

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

For the Quarterly Period Ended March 31, 2006

OR

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

For the Transition Period from _____ to _____

Commission File Number 1-4300

APACHE CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of
Incorporation or Organization)

41-0747868

(I.R.S. Employer
Identification Number)

Suite 100, One Post Oak Central
2000 Post Oak Boulevard, Houston, TX

(Address of Principal Executive Offices)

77056-4400

(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 NO

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

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

Number of shares of Registrant's common stock, outstanding as of March 31, 2006

330,338,839

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PART I – FINANCIAL INFORMATION

ITEM 1 – FINANCIAL STATEMENTS

APACHE CORPORATION AND SUBSIDIARIES
STATEMENT OF CONSOLIDATED OPERATIONS
(Unaudited)

	<u>For the Quarter Ended March 31,</u>	
	<u>2006</u>	<u>2005</u>
(In thousands, except per common share data)		
REVENUES AND OTHER:		
Oil and gas production revenues	\$ 1,950,298	\$ 1,626,649
Other	48,804	35,639
	<u>1,999,102</u>	<u>1,662,288</u>
OPERATING EXPENSES:		
Depreciation, depletion and amortization	372,577	339,413
Asset retirement obligation accretion	20,645	13,159
Lease operating costs	291,614	233,171
Gathering and transportation costs	26,104	23,780
Severance and other taxes	146,414	72,186
General and administrative	45,672	50,411
Financing costs:		
Interest expense	42,863	45,266
Amortization of deferred loan costs	508	658
Capitalized interest	(14,193)	(13,409)
Interest income	(6,364)	(927)
	<u>925,840</u>	<u>763,708</u>
INCOME BEFORE INCOME TAXES	1,073,262	898,580
Provision for income taxes	412,341	338,097
NET INCOME	660,921	560,483
Preferred stock dividends	1,420	1,420
INCOME ATTRIBUTABLE TO COMMON STOCK	<u>\$ 659,501</u>	<u>\$ 559,063</u>
NET INCOME PER COMMON SHARE:		
Basic	<u>\$ 2.00</u>	<u>\$ 1.70</u>
Diluted	<u>\$ 1.97</u>	<u>\$ 1.67</u>

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

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

	For the Quarter Ended	
	March 31,	
	2006	2005
	(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 660,921	\$ 560,483
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	372,577	339,413
Asset retirement obligation accretion	20,645	13,159
Provision for deferred income taxes	160,672	98,187
Other	9,385	11,826
Changes in operating assets and liabilities:		
(Increase) decrease in receivables	22,257	(177,175)
(Increase) decrease in drilling advances and other	108,789	(17,410)
(Increase) decrease in inventories	(4,132)	4,697
(Increase) decrease in deferred charges and other	(16,664)	(7,665)
Increase (decrease) in accounts payable	(40,217)	6,952
Increase (decrease) in accrued expenses	(226,350)	19,908
Increase (decrease) in advances from gas purchasers	(6,368)	(5,692)
Increase (decrease) in deferred credits and noncurrent liabilities	(18,231)	(10,511)
Net cash provided by operating activities	<u>1,043,284</u>	<u>836,172</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property and equipment	(1,012,039)	(790,350)
Acquisition of Amerada Hess properties	(230,080)	-
Proceeds from sale of Egyptian properties	409,197	-
Other, net	(53,582)	32,448
Net cash used in investing activities	<u>(886,504)</u>	<u>(757,902)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Debt borrowings	158,273	6,862
Payments on debt	(3,800)	(63,530)
Dividends paid	(34,433)	(27,631)
Common stock activity	3,238	7,771
Treasury stock activity, net	936	(2,085)
Cost of debt and equity transactions	(182)	(78)
Other	(5,657)	10,679
Net cash provided by/(used in) financing activities	<u>118,375</u>	<u>(68,012)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	275,155	10,258
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	228,860	111,093
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 504,015</u>	<u>\$ 121,351</u>

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

APACHE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(Unaudited)

	<u>March 31,</u> <u>2006</u>	<u>December 31,</u> <u>2005</u>
	(In thousands)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 504,015	\$ 228,860
Receivables, net of allowance	1,446,970	1,444,545
Inventories	226,761	209,670
Drilling advances	111,936	146,047
Prepaid assets and other	67,592	132,955
	<u>2,357,274</u>	<u>2,162,077</u>
PROPERTY AND EQUIPMENT:		
Oil and gas, on the basis of full cost accounting:		
Proved properties	24,552,532	23,836,789
Unproved properties and properties under development, not being amortized	870,520	795,706
Gas gathering, transmission and processing facilities	1,451,849	1,359,477
Other	327,030	312,970
	<u>27,201,931</u>	<u>26,304,942</u>
Less: Accumulated depreciation, depletion and amortization	(9,885,404)	(9,513,602)
	<u>17,316,527</u>	<u>16,791,340</u>
OTHER ASSETS:		
Goodwill, net	189,252	189,252
Deferred charges and other	136,050	129,127
	<u>\$ 19,999,103</u>	<u>\$ 19,271,796</u>

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

APACHE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(Unaudited)

	<u>March 31,</u> <u>2006</u>	<u>December 31,</u> <u>2005</u>
	(In thousands)	
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 669,371	\$ 714,598
Accrued operating expense	59,216	66,609
Accrued exploration and development	499,081	460,203
Accrued compensation and benefits	94,765	125,022
Accrued interest	45,706	32,564
Accrued income taxes	53,824	120,153
Current debt	157,574	274
Asset retirement obligation	160,163	93,557
Derivative instruments	204,597	256,115
Other	191,327	317,469
	<u>2,135,624</u>	<u>2,186,564</u>
LONG-TERM DEBT	<u>2,189,126</u>	<u>2,191,954</u>
DEFERRED CREDITS AND OTHER NONCURRENT LIABILITIES:		
Income taxes	2,778,909	2,580,629
Advances from gas purchasers	62,400	68,768
Asset retirement obligation	1,315,658	1,362,358
Derivative instruments	92,206	152,430
Other	168,684	187,878
	<u>4,417,857</u>	<u>4,352,063</u>
SHAREHOLDERS' EQUITY:		
Preferred stock, no par value, 5,000,000 shares authorized – Series B, 5.68% Cumulative Preferred Stock, 100,000 shares issued and outstanding	98,387	98,387
Common stock, \$0.625 par, 430,000,000 shares authorized, 337,197,428 and 336,997,053 shares issued, respectively	210,748	210,623
Paid-in capital	4,187,570	4,170,714
Retained earnings	7,143,328	6,516,863
Treasury stock, at cost, 6,858,589 and 6,875,823 shares, respectively	(89,539)	(89,764)
Accumulated other comprehensive loss	(293,998)	(365,608)
	<u>11,256,496</u>	<u>10,541,215</u>
	<u>\$ 19,999,103</u>	<u>\$ 19,271,796</u>

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

APACHE CORPORATION AND SUBSIDIARIES
STATEMENT OF CONSOLIDATED SHAREHOLDERS' EQUITY
(Unaudited)

	<u>Comprehensive Income</u>	<u>Series B Preferred Stock</u>	<u>Common Stock</u>	<u>Paid-In Capital</u>	<u>Retained Earnings</u>	<u>Treasury Stock</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Total Shareholders' Equity</u>
	(In thousands)							
BALANCE AT								
DECEMBER 31, 2004		\$ 98,387	\$ 209,320	\$ 4,106,182	\$ 4,017,339	\$ (97,325)	\$ (129,482)	\$ 8,204,421
Comprehensive income (loss):								
Net income	\$ 560,483	-	-	-	560,483	-	-	560,483
Commodity hedges, net of income tax benefit of \$82,210	(136,997)	-	-	-	-	-	(136,997)	(136,997)
Comprehensive income	<u>\$ 423,486</u>							
Dividends:								
Preferred		-	-	-	(1,420)	-	-	(1,420)
Common (\$.08 per share)		-	-	-	(26,238)	-	-	(26,238)
Common shares issued		-	291	19,781	-	-	-	20,072
Treasury shares issued, net		-	-	98	-	3,464	-	3,562
Other		-	-	66	-	-	-	66
BALANCE AT MARCH 31, 2005		<u>\$ 98,387</u>	<u>\$ 209,611</u>	<u>\$ 4,126,127</u>	<u>\$ 4,550,164</u>	<u>\$ (93,861)</u>	<u>\$ (266,479)</u>	<u>\$ 8,623,949</u>
BALANCE AT								
DECEMBER 31, 2005		\$ 98,387	\$ 210,623	\$ 4,170,714	\$ 6,516,863	\$ (89,764)	\$ (365,608)	\$ 10,541,215
Comprehensive income (loss):								
Net income	\$ 660,921	-	-	-	660,921	-	-	660,921
Commodity hedges, net of income tax benefit of \$39,414	71,610	-	-	-	-	-	71,610	71,610
Comprehensive income	<u>\$ 732,531</u>							
Dividends:								
Preferred		-	-	-	(1,420)	-	-	(1,420)
Common (\$.10 per share)		-	-	-	(33,036)	-	-	(33,036)
Common shares issued		-	125	14,532	-	-	-	14,657
Treasury shares issued, net		-	-	2,292	-	225	-	2,517
Other		-	-	32	-	-	-	32
BALANCE AT MARCH 31, 2006		<u>\$ 98,387</u>	<u>\$ 210,748</u>	<u>\$ 4,187,570</u>	<u>\$ 7,143,328</u>	<u>\$ (89,539)</u>	<u>\$ (293,998)</u>	<u>\$ 11,256,496</u>

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

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

These financial statements have been prepared by Apache Corporation (Apache or the Company) without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC), 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 accounting principles generally accepted in the United States have been omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. These financial statements should be read in conjunction with the financial statements and the summary of significant accounting policies and notes included in the Company's most recent annual report on Form 10-K.

Reclassifications

Certain prior period amounts have also been reclassified to conform with current year presentations.

1. ACQUISITIONS AND DIVESTITURES

2006 Acquisitions and Divestitures

Amerada Hess

On January 5, 2006, the Company purchased Amerada Hess's interest in eight fields located in the Permian Basin of West Texas and New Mexico for \$269 million. Apache estimates that these fields had proved reserves of 27 million barrels of liquid hydrocarbons and 27 billion cubic feet of natural gas as of year-end 2005. The Company had previously announced on October 13, 2005 that it had agreed to purchase Amerada Hess's interest for \$404 million. The price and number of properties involved in this transaction were reduced as a result of third parties exercising their preferential rights.

On January 6, 2006, the Company completed the sale of its 55 percent interest in the deepwater section of Egypt's West Mediterranean Concession to Amerada Hess for \$413 million. Apache did not have any oil and gas reserves recorded for these properties. Apache first announced this transaction on October 13, 2005.

2006 Second-Quarter Events

BP plc (BP)

On April 19, 2006, the Company announced that it has finalized an agreement to acquire BP's remaining producing properties on the Outer Continental Shelf of the Gulf of Mexico for \$1.3 billion in cash. The properties include 18 producing fields (11 of which are operated) covering 92 blocks with estimated proved reserves of 27 million barrels of liquid hydrocarbons and 185 billion cubic feet (Bcf) of natural gas. Many of the fields are subject to exercise of preferential rights to purchase by other interest owners. The transaction, which is subject to government approvals, is expected to close by the end of the second quarter.

Pioneer Natural Resources (Pioneer)

On April 25, 2006, the Company completed the purchase of Pioneer's operations in Argentina for \$675 million. This transaction was first announced on January 17, 2006. Apache estimates the transaction includes proved reserves of 22 million barrels (MMbbls) of liquid hydrocarbons and 297 billion cubic feet (Bcf) of natural gas. The oil and gas assets are located in the Neuquen, San Jorge and Austral basins of Argentina. Net current production is approximately 9,000 b/d of liquid hydrocarbons and 125 MMcf/d of natural gas. The assets include five operated and three non-operated gas processing plants and 112 miles of operated pipelines in the Neuquen Basin. Also included are 2,200 square miles of 3-D seismic data.

[Table of Contents](#)**2005 Acquisitions**

There were no material acquisitions in the three months ended March 31, 2005.

2. HEDGING AND DERIVATIVE INSTRUMENTS

Apache uses a variety of strategies to manage its exposure to fluctuations in crude oil and natural gas commodity prices. As established by the Company's hedging policy, Apache primarily enters into cash flow hedges in connection with selected acquisitions to protect against commodity price volatility. The success of these acquisitions is significantly influenced by Apache's ability to achieve targeted production at forecasted prices over the long-term. These hedges effectively reduce price risk on a portion of the production from the acquisitions.

Apache entered into, and designated as cash flow hedges, various fixed-price swaps, option collars and puts in connection with anticipation of the BP Gulf of Mexico property acquisition and the previous ExxonMobil and Anadarko acquisitions. These positions were entered into in accordance with the Company's hedging policy and involved two counterparties, both of which are rated A+ or better. As of March 31, 2006, the outstanding positions of our natural gas and crude oil cash flow hedges were as follows:

<u>Production Period</u>	<u>Instrument Type</u>	<u>Total Volumes (MMBtu/Bbl)</u>	<u>Weighted Average Floor/Ceiling</u>	<u>Fair Value Asset/ (Liability)</u> (In thousands)
2006	Gas Collars	24,750,000	5.50 / 6.66	(38,351)
	Gas Fixed-Price Swap	3,116,000	5.79	(6,718)
	Gas Put Option	9,200,000	7.00	3,942
	Oil Collars	3,245,000	32.07 / 40.66	(90,071)
	Oil Fixed-Price Swap	1,011,500	62.30	(6,831)
	Oil Put Option	1,155,000	28.00	-
2007	Gas Collars	42,820,000	6.70 / 8.25	(83,148)
	Gas Fixed-Price Swap	1,761,000	5.57	(6,778)
	Oil Collars	1,911,000	33.00 / 39.25	(55,052)
	Oil Fixed-Price Swap	1,903,000	66.29	(5,875)
2008	Gas Collars	18,300,000	8.15 / 10.47	(1,370)
	Oil Fixed-Price Swap	1,830,000	66.85	(2,609)

The natural gas and crude oil prices shown in the above table are based on the NYMEX index and have been valued using actively quoted prices and quotes obtained from reputable third-party financial institutions. The above prices represent a weighted average of several contracts entered into and are on a per million British thermal units (MMBtu) or per barrel (Bbl) basis for gas and oil derivatives, respectively.

In March, the Company purchased a 100,000 MMBtu per day NYMEX call option for \$6 million with a strike price of \$10.50 per MMBtu. The option is for the months of August 2006 through November 2006 and was purchased to mitigate price exposure on prior hedged volumes in the event of significant potential price spikes from extreme weather or hurricane induced production curtailments. The call option is marked to market each period and any gains or losses are reflected in "Revenue and Other, Other."

A reconciliation of the components of accumulated other comprehensive income (loss) in the statement of consolidated shareholders' equity related to Apache's commodity derivative activity is presented in the table below:

	<u>Gross</u>	<u>After tax</u>
	(In thousands)	
Unrealized loss on derivatives at December 31, 2005	\$ (398,229)	\$ (256,858)
Net losses realized into earnings	48,973	31,588
Net change in derivative fair value	62,051	40,022
Unrealized loss on derivatives at March 31, 2006	<u>\$ (287,205)</u>	<u>\$ (185,248)</u>

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Based on current market prices as of March 31, 2006, the Company recorded an unrealized loss in other comprehensive income (loss) of \$287 million (\$185 million after tax), primarily representing commodity derivative hedges. Gains and losses on the commodity hedges will be realized in future earnings contemporaneously with the related sales of natural gas and crude oil production applicable to specific hedges. Of the \$287 million estimated unrealized loss on derivatives at March 31, 2006, approximately \$196 million (\$126 million after tax) applies to the next 12 months; however, estimated and actual amounts are likely to vary materially as a result of changes in market conditions. These contracts, designated as hedges, qualified and continue to qualify for hedge accounting in accordance with Statement of Financial Accounting Standards (SFAS) No. 133, as amended.

3. DEBT

The Company is currently amending its existing five-year revolving U.S. credit facility which is scheduled to mature on May 28, 2009. The amendment is expected to: 1) extend the maturity to May 28, 2011, 2) increase the size of the facility from \$750 million to \$1.5 billion and 3) reduce the facility fees and reduce the margin over LIBOR on loans. The company is also asking the lenders to extend the maturity dates of the \$450 million U.S. credit facility, the \$150 million Canadian facility and the \$150 million Australian facility, for an additional year from May 12, 2010 to May 12, 2011. Once the amendment to the credit facility is final, the Company plans to increase its commercial paper program to \$1.95 billion from \$1.20 billion.

4. CAPITAL STOCK

During the first quarter of 2006 and 2005, Apache paid \$33 million and \$26 million, respectively, in dividends on its Common Stock. The increase in the first-quarter 2006 common stock dividends from the amount paid for the same period last year, primarily reflects a 25 percent higher common stock dividend rate and a slight increase in common shares outstanding. On September 15, 2005, the Company announced that its Board of Directors voted to increase the quarterly cash dividend on its common stock to 10 cents per share from eight cents per share, effective with the November 2005 payment. In addition, in each period, Apache paid a total of \$1.4 million in dividends on its Series B Preferred Stock issued in August 1998.

5. NET INCOME PER COMMON SHARE

A reconciliation of the components of basic and diluted net income per common share is presented in the table below:

	For the Quarter Ended March 31,					
	Income	2006 Shares	Per Share	Income	2005 Shares	Per Share
(In thousands, except per share amounts)						
Basic:						
Income attributable to common stock	\$ 659,501	330,416	\$ 2.00	\$ 559,063	328,037	\$ 1.70
Effect of Dilutive Securities:						
Stock options and other	—	4,053		—	6,001	
Diluted:						
Income attributable to common stock, including assumed conversions	\$ 659,501	334,469	\$ 1.97	\$ 559,063	334,038	\$ 1.67

6. STOCK-BASED COMPENSATION

The Company adopted SFAS No. 123-R "Share-Based Payment" in 2004. This accounting statement requires the expensing of all options and other stock-based compensation that vest during the year based on the fair value determined at the date of grant. In addition, the Company also has stock appreciation rights outstanding that are cash-based and expensed based on the fair value determined at the end of each reporting period. For the three-month periods ended March 31, 2006 and 2005, total stock-based compensation cost reflected in income was \$6 million (\$4 million after tax) and \$19 million (\$12 million after tax), respectively. In addition, the related stock-based compensation cost capitalized as part of oil and gas properties was \$2 million and \$10 million for the three-month periods ended March 31, 2006 and 2005, respectively.

7. SUPPLEMENTAL CASH FLOW INFORMATION

The following table provides supplemental disclosure of cash flow information:

	For the Quarter Ended March 31,	
	2006	2005
	(In thousands)	
Cash paid during the period for:		
Interest (net of amounts capitalized)	\$ 13,341	\$ 15,702
Income taxes (net of refunds)	280,358	218,818

8. PENSION AND POST-RETIREMENT BENEFITS

Apache has a non-contributory defined benefit pension plan that provides retirement benefits for certain North Sea employees meeting established age and service requirements. The pension plan is closed to new employees. Apache also has a post-retirement benefit plan which provides benefits for substantially all of its U.S. employees. The post-retirement benefit plan provides medical benefits up until age 65 and is contributory.

Net Periodic Cost

The following table presents the plans' net periodic benefit cost for the quarters ended March 31, 2006 and 2005:

	Pension Benefits		Postretirement Benefits	
	For the Three Months Ended March 31,			
	2006	2005	2006	2005
	(In thousands)			
Components of net periodic benefit cost:				
Service cost	\$ 1,700	\$ 1,638	\$ 400	\$ 275
Interest cost	1,234	1,163	250	175
Expected return on plan assets	(1,360)	(1,256)	—	—
Amortization of transition obligation	—	—	13	13
Amortization of actuarial (gain)/loss	—	—	87	62
Net periodic benefit cost	<u>\$ 1,574</u>	<u>\$ 1,545</u>	<u>\$ 750</u>	<u>\$ 525</u>

Employer Contributions

As previously disclosed in our financial statements for the year ended December 31, 2005, we expect to contribute \$5 million to the pension plan and \$321,000 to the post-retirement benefit plan in 2006. As of March 31, 2006, approximately \$1 million of contributions have been made to the plans.

9. BUSINESS SEGMENT INFORMATION

Apache has interests in seven countries: the United States, Canada, Egypt, Australia, the United Kingdom (UK), China and Argentina. The Company evaluates segment performance based on profit and loss from oil and gas operations before income and expense items incidental to oil and gas operations and income taxes. Apache's reportable segments are managed separately because of their geographic locations. Financial information by reportable segment is presented below:

	<u>United States</u>	<u>Canada</u>	<u>Egypt</u>	<u>Australia</u> (In thousands)	<u>UK North Sea</u>	<u>Other International</u>	<u>Total</u>
For the Quarter Ended							
March 31, 2006							
Oil and Gas Production							
Revenues	\$ 693,685	\$ 381,309	\$ 398,470	\$ 94,311	\$ 353,841	\$ 28,682	\$ 1,950,298
Operating Income (1)	<u>\$ 357,439</u>	<u>\$ 216,748</u>	<u>\$ 304,331</u>	<u>\$ 48,547</u>	<u>\$ 151,329</u>	<u>\$ 14,550</u>	<u>\$ 1,092,944</u>
Other Income (Expense):							
Other							48,804
General and administrative							(45,672)
Financing costs, net							(22,814)
Income Before Income Taxes							<u>\$ 1,073,262</u>
Total Assets	<u>\$ 9,112,847</u>	<u>\$ 5,257,647</u>	<u>\$ 2,530,666</u>	<u>\$ 1,302,364</u>	<u>\$ 1,641,706</u>	<u>\$ 153,873</u>	<u>\$ 19,999,103</u>
For the Quarter Ended							
March 31, 2005							
Oil and Gas Production							
Revenues	\$ 661,212	\$ 278,721	\$ 299,720	\$ 94,780	\$ 257,717	\$ 34,499	\$ 1,626,649
Operating Income (1)	<u>\$ 369,046</u>	<u>\$ 153,644</u>	<u>\$ 222,992</u>	<u>\$ 49,928</u>	<u>\$ 135,825</u>	<u>\$ 13,505</u>	<u>\$ 944,940</u>
Other Income (Expense):							
Other							35,639
General and administrative							(50,411)
Financing costs, net							(31,588)
Income Before Income Taxes							<u>\$ 898,580</u>
Total Assets	<u>\$ 7,467,839</u>	<u>\$ 3,967,800</u>	<u>\$ 2,103,270</u>	<u>\$ 1,196,402</u>	<u>\$ 1,363,273</u>	<u>\$ 158,484</u>	<u>\$ 16,257,068</u>

- 1) Operating Income consists of oil and gas production revenues less depreciation, depletion and amortization, asset retirement obligation accretion, lease operating costs, gathering and transportation costs, and severance and other taxes.

10. ASSET RETIREMENT OBLIGATIONS

The following table describes changes to the Company's asset retirement obligation (ARO) liability for the quarter ended March 31, 2006 (in thousands):

Asset retirement obligation as of December 31, 2005	\$ 1,455,915
Liabilities incurred	25,347
Liabilities settled	(26,086)
Accretion expense	20,645
Asset retirement obligation as of March 31, 2006	<u>\$ 1,475,821</u>

Liabilities incurred primarily relate to abandonment obligations assumed in connection with current drilling activity and various small acquisitions closed during the period. Liabilities settled during the period primarily relate to properties plugged and abandoned or sold during the period.

11. LITIGATION

Texaco China B.V.

Apache recorded a reserve in the second quarter of 2004 to fully reflect a pre-tax \$71 million international arbitration award to Texaco China B.V. (Texaco China). The arbitration award was subject to interest at nine percent until May 6, 2005, the date following the federal district court ruling discussed below. On May 6, 2005, the interest rate dropped to 3.33 percent. Apache accrued \$3.2 million of interest expense in 2004, \$3.8 million in 2005 and

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\$593,000 in the first quarter of 2006. In September 2001, Texaco China initiated an arbitration proceeding against Apache China Corporation LDC (Apache China), later adding Apache Bohai Corporation LDC (Apache Bohai) to the arbitration. In the arbitration Texaco China claimed damages, plus interest, arising from Apache Bohai's alleged failure to drill three wells, prior to re-assignment of the interest to Texaco China. Apache believes that the finding of the arbitrator is unsupported by the facts and the law, and Apache filed an application to vacate the award in federal court. Texaco China filed an application to confirm the award in the same court. On May 5, 2005, the federal district court ruled in favor of Texaco China. The Company has appealed that decision to the circuit court of appeals. In January 2005, while awaiting the decision of the U.S. federal courts, Texaco China also filed a proceeding against Apache China and Apache Bohai in the People's Republic of China to recognize the award, apparently seeking the same relief as sought in U.S. federal court. The parties subsequently agreed to stay enforcement of the arbitration award in China and elsewhere pending the final, determinative outcome of all possible appeals in the U.S. federal courts. A hearing on the appeal was held in April 2006, however, the Court of Appeals has not yet provided its decision.

Predator

In December 2000, certain subsidiaries of the Company and Murphy Oil Corporation (Murphy) filed a lawsuit in Canada charging The Predator Corporation Ltd. (Predator) and others with misappropriation and misuse of confidential well data to obtain acreage offsetting a significant natural gas discovery in the Ladyfern area of northeast British Columbia made by Apache Canada Ltd. (Apache Canada) and Murphy during 2000. In February 2001, Predator filed a counterclaim seeking more than C\$6 billion and later reduced this amount to approximately C\$3.6 billion. In September 2004, the Canadian court granted Apache Canada's motion for summary judgment on the counterclaim, dismissing more than C\$3 billion of Predator's claims against Apache Canada and Murphy, and dismissing all claims against both Murphy's president and Apache Canada's president. Predator appealed the summary judgment. On February 28, 2006, the Court of Appeal of Alberta dismissed Predator's appeal. Predator has informed Apache that it will not seek review by the Supreme Court of Canada. The trial court also granted Apache Canada's request for costs and disbursements in the approximate amount of C\$700,000, which Predator has paid. The Canadian court has also granted Predator's request to add some new mismanagement of operations claims to its counterclaim, which now totals approximately C\$365 million. A trial on Apache and Murphy's claims against Predator, as well as Predator's surviving counterclaims against Murphy and Apache Canada began on April 24, 2006 and is expected to continue at least through the end of May 2006. While management believes Predator's counterclaim against Apache Canada is without merit, an adverse judgment is possible. Exposure related to this lawsuit is not currently determinable.

Egypt Tax Authority

As of the end of 2004, the Egyptian Tax Authority (ETA) had issued claims for back taxes against various Apache subsidiaries in Egypt totaling approximately \$113.4 million (at current exchange rates) relating to periods as far back as 1994. In July 2005, the ETA made a new claim for approximately \$85 million of additional taxes for the 1994-99 tax years. On January 30, 2006, ETA cancelled the new claim in its entirety, with no liability to Apache. On March 16, 2006, ETA cancelled one of the two remaining tax claims in its entirety, with no liability to Apache.

There is a single remaining ETA claim, relating to the Khalda concession agreement, in the approximate amount of \$15.4 million (at current exchange rates). With respect to the remaining claim, while an adverse judgment against Apache is possible, Egyptian concession agreements clearly provide that the Egyptian General Petroleum Corporation is responsible for the payment of all taxes related to the operation of the concessions. Apache believes that the claim of the ETA is unsupported by either the facts or the language of the Khalda concession agreement, which has the force of law in Egypt. Apache's subsidiary, Apache Khalda Corporation LDC, has contested liability with respect to that claim by filing an action in Egyptian civil court. In addition, pursuant to a 2005 change in the Egyptian tax law, Apache has petitioned the Committee for the Reconsideration of Final Assessment for reconsideration of the original claims. The Committee for the Reconsideration of Final Assessment, which is the final appeal committee in the Tax Authority and is empowered to overrule Tax Authority claims, has accepted Apache's petition for reconsideration. A decision by the Committee is expected sometime during the second quarter of 2006. Apache plans to vigorously pursue its remedies with respect to this remaining claim.

Argentine Environmental Claims

In connection with the Pioneer Acquisition, the Company acquired a subsidiary of Pioneer in Argentina ("PNRA") that is involved in various administrative proceedings with environmental authorities in the Neuquén

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Province relating to permits for and discharges from operations in that province. PNRA is cooperating with the proceedings, although it from time to time challenges whether certain assessed fines, which could exceed \$100,000, are appropriate. The authorities have suspended and delayed the issuance of environmental permits for new wells and some existing wells in the Neuquén Province, pending conduct of an environmental audit and inventory of all wells, which may be followed by a remediation plan. PNRA was named in a suit initiated against oil companies operating in the Neuquén basin entitled *Asociación de Superficialarios de la Patagonia v. YPF S.A., et. al.*, originally filed on August 21, 2003, in the Argentine National Supreme Court of Justice. The plaintiffs, a private group of landowners, have also named the national government and several provinces as third parties. The lawsuit alleges injury to the environment generally by the oil and gas industry. The plaintiffs principally seek from all defendants, jointly, (i) the remediation of the contaminated sites, of the superficial and underground waters, and of the soil that was degraded as a result of deforestation, (ii) if the remediation is not possible, payment of an indemnification for the material and moral damages, estimated by the plaintiff to be of an aggregate amount of approximately \$5.5 billion claimed from all defendants operating in the Neuquén basin, of which PNRA is a small portion, (iii) adoption of all of the necessary measures to prevent future environmental damages, and (iv) the creation of a private restoration fund to provide coverage for remediation of potential future environmental damages. Much of the alleged damage relates to operations by the Argentine state oil company, which conducted oil and gas operations throughout Argentina prior to its privatization, which began in 1990. While the plaintiffs will seek to make all oil and gas companies operating in the Neuquén basin jointly liable for each others' actions, PNRA will defend on an individual basis and attempt to require the plaintiffs to delineate damages by company. PNRA intends to defend itself vigorously in the case. It is not certain exactly how or what the court will do in this matter as it is the first of its kind. No prediction can be made whether PNRA may incur liabilities related to the environmental claims. PNRA's exposure related to this lawsuit is not currently determinable.

General

The Company is involved in other litigation and is subject to governmental and regulatory controls arising in the ordinary course of business. The Company has an accrued liability of approximately \$2 million for other legal contingencies that are probable of occurring and can be reasonably estimated. It is management's opinion that the loss for any such other litigation matters and claims that are reasonably possible to occur will not have a material adverse affect on the Company's financial position or results of operations.

12. SUBSEQUENT EVENT

On April 19, 2006, the Company announced that its Board of Directors authorized the purchase of up to 15 million shares of the Company's common stock. The market value on the date of the announcement was approximately \$1 billion. The Company may buy shares from time to time on the open market, in privately negotiated transactions, or a combination of both. The timing and amounts of any purchases will be at the discretion of Apache's management. The Company initiated the purchase program on May 1, 2006, after the Company's first-quarter 2006 earnings information was disseminated in the market. Through May 8, 2006 the Company had purchased 1,500,000 of the shares authorized by its Board of Directors.

13. SUPPLEMENTAL GUARANTOR INFORMATION

Apache Finance Pty Ltd. (Apache Finance Australia) and Apache Finance Canada Corporation (Apache Finance Canada) are subsidiaries of Apache that have issuances of publicly traded securities and require the following condensed consolidating financial statements be provided as an alternative to filing separate financial statements.

Each of the companies presented in the condensed consolidating financial statements has been fully consolidated in Apache's consolidated financial statements. As such, the condensed consolidating financial statements should be read in conjunction with the financial statements of Apache Corporation and Subsidiaries and notes.

APACHE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
For the Quarter Ended March 31, 2006

	<u>Apache Corporation</u>	<u>Apache North America</u>	<u>Apache Finance Australia</u>	<u>Apache Finance Canada</u> (In thousands)	<u>All Other Subsidiaries of Apache Corporation</u>	<u>Reclassifications & Eliminations</u>	<u>Consolidated</u>
REVENUES AND OTHER:							
Oil and gas production revenues	\$ 666,299	\$ —	\$ —	\$ —	\$ 1,349,184	\$ (65,185)	\$ 1,950,298
Equity in net income (loss) of affiliates	441,811	6,760	9,555	71,778	(12,166)	(517,738)	—
Other	69,875	—	—	—	(21,071)	—	48,804
	<u>1,177,985</u>	<u>6,760</u>	<u>9,555</u>	<u>71,778</u>	<u>1,315,947</u>	<u>(582,923)</u>	<u>1,999,102</u>
OPERATING EXPENSES:							
Depreciation, depletion and amortization	150,692	—	—	—	221,885	—	372,577
Asset retirement obligation accretion	15,083	—	—	—	5,562	—	20,645
Lease operating costs	131,736	—	—	—	225,063	(65,185)	291,614
Gathering and transportation costs	7,710	—	—	—	18,394	—	26,104
Severance and other taxes	27,609	—	—	—	118,805	—	146,414
General and administrative	37,310	—	—	—	8,362	—	45,672
Financing costs, net	19,924	—	4,583	14,111	(15,804)	—	22,814
	<u>390,064</u>	<u>—</u>	<u>4,583</u>	<u>14,111</u>	<u>582,267</u>	<u>(65,185)</u>	<u>925,840</u>
INCOME (LOSS) BEFORE INCOME TAXES							
	787,921	6,760	4,972	57,667	733,680	(517,738)	1,073,262
Provision (benefit) for income taxes	127,000	—	(1,788)	(4,740)	291,869	—	412,341
NET INCOME	660,921	6,760	6,760	62,407	441,811	(517,738)	660,921
Preferred stock dividends	1,420	—	—	—	—	—	1,420
INCOME ATTRIBUTABLE TO COMMON STOCK	<u>\$ 659,501</u>	<u>\$ 6,760</u>	<u>\$ 6,760</u>	<u>\$ 62,407</u>	<u>\$ 441,811</u>	<u>\$ (517,738)</u>	<u>\$ 659,501</u>

APACHE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
For the Quarter Ended March 31, 2005

	<u>Apache Corporation</u>	<u>Apache North America</u>	<u>Apache Finance Australia</u>	<u>Apache Finance Canada</u> (In thousands)	<u>All Other Subsidiaries of Apache Corporation</u>	<u>Reclassifications & Eliminations</u>	<u>Consolidated</u>
REVENUES AND OTHER:							
Oil and gas production revenues	\$ 650,906	\$ —	\$ —	\$ —	\$ 1,046,614	\$ (70,871)	\$ 1,626,649
Equity in net income (loss) of affiliates	345,079	9,485	12,462	50,260	(12,352)	(404,934)	—
Other	30,185	—	—	—	5,454	—	35,639
	<u>1,026,170</u>	<u>9,485</u>	<u>12,462</u>	<u>50,260</u>	<u>1,039,716</u>	<u>(475,805)</u>	<u>1,662,288</u>
OPERATING EXPENSES:							
Depreciation, depletion and amortization	149,384	—	—	—	190,029	—	339,413
Asset retirement obligation accretion	7,834	—	—	—	5,325	—	13,159
Lease operating costs	104,955	—	—	—	199,087	(70,871)	233,171
Gathering and transportation costs	7,949	—	—	—	15,831	—	23,780
Severance and other taxes	20,077	—	—	—	52,109	—	72,186
General and administrative	40,317	—	—	—	10,094	—	50,411
Financing costs, net	19,919	—	4,512	14,110	(6,953)	—	31,588
	<u>350,435</u>	<u>—</u>	<u>4,512</u>	<u>14,110</u>	<u>465,522</u>	<u>(70,871)</u>	<u>763,708</u>
INCOME (LOSS) BEFORE INCOME TAXES							
	675,735	9,485	7,950	36,150	574,194	(404,934)	898,580
Provision (benefit) for income taxes	115,252	—	(1,535)	(4,735)	229,115	—	338,097
NET INCOME	<u>560,483</u>	<u>9,485</u>	<u>9,485</u>	<u>40,885</u>	<u>345,079</u>	<u>(404,934)</u>	<u>560,483</u>
Preferred stock dividends	1,420	—	—	—	—	—	1,420
INCOME ATTRIBUTABLE TO COMMON STOCK	<u>\$ 559,063</u>	<u>\$ 9,485</u>	<u>\$ 9,485</u>	<u>\$ 40,885</u>	<u>\$ 345,079</u>	<u>\$ (404,934)</u>	<u>\$ 559,063</u>

APACHE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
For the Quarter Ended March 31, 2006

	<u>Apache Corporation</u>	<u>Apache North America</u>	<u>Apache Finance Australia</u>	<u>Apache Finance Canada</u> (In thousands)	<u>All Other Subsidiaries of Apache Corporation</u>	<u>Reclassifications & Eliminations</u>	<u>Consolidated</u>
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES							
	\$ 401,155	\$ —	\$ (3,699)	\$ (1,575)	\$ 647,403	\$ —	\$ 1,043,284
CASH FLOWS FROM INVESTING ACTIVITIES:							
Additions to property and equipment	(328,668)	—	—	—	(683,371)	—	(1,012,039)
Acquisition of Amerada Hess properties	(230,080)	—	—	—	—	—	(230,080)
Proceeds from sale of Egyptian properties	—	—	—	—	409,197	—	409,197
Investment in subsidiaries, net	18,046	(3,500)	—	—	(5,264)	(9,282)	—
Other, net	26,817	—	—	—	(80,399)	—	(53,582)
NET CASH USED IN INVESTING ACTIVITIES	<u>(513,885)</u>	<u>(3,500)</u>	<u>—</u>	<u>—</u>	<u>(359,837)</u>	<u>(9,282)</u>	<u>(886,504)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:							
Debt borrowings	158,199	—	199	1,575	(22,468)	20,768	158,273
Payments on debt	(3,800)	—	—	—	—	—	(3,800)
Dividends paid	(34,433)	—	—	—	—	—	(34,433)
Common stock activity	3,238	3,500	3,500	—	4,486	(11,486)	3,238
Treasury stock activity, net	936	—	—	—	—	—	936
Cost of debt and equity transactions	(182)	—	—	—	—	—	(182)
Other	(5,657)	—	—	—	—	—	(5,657)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>118,301</u>	<u>3,500</u>	<u>3,699</u>	<u>1,575</u>	<u>(17,982)</u>	<u>9,282</u>	<u>118,375</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,571	—	—	—	269,584	—	275,155
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>3,785</u>	<u>—</u>	<u>2</u>	<u>1</u>	<u>225,072</u>	<u>—</u>	<u>228,860</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 9,356</u>	<u>\$ —</u>	<u>\$ 2</u>	<u>\$ 1</u>	<u>\$ 494,656</u>	<u>\$ —</u>	<u>\$ 504,015</u>

APACHE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
For the Quarter Ended March 31, 2005

	<u>Apache Corporation</u>	<u>Apache North America</u>	<u>Apache Finance Australia</u>	<u>Apache Finance Canada</u> (In thousands)	<u>All Other Subsidiaries of Apache Corporation</u>	<u>Reclassifications & Eliminations</u>	<u>Consolidated</u>
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 345,817</u>	<u>\$ —</u>	<u>\$ (3,624)</u>	<u>\$ (77)</u>	<u>\$ 494,056</u>	<u>\$ —</u>	<u>\$ 836,172</u>
CASH FLOWS FROM INVESTING ACTIVITIES:							
Additions to property and equipment.	(220,438)	—	—	—	(569,912)	—	(790,350)
Investment in subsidiaries, net	(103,628)	(3,500)	—	—	(3,689)	110,817	—
Other, net	49,147	—	—	—	(16,699)	—	32,448
NET CASH USED IN INVESTING ACTIVITIES	<u>(274,919)</u>	<u>(3,500)</u>	<u>—</u>	<u>—</u>	<u>(590,300)</u>	<u>110,817</u>	<u>(757,902)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:							
Debt borrowings	6,793	—	124	77	98,943	(99,075)	6,862
Payments on debt	(62,700)	—	—	—	(830)	—	(63,530)
Dividends paid	(27,631)	—	—	—	—	—	(27,631)
Common stock activity	7,771	3,500	3,500	—	4,742	(11,742)	7,771
Treasury stock activity, net	(2,085)	—	—	—	—	—	(2,085)
Cost of debt and equity transactions	(78)	—	—	—	—	—	(78)
Other	10,679	—	—	—	—	—	10,679
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>(67,251)</u>	<u>3,500</u>	<u>3,624</u>	<u>77</u>	<u>102,855</u>	<u>(110,817)</u>	<u>(68,012)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>3,647</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>6,611</u>	<u>—</u>	<u>10,258</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>597</u>	<u>—</u>	<u>2</u>	<u>3</u>	<u>110,491</u>	<u>—</u>	<u>111,093</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 4,244</u>	<u>\$ —</u>	<u>\$ 2</u>	<u>\$ 3</u>	<u>\$ 117,102</u>	<u>\$ —</u>	<u>\$ 121,351</u>

APACHE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATING BALANCE SHEET
As of March 31, 2006

	<u>Apache Corporation</u>	<u>Apache North America</u>	<u>Apache Finance Australia</u>	<u>Apache Finance Canada</u> (In thousands)	<u>All Other Subsidiaries of Apache Corporation</u>	<u>Reclassifications & Eliminations</u>	<u>Consolidated</u>
ASSETS							
CURRENT ASSETS:							
Cash and cash equivalents	\$ 9,356	\$ –	\$ 2	\$ 1	\$ 494,656	\$ –	\$ 504,015
Receivables, net of allowance	660,716	–	–	–	786,254	–	1,446,970
Inventories	28,781	–	–	–	197,980	–	226,761
Drilling advances and others	95,417	–	–	–	84,111	–	179,528
	<u>794,270</u>	<u>–</u>	<u>2</u>	<u>1</u>	<u>1,563,001</u>	<u>–</u>	<u>2,357,274</u>
PROPERTY AND EQUIPMENT, NET	<u>8,098,560</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>9,217,967</u>	<u>–</u>	<u>17,316,527</u>
OTHER ASSETS:							
Intercompany receivable, net	1,035,760	–	(4,077)	(255,775)	(775,908)	–	–
Goodwill, net	–	–	–	–	189,252	–	189,252
Equity in affiliates	6,270,078	324,391	566,499	1,698,511	(1,196,936)	(7,662,543)	–
Deferred charges and other	56,839	–	–	4,222	74,989	–	136,050
	<u>\$ 16,255,507</u>	<u>\$ 324,391</u>	<u>\$ 562,424</u>	<u>\$ 1,446,959</u>	<u>\$ 9,072,365</u>	<u>\$ (7,662,543)</u>	<u>\$ 19,999,103</u>
LIABILITIES AND SHAREHOLDERS' EQUITY							
CURRENT LIABILITIES:							
Short-term debt	\$ 154,300	\$ –	\$ –	\$ –	\$ 3,274	\$ –	\$ 157,574
Accounts payable	372,094	–	–	–	297,277	–	669,371
Other accrued expenses	766,755	–	4,956	51,741	485,227	–	1,308,679
	<u>1,293,149</u>	<u>–</u>	<u>4,956</u>	<u>51,741</u>	<u>785,778</u>	<u>–</u>	<u>2,135,624</u>
LONG-TERM DEBT	<u>1,271,530</u>	<u>–</u>	<u>269,469</u>	<u>646,876</u>	<u>1,251</u>	<u>–</u>	<u>2,189,126</u>
DEFERRED CREDITS AND OTHER NONCURRENT LIABILITIES:							
Income taxes	1,232,118	–	(36,392)	4,659	1,578,524	–	2,778,909
Advances from gas purchasers	62,400	–	–	–	–	–	62,400
Asset retirement obligation	914,858	–	–	–	400,800	–	1,315,658
Derivative instruments	92,207	–	–	–	(1)	–	92,206
Other	132,749	–	–	–	35,935	–	168,684
	<u>2,434,332</u>	<u>–</u>	<u>(36,392)</u>	<u>4,659</u>	<u>2,015,258</u>	<u>–</u>	<u>4,417,857</u>
COMMITMENTS AND CONTINGENCIES							
SHAREHOLDERS' EQUITY	<u>11,256,496</u>	<u>324,391</u>	<u>324,391</u>	<u>743,683</u>	<u>6,270,078</u>	<u>(7,662,543)</u>	<u>11,256,496</u>
	<u>\$ 16,255,507</u>	<u>\$ 324,391</u>	<u>\$ 562,424</u>	<u>\$ 1,446,959</u>	<u>\$ 9,072,365</u>	<u>\$ (7,662,543)</u>	<u>\$ 19,999,103</u>

APACHE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATING BALANCE SHEET
As of December 31, 2005

	<u>Apache Corporation</u>	<u>Apache North America</u>	<u>Apache Finance Australia</u>	<u>Apache Finance Canada (In thousands)</u>	<u>All Other Subsidiaries of Apache Corporation</u>	<u>Reclassifications & Eliminations</u>	<u>Consolidated</u>
ASSETS							
CURRENT ASSETS:							
Cash and cash equivalents	\$ 3,785	\$ –	\$ 2	\$ 1	\$ 225,072	\$ –	\$ 228,860
Receivables, net of allowance	516,208	–	–	–	928,337	–	1,444,545
Inventories	30,276	–	–	–	179,394	–	209,670
Drilling advances and other	188,607	–	–	–	90,395	–	279,002
	<u>738,876</u>	<u>–</u>	<u>2</u>	<u>1</u>	<u>1,423,198</u>	<u>–</u>	<u>2,162,077</u>
PROPERTY AND EQUIPMENT, NET	<u>7,680,469</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>9,110,871</u>	<u>–</u>	<u>16,791,340</u>
OTHER ASSETS:							
Intercompany receivable, net	1,058,228	–	(3,936)	(254,216)	(800,076)	–	–
Goodwill, net	–	–	–	–	189,252	–	189,252
Equity in affiliates	5,833,283	315,460	558,215	1,609,007	(1,183,600)	(7,132,365)	–
Deferred charges and other	44,974	–	–	4,301	79,852	–	129,127
	<u>\$15,355,830</u>	<u>\$ 315,460</u>	<u>\$ 554,281</u>	<u>\$ 1,359,093</u>	<u>\$ 8,819,497</u>	<u>\$ (7,132,365)</u>	<u>\$19,271,796</u>
LIABILITIES AND SHAREHOLDERS' EQUITY							
CURRENT LIABILITIES:							
Accounts payable	\$ 378,247	\$ –	\$ –	\$ 946	\$ 335,405	\$ –	\$ 714,598
Accrued expenses and other	687,125	–	5,619	38,343	740,879	–	1,471,966
	<u>1,065,372</u>	<u>–</u>	<u>5,619</u>	<u>39,289</u>	<u>1,076,284</u>	<u>–</u>	<u>2,186,564</u>
LONG-TERM DEBT	<u>1,271,431</u>	<u>–</u>	<u>269,411</u>	<u>646,860</u>	<u>4,252</u>	<u>–</u>	<u>2,191,954</u>
DEFERRED CREDITS AND OTHER NONCURRENT LIABILITIES:							
Income taxes	1,140,457	–	(36,209)	4,782	1,471,599	–	2,580,629
Advances from gas purchasers	68,768	–	–	–	–	–	68,768
Asset retirement obligation	972,024	–	–	–	390,334	–	1,362,358
Oil and gas derivative instruments	152,430	–	–	–	–	–	152,430
Other	144,133	–	–	–	43,745	–	187,878
	<u>2,477,812</u>	<u>–</u>	<u>(36,209)</u>	<u>4,782</u>	<u>1,905,678</u>	<u>–</u>	<u>4,352,063</u>
COMMITMENTS AND CONTINGENCIES							
SHAREHOLDERS' EQUITY							
	<u>10,541,215</u>	<u>315,460</u>	<u>315,460</u>	<u>668,162</u>	<u>5,833,283</u>	<u>(7,132,365)</u>	<u>10,541,215</u>
	<u>\$15,355,830</u>	<u>\$ 315,460</u>	<u>\$ 554,281</u>	<u>\$ 1,359,093</u>	<u>\$ 8,819,497</u>	<u>\$ (7,132,365)</u>	<u>\$19,271,796</u>

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

These financial statements should be read in conjunction with the financial statements and the summary of significant accounting policies and notes included in the Company's most recent annual report on Form 10-K.

