not use derivative financial instruments or otherwise engage in hedging activities during the six months ended June 30, 2020 and 2019.

## 5. NOTICE OF WITHDRAWAL AND RIGHT OF PRESENTMENT

On March 22, 2019, Apache, as the Managing Partner of the Investment Partnership, gave notice of its intention to withdraw as Managing Partner of the Investment Partnership. The notice described the withdrawal process and certain notice periods required by that process. No party assumed the role of Managing Partner within the 120-day notice period specified by the notice of intention to withdraw. Consequently, Apache will oversee the process of winding up and liquidating the business and affairs of the Investment Partnership. Apache has not made a decision as to when it will complete the process to withdraw as Managing Partner.

On April 26, 2019, the Managing Partner determined that, during the withdrawal and dissolution process, it would be inconsistent with the Managing Partner's fiduciary duties to purchase (or to cause the Investment Partnership to purchase) outstanding units of partnership interests (Units) from the holders thereof pursuant to the right of presentment provided for in Sections 6.9 through 6.14 of the Partnership Agreement of the Investment Partnership (the Partnership Agreement). As a result of this determination by the Managing Partner, pursuant to Section 6.12 of the Partnership Agreement, the right of presentment has been terminated and Sections 6.9 through 6.14 have "become null and void and of no further force or effect" as provided in Section 6.12.

The Investment Partnership has not made a repurchase under the right of presentment since 2008.

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

The following discussion relates to Apache Offshore Investment Partnership (the Partnership) and should be read in conjunction with the Partnership's 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 its consolidated financial statements, accompanying notes and related Management's Discussion and Analysis of Financial Condition and Results of Operations, included in the Partnership's Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

The Partnership's business is participation in oil and gas development and production activities on federal lease tracts in the Gulf of Mexico, offshore Louisiana.

### Results of Operations

#### *Net Income and Revenue*

The Partnership reported a net loss of \$128,766 (\$106 per Investing Partner Unit) for the second quarter of 2020 compared to net income of \$58,710 (\$37 per Investing Partner Unit) in the second quarter of 2019. For the first six months of 2020, the Partnership reported a net loss of \$150,423 (\$131 per Investing Partner Unit) compared to net income of \$93,104 (\$56 per Investing Partner Unit) in the first six months of 2019.

Total revenues in the second quarter of 2020 decreased 70 percent from the second quarter of 2019, primarily the result of lower crude oil and gas realized prices. Total revenues in the first six months of 2020 also decreased 47 percent from the first six months of 2019 as a result of lower oil and gas prices. The Partnership's crude oil, natural gas, and NGLs production volume and price information is summarized in the following table (gas volumes are presented in thousand cubic feet (Mcf) per day):

	For the Quarter Ended June 30,			For the Six Months Ended June 30,		
	2020	2019	Increase (Decrease)	2020	2019	Increase (Decrease)
Gas volume – Mcf per day	82	92	(11)%	100	103	(3)%
Average gas price – per Mcf	\$ 1.73	\$ 2.65	(35)%	\$ 1.88	\$ 2.90	(35)%
Oil volume – barrels per day	34	49	(31)%	42	50	(16)%
Average oil price – per barrel	\$ 25.49	\$ 61.67	(59)%	\$ 36.90	\$ 58.74	(37)%
NGL volume – barrels per day	4	4	— %	4	4	— %
Average NGL price – per barrel	\$ 4.37	\$ 20.90	(79)%	\$ 9.97	\$ 18.93	(47)%

#### *Oil and Gas Sales*

The Partnership's crude oil sales for the second quarter of 2020 totaled \$78,665, down 71 percent compared to \$272,263 in the second quarter of 2019. The Partnership's average realized oil price in the second quarter of 2020 decreased \$36.18 per barrel from the second quarter of 2019, reducing sales by \$159,733. Crude oil volumes decreased to 34 barrels per day in the second quarter of 2020, compared to 49 barrels per day in the prior year period, primarily from curtailed production in response to the collapse of oil prices that occurred during the second quarter and continued oil demand uncertainty resulting from the coronavirus disease 2019 (COVID-19) pandemic. The decrease in production reduced oil sales by \$33,865.

