

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2014

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)

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

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

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

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

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

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

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

Number of shares of registrant's common stock outstanding as of April 30, 2014

385,705,416

PART I – FINANCIAL INFORMATION

ITEM 1 – FINANCIAL STATEMENTS

APACHE CORPORATION AND SUBSIDIARIES
STATEMENT OF CONSOLIDATED OPERATIONS
(Unaudited)

	For the Quarter Ended March 31,	
	2014	2013
(In millions, except per share data)		
REVENUES AND OTHER:		
Oil and gas production revenues:		
Oil revenues	\$ 2,815	\$ 3,192
Gas revenues	646	681
Natural gas liquids revenues	186	148
	3,647	4,021
Derivative instrument losses, net	(20)	(100)
Other	48	25
	3,675	3,946
OPERATING EXPENSES:		
Depreciation, depletion, and amortization:		
Oil and gas property and equipment	1,109	1,210
Other assets	97	102
Asset retirement obligation accretion	44	63
Lease operating expenses	597	722
Gathering and transportation	70	73
Taxes other than income	181	229
General and administrative	119	112
Acquisitions, divestitures, and transition	2	—
Financing costs, net	27	55
	2,246	2,566
NET INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	1,429	1,380
Current income tax provision	416	497
Deferred income tax provision	162	105
NET INCOME FROM CONTINUING OPERATIONS INCLUDING NONCONTROLLING INTEREST	851	778
Net loss from discontinued operations, net of tax	(517)	(61)
NET INCOME INCLUDING NONCONTROLLING INTEREST	334	717
Preferred stock dividends	—	19
Net income attributable to noncontrolling interest	98	—
NET INCOME ATTRIBUTABLE TO COMMON STOCK	\$ 236	\$ 698
NET INCOME ATTRIBUTABLE TO COMMON SHAREHOLDERS:		
Net income from continuing operations attributable to common shareholders	\$ 753	\$ 759
Net loss from discontinued operations	(517)	(61)
Net income attributable to common shareholders	\$ 236	\$ 698
BASIC NET INCOME PER COMMON SHARE:		
Basic net income from continuing operations per share	\$ 1.92	\$ 1.94
Basic net loss from discontinued operations per share	(1.32)	(0.16)
Basic net income per share	\$ 0.60	\$ 1.78
DILUTED NET INCOME PER COMMON SHARE:		
Diluted net income from continuing operations per share	\$ 1.90	\$ 1.91
Diluted net loss from discontinued operations per share	(1.30)	(0.15)
Diluted net income per share	\$ 0.60	\$ 1.76
WEIGHTED-AVERAGE NUMBER OF COMMON SHARES OUTSTANDING:		
Basic	394	392
Diluted	396	408
DIVIDENDS DECLARED PER COMMON SHARE	\$ 0.25	\$ 0.20

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

APACHE CORPORATION AND SUBSIDIARIES
STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME
(Unaudited)

	For The Quarter Ended March 31,	
	2014	2013
	(In millions)	
NET INCOME INCLUDING NONCONTROLLING INTEREST	\$ 334	\$ 717
OTHER COMPREHENSIVE LOSS:		
Commodity cash flow hedge activity, net of tax:		
Reclassification of loss on settled derivative instruments	—	6
Change in fair value of derivative instruments	(1)	(8)
	(1)	(2)
COMPREHENSIVE INCOME INCLUDING NONCONTROLLING INTEREST	333	715
Preferred stock dividends	—	19
Comprehensive income attributable to noncontrolling interest	98	—
COMPREHENSIVE INCOME ATTRIBUTABLE TO COMMON STOCK	\$ 235	\$ 696

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,	
	2014	2013
	(In millions)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income including noncontrolling interest	\$ 334	\$ 717
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss from discontinued operations	517	61
Depreciation, depletion, and amortization	1,206	1,312
Asset retirement obligation accretion	44	63
Provision for deferred income taxes	162	105
Other	(41)	37
Changes in operating assets and liabilities:		
Receivables	389	(19)
Inventories	85	50
Drilling advances	37	219
Deferred charges and other	(74)	(17)
Accounts payable	(170)	56
Accrued expenses	(286)	(20)
Deferred credits and noncurrent liabilities	8	(7)
NET CASH PROVIDED BY CONTINUING OPERATING ACTIVITIES	2,211	2,557
NET CASH PROVIDED BY DISCONTINUED OPERATIONS	82	64
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,293	2,621
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to oil and gas property	(2,362)	(2,511)
Additions to gas gathering, transmission, and processing facilities	(344)	(254)
Proceeds from Kitimat LNG transaction, net	—	405
Acquisitions, other	—	(148)
Other, net	9	(41)
NET CASH USED IN CONTINUING INVESTING ACTIVITIES	(2,697)	(2,549)
NET CASH PROVIDED BY (USED IN) DISCONTINUED OPERATIONS	748	(43)
NET CASH USED IN INVESTING ACTIVITIES	(1,949)	(2,592)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Commercial paper and bank credit facilities, net	(2)	155
Dividends paid	(79)	(86)
Treasury stock activity, net	(484)	—
Other	—	12
NET CASH PROVIDED BY (USED IN) CONTINUING FINANCING ACTIVITIES	(565)	81
NET CASH USED IN DISCONTINUED OPERATIONS	(42)	(22)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(607)	59
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(263)	88
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,906	160
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 1,643	\$ 248
SUPPLEMENTARY CASH FLOW DATA:		
Interest paid, net of capitalized interest	\$ 70	\$ 62
Income taxes paid, net of refunds	491	487

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

APACHE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(Unaudited)

	March 31, 2014	December 31, 2013
	(In millions)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,643	\$ 1,906
Receivables, net of allowance	2,479	2,952
Inventories	727	891
Drilling advances	323	371
Derivative instruments	—	1
Prepaid assets and other	291	245
	<u>5,463</u>	<u>6,366</u>
PROPERTY AND EQUIPMENT:		
Oil and gas, on the basis of full-cost accounting:		
Proved properties	82,727	83,390
Unproved properties and properties under development, not being amortized	8,332	8,363
Gathering, transmission and processing facilities	7,209	6,995
Other	1,068	1,071
	<u>99,336</u>	<u>99,819</u>
Less: Accumulated depreciation, depletion and amortization	<u>(46,584)</u>	<u>(47,398)</u>
	<u>52,752</u>	<u>52,421</u>
OTHER ASSETS:		
Goodwill	1,369	1,369
Deferred charges and other	1,537	1,481
	<u>\$ 61,121</u>	<u>\$ 61,637</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 1,438	\$ 1,616
Current debt	—	53
Current asset retirement obligation	182	121
Derivative instruments	224	299
Other current liabilities	2,512	2,611
	<u>4,356</u>	<u>4,700</u>
LONG-TERM DEBT	<u>9,673</u>	<u>9,672</u>
DEFERRED CREDITS AND OTHER NONCURRENT LIABILITIES:		
Income taxes	8,517	8,364
Asset retirement obligation	2,996	3,101
Other	402	407
	<u>11,915</u>	<u>11,872</u>
COMMITMENTS AND CONTINGENCIES (Note 8)		
EQUITY:		
Common stock, \$0.625 par, 860,000,000 shares authorized, 408,251,989 and 408,041,088 shares issued, respectively	255	255
Paid-in capital	12,284	12,251
Retained earnings	22,170	22,032
Treasury stock, at cost, 18,184,997 and 12,268,180 shares, respectively	(1,511)	(1,027)
Accumulated other comprehensive loss	(116)	(115)
APACHE SHAREHOLDERS' EQUITY	<u>33,082</u>	<u>33,396</u>
Noncontrolling interest	2,095	1,997
TOTAL EQUITY	<u>35,177</u>	<u>35,393</u>
	<u>\$ 61,121</u>	<u>\$ 61,637</u>

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are an integral part of this statement.

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

	Series D Preferred Stock	Common Stock	Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	APACHE SHAREHOLDERS' EQUITY	Non Controlling Interest	TOTAL EQUITY
	(In millions)								
BALANCE AT DECEMBER 31, 2012	\$ 1,227	\$ 245	\$ 9,859	\$ 20,161	\$ (30)	\$ (131)	\$ 31,331	\$ —	\$ 31,331
Net income	—	—	—	717	—	—	717	—	717
Commodity hedges, net of tax	—	—	—	—	—	(2)	(2)	—	(2)
Dividends:									
Preferred	—	—	—	(19)	—	—	(19)	—	(19)
Common (\$0.20 per share)	—	—	—	(78)	—	—	(78)	—	(78)
Common stock activity, net	—	—	(8)	—	—	—	(8)	—	(8)
Compensation expense	—	—	46	—	—	—	46	—	46
BALANCE AT MARCH 31, 2013	\$ 1,227	\$ 245	\$ 9,897	\$ 20,781	\$ (30)	\$ (133)	\$ 31,987	\$ —	\$ 31,987
BALANCE AT DECEMBER 31, 2013	\$ —	\$ 255	\$ 12,251	\$ 22,032	\$ (1,027)	\$ (115)	\$ 33,396	\$ 1,997	\$ 35,393
Net income	—	—	—	236	—	—	236	98	334
Commodity hedges, net of tax	—	—	—	—	—	(1)	(1)	—	(1)
Dividends:									
Common (\$0.25 per share)	—	—	—	(98)	—	—	(98)	—	(98)
Common stock activity, net	—	—	(19)	—	—	—	(19)	—	(19)
Treasury stock activity, net	—	—	—	—	(484)	—	(484)	—	(484)
Compensation expense	—	—	52	—	—	—	52	—	52
BALANCE AT MARCH 31, 2014	\$ —	\$ 255	\$ 12,284	\$ 22,170	\$ (1,511)	\$ (116)	\$ 33,082	\$ 2,095	\$ 35,177

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). They reflect all adjustments that are, in the opinion of management, necessary for a fair statement of the results for the interim periods, on a basis consistent with the annual audited financial statements. 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 (U.S. GAAP) have been omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. This Quarterly Report on Form 10-Q should be read along with Apache's Annual Report on Form 10-K for the fiscal year ended December 31, 2013, which contains a summary of the Company's significant accounting policies and other disclosures.

The Company's financial statements for prior periods include reclassifications that were made to conform to the current-period presentation. In March 2014, Apache completed the sale of all of its operations in Argentina. Results of operations and cash flows for Argentina operations are reflected as discontinued operations in the Company's financial statements for all periods presented. For more information regarding this divestiture, please refer to Note 2—Acquisitions and Divestitures.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As of March 31, 2014, Apache's significant accounting policies are consistent with those discussed in Note 1—Summary of Significant Accounting Policies to the consolidated financial statements contained in Apache's Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

Use of Estimates

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

Oil and Gas Property

The Company follows the full-cost method of accounting for its oil and gas property. Under this method of accounting, all costs incurred for both successful and unsuccessful exploration and development activities, including salaries, benefits and other internal costs directly identified with these activities, and oil and gas property acquisitions are capitalized. The net book value of oil and gas properties, less related deferred income taxes, may not exceed a calculated "ceiling." The ceiling limitation is the estimated after-tax future net cash flows from proved oil and gas reserves, discounted at 10 percent per annum and adjusted for designated cash flow hedges. Estimated future net cash flows are calculated using end-of-period costs and an unweighted arithmetic average of commodity prices in effect on the first day of each of the previous 12 months, held flat for the life of the production, except where prices are defined by contractual arrangements.

Any excess of the net book value of proved oil and gas properties, less related deferred income taxes, over the ceiling is charged to expense and reflected as "Additional depreciation, depletion and amortization" (DD&A) in the accompanying statement of consolidated operations. Such limitations are imposed separately on a country-by-country basis and are tested quarterly. For a discussion of the calculation of estimated future net cash flows, please refer to Note 14—Supplemental Oil and Gas Disclosures to the consolidated financial statements contained in Apache's Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

New Pronouncements Issued But Not Yet Adopted

In April 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-08—Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. ASU 2014-08 modifies the criteria for disposals to qualify as discontinued operations and expands related disclosures. The guidance is effective for annual and interim reporting periods beginning after December 15, 2014. The amendment does not change our assessment of discontinued operations for the sale of our Argentina operations; however, additional disclosures will be required. Adoption of this amendment will not have a material effect on our financial position or results of operations.

2. ACQUISITIONS AND DIVESTITURES

2014 Activity

Gulf of Mexico Divestiture

On May 8, 2014, Apache announced the sale of its Lucius and Heidelberg development projects and 11 primary term deepwater exploration blocks in the Gulf of Mexico to a subsidiary of Freeport-McMoRan Oil & Gas for \$1.4 billion. The effective date of the transaction is May 1, 2014. The sale is subject to customary closing conditions and is expected to close by June 30, 2014.

Canada Divestiture

On April 30, 2014, Apache completed the sale of producing oil and gas assets in the Deep Basin area of western Alberta and British Columbia, Canada, for \$374 million. Apache is selling primarily dry-gas producing properties comprising 328,400 net acres in the Ojay, Noel, and Wapiti areas. In the Wapiti area, Apache will retain 100 percent of its working interest in horizons below the Cretaceous, retaining rights to the liquids-rich Montney and other deeper horizons. During 2013, production from the fields to be divested averaged 101 million cubic feet of natural gas and 1,500 barrels of liquid hydrocarbons per day. The effective date of the transaction is January 1, 2014. The transaction was subject to customary post-closing adjustments.

Argentina Divestiture

On March 12, 2014, Apache's subsidiaries completed the sale of all of the Company's operations in Argentina to YPF Sociedad Anónima for cash consideration of \$800 million plus the assumption of \$52 million of bank debt as of June 30, 2013. The results of operations related to Argentina have been classified as discontinued operations in all periods presented in this Quarterly Report on Form 10-Q. The carrying amounts of the major classes of assets and liabilities associated with the disposition were as follows:

	December 31, 2013 (In millions)
ASSETS	
Current assets	\$ 150
Net property and equipment	1,416
Other assets	12
Total assets	<u>\$ 1,578</u>
LIABILITIES	
Current debt	\$ 51
Other current liabilities	95
Asset retirement obligations	91
Other long-term liabilities	21
Total liabilities	<u>\$ 258</u>

Sales and other operating revenues and loss from discontinued operations related to the Argentina disposition were as follows:

	For the Quarter Ended March 31,	
	2014	2013
	(In millions)	
Revenues and other from discontinued operations	\$ 87	\$ 131
Loss from Argentina divestiture	(539)	—
Loss from operations in Argentina	(1)	(61)
Income tax benefit	23	—
Loss from discontinued operations, net of tax	<u>\$ (517)</u>	<u>\$ (61)</u>

2013 Activity

Egypt Partnership

On November 14, 2013, Apache completed the sale of a one-third minority participation in its Egypt oil and gas business to a subsidiary of Sinopec International Petroleum Exploration and Production Corporation (Sinopec). Apache received cash consideration of \$2.95 billion after customary closing adjustments. Apache continues to operate its Egypt upstream oil and gas business. Apache recorded \$1.9 billion of the proceeds as a non-controlling interest, which is reflected as a separate component of equity in the Company's consolidated balance sheet. This represents one-third of Apache's net book value of its Egypt holdings at the time of the transaction. The remaining proceeds were recorded as additional paid-in capital. Included in "Net income including noncontrolling interest" for the quarter ended March 31, 2014, is net income attributable to Sinopec's interest totaling \$98 million.

Gulf of Mexico Shelf Divestiture

On September 30, 2013, Apache completed the sale of its Gulf of Mexico Shelf operations and properties to Fieldwood Energy LLC (Fieldwood), an affiliate of Riverstone Holdings. Under the terms of the agreement, Apache received cash consideration of \$3.7 billion, and Fieldwood assumed \$1.5 billion of discounted asset abandonment liabilities. Additionally, Apache retained 50 percent of its ownership interest in all exploration blocks and in horizons below production in developed blocks.