Overview

Apache Corporation (Apache or the Company) reported first-quarter 2006 earnings of \$660 million, 18 percent higher than the \$559 million reported in the first quarter of 2005. Cash provided by operating activities totaled \$1 billion, \$207 million more than the first quarter of 2005. The improvements in earnings and cash flow reflect higher price realizations for both crude oil and natural gas and an eight percent increase in average daily gas production. Crude oil production was eight percent below the comparable 2005 quarter, primarily from Gulf of Mexico production remaining shut-in because of Hurricanes Katrina and Rita. The improvement in prices more than offset the impact of generally rising costs on net income. Robust commodity prices in the oil and gas industry generally drive an increase in demand for services and thus are typically accompanied by higher service costs. Also, while we benefit from high oil and natural gas prices, those same high prices impact many of our lease operating expense components, such as chemicals, fuel and power. A more detailed discussion of these and other expense components can be found under the Costs section of this Item 2.

Our 2006 first-quarter crude oil price realizations were up in all regions, averaging \$57.41 per barrel on a consolidated basis, 25 percent higher than the first quarter of 2005. Continuing geopolitical tensions throughout the world and rising demand from developing nations, coupled with a reported precarious supply and demand balance, have often been pointed to as the catalysts driving crude oil prices higher, even in the face of rising U.S. crude oil inventory levels. Going forward, many other factors could impact both the price we receive for our crude oil and our ultimate net profit. On April 24, 2006, the U.S. administration announced suspension of oil deliveries into the Strategic Petroleum Reserve. While the volumes associated with this policy shift are a pittance of daily U.S. demand, the symbolism, coupled with a growing hostility toward energy companies by the U.S. Congress, could have an impact on the price we receive for some of our crude oil and our profits. Calls for legislative action continue to grow, including price controls, a windfall profits tax and incentives to switch to alternative fuels. We believe any such legislation would be counter-productive by lessening the incentive to drill for new reserves, thereby exacerbating rather than helping meet the challenge of rising worldwide demand. However, 73 percent of Apache's oil production in the first quarter was diversified outside of the United States. Natural gas realizations during the first quarter of 2006 averaged \$6.37 per thousand cubic feet (Mcf) on a worldwide basis, 20 percent more than the same quarter in 2005. While the direction of natural gas price is more influenced by local conditions and events, at least some of the potential legislative action mentioned above could impact the price we receive for natural gas we supply in the U.S. In the first quarter, 56 percent of our gas production was outside the U.S. and 27 percent was outside North America.

Other 2006 first-quarter financial and operating results include:

- Our oil and gas production revenues of \$1.95 billion were 20 percent, or \$324 million higher, than the 2005 first quarter. The higher revenues were driven by higher oil and natural gas prices and increased gas production.
- Debt at quarter's end was 17.3 percent of total capitalization, 5.4 percent less than the 22.7 percent at the end of the first quarter of 2005. In addition, the Company had \$504 million of cash on hand.
- Natural gas production averaged a record 1,359 million cubic feet per day (MMcf/d) with double-digit growth in all of our core natural gas producing regions except the Gulf Coast, where production was 17 percent lower, primarily because of lingering shut-ins from the 2005 hurricanes. Estimated first quarter production shut-in because of the hurricanes averaged 49 MMcf/d.
- Egypt's production was up 37 percent to 213 MMcf/d with most of the improvement associated with our Khalda Concession Qasr field which commenced production during the third quarter of 2005.
- Australia's natural gas production increased 40 MMcf/d, or 35 percent, to 154 MMcf/d compared to the prior-year equivalent quarter. The increase was related to production from the John Brookes field, which commenced during the second half of 2005.

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- Natural gas production averaged 247 MMcf/d from our U.S. Central Region, improving 18 percent from the 2005 first quarter primarily on productive drilling results.
- Canada's production was up 39 MMcf/d from the prior-year quarter to 386 MMcf/d primarily on production Apache established on the ExxonMobil Grant Lands and new wells in the Nevis and Consort areas.
- Worldwide crude oil production averaged 220,460 barrels per day (b/d), 20,083 b/d less than the 2005 period. Estimated first quarter production shut-in in our Gulf Coast region because of the hurricanes averaged 17,822 b/d.
- Australia's daily oil production was 25 percent below the prior-year period as natural decline, particularly in the Legendre and Linda fields, and loss of liquids from the East Spar field, more than offset production from the John Brookes, Mohave and Rose fields. Production from the latter three fields commenced in mid-to-late 2005. Production from the East Spar field ceased in early 2005. Production averaged 11,911 b/d during the 2006 first quarter compared to 15,976 b/d in the 2005 quarter.
- U.S. Central Region crude oil production averaged 30,311 b/d, a 4,571 barrel improvement over the prior-year quarter. Production from the Amerada Hess properties acquired in January 2006 and productive drilling results drove the gains.

On April 25, 2006, we closed the acquisition of Pioneer Natural Resources' (Pioneer) operations in Argentina and on April 19, 2006, we signed an agreement to acquire British Petroleum's (BP) remaining producing properties on the Outer Continental Shelf of the Gulf of Mexico. We expect these two transactions to be additive to future earnings and cash flow with minimal impact on our oil and natural gas production mix. These transactions are discussed in more detail below in this Item 2.

Capital Expenditures:

Capital expenditures, exclusive of acquisitions, totaled \$1 billion for the first three months of 2006, 14 percent higher than the comparable period last year. Expenditures for exploration and production activity accounted for approximately 90 percent, or \$918 million, of the capital spending, a \$126 million increase over last year's first quarter. The remaining balance of capital spending was primarily for gathering, marketing and processing facilities which totaled \$92 million, comparable with last year.

- In the U.S., the Company spent \$320 million on exploration and development activity, including recompletions and production platforms and facilities. The Company drilled 112 wells in its Central region and 18 wells in the Gulf Coast region, 13 offshore and 5 onshore.
- Canada's exploration and development capital totaled \$376 million. The region drilled 344 wells, primarily in the Zama, Northeast British Columbia and ExxonMobil Grant Land areas. The capital investments also included recompletion activity and production facilities. Another \$60 million was spent on gas gathering, transmission and processing facilities.
- Egypt drilled five exploration wells, resulting in three discoveries, 22 development/extension wells and completed various recompletions. Capital expenditures for exploration and development activity totaled \$100 million. Gas gathering, transmission and processing facilities capital totaled \$31 million.
- North Sea capital of \$82 million included platform and production facility modifications, recompletions and new drilling activity.
- Australia's capital for exploration and development totaled \$34 million for the quarter.

Acquisitions and Divestitures:

- On January 5, 2006, the Company completed its purchase of Amerada Hess's interest in eight fields located in the Permian Basin of West Texas and New Mexico for \$269 million, subject to post-closing adjustments.

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Apache estimates that these fields contained proved reserves of 27 million barrels of liquid hydrocarbons and 27 billion cubic feet of natural gas as of year-end 2005. The Company had previously announced on October 13, 2005 that it had agreed to purchase Amerada Hess's interest for \$404 million. The price and number of properties involved in this transaction were reduced as a result of third parties exercising their preferential rights.

- On January 6, 2006, the Company completed the sale of its 55 percent interest in the deepwater section of Egypt's West Mediterranean Concession to Amerada Hess for \$413 million. Apache did not have any oil and gas reserves recorded for these properties. Apache first announced this transaction on October 13, 2005.

Impact of 2005 Hurricanes:

The hurricanes that struck the Gulf of Mexico in 2005 continue to impact the Company's U.S. gulf coast operations, both onshore and offshore Louisiana and Texas. The hurricanes reduced Apache's first quarter 2006 average annual daily production of natural gas by an estimated 49 MMcf/d and of crude oil by 17,822 b/d. As of March 31, 2006, approximately 40 MMcf/d of net natural gas production and 14,400 b/d of net crude oil production per day remained shut-in. While we have made significant progress in restoring production, a portion of the production will likely remain shut-in for the remainder of the year.

The lost production resulted in an estimated \$134 million reduction of crude oil and natural gas revenues during the quarter. The shut-in production, however, reduced depletion expense by \$23 million for the period. The Company also accrued the remaining \$71 million of business interruption insurance claims during the first quarter of 2006 in "Other" under "Revenues and Other" of the Statement of Consolidated Operations.

As described in our 2005 Form 10-K, numerous operated and non-operated offshore production platforms and onshore facilities sustained damage as a result of the storms. The Company continues to incur costs to repair or abandon these properties, but total cost estimates remain consistent with prior periods. A portion of these costs incurred will be recovered through insurance proceeds. The estimated \$492 million of abandonment obligations resulted in additional first quarter depletion expense of approximately \$8 million and increased accretion expense of an additional \$7 million.

The Company continues to carry property damage insurance of \$250 million per event in coverage provided through Oil Insurance Limited (OIL). However, in response to large losses caused by Hurricanes Katrina and Rita, OIL reassessed its 2006 surcharge for withdrawing from the mutual. The Company recorded an additional \$12 million in OIL liability for this assessment during the first quarter. Premiums for OIL membership have remained similar to prior year charges. Unfortunately, we have noticed reduced insurance capacity for windstorm damage in the Gulf of Mexico and substantially increased premium rates. As a result, there is no assurance that Apache will be able to arrange equivalent insurance to cover its Gulf of Mexico exposures at a reasonable cost when the current policies expire.

2006 Second-Quarter Events:

- On April 25, 2006, the Company completed the purchase of Pioneer's operations in Argentina for \$675 million. This transaction was first announced on January 17, 2006. Apache estimates the transaction includes proved reserves of 22 million barrels (MMbbls) of liquid hydrocarbons and 297 billion cubic feet (Bcf) of natural gas. The oil and gas assets are located in the Neuquen, San Jorge and Austral basins of Argentina. Net current production is approximately 9,000 b/d of liquid hydrocarbons and 125 MMcf/d of natural gas. The assets include five operated and three non-operated gas processing plants and 112 miles of operated pipelines in the Neuquen Basin. Also included are 2,200 square miles of 3-D seismic data.
- On April 19, 2006, the Company announced that it had finalized an agreement to acquire BP's remaining producing properties on the Outer Continental Shelf of the Gulf of Mexico for \$1.3 billion in cash. The properties include 18 producing fields (11 of which are operated) covering 92 blocks with estimated proved reserves of 27 million barrels of liquid hydrocarbons and 185 Bcf of natural gas. Some of the fields are subject to exercise of preferential rights to purchase by other interest owners. The transaction, which is subject to government approvals, is expected to close by the end of the second quarter.

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- On April 19, 2006, the Company announced that its Board of Directors authorized the purchase of up to 15 million shares of the Company's common stock. The market value on the date of the announcement was approximately \$1 billion. The Company may buy shares from time to time on the open market, in privately negotiated transactions, or a combination of both. The timing and amounts of any purchases will be at the discretion of Apache's management. The Company initiated the program on May 1, 2006, after the Company's first-quarter 2006 earnings information was disseminated in the market. Through May 8, 2006 the Company had purchased 1,500,000 of the shares authorized by its Board of Directors.

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Results of Operations

Revenues

The table below presents oil and gas production revenues, production and average prices received from sales of natural gas, oil and natural gas liquids.

	For the Quarter Ended March 31,		
	2006	2005	Increase (Decrease)
Revenues (in thousands):			
Oil	\$ 1,138,998	\$ 996,997	14.24%
Natural gas	779,399	600,950	29.69%
Natural gas liquids	31,901	28,702	11.15%
Total	<u>\$ 1,950,298</u>	<u>\$ 1,626,649</u>	19.90%
Oil Volume – Barrels per day:			
United States	59,290	73,630	(19.48%)
Canada	21,691	23,277	(6.81%)
Egypt	57,292	54,579	4.97%
Australia	11,911	15,976	(25.44%)
North Sea	64,445	61,870	4.16%
China	4,559	10,507	(56.61%)
Argentina	1,272	704	80.68%
Total	<u>220,460</u>	<u>240,543</u>	(8.35%)
Average Oil Price – Per barrel:			
United States	\$ 50.22	\$ 44.00	14.14%
Canada	54.17	47.14	14.91%
Egypt	60.89	48.77	24.85%
Australia	66.39	52.99	25.29%
North Sea	60.66	46.10	31.58%
China	58.12	33.91	71.39%
Argentina	39.30	33.97	15.69%
Total	57.41	46.05	24.67%
Natural Gas Volume – Mcf per day:			
United States	601,045	637,803	(5.76%)
Canada	385,982	346,742	11.32%
Egypt	212,874	155,328	37.05%
Australia	153,659	113,734	35.10%
North Sea	2,269	2,178	4.18%
Argentina	3,143	3,473	(9.50%)
Total	<u>1,358,972</u>	<u>1,259,258</u>	7.92%
Average Natural Gas Price – Per Mcf:			
United States	\$ 7.41	\$ 6.04	22.68%
Canada	7.73	5.59	38.28%
Egypt	4.41	4.30	2.56%
Australia	1.67	1.82	(8.24%)
North Sea	9.98	5.30	88.30%
Argentina	1.19	0.91	30.77%
Total	6.37	5.30	20.19%
Natural Gas Liquids (NGL) – Barrels per day:			
United States	7,553	9,104	(17.04%)
Canada	2,178	2,419	(9.96%)
Total	<u>9,731</u>	<u>11,523</u>	(15.55%)
Average NGL Price – Per barrel:			
United States	\$ 36.52	\$ 28.26	29.23%
Canada	36.10	25.46	41.79%
Total	36.43	27.68	31.61%

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Crude Oil Revenues

First-quarter crude oil revenues increased \$142 million from the comparable 2005 quarter on a \$11.36 per barrel increase in average realized oil price, which more than offset an eight percent decline in daily production. All segments reported increases in realized crude oil price, with the North Sea and Egypt also benefiting from production growth compared to first quarter 2005.

The North Sea's first-quarter 2006 crude oil revenues were \$95 million higher than the comparable quarter of 2005, reflecting higher price realizations and a four percent increase in production. The higher price realizations generated additional revenues of \$81 million when compared to the same quarter in 2005, while the higher production added \$14 million. The production growth reflects a successful drilling program and improved run-time.

Egypt contributed additional revenues of \$74 million in the first quarter of 2006 compared to the same quarter in 2005. This increase in revenue was primarily attributable to a 25 percent increase in crude oil price, with a 2,713 b/d increase in production generating \$15 million of the increase in revenues. The production increase relates to discoveries at the East Bahariya, Umbarka and onshore West Mediterranean concessions plus additional Khalda sales through Qasr facilities.

Canada's first-quarter 2006 revenues increased \$7 million over first quarter 2005 on a 15 percent increase in price, which offset a seven percent, or 1,586 b/d, decrease in oil production. Canada production was impacted by natural decline in the Zama, Midale, Virginia Hills and House Mountain operated areas, as well as natural decline on non-operated Karr Simonette which were partially offset by new drills in various fields.

U.S. first-quarter 2006 crude oil revenues decreased \$24 million compared to the same quarter of 2005. This decrease was the result of a 19 percent decrease in production while our crude oil price for first-quarter 2006 was 14 percent higher than the comparable 2005 quarter. The first-quarter 2006 average realized price includes an unfavorable \$4.91 per barrel hedge loss. (See Note 2, Hedging and Derivative Instruments, of this Form 10-Q.) The U.S. production was impacted by hurricane downtime, natural decline and facility downtime which was partly offset by new drills and recompletions.

China's first-quarter 2006 revenues decreased \$8 million compared to the first quarter of 2005 with \$23 million of additional revenues related to a 71 percent increase in crude oil price, offset by a 57 percent decrease in net production. Apache's volumes were down due to partner advances being fully recovered in the second half of 2005, thereby reducing Apache's net entitlement volumes.

Australia's first quarter 2006 crude oil revenues decreased \$5 million compared to the first quarter 2005. This decrease reflects a 25 percent decline in production partially offset by a 25 percent increase in price. The decrease in daily oil production resulted from inefficiencies in gas lift compression and decline in the Legendre field, lower liquids associated with ceased and declining production from East Spar and Linda gas fields and the impact of five cyclones in the first quarter of 2006. These declines were partially offset by condensate production associated with commencement of the John Brookes field and successful results from the Stag work and optimization program. Also, contributing were the Mohave, Artreus and Bambra fields, all of which began production during the second half of 2005.

Approximately eight percent of our worldwide crude oil production was subject to financial derivative hedging for the first quarter of 2006 compared to six percent in 2005. Currently, all of our crude oil derivative positions have been designated against U.S. production. These financial derivative instruments reduced our first-quarter 2006 and 2005 worldwide realized price \$1.32 and \$.34 per barrel, respectively. (See Note 2, Hedging and Derivative Instruments, of this Form 10-Q for a summary of the current derivative positions and terms.)

Natural Gas Revenues

Our first-quarter 2006 natural gas revenues increased \$178 million from the prior-year quarter as a 20 percent increase in our realized natural gas price generated an additional \$121 million in gas revenues for the quarter. An eight percent increase in natural gas production added \$57 million to first-quarter 2006 revenues, relative to the comparable prior-year quarter. While all of our reportable segments, except for Australia, realized an increase in natural gas price, the increase in the U.S. and Canada had the most significant impact on first quarter revenues.

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North Sea, Egypt and Australia also contributed increased gas revenues from higher production, while the additional price-driven revenues generated in the U.S. were partially offset by a six percent decline in production.

U.S. first-quarter 2006 natural gas revenues were \$54 million higher than the same quarter of 2005. U.S. first quarter natural gas prices, which were up 23 percent, contributed \$79 million of additional revenues, while a six percent production decline, lowered revenues \$25 million, when compared to the comparable prior-year quarter. While U.S. production was down quarter-over-quarter because of the hurricanes, natural declines and facility downtime, production gains in other areas, including an 18 percent gain in the Central region, offset some of the hurricane impact. The Central region was up on active drilling and recompletion programs and acquisitions.

Canada's first-quarter 2006 natural gas revenues increased \$94 million over the comparable quarter of 2005. This increase related to a 38 percent increase in price and an 11 percent increase in production. Production increased 39,240 Mcf/d, as a result of successful drilling efforts at the Nevis, Zama, Consort areas and the ExxonMobil lands, which more than offset natural declines in the Ladyfern and other Northeast British Columbia areas.

Egypt contributed an additional \$24 million to first-quarter 2006 consolidated natural gas revenues compared to the same quarter of 2005. This increase is attributable to a favorable three percent price movement and a 37 percent increase in production. Egypt's production growth was associated with nearly full production from the Khalda Concession's Qasr field.

Australia's 2006 first quarter natural gas revenues were \$5 million higher than the respective prior-year period. Australia's natural gas production increased 35 percent compared to first-quarter 2005, while the price decreased eight percent over the 2005 quarter. The impact on revenues was minimal, given the relatively low natural gas price. The production increase related to commencement of production from the John Brookes field.

Although a majority of our worldwide gas sales contracts are indexed to prevailing market prices, approximately nine percent and 10 percent of our first-quarter 2006 and 2005 U.S. natural gas production, respectively, was subject to long-term, fixed-price physical contracts. These fixed-price contracts reduced first-quarter 2006 and 2005 worldwide realized prices \$.21 and \$.11 per Mcf, respectively. Additionally, nearly all of our Australian natural gas production is subject to long-term, fixed-price supply contracts that are periodically adjusted for changes in Australia's consumer price index. Since these contracts are denominated in Australian dollars, the resulting revenues are impacted by changes in the value of the Australian dollar relative to the U.S. dollar.

Approximately eight percent and 12 percent of our worldwide natural gas production was subject to financial derivative hedges for the first-quarter of 2006 and 2005, respectively. Currently, all of our natural gas derivative positions have been designated against Gulf of Mexico production. These derivative financial instruments reduced our first-quarter 2006 and 2005 consolidated realized prices \$.17 and \$.02 per Mcf, respectively. (See Note 2, Hedging and Derivative Instruments, of this Form 10-Q for a summary of our current derivative positions and terms.)

Costs

The table below presents a comparison of our expenses on an absolute dollar basis and an equivalent unit of production (boe) basis. Our discussion may reference either expenses on a boe basis or expenses on an absolute dollar basis, or both, depending on their relevance.

	<u>For the Quarter Ended March 31,</u>		<u>For the Quarter Ended March 31,</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	(In millions)		(Per Boe)	
Depreciation, depletion and amortization:				
Oil and gas property and equipment	\$ 346	\$ 320	\$ 8.42	\$ 7.69
Other assets	26	20	.64	.47
Asset retirement obligation accretion	21	13	.50	.32
Lease operating costs	292	233	7.09	5.61
Gathering and transportation costs	26	24	.64	.57
Severance and other taxes	146	72	3.56	1.74
General and administrative expenses	46	50	1.11	1.21
Financing costs, net	23	32	.57	.76
Total	<u>\$ 926</u>	<u>\$ 764</u>	<u>\$ 22.53</u>	<u>\$ 18.37</u>

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Depreciation, Depletion and Amortization (DD&A)

First-quarter 2006 full-cost DD&A expense of \$346 million was \$26 million higher than the comparative quarter of 2005. The Company's 2006 first-quarter full-cost DD&A rate increased \$.73 per boe, to \$8.42, from the same quarter last year reflecting rising industry-wide drilling and finding costs, especially in the U.S. and Canada. The increase in costs, including increased estimates of future development costs, is related to increased demand for drilling services, a consequence of both higher oil and gas prices and the need to repair damage caused by the hurricanes Katrina and Rita. The increase in DD&A was mitigated by a decline in Egypt resulting from the sale of Egypt's West Mediterranean concession.

Lease Operating Costs (LOE)

LOE increased \$59 million from the first quarter of last year to \$292 million in the first quarter of 2006. The increase was primarily associated with North America and was driven by higher service costs and increased insurance expense attributable to damages incurred in the 2005 hurricane season.

First-quarter 2006 LOE per boe of \$7.09 was \$1.48 higher than the same quarter in 2005. Approximately one-third of the increase was associated with the volumes shut-in because of the hurricanes and a non-cash hurricane-related charge that is incurred only if the Company elects to terminate its membership in OIL, an insurance mutual with 80-plus members.

The remaining increase in the per unit rate was attributable to higher service costs associated with rising commodity prices, driving increases in repair and maintenance costs, ad valorem costs, contract labor, and the impact of a weaker U.S. dollar on Canadian LOE. Historically, electricity, fuel and ad valorem costs have been directly impacted by rising commodity prices. Other service costs have historically risen as a result of increased activity, and hence demand, in high commodity price environments. On a region basis, the U.S. added \$1.01, Canada \$.33, the North Sea \$.08 and China \$.06 to our consolidated rate. Higher fuel and service costs drove the increase in the North Sea, while China's increase in LOE per boe was a result of a decline in production volumes as partner advances were fully recovered in the second half of 2005, thereby reducing the Company's net entitlement.

For a more detailed discussion of production, refer to "Results of Operations – Revenues" of this Management's Discussion and Analysis of Financial Condition and Results of Operations.

Gathering and Transportation Costs

Gathering and transportation costs totaled \$26 million in the first quarter of 2006, up \$2 million from the 2005 comparative quarter. The following table presents gathering and transportation costs paid by Apache to third-party carriers for each of the periods presented.

	For the Quarter Ended March 31,	
	2006	2005
	(In millions)	
U.S.	\$ 8	\$ 8
Canada	9	8
North Sea	7	7
Egypt	2	1
Total Gathering and Transportation	<u>\$ 26</u>	<u>\$ 24</u>

For the first quarter of 2006 and 2005, these costs were primarily related to the transportation of natural gas in our North American operations and transportation of oil in the North Sea.

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Severance and Other Taxes

First quarter 2006 severance and other taxes totaled \$146 million, \$74 million greater than the prior-year quarter. A detail of these taxes follows:

	For the Quarter Ended	
	2006	2005
	(In millions)	
Severance taxes	\$ 31	\$ 30
U.K. PRT	108	37
Canadian taxes	5	5
Other	2	—
Total Severance and Other Taxes	<u>\$ 146</u>	<u>\$ 72</u>

North Sea Petroleum Revenue Tax (PRT) is assessed on net profits from subject fields in the United Kingdom (U.K.) North Sea. The increase is attributable to a production increase of four percent, a 32 percent increase in oil realizations and a 15 percent decrease in deductible costs. Severance taxes are incurred in the U.S. and Australia. U.S. severance taxes increased \$7 million in line with higher production revenues. Australia severance taxes were \$7 million lower reflecting lower excise taxes on production from Legendre, which declined period over period.

General and Administrative Expenses

General and administrative expenses (G&A) were \$4 million lower compared to the first quarter of 2005. The reduced cost is related to the relative impact of Apache's stock-based compensation which was greater in the 2005 quarter than the 2006 quarter.

Provision for Income Taxes

First-quarter 2006 income tax expense was \$74 million greater than the prior-year quarter. The additional income tax expense was driven by higher taxable income related to increased revenues. A slightly higher effective tax rate also contributed to the higher taxes. The effective rate in the 2006 quarter was 38.4 percent compared to 37.6 percent in the 2005 quarter.

Capital Resources and Liquidity

Financial Indicators

	March 31, 2006	December 31, 2005
<i>Millions of dollars except as indicated</i>		
Cash	\$ 504	\$ 229
Current ratio	1.10	.99
Total debt	\$ 2,347	\$ 2,192
Shareholders' equity	\$11,256	\$10,541
Percent of total debt to capitalization	17%	17%
Floating-rate debt/total debt	7%	—

Overview

Apache's primary uses of cash are exploration, development and acquisition of oil and gas properties, costs and expenses necessary to maintain continued operations, repayment of principal and interest on outstanding debt and payment of dividends.

The Company funds its exploration and development activities primarily through net cash provided by operating activities (cash flow) and budgets capital expenditures based on projected cash flow. Our cash flow, both in the short-term and long-term, is impacted by highly volatile oil and natural gas prices, production levels, industry trends impacting operating expenses and drilling costs and our ability to continue to acquire or find high-margin

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reserves at competitive prices. For these reasons, we only forecast, for internal use by management, an annual cash flow. Longer term cash flow and capital spending projections are not used by management to operate our business. The annual cash flow forecasts are revised monthly in response to changing market conditions and production projections. Apache routinely adjusts capital expenditure budgets in response to the adjusted cash flow forecasts and market trends in drilling and acquisitions costs.

The Company has historically utilized internally generated cash flow, committed and uncommitted credit facilities and access to both debt and equity capital markets for all other liquidity and capital resources needs. Apache's ability to access the debt capital market is supported by its investment grade credit ratings. Apache's senior unsecured debt is currently rated investment grade by Moody's, Standard and Poor's and Fitch with ratings of A3, A- and A, respectively. Because of the liquidity and capital resources alternatives available to Apache, including internally generated cash flows, Apache's management believes that its short-term and long-term liquidity is adequate to fund operations, including its capital spending program, repayment of debt maturities and any amounts that may ultimately be paid in connection with contingencies.

Given the Company's current capital resource and liquidity position, an announcement was made in April 2006 that the Board of Directors authorized the purchase of up to 15 million shares of the Company's common stock, currently valued at \$1 billion. Shares may be purchased either in the open market or through privately negotiated transactions. The Company anticipates that any purchases will be made with excess cash flows and short-term borrowing, but the Company is not obligated to acquire any specific number of shares. The Company initiated the program on May 1, 2006, after the Company's first-quarter 2006 earnings information was disseminated in the market. Through May 8, 2006 the Company had repurchased 1,500,000 of the shares authorized by its Board of Directors.

The Company's ratio of current assets to current liabilities was 1.10 at March 31, 2006, compared to .99 at December 31, 2005. The increase in the ratio is the result of an increase in current assets of \$195 million and a decrease in current liabilities of \$51 million. The increase in current assets was driven by an increase in cash, which more than doubled, slightly offset by a decrease in Prepaid Assets and Other. Timing of payments resulted in fluctuations occurring in all current liability categories.

Net Cash Provided by Operating Activities

Apache's net cash provided by operating activities for the first quarter of 2006 totaled \$1 billion, up from \$836 million for the same period in 2005. The increase in 2006 cash flow is attributed primarily to the significant increase in commodity prices, which generated additional oil and gas revenues. The Company's average realized crude oil price increased 25 percent, a reflection of generally higher worldwide prices. The Company also saw a 20 percent increase in natural gas prices. Additional revenues generated from an eight percent increase in gas production also contributed to the increased cash flows. These increases were partially offset by higher LOE, U.K. PRT and higher income taxes, all of which are generally up because of higher commodity prices. The Company reviews production costs for each core area on a monthly basis and pursues alternatives in maintaining efficient levels of costs and expenses. For a more detailed discussion of commodity prices, production, costs and expenses, refer to the "Results of Operations" of this Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations.

Historically, fluctuations in commodity prices have been the primary reason for the Company's short-term changes in cash flow from operating activities. Sales volume changes have also impacted cash flow in the short-term, but have not been as volatile as commodity prices. Apache's long-term cash flow from operating activities is dependent on commodity prices, reserve replacement and the level of costs and expenses required for continued operations.

Debt

During the first quarter of 2006, we continued to maintain our financial flexibility and build on our solid financial position. While our debt-to-capitalization ratio on March 31, 2006 remained constant from December 31, 2005 at 17 percent, cash on hand rose \$275 million to \$504 million. On March 31, 2006, the Company had long-term debt of \$2.2 billion, consistent with our December 31, 2005 balance. The Company's outstanding debt consisted of notes and debentures maturing in the years 2007 through 2096.

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The Company has available a \$1.20 billion commercial paper program which enables Apache to borrow funds for up to 270 days at competitive interest rates. Our weighted-average interest rate for commercial paper was 4.51 percent and 2.52 percent for the first quarter of 2006 and 2005, respectively. As of March 31, 2006, available borrowing capacity under our total credit facilities was \$1.3 billion. If the Company is unable to issue commercial paper following a significant credit downgrade or dislocation in the market, the Company's U.S. credit facilities are available as a 100 percent backstop.

The Company was in compliance with the terms of the credit facilities as of March 31, 2006. Our \$504 million in cash and cash equivalents on hand at March 31, 2006, was up \$275 million from the \$229 million available at the end of 2005.

The Company is currently amending its existing 5-year revolving U.S. credit facility which is scheduled to mature on May 28, 2009. The amendment is expected to: 1) extend the maturity to May 28, 2011, 2) increase the size of the facility from \$750 million to \$1.5 billion and 3) reduce the facility fees and reduce the margin over LIBOR on loans. The company is also asking the lenders to extend the maturity dates of the \$450 million U.S. credit facility, the \$150 million Canadian facility and the \$150 million Australian facility, for an additional year from May 12, 2010 to May 12, 2011. Once the amendment to the credit facility is final, the Company plans to increase its commercial paper program to \$1.95 billion from \$1.20 billion.

Stock Transactions

The Company has used access to equity capital markets to fund significant acquisitions.

Oil and Gas Capital Expenditures

The Company funded its exploration and production capital expenditures, including gathering, transportation and marketing facilities, of \$1 billion and \$884 million in the first quarter of 2006 and 2005, respectively, primarily with internally generated cash flow of \$1 billion and \$836 million, respectively, and its lines of credit and commercial paper program.

The following table presents a summary of the Company's capital expenditures for each of our reportable segments for the three months ended March 31, 2006 and 2005.

	For the Quarter Ended	
	March 31,	
	2006	2005
	(In thousands)	
Exploration and development:		
United States	\$ 320,309	\$ 213,285
Canada	375,851	316,149
Egypt	99,668	78,104
Australia	33,560	57,441
North Sea	82,001	118,856
Other International	6,318	7,946
	<u>\$ 917,707</u>	<u>\$ 791,781</u>
Capitalized Interest	<u>\$ 14,193</u>	<u>\$ 13,409</u>
Gas gathering, transmission and processing facilities	<u>\$ 92,398</u>	<u>\$ 92,635</u>
Acquisitions:		
Oil and gas properties	<u>\$ 256,840</u>	<u>\$ 19,949</u>

Cash Dividend Payments

The Company has paid cash dividends on its common stock for 41 consecutive years through 2005. Future dividend payments will depend on the Company's level of earnings, financial requirements and other relevant factors. Common dividends paid during the first quarter of 2006 rose to \$33 million, reflecting a slight increase in common shares outstanding and the 25 percent higher common stock dividend rate. The Company increased its quarterly cash

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dividend 25 percent, to 10 cents per share from eight cents per share, effective with the November 2005 dividend payment. During the first quarter of 2006, Apache paid \$1.4 million in dividends on its Series B Preferred Stock issued in August 1998.

Contractual Obligations

We are subject to various financial obligations and commitments in the normal course of operations. These contractual obligations represent known future cash payments that we are required to make and relate primarily to long-term debt, operating leases, pipeline transportation commitments and international commitments. The Company expects to fund these contractual obligations with cash generated from operating activities.

Apache is also subject to various contingent obligations that become payable only if certain events or rulings were to occur. The inherent uncertainty surrounding the timing of and monetary impact associated with these events or rulings prevents any meaningful accurate measurement, which is necessary to assess any impact on future liquidity. Such obligations include environmental contingencies and potential settlements resulting from litigation. Apache's management feels that it has adequately reserved for its contingent obligations. The Company has reserved approximately \$11 million for environmental remediation. The Company has also reserved approximately \$14 million for various legal liabilities, in addition to \$71 million, plus accrued interest of \$7.6 million for the Texaco China B.V. litigation.

The Company's future liquidity could be impacted by a significant downgrade of its credit ratings by Moody's, Standard and Poor's, and Fitch; however, we do not believe that such a sharp downgrade is reasonably likely. The Company's credit facilities do not require the Company to maintain a minimum credit rating. In addition, generally under our commodity hedge agreements, Apache may be required to post margin or terminate outstanding positions if the Company's credit ratings decline significantly. The negative covenants associated with our debt are outlined in greater detail in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, "Capital Resources and Liquidity, Debt" in the Company's 2005 Form 10-K.

Off-Balance Sheet Arrangements

Apache does not currently utilize any off-balance sheet arrangements with unconsolidated entities to enhance liquidity and capital resource positions.

ITEM 3 – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Commodity Risk

The major market risk exposure is in the pricing applicable to our oil and gas production. Realized pricing is primarily driven by the prevailing worldwide price for crude oil and spot prices applicable to our United States and Canadian natural gas production. Prices received for oil and gas production have been and remain volatile and unpredictable. Average monthly oil price realizations, including the impact of fixed-price contracts and hedges, ranged from a low of \$56.24 per barrel to a high of \$58.88 per barrel during the first quarter of 2006. Average monthly gas price realizations, including the impact of fixed-price contracts and hedges, ranged from a monthly low of \$5.34 per Mcf to a monthly high of \$8.05 per Mcf during the same period. Based on the Company's worldwide oil production levels, a \$1.00 per barrel change in the weighted-average realized price of oil would increase or decrease revenues by \$20 million. Based on the Company's worldwide gas production levels, a \$.10 per Mcf change in the weighted-average realized price of gas would increase or decrease revenues by \$12 million.

We periodically enter into hedges in conjunction with selected acquisitions to protect against commodity price volatility. These hedges effectively reduce price risk on a portion of our projected oil and natural gas production from acquisitions.

Apache has historically only hedged long-term oil and gas prices related to a portion of its expected production associated with acquisitions. As such, the Company's use of hedging activity remains at a correspondingly low level. In the first quarter of 2006, financial derivative hedges represented approximately eight percent of the total worldwide natural gas production and total worldwide crude oil production. Hedges in place are entirely related to U.S. production and represent approximately eight percent of worldwide production for natural gas and crude oil for the remainder of 2006.

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On March 31, 2006, the Company had open natural gas derivative positions with a fair value of \$(132) million. A 10 percent increase in natural gas prices would change the fair value by \$(53) million. A 10 percent decrease in prices would change the fair value by \$52 million. The Company also had open oil derivative positions with a fair value of \$(160) million on March 31, 2006. A 10 percent increase in crude oil prices would change the fair value by \$(65) million. A 10 percent decrease in prices would change the fair value by \$64 million. See Note 2, Hedging and Derivative Instruments of this Form 10-Q, for notional volumes associated with the Company's derivative contracts.

Interest Rate Risk

The Company considers its interest rate risk exposure to be minimal as a result of fixing interest rates on approximately 93 percent of the Company's debt. At March 31, 2006, total debt included \$154 million of floating-rate debt. As a result, Apache's annual interest costs in 2006 will fluctuate based on short-term interest rates on what is presently approximately seven percent of our total debt outstanding at March 31, 2006. The impact on cash flow of a 10 percent change in the floating interest rate would be approximately \$192,000 per quarter on quarter's end debt balances.

Foreign Currency Risk

The Company's cash flow stream relating to certain international operations is based on the U.S. dollar equivalent of cash flows measured in foreign currencies. In Australia, oil production is sold under U.S. dollar contracts and natural gas production is sold under fixed-price Australian dollar contracts. Over half the costs incurred for Australian operations are paid in Australian dollars. In Canada, the majority of oil and natural gas production is sold under Canadian dollar contracts. The majority of the costs incurred are paid in Canadian dollars. The North Sea oil production is sold under U.S. dollar contracts and the majority of costs incurred are paid in British pounds. In contrast, all oil and natural gas production in Egypt is sold for U.S. dollars and the majority of the costs incurred are denominated in U.S. dollars. Revenue and disbursement transactions denominated in Australian dollars, Canadian dollars and British pounds are converted to U.S. dollar equivalents based on the exchange rate as of the transaction date.

A 10 percent change in the Australian and Canadian dollars and the British pound as of March 31, 2006 would result in a foreign currency net gain or loss of approximately \$131 million. This is primarily driven from foreign currency effects on the Company's deferred tax liability positions in its international operations.

The information set forth under "Commodity Risk," "Interest Rate Risk" and "Foreign Currency Risk" in Item 7A of our annual report on Form 10-K for the year ended December 31, 2005, is incorporated herein by reference. Information about market risks for the quarter ended March 31, 2006, does not differ materially from the disclosure in our 2005 Form 10-K, except as noted above.

Forward-Looking Statements And Risk

Certain statements in this report, including statements of the future plans, objectives, and expected performance of the Company, are forward-looking statements that are dependent upon certain events, risks and uncertainties that may be outside the Company's control, and which could cause actual results to differ materially from those anticipated. Some of these include, but are not limited to, the market prices of oil and gas, economic and competitive conditions, inflation rates, legislative and regulatory changes, financial market conditions, political and economic uncertainties of foreign governments, future business decisions, and other uncertainties, all of which are difficult to predict.

There are numerous uncertainties inherent in estimating quantities of proved oil and gas reserves and in projecting future rates of production and the timing of development expenditures. The total amount or timing of actual future production may vary significantly from reserves and production estimates. The drilling of exploratory wells can involve significant risks, including those related to timing, success rates and cost overruns. Lease and rig availability, complex geology and other factors can affect these risks. Although Apache may make use of futures contracts, swaps, options and fixed-price physical contracts to mitigate risk, fluctuations in oil and natural gas prices or a prolonged continuation of low prices, may adversely affect the Company's financial position, results of operations and cash flows.

ITEM 4 – CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

G. Steven Farris, the Company's President, Chief Executive Officer and Chief Operating Officer, and Roger B. Plank, the Company's Executive Vice President and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2006, the end of the period covered by this report. Based on that evaluation and as of the date of that evaluation, these officers concluded that the Company's disclosure controls were effective, providing effective means to ensure that information we are required to disclose under applicable laws and regulations is recorded, processed, summarized and reported in a timely manner. We also made no significant changes in internal controls over financial reporting during the quarter ending March 31, 2006, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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

Management's Report on Internal Control over Financial Reporting

The management report called for by Item 308(a) of Regulation S-K is incorporated herein by reference to Report of Management on Internal Control Over Financial Reporting, included on Page F-1 in Item 15 of the Company's 2005 Form 10-K.

The independent auditors attestation report called for by Item 308(b) of Regulation S-K is incorporated by reference to Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting, included on Page F-3 in Item 15 of the Company's 2005 Form 10-K.

Changes in Internal Control over Financial Reporting

There was no change in our internal controls over financial reporting during the period covered by this quarterly Report on Form 10-Q that materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The information set forth in Note 10 to the Consolidated Financial Statements contained in the Company's annual report on Form 10-K for the year ended December 31, 2005 (filed with the SEC on March 14, 2006) is incorporated herein by reference.

ITEM 2. CHANGES IN SECURITIES, USE OF PROCEEDS AND ISSUER PURCHASES OF EQUITY 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

- 10.1 - Apache Corporation 401(k) Savings Plan, effective as of January 1, 2006.
- 10.2 - Apache Corporation Money Purchase Retirement Plan, effective as of January 1, 2006.
- 12.1 - Statement of computation of ratio of earnings to fixed charges and combined fixed charges and preferred stock dividends.
- 31.1 - Certification of Chief Executive Officer.
- 31.2 - Certification of Chief Financial Officer.
- 32.1 - Certification of Chief Executive Officer and Chief Financial Officer.

(b) Reports filed on Form 8-K

The following current report on Form 8-K was filed by Apache during the fiscal quarter ended March 31, 2006:

Item 8.01 – Other Events – dated January 17, 2006, filed January 18, 2006

On January 17, 2006, Apache announced that it had agreed to purchase Pioneer Natural Resources' oil and gas operations in Argentina for a total purchase price of \$675 million, subject to the exercise of third party preferential purchase rights.