Crude oil sales for the first six months of 2020 totaled \$283,133, down 47 percent from the same period in 2019. The Partnership's average realized oil price for the first six months of 2020 decreased 37 percent from the first six months of 2019, dropping to \$36.90 per barrel, reducing sales by \$198,962. The Partnership's crude oil volumes decreased to 42 barrels per day during the first six months of 2020 compared to 50 barrels per day during the prior year period, primarily the result of natural decline and curtailed production during the second quarter, reducing oil sales by \$53,051.

Natural gas sales of \$12,958 were recognized in the second quarter of 2020, down 42 percent from the amount realized for the equivalent 2019 period. The Partnership's average realized natural gas price for the quarter decreased \$0.92 per Mcf, or 35 percent, from the second quarter of 2019, reducing sales by \$7,743. Natural gas volumes decreased 11 percent from the second quarter of 2019, reducing sales revenue by \$1,596. The decrease in realized price and production was primarily the result of the reduction of market demand caused by the COVID-19 pandemic.

Natural gas sales for the first six months of 2020 decreased 36 percent, dropping to \$34,416 in the current period, compared to \$53,858 during the first six months of 2019. The Partnership's average realized gas prices decreased from \$2.90 per Mcf in the first six months of 2019 to \$1.88 per Mcf in 2020, reducing sales by \$18,937. A 3 Mcf per day, or 3 percent, decrease in natural gas volumes during the first six months of 2020 compared to the same period in 2019 reduced sales by \$505.

The Partnership sold 4 barrels of NGL per day in the second quarter of 2020, unchanged from the 4 barrels per day during the second quarter of 2019. NGL revenues decreased as the result of 79 percent lower average realized NGL prices during the second quarter of 2020 compared to the same prior year period. The Partnership sold 4 barrels per day of NGL in the first six months of 2020, unchanged from the 4 barrels per day in the first six months of 2019. NGL revenues decreased as the result of 47 percent lower average realized NGL prices during the first six months of 2020 compared to the same prior year period.

Since the Partnership does not anticipate acquiring additional acreage or conducting exploratory drilling on leases in which it currently holds an interest, declines in oil and gas production can be expected in future periods as a result of natural depletion. Also, given the small number of producing wells owned by the Partnership and exposure to inclement weather and pipeline interruptions in the Gulf of Mexico, the Partnership's production may be subject to more volatility than those companies with a larger or more diversified property portfolio.

### ***Operating Expenses***

The Partnership's depreciation, depletion and amortization (DD&A), expressed as a percentage of oil and gas sales, were approximately 34 percent and 30 percent for the second quarter and first six months of 2020, respectively, compared to approximately 24 percent for both the second quarter and first six months of 2019. The higher depletion percentage was primarily the result of declining sales revenue from lower realized commodity prices.

Under the full cost method of accounting, the Partnership is required to review the carrying value of its proved oil and gas properties each quarter. Under these rules, capitalized costs of oil and gas properties, net of accumulated DD&A, may not exceed the present value of estimated future net cash flows from proved oil and gas reserves discounted at 10 percent per annum. Estimated future net cash flows are calculated using end-of-period costs and an unweighted arithmetic average of commodity prices in effect on the first day of each of the previous 12 months, held flat for the life of the production, except where prices are defined by contractual arrangements. The Partnership had no write-downs of the carrying value of its oil and gas properties during the first six months of 2020 and 2019. Given the recent crude oil price volatility on lower demand and economic activity resulting from the COVID-19 pandemic, if commodity prices experience sustained decline, the Partnership expects to recognize non-cash write-downs of the carrying value of its oil and gas properties in future periods. Any such non-cash write-downs would be reflected as additional DD&A expense on the statement of consolidated operations.