Canada LNG Project

In February 2013, Apache completed a transaction with Chevron Canada Limited (Chevron Canada) under which each company became a 50 percent owner of the Kitimat LNG plant, the Pacific Trail Pipelines Limited Partnership (PTP), and 644,000 gross undeveloped acres in the Horn River and Liard basins. Chevron Canada will operate the LNG plant and pipeline while Apache Canada will continue to operate the upstream assets. Apache's net proceeds from the transaction were \$396 million after post-closing adjustments, and no gain or loss was recorded.

3. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Objectives and Strategies

The Company is exposed to fluctuations in crude oil and natural gas prices on the majority of its worldwide production. Apache manages the variability in its cash flows by occasionally entering into derivative transactions on a portion of its crude oil and natural gas production. The Company utilizes various types of derivative financial instruments, including swaps and options, to manage fluctuations in cash flows resulting from changes in commodity prices.

Counterparty Risk

The use of derivative instruments exposes the Company to counterparty credit risk, or the risk that a counterparty will be unable to meet its commitments. To reduce the concentration of exposure to any individual counterparty, Apache utilizes a diversified group of investment-grade rated counterparties, primarily financial institutions, for its derivative transactions. As of March 31, 2014, Apache had derivative positions with 15 counterparties. The Company monitors counterparty creditworthiness on an ongoing basis; however, it cannot predict sudden changes in counterparties' creditworthiness. In addition, even if such changes are not sudden, the Company may be limited in its ability to mitigate an increase in counterparty credit risk. Should one of these counterparties not perform, Apache may not realize the benefit of some of its derivative instruments resulting from lower commodity prices.

The Company executes commodity derivative transactions under master agreements that have netting provisions that provide for offsetting payables against receivables. In general, if a party to a derivative transaction incurs a material deterioration in its credit ratings, as defined in the applicable agreement, the other party has the right to demand the posting of collateral, demand a transfer, or terminate the arrangement. The Company's net derivative liability position at March 31, 2014, represents the aggregate fair value of all derivative instruments with credit-risk-related contingent features that are in a net liability position. The Company has not provided any collateral to any of its counterparties as of March 31, 2014.

Derivative Instruments

As of March 31, 2014, Apache had the following commodity derivative positions:

Production Period	Commodity	Settlement Index	Mbbbls	Fixed-Price Swaps	
				MMBtu (in 000's)	Weighted Average Fixed Price
2014	Crude Oil	NYMEX WTI	17,218	—	\$ 90.80
2014	Crude Oil	Dated Brent	17,188	—	100.05
2014	Natural Gas	Various ⁽¹⁾	—	48,835	4.39

- (1) The natural gas price represents a weighted-average of several contracts entered into on a per-million British thermal units (MMBtu) basis. These contracts are settled against NYMEX Henry Hub and various Inside FERC indices.

Apache has currently elected not to designate any of its qualifying natural gas and oil derivatives as cash flow hedges. Changes in the fair value of these derivatives for the current period are recorded in the Company's statement of consolidated operations.

Fair Value Measurements

Apache's commodity derivative instruments consist of variable-to-fixed price commodity swaps. The fair values of the Company's derivatives are not actively quoted in the open market. The Company uses a market approach to estimate the fair values of its derivative instruments, utilizing commodity futures price strips for the underlying commodities provided by a reputable third party.

The following table presents the Company's derivative assets and liabilities measured at fair value on a recurring basis:

	Fair Value Measurements Using			Total Fair Value	Netting ⁽¹⁾	Carrying Amount
	Quoted Price in Active Markets (Level 1)	Significant Other Inputs (Level 2)	Significant Unobservable Inputs (Level 3)			
(In millions)						
March 31, 2014						
Assets:						
Commodity Derivative Instruments	\$ —	\$ 2	\$ —	\$ 2	\$ (2)	\$ —
Liabilities:						
Commodity Derivative Instruments	—	226	—	226	(2)	224
December 31, 2013						
Assets:						
Commodity Derivative Instruments	\$ —	\$ 3	\$ —	\$ 3	\$ (2)	\$ 1
Liabilities:						
Commodity Derivative Instruments	—	301	—	301	(2)	299

(1) The derivative fair values are based on analysis of each contract on a gross basis, excluding the impact of netting agreements with counterparties.

Derivative Assets and Liabilities Recorded in the Consolidated Balance Sheet

All derivative instruments are reflected as either assets or liabilities at fair value in the consolidated balance sheet. These fair values are recorded by netting asset and liability positions where counterparty master netting arrangements contain provisions for net settlement. The carrying value of the Company's derivative assets and liabilities and their locations on the consolidated balance sheet are as follows:

	March 31, 2014	December 31, 2013
	(In millions)	
Current Assets: Derivative instruments	\$ —	\$ 1
Current Liabilities: Derivative instruments	\$ 224	\$ 299

Derivative Activity Recorded in the Statement of Consolidated Operations

The following table summarizes the effect of derivative instruments on the Company's statement of consolidated operations:

	Loss on Derivatives Recognized in Income	For the Quarter Ended March 31,	
		2014	2013
(In millions)			
Loss on cash flow hedges reclassified from accumulated other comprehensive loss	Oil and Gas Production Revenues	\$ —	\$ (9)
Derivatives not designated as cash flow hedges:			
Realized loss		\$ (96)	\$ (52)
Unrealized gain (loss)		76	(48)
Loss on derivatives not designated as cash flow hedges	Derivative instrument losses, net	\$ (20)	\$ (100)

Unrealized gains and losses for derivative activity recorded in the statement of consolidated operations is reflected in the statement of consolidated cash flows as a component of "Other" in "Adjustments to reconcile net income to net cash provided by operating activities."

Derivative Activity in Accumulated Other Comprehensive Loss

A reconciliation of the components of accumulated other comprehensive loss in the statement of consolidated changes in equity related to Apache's cash flow hedges is presented in the table below. Derivative activity represents all of the reclassifications out of accumulated other comprehensive loss to income for the periods presented.

	For the Quarter Ended March 31,			
	2014		2013	
	Before tax	After tax	Before tax	After tax
(In millions)				
Unrealized gain (loss) on derivatives at beginning of period	\$ 1	\$ 1	\$ (10)	\$ (6)
Realized amounts reclassified into earnings	—	—	9	6
Net change in derivative fair value	(1)	(1)	(11)	(8)
Unrealized gain (loss) on derivatives at end of period	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (12)</u>	<u>\$ (8)</u>

4. OTHER CURRENT LIABILITIES

The following table provides detail of our other current liabilities:

	March 31, 2014	December 31, 2013
	(In millions)	
Accrued operating expenses	\$ 133	\$ 190
Accrued exploration and development	1,636	1,582
Accrued compensation and benefits	134	242
Accrued interest	119	161
Accrued income taxes	235	248
Other	255	188
Total Other current liabilities	<u>\$ 2,512</u>	<u>\$ 2,611</u>

5. ASSET RETIREMENT OBLIGATION

The following table describes changes to the Company's asset retirement obligation (ARO) liability for the three-month period ended March 31, 2014:

	(In millions)
Asset retirement obligation at December 31, 2013	\$ 3,222
Liabilities incurred	27
Liabilities divested	(91)
Liabilities settled	(24)
Accretion expense	44
Asset retirement obligation at March 31, 2014	3,178
Less current portion	(182)
Asset retirement obligation, long-term	<u>\$ 2,996</u>

6. DEBT AND FINANCING COSTS

The following table presents the carrying amounts and estimated fair values of the Company's outstanding debt:

	March 31, 2014		December 31, 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In millions)			
Uncommitted credit lines	\$ —	\$ —	\$ 53	\$ 53
Notes and debentures	9,673	10,762	9,672	10,247
Total Debt	<u>\$ 9,673</u>	<u>\$10,762</u>	<u>\$ 9,725</u>	<u>\$10,300</u>

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

As of March 31, 2014, the Company had unsecured committed revolving credit facilities totaling \$3.3 billion, of which \$1.0 billion matures in August 2016 and \$2.3 billion matures in June 2017. The facilities consist of a \$1.7 billion facility and \$1.0 billion facility for the U.S., a \$300 million facility for Australia, and a \$300 million facility for Canada. As of March 31, 2014, available borrowing capacity under the Company's credit facilities was \$3.3 billion. The Company's committed credit facilities are used to support Apache's commercial paper program.

The Company has available a \$3.0 billion commercial paper program, which generally enables Apache to borrow funds for up to 270 days at competitive interest rates. The commercial paper program is fully supported by available borrowing capacity under our committed credit facilities. At March 31, 2014 and December 31, 2013, the Company had no outstanding commercial paper.

As of March 31, 2014, the Company had no current debt outstanding at quarter-end. At December 31, 2013, a total of \$53 million of current debt was drawn against uncommitted credit facilities and overdraft lines in Argentina and Canada.

Financing Costs, Net

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

	For the Quarter Ended	
	March 31,	
	2014	2013
	(In millions)	
Interest expense	\$ 124	\$ 146
Amortization of deferred loan costs	2	2
Capitalized interest	(95)	(90)
Interest income	(4)	(3)
Financing costs, net	<u>\$ 27</u>	<u>\$ 55</u>

7. INCOME TAXES

The Company estimates its annual effective income tax rate in recording its quarterly provision for income taxes in the various jurisdictions in which the Company operates. Statutory tax rate changes and other significant or unusual items are recognized as discrete items in the quarter in which they occur.

Apache and its subsidiaries are subject to U.S. federal income tax as well as income or capital taxes in various state and foreign jurisdictions. The Company's tax reserves are related to tax years that may be subject to examination by the relevant taxing authority. The Company is under audit with the Internal Revenue Service for the 2011 and 2012 tax years. The Company is also under audit in various states and in most of the Company's foreign jurisdictions as part of its normal course of business.

8. COMMITMENTS AND CONTINGENCIES

Legal Matters

Apache is party to various legal actions arising in the ordinary course of business, including litigation and governmental and regulatory controls. As of March 31, 2014, the Company has an accrued liability of approximately \$12 million for all legal contingencies that are deemed to be probable of occurring and can be reasonably estimated. Apache's estimates are based on information known about the matters and its experience in contesting, litigating, and settling similar matters. Although actual amounts could differ from management's estimate, none of the actions are believed by management to involve future amounts that would be material to Apache's financial position, results of operations, or liquidity after consideration of recorded accruals. For material matters that Apache believes an unfavorable outcome is reasonably possible, the Company has disclosed the nature of the matter and a range of potential exposure, unless an estimate cannot be made at this time. It is management's opinion that the loss for any other litigation matters and claims that are reasonably possible to occur will not have a material adverse effect on the Company's financial position, results of operations, or liquidity.

For additional information on each of the Legal Matters described below, please see Note 8—Commitments and Contingencies to the consolidated financial statements contained in Apache's Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

Argentine Environmental Claims and Argentina Tariff

In 2003, the Asociación de Superficialarios de la Patagonia (ASSUPA) filed lawsuits against Company subsidiaries in Argentina courts relating to various environmental and remediation claims concerning certain geographic areas of Argentina, including the Neuquén and Austral basins. In addition, effective December 1, 2011, Enargas, an autonomous entity that functions under the Argentine Ministry of Economy, created a tariff charge on all fuel gas used by oil and gas producers in field operations, which is likewise the subject of legal proceedings in Argentina.

On March 12, 2014, the Company and its subsidiaries completed the sale of all of the Company's subsidiaries' operations and properties in Argentina to YPF Sociedad Anonima (YPF). As part of that sale, YPF assumed responsibility for all of the past, present, and future litigation in Argentina involving Company subsidiaries, including the ASSUPA and Enargas matters, except that Company subsidiaries have agreed to indemnify YPF for certain environmental, tax, and royalty obligations capped at an aggregate of \$100 million. The indemnity is subject to specific agreed conditions precedent, thresholds, contingencies, limitations, claim deadlines, loss sharing, and other terms and conditions. On April 11, 2014, YPF provided its first notice of claims pursuant to the indemnity. Company subsidiaries have not paid any amounts under the indemnity, and will respond to YPF in due course. Further, Company subsidiaries retain the right to enforce certain Argentina-related indemnification obligations against Pioneer Natural Resources Company (Pioneer) up to \$67.5 million pursuant to the terms and conditions of stock purchase agreements entered in 2006 between Company subsidiaries and Pioneer subsidiaries. No other material change in the status of these matters has occurred since the filing of Apache's Annual Report on Form 10-K for its 2013 fiscal year.

Louisiana Restoration

Numerous surface owners have filed claims or sent demand letters to various oil and gas companies, including Apache, claiming that, under either expressed or implied lease terms or Louisiana law, they are liable for damage measured by the cost of restoration of leased premises to their original condition as well as damages for contamination and cleanup.

In a case captioned *Heloise, LLC, et al. v. BP America Production Company, et al.*, Case No. 120113 in the District Court for the Parish of Lafourche, plaintiff landowners allege that defendants' oil and gas operations contaminated their property primarily with chlorides. Apache, a defendant in the case, acquired its interest in the oil and gas operations on plaintiffs' property from the former operator, Amoco Production Company, when the Company purchased the stock of Amoco's subsidiary, MW Petroleum Corporation, in 1991. BP America Production Company, as Amoco's successor in interest, and Apache dispute whether and to what extent they might owe each other indemnity in the case. Plaintiffs' expert has recently opined that the cost of remediating plaintiffs' 825 acres exceeds \$200 million. Trial is set for December 2014. While an adverse judgment against the Company might be possible, Apache intends to vigorously defend the case.

No other material change in the status of these matters has occurred since the filing of Apache's Annual Report on Form 10-K for its 2013 fiscal year.

Australia Gas Pipeline Force Majeure

In 2008, Company subsidiaries reported a pipeline explosion that interrupted deliveries of natural gas in Australia to customers under various long-term contracts.

In the case captioned *Alcoa of Australia Limited v. Apache Energy Limited, Apache Northwest Pty Ltd, Tap (Harriet) Pty Ltd, and Kufpec Australia Pty Ltd*, Civ. 1481 of 2011, in the Supreme Court of Western Australia, on June 20, 2012, the Supreme Court struck out Alcoa's claim that the liquidated damages provisions under two long-term contracts are unenforceable as a penalty and also struck out Alcoa's claim for damages for breach of statutory duty. On September 17, 2013, the Western Australia Court of Appeal dismissed the Company subsidiaries' appeal concerning Alcoa's remaining tort claim for economic loss. On October 15, 2013, the Company subsidiaries applied to the High Court of Australia for special leave to appeal. On April 11, 2014, the High Court refused special leave to appeal. All of the Company subsidiaries' defenses remain intact for further proceedings at the trial court level, including the defenses that were the subject of the special leave application.

No other material change in the status of these matters has occurred since the filing of Apache's Annual Report on Form 10-K for its 2013 fiscal year.

Breton Lawsuit

On October 29, 2012, plaintiffs filed an amended complaint in *Breton Energy, L.L.C. et al. v. Mariner Energy Resources, Inc., et al.*, Case 4:11-cv-03561, in the United States District Court for the Southern District of Texas, Houston Division, seeking compensation from defendants for allegedly depriving plaintiffs of rights to hydrocarbons in a reservoir described by plaintiffs as a common reservoir in West Cameron Blocks 171 and 172 offshore Louisiana in the Gulf of Mexico. On May 28, 2013, the United States District Court for the Southern District of Texas dismissed the plaintiffs' claims and entered judgment in favor of the defendants. On June 3, 2013, the plaintiffs filed a notice of appeal in the United States Court of Appeals for the Fifth Circuit. The appeal is pending. No material change in the status of this matter has occurred since the filing of Apache's Annual Report on Form 10-K for its 2013 fiscal year.