Also on January 17, 2006, Apache announced that it had completed two transactions with Amerada Hess that were first announced in October 2005. In one transaction, Apache completed the sale of its 55 percent interest in the deepwater section of Egypt's West Mediterranean Concession to Amerada Hess for \$413 million. In a separate transaction, Apache also completed its purchase of Amerada Hess' interests in eight fields located in the Permian Basin of West Texas and New Mexico for \$269 million.

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.

Dated: May 9, 2006

APACHE CORPORATION

/ s / ROGER B. PLANK

Roger B. Plank

Executive Vice President and Chief Financial Officer

Dated: May 9, 2006

/ s / THOMAS L. MITCHELL

Thomas L. Mitchell

Vice President and Controller

(Chief Accounting Officer)

EXHIBIT INDEX

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APACHE CORPORATION

401(k) SAVINGS PLAN

Effective January 1, 2006

Prepared December 23, 2005

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Appendix D — DEKALB Energy Company / Apache Canada Ltd

APACHE CORPORATION
401(k) SAVINGS PLAN

PREAMBLE

Apache Corporation, a Delaware corporation (“Apache”), maintains this profit sharing plan (the “Plan”), which is intended to be qualified under Code §401(a), and which contains a cash or deferred arrangement that is intended to be qualified under Code §401(k).

The Plan is hereby amended and restated as set forth below, effective January 1, 2006, except for those provisions that have their own specific effective dates.

Each Appendix to this Plan is a part of the Plan document. It is intended that an Appendix will be used to (1) describe which business entities are actively participating in the Plan, (2) describe any special participation, eligibility, vesting, or other provisions that apply to the employees of a business entity, (3) describe any special provisions that apply to Participants affected by a designated corporation transaction, and (4) describe any special distribution rules that apply to directly transferred benefits from other plans.

ARTICLE I
Definitions

The following words and phrases shall have the meaning set forth below:

1.1 Account Owner

“Account Owner” means a Participant who has an Account balance, an Alternate Payee who has an Account balance, or a beneficiary who has obtained an interest in the Account(s) of the previous Account Owner because of the previous Account Owner’s death.

1.2 Accounts

“Accounts” means the various Participant accounts established pursuant to section 4.1.

1.3 Affiliated Entity

“Affiliated Entity” means:

- (a) For all purposes of the Plan except those listed in subsection (b), the term “Affiliated Entity” means any legal entity that is treated as a single employer with Apache pursuant to Code §414(b), §414(c), §414(m), or §414(o).
- (b) For purposes of determining Annual Additions under section 1.5, limiting Annual Additions to a Participant’s Account(s) under section 3.4, and construing the defined terms as they are used in sections 1.5 and 3.4 (such as “Compensation” and “Employee”), the term “Affiliated Entity” means any legal entity that is treated as a single employer with Apache pursuant to Code §414(m) or §414(o), and any legal entity that would be an Affiliated Entity pursuant to Code §414(b) or §414(c) if the phrase “more than 50%” were substituted for the phrase “at least 80%” each place it occurs in Code §1563(a)(1).

1.4 Alternate Payee

“Alternate Payee” means a Participant’s Spouse, former spouse, child, or other dependent who is recognized by a QDRO as having a right to receive all, or a portion of, the benefits payable under this Plan with respect to such Participant.

1.5 Annual Addition

“Annual Addition” means the allocations to a Participant’s Account(s) for any Limitation Year, as described in detail below.

- (a) Annual Additions shall include: (i) Company Contributions (except as provided in paragraphs (b)(iii) and (b)(v)) to this Plan and Company contributions to any other defined contribution plan maintained by the Company or any Affiliated Entity, including Company Matching Contributions forfeited to satisfy the ACP test of section 3.6, (ii) after-tax contributions to any other defined contribution plan

maintained by the Company or an Affiliated Entity; (iii) 401(k) Contributions to this Plan and similar contributions to any other defined contribution plan maintained by the Company or an Affiliated Entity, including any such contributions distributed to satisfy the ADP test of section 3.5; (iv) forfeitures allocated to a Participant's Account(s) in this Plan and any other defined contribution plan maintained by the Company or any Affiliated Entity (except as provided in paragraphs (b)(iii) and (b)(v) below); (v) all amounts paid or accrued to a welfare benefit fund as defined in Code §419(e) and allocated to the separate account (under the welfare benefit fund) of a Key Employee to provide post-retirement medical benefits; and (vi) contributions allocated on the Participant's behalf to any individual medical account as defined in Code §415(l)(2).

- (b) Annual Additions shall not include: (i) Rollover Contributions to this Plan or rollovers to any other defined contribution plan maintained by the Company or an Affiliated Entity; (ii) repayments of loans made to a Participant from a qualified plan maintained by the Company or any Affiliated Entity; (iii) repayments of forfeitures for rehired Participants, as described in Code §411(a)(7)(B) and §411(a)(3)(D); (iv) direct transfers of employee contributions from one qualified plan to any qualified defined contribution plan maintained by the Company or any Affiliated Entity; (v) repayments of forfeitures of missing individuals pursuant to section 13.12; or (vi) salary deferrals within the meaning of Code §414(u)(2)(C) or §414(v)(6)(B).

1.6 Catch-Up Contributions

"Catch-Up Contributions" means those contributions made to the Plan by the Company, at the election of the Participant pursuant to subsection 3.2(b) that meet the requirements of Code §414(v).

1.7 Code

"Code" means the Internal Revenue Code of 1986, as amended from time to time, and the regulations and rulings in effect thereunder from time to time.

1.8 Committee

"Committee" means the administrative committee provided for in section 8.4.

1.9 Company

"Company" means Apache, any successor thereto, and any Affiliated Entity that adopts the Plan pursuant to Article XI. Each Company is listed in Appendix A.

1.10 Company Contributions

"Company Contributions" means all contributions to the Plan made by the Company pursuant to section 3.1 for the Plan Year.

1.11 Company Discretionary Contributions

"Company Discretionary Contributions" means all contributions to the Plan made by the Company pursuant to subsection 3.1(a) for the Plan Year.

1.12 Company Matching Contributions

"Company Matching Contributions" means all contributions to the Plan made by the Company pursuant to subsection 3.1(b) for the Plan Year.

1.13 Company Stock

"Company Stock" means shares of the \$0.625 par value common stock of Apache.

1.14 Compensation

"Compensation" means:

- (a) Code §415 Compensation. For purposes of determining the limitation on Annual Additions under section 3.4 and the minimum contribution under section 12.4 when the Plan is top-heavy, Compensation shall mean those amounts reported as "wages, tips, other compensation" on Form W-2 by the Company or an Affiliated Entity and elective contributions that are not includable in the

Employee's income pursuant to Code §125, §132(f)(4), §402(e)(3), §402(h), §403(b), §408(p), §414(u)(2)(C), §414(v)(6)(B), or §457. For purposes of section 3.4, Compensation shall be measured over a Limitation Year. For purposes of section 12.4, Compensation shall be measured over a Plan Year.

- (b) Code §414(q) Compensation. For purposes of identifying Highly Compensated Employees and Key Employees, Compensation shall mean those amounts reported as "wages, tips, other compensation" on Form W-2 by the Company or an Affiliated Entity, and elective contributions that are not includable in the Employee's income pursuant to Code §125, §132(f)(4), §402(e)(3), §402(h), §403(b), §408(p), §414(u)(2)(C), §414(v)(6)(B), or §457. Compensation shall be measured over a Plan Year. Compensation shall include only amounts paid to the Employee, and shall not include any additional amounts accrued by the Employee.
- (c) Code §414(s) Compensation. For purposes of the ADP and ACP tests under sections 3.5 and 3.6, and for purposes of allocating QNECs under subsection 3.7(c) and QMACs under subsection 3.8(c), Compensation shall mean any definition of compensation for a Plan Year, as selected by the Committee, that satisfies the requirements of Code §414(s) and the regulations promulgated thereunder. The definition of Compensation used in one Plan Year may differ from the definition used in another Plan Year.
- (d) Benefit Compensation. For purposes of determining and allocating Company Discretionary Contributions under subsection 3.1(a), Compensation shall generally mean regular compensation paid by the Company.
 - (i) Specifically, Compensation shall include:
 - (A) Regular salary or wages,
 - (B) Overtime pay,
 - (C) The regular annual bonus (unless all or a portion is excluded by the Committee before the regular annual bonus is paid) and any other bonus designated by the Committee,
 - (D) Salary reductions pursuant to this Plan,
 - (E) Salary reductions that are excludable from an Employee's gross income pursuant to Code §125 or §132(f)(4), and
 - (F) Amounts contributed as salary deferrals to the NQ Plan.
 - (ii) Compensation shall exclude:
 - (A) Commissions,
 - (B) Severance pay,
 - (C) Moving expenses,
 - (D) Any gross-up of moving expenses to account for increased income or employment taxes,
 - (E) Foreign service premiums paid as an inducement to work outside of the United States,
 - (F) Credits or benefits under this Plan (except as provided in subparagraph (i)(D)) and credits or benefits under the Apache Corporation Money Purchase Retirement Plan,
 - (G) Other contingent compensation,
 - (H) Any amount relating to the granting of a stock option by the Company or an Affiliated Entity, the exercise of such a stock option, or the sale or deemed sale of any shares thereby acquired,
 - (I) Contributions to any other fringe benefit plan (including, but not limited to, overriding royalty payments or any other exploration-related payments),

- (J) Any bonus other than (1) a regular annual bonus not otherwise excluded by the Committee and (2) a bonus specifically included as Compensation by the Committee, in each case pursuant to subparagraph (i)(C), and
- (K) Except as provided under subparagraph (i)(F), any benefit accrued under, or any payment from, any nonqualified plan of deferred compensation.

(iii) Compensation shall be measured over that portion of a Plan Year while the Employee is a Covered Employee. Compensation shall include only amounts paid to the Employee during the Plan Year, and shall not include any amounts accrued by but not paid to the Employee during the Plan Year.

- (e) Deferral Compensation. For purposes of determining Participant Contributions under section 3.2 and for purposes of determining and allocating Company Matching Contributions under subsection 3.1(b), Compensation shall mean Compensation as defined in subsection (d), with the following modifications. Compensation shall be measured over each pay period after the Employee has satisfied the eligibility requirements of subsection 2.1(a). Compensation shall include only amounts paid while the Employee is a Covered Employee. Compensation shall only include those amounts paid in cash.
- (f) Limit on Compensation. For purposes of calculating the minimum contribution required in top-heavy years under subsection (a), for all purposes of subsections (c) and (d), and for purposes of determining the maximum allocation of Company Matching Contributions under subsection (e), the Compensation taken into account for the Plan Year shall not exceed the dollar limit specified in Code §401(a)(17) in effect for the Plan Year.

1.15 Covered Employee

“Covered Employee” means any Employee of the Company, with the following exceptions.

- (a) Any individual directly employed by an entity other than the Company shall not be a Covered Employee, even if such individual is considered a common-law employee of the Company or is treated as an employee of the Company pursuant to Code §414(n).
- (b) An Employee shall not be a Covered Employee unless he is either based in the U.S. or on the U.S. payroll.
- (c) An Employee included in a unit of Employees covered by a collective bargaining agreement shall not be a Covered Employee unless the collective bargaining agreement specifically provides for such Employee’s participation in the Plan.
- (d) An Employee whose job is classified as “temporary” shall be a Covered Employee only after he has worked for the Company and Affiliated Entities for six consecutive months.
- (e) An Employee shall not be a Covered Employee while he is classified as an “intern,” a “consultant,” or an “independent contractor.” An Employee may be classified as an “intern” only if he is currently enrolled (or the Company expects him to be enrolled within the next 12 months) in a high school, college, or university. An Employee may be classified as an intern even if he does not receive academic course credit from his school for this employment with the Company.
- (f) An individual who is employed pursuant to a written agreement with an agency or other third party for a specific job assignment or project shall not be a Covered Employee.

1.16 Disability

“Disability” means a physical or mental condition that qualifies the Employee for long-term disability payments under Apache’s Long-Term Disability Plan.

1.17 Domestic Relations Order

“Domestic Relations Order” means any judgment, decree, or order (including approval of a property settlement agreement) issued by a court of competent jurisdiction that relates to the provisions of child support, alimony or maintenance payments, or marital property rights to a Participant’s Spouse, former spouse, child, or other dependent and is made pursuant to a state domestic relations law (including a community property law).

1.18 Employee

“Employee” means each individual who performs services for the Company or an Affiliated Entity and whose wages are subject to withholding by the Company or an Affiliated Entity. The term “Employee” includes only individuals currently performing services for the Company or an Affiliated Entity, and excludes former Employees who are still being paid by the Company or an Affiliated Entity (whether through the payroll system, through overriding royalty payments, through exploration-related payments, severance, or otherwise). The term “Employee” also includes any individual who provides services to the Company or an Affiliated Entity pursuant to an agreement between the Company or an Affiliated Entity and a third party that employs the individual, but only if the individual has performed such services for the Company or an Affiliated Entity on a substantially full-time basis for at least one year and only if the services are performed under the primary direction or control by the Company or an Affiliated Entity; provided, however, that if the individuals included as Employees pursuant to the first part of this sentence constitute 20% or less of the Non-Highly Compensated Employees of the Company and Affiliated Entities, then any such individuals who are covered by a qualified plan that is a money purchase pension plan that provides a nonintegrated employer contribution rate for each participant of at least 10% of compensation, that provides for full and immediate vesting, and that provides immediate participation for each employee of the third party (other than those who perform substantially all of their services for the third party and other than those whose compensation from the third party during each of the four preceding plan years was less than \$1000) shall not be considered an Employee.

1.19 ERISA

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended, and the regulations and rulings in effect thereunder from time to time.

1.20 Five-Percent Owner

“Five-Percent Owner” means:

- (a) With respect to a corporation, any individual who owns (either directly or indirectly according to the rules of Code §318) more than 5% of the value of the outstanding stock of the corporation or stock possessing more than 5% of the total combined voting power of all stock of the corporation.
- (b) With respect to a non-corporate entity, any individual who owns (either directly or indirectly according to rules similar to those of Code §318) more than 5% of the capital or profits interest in the entity.
- (c) An individual shall be a Five-Percent Owner for a particular year if such individual is a Five-Percent Owner at any time during such year.

1.21 401(k) Contributions

“401(k) Contributions” means those contributions made to the Plan by the Company, at the election of the Participant pursuant to subsection 3.2(a), that are excludable from the Participant’s gross income under Code §401(k) and §402(e)(3).

1.22 Highly Compensated Employee

“Highly Compensated Employee” means, for each Plan Year, an Employee who (a) was in the “top-paid group” during the immediately preceding Plan Year and had Compensation of \$80,000 (as adjusted by the Secretary of the Treasury) or more during the immediately preceding Plan Year, or (b) is a Five-Percent Owner during the current Plan Year, or (c) was a Five-Percent Owner during the immediately preceding Plan Year. The term “top-paid group” means the top 20% of Employees when ranked on the basis of Compensation paid during the year. In determining the number of Employees in the top-paid group, the Committee may elect to exclude Employees with less than six (or some smaller number of) months of service at the end of the year, Employees who normally work less than 17½ (or some fewer number of) hours per week, Employees who normally work less than six (or some fewer number of) months during any year, Employees younger than 21 (or some younger age) on the last day of the year, and Employees who are nonresident aliens who receive no earned income (within the meaning of Code §911(d)(2)) from Apache or an Affiliated Entity that constitutes income from sources within the United States (within the meaning of Code §861(a)(3)). Furthermore, an Employee who is a nonresident alien who receives no earned income (within the meaning of Code §911(d)(2)) from Apache or an Affiliated Entity that constitutes income from

sources within the United States (within the meaning of Code §861(a)(3)) during the year shall not be in the top-paid group for that year.

1.23 Key Employee

“Key Employee” means an individual described in Code §416(i)(1) and the regulations promulgated thereunder.

1.24 Lapse in Apache Employment

“Lapse in Apache Employment” means a Lapse in Apache Employment as defined in subsection 5.3(c).

1.25 Limitation Year

“Limitation Year” means the calendar year.

1.26 Non-Highly Compensated Employee

“Non-Highly Compensated Employee” means an Employee who is not a Highly Compensated Employee.

1.27 Non-Key Employee

“Non-Key Employee” means an Employee who is not a Key Employee.

1.28 Normal Retirement Age

“Normal Retirement Age” means age 65.

1.29 NQ Plan

“NQ Plan” means the Non-Qualified Retirement/Savings Plan of Apache Corporation.

1.30 Participant

“Participant” means any individual with an account balance under the Plan except beneficiaries and Alternate Payees. The term “Participant” shall also include any Covered Employee who has satisfied the eligibility requirements of section 2.1, but who does not yet have an account balance.

1.31 Participant Contributions

“Participant Contributions” means 401(k) Contributions and Catch-Up Contributions.

1.32 Period of Service

“Period of Service” means a Period of Service as defined in subsection 5.3(a).

1.33 Plan Year

“Plan Year” means the 12-month period on which the records of the Plan are kept, which shall be the calendar year.

1.34 QDRO

“QDRO,” which is an acronym for qualified domestic relations order, means a Domestic Relations Order that creates or recognizes the existence of an Alternate Payee’s right to, or assigns to an Alternate Payee the right to, receive all or a portion of the benefits payable with respect to a Participant under the Plan and with respect to which the requirements of Code §414(p) and ERISA §206(d)(3) are met.

1.35 QMAC

“QMAC,” which is an acronym for qualified matching contribution, means any contribution to the Plan made by the Company that the Company designates as a QMAC, or any portion of the forfeitures designated as a QMAC under subsection 5.4(d). A QMAC must satisfy the requirements of section 3.8.

1.36 QNECs

“QNEC,” which is an acronym for qualified non-elective contribution, means any contribution to the Plan made by the Company that the Company designates as a QNEC, or any portion of the forfeitures designated as a QNEC under subsection 5.4(d). A QNEC must satisfy the requirements of section 3.7.

1.37 Required Beginning Date

“Required Beginning Date” means:

- (a) Excepted as provided in subsections (b), (c), and (d), Required Beginning Date means April 1 of the calendar year following the later of (i) the calendar year in which the Participant attains age 70^{1/2}, or (ii) the calendar year in which the Participant terminates employment with Apache and all Affiliated Entities.
- (b) For a Participant who is both an Employee and a Five-Percent Owner of Apache or an Affiliated Entity, the term “Required Beginning Date” means April 1 of the calendar year following the calendar year in which the Five-Percent Owner attains age 70^{1/2}. If an Employee older than 70^{1/2} becomes a Five-Percent Owner, his Required Beginning Date shall be April 1 of the calendar year following the calendar year in which he becomes a Five-Percent Owner.
- (c) Before January 1, 1997, an Employee who was not a Five-Percent Owner may have had a Required Beginning Date. Beginning January 1, 1997, such an Employee shall be treated as if he has not yet had a Required Beginning Date, with the result that his minimum required distributions under subsection 6.6(c) will be zero until his new Required Beginning Date. His new Required Beginning Date shall be determined pursuant to subsections (a) and (b).
- (d) If a Participant is rehired after his Required Beginning Date, and he is not a Five-Percent Owner, he shall be treated upon rehire as if he has not yet had a Required Beginning Date, with the result that his minimum required distributions under subsection 6.6(c) will be zero until his new Required Beginning Date. His new Required Beginning Date shall be determined pursuant to subsection (a).

1.38 Rollover Contribution

“Rollover Contribution” means any contribution that is rolled over to this Plan pursuant to subsection 3.2(d).

1.39 Spouse

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

1.40 Termination of Employment

“Termination of Employment” means a severance from employment within the meaning of Code §401(k)(2)(b)(i)(I), and which therefore generally means the date a Participant ceases to be an Employee.

1.41 Termination From Service Date

“Termination From Service Date” means the Termination From Service Date defined in subsection 5.3(b).

1.42 Valuation Date

“Valuation Date” means the last day of each Plan Year and any other dates as specified in section 4.2 as of which the assets of the Trust Fund are valued at fair market value and as of which the increase or decrease in the net worth of the Trust Fund is allocated among the Participants’ Accounts.

ARTICLE II

Participation

2.1 Participation — Required Service.

- (a) Participant Contributions. A Covered Employee shall be eligible to begin making Participant Contributions and receiving an allocation of Company Matching Contributions as of the first day of the first pay period of the month that begins after the day the Employee becomes a Covered Employee.
- (b) Company Discretionary Contributions. Each Covered Employee shall be eligible to participate in the Plan with respect to the Company Discretionary Contribution provided by subsection 3.1(a) on the day the Employee first becomes a Covered Employee.

2.2 Enrollment Procedure.

Notwithstanding section 2.1, a Covered Employee shall not be eligible to participate in the Plan until after completing the enrollment procedures specified by the Committee. Such enrollment procedures may, for example, require the Covered Employee to complete and sign an enrollment form or to complete a voice-response telephone enrollment or an online enrollment. The Covered Employee shall provide all information requested by the Committee, such as the initial investment direction, the address and date of birth of the Employee, and the initial rate of the Participant Contributions. An election to make Participant Contributions shall not be effective until after the Covered Employee has properly completed the enrollment procedures. The Committee may require that the enrollment procedure be completed a certain number of days prior to the date that a Covered Employee actually begins to participate.

ARTICLE III *Contributions*

The only contributions that can be made to the Plan are Company Contributions pursuant to section 3.1, Plan expenses that are paid by the Company or Account Owner, Participant Contributions and Rollover Contributions pursuant to section 3.2., and loan repayments pursuant to Article VII.

3.1 Company Contributions.

- (a) Company Discretionary Contributions. For each Plan Year, the Company shall contribute to the Trust Fund such amount of Company Discretionary Contributions that the Company, in its sole discretion, determines to contribute. The Company may elect to treat any available forfeitures as Company Discretionary Contributions, pursuant to subsection 5.4(d). Company Discretionary Contributions shall be allocated to each "eligible Participant" in proportion to the eligible Participant's Compensation. For purposes of this subsection, an "eligible Participant" is a Participant who was a Covered Employee on one or more days during the Plan Year and who was employed by the Company or an Affiliated Entity on the last business day of the Plan Year. Company Discretionary Contributions shall be allocated to Company Contributions Accounts, except for those Company Discretionary Contributions that are designated as QNECs pursuant to subsection 3.7(b), which shall be allocated to Participant Contributions Accounts.
- (b) Company Matching Contributions.
- (i) Standard Match. As of the last day of the Plan Year, the Committee shall make the final allocation of Company Matching Contributions (including such forfeitures occurring during the Plan Year that are treated as Company Matching Contributions pursuant to subsection 5.4(d)) to each Participant who made Participant Contributions during the Plan Year as follows. Each Participant's allocation shall be equal to his Participant Contributions for the Plan Year, up to a maximum allocation of 6% of his Compensation. The Committee may make interim allocations of Company Matching Contributions during the Plan Year, reflecting the allocation earned thus far in the Plan Year.
- (ii) Additional Match. If the nondiscrimination tests described in sections 3.5 and 3.6 are not satisfied for a Plan Year, the Company may elect to contribute an additional amount, or it may elect to use any forfeitures occurring during the Plan Year, as an extra Company Matching Contribution for the Plan Year. The extra Company Matching Contribution may be designated as a QMAC pursuant to section 3.8. The extra Company Matching Contribution shall be allocated to all "eligible Participants" in proportion to the Company Matching Contribution allocated to such eligible Participants during the Plan Year under paragraph (i). For purposes of this paragraph only, an "eligible Participant" is any Non-Highly Compensated Employee who is a Covered Employee on the last day of the Plan Year.
- (iii) Coordination With Code §401(a)(17). Company Matching Contributions in a Plan Year shall accrue only on Participant Contributions up to 6% of the Code §401(a)(17) limit for that Plan Year. Any Company Matching Contributions allocated during the Plan Year in which they were accrued shall be allocated on a temporary basis only; the allocation shall become final after the Committee verifies that the allocation complies with the terms of the Plan, including the limits

of Code §401(a)(17). Any reduction in the allocation to comply with Code §401(a)(17), adjusted to reflect investment experience, shall be used as specified in subsection 5.4(d).

- (iv) Accounts. Company Matching Contributions shall be allocated to Company Contributions Accounts, except for those Company Matching Contributions that are designated as QMACs under section 3.8, which shall be allocated to Participant Contributions Accounts.
- (c) Miscellaneous Contributions.
 - (i) Forfeiture Restoration. The Company may make additional contributions to the Plan to restore amounts forfeited from the Company Contributions Accounts of certain rehired Participants, pursuant to section 5.4. This additional contribution shall be required only when the available forfeitures are insufficient to restore such forfeited amounts, as described in subsection 5.4(d). This contribution shall be allocated to the Participant's Company Contributions Account.
 - (ii) Top Heavy Contribution. The Company may make additional contributions to the Plan to satisfy the minimum contribution required by section 12.4. The Company may elect to use any available forfeitures for this purpose, pursuant to subsection 5.4(d).
 - (iii) Missing Individuals. The Company may make additional contributions to the Plan to restore the forfeited benefit of any missing individual, pursuant to section 13.12. This additional contribution shall be required only when the available forfeitures are insufficient to restore such forfeited amounts, as described in subsection 5.4(d).
 - (iv) Non-Discrimination Testing. The Company may make QNECs to the Plan to enable the Plan to satisfy the ADP and ACP tests of sections 3.5 and 3.6. The Company may elect to treat any available forfeitures as QNECs, pursuant to subsection 5.4(d). QNECs shall be allocated to Participant Contribution Accounts.
 - (v) Returning Servicemen. The Company may make additional contributions to the Plan to provide make-up contributions for returning servicemen, pursuant to section 15.4.
- (d) Contributions Contingent on Deductibility. The Company Contributions for a Plan Year (excluding forfeitures and contributions pursuant to paragraph 3.1(c)(v)) shall not exceed the amount allowable as a deduction for Apache's taxable year ending with or within the Plan Year pursuant to Code §404. The amount allowable as a deduction under Code §404 shall include carry forwards of unused deductions for prior years. If the Code §404 deduction limit would be exceeded for any Plan Year, the Plan contributions shall be reduced, in the following order, until the Plan contributions equal the Code §404 deduction limit: first, the Company Matching Contributions for those Highly Compensated Employees who are eligible to participate in the NQ Plan; second, all but \$1 of the Company Discretionary Contributions for those Highly Compensated Employees who are eligible to participate in the NQ Plan; third, any remaining Company Matching Contribution; fourth, any remaining Company Discretionary Contributions. Company Contributions other than QNECs, QMACs, and contributions pursuant to paragraph 3.1(c)(v) shall be paid to the Trustee no later than the due date (including any extensions) for filing the Company's federal income tax return for such year; QNECs and QMACs shall be paid to the Trustee no later than 12 months after the close of the Plan Year; and contributions subject to paragraph 3.1(c)(v) shall be paid to the Trustee as specified in section 15.4. Company Contributions may be made without regard to current or accumulated earnings and profits; nevertheless, this Plan is intended to qualify as a "profit sharing plan" as defined in Code §401(a). The Company may pay any contribution in the form of Company Stock or cash, as the Company determines.

3.2 Participant Contributions.

- (a) 401(k) Contributions.
 - (i) General Rules. A Participant may elect to defer the receipt of a portion of his Compensation during the Plan Year and contribute such amounts to the Plan as 401(k) Contributions. The Committee shall determine the maximum 401(k) Contributions that a Participant may make and shall establish other administrative rules governing the 401(k) Contributions; for example, the Committee may require 401(k) Contributions to be made in whole percentages of

Compensation, the Committee may allow different contribution percentages from bonuses than are allowed from regular pay, and the Committee may limit 401(k) Contributions (for the year or for the pay period or for a bonus) to a percentage of Compensation (for the year or for the pay period or for the bonus). The Company shall pay the amount deducted from the Participant's Compensation to the Trustee promptly after the deduction is made. 401(k) Contributions shall be allocated to Participant Contributions Accounts.

(ii) Limitations on 401(k) Contributions.

(A) Limit for Apache Plans. The sum of 401(k) Contributions to this Plan and elective deferrals (as defined in Code §402(g)(3)) to any other plan maintained by the Company or an Affiliated Entity shall not exceed the dollar limit in effect under Code §402(g)(1)(B) in any calendar year. The Company shall inform the Committee if such limit has been exceeded, and the excess amount allocated to this Plan. The excess amount allocated to this Plan shall be reduced by any 401(k) Contributions returned pursuant to any other provision of this Article. Any remaining excess amount shall be recharacterized as a Catch-Up Contribution to the extent possible, and any remaining excess amount shall be returned to the Participant as soon as administratively possible, and in no event later than April 15 of the calendar year after the calendar year in which the excess occurred. Company Matching Contributions attributable to amounts returned under this subparagraph shall be forfeited. Unmatched 401(k) Contributions shall be returned first. The amount returned, recharacterized, or forfeited shall be adjusted to reflect the net increase or decrease in the net value of the Participant's Account attributable thereto. The Committee may use any reasonable method to allocate this adjustment.

(B) Participant Limit. If the sum of the 401(k) Contributions to this Plan and elective deferrals (as defined in Code §402(g)(3)) to any other plan exceed the dollar limit in effect under Code §402(g)(1)(B) in a calendar year, and the Participant is an Employee on the last day of the Plan Year and informs the Committee of the amount of the excess allocated to this Plan, then that amount will be reduced by any 401(k) Contributions for that calendar year that were returned pursuant to any other provision in this Article. Any remaining excess amount shall be recharacterized as a Catch-Up Contribution to the extent possible, and any remaining excess amount shall be returned to the Participant as soon as administratively possible, and in no event later than April 15 of the calendar year after the calendar year in which the excess occurred. Company Matching Contributions attributable to amounts returned under this subparagraph shall be forfeited. Unmatched 401(k) Contributions shall be returned first. The amount returned, recharacterized, or forfeited shall be adjusted to reflect the net increase or decrease in the net value of the Participant's Account attributable thereto. The Committee may use any reasonable method to allocate this adjustment.

(b) Catch-Up Contributions.

(i) General Rules. A Participant whose 49th birthday occurred before the first day of the Plan Year may elect to defer the receipt of a portion of his Compensation during the Plan Year and contribute such amounts to the Plan as Catch-Up Contributions. The Company shall pay the amount deducted from the Participant's Compensation to the Trustee promptly after the deduction is made. The Committee shall determine after the end of each calendar year which Participant Contributions were Catch-Up Contributions and which were 401(k) Contributions. See sections 3.5 and 3.6 for instances in which Participant Contributions that would normally be characterized as 401(k) Contributions are in fact characterized as Catch-Up Contributions. Catch-Up Contributions shall be allocated to Participant Contributions Accounts.

(ii) Limitations on Catch-Up Contributions.

(A) Limit for Apache Plans. The sum of Catch-Up Contributions to this Plan and similar deferrals under Code §414(v) to any other plan maintained by the Company or an Affiliated Entity shall not exceed the dollar limit in effect under Code §414(v)(2)(B)(i) in

any calendar year. The Company shall inform the Committee if such limit has been exceeded, and the excess amount allocated to this Plan. The excess amount allocated to this Plan shall be reduced by any amounts returned pursuant to any other provision of this Article. Any remaining excess amount shall be returned to the Participant as soon as administratively possible, and in no event later than April 15 of the calendar year after the calendar year in which the excess occurred. Company Matching Contributions attributable to amounts returned under this subparagraph shall be forfeited. Unmatched Catch-Up Contributions shall be returned first. The amount returned or forfeited shall be adjusted to reflect the net increase or decrease in the net value of the Participant's Account attributable thereto. The Committee may use any reasonable method to allocate this adjustment.

(B) Participant Limit. If the sum of the Catch-Up Contributions to this Plan and similar deferrals under Code §414(v) to any other plan exceed the dollar limit in effect under Code §414(v)(2)(B)(i) in a calendar year, and the Participant is an Employee on the last day of the Plan Year and informs the Committee of the amount of the excess allocated to this Plan, then that amount will be reduced by any Catch-Up Contributions for that calendar year that were returned pursuant to any other provision in this Article and any remaining excess amount shall be returned to the Participant as soon as administratively possible, and in no event later than April 15 of the calendar year after the calendar year in which the excess occurred. Company Matching Contributions attributable to amounts returned under this subparagraph shall be forfeited. Unmatched Catch-Up Contributions shall be returned first. The amount returned or forfeited shall be adjusted to reflect the net increase or decrease in the net value of the Participant's Account attributable thereto. The Committee may use any reasonable method to allocate this adjustment.

(c) Procedures. Participant Contributions shall be made according to rules prescribed by the Committee that are consistent with the rules in this subsection.

- (i) Authorization. Participant Contributions may only be made after the Company has received authorization from a Participant to deduct such contributions from his Compensation. Any authorization may apply only to Compensation that is not then currently available to the Participant. Such authorization shall remain in effect until revoked or changed by the Participant. If an Employee makes a hardship withdrawal from his Participant Contributions Account under section 6.5, his contribution rate shall be immediately reduced to 0%, and shall remain at 0% for at least 6 months. To be effective, any authorization, change of authorization, or notice of revocation must be filed with the Committee according to such restrictions and requirements as the Committee prescribes. The Committee shall establish procedures from time to time for Participants to change their contribution elections, which procedures shall be communicated to Participants. The Committee may establish different procedures for Participant Contributions from different types of Compensation, such as bonuses. A Participant who also participates in the NQ Plan may make a combined contribution election that applies to both this Plan and the NQ Plan; once made, such combined elections are irrevocable for the periods and the compensation described in the elections.
- (ii) Catch-Up Contributions. The Committee's procedures for Catch-Up Contributions shall allow all Participants who can make Catch-Up Contributions the effective opportunity to make the same dollar amount of Catch-Up Contributions for the calendar year.
- (iii) Inadequate Paycheck. If the amounts withheld from a Participant's paycheck (including, without limitation, loan repayments, Participant Contributions, taxes, contributions to the NQ Plan, and premium payments for various benefits) are greater than the paycheck, the Committee shall establish the order in which the deductions shall be applied, with the result that 401(k) Contributions or Catch-Up Contributions may be reduced below what the Participant had elected. The Committee's procedures may also automatically increase a Participant's 401(k) Contributions or Catch-Up Contributions in subsequent pay periods to make up for any missed contributions.

- (d) Rollovers. The Plan may accept any rollover from or on behalf of a Covered Employee, subject to the following rules. The Committee shall decide from time to time which types of rollovers the Plan will accept, and the conditions under which the Plan will accept them. A rollover may be comprised of a direct transfer of an eligible rollover distribution from a qualified plan described in Code §401(a) (excluding after-tax contributions), a qualified annuity plan described in Code §403(a) (excluding after-tax contributions), an annuity contract described in Code §403(b) (excluding after-tax contributions), or an eligible plan under Code §457(b) that is maintained by an eligible employer described in Code §457(e)(1)(A) (which generally includes state or local governments). A rollover may also be comprised of the portion of a distribution from an individual retirement account or annuity described in Code §408(a) or §408(b) that is eligible to be rolled over and that would otherwise be included in the Covered Employee's gross income. If the Plan accepts a contribution and subsequently determines that the contribution did not satisfy the conditions for the Plan to accept it, the Plan shall distribute such contribution, as well as the net increase or decrease in the net value of the Trust Fund attributable to the contribution, to the Covered Employee as soon as administratively practicable. All rollovers accepted under this subsection shall be allocated to Rollover Accounts.

3.3 Return of Contributions.

- (a) Mistake of Fact. Upon the request of the Company, the Trustee shall return to the Company, any Company Contribution made under a mistake of fact. The amount that shall be returned shall not exceed the excess of the amount contributed (reduced to reflect any decrease in the net worth of the appropriate Accounts attributable thereto) over the amount that would have been contributed without the mistake of fact. Appropriate reductions shall be made in the Accounts of Participants to reflect the return of any contributions previously credited to such Accounts. If the Company so requests, any contribution made under a mistake of fact shall be returned to the Company within one year after the date of payment.
- (b) Non-Deductible Contributions. Upon the request of the Company, the Trustee shall return to the Company, any Company Contribution or 401(k) Contribution that is not deductible under Code §404. The Company shall pay any returned 401(k) Contribution to the appropriate Participant or the Company's NQ Plan, as appropriate, as soon as administratively practicable, subject to any withholding. All contributions under the Plan are expressly conditioned upon their deductibility for federal income tax purposes. The amount that shall be returned shall be the excess of the amount contributed (reduced to reflect any decrease in the net worth of the appropriate Accounts attributable thereto) over the amount that would have been contributed if there had not been a mistake in determining the deduction. Appropriate reductions shall be made in the Accounts of Participants to reflect the return of any contributions previously credited to such Accounts. Any contribution conditioned on its deductibility shall be returned within one year after it is disallowed as a deduction.
- (c) Effect of Correction. A contribution shall be returned under this section only to the extent that its return will not reduce the Account(s) of a Participant to an amount less than the balance that would have been credited to the Participant's Account(s) had the contribution not been made.

3.4 Limitation on Annual Additions.

- (a) Limit. The Annual Additions to a Participant's Account(s) in this Plan and to his accounts in any other defined contribution plans maintained by the Company or an Affiliated Entity for any Limitation Year shall not exceed in the aggregate the lesser of (i) \$40,000 (as adjusted by the Secretary of the Treasury), or (ii) 100% of the Participant's Compensation. The limit in clause (ii) shall not apply to any contribution for medical benefits (within the meaning of Code §419A(f)(2)) after separation from service that is treated as an Annual Addition.
- (b) Corrective Mechanism.
- (i) Reduction in Annual Additions. A Participant's Annual Additions shall be reduced, to the extent necessary to satisfy the foregoing limits, if the Annual Additions arose as a result of a reasonable error in estimating Compensation, as a result of the allocation of forfeitures, or as a result of other facts and circumstances as provided in the regulations under Code §415.

- (ii) Order of Reduction, Multiple Plans. Apache also maintains the Apache Corporation Money Purchase Retirement Plan, a money purchase pension plan. The Participant's Annual Additions shall be reduced, to the extent necessary, in the following order. First, to the extent that the Annual Additions in a single plan exceed the limits of subsection (a), the Annual Additions in that plan shall be reduced, in the order specified in that plan, to the extent necessary to satisfy the limits of subsection (a). Then, if the Participant has Annual Additions in more than one plan and in the aggregate they exceed the limits of subsection (a), the Annual Additions will be reduced as follows.
 - (A) If the Participant was eligible to participate in the NQ Plan on the last day of the Plan Year in which the excess Annual Addition occurred, the Annual Additions to the Apache Corporation Money Purchase Pension Plan will be reduced before the Annual Additions to this Plan are reduced.
 - (B) If the Participant was not eligible to participate in the NQ Plan on the last day of the Plan Year in which the excess Annual Addition occurred, the Annual Additions to this Plan will be reduced before the Annual Additions to the Apache Corporation Money Purchase Retirement Plan are reduced.
- (iii) Order of Reduction, This Plan. If the Participant was eligible to participate in the NQ Plan on the last day of the Plan Year in which the excess Annual Addition occurred, the Annual Additions to this Plan shall be reduced in the following order: Company Discretionary Contributions; Company Matching Contributions; 401(k) Contributions; then Catch-Up Contributions. If the Participant was not eligible to participate in the NQ Plan on the last day of the Plan Year in which the excess Annual Addition occurred, the Annual Additions to this Plan shall be reduced in the following order: unmatched 401(k) Contributions; unmatched Catch-Up Contributions; matched 401(k) Contributions and the corresponding Company Matching Contributions; matched Catch-Up Contributions and the corresponding Company Matching Contributions; then Company Discretionary Contributions.
- (iv) Disposition of Excess Annual Additions. The Plan shall pay any reduction in 401(k) Contributions (adjusted to reflect the net increase or decrease in the net value of the Trust Fund attributable to the contributions) to the Participant as soon as administratively practicable, subject to any withholding. Any reduction of Company Contributions shall be placed in a suspense account in the Trust Fund and used to reduce future Company Contributions to the Plan. The following rules shall apply to such suspense account: (A) no further Company Contributions may be made if the allocation thereof would be precluded by Code §415; (B) any increase or decrease in the net value of the Trust Fund attributable to the suspense account shall not be allocated to the suspense account, but shall be allocated to the Accounts; and (C) all amounts held in the suspense account shall be allocated as of each succeeding allocation date on which forfeitures may be allocated pursuant to subsection 5.4(d) (and may be allocated more frequently if the Committee so directs), until the suspense account is exhausted.

3.5 Contribution Limits for Highly Compensated Employees (ADP Test).

- (a) Limits on Contributions. Notwithstanding any provision in this Plan to the contrary, the actual deferral percentage ("ADP") test of Code §401(k) (3) shall be satisfied. Code §401(k) and the regulations issued thereunder are hereby incorporated by reference to the extent permitted by such regulations. In performing the ADP test for a Plan Year, the Plan will use that Plan Year's data for the Non-Highly Compensated Employees.
- (b) Permissible Variations of the ADP Test. To the extent permitted by the regulations under Code §401(m) and §401(k), 401(k) Contributions, QMACs, and QNECs may be used to satisfy the ACP test of section 3.6 if they are not used to satisfy the ADP test. The Committee may elect to exclude from the ADP test those Non-Highly Compensated Employees who, at the end of the Plan Year, had not attained age 21 and/or whose Period of Service was less than one year.
- (c) Advanced Limitation on 401(k) Contributions or Company Matching Contributions. The Committee may limit the 401(k) Contributions of any Highly Compensated Employee (or any Employee expected to be a Highly Compensated Employee) at any time during the Plan Year, with the result that his share

of Company Matching Contributions may be limited. This limitation may be made, if practicable, whenever the Committee believes that the limits of this section or sections 3.4 or 3.6 will not be satisfied for the Plan Year.

- (d) Corrections to Satisfy Test. If the ADP test is not satisfied for the Plan Year, the Committee shall decide which one or more of the following methods shall be employed to satisfy the ADP test. All corrections shall be accomplished if possible before March 15 of the following Plan Year, and in no event later than 12 months after the close of the Plan Year.
- (i) The Committee may recommend to the Company and the Company may make QNECs and/or QMACs to the Plan, pursuant to subsections 3.7(c) and 3.8(c).
 - (ii) The Committee may recommend to the Company and the Company may designate any Company Discretionary Contribution allocated to Non-Highly Compensated Employees as QNECs, pursuant to subsection 3.7(b).
 - (iii) The Committee may recommend to the Company and the Company may designate any Company Matching Contributions allocated to Non-Highly Compensated Employees as QMACs, pursuant to section 3.8(b).
 - (iv) 401(k) Contributions of Highly Compensated Employees may be recharacterized as Catch-Up Contributions or returned to the Highly Compensated Employee, without the consent of either the Highly Compensated Employee or his Spouse, subject to the rules of subsection (f).
- (e) Order of Correction. The method described in subsection (c) shall be employed first, during the Plan Year. If that method is not used during the Plan Year, or if the net effect of such method was insufficient for the ADP test to be satisfied, the Company has the discretion to use any one or more of the methods described in paragraphs (d)(i), (d)(ii), and (d)(iii). If the Company does not choose to make the corrections described in paragraphs (d)(i), (d)(ii), and (d)(iii), or if such corrections are insufficient to satisfy the ADP test, then the correction method described in paragraph (d)(iv) shall be used.
- (f) Calculating the Amounts Returned or Recharacterized. If the ADP test is not satisfied, and 401(k) Contributions are returned or recharacterized pursuant to paragraph (d)(iv) above, the Committee shall determine the amount to be returned or recharacterized and shall then allocate that amount among the Highly Compensated Employees pursuant to Treasury Regulations. The correction for each Highly Compensated Employee shall occur in the following order, to the extent necessary: 401(k) Contributions shall be recharacterized as Catch-Up Contributions to the extent possible, then unmatched 401(k) Contributions shall be returned to the Participant, then matched 401(k) Contributions shall be returned to the Participant and the corresponding Company Matching Contribution shall be forfeited (unless the ACP test was performed before the ADP test, and the Company Matching Contribution has already been returned to the Participant pursuant to paragraph 3.6(c)(v)). The amount actually recharacterized or returned to each Highly Compensated Employee shall be adjusted to reflect as nearly as possible the actual increase or decrease in the net value of the Trust Fund attributable to the correction through the business day immediately preceding the date as of which the correction is processed.

3.6 Contribution Limits for Highly Compensated Employees (ACP Test).

- (a) Limits on Contributions. Notwithstanding any provision in this Plan to the contrary, the actual contribution percentage (“ACP”) test of Code §401(m)(2) shall be satisfied. Code §401(m) and the regulations issued thereunder are hereby incorporated by reference to the extent permitted by such regulations. In performing the ACP test for a Plan Year, the Plan will use that Plan Year’s data for the Non-Highly Compensated Employees.
- (b) Permissible Variations of the ACP Test. To the extent permitted by the regulations under Code §401(m) and §401(k), 401(k) Contributions, QMACs, and QNECs may be used to satisfy this test if not used to satisfy the ADP test of section 3.5. The Committee may elect to exclude from the ACP test those Non-Highly Compensated Employees who, at the end of the Plan Year, had not attained age 21 and/or whose Period of Service was for less than one year.