Lease operating expenses (LOE) for the second quarter of 2020 totaled \$99,027, up 6 percent from the second quarter of 2019 total of \$93,115. LOE for the first six months of 2020 totaled \$206,923, down 1 percent from the same prior year period. Gathering and transportation costs for the delivery of oil and gas totaled \$3,711 in the second quarter of 2020, a decrease of 6 percent from the second quarter of 2019. Gathering and transportation costs for the first six months of 2020 were essentially flat compared to the same period in 2019. Administrative expenses for the second quarter and first six months of 2020 were slightly lower compared to the same periods in 2019 based on recent cost reduction initiatives.

### **Capital Resources and Liquidity**

The Partnership's primary capital resource is net cash provided by operating activities. During the first six months of 2020, the Partnership had \$424,170 of net cash outflow from operating activities, compared to \$153,516 of net cash inflow in the first six months of 2019. The decrease in operating cash flows was primarily the result of plugging and abandonment spending at Ship Shoal 258/259 and lower revenues from decreased commodity prices.

At June 30, 2020, the Partnership had approximately \$4.6 million in cash and cash equivalents, down from \$5.0 million at December 31, 2019, primarily the result of plugging and abandonment activity during the period. The Partnership's goal is to maintain cash and cash equivalents at least sufficient to cover the undiscounted value of its future asset retirement obligation liability. The Partnership also plans to reserve funds for repairs which may disrupt the Partnership's production and for future recompletion operations.

The Partnership's future financial condition, results of operations, and cash from operating activities will largely depend upon prices received for its oil and natural gas production. A substantial portion of the Partnership's production is sold under market-sensitive contracts. Prices for oil and natural gas are subject to fluctuations in response to changes in supply, market uncertainty, and a variety of factors beyond the Partnership's control. These factors include worldwide political and economic conditions, the foreign and domestic supply of oil and natural gas, the price of foreign imports, the level of consumer demand, weather, and the price and availability of alternative fuels.

The Partnership's oil and gas reserves and production will also significantly impact future results of operations and cash from operating activities. The Partnership's production is subject to fluctuations in response to remaining quantities of oil and gas reserves, weather, pipeline capacity, consumer demand, mechanical well performance and workovers, and recompletion activities. Declines in oil and gas production can be expected in future years as a result of normal depletion and the non-participation in acquisition or exploration activities by the Partnership. Based on production estimates from independent engineers and existing cash balances reserved for platform dismantlement and abandonment activities, current market conditions resulting from the COVID-19 pandemic are not expected to materially impact the Partnership's liquidity. The Partnership forecasts it will be able to meet its liquidity needs for routine operations in 2020 and 2021, although lower oil and gas prices and consumer demand resulting from the COVID-19 pandemic would decrease revenue and could require the Partnership to further reduce its cash and cash equivalents.

In the event that future short-term operating cash requirements are greater than the Partnership's financial resources, the Partnership may seek short-term, interest-bearing advances from the Managing Partner as needed. The Managing Partner, however, is not obligated to make loans to the Partnership. The Partnership does not intend to incur debt from banks or other outside sources nor solicit capital from existing Unit holders or in the open market.

On an ongoing basis, the Partnership reviews the possible sale of lower value properties prior to incurring associated dismantlement and abandonment costs. The Partnership did not sell any properties in the first six months of 2020 and 2019.

### **Capital Commitments**

The Partnership's primary needs for cash are for operating expenses, recompletion expenditures, and future dismantlement and abandonment costs. To the extent there is discretion, the Partnership allocates available capital to investment in the Partnership's properties so as to maximize production and resultant cash flow. The Partnership had no outstanding debt or lease commitments at June 30, 2020. The Partnership did not have any contractual obligations as of June 30, 2020, other than the liability for dismantlement and abandonment costs of its oil and gas properties. The Partnership has recorded a separate liability for this asset retirement obligation as discussed in the Notes to the Financial Statements included in the Partnership's latest Annual Report on Form 10-K.