Escheat Audits

The State of Delaware, Department of Finance, Division of Revenue (Unclaimed Property), has notified numerous companies, including Apache Corporation, that the State intends to examine its books and records and those of its subsidiaries and related entities to determine compliance with the Delaware Escheat Laws. The review is ongoing, and no material change in the status of this matter has occurred since the filing of Apache's Annual Report on Form 10-K for its 2013 fiscal year.

Burrup-Related Gas Supply Lawsuits

On October 11, 2013, a lawsuit captioned *Pankaj Oswal v. Apache Corporation*, No. WAD 389/2013, in the Federal Court of Australia, District of Western Australia, General Division, was filed in which plaintiff asserts claims against the Company under the Australian Trade Practices Act. The Company does not believe the lawsuit has merit and will vigorously defend against it. No other material change in the status of this matter has occurred since the filing of Apache's Annual Report on Form 10-K for its 2013 fiscal year.

In the case captioned *Radhika Oswal v. Australia and New Zealand Banking Group Limited (ANZ) et al.*, No. SCI 2011 4653, in the Supreme Court of Victoria, plaintiff has filed an application seeking to amend her statement of claim in order to add parties as defendants to the proceedings, including the Company and certain of its subsidiaries. Similarly, in a companion case captioned *Pankaj Oswal v. Australia and New Zealand Banking Group Limited (ANZ) et al.*, No. SCI 2012 01995, in the Supreme Court of Victoria, plaintiff has also filed an application seeking to amend his statement of claim in order to add parties as defendants to the proceedings, including the Company and certain of its subsidiaries. This is the second attempt by the plaintiffs to amend their pleadings, with their first attempt having been unsuccessful. While reserving all rights, including all defenses to the plaintiffs' proposed amended pleadings, the Company and its subsidiaries did not object to the plaintiffs' revised applications to amend their pleadings, which is a procedural matter. No other material change in the status of these matters has occurred since the filing of Apache's Annual Report on Form 10-K for its 2013 fiscal year.

Concerning the action filed by Tap (Harriet) Pty Ltd (Tap) against Burrup Fertilisers Pty Ltd et al., Civ. 2329 of 2009, in the Supreme Court of Western Australia, no material change in the status of this matter has occurred since the filing of Apache's Annual Report on Form 10-K for its 2013 fiscal year.

Environmental Matters

As of March 31, 2014, the Company had an undiscounted reserve for environmental remediation of approximately \$92 million. The Company is not aware of any environmental claims existing as of March 31, 2014 that have not been provided for or would otherwise have a material impact on its financial position, results of operations, or liquidity. There can be no assurance, however, that current regulatory requirements will not change or past non-compliance with environmental laws will not be discovered on the Company's properties.

9. CAPITAL STOCK

Net Income per Common Share

A reconciliation of the components of basic and diluted net income per common share for the quarters ended March 31, 2014 and 2013 is presented in the table below.

	For the Quarter Ended March 31,					
	2014			2013		
	Income	Shares	Per Share	Income	Shares	Per Share
	(In millions, except per share amounts)					
Basic:						
Income from continuing operations	\$ 753	394	\$ 1.92	\$ 759	392	\$ 1.94
Loss from discontinued operations	(517)	394	(1.32)	(61)	392	(0.16)
Income attributable to common stock	<u>\$ 236</u>	394	<u>\$ 0.60</u>	<u>\$ 698</u>	392	<u>\$ 1.78</u>
Effect of Dilutive Securities:						
Mandatory Convertible Preferred Stock	\$ —	—		\$ 19	14	
Stock options and other	—	2		—	2	
Diluted:						
Income from continuing operations	\$ 753	396	\$ 1.90	\$ 778	408	\$ 1.91
Loss from discontinued operations	(517)	396	(1.30)	(61)	408	(0.15)
Income attributable to common stock	<u>\$ 236</u>	396	<u>\$ 0.60</u>	<u>\$ 717</u>	408	<u>\$ 1.76</u>

The diluted earnings per share calculation excludes options and restricted stock units that were anti-dilutive totaling 5.8 million and 5.7 million for the quarters ending March 31, 2014 and 2013, respectively.

Common and Preferred Stock Dividends

For the quarters ended March 31, 2014 and 2013, Apache paid \$79 million and \$67 million, respectively, in dividends on its common stock. During the first quarter of 2014, Apache's Board of Directors approved a 25 percent increase for the regular quarterly cash dividend on the Company's common stock to \$0.25 per share. This increase will apply to the dividend on common stock payable on May 22, 2014, to stockholders of record on April 22, 2014, and subsequent dividends paid.

In the first three months of 2013, the Company also paid \$19 million in dividends on its Series D Preferred Stock, which was converted to common stock in August 2013.

Stock Repurchase Program

In May 2013, Apache's Board of Directors authorized the purchase of up to 30 million shares of the Company's common stock, valued at approximately \$2 billion when first announced. Shares may be purchased either in the open market or through privately held negotiated transactions. The Company initiated the buyback program on June 10, 2013, and during 2013 repurchased a total of 11,221,919 shares at an average price of \$88.88. An additional 5,919,083 shares were purchased in the first quarter of 2014 at an average price of \$81.88. Subsequent to March 31, 2014, an additional 5,951,031 shares were purchased at an average price of \$85.14. The Company anticipates that further purchases will primarily be made with proceeds from asset dispositions, but the Company is not obligated to acquire any specific number of shares.

10. BUSINESS SEGMENT INFORMATION

Apache is engaged in a single line of business. Both domestically and internationally, the Company explores for, develops, and produces natural gas, crude oil and natural gas liquids. At March 31, 2014, the Company had production in five countries: the United States, Canada, Egypt, Australia, and the United Kingdom (U.K.) North Sea. Apache also pursues exploration interests in other countries that may, over time, result in reportable discoveries and development opportunities. Financial information for each country is presented below:

	United States	Canada	Egypt (1)	Australia	North Sea	Other International	Total
	(In millions)						
For the Quarter Ended							
March 31, 2014							
Oil and Gas Production Revenues	\$ 1,505	\$ 318	\$ 950	\$ 256	\$ 618	\$ —	\$ 3,647
Operating Income	\$ 663	\$ 71	\$ 536	\$ 96	\$ 183	\$ —	\$ 1,549
Other Income (Expense):							
Derivative instruments losses, net							(20)
Other							48
General and administrative							(119)
Acquisition, divestitures, and transition							(2)
Financing costs, net							(27)
Net Income From Continuing Operations							\$ 1,429
Before Income Taxes							\$ 1,429
Total Assets	\$30,618	\$7,102	\$ 7,350	\$ 8,403	\$ 7,599	\$ 49	\$61,121
For the Quarter Ended							
March 31, 2013							
Oil and Gas Production Revenues ⁽²⁾	\$ 1,677	\$ 297	\$ 1,009	\$ 298	\$ 740	\$ —	\$ 4,021
Operating Income (Loss) ⁽²⁾	\$ 585	\$ (5)	\$ 658	\$ 138	\$ 246	\$ —	\$ 1,622
Other Income (Expense):							
Derivative instruments losses, net							(100)
Other							25
General and administrative							(112)
Financing costs, net							(55)
Net Income From Continuing Operations							\$ 1,380
Before Income Taxes ⁽²⁾							\$ 1,380
Total Assets ⁽²⁾	\$32,205	\$6,935	\$ 7,031	\$ 6,729	\$ 7,053	\$ 110	\$60,063

(1) Includes a noncontrolling interest in Egypt for the quarter ended March 31, 2014.

(2) Amounts for 2013 have been restated to exclude discontinued operations.

11. SUPPLEMENTAL GUARANTOR INFORMATION

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

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

APACHE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
For the Quarter Ended March 31, 2014

	Apache Corporation	Apache Finance Canada	All Other Subsidiaries of Apache Corporation (In millions)	Reclassifications & Eliminations	Consolidated
REVENUES AND OTHER:					
Oil and gas production revenues	\$ 892	\$ —	\$ 2,755	\$ —	\$ 3,647
Equity in net income (loss) of affiliates	253	29	(6)	(276)	—
Derivative instrument losses, net	(20)	—	—	—	(20)
Other	(3)	14	38	(1)	48
	<u>1,122</u>	<u>43</u>	<u>2,787</u>	<u>(277)</u>	<u>3,675</u>
OPERATING EXPENSES:					
Depreciation, depletion and amortization	328	—	878	—	1,206
Asset retirement obligation accretion	7	—	37	—	44
Lease operating expenses	128	—	469	—	597
Gathering and transportation	14	—	56	—	70
Taxes other than income	79	—	102	—	181
General and administrative	107	—	13	(1)	119
Acquisitions, divestitures, and transition	2	—	—	—	2
Financing costs, net	32	10	(15)	—	27
	<u>697</u>	<u>10</u>	<u>1,540</u>	<u>(1)</u>	<u>2,246</u>
NET INCOME FROM CONTINUING OPERATIONS BEFORE					
INCOME TAXES	425	33	1,247	(276)	1,429
Provision for income taxes	62	10	506	—	578
NET INCOME FROM CONTINUING OPERATIONS INCLUDING					
NONCONTROLLING INTEREST	363	23	741	(276)	851
Net loss from discontinued operations, net of tax	(127)	—	(390)	—	(517)
NET INCOME INCLUDING NONCONTROLLING INTEREST					
Net income attributable to noncontrolling interest	—	—	98	—	98
NET INCOME ATTRIBUTABLE TO COMMON STOCK					
	<u>\$ 236</u>	<u>\$ 23</u>	<u>\$ 253</u>	<u>\$ (276)</u>	<u>\$ 236</u>
COMPREHENSIVE INCOME ATTRIBUTABLE TO COMMON STOCK					
(1)	<u>\$ 235</u>	<u>\$ 23</u>	<u>\$ 253</u>	<u>\$ (276)</u>	<u>\$ 235</u>

(1) Comprehensive income (loss) activity is recorded on the Apache Corporation entity and consists of derivative instrument reclassifications and changes in fair value as reflected on our Statement of Consolidated Comprehensive Income.

APACHE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
For the Quarter Ended March 31, 2013

	Apache Corporation	Apache Finance Canada	All Other Subsidiaries of Apache Corporation (In millions)	Reclassifications & Eliminations	Consolidated
REVENUES AND OTHER:					
Oil and gas production revenues	\$ 1,146	\$ —	\$ 2,875	\$ —	\$ 4,021
Equity in net income (loss) of affiliates	610	(11)	3	(602)	—
Other	(102)	15	14	(2)	(75)
	<u>1,654</u>	<u>4</u>	<u>2,892</u>	<u>(604)</u>	<u>3,946</u>
OPERATING EXPENSES:					
Depreciation, depletion and amortization	401	—	911	—	1,312
Asset retirement obligation accretion	20	—	43	—	63
Lease operating expenses	281	—	441	—	722
Gathering and transportation	14	—	59	—	73
Taxes other than income	44	—	185	—	229
General and administrative	100	—	14	(2)	112
Financing costs, net	34	14	7	—	55
	<u>894</u>	<u>14</u>	<u>1,660</u>	<u>(2)</u>	<u>2,566</u>
NET INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES					
Provision (benefit) for income taxes	760	(10)	1,232	(602)	1,380
	<u>43</u>	<u>(2)</u>	<u>561</u>	<u>—</u>	<u>602</u>
NET INCOME (LOSS) FROM CONTINUING OPERATIONS INCLUDING NONCONTROLLING INTEREST					
Net loss from discontinued operations, net of tax	717	(8)	671	(602)	778
	<u>—</u>	<u>—</u>	<u>(61)</u>	<u>—</u>	<u>(61)</u>
NET INCOME (LOSS) INCLUDING NONCONTROLLING INTEREST					
Preferred stock dividends	717	(8)	610	(602)	717
	<u>19</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>19</u>
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON STOCK					
	<u>\$ 698</u>	<u>\$ (8)</u>	<u>\$ 610</u>	<u>\$ (602)</u>	<u>\$ 698</u>
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO COMMON STOCK (1)					
	<u>\$ 696</u>	<u>\$ (8)</u>	<u>\$ 610</u>	<u>\$ (602)</u>	<u>\$ 696</u>

(1) Comprehensive income (loss) activity is recorded on the Apache Corporation entity and consists of derivative instrument reclassifications and changes in fair value as reflected on our Statement of Consolidated Comprehensive Income.

APACHE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
For the Quarter Ended March 31, 2014

	Apache Corporation	Apache Finance Canada	All Other Subsidiaries of Apache Corporation (In millions)	Reclassifications & Eliminations	Consolidated
CASH PROVIDED BY (USED IN) CONTINUING OPERATING ACTIVITIES	\$ (186)	\$ (15)	\$ 2,412	\$ —	\$ 2,211
CASH PROVIDED BY DISCONTINUED OPERATIONS	—	—	82	—	82
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(186)	(15)	2,494	—	2,293
CASH FLOWS FROM INVESTING ACTIVITIES:					
Additions to oil and gas property	(740)	—	(1,622)	—	(2,362)
Additions to gas gathering, transmission and processing facilities	(19)	—	(325)	—	(344)
Investment in subsidiaries, net	1,320	—	—	(1,320)	—
Other	(7)	—	16	—	9
NET CASH PROVIDED BY (USED IN) CONTINUING INVESTING ACTIVITIES	554	—	(1,931)	(1,320)	(2,697)
NET CASH PROVIDED BY DISCONTINUED OPERATIONS	—	—	748	—	748
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	554	—	(1,183)	(1,320)	(1,949)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Commercial paper and bank credit facilities, net	42	—	(44)	—	(2)
Intercompany borrowings	—	10	(1,329)	1,319	—
Dividends paid	(79)	—	—	—	(79)
Treasury stock activity, net	(484)	—	—	—	(484)
Other	—	5	(6)	1	—
NET CASH PROVIDED BY (USED IN) CONTINUING FINANCING ACTIVITIES	(521)	15	(1,379)	1,320	(565)
NET CASH USED IN DISCONTINUED OPERATIONS	—	—	(42)	—	(42)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(521)	15	(1,421)	1,320	(607)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(153)	—	(110)	—	(263)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	155	3	1,748	—	1,906
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 2	\$ 3	\$ 1,638	\$ —	\$ 1,643

APACHE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
For the Quarter Ended March 31, 2013

	Apache Corporation	Apache Finance Canada	All Other Subsidiaries of Apache Corporation (In millions)	Reclassifications & Eliminations	Consolidated
CASH PROVIDED BY (USED IN) CONTINUING OPERATING ACTIVITIES	\$ 149	\$ (61)	\$ 2,469	\$ —	\$ 2,557
CASH PROVIDED BY DISCONTINUED OPERATIONS	—	—	64	—	64
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	149	(61)	2,533	—	2,621
CASH FLOWS FROM INVESTING ACTIVITIES:					
Additions to oil and gas property	(908)	—	(1,603)	—	(2,511)
Additions to gas gathering, transmission and processing facilities	(45)	—	(209)	—	(254)
Acquisitions, other	—	—	(148)	—	(148)
Proceeds from Kitimat LNG transaction, net	—	—	405	—	405
Investment in subsidiaries, net	770	—	—	(770)	—
Other	(44)	—	3	—	(41)
NET CASH USED IN CONTINUING INVESTING ACTIVITIES	(227)	—	(1,552)	(770)	(2,549)
NET CASH USED IN DISCONTINUED OPERATIONS	—	—	(43)	—	(43)
NET CASH USED IN INVESTING ACTIVITIES	(227)	—	(1,595)	(770)	(2,592)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Commercial paper and bank credit facilities, net	157	—	(2)	—	155
Intercompany borrowings	—	—	(764)	764	—
Dividends paid	(86)	—	—	—	(86)
Other	12	56	(62)	6	12
NET CASH PROVIDED BY (USED IN) CONTINUING FINANCING ACTIVITIES	83	56	(828)	770	81
NET CASH USED IN DISCONTINUED OPERATIONS	—	—	(22)	—	(22)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	83	56	(850)	770	59
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5	(5)	88	—	88
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	—	5	155	—	160
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 5	\$ —	\$ 243	\$ —	\$ 248