- (c) Corrections to Satisfy Test. If the ACP test is not satisfied, the Committee shall decide which one or more of the following methods shall be employed to satisfy the ACP test. All corrections shall be accomplished if possible before March 15 of the following Plan Year, and in no event later than 12 months after the close of the Plan Year.
- (i) The Committee may recommend to the Company and the Company may make QNECs or QMACs to the Plan, pursuant to subsections 3.7(c) and 3.8(c).
 - (ii) The Committee may recommend to the Company and the Company may designate any portion of its Company Discretionary Contributions as QNECs, pursuant to subsection 3.7(b).
 - (iii) The Committee may recommend to the Company and the Company may designate any portion of its Company Matching Contributions as QMACs, pursuant to subsection 3.8(b).
 - (iv) The Committee may recommend to the Company and the Company may make extra Company Matching Contributions to the Plan, pursuant to paragraph 3.1(b)(ii).
- (v) The non-vested Company Matching Contributions allocated to Highly Compensated Employees as of any date during the Plan Year may be forfeited as of the last day of the Plan Year, and the vested Company Matching Contributions allocated to any Highly Compensated Employee for the Plan Year may be paid to such Highly Compensated Employee, without the consent of either the Highly Compensated Employee or his Spouse, subject to the rules of subsection (e).
- (vi) Those 401(k) Contributions that are taken into account for this ACP test for any Highly Compensated Employee may be returned to such Highly Compensated Employee, without the consent of either the Highly Compensated Employee or his Spouse, subject to the rules of subsection (e).
- (d) Order of Correction. The method described in subsection 3.5(c) shall be employed first, during the Plan Year. If that method is not used during the Plan Year, or if the net effect of such method was insufficient for the ACP test to be satisfied, the Company has the discretion to use any one or more of the methods described in paragraphs (c)(i), (c)(ii), (c)(iii) and (c)(iv). If the Company does not choose to make the corrections described in paragraphs (c)(i), (c)(ii), (c)(iii), and (c)(iv) or if such corrections are insufficient to satisfy the ACP test, then the correction methods described in paragraphs (c)(v) and (c)(vi) shall be used, as described in subsection (e).
 - (e) Calculating the Corrective Reduction. If the correction methods described in paragraphs (c)(v) and (c)(vi) are to be used, the Committee shall determine the amount of the correction and then allocate that amount among the Highly Compensated Employees pursuant to Treasury Regulations. The correction under paragraph (c)(v) shall be accomplished by returning all of that Plan Year's vested Company Matching Contributions to the Highly Compensated Employee before any unvested Company Matching Contributions are forfeited. The correction under paragraph (c)(vi) shall be accomplished in the following order, to the extent necessary: 401(k) Contributions shall be recharacterized as Catch-Up Contributions to the extent possible, then unmatched 401(k) Contributions shall be returned to the Participant, then matched 401(k) Contributions shall be returned to the Participant and the corresponding Company Matching Contribution shall be returned to the Participant if vested and forfeited if not vested. If the corrections under paragraphs (c)(v) and (c)(vi) are done in tandem, the correction shall be accomplished in the following order, to the extent necessary: 401(k) Contributions shall be recharacterized as Catch-Up Contributions to the extent possible, then unmatched 401(k) Contributions shall be returned to the Participant, then the vested Company Matching Contribution shall be paid to the Participant, then matched 401(k) Contributions shall be returned to the Participant and the corresponding unvested Company Matching Contribution shall be forfeited. The amount of the correction shall be adjusted to reflect as nearly as possible the actual increase or decrease in the net value of the Trust Fund attributable to the correction through the business day immediately preceding the date as of which the correction is processed.

3.7 QNECs.

- (a) Time of Payment. QNECs shall be paid to the Plan no later than 12 months after the close of the Plan Year to which they relate.

- (b) Source. The Company may designate as a QNEC all or any portion of the Company Discretionary Contribution that is allocated to Non-Highly Compensated Employees. The designation of Company Contributions as QNECs shall be made before such contributions are made to the Trust Fund. If the Company inadvertently designates any Highly Compensated Employee's allocation as a QNEC, the designation shall be ineffective.
- (c) Allocation. The Company may make a contribution to the Plan, in addition to the Company Discretionary Contribution, that the Company designates as a QNEC. This subsection applies to such contributions. As of the last day of each Plan Year, the Committee shall allocate such QNECs for such Plan Year (including such forfeitures occurring during such Plan Year that are treated as QNECs pursuant to subsection 5.4(d)) to the Participant Contributions Accounts of those Non-Highly Compensated Employees who were Covered Employees on the last day of the Plan Year, as follows:
 - (i) QNECs shall be allocated to the Participant Contributions Account of the Non-Highly Compensated Employee with the least Compensation, until either the QNECs are exhausted or the Non-Highly Compensated Employee has received the maximum QNEC allocation that can be taken into account in the ADP test or the ACP test, whichever is applicable.
 - (ii) Any remaining QNECs shall be allocated to the Participant Contributions Account of the Non-Highly Compensated Employee with the next lowest Compensation, until either the QNECs are exhausted or the Non-Highly Compensated Employee has received the maximum QNEC allocation that can be taken into account in the ADP test or the ACP test, whichever is applicable.
 - (iii) The procedure in paragraph (ii) shall be repeated until all QNECs have been allocated.
- (d) Coordination with Top-Heavy Rules. All QNECs shall be treated in the same manner as a Company Discretionary Contribution for purposes of section 12.4.

3.8 QMACs.

- (a) Time of Payment. QMACs shall be paid to the Plan no later than 12 months after the close of the Plan Year to which they relate.
- (b) Source. The Company may designate as a QMAC all or any portion of the Company Matching Contributions that is allocated to Non-Highly Compensated Employees. The designation of Company Contributions as QMACs shall be made before such contributions are made to the Trust Fund. If the Company inadvertently designates any Highly Compensated Employee's allocation as a QMAC, the designation shall be ineffective.
- (c) Allocation. The Company may make a contribution to the Plan, in addition to the Company Matching Contribution, that the Company designates as a QMAC. This subsection applies to such contributions. As of the last day of each Plan Year, the Committee shall allocate such QMACs for such Plan Year (including such forfeitures occurring during such Plan Year that are treated as QMACs pursuant to subsection 5.4(d)) to the Participant Contributions Accounts of those Non-Highly Compensated Employees who were Covered Employees on the last day of the Plan Year and who made Participant Contributions for the Plan Year, as follows:
 - (i) QMACs shall be allocated to the Participant Contributions Account of the Non-Highly Compensated Employee with the least Compensation, until either the QMACs are exhausted or the Non-Highly Compensated Employee has received the maximum QMAC allocation that can be taken into account in the ADP test or the ACP test, whichever is applicable.
 - (ii) Any remaining QMACs shall be allocated to the Participant Contributions Account of the Non-Highly Compensated Employee with the next lowest Compensation, until either the QMACs are exhausted or the Non-Highly Compensated Employee has received the maximum QMAC allocation that can be taken into account in the ADP test or the ACP test, whichever is applicable.
 - (iii) The procedure in paragraph (ii) shall be repeated until all QMACs have been allocated.

- (d) Coordination with Top-Heavy Rules. All QMACs shall be treated in the same manner as a Company Discretionary Contribution for purposes of section 12.4.

ARTICLE IV
Interests in the Trust Fund

4.1 Participants' Accounts.

The Committee shall establish and maintain separate Accounts in the name of each Participant, but the maintenance of such Accounts shall not require any segregation of assets of the Trust Fund. Each Account shall contain the contributions specified below and the increase or decrease in the net worth of the Trust Fund attributable to such contributions.

- (a) Participant Contributions Account. A Participant Contributions Account shall be established for each Participant who makes Participant Contributions or who receives an allocation of QNECs or QMACs. The Committee may elect to establish subaccounts for the different types of contributions allocated to this Account.
- (b) Company Contributions Account. A Company Contributions Account shall be established for each Participant who receives an allocation of Company Discretionary Contributions that are not designated as QNECs or an allocation of Company Matching Contributions that are not designated as QMACs. The Committee may elect to establish subaccounts for the different types of contributions allocated to this Account.
- (c) Rollover Account. A Rollover Account shall be established for each Participant who makes a Rollover Contribution.

4.2 Valuation of Trust Fund.

- (a) General. The Trustee shall value the assets of the Trust Fund at least annually as of the last day of the Plan Year, and as of any other dates determined by the Committee, at their current fair market value and determine the net worth of the Trust Fund. In addition, the Committee may direct the Trustee to have a special valuation of the assets of the Trust Fund when the Committee determines, in its sole discretion, that such valuation is necessary or appropriate or in the event of unusual market fluctuations of such assets. Such special valuation shall not include any contributions made by Participants since the preceding Valuation Date, any Company Contributions for the current Plan Year, or any unallocated forfeitures. The Trustee shall allocate the expenses of the Trust Fund occurring since the preceding Valuation Date, pursuant to section 9.2, and then determine the increase or decrease in the net worth of the Trust Fund that has occurred since the preceding Valuation Date. The Trustee shall determine the share of the increase or decrease that is attributable to the non-separately accounted for portion of the Trust Fund and to any amount separately accounted for, as described in subsections (b) and (c).
- (b) Mandatory Separate Accounting. The Trustee shall separately account for (i) any individually directed investments permitted under section 9.3, and (ii) amounts subject to a Domestic Relations Order.
- (c) Permissible Separate Accounting. The Trustee may separately account for the following amounts to provide a more equitable allocation of any increase or decrease in the net worth of the Trust Fund:
- (i) the distributable amount of a Participant, pursuant to section 6.7, including any amount distributable to an Alternate Payee or to a beneficiary of a deceased Participant; and
 - (ii) Company Matching Contributions made since the preceding Valuation Date;
 - (iii) Participant Contributions that were received by the Trustee since the preceding Valuation Date;
 - (iv) Company Matching Contributions and 401(k) Contributions of Highly Compensated Employees that may need to be distributed or forfeited to satisfy the ADP and ACP tests of sections 3.5 or 3.6;
 - (v) Rollovers that were received by the Trustee since the preceding Valuation Date;

(vi) Any other amounts for which separate accounting will provide a more equitable allocation of the increase or decrease in the net worth of the Trust Fund.

4.3 Allocation of Increase or Decrease in Net Worth.

The Committee shall, as of each Valuation Date, allocate the increase or decrease in the net worth of the Trust Fund that has occurred since the preceding Valuation Date between the non-separately accounted for portion of the Trust Fund and the amounts separately accounted for that are identified in subsections 4.2(b) and 4.2(c). The increase or decrease attributable to the non-separately accounted for portion of the Trust Fund shall be allocated among the appropriate Accounts in the ratio that the dollar value of each such Account bore to the aggregate dollar value of all such Accounts on the preceding Valuation Date after all allocations and credits made as of such date had been completed. The Committee shall then allocate any amounts separately accounted for (including the increase or decrease in the net worth of the Trust Fund attributable to such amounts) to the appropriate Account(s) if such separate accounting is no longer necessary.

ARTICLE V
Amount of Benefits

5.1 Vesting Schedule.

A Participant shall have a fully vested and nonforfeitable interest in all his Account(s) upon his Normal Retirement Age if he is an Employee on such date, upon his death while an Employee or while on an approved leave of absence from the Company or an Affiliated Entity, or upon his termination of employment with the Company or an Affiliated Entity because of a Disability. In all other instances a Participant’s vested interest shall be calculated according to the following rules.

- (a) Participant Contributions Account and Rollover Account. A Participant shall be fully vested at all times in his Participant Contributions Account and his Rollover Account.
- (b) Company Contributions Account. A Participant shall become fully vested in his Company Contributions Account in accordance with the following schedule:

Period of Service	Vesting Percentage
Less than 1 year	0%
At least 1 year, but less than 2 years	20%
At least 2 years, but less than 3 years	40%
At least 3 years, but less than 4 years	60%
At least 4 years, but less than 5 years	80%
5 or more years	100%

- (c) Change of Control. The Company Contributions Accounts of all Participants shall be fully vested as of the effective date of a “change in control.” For purposes of this subsection, a “change of control” shall mean the event occurring when a person, partnership, or corporation, together with all persons, partnerships, or corporations acting in concert with each person, partnership, or corporation, or any or all of them, acquires more than 20% of Apache’s outstanding voting securities; provided that a change of control shall not occur if such persons, partnerships, or corporations acquiring more than 20% of Apache’s voting securities is solicited to do so by Apache’s board of directors, upon its own initiative, and such persons, partnerships, or corporations have not previously proposed to acquire more than 20% of Apache’s voting securities in an unsolicited offer made either to Apache’s board of directors or directly to the stockholders of Apache.
- (d) Plan Termination. A Company Contributions Account shall be fully vested as described in section 10.1, which discusses the full or partial termination of the Plan or the complete discontinuance of contributions.

5.2 Vesting After a Lapse in Apache Employment.

- (a) Separate Accounts. If a Participant is rehired before incurring a one-year Lapse in Apache Employment, he shall have only one Company Contributions Account, and its vested percentage shall be determined under section 5.1. If a Participant is rehired after incurring a one-year Lapse in Apache

Employment, he shall have two Company Contribution Accounts, an "old" Company Contributions Account for the contributions from his earlier episode of employment, and a "new" Company Contributions Account for his later episode of employment. If both the old and new Company Contributions Accounts are fully vested, they shall be combined into a single Company Contributions Account.

- (b) Vesting of New Account. The vested percentage of the new Company Contributions Account shall initially be determined based solely on the Participant's Period of Service after rehire. If the Participant satisfies one of the following sets of conditions, the vested percentage of the new Company Contributions Account shall be determined by aggregating his Periods of Service from both episodes of employment.
 - (i) The Participant had a vested balance in the Plan (ignoring his Rollover Account) during his first episode of employment, and he completes a one-year Period of Service after rehire.
 - (ii) The Participant did not have a vested balance in the Plan (ignoring his Rollover Account) during his first episode of employment, his Lapse in Apache Employment was for less than five years, and his Period of Service after rehire is longer than the Lapse in Apache Employment.
- (c) Vesting of Old Account. If the Participant's Lapse in Apache Employment was for five years or longer, the vested percentage of the old Company Contributions Account shall be based solely on the Participant's Period of Service from his first episode of employment. If the Participant's Lapse in Apache Employment was for less than five years, the vested percentage of the old Company Contributions Account shall be determined by aggregating his Periods of Service from both episodes of employment.

5.3 Calculating Service.

This section is effective as of January 1, 2005.

- (a) Period of Service.
 - (i) General. A Participant's Period of Service prior to January 1, 2005 shall be determined according to the provisions of the Plan in effect when the service was rendered. A Participant's Period of Service begins on the date he first begins to perform duties as an Employee for which he is entitled to payment, and ends on his Termination From Service Date. In addition, a Participant's Period of Service also includes the period between his Termination From Service Date and the day he again begins to perform duties for the Company or an Affiliated Entity for which he is entitled to payment, but only if such period is less than one year in duration.
 - (ii) Additional Rules. The service-crediting provisions in this paragraph are more generous than required by the Code.
 - (A) Leased Employees. For vesting purposes only, the Plan shall treat an individual as an Employee if he satisfies all the requirements specified in Code §414(n)(2) for being a leased employee of Apache's or an Affiliated Entity's, except for the requirement of having performed such services for at least one year.
 - (B) Approved Leave. If the Employee is absent from the Company or Affiliated Entity for more than one year because of an approved leave of absence (either with or without pay) for any reason (including, but not limited to, jury duty) and the Employee returns to work at or prior to the expiration of his leave of absence, no Termination From Service Date will occur during the leave of absence.
 - (C) Servicemen. See Article XV for special provisions that apply to Servicemen.
 - (D) Corporate Transactions. See Appendix C for instances in which a new Employee's Period of Service includes his prior employment with another company.
 - (E) Contractors. If an "eligible contractor" becomes an Employee, his Period of Service shall include his previous continuous service as an eligible contractor, excluding any service provided before 2003. An "eligible contractor" is an individual who (A) performed services for Apache or an Affiliated Entity on a substantially full-time basis in the

capacity of an independent contractor (for federal income tax purposes); (B) became an Employee within a month of ceasing to be an independent contractor working full-time for Apache or an Affiliated Entity; and (C) notified the Plan of his prior service as an independent contractor within two months of becoming an Employee (or, if later, by February 28, 2006).

(b) Termination From Service Date.

- (i) Usual Rule. If the Employee quits, is discharged, retires, or dies, his Termination From Service Date occurs on the last day the Employee performs services for the Company or an Affiliated Entity, except for an Employee who incurs a Disability, in which case his Termination From Service Date does not occur, even if he quits, until the earlier of the one-year anniversary of the date his Disability or the date he recovers from his Disability.
 - (ii) Other Absences. If an Employee is absent from the Company and Affiliated Entities for any reason other than a quit, discharge, or retirement, his "Termination From Service Date" is the earlier of (A) the date he quits, is discharged, retires, or dies, or (B) one year from the date the Employee is absent from the Company or Affiliated Entity for any other reason (such as vacation, holiday, sickness, disability, leave of absence, or temporary lay-off), with the following exception. If the Employee is absent from the Company or Affiliated Entity because of parental leave (which includes only the pregnancy of the Employee, the birth of the Employee's child, the placement of a child with the Employee in connection with adoption of such child by the Employee, or the caring for such child immediately following birth or placement) on the first anniversary of the day the Employee was first absent, his Termination From Service Date does not occur until the second anniversary of the day he was first absent (and the period between the first and second anniversaries of the day he was first absent shall not be counted in his Period of Service).
- (c) Lapse in Apache Employment. A Lapse in Apache Employment means the period commencing on an individual's Termination from Service Date and ending on the date he again begins to perform services as an Employee.

5.4 Forfeitures.

(a) Exceptions to the Vesting Rules. The following rules supersede the vesting rules of section 5.1.

- (i) Excess Annual Additions. Annual Additions to a Participant's Accounts and any increase or decrease in the net worth of the Participant's Accounts attributable to such Annual Additions may be reduced to satisfy the limits described in section 3.4. Any reduction shall be used as specified in section 3.4.
- (ii) Excess Participant Contribution. Company Matching Contributions and any increase or decrease in the net worth of the Account(s) attributable to such contributions may be forfeited as of the last day of the Plan Year if the Participant Contribution that they matched was returned under paragraph 3.2(a)(ii) or 3.2(b)(ii) or subsection 3.5(d) or 3.6(c). Any such forfeiture shall be used as specified in subsection (d).
- (iii) Missing Individuals. A missing individual's vested Accounts may be forfeited as of the last day of any Plan Year, as provided in section 13.12. Any such forfeiture shall be used as specified in subsection (d).
- (iv) Excess Match. Company Matching Contributions that would violate Code §401(a)(17), and any increase or decrease in the net worth of the Account(s) attributable to such contributions, may be forfeited as specified in subsection 3.1(b). Any such reduction shall be used as specified in subsection 3.1(b).

(b) Regular Forfeitures. A Participant's non-vested interest in his Company Contributions Account shall be forfeited at the end of the Plan Year in which he terminates employment. Any such forfeiture shall be used as specified in subsection (d).

(c) Restoration of Forfeitures.

- (i) Missing Individuals. The forfeiture of a missing individual's Account(s), as described in section 13.12, shall be restored to such individual if the individual makes a claim for such amount.
- (ii) Regular Forfeitures.
 - (A) Rehire Within 5 Years. If a Participant is rehired before incurring a five-year Lapse in Apache Employment, and the Participant has received a distribution of his entire vested interest in his Company Contributions Account (with the result that the Participant forfeited his non-vested interest in such Account), then the exact amount of the forfeiture shall be restored to the Participant's Account. All the rights, benefits, and features available to the Participant when the forfeiture occurred shall be available with respect to the restored forfeiture. If such a Participant again terminates employment prior to becoming fully vested in his Company Contributions Account, the vested portion of his Company Contributions Account shall be determined by applying the vested percentage determined under section 5.1 to the sum of (x) and (y), then subtracting (y) from such sum, where: (x) is the value of the Participant's Company Contributions Account as of the Valuation Date immediately following his most recent termination of employment; and (y) is the amount previously distributed to the Participant on account of the prior termination of employment.
 - (B) Rehire After 5 Years. If a Participant is rehired after incurring a five-year Lapse in Apache Employment, then no amount forfeited from his Company Contributions Account shall be restored to that Account.
- (iii) Method of Forfeiture Restoration. Forfeitures that are restored shall be accomplished by an allocation of the forfeitures under subsection (d) or by a special Company Contribution pursuant to paragraph 3.1(c)(i).
- (d) Use of Forfeitures. The Committee shall decide how forfeitures are used. Forfeitures may be used (i) to restore Accounts as described in subsection (c), (ii) to pay those expenses of the Plan that are properly payable from the Trust Fund and that are not paid by the Company or Account Owners or charged to Accounts, or (iii) as any Company Contribution.

5.5 Transfers — Portability.

If any other employer adopts this or a similar profit sharing plan and enters into a reciprocal agreement with the Company that provides that (a) the transfer of a Participant from such employer to the Company (or vice versa) shall not be deemed a termination of employment for purposes of the plans, and (b) service with either or both employers shall be credited for purposes of vesting under both plans, then the transferred Participant's Account shall be unaffected by the transfer, except, if deemed advisable by the Committee, it may be transferred to the trustee of the other plan.

ARTICLE VI
Distribution of Benefits

6.1 Beneficiaries.

- (a) Designating Beneficiaries. Each Account Owner shall file with the Committee a designation of the beneficiaries and contingent beneficiaries to whom the distributable amount (determined pursuant to section 6.2) shall be paid in the event of the Account Owner's death. In the absence of an effective beneficiary designation as to any portion of the distributable amount after a Participant dies, such amount shall be paid to the Participant's surviving Spouse, or, if none, to his estate. In the absence of an effective beneficiary designation as to any portion of the distributable amount after any non-Participant Account Owner dies, such amount shall be paid to the Account Owner's estate. The Account Owner may change a beneficiary designation at any time and without the consent of any previously designated beneficiary.

- (b) Special Rule for Married Participants. If the Account Owner is a married Participant, his Spouse shall be the sole beneficiary unless the Spouse has consented to the designation of a different beneficiary. To be effective, the Spouse's consent must be in writing, witnessed by a notary public, and filed with the Committee. Any spousal consent shall be effective only as to the Spouse who signed the consent.
- (c) Special Rule for Divorces. If an Account Owner has designated his spouse as a primary or contingent beneficiary, and the Account Owner and spouse later divorce (or their marriage is annulled), then the former spouse will be treated as having pre-deceased the Account Owner for purposes of interpreting a beneficiary designation form completed prior to the divorce or annulment. This subsection will apply only if the Committee is informed of the divorce or annulment before payment to the former spouse is authorized.
- (d) Disclaimers. Any individual or legal entity who is a beneficiary may disclaim all or any portion of his interest in the Plan, provided that the disclaimer satisfies the requirements of Code §2518(b) and applicable state law. The legal guardian of a minor or legally incompetent person may disclaim for such person. The personal representative (or the individual or legal entity acting in the capacity of the personal representative according to applicable state law) may disclaim on behalf of a beneficiary who has died. The amount disclaimed shall be distributed as if the disclaimant had predeceased the individual whose death caused the disclaimant to become a beneficiary.

6.2 Consent

- (a) General. Except for distributions identified in subsection (b), distributions may be made only after the appropriate consent has been obtained under this subsection. Distributions to a Participant or to a beneficiary (other than a beneficiary of a deceased Alternate Payee) shall be made only with the Participant's or beneficiary's consent to the time of distribution. Distributions to an Alternate Payee or his beneficiary shall be made as specified in the QDRO and in accordance with section 13.9. To be effective, the consent must be filed with the Committee according to the procedures adopted by the Committee, within 90 days before the distribution is to commence. A consent once given shall be irrevocable after the distribution has been processed.
- (b) Exceptions to General Rule. Consent is not required for the following distributions:
 - (i) Corrective distributions under Article III that are returned to the Participant because the contribution is not deductible by the Company or because the contribution would exceed the limits of Code §401(a)(17), §415(c)(1), §402(g), §401(k)(3), §401(m)(2), §401(m)(9), §414(v)(2)(B)(i), or any other limitation of the Code;
 - (ii) Distributions required to comply with Code §401(a)(9);
 - (iii) Cashouts of small Accounts, as described in subsection 6.6(d) or paragraphs 6.6(e)(i) or 13.9(f)(ii);
 - (iv) Distributions required to comply with Code §401(a)(14);
 - (v) Distributions of invalid rollovers pursuant to subsection 3.2(d);
 - (vi) Distributions upon Plan termination pursuant to section 10.3; and
 - (vii) Distributions that must occur by a deadline specified in the Plan.

6.3 Distributable Amount

The distributable amount of an Account Owner's Account(s) is the vested portion of the Account(s) (as determined by Article V) as of the Valuation Date coincident with or next preceding the date distribution is made, reduced by (a) any amount that is payable to an Alternate Payee pursuant to section 13.9, (b) any amount withdrawn since such Valuation Date, and (c) the outstanding balance of any loan under Article VII. Furthermore, the Committee shall temporarily suspend or limit distributions (by reducing the distributable amount), as explained in subsection 13.9, when the Committee is informed that a Domestic Relations Order affecting the Participant's Accounts is or may be in the process of becoming QDRO, while the Committee has suspended withdrawals because it believes that the Plan may have a cause of action against the Participant, or when the Plan has notice of a lien or other claim against the Participant.

6.4 Manner of Distribution.

- (a) General. The distributable amount shall be paid in a single payment, except as otherwise provided in the remainder of this section. Distributions shall be in the form of cash except to the extent that an Account is invested in a fund containing primarily Company Stock, the distributee may elect to receive a distribution of whole shares of Company Stock. Fractional shares of Company Stock shall be converted to and paid in cash.
- (b) Partial Withdrawals and Installments. Withdrawals are available to Employees as specified in section 6.5 and to those Employees over 70½ who are Five-Percent Owners, as described in paragraph 6.6(c)(ii). Annual installments are available to beneficiaries as described in subsection 6.6(e).
- (c) Grandfather Rules. Installments were a distribution option under the Plan until June 30, 2001. Any Account Owner who could receive a distribution before July 1, 2001 and who elected before July 1, 2001 to receive the distribution in the form of installments shall receive the benefit so elected. An Account Owner who elected installments may elect to accelerate any or all remaining installment payments.

6.5 In-Service Withdrawals.

An Employee may withdraw amounts from his Accounts only as provided in this section. An Employee may make withdrawals as follows.

- (a) Withdrawals for Employees Age 59½ or Older. An Employee who has attained age 59½ may at any time thereafter withdraw any portion of his Participant Contributions Account and any vested portion of his Company Contributions Account. The minimum withdrawal is \$1,000 or the vested Account balance, whichever is less. Only two withdrawals are permitted during each Plan Year under this subsection. If the Employee is not fully vested in his Company Contributions Account at the time of a withdrawal under this subsection, the rules of subparagraph 5.4(c)(ii)(A) shall be applied when determining the vested portion of the Company Contributions Account at any time thereafter.
- (b) Rollover Account. An Employee may withdraw all or any portion of his Rollover Account at any time. The minimum withdrawal is \$1,000 or the Rollover Account balance, whichever is less. Only two withdrawals from the Rollover Account are permitted during each Plan Year.
- (c) Participant Contributions Account. An Employee may withdraw all or any portion of his Participant Contributions, provided that the Employee has an immediate and heavy financial need, as defined in paragraph (i), the withdrawal is needed to satisfy the financial need, as explained in paragraph (ii), and the amount of the withdrawal does not exceed the limits in paragraph (iii).
 - (i) Financial Need. The following expenses constitute an immediate and heavy financial need: (A) expenses for or necessary to obtain medical care that would be deductible by the Employee under Code §213(d) (determined without regard to whether the expenses exceed 7.5% of adjusted gross income); (B) costs directly related to the purchase of a principal residence of the Employee (excluding mortgage payments); (C) payment of tuition, related educational fees, and room and board expenses for up to the next 12 months of post-secondary education of the Employee or the Employee's Spouse or the Employee's children or dependents (within the meaning of Code §152, without regard to Code §152(b)(1), §152(b)(2), and §152(d)(1)(B)); (D) payments necessary to prevent the Employee from being evicted from his or her principal residence; (E) payments necessary to prevent the mortgage on the Employee's principal residence from being foreclosed; (F) payment of burial or funeral expenses for the Employee's deceased parent, Spouse, child or other dependent (within the meaning of Code §152, without regard to Code §152(b)(1), §152(b)(2), and §152(d)(1)(B)); (G) expenses for the repair of damage to the Employee's principal residence that would qualify for the casualty deduction under Code §165 (determined without regard to whether the loss exceeds 10% of adjusted gross income); and (H) any other expense that, under IRS guidance of general applicability, is deemed to be on account of an immediate and heavy financial need. In addition, the Committee may determine, based on a review of all relevant facts and circumstances, that a particular expense or series of expenses of the Employee constitutes an immediate and heavy financial need.

- (ii) Satisfaction of Need. The withdrawal is deemed to be needed to satisfy the Employee's financial need if (A) the Employee has obtained all withdrawals and all non-taxable loans available from the Company's and any Affiliated Entities' plans of deferred compensation, qualified plans, stock options, stock purchase plans, and similar plans, and (B) for a period of at least 6 months from the date the Employee receives the withdrawal, he ceases to make Participant Contributions and elective contributions to all plans of deferred compensation, qualified plans, stock options, stock purchase plans, and similar plans maintained by the Company or any Affiliated Entity.
- (iii) Maximum Withdrawal. An Employee may not withdraw more than the sum of the amount needed to satisfy his financial need and any taxes and penalties reasonably anticipated to result from the withdrawal. An Employee may not withdraw any amount in excess of his Participant Contributions unless he has attained age 59½.
- (d) Compliance with Code §401(a)(9). See paragraph 6.6(b)(ii) for the required distributions to a Five-Percent Owner who is age 70½ or older.
- (e) Form of Payment of Withdrawal. Withdrawals under subsection (c) shall be in cash. Withdrawals under subsections (a) and (b) shall be in cash, except that any portion of a Participant's Accounts that is invested in Company Stock may, at the election of the Participant made at the time that notice of withdrawal is made to the Committee, be withdrawn in the form of whole shares of Company Stock.
- (f) Withdrawal Rules. An Employee may not withdraw any amount under this section that has been borrowed or that is subject to a QDRO. The Committee shall temporarily suspend or limit withdrawals under this section, as explained in section 13.9, when the Committee is informed that a QDRO affecting the Employee's Accounts is in process or may be in process. The Committee shall issue such rules as to the frequency of withdrawals, and withdrawal procedures, as it deems appropriate. The Committee may postpone the withdrawal until after the next Valuation Date. The Committee may have a special valuation of the Trust Fund performed before a withdrawal is permitted. The Plan may charge a fee for the withdrawal as well as a fee for having a special valuation performed, as determined by the Committee in its sole discretion.

6.6 Time of Distribution

- (a) Earliest Date of Distribution. Unless an earlier distribution is permitted by section 6.5 (relating to in-service withdrawals), the earliest date that a Participant may elect to receive a distribution is the date of his Termination of Employment or the date he incurs a Disability. This provision will always result in a distribution date that precedes the latest date of distribution specified in Code §401(a)(14). For purposes of Code §401(a)(14), if a Participant does not affirmatively elect a distribution, he shall be deemed to have elected to defer the distribution to a later date.
- (b) Latest Date of Distribution.
 - (i) Former Employees. A Participant who is not an Employee shall receive a single payment of his distributable amount by his Required Beginning Date. If a Five-Percent Owner terminates employment after his Required Beginning Date, the Plan shall distribute the entire distributable amount to him as soon as administratively practicable after the termination of employment.
 - (ii) Current Employees. An Employee who is not a Five-Percent Owner is not required to receive any distributions under this subsection. An Employee who is a Five-Percent Owner shall receive annual distributions of at least the minimum amount required to be distributed pursuant to Code §401(a)(9), which shall be calculated by using only the Participant's life expectancy, which shall be recalculated each year. A Five-Percent Owner may request that his first minimum required distribution be distributed in the calendar year preceding his Required Beginning Date; the Committee shall comply with this request if administrating practicable to do so.
- (c) Small Amounts. This subsection is effective as of March 28, 2005.
 - (i) \$1000 or Less. If the aggregate value of the nonforfeitable portion of a Participant's Accounts is \$1,000 or less on any date after his Termination of Employment, the Participant shall receive

a single payment of the distributable amount as soon as practicable, provided that the aggregate value is \$1,000 or less when the distribution is processed.

- (ii) **\$1000 to \$5000.** If paragraph (i) does not apply and the aggregate value of the nonforfeitable portion of a Participant's Accounts, ignoring his Rollover Account, is \$5,000 or less on any date after his Termination of Employment, then as soon as practicable the Plan shall pay the distributable amount to an individual retirement account or annuity within the meaning of Code §408(a) or §408(b) (collectively, an "IRA") for the Participant, unless the Participant affirmatively elects to receive the distribution directly or to have it paid in a direct rollover under section 6.7. The Committee shall select the trustee or custodian of the IRA as well as how the IRA shall be invested initially. The Plan shall notify the Participant (A) that the distribution has been made to an IRA and can be transferred to another IRA, (B) of the identity and contact information of the trustee or custodian of the IRA into which the distribution is made, and (C) of such other information as required to comply with Code §401(a)(31)(B)(i).
 - (iii) **Date Account Valued.** The Committee may elect to check the value of the Participant's Accounts on an occasional (rather than a daily) basis, to determine whether to apply the provisions of this subsection.
- (d) **Distribution Upon Participant's Death.**
- (i) **Small Accounts.** If the aggregate cash value of the nonforfeitable portion of a Participant's Accounts is \$5,000 or less at any time after the Participant's death and before any beneficiary elects to receive a distribution under this subsection, then each beneficiary shall each receive a single payment of his share of the distributable amount as soon as administratively practicable, provided that the aggregate value is \$5,000 or less when the distribution is processed. The Committee may elect to check the value of the Participant's Accounts on an occasional (rather than a daily) basis, to determine whether to apply the provisions of this paragraph.
 - (ii) **Larger Accounts.** If paragraph (i) does not apply, then each beneficiary may elect to have his distributable amount distributed in a single payment or in annual installments at any time after the Participant's death, within the following guidelines. No distribution shall be processed until the beneficiary's identity as a beneficiary is established. The entire distributable amount shall be distributed by the last day of the calendar year containing the fifth anniversary of the Participant's death. A beneficiary who has elected installments may elect to accelerate any or all remaining payments. If the Participant was a Five-Percent Owner who began to receive the minimum required distributions under paragraph (b)(ii), the distribution to each beneficiary must be made at least as rapidly as required by the method used to calculate the minimum required distributions that was in effect when the Five-Percent Owner died.
- (e) **Alternate Payee.** Distributions to an Alternate Payee shall be made in accordance with the provisions of the QDRO and pursuant to subsection 13.9.

6.7 **Direct Rollover Election.**

- (a) **General Rule.** A Participant, an Alternate Payee who is the Spouse or former Spouse of the Participant, or a surviving Spouse of a deceased Participant (collectively, the "distributee") may direct the Trustee to pay all or any portion of his "eligible rollover distribution" to an "eligible retirement plan" in a "direct rollover." This direct rollover option is not available to other Account Owners (non-Spouse beneficiaries and Alternate Payees who are not the Spouse or former Spouse of the Participant). Within a reasonable period of time before an eligible rollover distribution, the Committee shall inform the distributee of this direct rollover option, the appropriate withholding rules, other rollover options, the options regarding income taxation, and any other information required by Code §402(f). The distributee may waive the usual 30-day waiting period before receiving a distribution, and elect to receive his distribution as soon as administratively practicable after completing and filing his distribution election.
- (b) **Definition of Eligible Rollover Distribution.** An eligible rollover distribution is any distribution or in-service withdrawal other than (i) distributions required under Code §401(a)(9), (ii) distributions of amounts that have already been subject to federal income tax (such as defaulted loans or after-tax

voluntary contributions), other than a direct transfer to (A) another retirement plan that meets the requirements of Code §401(a) or §403(a), or (B) an individual retirement account or annuity described in Code §408(a) or §408(b), (iii) installment payments in a series of substantially equal payments made at least annually and (A) made over a specified period of ten or more years, (B) made for the life or life expectancy of the distributee, or (C) made for the joint life or joint life expectancy of the distributee and his designated beneficiary, (iv) a distribution to satisfy the limits of Code §415 or §402(g), (v) a deemed distribution of a defaulted loan from this Plan, to the extent provided in the regulations, (vi) a distribution to satisfy the ADP or ACP tests, (vii) any other actual or deemed distribution specified in the regulations issued under Code §402(c), or (viii) any hardship withdrawal by an Employee.

- (c) Definition of Eligible Retirement Plan. An eligible retirement plan is an individual retirement account or annuity described in Code §408(a) or §408(b), an annuity plan described in Code §403(a), an annuity contract described in Code §403(b), an eligible plan under Code §457(b) that is maintained by an eligible employer described in Code §457(e)(1)(A) (which generally includes state and local governments), or the qualified trust of a defined contribution plan described in Code §401(a), that accepts eligible rollover distributions.
- (d) Definition of Direct Rollover. A direct rollover is a payment by the Trustee to the eligible retirement plan specified by the distributee.

ARTICLE VII

Loans

The Committee is authorized, as one of the Plan fiduciaries responsible for investing Plan assets, to establish a loan program. The loan program shall become effective on the date determined by the Committee. The Committee shall administer the Plan's loan program in accordance with the following rules.

7.1 Availability

Loans are available only to Employees, Participants who are parties-in-interest (within the meaning of ERISA §3(14)), and beneficiaries who are parties-in-interest (collectively referred to in this section as "Borrowers"). The Committee shall temporarily reduce the amount a Participant may borrow or temporarily prevent the Participant from borrowing when, as described in section 13.9, the Committee is informed that a QDRO affecting the Participant's Accounts is in process or may be in process. Loans shall be temporarily unavailable to a prospective Borrower while the Committee has suspended loans because the Committee believes that the Plan may have a cause of action against the Participant, as explained in subsection 13.9(h).

7.2 Number of Loans

A Borrower may have no more than one loan outstanding. The Committee may change the maximum number of outstanding loans allowed at any time.

7.3 Loan Amount

The Committee may establish a minimum loan amount of no more than \$500. The Committee may require loans to be made in increments of no more than \$100. The amount that a Borrower may borrow is subject to the following limits.

- (a) A Borrower may not borrow more than the sum of the balance in his Participant Contributions Account and the balance in his Rollover Account.
- (b) At the time the loan from this Plan is made, the aggregate outstanding balance of all the Borrower's loans from all qualified plans maintained by the Company and Affiliated Entities, including the new loan from this Plan, shall not exceed 50% of the Borrower's vested interest in all qualified plans maintained by the Company and Affiliated Entities.
- (c) For purposes of this paragraph, the term "one-year maximum" means the largest aggregate outstanding balance, on any day in the one-year period ending on the day before the new loan from this Plan is obtained, of all loans to the Borrower from all qualified plans maintained by the Company and Affiliated Entities. For purposes of this paragraph, the term "existing loans" means the aggregate outstanding balance, on the day the new loan is made to the Borrower, of all loans to the Borrower from all qualified plans maintained by the Company and Affiliated Entities, excluding the new loan

from this Plan. If the existing loans are greater than or equal to the one-year maximum, then the new loan from this Plan shall not exceed \$50,000 minus the existing loans. If the existing loans are less than the one-year maximum, then the new loan from this Plan shall not exceed \$50,000 minus the one-year maximum.

For purposes of applying the above limits, the vested portion of the Borrower's accounts under this Plan and all other plans maintained by the Company and Affiliated Entities shall be determined without regard to any accumulated deductible employee contributions (as defined in Code §72(o)(5)(B)), and without regard to any amounts accrued while the Borrower was ineligible to obtain a loan (as described in subsection (a)). Notwithstanding the foregoing, the Committee may, in its sole discretion, establish lesser limits on the amounts that may be borrowed, which limits shall be applied in a non-discriminatory manner. The Committee shall temporarily reduce the amount a Participant may borrow or temporarily prevent the Participant from borrowing, as described in section 13.9, when the Committee is informed that a QDRO affecting the Participant's Accounts is in process or may be in process. No loan shall be made of amounts that are required to be distributed prior to the end of the term of the loan.

7.4 Interest

Each loan shall bear a reasonable rate of interest, which shall remain fixed for the duration of the loan. The Committee or its agent shall determine the reasonable rate of interest on the date the loan documents are prepared. The Committee shall have the authority to establish procedures from time to time for determining the rate of interest. In the absence of Committee action, the interest rate shall be equal to the prime lending rate, plus 1%, as published in the Wall Street Journal on the first day that such newspaper is published during the calendar quarter in which the loan documents are prepared.

7.5 Repayment

All loans shall be repaid, with interest, in substantially level amortized payments made not less frequently than quarterly. The maximum term for a loan is four years; the minimum term for a loan is one year. The Committee has the authority to decrease the minimum term for future loans and the authority to increase the maximum term for future loans to no more than five years. Loan repayments shall be accelerated, and all loans shall be payable in full on the date the Borrower separates from service (if the Borrower is an Employee), the date the Borrower becomes ineligible to borrow from the Plan under to section 7.1, and on any other date or any other contingency as determined by the Committee. If the Borrower is an Employee, loans shall be repaid through payroll withholding unless (a) the Employee is pre-paying his loan, in which case the pre-payment need not be through payroll withholding, or (b) the Employee is on an unpaid leave of absence, in which case he may pay any installment by personal check. Partial pre-payments are accepted.

7.6 Default

A loan shall be in default if any installment is not paid by the end of the calendar quarter following the calendar quarter in which the installment was due. Upon default, the Committee may, in addition to all other remedies, apply the Borrower's Plan accounts toward payment of the loan; however, the Trustee may not exercise such right of set-off with respect to the Borrower's Participant Contributions Account until such account has become payable, pursuant to section 6.5 or 6.6.

7.7 Administration

A Borrower shall apply for a loan by completing the application procedures specified by the Committee. Until changed by the Committee, a Borrower shall apply for a loan by calling the Trustee and completing a voice application. The loan shall be processed in accordance with reasonable procedures adopted from time to time by the Committee. The Committee may impose a loan application fee, a loan origination fee, a loan pre-payment fee, and loan maintenance fees. All loans shall be evidenced by a promissory note and shall be fully secured. No Borrower whose Plan accounts are so pledged may obtain distribution of any portion of the accounts that have been pledged. The rights of the Trustee under such pledge shall have priority over all claims of the Borrower, his beneficiaries, and creditors. Each loan shall be treated as a directed investment. Any increase or decrease in the net worth of the Trust Fund attributable to such loan shall be allocated solely to the Plan accounts of the Borrower.

ARTICLE VIII

Allocation of Responsibilities — Named Fiduciaries

8.1 No Joint Fiduciary Responsibilities.

The Trustee(s) and the Committee shall be the named fiduciaries under the Plan and Trust agreement and shall be the only named fiduciaries thereunder. The fiduciaries shall have only the responsibilities specifically allocated to them herein or in the Trust agreement. Such allocations are intended to be mutually exclusive and there shall be no sharing of fiduciary responsibilities. Whenever one named fiduciary is required by the Plan or Trust agreement to follow the directions of another named fiduciary, the two named fiduciaries shall not be deemed to have been assigned a shared responsibility, but the responsibility of the named fiduciary giving the directions shall be deemed his sole responsibility, and the responsibility of the named fiduciary receiving those directions shall be to follow them insofar as the instructions are on their face proper under applicable law.

8.2 The Company.

The Company shall be responsible for: (a) making Company Contributions; (b) certifying to the Trustee the names and specimen signatures of the members of the Committee acting from time to time; (c) keeping accurate books and records with respect to its Employees and the appropriate components of each Employee's Compensation and furnishing such data to the Committee; (d) selecting agents and fiduciaries to operate and administer the Plan and Trust; (e) appointing an investment manager if it determines that one should be appointed; and (f) reviewing periodically the performance of such agents, managers, and fiduciaries.

8.3 The Trustee.

The Trustee shall be responsible for: (a) the investment of the Trust Fund to the extent and in the manner provided in the Trust agreement; (b) the custody and preservation of Trust assets delivered to it; and (c) the payment of such amounts from the Trust Fund as the Committee shall direct.