During the first six months of 2020, the Partnership spent \$351,227 to plug and abandon wells and remove platforms, primarily at Ship Shoal 258/259. The spending incurred during the period was higher than previously estimated by the operator because of weather delays and unplanned infrastructure requirements for abandonment activity. The Partnership anticipates \$581,084 of costs will be incurred over the next twelve months to decommission the remaining platforms at Ship Shoal 258/259 and North Padre Island 969/976. Based on information available to the Partnership, it anticipates minimal capital expenditures during the remainder of 2020 for recompletions and other capital projects at South Timbalier 295. Such estimates may change based on realized oil and gas prices, recompletion results, weather disruptions, rates charged by contractors or changes by the operator to their development or abandonment plans.

### **Notice of Withdrawal and Right of Presentment**

On March 22, 2019, Apache, as the Managing Partner of the Investment Partnership gave notice of its intention to withdraw as Managing Partner of the Investment Partnership. The notice described the withdrawal process and certain notice periods required by that process. No party assumed the role of Managing Partner within the 120 day notice period specified by the notice of intention to withdraw. Consequently, Apache will oversee the process of winding up and liquidating the business and affairs of the Investment Partnership. Apache has not made a decision as to when it will complete the process to withdraw as Managing Partner.

On April 26, 2019, the Managing Partner determined that, during the withdrawal and dissolution process, it would be inconsistent with the Managing Partner's fiduciary duties to purchase (or to cause the Investment Partnership to purchase) outstanding Units from the holders thereof pursuant to the right of presentment provided for in Sections 6.9 through 6.14 of the Partnership Agreement of the Investment Partnership (the Partnership Agreement). As a result of this determination by the Managing Partner, pursuant to Section 6.12 of the Partnership Agreement, the right of presentment has been terminated and Sections 6.9 through 6.14 have "become null and void and of no further force or effect" as provided in Section 6.12.

The Investment Partnership has not made a repurchase under the right of presentment since 2008.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

As a “smaller reporting company,” the Partnership is not required to provide the information required by this Item. The Partnership has chosen to disclose, however, that it has not engaged in any transactions, issued or bought any financial instruments, or entered into any contracts that are required to be disclosed in response to this Item.

### **ITEM 4. CONTROLS AND PROCEDURES**

#### **Disclosure Controls and Procedures**

John J. Christmann IV, the Managing Partner’s Chief Executive Officer and President (in his capacity as principal executive officer), and Stephen J. Riney, the Managing Partner’s Executive Vice President and Chief Financial Officer (in his capacity as principal financial officer), evaluated the effectiveness of the Partnership’s disclosure controls and procedures as of June 30, 2020, 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 Partnership’s disclosure controls and procedures were effective, providing effective means to ensure that the information it is required to disclose under applicable laws and regulations is recorded, processed, summarized and reported within the time periods specified under the SEC’s rules and forms and communicated to the Partnership’s management, including the Managing Partner’s principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

#### **Changes in Internal Control Over Financial Reporting**

There was no change in the Partnership’s 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, the Partnership’s internal controls over financial reporting, including any changes related to the COVID-19 pandemic and the transition to a remote working environment.

## PART II — OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

None.

### ITEM 1A. RISK FACTORS

As a “smaller reporting company,” the Partnership is not required to provide the information required by this Item.

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

None.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

### ITEM 4. MINE SAFETY DISCLOSURES

None.

### ITEM 5. OTHER INFORMATION

Fieldwood Energy LLC (Fieldwood) is the current operator of the Partnership’s producing lease. Given the current commodity price environment, decreased demand for oil and gas, and recent media reports, the Partnership believes that, if Fieldwood files for bankruptcy, the Partnership does not know if, or to what extent, Fieldwood will continue to perform its obligations with respect to the Partnership’s properties. Financial distress at Fieldwood could have a material adverse effect on the Partnership’s results of operations. At this point, no evaluation of the likelihood of an unfavorable outcome or associated economic loss can be made; therefore, no liability has been recorded on the Partnership’s consolidated financial statements.