APACHE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATING BALANCE SHEET
March 31, 2014

	Apache Corporation	Apache Finance Canada	All Other Subsidiaries of Apache Corporation (In millions)	Reclassifications & Eliminations	Consolidated
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	\$ 2	\$ 3	\$ 1,638	\$ —	\$ 1,643
Receivables, net of allowance	881	—	1,598	—	2,479
Inventories	32	—	695	—	727
Drilling advances	19	1	303	—	323
Prepaid assets and other	104	—	187	—	291
Intercompany receivable	5,741	—	—	(5,741)	—
	<u>6,779</u>	<u>4</u>	<u>4,421</u>	<u>(5,741)</u>	<u>5,463</u>
PROPERTY AND EQUIPMENT, NET	<u>16,777</u>	<u>—</u>	<u>35,975</u>	<u>—</u>	<u>52,752</u>
OTHER ASSETS:					
Intercompany receivable	253	—	1,066	(1,319)	—
Equity in affiliates	24,996	1,181	444	(26,621)	—
Goodwill, net	173	—	1,196	—	1,369
Deferred charges and other	174	1,007	1,356	(1,000)	1,537
	<u>\$ 49,152</u>	<u>\$ 2,192</u>	<u>\$ 44,458</u>	<u>\$ (34,681)</u>	<u>\$ 61,121</u>
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES:					
Accounts payable	\$ 854	\$ 12	\$ 572	\$ —	\$ 1,438
Asset retirement obligation	115	—	67	—	182
Derivative instruments	224	—	—	—	224
Other current liabilities	940	7	1,565	—	2,512
Intercompany payable	—	—	5,741	(5,741)	—
	<u>2,133</u>	<u>19</u>	<u>7,945</u>	<u>(5,741)</u>	<u>4,356</u>
LONG-TERM DEBT	<u>9,374</u>	<u>298</u>	<u>1</u>	<u>—</u>	<u>9,673</u>
DEFERRED CREDITS AND OTHER NONCURRENT LIABILITIES:					
Intercompany payable	—	—	1,319	(1,319)	—
Income taxes	3,671	—	4,846	—	8,517
Asset retirement obligation	440	—	2,556	—	2,996
Other	452	250	700	(1,000)	402
	<u>4,563</u>	<u>250</u>	<u>9,421</u>	<u>(2,319)</u>	<u>11,915</u>
COMMITMENTS AND CONTINGENCIES					
APACHE SHAREHOLDERS' EQUITY	33,082	1,625	24,996	(26,621)	33,082
Noncontrolling interest	—	—	2,095	—	2,095
TOTAL EQUITY	<u>33,082</u>	<u>1,625</u>	<u>27,091</u>	<u>(26,621)</u>	<u>35,177</u>
	<u>\$ 49,152</u>	<u>\$ 2,192</u>	<u>\$ 44,458</u>	<u>\$ (34,681)</u>	<u>\$ 61,121</u>

APACHE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATING BALANCE SHEET
December 31, 2013

	<u>Apache Corporation</u>	<u>Apache Finance Canada</u>	<u>All Other Subsidiaries of Apache Corporation (In millions)</u>	<u>Reclassifications & Eliminations</u>	<u>Consolidated</u>
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	\$ 155	\$ 3	\$ 1,748	\$ —	\$ 1,906
Receivables, net of allowance	1,043	—	1,909	—	2,952
Inventories	48	—	843	—	891
Drilling advances	49	—	322	—	371
Derivative instruments	1	—	—	—	1
Prepaid assets and other	99	—	146	—	245
Intercompany receivable	5,357	—	—	(5,357)	—
	<u>6,752</u>	<u>3</u>	<u>4,968</u>	<u>(5,357)</u>	<u>6,366</u>
PROPERTY AND EQUIPMENT, NET	<u>16,092</u>	<u>—</u>	<u>36,329</u>	<u>—</u>	<u>52,421</u>
OTHER ASSETS:					
Intercompany receivable	1,572	—	—	(1,572)	—
Equity in affiliates	24,743	1,155	449	(26,347)	—
Goodwill, net	173	—	1,196	—	1,369
Deferred charges and other	166	1,006	1,309	(1,000)	1,481
	<u>\$ 49,498</u>	<u>\$ 2,164</u>	<u>\$ 44,251</u>	<u>\$ (34,276)</u>	<u>\$ \$61,637</u>
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES:					
Accounts payable	\$ 956	\$ 2	\$ 658	\$ —	\$ 1,616
Current debt	—	—	53	—	53
Asset retirement obligation	115	—	6	—	121
Derivative instruments	299	—	—	—	299
Other current liabilities	896	10	1,705	—	2,611
Intercompany payable	—	—	5,357	(5,357)	—
	<u>2,266</u>	<u>12</u>	<u>7,779</u>	<u>(5,357)</u>	<u>4,700</u>
LONG-TERM DEBT	<u>9,374</u>	<u>298</u>	<u>—</u>	<u>—</u>	<u>9,672</u>
DEFERRED CREDITS AND OTHER NONCURRENT LIABILITIES:					
Intercompany payable	—	—	1,572	(1,572)	—
Income taxes	3,586	—	4,778	—	8,364
Asset retirement obligation	430	—	2,671	—	3,101
Other	446	250	711	(1,000)	407
	<u>4,462</u>	<u>250</u>	<u>9,732</u>	<u>(2,572)</u>	<u>11,872</u>
COMMITMENTS AND CONTINGENCIES APACHE SHAREHOLDERS'					
EQUITY	33,396	1,604	24,743	(26,347)	33,396
Noncontrolling interest	—	—	1,997	—	1,997
TOTAL EQUITY	<u>33,396</u>	<u>1,604</u>	<u>26,740</u>	<u>(26,347)</u>	<u>35,393</u>
	<u>\$ 49,498</u>	<u>\$ 2,164</u>	<u>\$ 44,251</u>	<u>\$ (34,276)</u>	<u>\$ \$61,637</u>

ITEM 2 – MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

This discussion relates to Apache Corporation and its consolidated subsidiaries and should be read in conjunction with our consolidated financial statements and accompanying notes included under Part I, Item 1, “Financial Statements” of this Quarterly Report on Form 10-Q, as well as our consolidated financial statements, accompanying notes and Management’s Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for our 2013 fiscal year.

Financial Overview

Throughout the prior year, Apache undertook a strategic review of our asset portfolio with the ultimate goal of keeping the right mix of assets that generate strong returns and excess cash flow and drive more predictable production growth to create shareholder value. As part of this effort we made several key divestitures including the sale of our Gulf of Mexico Shelf assets and the sale of primarily dry gas assets in Canada. In addition we entered into a strategic partnership with a subsidiary of Sinopec International Petroleum Exploration and Production Corporation (Sinopec) to sell a one-third minority participation in our Egypt oil and gas business in November of last year. Our divestment activities continued into the first quarter of 2014 when we exited operations in Argentina. Combined, we have divested over \$8 billion of assets during this initiative and have now aligned our portfolio to provide a larger focus on our more predictable North American onshore assets that is supplemented by our international exploration and development efforts.

For the first quarter of 2014, Apache reported earnings of \$236 million, or \$0.60 per diluted common share, compared with \$698 million, or \$1.76 per share, in the first quarter of 2013. Earnings for first quarter of 2014 reflect an after-tax loss of \$517 million on discontinued operations in Argentina during the quarter. This loss on disposal, as well as results of operations in Argentina for all periods presented, are reflected as discontinued operations in Apache’s consolidated financial statements. Apache’s adjusted earnings, which exclude discontinued operations and certain other items impacting the comparability of results, were \$707 million, or \$1.78 per diluted common share, for the first quarter of 2014, compared with \$797 million, or \$2.00 per share, in the first quarter of 2013. Adjusted earnings is not a financial measure prepared in accordance with accounting principles generally accepted in the U.S. (GAAP). For a description of adjusted earnings and a reconciliation of adjusted earnings to income attributable to common stock, the most directly comparable GAAP financial measure, please see “Non-GAAP Measures” in this Item 2.

Average daily production in the first quarter of 2014 totaled 640 million barrels of oil equivalent (MMboe), a decrease of 99 MMboe from the comparative 2013 quarter, reflecting the sale of our Gulf of Mexico Shelf and certain Western Canadian assets in the second half of 2013. Excluding production from these divestitures, Apache’s worldwide equivalent daily production increased nearly 2 percent. Organic growth between the periods was driven by a 21 percent increase in the Company’s onshore North American liquids production.

The strength of our North American liquids portfolio also helped drive net cash provided by operating activities (operating cash flows or cash flows), which totaled \$2.3 billion for the first quarter of 2014, compared with \$2.6 billion in the first quarter of 2013. Operating cash flows is a key measure for our business, as it provides liquidity for our active drilling program and large-scale development projects currently in progress. We routinely adjust our capital budget on a quarterly basis in response to changing market conditions and operating cash flow forecasts.

Operational Developments

Apache has a significant producing asset base as well as large undeveloped acreage positions that provide a platform for organic growth through sustainable lower-risk drilling opportunities, supplemented by higher-risk, higher-reward exploration. We are also continuing to advance several longer-term, individually significant development projects, as more fully discussed in our 2013 Annual Report on Form 10-K for our 2013 fiscal year. Notable operational developments include:

North America

- Apache’s active drilling program in the Permian Basin continued into the first quarter of 2014, where we operated an average of 39 rigs, resulting in a production increase of 25 percent relative to the first quarter of 2013. The Permian represents almost a third of Apache’s total liquids production for the first quarter of 2014.

- In the first quarter, Central region production was up 4 percent relative to the prior-year quarter as the result of our active oil and liquids-rich drilling program across our nearly two million gross acres in the Anadarko basin. During the quarter we operated an average of 26 rigs, drilling 69 gross wells with 100 percent success.
- North America Onshore production represents 56 percent of Apache's total worldwide production for the first quarter of 2014.
- On April 30, 2014, Apache completed the sale of producing oil and gas assets in the Deep Basin area of western Alberta and British Columbia, Canada for \$374 million, subject to final closing adjustments. The assets comprise 622,600 gross acres (328,400 net acres). The assets had average production of 101 million cubic feet of natural gas per day (MMcf/d) and 1,500 barrels of liquid hydrocarbons per day during 2013. The effective date of the transaction is January 1, 2014.
- On May 8, 2014, Apache announced the sale of its Lucius and Heidelberg development projects and 11 primary term deepwater exploration blocks in the Gulf of Mexico to a subsidiary of Freeport-McMoRan Oil & Gas for \$1.4 billion. The effective date of the transaction is May 1, 2014. The sale is subject to customary closing conditions and is expected to close by June 30, 2014.

International

- On March 12, 2014, Apache completed the sale of its Argentina operations and properties to YPF Sociedad Anónima for cash consideration of \$800 million plus the assumption of \$52 million of bank debt as of June 30, 2013. The results of operations related to Argentina have been classified as discontinued operations in all periods presented in this Quarterly Report on Form 10-Q.
- During the quarter, Apache announced two new field discoveries in Egypt and applied for two additional development leases that were approved by the Minister of Petroleum. This follows an active 2013 year where Apache had 20 development leases approved. The North Tarek 1 exploration well in the Matruh Basin tested 20 MMcf/d and 250 barrels of condensate per day and targeted the Jurassic Lower Safa pay. The Apries-1X well in the Shushan Basin tested 4,389 barrels of oil and 14.2 MMcf/d targeting the Paleozoic Basur sand.

Results of Operations

Oil and Gas Revenues

Oil and gas production revenues for the first quarter of 2014 totaled \$3.6 billion, a \$374 million decrease from the comparative 2013 quarter. The table below presents revenues by region and each region's percent contribution to revenues for 2014 and 2013.

	For the Quarter Ended March 31,			
	2014		2013	
	\$ Value	% Contribution	\$ Value	% Contribution
(\$ in millions)				
Total Oil Revenues:				
United States	\$1,092	39%	\$1,269	40%
Canada	140	5%	127	4%
North America	1,232	44%	1,396	44%
Egypt (3)	846	30%	912	29%
Australia	170	6%	203	6%
North Sea	567	20%	681	21%
International (3)	1,583	56%	1,796	56%
Total(1)(3)	\$2,815	100%	\$3,192	100%
Total Gas Revenues:				
United States	\$ 266	41%	\$ 288	42%
Canada	148	23%	151	22%
North America	414	64%	439	64%
Egypt (3)	103	16%	97	14%
Australia	86	13%	95	14%
North Sea	43	7%	50	8%
International (3)	232	36%	242	36%
Total(2)(3)	\$ 646	100%	\$ 681	100%
Total Natural Gas Liquids (NGL) Revenues:				
United States	\$ 147	79%	\$ 120	81%
Canada	30	16%	19	13%
North America	177	95%	139	94%
Egypt (3)	1	1%	—	—
North Sea	8	4%	9	6%
International (3)	9	5%	9	6%
Total (3)	\$ 186	100%	\$ 148	100%
Total Oil and Gas Revenues:				
United States	\$1,505	41%	\$1,677	42%
Canada	318	9%	297	7%
North America	1,823	50%	1,974	49%
Egypt (3)	950	26%	1,009	25%
Australia	256	7%	298	8%
North Sea	618	17%	740	18%
International (3)	1,824	50%	2,047	51%
Total (3)	\$3,647	100%	\$4,021	100%
Discontinued Operations — Argentina				
Oil Revenue	45		63	
Gas Revenue	39		54	
NGL Revenue	3		8	
Total	\$ 87		\$ 125	

- (1) Financial derivative hedging activities decreased oil revenues by \$1 million and \$19 million for the quarters ending March 31, 2014 and 2013, respectively.
- (2) Financial derivative hedging activities increased natural gas revenues by \$1 million and \$10 million for the quarters ending March 31, 2014 and 2013, respectively.
- (3) Includes revenues attributable to a noncontrolling interest in Egypt for the quarter ended March 31, 2014.

Production

The table below presents first-quarter 2014 and 2013 production and the relative increase or decrease from the prior period.