8.4 The Committee — Plan Administrator.

The board of directors of Apache shall appoint an administrative Committee consisting of no fewer than three individuals who may be, but need not be, Participants, officers, directors, or Employees of the Company. If the board of directors does not appoint a Committee, Apache shall act as the Committee under the Plan. The members of the Committee shall hold office at the pleasure of the board of directors and shall service without compensation. The Committee shall be the Plan's "administrator" as defined in section 3(16)(A) of ERISA. It shall be responsible for establishing and implementing a funding policy consistent with the objectives of the Plan and with the requirements of ERISA. This responsibility shall include establishing (and revising as necessary) short-term and long-term goals and requirements pertaining to the financial condition of the Plan, communicating such goals and requirements to the persons responsible for the various aspects of the Plan operations, and monitoring periodically the implementation of such goals and requirements. The Committee shall publish and file or cause to be published and filed or disclosed all reports and disclosures required by federal or state laws.

8.5 Committee to Construe Plan.

- (a) The Committee shall administer the Plan and shall have all discretion, power, and authority necessary for that purpose, including, but not by way of limitation, the full and absolute discretion and power to interpret the Plan, to determine the eligibility, status, and rights of all individuals under the Plan, and in general to decide any dispute and all questions arising in connection with the Plan. The Committee shall direct the Trustee concerning all distributions from the Trust Fund, in accordance with the provisions of the Plan, and shall have such other powers in the administration of the Trust Fund as may be conferred upon it by the Trust agreement. The Committee shall maintain all Plan records except records of the Trust Fund.
- (b) The Committee may adjust the Account(s) of any Participant, in order to correct errors and rectify omissions, in such manner as the Committee believes will best result in the equitable and nondiscriminatory administration of the Plan.

8.6 Organization of Committee.

The Committee shall adopt such rules as it deems desirable for the conduct of its affairs and for the administration of the Plan. It may appoint agents (who need not be members of the Committee) to whom it may delegate such powers as it deems appropriate, except that any dispute shall be determined by the Committee. The Committee may make its determinations with or without meetings. It may authorize one or more of its members or agents to sign instructions, notices and determinations on its behalf. If a Committee decision or action affects a relatively small percentage of Plan Participants including a Committee member, such Committee member shall not participate in the Committee decision or action. The action of a majority of the disinterested Committee members shall constitute the action of the Committee.

8.7 Agent for Process.

Apache's Vice President, General Counsel, and Secretary shall be the agents of the Plan for service of all process.

8.8 Indemnification of Committee Members.

The Company shall indemnify and hold the members of the Committee, and each of them, harmless from the effects and consequences of their acts, omissions, and conduct in their official capacities, except to the extent that the effects and consequences thereof shall result from their own willful misconduct, breach of good faith, or gross negligence in the performance of their duties. The foregoing right of indemnification shall not be exclusive of the rights to which each such member may be entitled as a matter of law.

8.9 Conclusiveness of Action.

Any action taken by the Committee on matters within the discretion of the Committee shall be conclusive, final and binding upon all participants in the Plan and upon all persons claiming any rights hereunder, including alternate payees and beneficiaries.

8.10 Payment of Expenses.

The members of the Committee shall serve without compensation but their reasonable expenses shall be paid by the Company. The compensation or fees of accountants, counsel, and other specialists and any other costs of administering the Plan or Trust Fund may be paid by the Company or Account Owners or may be charged to the Trust Fund, to the extent permissible under ERISA.

ARTICLE IX

Trust Agreement — Investments

9.1 Trust Agreement.

Apache has entered into a Trust agreement to provide for the holding, investment, and administration of the funds of the Plan. The Trust agreement shall be part of the Plan, and the rights and duties of any individual under the Plan shall be subject to all terms and provisions of the Trust agreement.

9.2 Plan Expenses.

- (a) General. Except as provided in subsection (b), (i) all taxes upon or in respect of the Plan and Trust shall be paid out of Plan assets, and all expenses of administering the Plan and Trust shall be paid out of Plan assets, to the extent permitted by law and to the extent such taxes and expenses are not paid by the Company or an Account Owner, and (ii) the Committee shall have full discretion to determine how each tax or expense that is not paid by the Company shall be paid and the Committee shall have full discretion to determine how each tax or expense that is paid out of Plan assets shall be allocated. No fiduciary shall receive any compensation for services rendered to the Plan if the fiduciary is being compensated on a full time basis by the Company or an Affiliated Entity.
- (b) Individual Expenses. To the extent not paid by the Company or an Account Owner, all expenses of individually directed transactions, including without limitation the Trustee's transaction fee, brokerage commissions, transfer taxes, interest on insurance policy loans, and any taxes and penalties that may be imposed as a result of an individual's investment direction, shall be assessed against the Account(s) of the Account Owner directing such transactions.

9.3 Investments.

- (a) §404(c) Plan. The Plan is intended to be a plan described in ERISA §404(c). To the extent that an Account Owner exercises control over the investment of his Accounts, no person who is a fiduciary shall be liable for any loss, or by reason of any breach, that is the direct and necessary result of the Account Owner's exercise of control.
- (b) Directed Investments. Accounts shall be invested, upon direction of each Account Owner made in a manner acceptable to the Committee, in any one or more of a series of investment funds designated by the Committee or to the extent permitted by the Committee in a brokerage arrangement. One or more such funds may, at the sole discretion of the Committee, consist of shares of Company Stock. If so directed by Account Owners, up to 100% of the Accounts under the Plan may be invested in Company Stock. The funds available for investment and the principal features thereof, including a general description of the investment objectives, the risk and return characteristics, and the type and diversification of the investment portfolio of each fund, shall be communicated to the Account Owners in the Plan from time to time. Any changes in such funds shall be immediately communicated to all Account Owners.
- (c) Absence of Directions. To the extent that an Account Owner fails to affirmatively direct the investment of his Accounts, the Committee shall direct the Trustee in writing concerning the investment of such Accounts. The Committee shall act by majority vote. Any dissenting member of the Committee shall, having registered his dissent in writing, thereafter cooperate to the extent necessary to implement the decision of the Committee.
- (d) Change in Investment Directions. Account Owners may change their investment directions, with respect to the investment of new contributions and with respect to the investment of existing amounts allocated to Accounts, on any business day, subject to any restrictions and limitations imposed by the Trustee, investment funds, or brokerage arrangement. The Committee shall establish procedures for giving investment directions, which shall be in writing and communicated to Account Owners.

ARTICLE X

Termination and Amendment

10.1 Termination of Plan or Discontinuance of Contributions.

Apache expects to continue the Plan indefinitely, but the continuance of the Plan and the payment of contributions are not assumed as contractual obligations. Apache may terminate the Plan or discontinue contributions at any time. Upon the termination of the Plan or the complete discontinuance of contributions, each Participant's Accounts shall become fully vested. Upon the partial termination of the Plan, the Accounts of all affected Participants shall become fully vested. The only Participants who are affected by a partial termination are those whose employment with the Company or Affiliated Entity is terminated as a result of the corporate event causing the partial termination; Employees terminated for cause and those who leave voluntarily are not affected by a partial termination.

10.2 Allocations upon Termination or Discontinuance of Company Contributions.

Upon the termination or partial termination of the Plan or upon the complete discontinuance of contributions, the Committee shall promptly notify the Trustee of such termination or discontinuance. The Trustee shall then determine, in the manner prescribed in section 4.2, the net worth of the Trust Fund as of the close of the business day specified by the Committee. The Trustee shall advise the Committee of any increase or decrease in such net worth that has occurred since the preceding Valuation Date. After crediting to the Participant Contributions Account of each Participant any amount contributed since the preceding Valuation Date, the Committee shall thereupon allocate, in the manner described in section 4.3, among the remaining Plan Accounts, in the manner described in Articles III, IV and V, any Company Contributions or forfeitures occurring since the preceding Valuation Date.

10.3 Procedure Upon Termination of Plan or Discontinuance of Contributions.

If the Plan has been terminated or partially terminated, or if a complete discontinuance of contributions to the Plan has occurred, then after the allocations required under section 10.2 have been completed, the Trustee shall distribute or transfer the Account(s) of affected Account Owners as follows.

- (a) No Other Plan. If the Company and Affiliated Entities are not treated, pursuant to the Treasury Regulations under Code §401(k), as maintaining another “alternative defined contribution plan,” the Trustee shall distribute each Account Owner’s entire Account in a single payment, after complying with the requirements of section 6.7. For purposes of this section only, an “alternative defined contribution plan” means a defined contribution plan that is not an employee stock ownership plan within the meaning of Code §4975(e)(7) or §409(a), a simplified employee pension within the meaning of Code §408(k), a SIMPLE IRA within the meaning of Code §408(p), a plan or contract that satisfies the requirements of Code §403(b), or a plan described in Code §457(b) or §457(f).
- (b) Other Plan Maintained. If the Company and Affiliated Entities are treated, pursuant to the Treasury Regulations under Code §401(k), as maintaining another “alternative defined contribution plan,” the Trustee shall (i) distribute the Accounts of each non-Participant Account Owner in a single payment, after complying with the requirements of section 6.7, and (ii) transfer the Accounts of each Participant to an alternative defined contribution plan. All the rights, benefits, features, and distribution restrictions with respect to the transferred amounts shall continue to apply to the transferred amounts unless a change is permitted pursuant to applicable IRS guidance of general applicability.
- (c) Form of Payment. A transfer made pursuant to this section may be in cash, in kind, or partly in cash and partly in kind. Any distribution made pursuant to this section may be in cash, in shares of Company Stock to the extent an Account is invested in Company Stock, or partly in cash and partly in shares of Company Stock. After all such distributions or transfers have been made, the Trustee shall be discharged from all obligation under the Trust; no Account Owner who has received any such distribution, or for whom any such transfer has been made, shall have any further right or claim under the Plan or Trust.

10.4 Amendment by Apache.

- (a) Amendment. Apache may at any time amend the Plan in any respect, without prior notice, subject to the following limitations. No amendment shall be made that would have the effect of vesting in the Company any part of the Trust Fund or of diverting any part of the Trust Fund to purposes other than for the exclusive benefit of Account Owners. The rights of any Account Owner with respect to contributions previously made shall not be adversely affected by any amendment. No amendment shall reduce or restrict, either directly or indirectly, the accrued benefit (within the meaning of Code §411(d)(6)) provided to any Account Owner before the amendment, except as permitted by the Code or IRS guidance of general applicability.
- (b) Amendment to Vesting Schedule. If the vesting schedule is amended, and it has the potential to provide slower vesting for one or more Participants, each such Participant with a three-year or longer Period of Service may elect to have his nonforfeitable percentage computed under the Plan without regard to such amendment. The period during which the election may be made shall commence with the date the amendment is adopted and shall end on the latest of: (i) 60 days after the amendment is adopted; (ii) 60 days after the amendment becomes effective; or (iii) 60 days after the Participant is issued written notice of the amendment by the Company or Committee. Furthermore, no amendment shall decrease the nonforfeitable percentage, measured as of the later of the date the amendment is adopted or effective, of any Account Owner’s Accounts.
- (c) Procedure. Each amendment shall be in writing. Each amendment shall be approved by Apache’s board of directors or by an officer of Apache who has the authority to amend the Plan. Each amendment shall be executed by an officer of Apache who has the authority to execute the amendment.

ARTICLE XI

Plan Adoption by Affiliated Entities

11.1 Adoption of Plan.

Apache may permit any Affiliated Entity to adopt the Plan and Trust for its Employees. Thereafter, such Affiliated Entity shall deliver to the Trustee a certified copy of the resolutions or other documents evidencing its adoption of the Plan and Trust. The Employees of the Affiliated Entity adopting the Plan shall not be

eligible to invest their Accounts in Company Stock until compliance with the applicable registration and reporting requirements of the securities laws.

11.2 Agent of Affiliated Entity.

By becoming a party to the Plan, each Affiliated Entity appoints Apache as its agent with authority to act for the Affiliated Entity in all transactions in which Apache believes such agency will facilitate the administration of the Plan. Apache shall have the sole authority to amend and terminate the Plan.

11.3 Disaffiliation and Withdrawal from Plan.

- (a) Disaffiliation. Any Affiliated Entity that has adopted the Plan and thereafter ceases for any reason to be an Affiliated Entity shall forthwith cease to be a party to the Plan.
- (b) Withdrawal. Any Affiliated Entity may, by appropriate action and written notice thereof to Apache, provide for the discontinuance of its participation in the Plan. Such withdrawal from the Plan shall not be effective until the end of the Plan Year.

11.4 Effect of Disaffiliation or Withdrawal.

If at the time of disaffiliation or withdrawal, the disaffiliating or withdrawing entity, by appropriate action, adopts a substantially identical plan that provides for direct transfers from this Plan, then, as to Account Owners associated with such entity, no plan termination shall have occurred; the new plan shall be deemed a continuation of this Plan for such Account Owners. In such case, the Trustee shall transfer to the trustee of the new plan all of the assets held for the benefit of Account Owners associated with the disaffiliating or withdrawing entity, and no forfeitures or acceleration of vesting shall occur solely by reason of such action. Such payment shall operate as a complete discharge of the Trustee, and of all organizations except the disaffiliating or withdrawing entity, of all obligations under this Plan to Account Owners associated with the disaffiliating or withdrawing entity. A new plan shall not be deemed substantially identical to this Plan if it provides slower vesting than this Plan. Nothing in this section shall authorize the divesting of any vested portion of a Participant's Account(s).

11.5 Actions Upon Disaffiliation or Withdrawal.

- (a) Distribution or Transfer. If an entity disaffiliates from Apache or withdraws from the Plan and the provisions of section 11.4 are not followed, then the following rules apply to the Account(s) of the Account Owners associated with the disaffiliating or withdrawing entity. The Account Owner's Accounts shall remain in this Plan until a distribution is processed under the usual rules of Article VI, unless the disaffiliating or withdrawing entity maintains another qualified plan that accepts direct transfers from this Plan, in which case the Committee may transfer the Account Owner's Accounts to the disaffiliating or withdrawing entity's plan without the consent of the Account Owner.
- (b) Form of Transfer. A transfer made pursuant to this section may be in cash, in kind, or partly in cash and partly in kind. Any distribution made pursuant to this section may be in cash, in shares of Company Stock to the extent an Account is invested in Company Stock, or partly in cash and partly in shares of Company Stock. After such distribution or transfer has been made, no Account Owner who has received any such distribution, or for whom any such transfer has been made, shall have any further right or claim under the Plan or Trust.

ARTICLE XII
Top-Heavy Provisions

12.1 Application of Top-Heavy Provisions.

The provisions of this Article XII shall be applicable only if the Plan becomes "top-heavy" as defined below for any Plan Year. If the Plan becomes "top-heavy" for a Plan Year, the provisions of this Article XII shall apply to the Plan effective as of the first day of such Plan Year and shall continue to apply to the Plan until the Plan ceases to be "top-heavy" or until the Plan is terminated or otherwise amended.

12.2 Determination of Top-Heavy Status.

The Plan shall be considered "top-heavy" for a Plan Year if, as of the last day of the prior Plan Year, the aggregate of the Account balances (as calculated according to the regulations under Code §416) of Key

Employees under this Plan (and under all other plans required or permitted to be aggregated with this Plan) exceeds 60% of the aggregate of the Account balances (as calculated according to the regulations under Code §416) in this Plan (and under all other plans required or permitted to be aggregated with this Plan) of all current Employees and all former Employees who terminated employment within one year of the last day of the prior Plan Year. This ratio shall be referred to as the “top-heavy ratio”. For purposes of determining the account balance of any Participant, (a) the balance shall be determined as of the last day of the prior Plan Year, (b) the balance shall also include any distributions to the Participant during the one-year period ending on the last day of the prior Plan Year, and (c) the balance shall also include, for distributions made for a reason other than separation from service or death or disability, any distributions to the Participant during the five-year period ending on the last day of the prior Plan Year. This shall also apply to distributions under a terminated plan that, if it had not been terminated, would have been required to be included in an aggregation group. The Account balances of a Participant who had once been a Key Employee, but who is not a Key Employee during the Plan Year, shall not be taken into account. The following plans must be aggregated with this Plan for the top-heavy test: (a) a qualified plan maintained by the Company or an Affiliated Entity in which a Key Employee participated during this Plan Year or during the previous four Plan Years and (b) any other qualified plan maintained by the Company or an Affiliated Entity that enables this Plan or any plan described in clause (a) to meet the requirements of Code §401(a)(4) or §410. The following plans may be aggregated with this Plan for the top-heavy test: any qualified plan maintained by the Company or an Affiliated Entity that, in combination with the Plan or any plan required to be aggregated with this Plan when testing this Plan for top-heaviness, would satisfy the requirements of Code §401(a)(4) and §410. If one or more of the plans required or permitted to be aggregated with this Plan is a defined benefit plan, a Participant’s “account balance” shall equal the present value of the Participant’s accrued benefit. If the aggregation group includes more than one defined benefit plan, the same actuarial assumptions shall be used with respect to each such defined benefit plan. The foregoing top-heavy ratio shall be computed in accordance with the provisions of Code §416(g), together with the regulations and rulings thereunder.

12.3 Special Vesting Rule.

Unless section 5.1 provides for faster vesting, the amount credited to the Participant’s Company Contributions Account shall vest in accordance with the following schedule during any top-heavy Plan Year:

Period of Service	Vesting Percentage
Less than 2 years	0%
At least 2 years, but less than 3 years	20%
At least 3 years, but less than 4 years	40%
At least 4 years, but less than 5 years	60%
At least 5 years, but less than 6 years	80%
6 or more years	100%

12.4 Special Minimum Contribution.

Notwithstanding the provisions of section 3.1, in every top-heavy Plan Year, a minimum allocation is required for each Non-Key Employee who both (a) performed one or more hours of service as an Employee during the Plan Year as a Covered Employee after satisfying the eligibility requirements of section 2.1, and (b) was an Employee on the last day of the Plan Year. The minimum allocation shall be a percentage of each Non-Key Employee’s Compensation. The percentage shall be the lesser of 3% or the largest percentage obtained for any Key Employee by dividing his Annual Additions (to this Plan and any other plan aggregated with this Plan) for the Plan Year by his Compensation for the Plan Year. If the Participant participates in both this Plan and the Apache Corporation Money Purchase Retirement Plan, then the Participant’s minimum allocation shall be provided in the Apache Corporation Money Purchase Retirement Plan. If this minimum allocation is not otherwise satisfied for any Non-Key Employee, the Company shall contribute the additional amount needed to satisfy this requirement to such Non-Key Employee’s Company Contributions Account.

12.5 Change in Top-Heavy Status.

If the Plan ceases to be a “top-heavy” plan as defined in this Article XII, and if any change in the benefit structure, vesting schedule, or other component of a Participant’s accrued benefit occurs as a result of such change in top-heavy status, the nonforfeitable portion of each Participant’s benefit attributable to Company Contributions shall not be decreased as a result of such change. In addition, each Participant with at least a

three-year Period of Service on the date of such change, may elect to have the nonforfeitable percentage computed under the Plan without regard to such change in status. The period during which the election may be made shall commence on the date the Plan ceases to be a top-heavy plan and shall end on the later of (a) 60 days after the change in status occurs, (b) 60 days after the change in status becomes effective, or (c) 60 days after the Participant is issued written notice of the change by the Company or the Committee.

ARTICLE XIII

Miscellaneous

13.1 Right To Dismiss Employees — No Employment Contract.

The Company and Affiliated Entities may terminate the employment of any employee as freely and with the same effect as if this Plan were not in existence. Participation in this Plan by an employee shall not constitute an express or implied contract of employment between the Company or an Affiliated Entity and the employee.

13.2 Claims Procedure.

- (a) General. Each claim for benefits shall be processed in accordance with the procedures that are established by the Committee. The procedures shall comply with the guidelines specified in this section. The Committee may delegate its duties under this section.
- (b) Representatives. A claimant may appoint a representative to act on his behalf. The Plan shall only recognize a representative if the Plan has received a written authorization signed by the claimant and on a form prescribed by the Committee, with the following exceptions. The Plan shall recognize a claimant's legal representative, once the Plan is provided with documentation of such representation. If the claimant is a minor child, the Plan shall recognize the claimant's parent or guardian as the claimant's representative. Once an authorized representative is appointed, the Plan shall direct all information and notification regarding the claim to the authorized representative and the claimant shall be copied on all notifications regarding decisions, unless the claimant provides specific written direction otherwise.
- (c) Extension of Deadlines. The claimant may agree to an extension of any deadline that is mentioned in this section that applies to the Plan. The Committee or the relevant decision-maker may agree to an extension of any deadline that is mentioned in this section that applies to the claimant.
- (d) Fees. The Plan may not charge any fees to a claimant for utilizing the claims process described in this section.
- (e) Filing a Claim. A claim is made when the claimant files a claim in accordance with the procedures specified by the Committee. Any communication regarding benefits that is not made in accordance with the Plan's procedures will not be treated as a claim.
- (f) Initial Claims Decision. The Plan shall decide a claim within a reasonable time up to 90 days after receiving the claim. The Plan shall have a 90-day extension, but only if the Plan is unable to decide within 90 days for reasons beyond its control, the Plan notifies the claimant of the special circumstances requiring the need for the extension by the 90th day after receiving the claim, and the Plan notifies the claimant of the date by which the Plan expects to make a decision.
- (g) Notification of Initial Decision. The Plan shall provide the claimant with written notification of the Plan's full or partial denial of a claim, reduction of a previously approved benefit, or termination of a benefit. The notification shall include a statement of the reason(s) for the decision; references to the plan provision(s) on which the decision was based; a description of any additional material or information necessary to perfect the claim and why such information is needed; a description of the procedures and deadlines for appeal; a description of the right to obtain information about the appeal procedures; and a statement of the claimant's right to sue.
- (h) Appeal. The claimant may appeal any adverse or partially adverse decision. To appeal, the claimant must follow the procedures specified by the Committee. The appeal must be filed within 60 days of the date the claimant received notice of the initial decision. If the appeal is not timely and properly filed, the initial decision shall be the final decision of the Plan. The claimant may submit documents,

written comments, and other information in support of the appeal. The claimant shall be given reasonable access at no charge to, and copies of, all documents, records, and other relevant information.

- (i) Appellate Decision. The Plan shall decide the appeal of a claim within a reasonable time of no more than 60 days from the date the Plan receives the claimant's appeal. The 60-day deadline shall be extended by an additional 60 days, but only if the Committee determines that special circumstances require an extension, the Plan notifies the claimant of the special circumstances requiring the need for the extension by the 60th day after receiving the appeal, and the Plan notifies the claimant of the date by which the Plan expects to make a decision. If an appeal is missing any information from the claimant that is needed to decide the appeal, the Plan shall notify the claimant of the missing information and grant the claimant a reasonable period to provide the missing information. If the missing information is not timely provided, the Plan shall deny the claim. If the missing information is timely provided, the 60-day deadline (or 120-day deadline with the extension) for the Plan to make its decision shall be increased by the length of time between the date the Plan requested the missing information and the date the Plan received it.
- (j) Notification of Decision. The Plan shall provide the claimant with written notification of the Plan's appellate decision (positive or adverse). The notification of any adverse or partially adverse decision shall include a statement of the reason(s) for the decision; reference to the plan provision(s) on which the decision was based; a statement of the claimant's right to sue; and a statement that the claimant is entitled to receive, free of charge and upon request, reasonable access to and copies of all documents, records, and other information relevant to the claim.
- (k) Discretionary Authority. The Committee shall have total discretionary authority to determine eligibility, status, and the rights of all individuals under the Plan and to construe any and all terms of the Plan.

13.3 Source of Benefits.

All benefits payable under the Plan shall be paid solely from the Trust Fund, and the Company and Affiliated Entities assume no liability or responsibility therefor.

13.4 Exclusive Benefit of Employees.

It is the intention of the Company that no part of the Trust, other than as provided in sections 3.3, 9.2, and 13.9 and Article VII hereof and the Trust Agreement, ever to be used for or diverted for purposes other than for the exclusive benefit of Participants, Alternate Payees, and their beneficiaries, and that this Plan shall be construed to follow the spirit and intent of the Code and ERISA.

13.5 Forms of Notices.

Wherever provision is made in the Plan for the filing of any notice, election, or designation by a Participant, Spouse, Alternate Payee, or beneficiary, the action of such individual may be evidenced by the execution of such form as the Committee may prescribe for the purpose. The Committee may also prescribe alternate methods for filing any notice, election, or designation (such as telephone voice-response or e-mail).

13.6 Failure of Any Other Entity to Qualify.

If any entity adopts this Plan but fails to obtain or retain the qualification of the Plan under the applicable provisions of the Code, such entity shall withdraw from this Plan upon a determination by the Internal Revenue Service that it has failed to obtain or retain such qualification. Within 30 days after the date of such determination, the assets of the Trust Fund held for the benefit of the Employees of such entity shall be separately accounted for and disposed of in accordance with the Plan and Trust.

13.7 Notice of Adoption of the Plan.

The Company shall provide each of its Employees with notice of the adoption of this Plan, notice of any amendments to the Plan, and notice of the salient provisions of the Plan prior to the end of the first Plan Year. A complete copy of the Plan shall also be made available for inspection by Employees or any other individual with an Account balance under the Plan.

13.8 Plan Merger.

If this Plan is merged or consolidated with, or its assets or liabilities are transferred to, any other qualified plan of deferred compensation, each Participant shall be entitled to receive a benefit immediately after the merger, consolidation, or transfer that is equal to or greater than the benefit the Participant would have been entitled to receive immediately before the merger, consolidation, or transfer if this Plan had then been terminated.

13.9 Inalienability of Benefits — Domestic Relations Orders.

- (a) General. Except as provided in section 7.2, relating to Plan loans, subsection 6.1(d) relating to disclaimers, and subsections (b), (g), and (h) below, no Account Owner shall have any right to assign, alienate, transfer, or encumber his interest in any benefits under this Plan, nor shall such benefits be subject to any legal process to levy upon or attach the same for payment of any claim against any such Account Owner.
- (b) QDRO Exception. Subsection (a) shall apply to the creation, assignment, or recognition of a right to any benefit payable with respect to a Participant pursuant to a Domestic Relations Order unless such Domestic Relations Order is a QDRO, in which case the Plan shall make payment of benefits in accordance with the applicable requirements of any such QDRO.
- (c) QDRO Requirements. In order to be a QDRO, the Domestic Relations Order must satisfy the requirements of Code §414(p) and ERISA §206(d)(3). In particular, the Domestic Relations Order: (i) must specify the name and the last known mailing address of the Participant; (ii) must specify the name and mailing address of each Alternate Payee covered by the order; (iii) must specify either the amount or percentage of the Participant's benefits to be paid by the Plan to each such Alternate Payee, or the manner in which such amount or percentage is to be determined; (iv) must specify the number of payments or period to which such order applies; (v) must specify each plan to which such order applies; (vi) may not require the Plan to provide any type or form of benefit, or any option, not otherwise provided under the Plan, subject to the provisions of subsection (f); (vii) may not require the Plan to provide increased benefits (determined on the basis of actuarial value); and (viii) may not require the payment of benefits to an Alternate Payee if such benefits have already been designated to be paid to another Alternate Payee under another order previously determined to be a QDRO.
- (d) QDRO Payment Rules. In the case of any payment before an Employee has separated from service, a Domestic Relations Order shall not be treated as failing to meet the requirements of subsection (c) solely because such order requires that payment of benefits be made to an Alternate Payee (i) on or after the dates specified in subsection (f), (ii) as if the Employee had retired on the date on which such payment is to begin under such order (but taking into account only the Account balance on such date), and (iii) in any form in which such benefits may be paid under the Plan to the Employee. For purposes of this subsection, the Account balance as of the date specified in the QDRO shall be the vested portion of the Employee's Account(s) on such date.
- (e) QDRO Review Procedures and Suspension of Benefits. The Committee shall establish reasonable procedures to determine the qualified status of Domestic Relations Orders and to administer distributions under QDROs. Such procedures shall be in writing and shall permit an Alternate Payee to designate a representative to receive copies of notices. The Committee may temporarily prevent the Participant from borrowing from his Accounts and shall temporarily suspend distributions and withdrawals from the Participant's Accounts, except to the extent necessary to make the required minimum distributions under Code §401(a)(9), when the Committee receives a Domestic Relations Order or a draft of such an order that affects the Participant's Accounts or when one or the following individuals informs the Committee, orally or in writing, that a QDRO is in process or may be in process: the Participant, a prospective Alternate Payee, or counsel for the Participant or a prospective Alternate Payee. The Committee shall promulgate reasonable and non-discriminatory rules regarding such suspensions, including but not limited to how long such suspensions remain in effect. The procedures may allow the Participant to borrow such amounts from the Plan, subject to the limits of Article VII, and the Participant to receive such distributions and withdrawals from the Plan, subject to the rules of Articles VI and VII, as are consented to in writing by all prospective Alternate Payees identified in the Domestic Relations Order or, in the absence of a Domestic Relations Order, as are

consented to in writing by the prospective Alternate Payee(s) who informed the Committee that a QDRO was in process or may be in process. When the Committee receives a Domestic Relations Order it shall promptly notify the Participant and each Alternate Payee of such receipt and provide them with copies of the Plan's procedures for determining the qualified status of the order. Within a reasonable period after receipt of a Domestic Relations Order, the Committee shall determine whether such order is a QDRO and notify the Participant and each Alternate Payee of such determination. During any period in which the issue of whether a Domestic Relations Order is a QDRO is being determined (by the Committee, by a court of competent jurisdiction, or otherwise), the Committee shall separately account for the amounts payable to the Alternate Payee if the order is determined to be a QDRO. If the order (or modification thereof) is determined to be a QDRO within 18 months after the date the first payment would have been required by such order, the Committee shall pay the amounts separately accounted for (plus any interest thereon) to the individual(s) entitled thereto. However, if the Committee determines that the order is not a QDRO, or if the issue as to whether such order is a QDRO has not been resolved within 18 months after the date of the first payment would have been required by such order, then the Committee shall pay the amounts separately accounted for (plus any interest thereon) to the individual(s) who would have been entitled to such amounts if there had been no order. Any determination that an order is a QDRO that is made after the close of the 18-month period shall be applied prospectively only. If the Plan's fiduciaries act in accordance with fiduciary provision of ERISA in treating a Domestic Relations Order as being (or not being) a QDRO or in taking action in accordance with this subsection, then the Plan's obligation to the Participant and each Alternate Payee shall be discharged to the extent of any payment made pursuant to the acts of such fiduciaries.

- (f) Rights of Alternate Payee. The Alternate Payee shall have the following rights under the Plan:
- (i) Single Payment. The only form of payment available to an Alternate Payee is a single payment of the distributable amount (measured at the time the payment is processed). If the Alternate Payee is awarded more than the distributable amount, the Alternate Payee shall initially receive a distribution of the distributable amount, with additional payments made as soon as administratively convenient after more of the amount awarded to the Alternate Payee becomes distributable.
 - (ii) Timing of Distribution. Subject to the limits imposed by this paragraph, the Alternate Payee may choose (or the QDRO may specify) the date of the distribution. If the value of the nonforfeitable portion of an Alternate Payee's Account (ignoring any portion of the Participant's Rollover Account that was assigned to the Alternate Payee) is \$5,000 or less, the Alternate Payee shall receive a single payment of the distributable amount as soon as practicable (without the Alternate Payee's consent), provided that the value is \$5,000 or less when the distribution is processed. Otherwise, the distribution to the Alternate Payee may occur at any time after the Committee determines that the Domestic Relations Order is a QDRO and before the Participant's Required Beginning Date (unless the order is determined to be a QDRO after the Participant's Required Beginning Date, in which case the distribution to the Alternate Payee shall be made as soon as administratively practicable after the order is determined to be a QDRO).
 - (iii) Death of Alternate Payee. The Alternate Payee may designate one or more beneficiaries, as specified in section 6.1. When the Alternate Payee dies, the Alternate Payee's beneficiary shall receive a complete distribution of the distributable amount in a single payment as soon as administratively convenient.
 - (iv) Investing. An Alternate Payee may direct the investment of his Account pursuant to section 9.3.
 - (v) Claims. The Alternate Payee may bring claims against the Plan pursuant to section 13.2.
- (g) Exception for Misconduct towards the Plan. Subsection (a) shall not apply to any offset of a Participant's benefits against an amount that the Participant is ordered or required to pay to the Plan if the following conditions are met.
- (i) The order or requirement to pay must arise (A) under a judgment of conviction for a crime involving the Plan, (B) under a civil judgment (including a consent order or decree) entered by a

court in an action brought in connection with a violation (or alleged violation) of part 4 of subtitle B of title I of ERISA, or (iii) pursuant to a settlement agreement between the Secretary of Labor and the Participant, or a settlement agreement between the Pension Benefit Guaranty Corporation and the Participant, in connection with a violation (or alleged violation) of part 4 of subtitle B of title I of ERISA by a fiduciary or any other person.

- (ii) The judgment, order, decree, or settlement agreement must expressly provide for the offset of all or part of the amount ordered or required to be paid to the Plan against the Participant's benefits provided under the Plan.
- (iii) To the extent that the survivor annuity requirements of Code §401(a)(11) apply with respect to distributions from the Plan to the Participant, if the Participant is married at the time at which the offset is to be made, (A) either the Participant's Spouse must have already waived his right to a qualified preretirement survivor annuity and a qualified joint and survivor annuity or the Participant's Spouse must consent in writing to such offset with such consent witnessed by a notary public or representative of the Plan (or it is established to the satisfaction of a Plan representative that such consent may not be obtained by reason of circumstances described in Code §417(a)(2)(B)), or (B) the Participant's Spouse is ordered or required in such judgment, order, decree, or settlement to pay an amount to the Plan in connection with a violation of part 4 of subtitle B of title I of ERISA, or (C) in such judgment, order, decree, or settlement, the Participant's Spouse retains the right to receive a survivor annuity under a qualified joint and survivor annuity pursuant to Code §401(a)(11)(A)(i) and under a qualified preretirement survivor annuity provided pursuant to Code §401(a)(11)(A)(ii). The value of the Spouse's survivor annuity in subparagraph (C) shall be determined as if the Participant terminated employment on the date of the offset, there was no offset, the Plan permitted commencement of benefits only on or after Normal Retirement Age, the Plan provided only the "minimum-required qualified joint and survivor annuity," and the amount of the qualified preretirement survivor annuity under the Plan is equal to the amount of the survivor annuity payable under the "minimum-required qualified joint and survivor annuity." For purposes of this paragraph only, the "minimum-required qualified joint and survivor annuity" is the qualified joint and survivor annuity which is the actuarial equivalent of the Participant's accrued benefit (within the meaning of Code §411(a)(7)) and under which the survivor annuity is 50% of the amount of the annuity which is payable during the joint lives of the Participant and his Spouse.

The Committee shall temporarily prevent the Account Owner from borrowing from his Accounts and shall temporarily suspend distributions and withdrawals from his Accounts, except to the extent necessary to make the required minimum distributions under Code §401(a)(9), when the Committee has reason to believe that the Plan may be entitled to an offset of the Participant's benefits described in this subsection. The Committee shall promulgate reasonable and non-discriminatory rules regarding such suspensions, including but not limited to how long such suspensions remain in effect

- (h) Exception for Federal Liens. Subsection (a) shall not apply to the enforcement of a federal tax levy made pursuant to Code §6331, the collection by the United States on a judgment resulting from an unpaid tax assessment, or any debt or obligation that is permitted to be collected from the Plan under federal law (such as the Federal Debt Collection Procedures Act of 1977). The Committee may temporarily suspend distributions and withdrawals from an Account, except to the extent necessary to make the required minimum distributions under Code §401(a)(9), when the Committee has reason to believe that such a federal tax levy or other obligation has or will be received. The Committee shall promulgate reasonable and non-discriminatory rules regarding such suspensions, including but not limited to how long such suspensions remain in effect.

13.10 Payments Due Minors or Incapacitated Individuals.

If any individual entitled to payment under the Plan is a minor, the Committee shall cause the payment to be made to the custodian or representative who, under the state law of the minor's domicile, is authorized to receive funds on behalf of the minor. If any individual entitled to payment under this Plan has been legally adjudicated to be mentally incompetent or incapacitated, the Committee shall cause the payment to be made to the custodian or representative who, under the state law of the incapacitated individual's domicile, is

authorized to receive funds on behalf of the incapacitated individual. Payments made pursuant to such power shall operate as a complete discharge of the Trust Fund, the Trustee, and the Committee.

13.11 Uniformity of Application.

The provisions of this Plan shall be applied in a uniform and non-discriminatory manner in accordance with rules adopted by the Committee, which rules shall be systematically followed and consistently applied so that all individuals similarly situated shall be treated alike.

13.12 Disposition of Unclaimed Payments.

Each Participant, Alternate Payee, or beneficiary with an Account balance in this Plan must file with the Committee from time to time in writing his address, the address of each beneficiary (if applicable), and each change of address. Any communication, statement, or notice addressed to such individual at the last address filed with the Committee (or if no address is filed with the Committee then at the last address as shown on the Company's records) will be binding on such individual for all purposes of the Plan. Neither the Committee nor the Trustee shall be required to search for or locate any missing individual. If the Committee notifies an individual that he is entitled to a distribution and also notifies him that a failure to respond may result in a forfeiture of benefits, and the individual fails to claim his benefits under the Plan or make his address known to the Committee within a reasonable period of time after the notification, then the benefits under the Plan of such individual shall be forfeited. Any amount forfeited pursuant to this section shall be allocated pursuant to subsection 5.4(d). If the individual should later make a claim for this forfeited amount, the Company shall, if the Plan is still in existence, make a special contribution to the Plan equal to the forfeiture, and such amount shall be distributed to the individual; if the Plan is not then in existence, the Company shall pay the amount of the forfeiture to the individual.

13.13 Applicable Law.

This Plan shall be construed and regulated by ERISA, the Code, and, unless otherwise specified herein and to the extent applicable, the laws of the State of Texas excluding any conflicts-of-law provisions.

ARTICLE XIV
Matters Affecting Company Stock

14.1 Voting, Etc.

The shares of Company Stock in Accounts, whether or not vested, may be voted by the Account Owner to the same extent as if duly registered in the Account Owner's name. The Trustee or its nominee in which the shares are registered shall vote the shares solely as agent of the Account Owner and in accordance with the instructions of the Account Owner. If no instructions are received, the Trustee shall vote the shares of Company Stock for which it has received no voting instructions in the same proportions as the Account Owners affirmatively directed their shares of Company Stock to be voted unless the Trustee determines that a pro rata vote would be inconsistent with its fiduciary duties under ERISA. If the Trustee makes such a determination, the Trustee shall vote the Company Stock as it determines to be consistent with its fiduciary duties under ERISA. Each Account Owner who has Company Stock allocated to his Accounts shall direct the Trustee concerning the tender (as provided below) and the exercise of any other rights appurtenant to the Company Stock. The Trustee shall follow the directions of the Account Owner with respect to the tender.

14.2 Notices.

Apache shall cause to be mailed or delivered to each Account Owner copies of all notices and other communications sent to the Apache shareholders at the same times so mailed or delivered by Apache to its other shareholders.

14.3 Retention/Sale of Company Stock and Other Securities.

The Trustee is authorized and directed to retain the Company Stock and any other Apache securities acquired by the Trust except as follows:

- (a) In the normal course of Plan administration, the Trustee shall sell Company Stock to satisfy Plan administration and distribution requirements as directed by the Committee or in accordance with provisions of the Plan specifically authorizing such sales.

- (b) In the event of a transaction involving the Company Stock evidenced by the filing of Schedule 14D-1 with the Securities and Exchange Commission (“SEC”) or any other similar transaction by which any person or entity seeks to acquire beneficial ownership of 50% or more of the shares of Company Stock outstanding and authorized to be issued from time to time under Apache’s articles of incorporation (“tender offer”), the Trustee shall sell, convey, or transfer Company Stock pursuant to written instructions of Account Owners delivered to the Trustee in accordance with the following sections 14.4 through 14.15. For purposes of such provisions, the term “filing date” means the date relevant documents concerning a tender offer are filed with the SEC or, if such filing is not required, the date the Trustee receives actual notice that a tender offer has commenced.
- (c) If Apache makes any distribution of Apache securities with respect to the shares of Company Stock held in the Plan, other than additional shares of Company Stock (any such securities are hereafter referred to as “stock rights”), the Trustee shall sell, convey, transfer, or exercise such stock rights pursuant to written instructions of Account Owners delivered to the Trustee in accordance with the following sections of this Article.

14.4 Tender Offers.

- (a) Allocated Stock. In the event of any tender offer, each Account Owner shall have the right to instruct the Trustee to tender any or all shares of Company Stock, whether or not vested, that are allocated to his Accounts under the Plan on or before the filing date. The Trustee shall follow the instructions of the Account Owner. The Trustee shall not tender any Company Stock for which no instructions are received.
- (b) Unallocated Stock. The Trustee shall tender all shares of Company Stock that are not allocated to Accounts in the same proportion as the Account Owners directed the tender of Company Stock allocated to their Accounts unless the Trustee determines that a pro rata tender would be inconsistent with its fiduciary duties under ERISA. If the Trustee makes such a determination, the Trustee shall tender or not tender the unallocated Company Stock as it determines to be consistent with its fiduciary duties under ERISA.
- (c) Suspension of Share Purchases. In the event of a tender offer, the Trustee shall suspend all purchases of Company Stock pursuant to the Plan unless the Committee otherwise directs. Until the termination of such tender offer and pending such Committee direction, the Trustee shall invest available cash pursuant to the applicable provisions of the Plan and the Trust Agreement.
- (d) Temporary Suspension of Certain Cash Distributions. Notwithstanding anything in the Plan to the contrary, no option to receive cash in lieu of Company Stock shall be honored during the pendency of a tender offer unless the Committee otherwise directs.

14.5 Stock Rights.

- (a) General. If Apache makes a distribution of stock rights with respect to the Company Stock held in the Plan and if the stock rights become exercisable or transferable (the date on which the stock rights become exercisable or transferable shall be referred to as the “exercise date”), each Account Owner shall determine whether to exercise the stock rights, sell the stock rights, or hold the stock rights allocated to his Accounts. The provisions of this section shall apply to all stock rights received with respect to Company Stock held in Accounts, whether or not the Company Stock with respect to which the stock rights were issued are vested.
- (b) Independent Fiduciary. The Independent Fiduciary provided for in this section 14.15 below shall act with respect to the stock rights. All Account Owner directions concerning the exercise or disposition of the stock rights shall be given to the Independent Fiduciary, who shall have the sole responsibility of assuring that the Account Owners’ directions are followed.
- (c) Exercise of Stock Rights. If, on or after the exercise date, an Account Owner wishes to exercise all or a portion of the stock rights allocated to his Accounts, the Independent Fiduciary shall follow the Account Owner’s direction to the extent that there is cash or other liquid assets available in his Accounts to exercise the stock rights. Notwithstanding any other provision of the Plan, each Account Owner who has stock rights allocated to his Accounts shall have a period of five business days following the exercise date in which he may give instructions to the Committee to liquidate any of the

assets held in his Accounts (except shares of Company Stock or assets such as guaranteed investment contracts or similar investments), but only if he does not have sufficient cash or other liquid assets in his Accounts to exercise the stock rights. The liquidation of any necessary investments pursuant to an Account Owner's direction shall be accomplished as soon as reasonably practicable, taking into account any timing restrictions with respect to the investment funds involved. The cash obtained shall be used to exercise the stock rights, as the Account Owner directs. Any cash that is not so used shall be invested in a cash equivalent until the next date on which the Account Owner may change his investment directions under the Plan.

- (d) Sale of Stock Rights. On and after the exercise date, the Independent Fiduciary shall sell all or a portion of the stock rights allocated to Accounts, as the Account Owner shall direct.

14.6 Other Rights Appurtenant to the Company Stock

If there are any rights appurtenant to the Company Stock, other than voting, tender, or stock rights, each Account Owner shall exercise or take other appropriate action concerning such rights with respect to the Company Stock, whether or not vested, that is allocated to their Accounts in the same manner as the other holders of the Company Stock, by giving written instructions to the Trustee. The Trustee shall follow all such instructions, but shall take no action with respect to allocated Company Stock for which no instructions are received. The Trustee shall exercise or take other appropriate action concerning any such rights appurtenant to unallocated Company Stock.

14.7 Information to Trustee

Promptly after the filing date, the exercise date, or any other event that requires action with respect to the Company Stock, the Committee shall deliver or cause to be delivered to the Trustee or the Independent Fiduciary, as appropriate, a list of the names and addresses of Account Owners showing (i) the number of shares of Company Stock allocated to each Account Owner's Accounts under the Plan, (ii) each Account Owner's pro rata portion of any unallocated Company Stock, and (iii) each Account Owner's share of any stock rights distributed by Apache. The Committee shall date and certify the accuracy of such information, and such information shall be updated periodically by the Committee to reflect changes in the shares of Company Stock and other assets allocated to Accounts.