### ITEM 6. EXHIBITS

- P3.1 Partnership Agreement of Apache Offshore Investment Partnership (incorporated by reference to Exhibit (3)(i) to Form 10 filed by Partnership with the SEC on April 30, 1985, SEC File No. 0-13546).
- P3.2 Amendment No. 1, dated February 11, 1994, to the Partnership Agreement of Apache Offshore Investment Partnership (incorporated by reference to Exhibit 3.3 to Partnership’s Annual Report on Form 10-K for the fiscal year ended December 31, 1993, SEC File No. 0-13546).
- P3.3 Limited Partnership Agreement of Apache Offshore Petroleum Limited Partnership (incorporated by reference to Exhibit (3)(ii) to Form 10 filed by Partnership with the SEC on April 30, 1985, SEC File No. 0-13546).
- \*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 The following financial statements from the Registrant’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2020, formatted in Inline XBRL: (i) Statement of Consolidated Operations, (ii) Statement of Consolidated Cash Flows, (iii) Consolidated Balance Sheet, (iv) Statement of Consolidated Changes in Partners’ Capital and (v) Notes to Consolidated Financial Statements, tagged as blocks of text and including detailed tags.
- \*101.SCH Inline XBRL Taxonomy Schema Document.
- \*101.CAL Inline XBRL Calculation Linkbase Document.
- \*101.DEF Inline XBRL Definition Linkbase Document.
- \*101.LAB Inline XBRL Label Linkbase Document.
- \*101.PRE Inline XBRL Presentation Linkbase Document.
- \*104 Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

\* Filed herewith.

P Filed previously in paper format.

## 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 thereunto duly authorized.

APACHE OFFSHORE INVESTMENT PARTNERSHIP

By: Apache Corporation, Managing Partner

Dated: 7/30/2020

/s/ Stephen J. Riney

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Stephen J. Riney

Executive Vice President and Chief Financial Officer  
(principal financial officer) of Apache Corporation,  
Managing Partner

Dated: 7/30/2020

/s/ Rebecca A. Hoyt

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Rebecca A. Hoyt

Senior Vice President, Chief Accounting Officer  
and Controller (principal accounting officer)  
of Apache Corporation, Managing Partner



## CERTIFICATIONS

I, John J. Christmann IV, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Apache Offshore Investment Partnership;
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.

Date: July 30, 2020

/s/ John J. Christmann IV

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John J. Christmann IV  
Chief Executive Officer and President  
(principal executive officer) of Apache  
Corporation, Managing Partner

## CERTIFICATIONS

I, Stephen J. Riney, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Apache Offshore Investment Partnership;
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.

Date: July 30, 2020

/s/ Stephen J. Riney

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Stephen J. Riney

Executive Vice President and Chief Financial Officer

(principal financial officer) of Apache Corporation,

Managing Partner

**APACHE OFFSHORE INVESTMENT PARTNERSHIP**  
**by Apache Corporation, Managing Partner**

**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 Offshore Investment Partnership for the quarterly period ending June 30, 2020, 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 Offshore Investment Partnership.

Date: July 30, 2020

/s/ John J. Christmann IV

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By: John J. Christmann IV  
Title: Chief Executive Officer and President  
(principal executive officer) of Apache  
Corporation, Managing Partner

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 Offshore Investment Partnership for the quarterly period ending June 30, 2020, 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 Offshore Investment Partnership.

Date: July 30, 2020

/s/ Stephen J. Riney

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By: Stephen J. Riney  
Title: Executive Vice President and Chief Financial Officer  
(principal financial officer) of Apache Corporation,  
Managing Partner