	For the Quarter Ended March 31,		
	2014	Increase (Decrease)	2013
Oil Volume – b/d			
United States	127,951	(14%)	149,263
Canada	17,589	2%	17,176
North America	145,540	(13%)	166,439
Egypt(1)(2)	88,093	(4%)	91,315
Australia	16,825	(16%)	20,001
North Sea	59,092	(14%)	68,462
International	164,010	(9%)	179,778
Total	309,550	(11%)	346,217
Natural Gas Volume – Mcf/d			
United States	592,685	(31%)	853,691
Canada	377,712	(27%)	519,175
North America	970,397	(29%)	1,372,866
Egypt(1)(2)	377,357	3%	365,612
Australia	215,792	1%	214,395
North Sea	45,071	(18%)	55,032
International	638,220	1%	635,039
Total	1,608,617	(20%)	2,007,905
NGL Volume – b/d			
United States	53,058	8%	49,299
Canada	7,769	17%	6,663
North America	60,827	9%	55,962
Egypt(1)(2)	233	NM	—
North Sea	1,091	(27%)	1,494
International	1,324	(11%)	1,494
Total	62,151	8%	57,456
BOE per day(3)			
United States	279,790	(18%)	340,844
Canada	88,310	(20%)	110,368
North America	368,100	(18%)	451,212
Egypt(2)	151,219	(1%)	152,250
Australia	52,790	(5%)	55,734
North Sea	67,695	(14%)	79,128
International	271,704	(5%)	287,112
Total	639,804	(13%)	738,324
Discontinued Operations — Argentina			
Oil (b/d)	6,885	(26%)	9,297
Gas (Mcf/d)	141,352	(25%)	188,259
NGL (b/d)	1,287	(54%)	2,822
BOE/d	31,731	(27%)	43,495

(1) Gross oil, natural gas, and NGL production in Egypt for the first quarter of 2014 and 2013 were as follows:

	2014	2013
Oil (b/d)	198,619	199,174
Gas (Mcf/d)	921,440	914,635
NGL (b/d)	649	—

(2) Includes production volumes per day attributable to a noncontrolling interest in Egypt for the first quarter of 2014 of:

	2014
Oil (b/d)	29,066
Gas (Mcf/d)	124,799
NGL (b/d)	78

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

NM — Not meaningful

Pricing

The table below presents first-quarter 2014 and 2013 pricing and the relative increase or decrease from the prior periods.

	For the Quarter Ended March 31,		
	2014	Increase (Decrease)	2013
Average Oil Price - Per barrel			
United States	\$ 94.84	0%	\$ 94.45
Canada	88.19	7%	82.33
North America	94.03	1%	93.20
Egypt	106.70	(4%)	110.99
Australia	112.26	0%	112.35
North Sea	106.60	(4%)	110.53
International	107.24	(3%)	110.97
Total(1)	101.03	(1%)	102.42
Average Natural Gas Price - Per Mcf			
United States	\$ 4.98	33%	\$ 3.75
Canada	4.38	36%	3.23
North America	4.75	33%	3.56
Egypt	3.02	2%	2.95
Australia	4.42	(11%)	4.94
North Sea	10.69	7%	10.00
International	4.03	(5%)	4.23
Total(2)	4.46	18%	3.77
Average NGL Price - Per barrel			
United States	\$ 30.81	14%	\$ 26.96
Canada	42.09	31%	32.15
North America	32.25	17%	27.58
Egypt	64.34	NM	—
North Sea	79.84	12%	71.16
International	77.11	8%	71.16
Total	33.20	16%	28.71
Discontinued Operations — Argentina			
Oil price (\$/Bbl)	\$ 72.70	(4%)	\$ 75.36
Gas price (\$/Mcf)	3.04	(4%)	3.18
NGL price (\$/Bbl)	24.57	(19%)	30.28

(1) Reflects a per-barrel decrease of \$0.04 and \$0.61 from derivative hedging activities for the first quarter of 2014 and 2013, respectively.

(2) Reflects a per-Mcf increase of \$0.01 and \$0.05 from derivative hedging activities for the first quarter of 2014 and 2013, respectively.

NM — Not meaningful

Crude Oil Revenues

Crude oil revenues for the first quarter of 2014 totaled \$2.8 billion, a \$377 million decrease from the comparative 2013 quarter. Crude oil accounted for 77 percent of oil and gas production revenues and 48 percent of worldwide production in the first quarter of 2014. Lower production volumes decreased revenues by \$333 million compared to the prior-year quarter while lower realized prices reduced first-quarter 2014 revenues a further \$44 million.

Worldwide production decreased 37 thousand barrels of oil per day (Mb/d) from the first quarter of 2013 to 310 Mb/d in the first quarter of 2014, primarily as a result of the divestitures of our Gulf of Mexico Shelf assets and certain Western Canadian assets in the second half of 2013. Exclusive of production from these divested assets, oil production increased 7.3 Mb/d, primarily on drilling and recompletion activity in the U.S. Permian region.

Natural Gas Revenues

Natural gas revenues for the first quarter of 2014 totaled \$646 million, down \$35 million from the first quarter of 2013. A 20 percent decrease in average production reduced natural gas revenues by \$160 million as compared to the prior-year quarter, partially offset by an 18 percent increase in average realized prices, which increased revenues by \$125 million. Natural gas accounted for 18 percent of our oil and gas production revenues and 42 percent of our equivalent production during the first quarter of 2014.

Worldwide production for the first quarter of 2014 decreased 399 MMcf/d from the comparative 2013 quarter, primarily a result of the divestitures of our Gulf of Mexico Shelf assets and certain Western Canadian assets in the second half of 2013. Exclusive of production from these divested assets, our worldwide natural gas production declined only 39 MMcf/d, or 2 percent.

NGL Revenues

NGL revenues for the first quarter of 2014 totaled \$186 million, up \$38 million from the first quarter of 2013. An 8 percent increase in average production increased NGL revenues by \$14 million as compared to the prior-year quarter, while a 16 percent increase in average realized prices increased revenues by \$24 million. NGL accounted for 5 percent of our oil and gas production revenues and 10 percent of our equivalent production during the first quarter of 2014.

Worldwide production of NGLs increased 4.7 Mb/d to 62.1 Mb/d in the first quarter of 2014, primarily from drilling and recompletion activity in the Central and Permian regions.

Operating Expenses

The table below presents a comparison of our expenses on an absolute dollar basis and a boe basis. Our discussion may reference expenses on a boe basis, on an absolute dollar basis or both, depending on their relevance. Operating expenses include costs attributable to a noncontrolling interest in Egypt but exclude discontinued operations in Argentina.

	For the Quarter Ended March 31,			
	2014 (In millions)	2013	2014 (Per boe)	2013
Depreciation, depletion and amortization:				
Oil and gas property and equipment	\$1,109	\$1,210	\$19.26	\$18.21
Other assets	97	102	1.68	1.54
Asset retirement obligation accretion	44	63	0.77	0.95
Lease operating costs	597	722	10.37	10.86
Gathering and transportation costs	70	73	1.19	1.10
Taxes other than income	181	229	3.15	3.44
General and administrative expense	119	112	2.06	1.69
Merger, acquisitions & transition	2	—	0.04	—
Financing costs, net	27	55	0.48	0.82
Total	\$2,246	\$2,566	\$39.00	\$38.61

Depreciation, Depletion and Amortization (DD&A) The following table details the changes in DD&A of oil and gas properties between the first quarters of 2014 and 2013:

	For the Quarter Ended March 31, (In millions)
	2013 DD&A
Volume change	(164)
DD&A Rate change	63
2014 DD&A	\$ 1,109

Oil and gas property DD&A expense of \$1.1 billion in the first quarter of 2014 decreased \$101 million compared to the prior-year quarter on an absolute dollar basis: \$164 million from lower volumes, partially offset by \$63 million on depletion rate. Our full-cost depletion rate increased \$1.05 to \$19.26 per boe reflecting drilling costs primarily in our international regions that exceeded our historical average.

Lease Operating Expenses (LOE) LOE decreased \$125 million, or 17 percent, on an absolute dollar basis, for the quarter ended March 31, 2014, relative to the comparable period of 2013. On a per unit basis, LOE decreased 5 percent to \$10.37 per boe for the first quarter of 2014, as compared to the same prior-year period. The following table identifies changes in Apache's LOE rate between the first quarter of 2014 and 2013.

	Per boe
First-Quarter 2013 LOE	\$10.86
Power and fuel	0.28
Labor and overhead costs	0.21
Transportation	0.10
Repairs and maintenance	0.09
Chemicals	0.08
Divestitures ⁽¹⁾	(1.47)
Other	0.37
Other increased production	(0.15)
First-Quarter 2014 LOE	<u>\$10.37</u>

(1) Per-unit impact of divestitures is shown net of associated production.

Gathering and Transportation Gathering and transportation costs totaled \$70 million in the first quarter of 2014, down \$3 million from the first quarter of 2013. On a per-unit basis, gathering and transportation costs of \$1.19 for the first quarter of 2014 were up 8 percent from the prior-year quarter. The following table presents gathering and transportation costs paid by Apache directly to third-party carriers for each of the periods presented:

	For the Quarter Ended March 31,	
	2014	2013
	(In millions)	
Canada	\$ 34	\$ 40
U.S.	22	20
Egypt	10	10
North Sea	4	3
Total Gathering and transportation	<u>\$ 70</u>	<u>\$ 73</u>

Taxes other than Income Taxes other than income totaled \$181 million for the first quarter of 2014, a decrease of \$48 million from the comparative prior-year period. The following table presents a comparison of these expenses:

	For the Quarter Ended March 31,	
	2014	2013
	(In millions)	
U.K. PRT	\$ 63	\$ 135
Severance taxes	74	52
Ad valorem taxes	40	33
Other	4	9
Total Taxes other than income	<u>\$ 181</u>	<u>\$ 229</u>

The North Sea Petroleum Revenue Tax (PRT) is assessed on qualifying fields in the U.K. North Sea. For the first quarter of 2014, U.K. PRT was \$72 million lower than the 2013 period based on an increase in operating and capital expenditures and a decrease in revenues as a result of lower production on qualifying fields during the first quarter. Severance tax expense increased \$22 million on product price increases and higher volumes primarily in the Permian region.

General and Administrative Expenses General and administrative expenses (G&A) for the first quarter of 2014 increased \$7 million from the comparable 2013 period on higher corporate costs.

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

	For the Quarter Ended March 31,	
	2014	2013
	(In millions)	
Interest expense	\$ 124	\$ 146
Amortization of deferred loan costs	2	2
Capitalized interest	(95)	(90)
Interest income	(4)	(3)
Financing costs, net	<u>\$ 27</u>	<u>\$ 55</u>

Net financing costs were down \$28 million in the first quarter of 2014 compared to the same 2013 period primarily from a \$22 million decrease in interest expense as a result of debt extinguished during 2013.

Provision for Income Taxes The Company estimates its annual effective income tax rate in recording its quarterly provision for income taxes in the various jurisdictions in which the Company operates. Statutory tax rate changes and other significant or unusual items are recognized as discrete items in the quarter in which they occur.

The 2014 first-quarter provision for income taxes was \$578 million, representing an effective income tax rate of 40 percent for the quarter compared to 44 percent during the 2013 period. The 2014 and 2013 effective rates reflect the impact of a valuation allowance in Canada, foreign currency fluctuations on deferred taxes, and deferred tax expense related to mark-to-market commodity derivatives. Excluding these items, the first-quarter 2014 and 2013 effective rates would have been 41 and 43 percent, respectively.

Capital Resources and Liquidity

Operating cash flows are the Company's primary source of liquidity. We may also elect to utilize available committed borrowing capacity, access to both debt and equity capital markets, or proceeds from the sale of nonstrategic assets for all other liquidity and capital resource needs. Additionally, we continue to consider alternative funding sources for our LNG commitments separate from our operating cash flows.

Apache's operating cash flows, both in the short-term and the long-term, are impacted by volatile oil and natural gas prices. Significant deterioration in commodity prices negatively impacts our revenues, earnings and cash flows, and potentially our liquidity if spending does not trend downward as well. Sales volumes and costs also impact cash flows; however, these historically have not been as volatile and have less impact than commodity prices in the short-term.

Apache's long-term operating cash flows are dependent on reserve replacement and the level of costs required for ongoing operations. Cash investments are required to fund activity necessary to offset the inherent declines in production and proved crude oil and natural gas reserves. Future success in maintaining and growing reserves and production is highly dependent on the success of our exploration and development activities and our ability to acquire additional reserves at reasonable costs.

We believe the liquidity and capital resource alternatives available to Apache, combined with internally generated cash flows, will be adequate to fund short-term and long-term operations, including our capital spending program, repayment of debt maturities, and any amount that may ultimately be paid in connection with contingencies.

For additional information, please see Part II, Item 1A, "Risk Factors" of this Quarterly Report on Form 10-Q and Part I, Items 1 and 2, "Business and Properties," and Item 1A, "Risk Factors," in our Annual Report on Form 10-K for our 2013 fiscal year.

Sources and Uses of Cash

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

	For the Three Months Ended	
	2014	2013
	March 31,	
	(In millions)	
Sources of Cash and Cash Equivalents:		
Net cash provided by continuing operating activities	\$ 2,211	\$ 2,557
Proceeds from the sale of Argentina	786	—
Net cash provided by Argentina operations	2	—
Net commercial paper and bank loan borrowings	—	155
Proceeds from Kitimat LNG transaction, net	—	405
Other	9	—
	<u>3,008</u>	<u>3,117</u>
Uses of Cash and Cash Equivalents:		
Capital expenditures ⁽¹⁾	\$ 2,706	\$ 2,765
Acquisitions	—	148
Net commercial paper and bank loan repayments	2	—
Dividends	79	86
Treasury stock activity, net	484	—
Other	—	30
	<u>3,271</u>	<u>3,029</u>
Increase (decrease) in cash and cash equivalents	<u>\$ (263)</u>	<u>\$ 88</u>

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

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

Net cash provided by continuing operating activities for the first three months of 2014 totaled \$2.2 billion, a decrease of \$346 million from the first three months of 2013. The decrease primarily reflects the impact of 2013 divestitures and comparative changes in working capital during the periods.

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

Proceeds from the Sale of Argentina In March 2014, we completed the previously disclosed sale of our Argentina operations and properties to YPF Sociedad Anònima for cash consideration of \$800 million plus the assumption of \$52 million of bank debts as of June 30, 2013. The results of operations related to Argentina have been classified as discontinued operations in all periods presented in this Quarterly Report on Form 10-Q.

Capital Expenditures We fund exploration and development (E&D) activities primarily through operating cash flows and budget capital expenditures based on projected cash flows. Our operating cash flows, both in the short and long term are impacted by highly volatile oil and natural gas prices, production levels, industry trends impacting operating expenses and our ability to continue to acquire and find high-margin reserves at competitive prices. As a majority of our exploration and development activity is discretionary, we routinely adjust our capital budget on a quarterly basis in response to changing market conditions and operating cash flow forecasts.

We have used a combination of operating cash flows, borrowings under lines of credit and our commercial paper program, and occasionally, issues of public debt or common stock to fund other significant capital investments.

The following table details capital expenditures for each country in which we do business:

	For the Three Months Ended March 31,	
	2014	2013
	(In millions)	
E&D Costs:		
United States	\$ 1,349	\$ 1,269
Canada	269	258
North America	1,618	1,527
Egypt ⁽¹⁾	320	262
Australia	261	225
North Sea	227	177
Argentina	12	33
Other International	1	5
International ⁽¹⁾	821	702
Worldwide E&D Costs ⁽¹⁾	2,439	2,229
Gathering Transmission and Processing Facilities (GTP):		
United States	45	18
Canada	102	30
Egypt ⁽¹⁾	15	19
Australia	168	180
North Sea	1	—
Argentina	1	2
Total GTP Costs ⁽¹⁾	332	249
Asset Retirement Costs	28	134
Capitalized Interest ⁽²⁾	98	93
Capital Expenditures, excluding acquisitions ⁽¹⁾	2,897	2,705
Acquisitions, including GTP	2	310
Asset Retirement Costs - Acquired	—	53
Total Capital Expenditures ⁽¹⁾	\$ 2,899	\$ 3,068

(1) 2014 includes capital costs attributable to a noncontrolling interest in Egypt.

(2) Capitalized interest includes Argentina discontinued operations of \$3 million for the first quarters of 2014 and 2013.