14.8 Information to Account Owners

The Trustee or the Independent Fiduciary, as appropriate, shall distribute and/or make available to each affected Account Owner the following materials:

- (a) A copy of the description of the terms and conditions of any tender offer filed with the SEC on Schedule 14D-1, or any similar materials if such filing is not required, any material distributed to shareholders generally with respect to the stock rights, and any proxy statements and any other material distributed to shareholders generally with respect to any action to be taken with respect to the Company Stock.
- (b) If requested by Apache, a statement from Apache's management setting forth its position with respect to a tender offer that is filed with the SEC on Schedule 14D-9 and/or a communication from Apache given pursuant to 17 C.F.R. 240.14d-9(e), or any similar materials if such filing or communications are not required.
- (c) An instruction form prepared by Apache and approved by the Trustee or the Independent Fiduciary, to be used by an Account Owner who wishes to instruct the Trustee to tender Company Stock in response to the tender offer, to instruct the Independent Fiduciary to sell or exercise stock rights, or to instruct the Trustee or Independent Fiduciary with respect to any other action to be taken with respect to the Company Stock. The instruction form shall state that (i) if the Account Owner fails to return an instruction form to the Trustee by the indicated deadline, the Trustee will not tender any shares of Company Stock the Account Owner is otherwise entitled to tender, (ii) the Independent Fiduciary will not sell or exercise any right allocated to the Account except upon the written direction of the Account Owner, (iii) the Trustee or Independent Fiduciary will not take any other action that the Account Owner could have directed, and (iv) Apache acknowledges and agrees to honor the confidentiality of the Account Owner's directions to the Trustee.

- (d) Such additional material or information as the Trustee or the Independent Fiduciary may consider necessary to assist the Account Owner in making an informed decision and in completing or delivering the instruction form (and any amendments thereto) to the Trustee or the Fiduciary on a timely basis.

14.9 Expenses.

The Trustee and the Independent Fiduciary shall have the right to require payment in advance by Apache and the party making the tender offer of all reasonably anticipated expenses of the Trustee and the Independent Fiduciary, respectively, in connection with the distribution of information to and the processing of instructions received from Account Owners.

14.10 Former Account Owners.

Apache shall furnish former Account Owners who have received distributions of Company Stock so recently as to not be shareholders of record with the information furnished pursuant to section 14.8. The Trustee and the Independent Fiduciary are hereby authorized to take action with respect to the Company Stock distributed to such former Account Owners in accordance with appropriate instructions from them. If the Trustee does not receive appropriate instructions, it shall take no action with respect to the distributed Company Stock.

14.11 No Recommendations.

Neither the Committee, the Committee Fiduciary, the Trustee, nor the Independent Fiduciary shall express any opinion or give any advice or recommendation to any Account Owner concerning voting the Company Stock, any tender offer, stock rights, or the exercise of any other rights appurtenant to the Company Stock, nor shall they have any authority or responsibility to do so. Neither the Trustee nor the Independent Fiduciary has any duty to monitor or police the party making a tender offer or Apache in promoting or resisting a tender offer; provided, however, that if the Trustee or the Independent Fiduciary becomes aware of activity that on its face reasonably appears to the Trustee or Independent Fiduciary to be materially false, misleading, or coercive, the Trustee or the Independent Fiduciary, as the case may be, shall promptly demand that the offending party take appropriate corrective action. If the offending party fails or refuses to take appropriate corrective action, the Trustee or the Independent Fiduciary, as the case may be, shall communicate with affected Account Owners in such manner as it deems advisable.

14.12 Trustee to Follow Instructions.

- (a) So long as the Trustee and the Independent Fiduciary, as the case may be, have determined that the Plan is in compliance with ERISA §404(c), the Trustee or the Independent Fiduciary shall tender, deal with stock rights, and act with respect to any other rights appurtenant to the Company Stock, pursuant to the terms and conditions of the particular transaction or event, and in accordance with instructions received from Account Owners. Except for voting, the Trustee or the Independent Fiduciary shall take no action with respect to Company Stock, stock rights, or other appurtenant rights for which no instructions are received, and such Company Stock, stock rights, or other appurtenant rights shall be treated like all other Company Stock, stock rights, or other appurtenant rights for which no instructions are received. The Trustee, or if an Independent Fiduciary has been appointed, the Independent Fiduciary, shall vote the allocated Company Stock that an Account Owner does not vote as specified in section 14.1.
- (b) If the Trustee or Independent Fiduciary determines that the Plan does not satisfy the requirements of ERISA §404(c), the Trustee or Independent Fiduciary shall follow the instructions of the Account Owner with respect to voting, tender, stock rights, or other rights appurtenant to the Company Stock unless the Trustee or Independent Fiduciary determines that to do so would be inconsistent with its fiduciary duties under ERISA. In such case, the Trustee or the Independent Fiduciary shall take such action as it determines to be consistent with its fiduciary duties under ERISA.

14.13 Confidentiality.

- (a) The Committee shall designate one of its members (the "Committee Fiduciary") to receive investment directions and to transmit such directions to the Trustee or Independent Fiduciary, as the case may be. The Committee Fiduciary shall also receive all Account Owner instructions concerning voting, tender, stock rights, and other rights appurtenant to the Company Stock. The Committee Fiduciary shall communicate the instructions to the Trustee or the Fiduciary, as appropriate.

- (b) Neither the Committee Fiduciary, the Trustee, nor the Independent Fiduciary shall reveal or release any instructions received from Account Owners concerning the Company Stock to Apache, an Affiliated Entity, or the officers, directors, employees, agents, or representatives of Apache and Affiliated Entities, except to the extent necessary to comply with Federal or state law not preempted by ERISA. If disclosure is required by Federal or state law, the information shall be disclosed to the extent possible in the aggregate rather than on an individual basis.
- (c) The Committee Fiduciary shall be responsible for reviewing the confidentiality procedures from time to time to determine their adequacy. The Committee Fiduciary shall ensure that the confidentiality procedures are followed. The Committee Fiduciary shall also ensure that the Independent Fiduciary provided for in section 14.15 is appointed.
- (d) Apache, with the Trustee's cooperation, shall take such action as is necessary to maintain the confidentiality of Account records including, without limitation, establishment of security systems and procedures which restrict access to Account records and retention of an independent agent to maintain such records. If an independent recordkeeping agent is retained, such agent must agree, as a condition of its retention by Apache, not to disclose the composition of any Accounts to Apache, an Affiliated Entity or an officer, director, employee, or representative of Apache or an Affiliated Entity.
- (e) Apache acknowledges and agrees to honor the confidentiality of the Account Owners' instructions to the Committee Fiduciary, the Trustee, and the Independent Fiduciary. If Apache, by its own act or omission, breaches the confidentiality of Account Owner instructions, Apache agrees to indemnify and hold harmless the Committee Fiduciary, the Trustee, or the Independent Fiduciary, as the case may be, against and from all liabilities, claims and demands, damages, costs, and expenses, including reasonable attorneys' fees, that the Committee Fiduciary, the Trustee, or the Independent Fiduciary may incur as a result thereof.

14.14 Investment of Proceeds.

If Company Stock or the rights are sold pursuant to the tender offer or the provisions of the rights, the proceeds of such sale shall be invested in accordance with the provisions of the Plan and the Trust Agreement.

14.15 Independent Fiduciary.

Apache shall appoint a fiduciary (the "Independent Fiduciary") to act solely with respect to the Company Stock in situations which the Committee Fiduciary determines involve a potential for undue influence by Apache in connection with the Company Stock and the exercise of any rights appurtenant to the Company Stock. If the Committee Fiduciary so determines, it shall give written notice to the Independent Fiduciary, which shall have sole responsibility for assuring that Account Owners receive the information necessary to make informed decisions concerning the Company Stock, are free from undue influence or coercion, and that their instructions are followed to the extent proper under ERISA. The Independent Fiduciary shall act until it receives written notice to the contrary from the Committee Fiduciary.

14.16 Method of Communications.

Several provisions in this Article specify that various communications to or from an Account Owner must be in writing. The Committee, the Committee Fiduciary, the Independent Fiduciary, the Company, and the Trustee, as appropriate, shall each have full authority to treat other forms of communication, such as electronic mail or telephone voice-response, as satisfying any "written" requirement specified in this Article, but only to the extent permitted by the IRS, the Department of Labor, and the Securities Exchange Commission, as appropriate.

ARTICLE XV

Uniformed Services Employment and Reemployment Rights Act of 1994

15.1 General.

- (a) Scope. The Uniformed Services Employment and Reemployment Rights Act of 1994 (the "USERRA"), which is codified at 38 USCA §§4301-4318, confers certain rights on individuals who leave civilian employment to perform certain services in the Armed Forces, the National Guard, the

commissioned corps of the Public Health Service, or in any other category designated by the President of the United States in time of war or emergency (collectively, the "Uniformed Services"). An Employee who joins the Uniformed Services shall be referred to as a "Serviceman" in this Article. This Article shall be interpreted to provide such individuals with all the benefits required by the USERRA but no greater benefits than those required by the USERRA. This Article shall supersede any contrary provisions in the remainder of the Plan.

- (b) **Rights of Servicemen.** When a Serviceman leaves the Uniformed Services, he may have reemployment rights with the Company or Affiliated Entities, depending on many factors, including the length of his stay in the Uniformed Services and the type of discharge he received. When this Article speaks of the date a Serviceman's potential USERRA reemployment rights expire, it means the date on which the Serviceman fails to qualify for reemployment rights (if, for example, he is dishonorably discharged, or remains in the Uniformed Services for more than 5 years) or, if the Serviceman obtains reemployment rights, the date his reemployment rights lapse because the Serviceman failed to timely exercise those rights.

15.2 While a Serviceman.

In general, a Serviceman shall be treated as an Employee while he continues to receive wages from the Company or an Affiliated Entity, and once the Serviceman's wages from the Company or Affiliated Entity cease, the Serviceman shall be treated as if he were on an approved, unpaid leave of absence.

- (a) **Participant Contributions.** For purposes of making Participant Contributions under section 3.2, if the Serviceman was a Covered Employee when he became a Serviceman, he shall continue to be treated as a Covered Employee while he continues to receive wages from the Company. As a consequence, (i) if he was a Covered Employee who had satisfied the requirements of Article II when he became a Serviceman, he may continue to make Participant Contributions from his wages from the Company, and (ii) if he had not satisfied the requirements of section 2.1 when he became a Serviceman, his service in the Uniformed Services shall be treated as service with the Company in determining when he will be able to begin making Participant Contributions under section 2.1, and if his wages from the Company continue beyond that eligibility date, the Serviceman may begin to make Participant Contributions on such date. A Serviceman may change his rate of contributions in the same manner as an Employee. A Serviceman's Participant Contributions shall cease when his wages from the Company cease.
- (b) **Company Contributions.** Wages paid by the Company to a Serviceman shall be included in his Compensation as if the Serviceman were an Employee. A Serviceman's Participant Contributions shall be matched according to the formula in paragraph 3.1(b)(i). If the Employee was a Covered Employee when he became a Serviceman and his wages continue through the last business day of a Plan Year, then (i) the Serviceman shall be treated as an "eligible Participant" under subsection 3.1(a) for that Plan Year (and shall therefore receive an allocation of any Company Discretionary Contribution); (ii) the Serviceman shall be treated as an "eligible Participant" under paragraph 3.1(b)(ii) for that Plan Year (and shall therefore receive an allocation of any additional match provided under such paragraph); (iii) if he was a Non-Highly Compensated Employee when he became a Serviceman, he shall be eligible to receive an allocation of any QNECs and QMACs provided under subsections 3.7(c) and 3.8(c); and (iv) he shall be treated as an Employee under subsection 12.4(a) (and, if he is a Non-Key Employee, he shall therefore receive a minimum required allocation if the Plan is top-heavy).
- (c) **Investments.** If the Serviceman has an account balance in the Plan, he is an Account Owner and may therefore direct the investment of his Accounts pursuant to section 9.3 and Article XIV.
- (d) **Loans.** For purposes of borrowing from the Plan under Article VII, a Serviceman shall be treated as an Employee until the day on which his potential USERRA reemployment rights expire. If a Serviceman with an outstanding loan continues to receive wages from the Company or an Affiliated Entity after joining the Uniformed Services, his loan payments shall continue to be deducted from those wages. Once the Serviceman's wages cease, his loan payments shall be suspended until the earlier of (i) his reemployment with the Company or an Affiliated Entity or (ii) the day on which his potential USERRA reemployment rights expire. The Serviceman may repay all or part of his loan at any time

during the suspension. During the payment suspension, interest shall accrue on the unpaid balance of the loan. See subsections 15.3(b) and 15.4(c) for the resumption of loan payments for a reemployed Serviceman, and subsection 15.3(a) for the timing of the loan's default if the Serviceman is not reemployed.

- (e) Distributions and Withdrawals. For purposes of Article VI (relating to distributions and in-service withdrawals), the Serviceman shall be treated as an Employee until the day on which his potential USERRA reemployment rights expire. See section 15.3 once his potential USERRA rights expire.
- (f) QDROs. QDROs shall be processed while the Participant is a Serviceman. The Committee has the discretion to establish special procedures under subsection 13.9(e) for Servicemen, by, for example, extending the usual deadlines to accommodate any practical difficulties encountered by the Serviceman that are attributable to his service in the Uniformed Services.
- (g) Rollovers. If the Serviceman was a Covered Employee when he became a Serviceman, the Serviceman may make Rollover Contributions pursuant to subsection 3.2(d) until the day on which his potential USERRA reemployment rights expire.

15.3 Expiration of USERRA Reemployment Rights.

- (a) Consequences. If a Serviceman is not reemployed before his potential USERRA reemployment rights expire, the Committee shall determine his Termination From Service Date by treating his service in the Uniformed Services as an approved leave of absence but treating the expiration of his potential USERRA reemployment rights as the failure to timely return from his leave of absence, with the consequence that his Termination From Service Date will generally be the date his potential USERRA rights expired. Once his Termination From Service Date has been determined, the Committee shall determine his vested percentage. For purposes of Article VI (relating to distributions), the day the Serviceman's potential USERRA reemployment rights expired shall be treated as the day of his Termination from Service. For purposes of subsection 5.4(b) (relating to the timing of forfeitures), the Serviceman's last day of employment shall be the day his potential USERRA reemployment rights expired. If the Serviceman has an outstanding loan from this Plan when his potential USERRA reemployment rights expire, his loan shall go into default on the last day of the calendar quarter after the calendar quarter in which his potential USERRA reemployment rights expired, unless, before the loan goes into default, he repays the loan or is rehired pursuant to subsection (b).
- (b) Rehire after Expiration of Reemployment Rights. If the Company or an Affiliated Company hires a former Serviceman after his potential USERRA reemployment rights have expired, he shall be treated like any other former employee who is rehired. If he had an outstanding loan and is reemployed before the loan goes into default pursuant to subsection (a), his loan payments shall be recalculated and the Company or Affiliated Entity shall immediately resume withholding the revised loan payments from his pay. The term of the loan when payments resume shall be equal to the remaining term of the loan when payments were suspended.

15.4 Return From Uniformed Service.

This section applies solely to a Serviceman who returns to employment with the Company or an Affiliated Entity because he exercised his reemployment rights under the USERRA.

- (a) Credit for Service. A Serviceman's length of time in the Uniformed Services shall be treated as service with the Company for purposes of vesting and determining his eligibility to participate in the Plan upon reemployment.
- (b) Participation. If the Serviceman satisfies the eligibility requirements of section 2.1 before his reemployment, and he is a Covered Employee upon his reemployment, he may participate in the Plan immediately upon his return.
- (c) Loans. If the Serviceman's loan payments were suspended under subsection 15.2(d) during his time in the Uniformed Services, his loan payments shall be recalculated and the Company or Affiliated Entity shall immediately resume withholding the revised loan payments from his pay. The term of the loan when payments resume shall be equal to the remaining term of the loan when payments were suspended.

- (d) Make-Up Participant Contributions. In addition to his regular Participant Contributions, a returning Serviceman shall be permitted to make additional contributions up to the amount of Participant Contributions he could have made if, instead of becoming a Serviceman, he had remained employed by the Company or Affiliated Entity and been paid his Deemed Compensation during that time. See subsection (h) for guidance on applying the various limits contained in the Code to the calculation of the maximum additional contribution the returning Serviceman may make. Such additional contributions may only be made within a period that begins on his reemployment date and whose duration is the lesser of five years or three times his length of time in the Uniformed Services. The additional contributions shall be withheld from his Compensation pursuant to the Serviceman's election. The Committee shall establish administrative procedures for such elections. The additional contributions shall be allocated to Participant Contributions Accounts.
- (e) Make-Up Match. For each additional contribution that the Serviceman contributes pursuant to subsection (d), the Company shall promptly contribute to his Accounts an additional matching contribution. The additional matching contribution shall be equal to the Company Matching Contribution (including forfeitures treated as Company Matching Contributions) that he would have received if (i) his additional contributions were Participant Contributions made during his time in the Uniformed Services, and (ii) he was paid his Deemed Compensation during his time in the Uniformed Services. The Serviceman's additional contributions shall be spread over the pay periods in which they could have occurred in such a way as to maximize the additional matching contribution. See subsection (h) for guidance on applying the various limits contained in the Code to the calculation of the additional matching contribution. The additional matching contribution shall be allocated to the Participant's Company Contributions Account unless the additional matching contribution would have been designated a QMAC, in which case it shall be allocated to his Participant Contributions Account.
- (f) Make-Up Company Discretionary Contribution. The Company shall contribute an additional contribution to a Serviceman's Accounts equal to the Company Discretionary Contribution (including any forfeitures treated as Company Discretionary Contributions) that would have been allocated to such Accounts if the Serviceman had remained employed during his time in the Uniformed Services, and had earned his Deemed Compensation during that time. See subsection (h) for guidance on applying the various limits contained in the Code to the calculation of the additional discretionary contribution. The additional discretionary contribution shall be allocated to the Participant's Company Contributions Account unless the additional discretionary contribution would have been designated a QNEC, in which case it shall be allocated to his Participant Contributions Account.
- (g) Make-Up Miscellaneous Contributions. The Company shall contribute to the Serviceman's Accounts any QNECs and QMACs that the Serviceman would have received pursuant to subsection 3.7(c) or 3.8(c), and any top-heavy minimum contribution he would have received pursuant to section 12.4, (including any forfeitures treated as QNECs, QMACs, or top-heavy minimum contributions) if he had remained employed during his time in the Uniformed Services, and had earned Deemed Compensation during that time. See subsection (h) for guidance on applying the various limits contained in the Code to the calculation of the QNECs, QMACs, and top-heavy minimum contribution. These additional top-heavy minimum contributions shall be allocated to Company Contributions Accounts. The additional QNECs and QMACs shall be allocated to Participant Contributions Accounts.
- (h) Application of Limitations.
- (i) The make-up contributions under subsections (d), (e), (f), and (g) (the "Make-Up Contributions") shall be ignored for purposes of determining the Company's maximum contribution under subsection 3.1(d), the limits on Participant Contributions under paragraphs 3.2(a)(ii) and 3.2(b)(ii), the limits on Annual Additions under section 3.4, the ADP test of section 3.5, the ACP test of section 3.6, the non-discrimination requirements of Code §401(a)(4), and (if the Serviceman is a Key Employee) calculating the minimum required top-heavy contribution under section 12.4.
- (ii) In order to determine the maximum Make-Up Contributions, the following limitations shall apply.

- (A) The Serviceman's "Aggregate Compensation" for each year shall be calculated. His Aggregate Compensation shall be equal to his actual Compensation, plus his Deemed Compensation that would have been paid during that year. Each type of Aggregate Compensation (for benefit purposes, deferral purposes, etc.) shall be determined separately.
 - (B) The Serviceman's Aggregate Compensation each Plan Year shall be limited to the dollar limit in effect for that Plan Year under Code §401(a)(17), for the purposes and in the manner specified in subsection 1.14(f).
 - (C) The limits of subsection 3.1(d) (relating to the maximum contribution by the Company to the Plan) for each Plan Year shall be calculated by using the Serviceman's Aggregate Compensation for that Plan Year, and by treating the Make-Up Contributions that are attributable to that Plan Year's Deemed Compensation as having been made during that Plan Year.
 - (D) The limits of paragraph 3.2(a)(ii) (relating to the maximum 401(k) Contributions) and paragraph 3.2(b)(ii) (relating to the maximum Catch-Up Contributions) for each calendar year shall be calculated by treating as 401(k) and Catch-Up Contributions his additional contributions pursuant to subsection (d) that are attributable to that calendar year's Deemed Compensation.
 - (E) The limits of section 3.4 (relating to the maximum Annual Additions to a Participant's Accounts) shall be calculated for each Limitation Year by using the Serviceman's Aggregate Compensation for that Limitation Year, and by treating as Annual Additions all the Make-Up Contributions that are attributable to that Limitation Year's Deemed Compensation.
 - (F) The Serviceman's maximum Make-Up Contributions shall not be limited by the results of the Plan's ADP test or ACP test for any Plan Year in which the Serviceman has Deemed Compensation, even if the Serviceman is treated as a Highly Compensated Employee (using his Aggregate Compensation) for that Plan Year.
- (i) **Deemed Compensation.** A Serviceman's Deemed Compensation is the Compensation that he would have received (including raises) had he remained employed by the Company or Affiliated Entity during his time in the Uniformed Services, unless it is not reasonably certain what his Compensation would have been, in which case his Deemed Compensation shall be based on his average rate of compensation during the 12 months (or, if shorter, his period of employment with the Company and Affiliated Entities) immediately before he entered the Uniformed Services. A Serviceman's Deemed Compensation shall be reduced by any Compensation actually paid to him during his time in the Uniformed Services (such as vacation pay). Deemed Compensation shall cease when the Serviceman's potential USERRA reemployment rights expire. Each type of Deemed Compensation (for benefit purposes, deferral purposes, etc.) shall be determined separately.

APACHE CORPORATION

Date: 12/23/05

By: /s/ Jeffrey M. Bender

Title: Vice President — Human Resources

APPENDIX A

Participating Companies

The following Affiliated Entities were actively participating in the Plan as of the following dates:

Business	Participation Began As Of	Participation Ended As Of
Apache International, Inc.	September 22, 1987	N/A
Apache Energy Resources Corporation (Known as Hudson Energy Resources Corporation before January 1, 1995)	January 1, 1994	December 31, 1995
Apache Canada Ltd.	May 17, 1995	N/A

— END OF APPENDIX A —

APPENDIX B

Hadson Energy Resources Corporation

Introduction

Apache acquired Hadson Energy Resources Corporation (“HERC”) as of November 12, 1993. HERC and its wholly owned subsidiary, Hadson Energy Limited (“HEL”), maintained the Hadson Energy Resources Corporation Employee 401(k) Plan (the “HERC Plan”), a profit sharing plan containing a cash or deferred arrangement. The HERC Plan was terminated as of December 31, 1993, and amounts were transferred from the HERC Plan to this Plan.

The transferred amounts that are subject to the distribution restrictions of Code §401(k) shall be placed in the Participant Contributions Accounts. Any remaining transferred amounts that represent after-tax contributions, rollovers, or the associated investment earnings shall be placed in the Rollover Account. All remaining transferred amounts shall be placed in the Company Contributions Account.

— END OF APPENDIX B —

APPENDIX C

Corporate Transactions

Over the years, Apache and its Affiliated Entities have engaged in numerous corporate transactions, both acquisitions and sales. This Appendix contains any special provisions that apply to employees affected by the corporate transaction, including both those who become Employees and those who cease to be Employees.

Sales

For an Employee who transferred to Natural Gas Clearinghouse ("NGC") pursuant to the terms of the Employee Benefits Agreement effective April 1, 1990 between Apache and NGC, a Period of Service shall be calculated by treating as employment with Apache any period(s) of employment after April 1, 1990 with NGC or any business that is then treated as a single employer with NGC pursuant to Code §414(b), §414(c), §414(m), or §414(o).

Employees terminated in connection with the summer 1995 sale of certain properties to Citation 1994 Investment Limited Partnership are fully vested in their Plan Accounts as of September 1, 1995.

An Employee who transferred to Producers Energy Marketing LLC ("ProEnergy") in the first half of 1996 is fully vested in his Plan Accounts as of the date of transfer. If such an individual becomes an Employee again, all new contributions to his Plan Accounts shall vest according to the regular rules.

Acquisitions

A Period of Service for vesting purposes for a New Employee (listed below) shall be determined by treating all periods of employment with the Former Employer Controlled Group as periods of employment with Apache. The "Former Employer Controlled Group" means the Former Employer (listed below), its predecessor company/ies, and any business while such business was treated as a single employer with the Former Employer or predecessor company pursuant to Code §414(b), §414(c), §414(m), or §414(o).

[Remainder of Page Intentionally Left Blank]

The following individuals are “New Employees” and the following companies are “Former Employers”:

Former Employer	New Employees
Amoco Production Company (“Amoco”)	All individuals who became an Employee of the Company pursuant to the provisions of the Stock Purchase Agreement effective June 30, 1991, between Amoco Production Company, Apache, and others.
Hadson Energy Resources Corporation (“HERC”) and Hadson Energy Limited (“HEL”)	All individuals employed by HERC or HEL on November 12, 1993.
Crystal Oil Company (“Crystal”)	All individuals hired from Crystal or related companies within a week of the closing date on an asset purchase that was originally scheduled to close on December 31, 1994.
Texaco Exploration & Production, Inc. (“TEPI”)	All individuals hired from TEPI or related companies in late February and early March 1995 in connection with an acquisition of assets from TEPI at that time.
DEKALB Energy Company (“DEKALB”)	All individuals who became an employee of Apache on or after May 17, 1995 — their Period of Service shall include any periods of employment with DEKALB before May 17, 1995
The Phoenix Resource Companies, Inc. (“Phoenix”)	All individuals hired by Apache in 1996 who were Phoenix employees on May 20, 1996.
Crescendo Resources, L.P. (“Crescendo”)	All individuals hired from April 30, 2000 through June 1, 2000 from Crescendo and related companies in connection with an April 30, 2000 asset acquisition from Crescendo.
Collins & Ware (“C&W”) and Longhorn Disposal, Inc. (“Longhorn”)	All individuals hired from C&W and Longhorn and related companies in connection with a May 23, 2000 asset acquisition from C&W and Longhorn.
Occidental Petroleum Corporation (“Oxy”)	All individuals hired from Oxy and related companies in connection with an August 2000 asset acquisition from an Oxy subsidiary.
Private company (“Private”)	All individuals hired in January 2003 from Private and related companies in connection with an asset acquisition of certain property in Louisiana effective as of December 1, 2002.

—END OF APPENDIX C—

APPENDIX D

DEKALB Energy Company / Apache Canada Ltd.

Introduction

Through a merger effective as of May 17, 1995, Apache then held 100% of the stock of DEKALB Energy Company (which has been renamed Apache Canada Ltd.). Apache Canada Ltd. has adopted this Plan, and Apache has approved its adoption, as of May 17, 1995, for the eligible employees of Apache Canada Ltd.

Capitalized terms in this Appendix have the same meanings as those given to them in the Plan. The regular terms of the Plan shall apply to the employees of Apache Canada Ltd., except as provided below.

Eligibility to Participate

Notwithstanding the definition of "Covered Employee," an employee of Apache Canada Ltd. shall be a Covered Employee only if (1) he is either a U.S. citizen or a U.S. resident, and (2) he was employed by Apache or another Company immediately before becoming an employee of Apache Canada Ltd.

Compensation

If the payroll of the Apache Canada Ltd. employee is handled in the United States, then the definitions of Compensation the main body of the Plan apply. To the extent that the payroll of the Apache Canada Ltd. employee is handled outside of the United States, the following definitions of Compensation shall apply in lieu of the definitions found in the main body of the Plan:

- (a) Code §415 Compensation. For purposes of determining the limitation on Annual Additions under section 3.4 and the minimum contribution under section 12.4 when the Plan is top-heavy, Compensation shall mean foreign earned income (within the meaning of Code §911(b)) paid by the Company or an Affiliated Entity, and shall also include elective contributions that are not includable in the Employee's income pursuant to Code §125, §132(f)(4), §402(e)(3), §402(h), §403(b), §408(p), §414(u)(2)(C), §414(v)(6)(B), or §457. For purposes of section 3.4, Compensation shall be measured over a Limitation Year. For purposes of section 12.4, Compensation shall be measured over a Plan Year.
- (j) Code §414(q) Compensation. For purposes of identifying Highly Compensated Employees and Key Employees, Compensation shall have the same meaning as in paragraph (a), except that Compensation shall be measured over a Plan Year and shall not include any amounts accrued by, but not paid to, the Employee during the Plan Year.

— END OF APPENDIX D —

APACHE CORPORATION
MONEY PURCHASE RETIREMENT PLAN

Effective January 1, 2006

Document Prepared December 7, 2005

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**APACHE CORPORATION
MONEY PURCHASE RETIREMENT PLAN**

PREAMBLE

Apache Corporation, a Delaware corporation (“Apache”), maintains this money purchase pension plan (the “Plan”), which is intended to be qualified under Code §401(a).

The Plan is hereby amended and restated as set forth below, effective January 1, 2006, except for those provisions that have their own specific effective dates.

Each Appendix to this Plan is a part of the Plan document. It is intended that an Appendix will be used to (1) describe which business entities are actively participating in the Plan, (2) describe any special participation, eligibility, vesting, or other provisions that apply to the employees of a business entity, (3) describe any special provisions that apply to Participants affected by a designated corporation transaction, and (4) describe any special distribution rules that apply to directly transferred benefits from other plans.

ARTICLE I Definitions

The following words and phrases shall have the meaning set forth below:

1.1 Account

“Account” means the account established pursuant to section 4.1.

1.2 Account Owner

“Account Owner” means a Participant who has an Account balance, an Alternate Payee who has an Account balance, or a beneficiary who has obtained an interest in the Account of the previous Account Owner because of the previous Account Owner’s death.

1.3 Affiliated Entity

“Affiliated Entity” means:

- (a) For all purposes of the Plan except those listed in subsection (b), the term “Affiliated Entity” means any legal entity that is treated as a single employer with Apache pursuant to Code §414(b), §414(c), §414(m), or §414(o).
- (b) For purposes of determining Annual Additions under section 1.5, limiting Annual Additions to a Participant’s Account under section 3.4, and construing the defined terms as they are used in sections 1.5 and 3.4 (such as “ Compensation” and “Employee”), the term “Affiliated Entity” means any legal entity that is treated as a single employer with Apache pursuant to Code §414(m) or §414(o), and any legal entity that would be an Affiliated Entity pursuant to Code §414(b) or §414(c) if the phrase “more than 50%” were substituted for the phrase “at least 80%” each place it occurs in Code §1563(a)(1).

1.4 Alternate Payee

“Alternate Payee” means a Participant’s Spouse, former spouse, child, or other dependent who is recognized by a QDRO as having a right to receive all, or a portion of, the benefits payable under this Plan with respect to such Participant.

1.5 Annual Addition

“Annual Addition” means the allocations to a Participant’s Account for any Limitation Year, as described in detail below.

- (a) Annual Additions shall include: (i) Company Contributions (except as provided in paragraphs (b)(iii) and (b)(v)) to this Plan and Company contributions to any other defined contribution plan maintained by the Company or any Affiliated Entity, (ii) after-tax contributions to any other defined contribution plan maintained by the Company or an Affiliated Entity; (iii) elective deferrals by the Participant, pursuant to Code §401(k), to any other defined contribution plan maintained by the Company or an

Affiliated Entity; (iv) forfeitures allocated to a Participant's Account in this Plan and any other defined contribution plan maintained by the Company or any Affiliated Entity (except as provided in paragraphs (b)(iii) and (b)(v) below); (v) all amounts paid or accrued to a welfare benefit fund as defined in Code §419(e) and allocated to the separate account (under the welfare benefit fund) of a Key Employee to provide post-retirement medical benefits; and (vi) contributions allocated on the Participant's behalf to any individual medical account as defined in Code §415(l)(2).

- (b) Annual Additions shall not include: (i) rollovers to any defined contribution plan maintained by the Company or an Affiliated Entity; (ii) repayments of loans made to a Participant from a qualified plan maintained by the Company or any Affiliated Entity; (iii) repayments of forfeitures for rehired Participants, as described in Code §411(a)(7)(B) and §411(a)(3)(D); (iv) direct transfers of funds from one qualified plan to any qualified plan maintained by the Company or any Affiliated Entity; (v) repayments of forfeitures of missing individuals pursuant to section 12.12; or (vi) salary deferrals within the meaning of Code §414(u)(2)(C) or §414(v)(6)(B).

1.6 Code

"Code" means the Internal Revenue Code of 1986, as amended from time to time, and the regulations and rulings in effect thereunder from time to time.

1.7 Committee

"Committee" means the administrative committee provided for in section 7.4.

1.8 Company

"Company" means Apache, any successor thereto, and any Affiliated Entity that adopts the Plan pursuant to Article X. Each Company is listed in Appendix A.

1.9 Company Contributions

"Company Contributions" means all contributions to the Plan made by the Company pursuant to section 3.1 for the Plan Year.

1.10 Company Mandatory Contributions

"Company Mandatory Contributions" means all contributions to the Plan made by the Company pursuant to subsection 3.1(a) for the Plan Year.

1.11 Compensation

"Compensation" means:

- (a) Code §415 Compensation. For purposes of determining the limitation on Annual Additions under section 3.4 and the minimum contribution under section 11.4 when the Plan is top-heavy, Compensation shall mean those amounts reported as "wages, tips, other compensation" on Form W-2 by the Company or an Affiliated Entity and elective contributions that are not includable in the Employee's income pursuant to Code §125, §132(f)(4), §402(e)(3), §402(h), §403(b), §408(p), §414(u)(2)(C), §414(v)(6)(B), or §457. For purposes of section 3.4, Compensation shall be measured over a Limitation Year. For purposes of section 11.4, Compensation shall be measured over a Plan Year.
- (b) Code §414(g) Compensation. For purposes of identifying Highly Compensated Employees and Key Employees, Compensation shall mean those amounts reported as "wages, tips, other compensation" on Form W-2 by the Company or an Affiliated Entity, and elective contributions that are not includable in the Employee's income pursuant to Code §125, §132(f)(4), §402(e)(3), §402(h), §403(b), §408(p), §414(u)(2)(C), §414(v)(6)(B), or §457. Compensation shall be measured over a Plan Year. Compensation shall include only amounts paid to the Employee, and shall not include any additional amounts accrued by the Employee.
- (c) Benefit Compensation. For purposes of determining and allocating Company Mandatory Contributions under paragraphs 3.1(a)(i) and 3.1(a)(ii), Compensation shall generally mean regular compensation paid by the Company.

- (i) Specifically, Compensation shall include:
 - (A) Regular salary or wages,
 - (B) Overtime pay,
 - (C) The regular annual bonus (unless all or a portion is excluded by the Committee before the regular annual bonus is paid) and any other bonus designated by the Committee,
 - (D) Salary reductions pursuant to the Apache Corporation 401(k) Savings Plan,
 - (E) Salary reductions that are excludable from an Employee's gross income pursuant to Code §125 or §132(f)(4), and
 - (F) Amounts contributed as salary deferrals to the Non-Qualified Retirement/Savings Plan of Apache Corporation'.

- (ii) Compensation shall exclude:
 - (A) Commissions,
 - (B) Severance pay,
 - (C) Moving expenses,
 - (D) Any gross-up of moving expenses to account for increased income or employment taxes,
 - (E) Foreign service premiums paid as an inducement to work outside of the United States,
 - (F) Credits or benefits under this Plan and credits or benefits under the Apache Corporation 401(k) Savings Plan (except as provided in subparagraph (i)(D)),
 - (G) Other contingent compensation,
 - (H) Any amount relating to the granting of a stock option by the Company or an Affiliated Entity, the exercise of such a stock option, or the sale or deemed sale of any shares thereby acquired,
 - (I) Contributions to any other fringe benefit plan (including, but not limited to, overriding royalty payments or any other exploration-related payments),
 - (J) Any bonus other than (1) a regular annual bonus not otherwise excluded by the Committee and (2) a bonus specifically included as Compensation by the Committee, in each case pursuant to subparagraph 1.11(c)(i)(C), and
 - (K) Except as provided under subparagraph (i)(F), any benefit accrued under, or any payment from, any nonqualified plan of deferred compensation.

(iii) Compensation shall be measured over that portion of a Plan Year while the Employee is a Covered Employee. Compensation shall include only amounts paid to the Employee during the Plan Year, and shall not include any amounts accrued by but not paid to the Employee during the Plan Year.

(d) Limit on Compensation. For purposes of calculating the minimum contribution required in top-heavy years under subsection (a) and for all purposes of subsection (c), the Compensation taken into account for the Plan Year shall not exceed the dollar limit specified in Code §401(a)(17) in effect for the Plan Year.

1.12 Covered Employee

“Covered Employee” means any Employee of the Company, with the following exceptions.

- (a) Any individual directly employed by an entity other than the Company shall not be a Covered Employee, even if such individual is considered a common-law employee of the Company or is treated as an employee of the Company pursuant to Code §414(n).

- (b) An Employee shall not be a Covered Employee unless he is either based in the U.S. or on the U.S. payroll.
- (c) An Employee included in a unit of Employees covered by a collective bargaining agreement shall not be a Covered Employee unless the collective bargaining agreement specifically provides for such Employee's participation in the Plan.
- (d) An Employee whose job is classified as "temporary" shall be a Covered Employee only after he has worked for the Company and Affiliated Entities for six consecutive months.
- (e) An Employee shall not be a Covered Employee while he is classified as an "intern," a "consultant," or an "independent contractor." An Employee may be classified as an "intern" only if he is currently enrolled (or the Company expects him to be enrolled within the next 12 months) in a high school, college, or university. An Employee may be classified as an intern even if he does not receive academic course credit from his school for this employment with the Company.
- (f) An individual who is employed pursuant to a written agreement with an agency or other third party for a specific job assignment or project shall not be a Covered Employee.

1.13 Disability

"Disability" means a physical or mental condition that qualifies the Employee for long-term disability payments under Apache's Long-Term Disability Plan.

1.14 Domestic Relations Order

"Domestic Relations Order" means any judgment, decree, or order (including approval of a property settlement agreement) issued by a court of competent jurisdiction that relates to the provisions of child support, alimony, or maintenance payments, or marital property rights to a Participant's Spouse, former spouse, child, or other dependent and is made pursuant to a state domestic relations law (including a community property law).

1.15 Employee

"Employee" means each individual who performs services for the Company or an Affiliated Entity and whose wages are subject to withholding by the Company or an Affiliated Entity. The term "Employee" includes only individuals currently performing services for the Company or an Affiliated Entity, and excludes former Employees who are still being paid by the Company or an Affiliated Entity (whether through the payroll system, through overriding royalty payments, through exploration-related payments, severance, or otherwise). The term "Employee" also includes any individual who provides services to the Company or an Affiliated Entity pursuant to an agreement between the Company or an Affiliated Entity and a third party that employs the individual, but only if the individual has performed such services for the Company or an Affiliated Entity on a substantially full-time basis for at least one year and only if the services are performed under the primary direction or control by the Company or an Affiliated Entity; provided, however, that if the individuals included as Employees pursuant to the first part of this sentence constitute 20% or less of the Non-Highly Compensated Employees of the Company and Affiliated Entities, then any such individuals who are covered by a qualified plan that is a money purchase pension plan that provides a nonintegrated employer contribution rate for each participant of at least 10% of compensation, that provides for full and immediate vesting, and that provides immediate participation for each employee of the third party (other than those who perform substantially all of their services for the third party and other than those whose compensation from the third party during each of the four preceding plan years was less than \$1000) shall not be considered an Employee.

1.16 ERISA

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and the regulations and rulings in effect thereunder from time to time.

1.17 Five-Percent Owner

"Five Percent Owner" means:

- (a) With respect to a corporation, any individual who owns (either directly or indirectly according to the rules of Code §318) more than 5% of the value of the outstanding stock of the corporation or stock processing more than 5% of the total combined voting power of all stock of the corporation.
- (b) With respect to a non-corporate entity, any individual who owns (either directly or indirectly according to rules similar to those of Code §318) more than 5% of the capital or profits interest in the entity.
- (c) An individual shall be a Five-Percent Owner for a particular year if such individual is a Five-Percent Owner at any time during such year.

1.18 Highly Compensated Employee

“Highly Compensation Employee” means, for each Plan Year, an Employee who (a) was in the “top-paid group” during the immediately preceding Plan Year and had Compensation of \$80,000 (as adjusted by the Secretary of the Treasury) or more during the immediately preceding Plan Year, or (b) is a Five-Percent Owner during the current Plan Year, or (c) was a Five-Percent Owner during the immediately preceding Plan Year. The term “top-paid group” means the top 20% of Employees when ranked on the basis of Compensation paid during the year. In determining the number of Employees in the top-paid group, the Committee may elect to exclude Employees with less than six (or some smaller number of) months of service at the end of the year, Employees who normally work less than 17½ (or some fewer number of) hours per week, Employees who normally work less than six (or some fewer number of) months during any year, Employees younger than 21 (or some younger age) on the last day of the year, and Employees who are nonresident aliens who receive no earned income (within the meaning of Code §911(d)(2)) from Apache or an Affiliated Entity that constitutes income from sources within the United States, within the meaning of Code §861(a)(3). Furthermore, an Employee who is a nonresident alien who receives no earned income (within the meaning of Code §911(d)(2)) from Apache or an Affiliated Entity that constitutes income from sources within the United States (within the meaning of Code §861(a)(3)) during the year shall not be in the top-paid group for that year.

1.19 Key Employee

“Key Employee” means an individual described in Code §416(i)(1) and the regulations promulgated thereunder.

1.20 Lapse in Apache Employment

“Lapse in Apache Employment” has the meaning described in subsection 5.3(c).

1.21 Limitation Year

“Limitation Year” means the calendar year.

1.22 Non-Highly Compensated Employee

“Non-Highly Compensated Employee” means an Employee who is not a Highly Compensated Employee.

1.23 Non-Key Employee

“Non-Key Employee” means an Employee who is not a Key Employee.

1.24 Normal Retirement Age

“Normal Retirement Age” means age 65.

1.25 Participant

“Participant” means any individual with an account balance under the Plan except beneficiaries and Alternate Payees. The term “Participant” shall also include any individual who has accrued a benefit pursuant to subsection 3.1(a), but who does not yet have an Account balance.

1.26 Period of Service

“Period of Service” has the meaning described in subsection 5.3(a).

1.27 Plan Year

“Plan Year” means the 12-month period on which the records of the Plan are kept, which shall be the calendar year.

1.28 QDRO

“QDRO,” which is an acronym for qualified domestic relations order, means a Domestic Relations Order that creates or recognizes the existence of an Alternate Payee’s right to, or assigns to an Alternate Payee the right to, receive all or a portion of the benefits payable with respect to a Participant under the Plan and with respect to which the requirements of Code §414(p) and ERISA §206(d)(3) are met.

1.29 QJSA

“QJSA,” which is an acronym for qualified joint and survivor annuity, means:

- (a) For a married Participant, a QJSA is an annuity that will provide equal monthly payments to the Participant for life, and if the Participant dies before his Spouse, the surviving Spouse shall receive monthly payments for her life, with each monthly payment equal to 50% of the monthly payment that the Participant received before his death.
- (b) For an unmarried Participant, a QJSA is an annuity that will provide equal monthly payments to the Participant for life.

1.30 QPSA

“QPSA,” which is an acronym for qualified pre-retirement survivor annuity, means an annuity that will provide equal monthly payments to the surviving Spouse of a Participant, for the life of the surviving Spouse.

1.31 Required Beginning Date

“Required Beginning Date” means:

- (a) Excepted as provided in subsections (b) and (c), Required Beginning Date means April 1 of the calendar year following the later of (i) the calendar year in which the Participant attains age 70½, or (ii) the calendar year in which the Participant terminates employment with Apache and all Affiliated Entities.
- (b) For a Participant who is both an Employee and a Five-Percent Owner of Apache or an Affiliated Entity, the term “Required Beginning Date” means April 1 of the calendar year following the calendar year in which the Five-Percent Owner attains age 70½. If an Employee older than 70½ becomes a Five-Percent Owner, his Required Beginning Date shall be April 1 of the calendar year following the calendar year in which he becomes a Five-Percent Owner.
- (c) If a Participant is rehired after his Required Beginning Date, and he is not a Five-Percent Owner, he shall be treated upon rehire as if he has not yet had a Required Beginning Date, with the result that his minimum required distributions under subsection 6.4(c) will be zero until his new Required Beginning Date. His new Required Beginning Date shall be determined pursuant to subsection (a).

1.32 Spouse

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

1.33 Termination from Service Date

“Termination from Service Date” has the meaning described in subsection 5.3(b).