Worldwide E&D expenditures for the first three months of 2014 totaled \$2.4 billion, or 9 percent above the first three months of 2013. E&D spending in North America was up 6 percent and totaled 66 percent of worldwide E&D spending. Expenditures in the U.S. reflect increased drilling activity in the Anadarko basin and the Permian Basin, where we continued to shift to more horizontal drilling. In the Permian Basin, we averaged 39 operated rigs during the quarter. Our recent drilling successes in the Permian has led the region to increase the number of horizontal drilling rigs being utilized, and now approximately half of our rigs are drilling horizontal wells that, given their nature, are more costly than vertical wells. In our Central region, we are increasing activity throughout our area of operations. In the Anadarko basin we added 12 new drilling rigs in the first quarter. In the Texas panhandle we commenced our first horizontal Canyon limestone drilling program in our Bivins Ranch area in the Whittenburg Basin. E&D spending in Canada increased 4 percent from the prior-year period as the region has continued to target oil and liquids-rich plays across its acreage.

E&D expenditures outside of North America increased 17 percent when compared to the first three months of 2013. Egypt was \$58 million higher than the prior-year quarter on continued drilling activity across all major basins. E&D spending in the North Sea was up \$50 million driven by an increase in Beryl field development activity. Australian expenditures were up \$36 million as both development drilling and offshore infrastructure projects continued with higher activity levels than the prior-year period.

We invested \$332 million in GTP in the first three months of 2014, a 33 percent increase over prior-year activity, with the majority related to activities associated with the Kitimat LNG project in Canada and the Wheatstone LNG project in Australia.

Dividends For the three-month periods ended March 31, 2014 and 2013, the Company paid \$79 million and \$67 million, respectively, in dividends on its common stock. In the first three months of 2013, the Company also paid \$19 million in dividends on its Series D Preferred Stock, which was converted to common stock in August 2013.

During the first quarter of 2014, Apache's Board of Directors approved a 25 percent increase to \$0.25 per share for the regular quarterly cash dividend on the Company's common stock. This increase will apply to the dividend on common stock payable on May 22, 2014, to stockholders of record on April 22, 2014, and subsequent dividends paid.

Shares Repurchased In May 2013, Apache's Board of Directors authorized the purchase of up to 30 million shares of the Company's common stock, valued at approximately \$2 billion when first announced. Shares may be purchased either in the open market or through privately held negotiated transactions. The Company initiated the buyback program on June 10, 2013, and during 2013 repurchased a total of 11,221,919 shares at an average price of \$88.88. An additional 5,919,083 shares were purchased in the first quarter of 2014 at an average price of \$81.88. Subsequent to March 31, 2014, an additional 5,951,031 shares were purchased at an average price of \$85.14. The Company anticipates that further purchases will primarily be made with proceeds from asset dispositions, but the Company is not obligated to acquire any specific number of shares.

Liquidity

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

	March 31, 2014	December 31, 2013
	(In millions of dollars, except as indicated)	
Cash and cash equivalents	\$ 1,643	\$ 1,906
Total debt	9,673	9,725
Equity	35,177	35,393
Available committed borrowing capacity	3,300	3,300
Percent of total debt-to-capitalization	22%	22%

Cash and cash equivalents We had \$1.6 billion in cash and cash equivalents as of March 31, 2014, compared to \$1.9 billion at December 31, 2013. Approximately \$1.6 billion of the cash was held by foreign subsidiaries. The cash held by foreign subsidiaries may be subject to additional U.S. income taxes if repatriated. Almost all of the cash is denominated in U.S. dollars and, at times, is invested in highly liquid investment grade securities with maturities of three months or less at the time of purchase.

Debt As of March 31, 2014, outstanding debt, which consisted of notes, debentures, and uncommitted bank lines, totaled \$9.7 billion. We had no current debt outstanding as of March 31, 2014.

Available committed borrowing capacity As of March 31, 2014, the Company had unsecured committed revolving syndicated bank credit facilities totaling \$3.3 billion, of which \$1.0 billion matures in August 2016 and \$2.3 billion matures in June 2017. The facilities consist of a \$1.7 billion facility and a \$1.0 billion facility in the U.S., a \$300 million facility in Australia, and a \$300 million facility in Canada. As of March 31, 2014, available borrowing capacity under the Company's credit facilities was \$3.3 billion. The Company's committed credit facilities are used to support Apache's commercial paper program.

The Company has available a \$3.0 billion commercial paper program, which generally enables Apache to borrow funds for up to 270 days at competitive interest rates. The commercial paper program is fully supported by available borrowing capacity under the Company's committed credit facilities. At March 31, 2014 and December 31, 2013, the Company had no outstanding commercial paper.

The Company was in compliance with the terms of all credit facilities as of March 31, 2014.

Percent of total debt-to-capitalization The Company's debt-to-capitalization ratio at March 31, 2014 and December 31, 2013 was 22 percent.

Non-GAAP Measures

The Company makes reference to some measures in discussion of its financial and operating highlights that are not required by or presented in accordance with GAAP. Management uses these measures in assessing operating results and believes the presentation of these measures provides information useful in assessing the Company's financial condition and results of operations. These non-GAAP measures should not be considered as alternatives to GAAP measures and may be calculated differently from, and therefore may not be comparable to, similarly-titled measures used at other companies.

Adjusted Earnings

To assess the Company's operating trends and performance, management uses Adjusted Earnings, which is net income excluding certain items that management believes affect the comparability of operating results. Management believes this presentation may be useful to investors who follow the practice of some industry analysts who adjust reported company earnings for items that may obscure underlying fundamentals and trends. The reconciling items below are the types of items management excludes and believes are frequently excluded by analysts when evaluating the operating trends and comparability of the Company's results.

	For the Quarter Ended	
	March 31,	
	2014	2013
	(In millions, except per share data)	
Income Attributable to Common Stock (GAAP)	\$ 236	\$ 698
Adjustments:		
Argentina discontinued operations, net of tax ⁽¹⁾	517	61
Unrealized foreign currency fluctuation impact on deferred tax expense	7	(4)
Acquisitions, divestitures, and transition costs, net of tax ⁽²⁾	1	—
Deferred tax adjustments	(5)	11
Commodity derivative mark-to-market, net of tax ⁽³⁾	(49)	31
Adjusted Earnings (Non-GAAP)	\$ 707	\$ 797
Net Income per Common Share – Diluted (GAAP)	\$ 0.60	\$ 1.76
Adjustments:		
Argentina discontinued operations, net of tax ⁽¹⁾	1.30	0.15
Unrealized foreign currency fluctuation impact on deferred tax expense	0.02	(0.01)
Deferred tax adjustments	(0.01)	0.03
Commodity derivative mark-to-market, net of tax ⁽³⁾	(0.13)	0.07
Adjusted Earnings Per Share – Diluted (Non-GAAP)	\$ 1.78	\$ 2.00

(1) Argentina discontinued operations had losses recorded in the first quarters of 2014 and 2013 totaling \$540 million and \$61 million, respectively. A tax benefit of \$23 million was recognized for the loss in 2014.

(2) Acquisition, divestitures, and transition costs recorded in the first quarter of 2014 totaled \$2 million pre-tax, for which a tax benefit of \$1 million was recognized. The tax effect was calculated utilizing the statutory rates in effect in each country where costs were incurred.

(3) Commodity derivative unrealized mark-to-market gains recorded in the first quarter of 2014 totaled \$76 million, for which a tax expense of \$27 million was recognized. In the first quarter of 2013, losses of \$48 million with a tax benefit of \$17 million were recognized.

Commodity Risk

The Company's revenues, earnings, cash flow, capital investments and, ultimately, future rate of growth are highly dependent on the prices we receive for our crude oil, natural gas and NGLs, which have historically been very volatile because of unpredictable events such as economic growth or retraction, weather and political climate. Our average crude oil realizations decreased one percent to \$101.03 per barrel in the first quarter of 2014 from \$102.42 per barrel in the comparable period of 2013. Our average natural gas price realizations increased 18 percent to \$4.46 per Mcf from \$3.77 per Mcf in the comparable period of 2013.

We periodically enter into derivative positions on a portion of our projected oil and natural gas production through a variety of financial and physical arrangements intended to manage fluctuations in cash flows resulting from changes in commodity prices. For the first quarter of 2014, financial derivatives on commodity prices covered approximately 5 percent of our natural gas production and approximately 41 percent of our crude oil production, compared with 2 percent and 41 percent, respectively, in the first quarter of 2013. Apache does not hold or issue derivative instruments for trading purposes.

On March 31, 2014, the Company had open natural gas derivatives in an asset position with a fair value of \$1 million. A 10 percent increase in natural gas prices would move the derivatives to a liability position of \$19 million, while a 10 percent decrease in prices would increase the fair value by approximately \$20 million. The Company also had open oil derivatives in a liability position with a fair value of \$225 million. A 10 percent increase in oil prices would increase the liability by approximately \$359 million, while a 10 percent decrease in prices would move the derivatives to an asset position of \$135 million. These fair value changes assume volatility based on prevailing market parameters at March 31, 2014. See Note 3—Derivative Instruments and Hedging Activities of the notes to the Company's consolidated financial statements set forth in Part I, Item 1 of this Quarterly Report on Form 10-Q for notional volumes and terms associated with the Company's derivative contracts.

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 gas production is sold under a mixture of fixed-price U.S. dollar and Australian dollar contracts. Approximately 40 percent of the costs incurred for Australian operations are paid in U.S. dollars. In Canada, oil and gas prices and costs, such as equipment rentals and services, are generally denominated in Canadian dollars but heavily influenced by U.S. markets. Our North Sea production is sold under U.S. dollar contracts, and the majority of costs incurred are paid in British pounds. In Egypt, all oil and gas production is sold under U.S. dollar contracts, and the majority of the costs incurred are denominated in U.S. dollars. Revenue and disbursement transactions denominated in Australian dollars, Canadian dollars, and British pounds are converted to U.S. dollar equivalents based on average exchange rates during the period.

Foreign currency gains and losses also arise when monetary assets and monetary liabilities denominated in foreign currencies are translated at the end of each month. Currency gains and losses are included as either a component of "Other" under "Revenues and Other" or, as is the case when we re-measure our foreign tax liabilities, as a component of the Company's provision for income tax expense on the statement of consolidated operations. A 10 percent strengthening or weakening of the Australian dollar, Canadian dollar, and British pound as of March 31, 2014, would result in a foreign currency net loss or gain, respectively, of approximately \$226 million.

Forward-Looking Statements and Risk

This report includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical facts included or incorporated by reference in this report, including, without limitation, statements regarding our future financial position, business strategy, budgets, projected revenues, projected costs, and plans and objectives of management for future operations, are forward-looking statements. Such forward-looking statements are based on our examination of historical operating trends, the information that was used to prepare our estimate of proved reserves as of December 31, 2013, and other data in our possession or available from third parties. In addition, forward-looking statements generally can be identified by the use of forward-looking terminology such as "may," "will," "could," "expect," "intend," "project," "estimate," "anticipate," "plan," "believe," or "continue" or similar terminology. Although we believe that the expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such expectations will prove to have been correct. Important factors that could cause actual results to differ materially from our expectations include, but are not limited to, our assumptions about:

- the market prices of oil, natural gas, NGLs and other products or services;
- our commodity derivative and hedging arrangements;

- the supply and demand for oil, natural gas, NGLs, and other products or services;
- production and reserve levels;
- drilling risks;
- economic and competitive conditions;
- the availability of capital resources;
- capital expenditure and other contractual obligations;
- currency exchange rates;
- weather conditions;
- inflation rates;
- the availability of goods and services;
- legislative or regulatory changes;
- the impact on our operations due to changes in the Egyptian government;
- the integration of acquisitions;
- terrorism or cyber attacks;
- occurrence of property acquisitions or divestitures;
- the securities or capital markets and related risks such as general credit, liquidity, market, and interest-rate risks; and
- other factors disclosed under Items 1 and 2—Business and Properties—Estimated Proved Reserves and Future Net Cash Flows, Item 1A—Risk Factors, Item 7—Management’s Discussion and Analysis of Financial Condition and Results of Operations, Item 7A—Quantitative and Qualitative Disclosures About Market Risk and elsewhere in our most recently filed Annual Report on Form 10-K, other risks and uncertainties in our first-quarter 2014 earnings release, other factors disclosed under Part II, Item 1A—Risk Factors of this Quarterly Report on Form 10-Q, and other filings that we make with the Securities and Exchange Commission.

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

Disclosure Controls and Procedures

G. Steven Farris, the Company's Chairman of the Board, Chief Executive Officer, and President, in his capacity as principal executive officer, and Alfonso Leon, the Company's Executive Vice President and Chief Financial Officer, in his capacity as principal financial officer, evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2014, the end of the period covered by this report. Based on that evaluation and as of the date of that evaluation, these officers concluded that the Company's disclosure controls and procedures were effective, providing effective means to ensure that information we are required to disclose under applicable laws and regulations is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and communicated to our management, including our principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

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

Changes in Internal Control over Financial Reporting

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**

Please refer to both Part I, Item 3 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2013 (filed with the SEC on February 28, 2014) and Note 8—Commitments and Contingencies of the notes to the consolidated financial statements set forth in Part I, Item 1 of this Quarterly Report on Form 10-Q, for a description of material legal proceedings.

ITEM 1A. RISK FACTORS

Please refer to Part I, Item 1A—Risk Factors of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2013, and as noted above in Part I, Item 3—Quantitative and Qualitative Disclosures About Market Risk of this Quarterly Report on Form 10-Q.

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

The following table presents information on shares of common stock repurchased by the Company during the quarter ended March 31, 2014:

Issuer Purchases of Equity Securities				
Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs ⁽¹⁾	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs ⁽¹⁾
January 1 to January 31, 2014	1,164,817	\$ 85.84	1,164,817	17,613,264
February 1 to February 28, 2014	1,020,100	84.23	1,020,100	16,593,164
March 1 to March 31, 2014	3,734,166	80.00	3,734,166	12,858,998
Total	<u>5,919,083</u>	<u>\$ 81.88</u>		

- (1) On May 9, 2013, the Company announced that its Board of Directors authorized the repurchase of up to 30 million shares of the Company's common stock. 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 repurchases will be at the discretion of Apache's management and will depend on a variety of factors, including the stock price, corporate and regulatory requirements, and other market and economic conditions. Repurchased shares will be available for general corporate purposes.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. MINE SAFETY DISCLOSURES

None

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

- * 4.1 – Form of Certificate for Registrant’s Common Stock.
- * 10.1 – Amendment to Apache Corporation 401(k) Savings Plan, dated April 17, 2014.
- * 10.2 – February 11, 2014 Employee Release and Settlement Agreement, between Registrant and Roger B. Plank.
- * 10.3 – Amendment of Stock Option Grants (2007 Omnibus Equity Compensation Plan), dated February 13, 2014, between Registrant and Roger B. Plank.
- * 10.4 – Amendment of Stock Option Grants (2011 Omnibus Equity Compensation Plan), dated February 13, 2014, between Registrant and Roger B. Plank.
- * 10.5 – Amendment of Restricted Stock Unit Awards (2011 Omnibus Equity Compensation Plan), dated February 13, 2014, between Registrant and Roger B. Plank.
- * 31.1 – Certification (pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act) by Principal Executive Officer.
- * 31.2 – Certification (pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act) by Principal Financial Officer.
- * 32.1 – Section 1350 Certification (pursuant to Sarbanes-Oxley Section 906) by Principal Executive Officer and Principal Financial Officer.
- *101.INS – XBRL Instance Document.
- *101.SCH – XBRL Taxonomy Schema Document.
- *101.CAL – XBRL Calculation Linkbase Document.
- *101.LAB – XBRL Label Linkbase Document.
- *101.PRE – XBRL Presentation Linkbase Document.
- *101.DEF – XBRL Definition Linkbase Document.

* Filed herewith

SIGNATURES

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

Dated: May 9, 2014

APACHE CORPORATION

/s/ ALFONSO LEON

Alfonso Leon

Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Dated: May 9, 2014

/s/ REBECCA A. HOYT

Rebecca A. Hoyt

Vice President, Chief Accounting Officer and Controller
(Principal Accounting Officer)

NUMBER _____
SSP _____

[Vignette]

SHARES

APACHE
CORPORATION

INCORPORATED UNDER THE LAWS
OF THE STATE OF DELAWARE

COMMON STOCK

COMMON STOCK

This Certifies that _____

CUSIP 037411 10 5
SEE REVERSE FOR CERTAIN DEFINITIONS

PAR VALUE
\$0.625 EACH

is the owner of _____

CERTIFICATE OF STOCK

FULLY PAID AND NON-ASSESSABLE SHARES OF THE COMMON STOCK OF
Apache Corporation, transferable on the books of the Corporation by the holder hereof in person or by duly authorized attorney upon surrender of this
certificate properly endorsed. This certificate is not valid until countersigned by the Transfer Agent and registered by the Registrar.

Witness the signatures of its duly authorized officers.

Countersigned and Registered:
WELLS FARGO BANK, N.A.
TRANSFER AGENT
AND REGISTRAR

/s/ G. Steven Farris
CHAIRMAN

/s/ C. L. Peper
SECRETARY

By _____
AUTHORIZED SIGNATURE

DATED: _____

APACHE CORPORATION

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM — as tenants in common
TEN ENT — as tenants by the entireties
JT TEN — as joint tenants with right of survivorship and not as tenants in common

UNIF TRF MIN ACT — _____ Custodian _____ (Cust) _____ (Minor) under Uniform Transfers to Minors Act _____ (State)

Additional abbreviations may also be used though not in the above list.

For value received, _____ hereby sell, assign and transfer unto

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

[Empty box for social security or other identifying number]

PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS INCLUDING POSTAL ZIP CODE OF ASSIGNEE

[Empty lines for name and address of assignee]

_____ Shares of the capital stock represented by the within Certificate, and do hereby irrevocably constitute and appoint _____

Attorney to transfer the said stock on the books of the within-named Corporation with full power of substitution in the premises.

Dated, _____

NOTICE: THE SIGNATURE(S) TO THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME(S) AS WRITTEN UPON THE FACE OF THE CERTIFICATE IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATEVER.

[Empty lines for signature and name of assignor]

THE SIGNATURE(S) SHOULD BE GUARANTEED BY ELIGIBLE GUARANTOR INSTITUTION, (Banks, Stockbrokers, Savings and Loan Associates and Credit Unions) WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM PURSUANT TO S.E.C. RULE 17Ad-15.

[Empty box for signature guarantee information]

Apache Corporation 401(k) Savings Plan

Apache Corporation (“Apache”) sponsors the Apache Corporation 401(k) Savings Plan (the “Plan”). In section 10.4 of the Plan, Apache reserved the right to amend the Plan from time to time. Apache hereby exercises that right as follows:

1. Replacing section 2.1 of the Plan with the following, effective May 1, 2014.

2.1 Participation – Required Service.

An Employee shall be eligible to begin making Participant Contributions, receiving an allocation of Company Matching Contributions, and earning a Company Discretionary Contribution on the day the Employee first becomes a Covered Employee.

2. Replacing the references to “subsection 2.1(a)” in subsection 1.14(e) and paragraph 3.2(c)(i) of the Plan with a reference to “section 2.1,” effective May 1, 2014.

EXECUTED this 17 day of April, 2014.

APACHE CORPORATION

By: /s/ Margery M. Harris

Margery M. Harris

Executive Vice President, Human Resources

APACHE CORPORATION
FEBRUARY 11, 2014 EMPLOYEE RELEASE AND SETTLEMENT AGREEMENT

The parties to this agreement are **APACHE CORPORATION** ("Apache") and Roger B. Plank ("Employee").

This document describes the agreements of Apache and Employee concerning the termination of Employee's employment with Apache. This agreement and the severance pay and other benefits described below give valuable consideration to both Apache and Employee.

Termination of Employment Relationship: Apache and Employee have agreed that Employee's employment relationship with Apache will terminate on March 31, 2014 (the "Termination Date"):

Termination Pay: Apache will pay Employee the following as soon as reasonably practical following the Termination Date:

- Employee's regular monthly salary and his 2013 bonus of \$990,000, through the Termination Date.

Such amounts shall be subject to all lawful deductions and withholding for taxes and any delay in payment required by Tax Code 409A.

Severance Pay: Subject to this agreement becoming effective, Apache will pay Employee a lump sum amount of \$3,780,000 of Severance Pay.

The Severance Pay will be subject to all lawful deductions and withholding for taxes and any delay in payment required by Tax Code 409A and will be paid as soon as administratively practical after this agreement becomes effective.

Additional Severance Benefits: Subject to this agreement becoming effective and subject to any delay in payment required by Tax Code 409A, Apache will provide Employee with the following additional Severance Benefits:

- Continued vesting of all outstanding restricted stock units and all stock options according to their original schedules and any agreed amendments to said equity plans and award agreements.
- Extended exercise period of all stock options, vested and unvested, to full term (10 year anniversary of the grant date).
- In accordance with their terms, any outstanding TSR and business performance grants will be immediately void and forfeited as of the Termination Date. However, in the event that the TSR and business performance goals related to such grants are achieved at the conclusion of each respective performance period, then as soon as practicable following the vesting dates set forth below (but not later than March 15 of the year following the year in which occurs the vesting date), provided that Employee is then in compliance with the provisions of this

Agreement, Apache will pay Employee a cash amount equal to the fair market value of a share of common stock of Apache (determined at the close of the trading day immediately preceding the payment date) multiplied by the number of vested units indicated below. In the event that a Change of Control occurs prior to the conclusion of a performance period under any of the 2012, 2013, or 2014 TSR programs, and the Committee (as defined in the TSR grant agreement) determines an appropriate adjustment to measure Apache's TSR for those Apache employees that are terminated following a Change of Control, then such adjustment shall be applied to the equivalent value calculations for TSRs below. In the event a Change of Control occurs prior to the termination of the 2014 Business Performance Shares' performance period, then a multiple of 1.00 shall be applied to the Target Amount of shares and the total equivalent value of the same shall be paid to Employee. Notwithstanding the foregoing or anything else in this agreement, all payments to Employee pursuant to this agreement that constitute a "parachute payment" under I.R.C. 280G shall not exceed 2.99 times the "base amount" as defined in I.R.C. 280G.

<u>Condition Precedent</u>	<u>Vesting Date</u>	<u>Number of Units</u>
2012 TSR Goal Achieved	12/31/14	50% of (i) multiple of Target Amount achieved under 2012 TSR Plan times (ii) 17,542
2012 TSR Goal Achieved	12/31/15	25% of (i) multiple of Target Amount achieved under 2012 TSR Plan times (ii) 17,542
2012 TSR Goal Achieved	12/31/16	25% of (i) multiple of Target Amount achieved under 2012 TSR Plan times (ii) 17,542
2013 TSR Goal Achieved	12/31/15	50% of (i) multiple of Target Amount achieved under 2013 TSR Plan times (ii) 24,894
2013 TSR Goal Achieved	12/31/16	25% of (i) multiple of Target Amount achieved under 2013 TSR Plan times (ii) 24,894
2013 TSR Goal Achieved	12/31/17	25% of (i) multiple of Target Amount achieved under 2013 TSR Plan times (ii) 24,894
2014 TSR Goal Achieved	12/31/16	50% of (i) multiple of Target Amount achieved under 2014 TSR Plan times (ii) 12,158
2014 TSR Goal Achieved	12/31/17	50% of (i) multiple of Target Amount achieved under 2014 TSR Plan times (ii) 12,158
2014 Business Performance Goal Achieved	12/31/16	50% of (i) multiple of Target Amount achieved under 2014 Performance Share Program times (ii) 13,148 shares
2014 Business Performance Goal Achieved	12/31/17	50% of (i) multiple of Target Amount achieved under 2014 Performance Share Program times (ii) 13,148 shares

- As the result of your age and service, you and your spouse are eligible to participate in the Apache Corporation Retiree Medical Plan until each of you qualify for Medicare. Apache will pay the rates for your medical, dental, and vision coverage through age 65, which will be a taxable benefit to you.

Employee Acknowledgement: Employee acknowledges that the Severance Pay and Severance Benefits are consideration over and above that to which Employee otherwise would be entitled upon termination of employment, and are paid in consideration for this agreement.

Employee Resignation and Retirement: Employee agrees to resign from all positions he holds with Apache and its affiliates (other than as an employee of Apache) forthwith and to sign all documents necessary to effectuate his resignations. Employee shall retire and Apache shall permit Employee to retire on March 31, 2014.

Release by Employee: In consideration of receipt of the Severance Pay and Severance Benefits, Employee hereby releases and waives, on behalf of himself, his heirs, estate, beneficiaries and assigns, all claims of any kind or character for loss, damage or injury arising from, based upon, connected in any way with, or relating to the following (“Claims”):

- the employment of Employee by Apache, including the termination of Employee’s employment;
- employment discrimination in violation of the Age Discrimination in Employment Act;
- employment discrimination in violation of Title VII of the Civil Rights Act of 1964;
- any violations of federal, state or local statutes, ordinances, regulations, rules, decisions or laws;
- retaliation under the whistleblower provisions of Section 806 of the Sarbanes Oxley Act of 2002 or any other anti-retaliation law;
- failure to act in good faith and deal fairly;
- injuries, illness or disabilities of Employee;
- exposure of Employee to toxic or hazardous materials;

- stress, anxiety or mental anguish;
- discrimination on the basis of sex, race, religion, national origin or another basis;
- sexual harassment;
- defamation based on statements of Apache or others;
- breach of an express or implied employment contract;
- compensation or reimbursement of Employee;
- any claim that he is covered under any Change of Control provisions, with the exception of those explicitly provided for in this agreement pertaining to (i) the continuation of vesting of Apache Corporation equity, as provided under the Additional Severance Benefits section above, and (ii) the equivalent value of the TSR and the Business Performance Shares under the Additional Severance Benefits section above.
- unfair employment practices; and
- any act or omission by or on behalf of Apache.

Claims Included: The Claims released and waived by Employee are those arising before the effective date of this agreement, whether known, suspected, unknown or unsuspected, and include, without limitation:

- those for reinstatement;
- those for actual, consequential, punitive or special damages;
- those for attorney's fees, costs, experts' fees and other expenses of investigating, litigating or settling Claims; and
- those against Apache and/or Apache's present, former and future subsidiaries, affiliates, employees, officers, directors, agents, contractors, benefit plans, shareholders, advisors, insurance carriers, and legal representatives (together with Apache the "Released Parties").

Claims Excluded: Employee does not release or waive (1) any rights that may not by law be waived, (2) the rights and funds of any vested benefits and vested incentive compensation, if any, to which Employee may be entitled pursuant to the terms of Apache's benefit and incentive compensation plans, including but not limited to Employee's right to all vested incentive compensation and to any benefits under health, life or disability policies and Apache Corporation Retiree medical, dental and vision policies covering Employee and his spouse, the Apache Retirement Plan, the Apache 401K Plan, the Apache Non-Qualified Retirement/Savings Plan, (for the avoidance of doubt, Employee is, however, releasing and waiving any claim that he is subject to or covered by any Change of Control provisions other than the continuation of vesting of Apache Corporation equity, as provided under the Additional Severance Benefits section above, and the equivalent value of the TSR and the Business Performance Shares as described in the Additional Severance Benefits section above) (3) the right to recovery for breach of this agreement by Apache, (4) Employee's right to indemnity, contribution and a defense under any

agreement, statute, by-law or company agreement or other corporate governance document, (5) Employee's right to coverage under all Apache directors' and officers', fiduciary, errors and omissions and general liability and umbrella insurance policies, (6) payment to Employee of any unpaid business or business travel expenses payable under the Company's usual practices, (7) distribution to Employee, as soon as practical after the effective date of this Agreement and consistent with the requirements of Tax Code 409A, previously vested but withheld 25,108 shares of restricted stock, and (8) Employee's rights as an option holder, as a holder of restricted stock and as a shareholder.

Release by Company. Apache releases Employee, his spouse, heirs and estate from any and all claims and cause of action whatsoever that are not specifically excepted from release in this Agreement. None of the rights of Apache nor any of the obligations of Employee to Apache under this Agreement are released, and are specifically excepted from this release.

Agreement Not To Sue: Employee will not sue any Released Party for any released Claim. Excluded from this agreement not to sue is Employee's right to file a charge with an administrative agency or participate in an agency investigation. Employee is, however, waiving the right to receive money in connection with such charge or investigation. Employee is also waiving the right to recover money in connection with a charge filed by any other individual or by the Equal Employment Opportunity Commission or any other federal or state agency.

Future Employment: The Released Parties will not have any obligation to consider or accept any future employment or reinstatement application from Employee.

No Apache or Employee Admission: Neither Apache nor Employee admits any wrongdoing or liability. Apache and Employee have executed this agreement solely to avoid the expense of potential litigation. The additional Severance Pay and additional Severance Benefits and other consideration described above fully compromise and settle any and all Claims of Employee and Apache.

Confidentiality: Employee and Apache will keep this agreement strictly confidential, and will cause Employee's attorneys and Apache's officials who need to see this Agreement to do likewise, except to the extent disclosure is necessary for tax, securities laws and regulations, stock exchange rules, or other legal purposes.

Confidences: Employee will maintain the confidentiality of all Released Party trade secrets, proprietary information, insider information, security procedures and other confidences that came into Employee's possession or knowledge during employment by Apache. Employee will not use information concerning a Released Party's business prospects or practices to profit Employee or others.

Property: Employee represents that Employee possesses no property of a Released Party. If any Released Party property comes into Employee's possession before departure from Apache premises, or if the date of Employee's termination is in the future, Employee will return the Released Party property to Apache prior to departure from the Apache premises and without request or demand by Apache.

References: Apache may respond to inquiries from third parties about Employee's employment with Apache by identifying only Employee's date of hire, date of termination and position held at the time of termination of employment. Apache will have no obligation to provide further information to prospective employers of Employee.

Non-disparagement: Employee shall refrain from publishing any oral or written statements about the Company, any Apache Entity and/or any of the Released Parties that are disparaging, slanderous, libelous, or defamatory; or that disclose private or confidential information about their business affairs; or that constitute an intrusion into their seclusion or private lives; or that give rise to unreasonable publicity about their private lives; or that place them in a false light before the public; or that constitute a misappropriation of their name or likeness. Likewise, Released Parties shall refrain from publishing any oral or written statements about Employee that are disparaging, slanderous, libelous, or defamatory; or that disclose private or confidential information about his business affairs; or that constitute an intrusion into his seclusion or private life; or that give rise to unreasonable publicity about his private life; or that places his in a false light before the public; or that constitute a misappropriation of his name or likeness.

Other Agreements: This is the entire agreement concerning the termination of Employee's employment with Apache. Employee is not entitled to rely upon any other written or oral offer or agreement from Apache or any other person regarding this Agreement.

Amendment: This agreement can be modified only by a document signed by both parties.