1.34 Valuation Date

“Valuation Date” means the last day of each Plan Year and any other dates as specified in section 4.2 as of which the assets of the Trust Fund are valued at fair market value and as of which the increase or decrease in the net worth of the Trust Fund is allocated among the Participants’ Accounts.

ARTICLE II Participation

2.1 Participation.

Each Covered Employee shall be eligible to participate in the Plan on the day he becomes a Covered Employee. A Covered Employee shall cease to accrue benefits in the Plan on the day he ceases to be a Covered Employee.

2.2 Enrollment Procedure.

Notwithstanding section 2.1, a Covered Employee shall not be eligible to participate in the Plan until after completing the enrollment procedures specified by the Committee. Such enrollment procedures may, for example, require the Covered Employee to complete and sign an enrollment form or to complete an on-line enrollment. The Covered Employee shall provide all information requested by the Committee, such as the initial investment direction, the address and date of birth of the Employee, and the name, address, and date of birth of each beneficiary of the Employee. The Committee may require that the enrollment procedure be completed a certain number of days prior to the date any Company Contribution is allocated to the Covered Employee's Account.

ARTICLE III Contributions

3.1 Company Contributions.

(a) Company Mandatory Contributions.

- (i) General. For each Plan Year, the Company shall contribute to the Trust Fund such amount of Company Mandatory Contributions as are necessary to fund the allocations described in this subsection. The Company may elect to treat any available forfeitures as Company Mandatory Contributions, pursuant to subsection 5.4(d).
- (ii) Regular Allocation. Each "eligible Participant" shall receive an allocation of Company Mandatory Contributions equal to 6% of the eligible Participant's Compensation. For purposes of this subsection, an "eligible Participant" is a Participant who received credit for one Hour of Service as a Covered Employee during the Plan Year and who is employed by the Company or an Affiliated Entity on the last day of the Plan Year.

(b) Miscellaneous Contributions.

- (i) Forfeiture Restoration. The Company may make additional contributions to the Plan to restore amounts forfeited from the Accounts of certain rehired Participants, pursuant to section 5.4. This additional contribution shall be required only when the available forfeitures are insufficient to restore such forfeited amounts, as described in subsection 5.4(d).
- (ii) Top-Heavy Contribution. The Company may make additional contributions to the Plan to satisfy the minimum contribution required by section 11.4. The Company may elect to use any available forfeitures for this purpose, pursuant to subsection 5.4(d).
- (iii) Missing Individuals. The Company may make additional contributions to the Plan to restore the forfeited benefit of any missing individual, pursuant to section 12.12. This additional contribution shall be required only when the available forfeitures are insufficient to restore such forfeited amounts, as described in subsection 5.4(d).
- (iv) Returning Servicemen. The Company may make additional contributions to the Plan to provide make-up contributions for returning servicemen, pursuant to section 13.4. The Company may elect to use any available forfeitures for this purpose, pursuant to subsection 5.4(d).

- (c) Contributions Contingent on Deductibility. The Company Contributions for a Plan Year (excluding forfeitures and contributions pursuant to paragraph 3.1(b)(iv)) shall not exceed the amount allowable as a deduction for Apache's taxable year ending with or within the Plan Year pursuant to Code §404. Company Contributions (excluding contributions pursuant to paragraph 3.1(b)(iv) and any special contributions described in any paragraph of subsection 3.1(a) after paragraph (ii)) shall be paid to the Trustee no later than the due date (including any extensions) for filing the Company's federal income

tax return for such year. Company Contributions shall be made without regard to current or accumulated earnings and profits. The Company shall pay Company Contributions to the Trust Fund in the form of cash.

3.2 Participant Contributions.

Participants may not contribute to this Plan. The Plan does not accept rollovers or direct transfers.

3.3 Return of Contributions.

- (a) Mistake of Fact. Upon the request of the Company, the Trustee shall return to the Company any Company Contribution made under a mistake of fact. The Trustee may not return any such contribution later than one year after the Trustee received the contribution. The amount returned shall not exceed the excess of the amount contributed (reduced to reflect any decrease in the net worth of the appropriate Accounts attributable thereto) over the amount that would have been contributed without the mistake of fact. Appropriate reductions shall be made in the Accounts of Participants to reflect the return of any contributions previously credited to such Accounts.
- (b) Non-Deductible Contributions. Upon the request of the Company, the Trustee shall return to the Company any Company Contribution that is not deductible under Code §404. All contributions under the Plan are expressly conditioned upon their deductibility for federal income tax purposes. The amount that shall be returned shall be the excess of the amount contributed (reduced to reflect any decrease in the net worth of the appropriate Accounts attributable thereto) over the amount that would have been contributed if there had not been a mistake in determining the deduction. Appropriate reductions shall be made in the Accounts of Participants to reflect the return of any contributions previously credited to such Accounts. Any contribution conditioned on its deductibility shall be returned only if it is returned within one year after it is disallowed as a deduction.
- (c) Effect of Correction. A contribution shall be returned under subsection (a) or (b) only to the extent that its return will not reduce the Account of a Participant to an amount less than the balance that would have been credited to the Participant's Account had the contribution not been made.

3.4 Limitation on Annual Additions.

- (a) Limit. The Annual Additions to a Participant's Account(s) in this Plan and to his accounts in any other defined contribution plans maintained by the Company or an Affiliated Entity for any Limitation Year shall not exceed in the aggregate the lesser of (i) \$40,000 (as adjusted by the Secretary of the Treasury), or (ii) 100% of the Participant's Compensation. The limit in clause (ii) shall not apply to any contribution for medical benefits (within the meaning of Code §419A(f)(2)) after separation from service that is treated as an Annual Addition.
- (b) Corrective Mechanism.
 - (i) Reduction in Annual Additions. A Participant's Annual Additions shall be reduced, to the extent necessary to satisfy the foregoing limits, if the Annual Additions arose as a result of a reasonable error in estimating Compensation, as a result of the allocation of forfeitures, or as a result of other facts and circumstances as provided in the regulations under Code §415.
 - (ii) Order of Reduction, Multiple Plans. Apache also maintains the Apache Corporation 401(k) Savings Plan, a profit sharing plan containing a cash or deferred arrangement. The Participant's Annual Additions shall be reduced, to the extent necessary, in the following order. First, to the extent that the Annual Additions in a single plan exceed the limits of subsection (a), the Annual Additions in that plan shall be reduced, in the order specified in that plan, to the extent necessary to satisfy the limits of subsection (a). Then, if the Participant has Annual Additions in more than one plan and in the aggregate they exceed the limits of subsection (a), the Annual Additions will be reduced as follows.
 - (A) If the Participant was eligible to participate in the Non-Qualified Retirement/Savings Plan of Apache Corporation on the last day of the Plan Year in which the excess Annual Addition occurred, the Annual Additions to this Plan will be reduced before the Annual Additions to the Apache Corporation 401(k) Savings Plan are reduced, in the order specified in that plan.

- (B) If the Participant was not eligible to participate in the Non-Qualified Retirement/Savings Plan of Apache Corporation on the last day of the Plan Year in which the excess Annual Addition occurred, the Annual Additions to the Apache Corporation 401(k) Savings Plan shall be reduced, in the order specified in that plan before the Annual Additions to this Plan are reduced.
- (iii) Disposition of Excess Annual Additions. Any reduction of Company Contributions shall be placed in a suspense account in the Trust Fund and used to reduce future Company Contributions to the Plan. The following rules shall apply to such suspense account: (A) no further Company Contributions may be made if the allocation thereof would be precluded by Code §415; (B) any increase or decrease in the net value of the Trust Fund attributable to the suspense account shall not be allocated to the suspense account, but shall be allocated to the Accounts; and (C) all amounts held in the suspense account shall be allocated as of each succeeding allocation date on which forfeitures may be allocated pursuant to subsection 5.4(d) (and may be allocated more frequently if the Committee so directs), until the suspense account is exhausted.

ARTICLE IV Interests in the Trust Fund

4.1 Participants' Accounts.

The Committee shall establish and maintain a separate Account in the name of each Participant, but the maintenance of such Accounts shall not require any segregation of assets of the Trust Fund. Each Account shall contain the Company Contributions allocated to the Participant and the increase or decrease in the net worth of the Trust Fund attributable to such contributions.

4.2 Valuation of Trust Fund.

- (a) General. The Trustee shall value the assets of the Trust Fund at least annually as of the last day of the Plan Year, and as of any other dates determined by the Committee, at their current fair market value and determine the net worth of the Trust Fund. In addition, the Committee may direct the Trustee to have a special valuation of the assets of the Trust Fund when the Committee determines, in its sole discretion, that such valuation is necessary or appropriate or in the event of unusual market fluctuations of such assets. Such special valuation shall not include any contributions made by Participants since the preceding Valuation Date, any Company Contributions for the current Plan Year, or any unallocated forfeitures. The Trustee shall allocate the expenses of the Trust Fund occurring since the preceding Valuation Date, pursuant to section 8.2, and then determine the increase or decrease in the net worth of the Trust Fund that has occurred since the preceding Valuation Date. The Trustee shall determine the share of the increase or decrease that is attributable to the non-separately accounted for portion of the Trust Fund and to any amount separately accounted for, as described in subsections (b) and (c).
- (b) Mandatory Separate Accounting. The Trustee shall separately account for (i) any individually directed investments permitted under section 8.3, and (ii) amounts subject to a Domestic Relations Order.
- (c) Permissible Separate Accounting. The Trustee may separately account for the following amounts to provide a more equitable allocation of any increase or decrease in the net worth of the Trust Fund:
- (i) The distributable amount of a Participant, including any amount distributable to an Alternate Payee or to a beneficiary of a deceased Participant; and
 - (ii) Company Contributions made since the preceding Valuation Date;
 - (iii) Any other amounts for which separate accounting will provide a more equitable allocation of the increase or decrease in the net worth of the Trust Fund.

4.3 Allocation of Increase or Decrease in Net Worth.

The Committee shall, as of each Valuation Date, allocate the increase or decrease in the net worth of the Trust Fund that has occurred since the preceding Valuation Date between the non-separately accounted for portion of the Trust Fund and the amounts separately accounted for that are identified in subsections 4.2(b)

and 4.2(c). The increase or decrease attributable to the non-separately accounted for portion of the Trust Fund shall be allocated among the appropriate Accounts in the ratio that the dollar value of each such Account bore to the aggregate dollar value of all such Accounts on the preceding Valuation Date after all allocations and credits made as of such date had been completed. The Committee shall then allocate any amounts separately accounted for (including the increase or decrease in the net worth of the Trust Fund attributable to such amounts) to the appropriate Account.

ARTICLE V Amount of Benefits

5.1 Vesting Schedule.

- (a) General Rule. Unless subsection (b), (c), or (d) provide for faster vesting, a Participant's interest in his Account shall become vested in accordance with the following schedule:

Period of Service	Vesting Percentage
Less than 1 year	0%
At least 1 year, but less than 2 years	20%
At least 2 year, but less than 3 years	40%
At least 3 year, but less than 4 years	60%
At least 4 year, but less than 5 years	80%
5 or more years	100%

- (b) Full Vesting in Certain Circumstances. A Participant shall have a fully vested and nonforfeitable interest in his Account (i) upon his Normal Retirement Age if he is an Employee on such date, (ii) upon his death while an Employee or while on an approved leave of absence from the Company or an Affiliated Entity, or (iii) upon his termination of employment with the Company or an Affiliated Entity because of a Disability.
- (c) Change of Control. The Accounts of all Participants shall be fully vested as of the effective date of a "change in control." For purposes of this subsection, a "change of control" shall mean the event occurring when a person, partnership, or corporation, together with all persons, partnerships, or corporations acting in concert with each person, partnership, or corporation, or any or all of them, acquires more than 20% of Apache's outstanding voting securities; provided that a change of control shall not occur if such persons, partnerships, or corporations acquiring more than 20% of Apache's voting securities is solicited to do so by Apache's board of directors, upon its own initiative, and such persons, partnerships, or corporations have not previously proposed to acquire more than 20% of Apache's voting securities in an unsolicited offer made either to Apache's board of directors or directly to the stockholders of Apache.
- (d) Plan Termination. A Company Contributions Account shall be fully vested as described in section 9.1, which discusses the full or partial termination of the Plan.

5.2 Vesting After a Lapse in Apache Employment.

- (a) Separate Accounts. If a Participant is rehired before incurring a one-year Lapse in Apache Employment, he shall have only one Account, and its vested percentage shall be determined under section 5.1. If a Participant is rehired after incurring a one-year Lapse in Apache Employment, he shall have two Accounts, an "old" Account for the contributions from his earlier episode of employment, and a "new" Account for his later episode of employment. If both the old and new Accounts are fully vested, they shall be combined into a single Account.
- (b) Vesting of New Account. The vested percentage of the new Account shall initially be determined based solely on the Participant's Period of Service after rehire. If the Participant satisfies one of the following sets of conditions, the vested percentage of the new Account shall be determined by aggregating his Periods of Service from both episodes of employment.
- (i) The Participant had a vested balance in the Plan during his first episode of employment, and he completes a one-year Period of Service after rehire.

- (ii) The Participant did not have a vested balance in the Plan during his first episode of employment, his Lapse in Apache Employment was for less than five years, and his Period of Service after rehire is longer than the Lapse in Apache Employment.
- (c) Vesting of Old Account. If the Participant's Lapse in Apache Employment was for five years or longer, the vested percentage of the old Account shall be based solely on the Participant's Period of Service from his first episode of employment. If the Participant's Lapse in Apache Employment was for less than five years, the vested percentage of the old Account shall be determined by aggregating his Periods of Service from both episodes of employment.

5.3 Calculating Service.

This section is effective as of January 1, 2005.

(a) Period of Service.

- (i) General. A Participant's Period of Service prior to January 1, 2005 shall be determined according to the provisions of the Plan in effect when the service was rendered. A Participant's Period of Service begins on the date he first begins to perform duties as an Employee for which he is entitled to payment, and ends on his Termination From Service Date. In addition, a Participant's Period of Service also includes the period between his Termination From Service Date and the day he again begins to perform duties for the Company or an Affiliated Entity for which he is entitled to payment, but only if such period is less than one year in duration.
- (ii) Additional Rules. The service-crediting provisions in this paragraph are more generous than required by the Code.
 - (A) Leased Employees. For vesting purposes only, the Plan shall treat an individual as an Employee if he satisfies all the requirements specified in Code §414(n)(2) for being a leased employee of Apache's or an Affiliated Entity's, except for the requirement of having performed such services for at least one year.
 - (B) Approved Leave. If the Employee is absent from the Company or Affiliated Entity for more than one year because of an approved leave of absence (either with or without pay) for any reason (including, but not limited to, jury duty) and the Employee returns to work at or prior to the expiration of his leave of absence, no Termination From Service Date will occur during the leave of absence.
 - (C) Servicemen. See Article XIII for special provisions that apply to Servicemen.
 - (D) Corporate Transactions. See Appendix C for instances in which a new Employee's Period of Service includes his prior employment with another company.
 - (E) Contractors. If an "eligible contractor" becomes an Employee, his Period of Service shall include his previous continuous service as an eligible contractor, excluding any service provided before 2003. An "eligible contractor" is an individual who (A) performed services for Apache or an Affiliated Entity on a substantially full-time basis in the capacity of an independent contractor (for federal income tax purposes); (B) became an Employee within a month of ceasing to be an independent contractor working full-time for Apache or an Affiliated Entity; and (C) notified the Plan of his prior service as an independent contractor within two months of becoming an Employee (or, if later, by February 28, 2006).

(b) Termination From Service Date.

- (i) Usual Rule. If the Employee quits, is discharged, retires, or dies, his Termination From Service Date occurs on the last day the Employee performs services for the Company or an Affiliated Entity, except for an Employee who incurs a Disability, in which case his Termination From Service Date does not occur, even if he quits, until the earlier of the one-year anniversary of the date his Disability or the date he recovers from his Disability.
- (ii) Other Absences. If an Employee is absent from the Company and Affiliated Entities for any reason other than a quit, discharge, or retirement, his "Termination From Service Date" is the

earlier of (A) the date he quits, is discharged, retires, or dies, or (B) one year from the date the Employee is absent from the Company or Affiliated Entity for any other reason (such as vacation, holiday, sickness, disability, leave of absence, or temporary lay-off), with the following exception. If the Employee is absent from the Company or Affiliated Entity because of parental leave (which includes only the pregnancy of the Employee, the birth of the Employee's child, the placement of a child with the Employee in connection with adoption of such child by the Employee, or the caring for such child immediately following birth or placement) on the first anniversary of the day the Employee was first absent, his Termination From Service Date does not occur until the second anniversary of the day he was first absent (and the period between the first and second anniversaries of the day he was first absent shall not be counted in his Period of Service).

- (c) Lapse in Apache Employment. A Lapse in Apache Employment means the period commencing on an individual's Termination from Service Date and ending on the date he again begins to perform services as an Employee.

5.4 Forfeitures.

- (a) Exceptions to the Vesting Rules. The following rules supersede the vesting rules of section 5.1.

- (i) Excess Annual Additions. Annual Additions to a Participant's Accounts and any increase or decrease in the net worth of the Participant's Accounts attributable to such Annual Additions may be reduced to satisfy the limits described in section 3.4. Any reduction shall be used as specified in section 3.4.
- (ii) Missing Individuals. A missing individual's vested Accounts may be forfeited as of the last day of any Plan Year, as provided in section 13.12. Any such forfeiture shall be used as specified in subsection (d).

- (b) Regular Forfeitures. A Participant's non-vested interest in his Account shall be forfeited at the end of the Plan Year in which the Participant terminates employment. Any such forfeiture shall be used as specified in subsection (d).

- (c) Restoration of Forfeitures.

- (i) Missing Individuals. The forfeiture of a missing individual's Account(s), as described in section 13.12, shall be restored to such individual if the individual makes a claim for such amount.

- (ii) Regular Forfeitures.

(A) Rehire Within 5 Years. If a Participant is rehired before incurring a five-year Lapse in Apache Employment, and the Participant has received a distribution of his entire vested interest in his Account (with the result that he forfeited his non-vested interest in such Account), then the exact amount of the forfeiture shall be restored to his Account. All the rights, benefits, and features available to the Participant when the forfeiture occurred shall be available with respect to the restored forfeiture. If such a Participant again terminates employment prior to becoming fully vested in his Account, the vested portion of his Account shall be determined by applying the vested percentage determined under section 5.1 to the sum of (x) and (y), then subtracting (y) from such sum, where: (x) is the value of his Account as of the Valuation Date immediately following his most recent termination of employment; and (y) is the amount previously distributed to the Participant on account of the prior termination of employment.

(B) Rehire After 5 Years. If a Participant is rehired after incurring a five-year Lapse in Apache Employment, then no amount forfeited from his Account shall be restored to his Account.

- (iii) Method of Forfeiture Restoration. Forfeitures that are restored shall be accomplished by an allocation of the forfeitures under subsection (d) or by a special Company Contribution pursuant to paragraph 3.1(b)(i).

- (d) Use of Forfeitures. The Committee shall decide how forfeitures are used. Forfeitures may be used (i) to restore Accounts as described in subsection (c), (ii) to pay those expenses of the Plan that are properly payable from the Trust Fund and that are not paid by the Company or Account Owners or charged to Accounts, or (iii) as any Company Contribution.

5.5 Transfers — Portability.

If any other employer adopts this or a similar money purchase pension plan and enters into a reciprocal agreement with the Company that provides that (a) the transfer of a Participant from such employer to the Company (or vice versa) shall not be deemed a termination of employment for purposes of the plans, and (b) service with either or both employers shall be credited for purposes of vesting under both plans, then the transferred Participant's Account shall be unaffected by the transfer, except, if deemed advisable by the Committee, it may be transferred to the trustee of the other plan.

ARTICLE VI Distribution of Benefits

6.1 Beneficiaries.

- (a) Designating Beneficiaries. Each Account Owner shall file with the Committee a designation of the beneficiaries and contingent beneficiaries to whom the distributable amount (determined pursuant to section 6.2) shall be paid in the event of the Account Owner's death. In the absence of an effective beneficiary designation as to any portion of the distributable amount after a Participant dies, such amount shall be paid to the Participant's surviving Spouse, or, if none, to his estate. In the absence of an effective beneficiary designation as to any portion of the distributable amount after any non-Participant Account Owner dies, such amount shall be paid to the Account Owner's estate. The Account Owner may change a beneficiary designation at any time and without the consent of any previously designated beneficiary.
- (b) Special Rule for Married Participants. If the Account Owner is a married Participant, his Spouse shall be the sole beneficiary unless the Spouse has consented to the designation of a different beneficiary. To be effective, the Spouse's consent must be in writing, witnessed by a notary public, and filed with the Committee. The Spouse must also consent to waive the QPSA with respect to the benefits payable to another beneficiary, as described in subsection (c). The Spouse cannot revoke her consent to waive the QPSA. Any spousal consent shall be effective only as to the Spouse who signed the consent.
- (c) Waiver of QPSA.
- (i) General. In order for the QPSA to be waived, the Participant must be provided with an explanation of the QPSA and then elect to waive the QPSA (which the Participant may do by naming a beneficiary other than his Spouse) and the Spouse must consent to the Participant's election.
- (ii) Spouse's Consent. The Spouse's consent must be in writing. The Spouse's signature must be witnessed by a Committee representative or by a notary public. The Spouse must acknowledge the effect of the consent. The Spouse may limit her consent to a specific beneficiary or may allow the Participant to thereafter designate a different beneficiary. The Spouse may limit her consent to a specific form of benefit. (The Spouse's consent is not needed if the Spouse cannot be located or in certain other special circumstances identified in IRS guidance of general applicability.)
- (iii) Timing of Waiver. The Participant may waive the QPSA, or revoke the QPSA waiver, at any time; however, if the Participant elects to waive the QPSA, with the consent of his Spouse, before the first day of the Plan Year in which the Participant attains age 35, the waiver shall become invalid on the first day of the Plan Year in which the Participant attains age 35.
- (iv) Explanation. The Committee shall provide the Participant with a written explanation that describes the terms and conditions of the QPSA, the Participant's right to choose another beneficiary, the rights of the Participant's Spouse to insist upon a QPSA, the Participant's right to revoke his election, and such other information as may be required under IRS guidance of general applicability. The written explanation must be provided within the following time

limits. If the Participant terminates employment prior to age 35, the explanation must be provided within the period beginning one year before and ending one year after the termination of employment. If the Participant terminates employment on or after age 35, the explanation must be provided within the one of the following periods (whichever period ends last): (i) the period beginning on the first day of the Plan Year in which the Participant attains age 32 and ending on the last day of the Plan Year in which the Participant attains age 34; (ii) the period beginning one year before, and ending one year after, the Participant first becomes eligible to participate in the Plan; and (iii) the period beginning one year before, and ending one year after, a married Participant is fully or partially vested in his Account (which will normally occur either when the Participant gets married or when the Participant completes a one-year Period of Service).

- (d) Special Rule for Divorces. If an Account Owner has designated his spouse as a primary or contingent beneficiary, and the Account Owner and spouse later divorce (or their marriage is annulled), then the former spouse will be treated as having pre-deceased the Account Owner for purposes of interpreting a beneficiary designation form completed prior to the divorce or annulment. This subsection (d) will apply only if the Committee is informed of the divorce or annulment before payment to the former spouse is authorized.
- (e) Disclaimers. Any individual or legal entity who is a beneficiary may disclaim all or any portion of his interest in the Plan, provided that the disclaimer satisfies the requirements of Code §2518(b) and applicable state law. The legal guardian of a minor or legally incompetent person may disclaim for such person. The personal representative (or the individual or legal entity acting in the capacity of the personal representative according to applicable state law) may disclaim on behalf of a beneficiary who has died. The amount disclaimed shall be distributed as if the disclaimant had predeceased the individual whose death caused the disclaimant to become a beneficiary.

6.2 Distributable Amount.

The distributable amount of a Participant's Account is the vested portion of the Account, reduced by any amount that is payable to an Alternate Payee pursuant to section 12.9. Furthermore, the Committee may temporarily suspend or limit distributions (by reducing the distributable amount), as explained in subsections 12.9(e), 12.9(g), or 12.9(h), (a) when the Committee is informed that a QDRO affecting the Participant's Accounts is in process or may be in process, (b) while the Committee believes that the Plan may have a cause of action against the Participant, or (c) when the Plan has notice of a lien or other claim against the Participant's Accounts.

6.3 Manner of Distribution.

- (a) Participants. This subsection shall apply to distributions to Participants.
 - (i) Form of Distribution. The distributable amount shall be paid in the form of either a single payment or a QJSA, except that a distribution of a small account under subsection 6.4(d) shall be paid in the form of a single payment. The distribution to a Participant shall be in the form of a QJSA unless the Participant elects a single payment and, if the Participant is married, his Spouse consents to the single payment.
 - (ii) Consent of Participant and Spouse.
 - (A) General. Except as provided in subparagraph (B), a distribution shall not be made unless the Participant consents to the timing of the distribution. If the Participant is married and chooses a single payment, the Participant's Spouse must consent to both the form of payment and the time of the payment, except as provided in subparagraph (B).
 - (B) Exceptions to General Rule. The consent of the Participant is not required, nor is the consent of a married Participant's Spouse required, for distributions of small amounts pursuant to subsection 6.4(d) or for the distribution of an annuity upon the Participant's Required Beginning Date, as described in subsection 6.4(c).
 - (iii) Method of Spouse's Consent. The consent of a Participant's Spouse must be in writing. The consent is not valid unless the Committee has provided the written explanation described in

paragraph (iv). The Spouse must acknowledge the affect of his consent. The Spouse's consent must be witnessed by a Committee member or by a notary public. The Spouse may limit his consent to a specific beneficiary or may allow the Participant to thereafter designate a different beneficiary. The Spouse may limit his consent to a specific form of benefit. (The Spouse's consent is not needed if the Spouse cannot be located or in certain other special circumstances identified in IRS guidance.)

(iv) Distribution Procedure.

- (A) General. The Committee shall provide the Participant with a written explanation that contains the information required by the Code and Treasury Regulations, as explained in subparagraph (B). The timing of the explanation, the consent, and the distribution are discussed in subparagraph (C). The Participant may revoke his election at any time before the distribution is processed.
- (B) Contents of Explanation. The information in the explanation shall include, at a minimum, the terms and conditions of the QJSA, the Participant's right to elect a single payment in lieu of a QJSA, the effect of the Participant electing a single payment in lieu of a QJSA, the right of the Participant's Spouse to insist upon a QJSA, the Participant's right to revoke his distribution election, and such other information as may be required under IRS guidance of general applicability.
- (C) Timing. The explanation shall be provided no more than 90 days before the annuity starting date. The explanation shall be provided no fewer than 30 days before the annuity starting date, unless all the following conditions are satisfied (1) the Participant affirmatively elects a single sum distribution (and the Participant's Spouse, if any, consents), (2) the explanation mentions that the Participant has a right to at least 30 days to consider whether to waive the QJSA and consent to a single sum, and (3) the Participant is permitted to revoke an affirmative distribution election until the annuity starting date (or, if later, the 8th day after the Participant is provided with the explanation).
- (D) Annuity Starting Date. The annuity starting date, for a single sum payment, is the date the payment is processed, which may be any business day. The annuity starting date for a QJSA is the day as of which the annuity payments begin. The annuity starting date for an annuity must be the first day of a month, must occur on or after the Participant's termination of employment or 65th birthday, must occur after the date the explanation is provided, but may precede the date the Participant provides any affirmative distribution election. In any event, the first payment from the annuity shall not precede the 8th day after the explanation is provided.
- (b) Beneficiaries. The distributable amount that is left to a beneficiary shall be paid, at the election of the beneficiary, in the form of a single payment, installments (for non-Spouse beneficiaries), or an annuity (for Spouse beneficiaries), as described in subsection 6.4(e).
- (c) Alternate Payees. If the Alternate Payee is not the Participant's Spouse or former spouse, the amount assigned to the Alternate Payee shall be paid in the form of a single payment. If the Alternate Payee is the Participant's Spouse or former spouse, then unless the next sentence applies, the amount assigned to an Alternate Payee shall be paid, at the election of the Alternate Payee or as specified in the QDRO, in the form of either a single payment or an annuity for the life of the Alternate Payee. If the amount assigned to the Alternate Payee is \$5,000 or less (calculated in accordance with the applicable Treasury regulations), then the Alternate Payee shall receive a single sum distribution.
- (d) Annuities. If the distribution is to be in the form of an annuity, the Plan shall purchase an annuity contract that satisfies the requirements specified in the Plan and in Code §401(a)(11) and §417, and shall distribute such contract to the distributee. The payments under an annuity shall begin as soon as administratively practicable after the annuity contract is distributed. The payments shall remain constant for the duration of the annuity, except for a QJSA where the Spouse outlives the Participant, in which case the payments are halved when the Participant dies.

6.4 Time of Distribution.

- (a) Earliest Date of Distribution. Unless an earlier distribution is permitted by subsection (b) or required by subsection (c), the earliest date that a Participant may elect to receive a distribution is as follows.
- (i) Termination of Employment or Disability. A Participant may elect to receive a distribution as soon as practicable after he terminates employment or incurs a Disability.
- (ii) During Employment. A Participant may obtain a distribution while an Employee only if he has attained Normal Retirement Age. After Normal Retirement Age, and while an Employee, the Participant may withdraw all or any portion of his Account. The minimum withdrawal shall be \$1,000 or, if less, the balance of the Account. Only two withdrawals are permitted each Plan Year under this paragraph. After an Employee's Required Beginning Date, subsection (c) shall apply instead of this paragraph.
- (b) Alternate Earliest Date of Distribution. Notwithstanding subsection (a), unless a Participant elects otherwise, his distribution shall commence no later than 60 days after the close of the latest of: (i) the Plan Year in which the Participant attains Normal Retirement Age; (ii) the Plan Year in which occurs the tenth anniversary of the year in which the Participant commenced participation in the Plan; and (iii) the Plan Year in which the Participant terminates employment with the Company and Affiliated Entities. If a Participant does not affirmatively elect a distribution, he shall be deemed to have elected to defer the distribution to a date later than that specified in the preceding sentence.
- (c) Latest Date of Distribution. The entire distributable amount shall be distributed to a Participant (i) in a single payment no later than his Required Beginning Date, or (ii) in a QJSA with payments beginning no later than his Required Beginning Date. The payment will be in the form of a QJSA unless the Participant elects a single payment and, if the Participant is married, his Spouse consents to the single payment.
- (d) Small Amounts. This section is effective as of March 28, 2005.
- (i) \$1000 or Less. If the value of the nonforfeitable portion of a Participant's Account is \$1,000 or less at any time after the Participant's termination of employment, the Participant shall receive a single payment of the distributable amount as soon as administratively practicable, provided that the value is \$1,000 or less when the distribution is processed.
- (ii) \$1000 to \$5000. If paragraph (i) does not apply and the value of the nonforfeitable portion of a Participant's Account is \$5,000 or less on any date after his termination of employment, then as soon as practicable the Plan shall pay the distributable amount to an individual retirement account or annuity within the meaning of Code §408(a) or §408(b) (collectively, an "IRA") for the Participant, unless the Participant affirmatively elects to receive the distribution directly or to have it paid in a direct rollover under section 6.5. The Committee shall select the trustee or custodian of the IRA as well as how the IRA shall be invested initially. The Plan shall notify the Participant (A) that the distribution has been made to an IRA and can be transferred to another IRA, (B) of the identity and contact information of the trustee or custodian of the IRA into which the distribution is made, and (C) of such other information as required to comply with Code §401(a)(31)(B)(i).
- (iii) Date Account Valued. The Committee may elect to check the value of the Participant's Account on an occasional (rather than a daily) basis, to determine whether to apply the provisions of this subsection.
- (e) Distribution Upon Participant's Death.
- (i) Small Accounts. If the value of the nonforfeitable portion of a Participant's Account is \$5,000 or less at any time after the Participant's death and before any beneficiary elects to receive a distribution under this subsection, then each beneficiary shall each receive a single payment of his share of the distributable amount as soon as administratively practicable, provided that the aggregate value is \$5,000 or less when the distribution is processed. The Committee may elect to check the value of the Participants' Accounts on an occasional (rather than a daily) basis to determine whether to apply the provisions of this subsection.

(ii) Larger Accounts. If paragraph (i) does not apply, then each beneficiary may elect to have his distributable amount distributed at any time after the Participant's death, within the following guidelines. The forms of permitted distribution are a lump sum, annual installments, and, for Spouse beneficiaries only, a QPSA. No distribution shall be processed until the beneficiary's identity as a beneficiary is established. The entire distributable amount shall be distributed by the last day of the calendar year containing the fifth anniversary of the Participant's death; if a Spouse beneficiary elects a QPSA, the annuity contract shall be distributed by the last day of the calendar year containing the fifth anniversary of the Participant's death. A beneficiary who elects installments may elect to accelerate any or all remaining payments. In addition, if the Participant was a Five-Percent Owner who began to receive the minimum required distributions under subsection (c), the distribution to each beneficiary must be made at least as rapidly as required by the method used to calculate the minimum required distributions that was in effect when the Five-Percent Owner died.

(f) Alternate Payee. Distributions to Alternate Payees and their beneficiaries shall be made as specified in section 12.9.

6.5 Direct Rollover Election.

- (a) General Rule. A Participant, an Alternate Payee who is the Spouse or former Spouse of the Participant, or a surviving Spouse of a deceased Participant (collectively, the "distributee") may direct the Trustee to pay all or any portion of his "eligible rollover distribution" to an "eligible retirement plan" in a "direct rollover." This direct rollover option is not available to other Account Owners (non-Spouse beneficiaries and Alternate Payees who are not the Spouse or former Spouse of the Participant). Within a reasonable period of time before an eligible rollover distribution, the Committee shall inform the distributee of this direct rollover option, the appropriate withholding rules, other rollover options, the options regarding income taxation, and any other information required by Code §402(f). The distributee may waive the usual 30-day waiting period before receiving a distribution, and elect to receive his distribution as soon as administratively practicable after completing and filing his distribution election.
- (b) Definition of Eligible Rollover Distribution. An eligible rollover distribution is any distribution or in-service withdrawal other than (i) distributions required under Code §401(a)(9), (ii) distributions of amounts that have already been subject to federal income tax, other than a direct transfer to another retirement plan that meets the requirements of Code §401(a) or §403(a), or to an individual retirement account or annuity described in Code §408(a) or §408(b), (iii) installment payments in a series of substantially equal payments made at least annually and (A) made over a specified period of ten or more years, (B) made for the life or life expectancy of the distributee, or (C) made for the joint life or joint life expectancy of the distributee and his designated beneficiary, (iv) a distribution to satisfy the limits of Code §415, or (v) any other actual or deemed distribution specified in IRS guidance of general applicability issued under Code §402(c).
- (c) Definition of Eligible Retirement Plan. An eligible retirement plan is an individual retirement account or annuity described in Code §408(a) or §408(b), an annuity plan described in Code §403(a), an annuity contract described in Code §403(b), an eligible plan under Code §457(b) that is maintained by an eligible employer described in Code §457(e)(1)(A) (which generally includes state and local governments), or the qualified trust of a defined contribution plan described in Code §401(a), that accepts eligible rollover distributions.
- (d) Definition of Direct Rollover. A direct rollover is a payment by the Trustee to the eligible retirement plan specified by the distributee.

ARTICLE VII Allocation of Responsibilities — Named Fiduciaries

7.1 No Joint Fiduciary Responsibilities.

Trustee(s) and the Committee shall be the named fiduciaries under the Plan and Trust agreement and shall be the only named fiduciaries thereunder. The fiduciaries shall have only the responsibilities specifically allocated to them herein or in the Trust agreement. Such allocations are intended to be mutually exclusive

and there shall be no sharing of fiduciary responsibilities. Whenever one named fiduciary is required by the Plan or Trust agreement to follow the directions of another named fiduciary, the two named fiduciaries shall not be deemed to have been assigned a shared responsibility, but the responsibility of the named fiduciary giving the directions shall be deemed his sole responsibility, and the responsibility of the named fiduciary receiving those directions shall be to follow them insofar as the instructions are on their face proper under applicable law.

7.2 The Company.

The Company shall be responsible for: (a) making Company Contributions; (b) certifying to the Trustee the names and specimen signatures of the members of the Committee acting from time to time; (c) keeping accurate books and records with respect to its Employees and the appropriate components of each Employee's Compensation and furnishing such data to the Committee; (d) selecting agents and fiduciaries to operate and administer the Plan and Trust; (e) appointing an investment manager if it determines that one should be appointed; and (f) reviewing periodically the performance of such agents, managers, and fiduciaries.

7.3 The Trustee.

The Trustee shall be responsible for: (a) the investment of the Trust Fund to the extent and in the manner provided in the Trust agreement; (b) the custody and preservation of Trust assets delivered to it; and (c) the payment of such amounts from the Trust Fund as the Committee shall direct.

7.4 The Committee — Plan Administrator.

The board of directors of Apache shall appoint an administrative Committee consisting of no fewer than three individuals who may be, but need not be, Participants, officers, directors, or Employees of the Company. If the board of directors does not appoint a Committee, Apache shall act as the Committee under the Plan. The members of the Committee shall hold office at the pleasure of the board of directors and shall service without compensation. The Committee shall be the Plan's "administrator" as defined in section 3(16)(A) of ERISA. It shall be responsible for establishing and implementing a funding policy consistent with the objectives of the Plan and with the requirements of ERISA. This responsibility shall include establishing (and revising as necessary) short-term and long-term goals and requirements pertaining to the financial condition of the Plan, communicating such goals and requirements to the persons responsible for the various aspects of the Plan operations, and monitoring periodically the implementation of such goals and requirements. The Committee shall publish and file or cause to be published and filed or disclosed all reports and disclosures required by federal or state laws.

7.5 Committee to Construe Plan.

- (a) The Committee shall administer the Plan and shall have all discretion, power, and authority necessary for that purpose, including, but not by way of limitation, the full and absolute discretion and power to interpret the Plan, to determine the eligibility, status, and rights of all individuals under the Plan, and in general to decide any dispute and all questions arising in connection with the Plan. The Committee shall direct the Trustee concerning all distributions from the Trust Fund, including the purchase of annuity contracts, in accordance with the provisions of the Plan, and shall have such other powers in the administration of the Trust Fund as may be conferred upon it by the Trust agreement. The Committee shall maintain all Plan records except records of the Trust Fund.
- (b) The Committee may adjust the Account of any Participant, in order to correct errors and rectify omissions, in such manner as the Committee believes will best result in the equitable and nondiscriminatory administration of the Plan.

7.6 Organization of Committee.

The Committee shall adopt such rules as it deems desirable for the conduct of its affairs and for the administration of the Plan. It may appoint agents (who need not be members of the Committee) to whom it may delegate such powers as it deems appropriate, except that the Committee shall determine any dispute. The Committee may make its determinations with or without meetings. It may authorize one or more of its members or agents to sign instructions, notices, and determinations on its behalf. If a Committee decision or action affects a small number of Participants including a Committee member, then such Committee member

shall not participate in the Committee decision or action. The action of a majority of the disinterested Committee members shall constitute the action of the Committee.

7.7 Agent for Process.

Apache's Vice President, General Counsel, and Secretary shall be the agents of the Plan for service of all process.

7.8 Indemnification of Committee Members.

The Company shall indemnify and hold the members of the Committee, and each of them, harmless from the effects and consequences of their acts, omissions, and conduct in their official capacities, except to the extent that the effects and consequences thereof shall result from their own willful misconduct, breach of good faith, or gross negligence in the performance of their duties. The foregoing right of indemnification shall not be exclusive of the rights to which each such member may be entitled as a matter of law.

7.9 Conclusiveness of Action.

Any action taken by the Committee on matters within the discretion of the Committee shall be conclusive, final and binding upon all participants in the Plan and upon all persons claiming any rights hereunder, including Alternate Payees and beneficiaries.

7.10 Payment of Expenses.

The members of the Committee shall serve without compensation but the Company shall pay their reasonable expenses. The compensation or fees of accountants, counsel, and other specialists and any other costs of administering the Plan or Trust Fund may be paid by the Company or Account Owners or may be charged to the Trust Fund, to the extent permissible under the provisions of ERISA.

ARTICLE VIII Trust Agreement — Investments

8.1 Trust Agreement.

Apache has entered into a Trust agreement to provide for the holding, investment, and administration of the funds of the Plan. The Trust agreement shall be part of the Plan, and the rights and duties of any individual under the Plan shall be subject to all terms and provisions of the Trust agreement.

8.2 Plan Expenses.

- (a) General. Except as provided in subsection (b), (i) all taxes upon or in respect of the Plan and Trust shall be paid out of Plan assets, and all expenses of administering the Plan and Trust shall be paid out of Plan assets, to the extent permitted by law and to the extent such taxes and expenses are not paid by the Company or an Account Owner, and (ii) the Committee shall have full discretion to determine how each tax or expense that is not paid by the Company shall be paid and the Committee shall have full discretion to determine how each tax or expense that is paid out of Plan assets shall be allocated. No fiduciary shall receive any compensation for services rendered to the Plan if the fiduciary is being compensated on a full time basis by the Company or an Affiliated Entity.
- (b) Individual Expenses. To the extent not paid by the Company or an Account Owner, all expenses of individually directed transactions, including without limitation the Trustee's transaction fee, brokerage commissions, transfer taxes, interest on insurance policy loans, and any taxes and penalties that may be imposed as a result of an individual's investment direction, shall be assessed against the Account of the Account Owner directing such transactions.

8.3 Investments.

- (a) §404(c) Plan. The Plan is intended to be a plan described in ERISA §404(c). To the extent that an Account Owner exercises control over the investment of his Accounts, no person who is a fiduciary shall be liable for any loss, or by reason of any breach, that is the direct and necessary result of the Account Owner's exercise of control.
- (b) Directed Investments. Accounts shall be invested, upon the direction of each Account Owner made in a manner acceptable to the Committee, in any one or more of a series of investment funds designated

by the Committee or to the extent permitted by the Committee in a brokerage arrangement. The funds available for investment and the principal features thereof, including a general description of the investment objectives, the risk and return characteristics, and the type and diversification of the investment portfolio of each fund, shall be communicated to the Account Owners in the Plan from time to time. Any changes in such funds shall be immediately communicated to all Account Owners.

- (c) Absence of Directions. To the extent that an Account Owner fails to affirmatively direct the investment of his Accounts, the Committee shall direct the Trustee in writing concerning the investment of such Accounts. The Committee shall act by majority vote. Any dissenting member of the Committee shall, having registered his dissent in writing, thereafter cooperate to the extent necessary to implement the decision of the Committee.
- (d) Change in Investment Directions. Account Owners may change their investment directions, with respect to the investment of new contributions and with respect to the investment of existing amounts allocated to Accounts, on any business day, subject to any restrictions and limitations imposed by the Trustee, investment funds, or brokerage arrangement. The Committee shall establish procedures for giving investment directions, which shall be in writing and communicated to Account Owners.

ARTICLE IX Termination and Amendment

9.1 Termination of Plan or Discontinuance of Contributions.

Apache expects to continue the Plan indefinitely, but the continuance of the Plan and the payment of contributions are not assumed as contractual obligations. Apache may terminate the Plan or discontinue contributions at any time. Upon the termination of the Plan, each Participant's Account shall become fully vested. Upon the partial termination of the Plan, the Accounts of all affected Participants shall become fully vested. The only Participants who are affected by a partial termination are those whose employment with the Company or Affiliated Entity is terminated as a result of the corporate event causing the partial termination; Employees terminated for cause and those who leave voluntarily are not affected by a partial termination.

9.2 Allocations upon Termination.

Upon the termination or partial termination of the Plan, the Committee shall promptly notify the Trustee of such termination. The Trustee shall promptly determine, in the manner prescribed in section 4.2, the net worth of the Trust Fund. The Trustee shall advise the Committee of any increase or decrease in such net worth that has occurred since the preceding Valuation Date. The Committee shall allocate, in the manner described in section 4.3, among the remaining Plan Accounts, in the manner described in Articles III, IV, and V, any Company Contributions or forfeitures occurring since the preceding Valuation Date.

9.3 Procedure Upon Termination of Plan.

If the Plan has been terminated or partially terminated, then, after the allocations required under section 9.2 have been completed, the Trustee shall distribute or transfer the Accounts of affected Account Owners as follows.

- (a) No Other Plan. If the Company and Affiliated Entities are not treated, pursuant to the Treasury Regulations under Code §401(k), as maintaining another "alternative defined contribution plan," the Trustee shall distribute each Account Owner's Account in a single payment, after complying with the requirements of section 6.5. For purposes of this section only, an "alternative defined contribution plan" means a defined contribution plan that is not an employee stock ownership plan within the meaning of Code §4975(e)(7) or §409(a), a simplified employee pension within the meaning of Code §408(k), a SIMPLE IRA within the meaning of Code §408(p), a plan or contract that satisfies the requirements of Code §403(b), or a plan described in Code §457(b) or §457(f).
- (b) Other Plan Maintained. If the Company and Affiliated Entities are treated, pursuant to the Treasury Regulations under Code §401(k), as maintaining another "alternative defined contribution plan," the Trustee shall (i) distribute the Accounts of each non-Participant Account Owner in a single payment, after complying with the requirements of section 6.5, and (ii) transfer the Account of each Participant to an alternative defined contribution plan. All the rights, benefits, features, and distribution

restrictions with respect to the transferred amounts shall continue to apply to the transferred amounts unless a change is permitted pursuant to applicable IRS guidance of general applicability.

- (c) Form of Payment. A transfer made pursuant to this section may be in cash, in kind, or partly in cash and partly in kind. Any distribution made pursuant to this section shall be in cash. After all such distributions or transfers have been made, the Trustee shall be discharged from all obligation under the Trust; no Participant, Spouse, Alternate Payee, or beneficiary who has received any such distribution, or for whom any such transfer has been made, shall have any further right or claim under the Plan or Trust.

9.4 Amendment by Apache.

- (a) Amendment. Apache may at any time amend the Plan in any respect, without prior notice, subject to the following limitations. No amendment shall be made that would have the effect of vesting in the Company any part of the Trust Fund or of diverting any part of the Trust Fund to purposes other than for the exclusive benefit of Account Owners. The rights of any Account Owner with respect to contributions previously made shall not be adversely affected by any amendment. No amendment shall reduce or restrict, either directly or indirectly, the accrued benefit (within the meaning of Code §411(d)(6)) to any Account Owner before the amendment, except as permitted by the Code or IRS guidance of general applicability.
- (b) Amendment to Vesting Schedule. If the vesting schedule is amended, each Participant with at least three Years of Service may elect, within the period specified in the following sentence after the adoption of the amendment, to have his nonforfeitable percentage computed under the Plan without regard to such amendment. The period during which the election may be made shall commence with the date the amendment is adopted and shall end on the latest of: (i) 60 days after the amendment is adopted; (ii) 60 days after the amendment becomes effective; or (iii) 60 days after the Participant is issued written notice of the amendment by the Company or Committee. Furthermore, no amendment shall decrease the nonforfeitable percentage, measured as of the later of the date the amendment is adopted or effective, of any Account Owner's Account.
- (c) Procedure. Each amendment shall be in writing. Each amendment shall be approved by Apache's board of directors or by an officer of Apache who has the authority to amend the Plan. Each amendment shall be executed by an officer of Apache who has the authority to execute the amendment.

ARTICLE X Plan Adoption by Affiliated Entities

10.1 Adoption of Plan.

Apache may permit any Affiliated Entity to adopt the Plan and Trust for its Employees. Thereafter, such Affiliated Entity shall deliver to the Trustee a certified copy of the resolutions or other documents evidencing its adoption of the Plan and Trust.

10.2 Agent of Affiliated Entity.

By becoming a party to the Plan, each Affiliated Entity appoints Apache as its agent with authority to act for the Affiliated Entity in all transactions in which Apache believes such agency will facilitate the administration of the Plan. Apache shall have the sole authority to amend and terminate the Plan.

10.3 Disaffiliation and Withdrawal from Plan.

- (a) Disaffiliation. Any Affiliated Entity that has adopted the Plan and thereafter ceases for any reason to be an Affiliated Entity shall forthwith cease to be a party to the Plan.
- (b) Withdrawal. Any Affiliated Entity may, by appropriate action and written notice thereof to Apache, provide for the discontinuance of its participation in the Plan. Such withdrawal from the Plan shall not be effective until the end of the Plan Year.

10.4 Effect of Disaffiliation or Withdrawal.

If at the time of disaffiliation or withdrawal, the disaffiliating or withdrawing entity, by appropriate action, adopts a substantially identical plan that provides for direct transfers from this Plan, then, as to Account Owners associated with such entity, no plan termination shall have occurred; the new plan shall be deemed a continuation of this Plan for such Account Owners. In such case, the Trustee shall transfer to the trustee of the new plan all of the assets held for the benefit of Account Owners associated with the disaffiliating or withdrawing entity, and no forfeitures or acceleration of vesting shall occur solely by reason of such action. Such payment shall operate as a complete discharge of the Trustee, and of all organizations except the disaffiliating or withdrawing entity, of all obligations under this Plan to Account Owners associated with the disaffiliating or withdrawing entity. A new plan shall not be deemed substantially identical to this Plan if it provides slower vesting than this Plan. Nothing in this section shall authorize the divesting of any vested portion of a Participant's Account.

10.5 Actions Upon Disaffiliation or Withdrawal.

- (a) Distribution or Transfer. If an entity disaffiliates from Apache or withdraws from the Plan and the provisions of section 10.4 are not followed, then the following rules apply to the Account of an Account Owner associated with the disaffiliating or withdrawing entity. The Account Owner's Account shall remain in this Plan until a distribution is processed under the usual rules of Article VI, unless the disaffiliating or withdrawing entity maintains another qualified plan that accepts direct transfers from this Plan, in which case the Committee may transfer the Account Owner's Account to the disaffiliating or withdrawing entity's plan without the consent of the Account Owner.
- (b) Form of Payment. A transfer made pursuant to this section may be in cash, in kind, or partly in cash and partly in kind. Any distribution made pursuant to this section shall be in cash. After such distribution or transfer has been made, no Account Owner who has received any such distribution, or for whom any such transfer has been made, shall have any further right or claim under the Plan or Trust.

ARTICLE XI Top-Heavy Provisions

11.1 Application of Top-Heavy Provisions.

The provisions of this Article XII shall be applicable only if the Plan becomes "top-heavy" as defined below for any Plan Year. If the Plan becomes "top-heavy" for a Plan Year, the provisions of this Article XII shall apply to the Plan effective as of the first day of such Plan Year and shall continue to apply to the Plan until the Plan ceases to be "top-heavy" or until the Plan is terminated or otherwise amended.

11.2 Determination of Top-Heavy Status.

The Plan shall be considered "top-heavy" for a Plan Year if, as of the last day of the prior Plan Year, the aggregate of the Account balances (as calculated according to the regulations under Code §416) of Key Employees under this Plan (and under all other plans required or permitted to be aggregated with this Plan) exceeds 60% of the aggregate of the Account balances (as calculated according to the regulations under Code §416) in this Plan (and under all other plans required or permitted to be aggregated with this Plan) of all current Employees and all former Employees who terminated employment within one year of the last day of the prior Plan Year. This ratio shall be referred to as the "top-heavy ratio." For purposes of determining the account balance of any Participant, (a) the balance shall be determined as of the last day of the prior Plan Year, (b) the balance shall also include any distributions to the Participant during the one-year period ending on the last day of the prior Plan Year, and (c) the balance shall also include, for distributions made for a reason other than separation from service or death or disability, any distributions to the Participant during the five-year period ending on the last day of the prior Plan Year. This shall also apply to distributions under a terminated plan that, if it had not been terminated, would have been required to be included in an aggregation group. The Account balances of a Participant who had once been a Key Employee, but who is not a Key Employee during the Plan Year, shall not be taken into account. The following plans must be aggregated with this Plan for the top-heavy test: (a) a qualified plan maintained by the Company or an Affiliated Entity in which a Key Employee participated during this Plan Year or during the previous four Plan Years and (b) any other qualified plan maintained by the Company or an Affiliated Entity that enables this Plan or any plan

described in clause (a) to meet the requirements of Code §401(a)(4) or §410. The following plans may be aggregated with this Plan for the top-heavy test: any qualified plan maintained by the Company or an Affiliated Entity that, in combination with the Plan or any plan required to be aggregated with this Plan when testing this Plan for top-heaviness, would satisfy the requirements of Code §401(a)(4) and §410. If one or more of the plans required or permitted to be aggregated with this Plan is a defined benefit plan, a Participant's "account balance" shall mean the present value of the Participant's accrued benefit. If the aggregation group includes more than one defined benefit plan, the same actuarial assumptions shall be used with respect to each such defined benefit plan. The foregoing top-heavy ratio shall be computed in accordance with the provisions of Code §416(g), together with the regulations and rulings thereunder.

11.3 Special Vesting Rule.

Unless section 5.1 provides for faster vesting, the Participant's Account shall vest in accordance with the following schedule during any top-heavy Plan Year:

Period of Service	Vesting Percentage
Less than 2 years	0%
At least 2 years, but less than 3 years	20%
At least 3 years, but less than 4 years	40%
At least 4 years, but less than 5 years	60%
At least 5 years, but less than 6 years	80%
6 or more years	100%

11.4 Special Minimum Contribution.

Notwithstanding the provisions of section 3.1, in every top-heavy Plan Year, a minimum allocation is required for each Non-Key Employee who both (a) performed one or more hours of service as a Covered Employee during the Plan Year, and (b) was an Employee on the last day of the Plan Year. The minimum allocation shall be a percentage of each Non-Key Employee's Compensation. The percentage shall be the lesser of 3% or the largest percentage obtained for any Key Employee by dividing his Annual Additions (to this Plan and any other plan aggregated with this Plan) for the Plan Year by his Compensation for the Plan Year. If the Participant participates in both this Plan and the Apache Corporation 401(k) Savings Plan, then the Participant's minimum allocation to this Plan shall be reduced by any allocation of company contributions (or forfeitures treated as company contributions) that he receives in that plan for the Plan Year.

11.5 Change in Top-Heavy Status.

If the Plan ceases to be a "top-heavy" plan as defined in this Article XII, and if any change in the benefit structure, vesting schedule, or other component of a Participant's accrued benefit occurs as a result of such change in top-heavy status, the nonforfeitable portion of each Participant's benefit attributable to Company Contributions shall not be decreased as a result of such change. In addition, each Participant with at least a three-year Period of Service on the date of such change may elect to have the nonforfeitable percentage computed under the Plan without regard to such change in status. The period during which the election may be made shall commence on the date the Plan ceases to be a top-heavy plan and shall end on the later of (a) 60 days after the change in status occurs, (b) 60 days after the change in status becomes effective, or (c) 60 days after the Participant is issued written notice of the change by the Company or the Committee.

ARTICLE XII Miscellaneous

12.1 Right to Dismiss Employees — No Employment Contract.

The Company and Affiliated Entities may terminate the employment of any employee as freely and with the same effect as if this Plan were not in existence. Participation in this Plan by an employee shall not constitute an express or implied contract of employment between the Company or an Affiliated Entity and the employee.

12.2 Claims Procedure.

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

- (b) Representatives. A claimant may appoint a representative to act on his behalf. The Plan shall only recognize a representative if the Plan has received a written authorization signed by the claimant and on a form prescribed by the Committee, with the following exceptions. The Plan shall recognize a claimant's legal representative, once the Plan is provided with documentation of such representation. If the claimant is a minor child, the Plan shall recognize the claimant's parent or guardian as the claimant's representative. Once an authorized representative is appointed, the Plan shall direct all information and notification regarding the claim to the authorized representative and the claimant shall be copied on all notifications regarding decisions, unless the claimant provides specific written direction otherwise.
- (c) Extension of Deadlines. The claimant may agree to an extension of any deadline that is mentioned in this section that applies to the Plan. The Committee or the relevant decision-maker may agree to an extension of any deadline that is mentioned in this section that applies to the claimant.
- (d) Fees. The Plan may not charge any fees to a claimant for utilizing the claims process described in this section.
- (e) Filing a Claim. A claim is made when the claimant files a claim in accordance with the procedures specified by the Committee. Any communication regarding benefits that is not made in accordance with the Plan's procedures will not be treated as a claim.
- (f) Initial Claims Decision. The Plan shall decide a claim within a reasonable time up to 90 days after receiving the claim. The Plan shall have a 90-day extension, but only if the Plan is unable to decide within 90 days for reasons beyond its control, the Plan notifies the claimant of the special circumstances requiring the need for the extension by the 90th day after receiving the claim, and the Plan notifies the claimant of the date by which the Plan expects to make a decision.
- (g) Notification of Initial Decision. The Plan shall provide the claimant with written notification of the Plan's full or partial denial of a claim, reduction of a previously approved benefit, or termination of a benefit. The notification shall include a statement of the reason(s) for the decision; references to the plan provision(s) on which the decision was based; a description of any additional material or information necessary to perfect the claim and why such information is needed; a description of the procedures and deadlines for appeal; a description of the right to obtain information about the appeal procedures; and a statement of the claimant's right to sue.
- (h) Appeal. The claimant may appeal any adverse or partially adverse decision. To appeal, the claimant must follow the procedures specified by the Committee. The appeal must be filed within 60 days of the date the claimant received notice of the initial decision. If the appeal is not timely and properly filed, the initial decision shall be the final decision of the Plan. The claimant may submit documents, written comments, and other information in support of the appeal. The claimant shall be given reasonable access at no charge to, and copies of, all documents, records, and other relevant information.
- (i) Appellate Decision. The Plan shall decide the appeal of a claim within a reasonable time of no more than 60 days from the date the Plan receives the claimant's appeal. The 60-day deadline shall be extended by an additional 60 days, but only if the Committee determines that special circumstances require an extension, the Plan notifies the claimant of the special circumstances requiring the need for the extension by the 60th day after receiving the appeal, and the Plan notifies the claimant of the date by which the Plan expects to make a decision. If an appeal is missing any information from the claimant that is needed to decide the appeal, the Plan shall notify the claimant of the missing information and grant the claimant a reasonable period to provide the missing information. If the missing information is not timely provided, the Plan shall deny the claim. If the missing information is timely provided, the 60-day deadline (or 120-day deadline with the extension) for the Plan to make its decision shall be increased by the length of time between the date the Plan requested the missing information and the date the Plan received it.
- (j) Notification of Decision. The Plan shall provide the claimant with written notification of the Plan's appellate decision (positive or adverse). The notification of any adverse or partially adverse decision shall include a statement of the reason(s) for the decision; reference to the plan provision(s) on which the decision was based; a statement of the claimant's right to sue; and a statement that the claimant is

entitled to receive, free of charge and upon request, reasonable access to and copies of all documents, records, and other information relevant to the claim.

- (k) Discretionary Authority. The Committee shall have total discretionary authority to determine eligibility, status, and the rights of all individuals under the Plan and to construe any and all terms of the Plan.

12.3 Source of Benefits.

All benefits payable under the Plan shall be paid solely from the Trust Fund, and the Company and Affiliated Entities assume no liability or responsibility therefor.

12.4 Exclusive Benefit of Employees.

It is the intention of the Company that no part of the Trust, other than as provided in sections 3.3, 8.2, and 12.9 hereof and the Trust Agreement, ever to be used for or diverted for purposes other than for the exclusive benefit of Participants, Alternate Payees, and their beneficiaries, and that this Plan shall be construed to follow the spirit and intent of the Code and ERISA.

12.5 Forms of Notices.

Wherever provision is made in the Plan for the filing of any notice, election, or designation by a Participant, Spouse, Alternate Payee, or beneficiary, the action of such individual may be evidenced by the execution of such form as the Committee may prescribe for the purpose. The Committee may also prescribe alternate methods for filing any notice, election, or designation (such as telephone voice-response or e-mail).

12.6 Failure of Any Other Entity to Qualify.

If any entity adopts this Plan but fails to obtain or retain the qualification of the Plan under the applicable provisions of the Code, such entity shall withdraw from this Plan upon a determination by the Internal Revenue Service that it has failed to obtain or retain such qualification. Within 30 days after the date of such determination, the assets of the Trust Fund held for the benefit of the Employees of such entity shall be separately accounted for and disposed of in accordance with the Plan and Trust.

12.7 Notice of Adoption of the Plan.

The Company shall provide each of its Employees with notice of the adoption of this Plan, notice of any amendments to the Plan, and notice of the salient provisions of the Plan prior to the end of the first Plan Year. A complete copy of the Plan shall also be made available for inspection by Employees and Account Owners.

12.8 Plan Merger.

If this Plan is merged or consolidated with, or its assets or liabilities are transferred to, any other qualified plan of deferred compensation, each Participant shall be entitled to receive a benefit immediately after the merger, consolidation, or transfer that is equal to or greater than the benefit the Participant would have been entitled to receive immediately before the merger, consolidation, or transfer if this Plan had then been terminated.

12.9 Inalienability of Benefits — Domestic Relations Orders.

- (a) General. Except as provided in subsection 6.1(e), relating to disclaimers, and subsections (b), (g), and (h) below, no Account Owner shall have any right to assign, alienate, transfer, or encumber his interest in any benefits under this Plan, nor shall such benefits be subject to any legal process to levy upon or attach the same for payment of any claim against any such Account Owner.
- (b) QDRO Exception. Subsection (a) shall apply to the creation, assignment, or recognition of a right to any benefit payable with respect to a Participant pursuant to a Domestic Relations Order unless such Domestic Relations Order is a QDRO, in which case the Plan shall make payment of benefits in accordance with the applicable requirements of any such QDRO.
- (c) QDRO Requirements. In order to be a QDRO, the Domestic Relations Order must satisfy the requirements of Code §414(p) and ERISA §206(d)(3). In particular, the Domestic Relations Order: (i) must specify the name and the last known mailing address of the Participant; (ii) must specify the name and mailing address of each Alternate Payee covered by the order; (iii) must specify either the

amount or percentage of the Participant's benefits to be paid by the Plan to each such Alternate Payee, or the manner in which such amount or percentage is to be determined; (iv) must specify the number of payments or period to which such order applies; (v) must specify each plan to which such order applies; (vi) may not require the Plan to provide any type or form of benefit, or any option, not otherwise provided under the Plan, subject to the provisions of subsection (f); (vii) may not require the Plan to provide increased benefits (determined on the basis of actuarial value); and (viii) may not require the payment of benefits to an Alternate Payee if such benefits have already been designated to be paid to another Alternate Payee under another order previously determined to be a QDRO.

- (d) **QDRO Payment Rules.** In the case of any payment before an Employee has separated from service, a Domestic Relations Order shall not be treated as failing to meet the requirements of subsection (c) solely because such order requires that payment of benefits be made to an Alternate Payee (i) on or after the dates specified in subsection (f), (ii) as if the Employee had retired on the date on which such payment is to begin under such order (but taking into account only the Account balance on such date), and (iii) in any form in which such benefits may be paid under the Plan to the Employee. For purposes of this subsection, the Account balance as of the date specified in the QDRO shall be the vested portion of the Employee's Account on such date.
- (e) **QDRO Review Procedures and Suspension of Benefits.** The Committee shall establish reasonable procedures to determine the qualified status of Domestic Relations Orders and to administer distributions under QDROs. Such procedures shall be in writing and shall permit an Alternate Payee to designate a representative to receive copies of notices. The Committee may temporarily suspend distributions and withdrawals from the Participant's Accounts, except to the extent necessary to make the required minimum distributions under Code §401(a)(9), when the Committee receives a Domestic Relations Order or a draft of such an order that affects the Participant's Accounts or when one or the following individuals informs the Committee, orally or in writing, that a QDRO is in process or may be in process: the Participant, a prospective Alternate Payee, or counsel for the Participant or a prospective Alternate Payee. The Committee shall promulgate reasonable and non-discriminatory rules regarding such suspensions, including but not limited to how long such suspensions remain in effect. The procedures may allow the Participant to receive such distributions and withdrawals from the Plan, subject to the rules of Article VI, as are consented to in writing by all prospective Alternate Payees identified in the Domestic Relations Order or, in the absence of a Domestic Relations Order, as are consented to in writing by the prospective Alternate Payee(s) who informed the Committee that a QDRO was in process or may be in process. When the Committee receives a Domestic Relations Order it shall promptly notify the Participant and each Alternate Payee of such receipt and provide them with copies of the Plan's procedures for determining the qualified status of the order. Within a reasonable period after receipt of a Domestic Relations Order, the Committee shall determine whether such order is a QDRO and notify the Participant and each Alternate Payee of such determination. During any period in which the issue of whether a Domestic Relations Order is a QDRO is being determined (by the Committee, by a court of competent jurisdiction, or otherwise), the Committee shall separately account for the amounts payable to the Alternate Payee if the order is determined to be a QDRO. If the order (or modification thereof) is determined to be a QDRO within 18 months after the date the first payment would have been required by such order, the Committee shall pay the amounts separately accounted for (plus any interest thereon) to the individual(s) entitled thereto. However, if the Committee determines that the order is not a QDRO, or if the issue as to whether such order is a QDRO has not been resolved within 18 months after the date of the first payment would have been required by such order, then the Committee shall pay the amounts separately accounted for (plus any interest thereon) to the individual(s) who would have been entitled to such amounts if there had been no order. Any determination that an order is a QDRO that is made after the close of the 18-month period shall be applied prospectively only. If the Plan's fiduciaries act in accordance with fiduciary provision of ERISA in treating a Domestic Relations Order as being (or not being) a QDRO or in taking action in accordance with this subsection, then the Plan's obligation to the Participant and each Alternate Payee shall be discharged to the extent of any payment made pursuant to the acts of such fiduciaries.

- (f) Rights of Alternate Payee. The Alternate Payee shall have the following rights under the Plan:
- (i) Small Accounts. If the value of the nonforfeitable portion of an Alternate Payee's Account is \$5,000 or less, the Alternate Payee shall receive a single payment of the distributable amount as soon as practicable, provided that the value is \$5,000 or less when the distribution is processed. The Committee may elect to check the value of the Alternate Payee's Account on an occasional (rather than a daily) basis, to determine whether this paragraph applies.
 - (ii) Single Payment or Annuity. This paragraph applies only if paragraph (i) does not apply. The only form of payment available to an Alternate Payee who is not the Spouse or former Spouse of the Participant is a single payment of the distributable amount (measured at the time the payment is processed). An Alternate Payee who is the Spouse or former Spouse of the Participant may choose between a single payment of the distributable amount or an annuity. If the Alternate Payee is awarded more than the distributable amount, the Alternate Payee shall initially receive a distribution of the distributable amount, with additional distributions made as soon as administratively convenient after more of the amount awarded to the Alternate Payee becomes distributable.
 - (iii) Timing of Distribution. This paragraph applies only if paragraph (i) does not apply. Subject to the limits imposed by this paragraph, the Alternate Payee may choose (or the QDRO may specify) the date of the distribution. The distribution to the Alternate Payee may occur at any time after the Committee determines that the Domestic Relations Order is a QDRO and before the Participant's Required Beginning Date (unless the order is determined to be a QDRO after the Participant's Required Beginning Date, in which case the distribution to the Alternate Payee shall be made as soon as administratively practicable after the order is determined to be a QDRO).
 - (iv) Death of Alternate Payee. The Alternate Payee may designate one or more beneficiaries, as specified in section 6.1. When the Alternate Payee dies, the Alternate Payee's beneficiary shall receive a complete distribution of the distributable amount in a single payment as soon as administratively convenient.
 - (v) Investing. An Alternate Payee may direct the investment of his Account pursuant to section 8.3.
 - (vi) Claims. The Alternate Payee may bring claims against the Plan pursuant to section 12.2.
- (g) Exception for Misconduct towards the Plan. Subsection (a) shall not apply to any offset of a Participant's benefits against an amount that the Participant is ordered or required to pay to the Plan if the following conditions are met.
- (i) The order or requirement to pay must arise (A) under a judgment of conviction for a crime involving the Plan, (B) under a civil judgment (including a consent order or decree) entered by a court in an action brought in connection with a violation (or alleged violation) of part 4 of subtitle B of title I of ERISA, or (C) pursuant to a settlement agreement between the Secretary of Labor and the Participant, or a settlement agreement between the Pension Benefit Guaranty Corporation and the Participant, in connection with a violation (or alleged violation) of part 4 of subtitle B of title I of ERISA by a fiduciary or any other person.
 - (ii) The judgment, order, decree, or settlement agreement must expressly provide for the offset of all or part of the amount ordered or required to be paid to the Plan against the Participant's benefits provided under the Plan.
 - (iii) If the Participant is married at the time at which the offset is to be made, (A) either the Participant's Spouse must have already waived his right to a QPSA and QJSA or the Participant's Spouse must consent in writing to such offset with such consent witnessed by a notary public or representative of the Plan (or it is established to the satisfaction of a Plan representative that such consent may not be obtained by reason of circumstances described in Code §417(a)(2)(B)), or (B) the Participant's Spouse is ordered or required in such judgment, order, decree, or settlement to pay an amount to the Plan in connection with a violation of part 4 of subtitle B of title I of ERISA, or (C) in such judgment, order, decree, or settlement, the Participant's Spouse retains the right to receive a survivor annuity under a qualified joint and

survivor annuity pursuant to Code §401(a)(11)(A)(i) and under a qualified preretirement survivor annuity provided pursuant to Code §401(a)(11)(A)(ii). The value of the Spouse's survivor annuity in subparagraph (C) shall be determined as if the Participant terminated employment on the date of the offset, there was no offset, the Plan permitted commencement of benefits only on or after Normal Retirement Age, the Plan provided only the "minimum-required qualified joint and survivor annuity," and the amount of the qualified preretirement survivor annuity under the Plan is equal to the amount of the survivor annuity payable under the "minimum-required qualified joint and survivor annuity." For purposes of this paragraph only, the "minimum-required qualified joint and survivor annuity" is the qualified joint and survivor annuity which is the actuarial equivalent of the Participant's accrued benefit (within the meaning of Code §411(a)(7)) and under which the survivor annuity is 50% of the amount of the annuity which is payable during the joint lives of the Participant and his Spouse.

The Committee may temporarily suspend distributions and withdrawals from a Participant's Account, except to the extent necessary to make the required minimum distributions under Code §401(a)(9), when the Committee has reason to believe that the Plan may be entitled to an offset of the Participant's benefits described in this subsection. The Committee shall promulgate reasonable and non-discriminatory rules regarding such suspensions, including but not limited to how long such suspensions remain in effect.

- (h) Exception for Federal Liens. Subsection (a) shall not apply to the enforcement of a federal tax levy made pursuant to Code §6331, the collection by the United States on a judgment resulting from an unpaid tax assessment, or any debt or obligation that is permitted to be collected from the Plan under federal law (such as the Federal Debt Collection Procedures Act of 1977). The Committee may temporarily suspend distributions and withdrawals from an Account, except to the extent necessary to make the required minimum distributions under Code §401(a)(9), when the Committee has reason to believe that such a federal tax levy or other obligation has or will be received. The Committee shall promulgate reasonable and non-discriminatory rules regarding such suspensions, including but not limited to how long such suspensions remain in effect.

12.10 Payments Due Minors or Incapacitated Individuals.

If any individual entitled to payment under the Plan is a minor, the Committee shall cause the payment to be made to the custodian or representative who, under the state law of the minor's domicile, is authorized to receive funds on behalf of the minor. If any individual entitled to payment under this Plan has been legally adjudicated to be mentally incompetent or incapacitated, the Committee shall cause the payment to be made to the custodian or representative who, under the state law of the incapacitated individual's domicile, is authorized to receive funds on behalf of the incapacitated individual. Payments made pursuant to such power shall operate as a complete discharge of the Trust Fund, the Trustee, and the Committee.

12.11 Uniformity of Application.

The provisions of this Plan shall be applied in a uniform and non-discriminatory manner in accordance with rules adopted by the Committee, which rules shall be systematically followed and consistently applied so that all individuals similarly situated shall be treated alike.

12.12 Disposition of Unclaimed Payments.

Each Participant, Alternate Payee, or beneficiary with an Account balance in this Plan must file with the Committee from time to time in writing his address, the address of each beneficiary (if applicable), and each change of address. Any communication, statement, or notice addressed to such individual at the last address filed with the Committee (or if no address is filed with the Committee then at the last address as shown on the Company's records) will be binding on such individual for all purposes of the Plan. Neither the Committee nor the Trustee shall be required to search for or locate any missing individual. If the Committee notifies an individual that he is entitled to a distribution and also notifies him that a failure to respond may result in a forfeiture of benefits, and the individual fails to claim his benefits under the Plan or make his address known to the Committee within a reasonable period of time after the notification, then the benefits under the Plan of such individual shall be forfeited. Any amount forfeited pursuant to this section shall be allocated pursuant to subsection 5.4(d). If the individual should later make a claim for this forfeited amount, the Company shall, if the Plan is still in existence, make a special contribution to the Plan equal to the forfeiture, and such amount

shall be distributed to the individual; if the Plan is not then in existence, the Company shall pay the amount of the forfeiture to the individual.

12.13 Applicable Law.

This Plan shall be construed and regulated by ERISA, the Code, and, unless otherwise specified herein and to the extent applicable, the laws of the State of Texas, excluding any conflicts-of-law provisions.

ARTICLE XIII Uniformed Services Employment and Reemployment Rights Act of 1994

13.1 General.

- (a) Scope. The Uniformed Services Employment and Reemployment Rights Act of 1994 (the "USERRA"), which is codified at 38 USCA §§4301-4318, confers certain rights on individuals who leave civilian employment to perform certain services in the Armed Forces, the National Guard, the commissioned corps of the Public Health Service, or in any other category designated by the President of the United States in time of war or emergency (collectively, the "Uniformed Services"). An Employee who joins the Uniformed Services shall be referred to as a "Serviceman" in this Article. This Article shall be interpreted to provide such individuals with all the benefits required by the USERRA but no greater benefits than those required by the USERRA. This Article shall supersede any contrary provisions in the remainder of the Plan.
- (b) Rights of Servicemen. When a Serviceman leaves the Uniformed Services, he may have reemployment rights with the Company or Affiliated Entities, depending on many factors, including the length of his stay in the Uniformed Services and the type of discharge he received. When this Article speaks of the date a Serviceman's potential USERRA reemployment rights expire, it means the date on which the Serviceman fails to qualify for reemployment rights (if, for example, he is dishonorably discharged, or remains in the Uniformed Services for more than 5 years) or, if the Serviceman obtains reemployment rights, the date his reemployment rights lapse because the Serviceman failed to timely exercise those rights.

13.2 While a Serviceman.

In general, a Serviceman shall be treated as an Employee while he continues to receive wages from the Company or an Affiliated Entity, and once the Serviceman's wages from the Company or Affiliated Entity cease, the Serviceman shall be treated as if he were on an approved, unpaid leave of absence.

- (a) Company Contributions. Wages paid by the Company to a Serviceman shall be included in his Compensation as if the Serviceman were an Employee. If the Employee was a Covered Employee when he became a Serviceman and his wages continue through the last day of a Plan Year, then (i) the Serviceman shall be treated as an "eligible Participant" under subsection 3.1(a) for that Plan Year (and shall therefore receive an allocation of Company Mandatory Contributions); and (ii) he shall be treated as an Employee under subsection 11.4(a) (and, if he is a Non-Key Employee, he shall therefore receive any minimum required allocation if the Plan is top-heavy).
- (b) Investments. If the Serviceman has an account balance in the Plan, he is an Account Owner and may therefore direct the investment of his Accounts pursuant to section 8.3.
- (c) Distributions and Withdrawals. For purposes of Article VI (relating to distributions), the Serviceman shall be treated as an Employee until the day on which his potential USERRA reemployment rights expire. See section 13.3 once his potential USERRA rights expire.
- (d) QDROs. QDROs shall be processed while the Participant is a Serviceman. The Committee has the discretion to establish special procedures under subsection 12.9(e) for Servicemen, by, for example, extending the usual deadlines to accommodate any practical difficulties encountered by the Serviceman that are attributable to his service in the Uniformed Services.

13.3 Expiration of USERRA Reemployment Rights.

- (a) Consequences. If a Serviceman is not reemployed before his potential USERRA reemployment rights expire, the Committee shall determine his Termination from Service Date by treating his service in the Uniformed Services as an approved leave of absence but treating the expiration of his potential

USERRA reemployment rights as the failure to timely return from his leave of absence, with the consequence that his Termination from Service Date will generally be the earlier of the date his potential USERRA rights expired or one year after the date he joined the Uniformed Services. Once his Termination from Service Date has been determined, the Committee shall determine his vested percentage. For purposes of Article VI (relating to distributions), the day the Serviceman's potential USERRA reemployment rights expired shall be treated as the day he terminated employment with the Company and Affiliated Entities. For purposes of subsection 5.2(c) (relating to the timing of forfeitures), the Serviceman's last day of employment shall be the day his potential USERRA reemployment rights expired.

- (b) Rehire after Expiration of Reemployment Rights. If the Company or an Affiliated Company hires a former Serviceman after his potential USERRA reemployment rights have expired, he shall be treated like any other former employee who is rehired.

13.4 Return From Uniformed Service.

This section applies solely to a Serviceman who returns to employment with the Company or an Affiliated Entity because he exercised his reemployment rights under the USERRA.

- (a) Credit for Service. A Serviceman's length of time in the Uniformed Services shall be treated as service with the Company for purposes of vesting and determining his eligibility to participate in the Plan upon reemployment.
- (b) Participation. If the Serviceman satisfies the eligibility requirements of section 2.1 before his reemployment, and he is a Covered Employee upon his reemployment, he may participate in the Plan immediately upon his return.
- (c) Make-Up Company Mandatory Contribution. The Company shall contribute an additional contribution to a Serviceman's Account equal to the Company Mandatory Contribution (including any forfeitures treated as Company Mandatory Contributions) that would have been allocated to such Account if the Serviceman had remained employed during his time in the Uniformed Services, and had earned his Deemed Compensation during that time. See subsection (e) for guidance on applying the various limits contained in the Code to the calculation of the additional mandatory contribution.
- (d) Make-Up Miscellaneous Contributions. The Company shall contribute to the Serviceman's Accounts any top-heavy minimum contribution he would have received pursuant to section 11.4, (including any forfeitures treated as top-heavy minimum contributions) if he had remained employed during his time in the Uniformed Services, and had earned Deemed Compensation during that time. See subsection (e) for guidance on applying the various limits contained in the Code to the calculation of the top-heavy minimum contribution.
- (e) Application of Limitations.
- (i) The make-up contributions under subsections (c) and (d) (the "Make-Up Contributions") shall be ignored for purposes of determining the Company's maximum contribution under subsection 3.1(c), the limits on Annual Additions under section 3.4, the non-discrimination requirements of Code §401(a)(4), and (if the Serviceman is a Key Employee) calculating the minimum required top-heavy contribution under section 11.4.
- (ii) In order to determine the maximum Make-Up Contributions, the following limitations shall apply.
- (A) The Serviceman's "Aggregate Compensation" for each year shall be calculated. His Aggregate Compensation shall be equal to his actual Compensation, plus his Deemed Compensation that would have been paid during that year. Each type of Aggregate Compensation (for benefit purposes, for purposes of determining whether the Serviceman is a Highly Compensated Employee, etc.) shall be determined separately.
- (B) The Serviceman's Aggregate Compensation each Plan Year shall be limited to the dollar limit in effect for that Plan Year under Code §401(a)(17), for the purposes and in the manner specified in subsection 1.11(d).

- (C) The limits of subsection 3.1(c) (relating to the maximum contribution by the Company to the Plan) for each Plan Year shall be calculated by using the Serviceman's Aggregate Compensation for that Plan Year, and by treating the Make-Up Contributions that are attributable to that Plan Year's Deemed Compensation as having been made during that Plan Year.
- (D) The limits of section 3.4 (relating to the maximum Annual Additions to a Participant's Accounts) shall be calculated for each Limitation Year by using the Serviceman's Aggregate Compensation for that Limitation Year, and by treating as Annual Additions all the Make-Up Contributions that are attributable to that Limitation Year's Deemed Compensation.
- (f) Deemed Compensation. A Serviceman's Deemed Compensation is the Compensation that he would have received (including raises) had he remained employed by the Company or Affiliated Entity during his time in the Uniformed Services, unless it is not reasonably certain what his Compensation would have been, in which case his Deemed Compensation shall be based on his average rate of compensation during the 12 months (or, if shorter, his period of employment with the Company and Affiliated Entities) immediately before he entered the Uniformed Services. A Serviceman's Deemed Compensation shall be reduced by any Compensation actually paid to him during his time in the Uniformed Services (such as vacation pay). Deemed Compensation shall cease when the Serviceman's potential USERRA reemployment rights expire. Each type of Deemed Compensation (for benefit purposes, for purposes of determining if the Serviceman is a Highly Compensated Employee, etc.) shall be determined separately.

APACHE CORPORATION

Date: 12/23/05

By: /s/ Jeffrey M. Bender
Title: Vice President -- Human Resources

APPENDIX A

Participating Companies

The following Affiliated Entities were actively participating in the Plan as of the following dates:

Business	Participation Began As Of	Participation Ended As Of
Apache International, Inc.	January 1, 1997	N/A
Apache Canada Ltd.	January 1, 1997	N/A

— END OF APPENDIX A —

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Document Prepared December 7, 2005

APPENDIX B

DEKALB Energy Company / Apache Canada Ltd.

Introduction

Through a merger effective as of May 17, 1995, Apache then held 100% of the stock of DEKALB Energy Company (which has been renamed Apache Canada Ltd.).

Capitalized terms in this Appendix have the same meanings as those given to them in the Plan. The regular terms of the Plan shall apply to the employees of Apache Canada Ltd., except as provided below.

Eligibility to Participate

Notwithstanding the definition of "Covered Employee," an employee of Apache Canada Ltd. shall be a Covered Employee only if (1) he is either a U.S. citizen or a U.S. resident, and (2) he was employed by Apache or another Company immediately before becoming an employee of Apache Canada Ltd.

Compensation

If the payroll of the Apache Canada Ltd. employee is handled in the United States, then the definitions of Compensation in the main body of the Plan shall apply. To the extent that the payroll of the Apache Canada Ltd. employee is handled outside of the United States, the following definitions of Compensation shall apply in lieu of the definitions found in the main body of the Plan:

- (a) Code §415 Compensation. For purposes of determining the limitation on Annual Additions under section 3.4 and the minimum contribution under section 11.4 when the Plan is top-heavy, Compensation shall mean foreign earned income (within the meaning of Code §911(b)) paid by the Company or an Affiliated Entity, and elective contributions that are not includable in the Employee's income pursuant to Code §125, §132(f)(4), §402(e)(3), §402(h), §403(b), §408(p), §414(u)(2)(C), §414(v)(6)(B), or §457. For purposes of section 3.4, Compensation shall be measured over a Limitation Year. For purposes of section 11.4, Compensation shall be measured over a Plan Year.
- (b) Code §414(g) Compensation. For purposes of identifying Highly Compensated Employees and Key Employees, Compensation shall have the same meaning as in paragraph (a), except that Compensation shall be measured over a Plan Year and shall not include any amounts accrued by, but not paid to, the Employee during the Plan Year.

— END OF APPENDIX B —

APPENDIX C

Corporate Transactions

Over the years, the Company has engaged in numerous corporate transactions, both acquisitions and sales. This Appendix contains any special service-crediting provisions that apply to employees affected by the corporate transaction (both those who are hired by the Company and those whose employment is terminated).

Sales

The following Participants are fully vested in their Accounts in this Plan, on the following dates:

[none, as of January 1, 2006]

Acquisitions

A Period of Service for vesting purposes for a New Employee (listed below) shall be determined by treating all periods of employment with the Former Employer Controlled Group as periods of employment with Apache. The "Former Employer Controlled Group" means the Former Employer (listed below), its predecessor company/ies, and any business while such business was treated as a single employer with the Former Employer or predecessor company pursuant to Code §414(b), §414(c), §414(m), or §414(o).

The following individuals are "New Employees" and the following companies are "Former Employers":

<u>Former Employer</u>	<u>New Employees</u>
Crescendo Resources, L.P. ("Crescendo")	All individuals hired from April 30, 2000 through June 1, 2000 from Crescendo and related companies in connection with an April 30, 2000 asset acquisition from Crescendo.
Collins & Ware ("C&W") and Longhorn Disposal, Inc. ("Longhorn")	All individuals hired from C&W, Longhorn, and related companies in connection with a May 23, 2000 asset acquisition from C&W and Longhorn.
Occidental Petroleum Corporation ("Oxy")	All individuals hired from Oxy and related companies in connection with an August 2000 asset acquisition from an Oxy subsidiary.
Private company ("Private")	All individuals hired in January 2003 from Private and related companies in connection with an asset acquisition of certain property in Louisiana effective as of December 1, 2002.

—END OF APPENDIX C—

APACHE CORPORATION
STATEMENT OF COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES AND
COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS
(In Thousands)

	Quarter Ended March 31,						
	2006	2005					
EARNINGS							
Pretax income from continuing operations before preferred interests of subsidiaries	\$ 1,073,262	\$ 898,580	\$ 4,206,254	\$ 2,663,083	\$ 1,930,925	\$ 915,194	\$ 1,206,863
Add: Fixed charges excluding capitalized interest and preferred interest requirements of consolidated subsidiaries	33,575	36,613	138,399	134,797	132,820	128,730	134,484
Adjusted Earnings	<u>\$ 1,106,837</u>	<u>\$ 935,193</u>	<u>\$ 4,344,653</u>	<u>\$ 2,797,880</u>	<u>\$ 2,063,745</u>	<u>\$ 1,043,924</u>	<u>\$ 1,341,347</u>
FIXED CHARGES AND PREFERRED STOCK DIVIDENDS							
Interest expense including capitalized interest (1)	\$ 42,863	\$ 45,266	\$ 175,419	\$ 168,090	\$ 173,045	\$ 155,667	\$ 178,915
Amortization of debt expense	508	658	3,748	2,471	2,163	1,859	2,460
Interest component of lease rental expenditures (2)	4,397	4,098	16,220	14,984	14,458	11,895	9,858
Preferred interest requirements of consolidated subsidiaries (3)	—	—	—	—	11,805	19,581	8,608
Fixed charges	47,768	50,022	195,387	185,545	201,471	189,002	199,841
Preferred stock dividend requirements (4)	2,306	2,277	9,105	9,058	9,968	17,540	32,495
Combined Fixed Charges and Preferred Stock Dividends	<u>\$ 50,074</u>	<u>\$ 52,299</u>	<u>\$ 204,492</u>	<u>\$ 194,603</u>	<u>\$ 211,439</u>	<u>\$ 206,542</u>	<u>\$ 232,336</u>
Ratio of Earnings to Fixed Charges	<u>23.17</u>	<u>18.70</u>	<u>22.24</u>	<u>15.08</u>	<u>10.24</u>	<u>5.52</u>	<u>6.71</u>
Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends	<u>22.10</u>	<u>17.88</u>	<u>21.25</u>	<u>14.38</u>	<u>9.76</u>	<u>5.05</u>	<u>5.77</u>

- (1) The Company did not receive a tax benefit for \$5 million of transaction costs written off to interest expense when the Company retired its preferred interests of subsidiaries in September 2003. Given the non-deductibility of the charge, \$9 million of pre-tax income was required to cover the \$5 million write-off. Accordingly, interest expense has been grossed up by \$4 million.
- (2) Represents the portion of rental expense assumed to be attributable to interest factors of related rental obligations determined at interest rates appropriate for the period during which the rental obligations were incurred. Approximately 32 to 34 percent applies to rental payments for all periods presented.
- (3) The Company did not receive a tax benefit for a portion of its preferred interests of consolidated subsidiaries. This amount represents the pre-tax earnings that would be required to cover preferred interests requirements of consolidated subsidiaries. In September 2003, the Company retired its preferred interests of subsidiaries.
- (4) The Company does not receive a tax benefit for its preferred stock dividends. This amount represents the pre-tax earnings that would be required to cover its preferred stock dividends.

CERTIFICATIONS

I, G. Steven Farris, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Apache Corporation;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly 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 that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information ; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ G. Steven Farris

G. Steven Farris
President, Chief Executive Officer and Chief
Operating Officer

Date: May 9, 2006

CERTIFICATIONS

I, Roger B. Plank, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Apache Corporation;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly 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 that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Roger B. Plank

Roger B. Plank
Executive Vice President and Chief Financial
Officer

Date: May 9, 2006

APACHE CORPORATION

**Certification of Chief Executive Officer
and Chief Financial Officer**

I, G. Steven Farris, certify that the Quarterly Report of Apache Corporation on Form 10-Q for the quarterly period ending March 31, 2006, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. §78m or §78o (d)) and that information contained in such report fairly represents, in all material respects, the financial condition and results of operations of Apache Corporation.

/s/ G. Steven Farris

By: G. Steven Farris
Title: President, Chief Executive Officer and Chief
Operating Officer

I, Roger B. Plank, certify that the Quarterly Report of Apache Corporation on Form 10-Q for the quarterly period ending March 31, 2006, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. §78m or §78o (d)) and that information contained in such report fairly represents, in all material respects, the financial condition and results of operations of Apache Corporation.

/s/ Roger B. Plank

By: Roger B. Plank
Title: Executive Vice President and Chief Financial Officer