Successors: This agreement benefits and binds the parties' successors, including Employee's estates and heirs.

Texas Law: This agreement will be interpreted in accordance with the laws of the State of Texas.

Jurisdiction. Any legal proceeding arising as a result of, based upon, or relating to this agreement, Employee's employment or termination thereof shall be filed in and heard exclusively in Houston, Texas without regard to conflicts of law and Employee hereby irrevocably consents to the jurisdiction of such courts.

Enforceability: If any portion of this agreement is unenforceable, the remaining portions of the agreement will remain enforceable.

Fees and Costs: If litigation is commenced concerning Employee's employment, termination of employment or this agreement, the prevailing party shall be entitled to an award of reasonable attorneys' fees and expenses, court costs, experts' fees and expenses, and all other expenses of litigation.

409A Compliance. This agreement is intended to comply with, or be exempt from, the applicable requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and the rules and regulations issued thereunder and shall be administered accordingly. Notwithstanding anything in this agreement to the contrary, if the Severance Pay or Severance Benefits constitute "deferred compensation" under Section 409A of the Code and any Severance Pay or Severance Benefits become payable pursuant to the Employee's termination of

employment (meaning a "separation from service" as defined within the meaning of Treasury Regulation Section 1.409A-1(h) with respect to any Severance Pay or Severance Benefits intended to comply with Section 409A of the Code; provided, that a "separation from service" shall occur only if both Apache and the Employee expect the Participant's level of services to permanently drop by more than half), settlement of the Severance Pay or Severance Benefits shall be delayed for a period of six months after the Employee's termination of employment if the Employee is a "specified employee" as defined under Code Section 409A(a)(2)(B)(i) and if so required pursuant to Section 409A of the Code. If settlement of the Severance Pay or Severance Benefits is delayed, the Severance Pay or Severance Benefits shall be settled on the first day of the first calendar month following the end of the six-month delay period, or later, if so provided under the terms of this agreement. If the Employee dies during the six-month delay, the Severance Pay and Severance Benefits shall be settled and paid to the Employee's designated beneficiary, legal representatives, heirs or legatees, as applicable, as soon as practicable after the date of death, or such later date as is provided under the terms of this agreement. This agreement may be amended without the consent of the Employee in any respect deemed by Apache to be necessary in order to preserve compliance with Section 409A of the Code.

EMPLOYEE UNDERSTANDS THAT THIS AGREEMENT IS A FINAL AND BINDING WAIVER OF ANY AND ALL CLAIMS OF EMPLOYEE AGAINST THE RELEASED PARTIES, INCLUDING CLAIMS FOR AGE DISCRIMINATION UNDER THE AGE DISCRIMINATION IN EMPLOYMENT ACT AND CLAIMS FOR SEX, RACE OR OTHER DISCRIMINATION UNDER TITLE VII OF THE CIVIL RIGHTS ACT OF 1964.

THE ONLY PROMISES MADE TO CAUSE EMPLOYEE TO SIGN THIS AGREEMENT ARE THOSE STATED IN THIS AGREEMENT.

EMPLOYEE ACKNOWLEDGES THAT EMPLOYEE HAS BEEN INFORMED BY APACHE TO CONSULT WITH HIS/HER OWN ATTORNEY PRIOR TO SIGNING THIS AGREEMENT.

EMPLOYEE REPRESENTS THAT THIS AGREEMENT HAS BEEN FULLY EXPLAINED BY EMPLOYEE'S ATTORNEY OR THAT EMPLOYEE HAS WAIVED CONSULTATION WITH AN ATTORNEY, CONTRARY TO APACHE'S RECOMMENDATION.

EMPLOYEE HAS BEEN ADVISED AND UNDERSTANDS THAT THE OFFER OF SEVERANCE PAY AND SEVERANCE BENEFITS CONTAINED IN THIS AGREEMENT SHALL REMAIN OPEN ONLY UNTIL MARCH 5, 2014. IF EMPLOYEE HAS NOT FULLY EXECUTED AND RETURNED THIS AGREEMENT BY THAT DATE, THE OFFER HEREIN OF SEVERANCE PAY AND SEVERANCE BENEFITS IS AUTOMATICALLY WITHDRAWN WITHOUT FURTHER ACTION BY APACHE EFFECTIVE AS OF SUCH DATE.

EMPLOYEE ACKNOWLEDGES THAT EMPLOYEE HAS THE RIGHT TO REVOKE THIS AGREEMENT FOR 7 DAYS AFTER SIGNING IT. THIS AGREEMENT WILL NOT BE EFFECTIVE UNTIL THAT TIME FOR REVOCATION HAS PASSED.

EMPLOYEE REPRESENTS THAT HE/SHE HAS CAREFULLY READ AND FULLY UNDERSTANDS THIS AGREEMENT AND THAT HE/SHE HAS ENTERED INTO AND EXECUTED THIS AGREEMENT KNOWINGLY AND WITHOUT DURESS OR COERCION FROM APACHE OR ANY OTHER PERSON OR SOURCE.

EMPLOYEE

APACHE CORPORATION

/s/ Roger B. Plank
Roger B. Plank

/s/ Margery M. Harris
Margery M. Harris
Executive Vice President, Human Resources

STATE OF Baja California Sur Mexico

§

§

COUNTY OF Los Cabos

§

The foregoing Employee Release and Settlement Agreement was acknowledged before me this 21 day of March, 2014, by Roger B. Plank.

/s/ Ricardo Cevallos Valdez
NOTARY PUBLIC

My commission expires: It does not expire.

STATE OF TEXAS §

§

COUNTY OF HARRIS §

The foregoing Employee Release and Settlement Agreement was acknowledged before me this 24 day of March, 2014, by Margery M. Harris, Executive Vice President, Human Resources of Apache Corporation.

/s/ Veronica E. Guiton

NOTARY PUBLIC

My commission expires: July 26, 2017

Apache Corporation
Amendment of Stock Option Grants

Participant Name: **Roger B. Plank**

Company: Apache Corporation

Amendment: This is a summary of the amendment of the terms of your previous grants of Stock Options to purchase Shares ("Options") under certain prior notices (the "Grant Notices") subject to the terms of the Apache Corporation 2007 Omnibus Equity Compensation Plan (the "Plan") and the related Stock Option Award Agreements (the "Agreements").

You were previously granted Stock Options to purchase Shares in accordance with the terms of the Plan and the related Stock Option Award Agreements. In connection with your separation from service with the Company effective March 31, 2014 (the "Separation Date") and the terms of the separation agreement between you and the Company dated February 11, 2014 (the "Separation Agreement"), and solely for purposes of vesting and exercisability of your outstanding Options determined as of the Separation Date under the Plan, upon your acceptance of this Amendment, the Company agrees that such outstanding Options will vest at such times and in such manner as if you continued employment with the Company after your Separation Date, provided that such vesting shall occur at such times solely if you are then in compliance with the provisions of the Separation Agreement. Notwithstanding the foregoing, you shall not be treated as continuing employment with the Company after the Separation Date for purposes of the Change of Control provisions of the Plan and the Agreements.

Affected Awards: All outstanding Non-Qualified Stock Options under the Plan as of the Separation Date

Plan: **Apache Corporation 2007 Omnibus Equity Compensation Plan**

Expiration Date: Your Option will remain subject to expiration ten years from the original Grant Date for each such Option, subject to earlier termination as set forth in the Plan and the applicable Agreement.

Acceptance: Please indicate your acceptance of this Amendment by executing the attached Amendment and returning it to Margery M. Harris. Upon acceptance of this Amendment you will be able to continue to access your account at netbenefits.fidelity.com. By accepting this Amendment, you will have agreed to the terms and conditions set forth in the Amendment and the terms and conditions of the Plan. You also agree to immediately notify Apache Corporation of any future change in your address or other contact information. If you do not accept this Amendment, for purposes of vesting and exercisability of your Options, you will be treated as terminating from employment with the Company on the Separation Date.

Amendment to Stock Option Award Agreements

This Amendment to the Stock Option Award Agreements is entered into in connection with the Participant's separation from service with Apache Corporation (together with its Affiliates, the "Company") effective March 31, 2014 (the "Separation Date") and the terms of the separation agreement between the Participant and the Company dated February 11, 2014 (the "Separation Agreement") and governs all outstanding Options under the Plan and the Agreements, determined as of the Separation Date, between the Company and the Participant.

1. Section 4 of each of the Agreements is hereby amended to add a new paragraph at the end thereof, which shall read as follows:

Separation Agreement. Notwithstanding the provisions of Section 4 of any Agreement or the provisions of the Grant Notices or the Plan to the contrary, for purposes of the Option, the Participant's employment shall be deemed to continue with the Company following the Separation Date provided that the Participant remains in compliance with the provisions of the Separation Agreement. The Participant shall immediately notify the Company of any future change in address or other contact information. Notwithstanding the foregoing provisions of this paragraph, the Participant shall not be treated as continuing in employment with the Company following the Separation Date for purposes of the Change of Control provisions of this Agreement, the Grant Notice or the Plan.

2. The remaining terms of the Agreements and the Plan shall continue in full force and effect.
3. This Amendment may be executed in one or more counterparts, and by the different parties hereto in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement.
4. If any provision of this Amendment is held invalid or unenforceable, the remainder of this Amendment shall nevertheless remain in full force and effect, and if any provision is held invalid or unenforceable with respect to particular circumstances, it shall nevertheless remain in full force and effect in all other circumstances, to the fullest extent permitted by law.

IN WITNESS HEREOF, the parties have caused this Amendment to be executed, agreed and accepted, effective as of February 13, 2014.

APACHE CORPORATION

ROGER B. PLANK

By: /s/ Margery M. Harris
Margery M. Harris
Executive Vice President, Human Resources

By: /s/ Roger B. Plank
Roger B. Plank

ATTEST:

/s/ Cheri L. Peper
Cheri L. Peper
Corporate Secretary

Apache Corporation
Amendment of Stock Option Grants

Participant Name: Roger B. Plank

Company: Apache Corporation

Amendment: This is a summary of the amendment of the terms of your previous grants of Stock Options to purchase Shares ("Options") under certain prior notices (the "Grant Notices") subject to the terms of the Apache Corporation 2011 Omnibus Equity Compensation Plan (the "Plan") and the related Stock Option Award Agreements (the "Agreements").

You were previously granted Stock Options to purchase Shares in accordance with the terms of the Plan and the related Stock Option Award Agreements. In connection with your separation from service with the Company effective March 31, 2014 (the "Separation Date") and the terms of the separation agreement between you and the Company dated February 11, 2014 (the "Separation Agreement"), and solely for purposes of vesting and exercisability of your outstanding Options determined as of the Separation Date under the Plan, upon your acceptance of this Amendment, the Company agrees that such outstanding Options will vest at such times and in such manner as if you continued employment with the Company after your Separation Date, provided that such vesting shall occur at such times solely if you are then in compliance with the provisions of the Separation Agreement. Notwithstanding the foregoing, you shall not be treated as continuing employment with the Company after the Separation Date for purposes of the Change of Control provisions of the Plan and the Agreements.

Affected Awards: All outstanding Non-Qualified Stock Options under the Plan as of the Separation Date

Plan: Apache Corporation 2011 Omnibus Equity Compensation Plan

Expiration Date: Your Option will remain subject to expiration ten years from the original Grant Date for each such Option, subject to earlier termination as set forth in the Plan and the applicable Agreement.

Acceptance: Please indicate your acceptance of this Amendment by executing the attached Amendment and returning it to Margery M. Harris. Upon acceptance of this Amendment you will be able to continue to access your account at netbenefits.fidelity.com. By accepting this Amendment, you will have agreed to the terms and conditions set forth in the Amendment and the terms and conditions of the Plan. You also agree to immediately notify Apache Corporation of any future change in your address or other contact information. If you do not accept this Amendment, for purposes of vesting and exercisability of your Options, you will be treated as terminating from employment with the Company on the Separation Date.

Amendment to Stock Option Award Agreements

This Amendment to the Stock Option Award Agreements is entered into in connection with the Participant's separation from service with Apache Corporation (together with its Affiliates, the "Company") effective March 31, 2014 (the "Separation Date") and the terms of the separation agreement between the Participant and the Company dated February 11, 2014 (the "Separation Agreement") and governs all outstanding Options under the Plan and the Agreements, determined as of the Separation Date, between the Company and the Participant.

1. Section 4 of each of the Agreements is hereby amended to add a new paragraph at the end thereof, which shall read as follows:

Separation Agreement. Notwithstanding the provisions of Section 4 of any Agreement or the provisions of the Grant Notices or the Plan to the contrary, for purposes of the Option, the Participant's employment shall be deemed to continue with the Company following the Separation Date provided that the Participant remains in compliance with the provisions of the Separation Agreement. The Participant shall immediately notify the Company of any future change in address or other contact information. Notwithstanding the foregoing provisions of this paragraph, the Participant shall not be treated as continuing in employment with the Company following the Separation Date for purposes of the Change of Control provisions of this Agreement, the Grant Notice or the Plan.

2. The remaining terms of the Agreements and the Plan shall continue in full force and effect.
3. This Amendment may be executed in one or more counterparts, and by the different parties hereto in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement.
4. If any provision of this Amendment is held invalid or unenforceable, the remainder of this Amendment shall nevertheless remain in full force and effect, and if any provision is held invalid or unenforceable with respect to particular circumstances, it shall nevertheless remain in full force and effect in all other circumstances, to the fullest extent permitted by law.

IN WITNESS HEREOF, the parties have caused this Amendment to be executed, agreed and accepted, effective as of February 13, 2014.

APACHE CORPORATION

[NAME OF PARTICIPANT]

By: /s/ Margery M. Harris
Margery M. Harris
Executive Vice President, Human Resources

By: /s/ Roger B. Plank
Roger B. Plank

ATTEST:

/s/ Cheri L. Peper
Cheri L. Peper
Corporate Secretary

Apache Corporation**Amendment of Restricted Stock Unit Awards**

Recipient Name: Roger B. Plank

Company: Apache Corporation

Amendment: This is a summary of the amendment of the terms of your grant(s) of Restricted Stock Units ("RSUs") under certain prior notices (the "Grant Notices") subject to the terms of the Apache Corporation 2011 Omnibus Equity Compensation Plan (the "Plan") and the Restricted Stock Unit Award Agreements (the "Agreements").

You were previously awarded Apache Corporation RSUs in accordance with the terms of the Plan and the Agreements. In connection with your separation from service with the Company effective March 31, 2014 (the "Separation Date") and the terms of the separation agreement between you and the Company dated February 11, 2014 (the "Separation Agreement"), and solely for purposes of vesting of your outstanding RSUs determined as of the Separation Date under the Plan, upon your acceptance of this Amendment, the Company agrees that such outstanding RSUs will vest at such times and in such manner as if you continued employment with the Company after your Separation Date, provided that such vesting shall occur at such times solely if you are then in compliance with the provisions of the Separation Agreement. Notwithstanding the foregoing, you shall not be treated as continuing employment with the Company after the Separation Date for purposes of the Change of Control provisions of the Plan and the Agreements.

Affected Awards: All outstanding Restricted Stock Unit(s) under the Plan as of the Separation Date

Plan: **Apache Corporation 2011 Omnibus Equity Compensation Plan**

Acceptance: Please indicate your acceptance of this Amendment by executing the attached Amendment and returning it to Margery M. Harris. Upon acceptance of this Amendment you will be able to continue to access your account at netbenefits.fidelity.com. By accepting this Amendment, you will have agreed to the terms and conditions set forth in the Amendment and the terms and conditions of the Plan. You also agree to immediately notify Apache Corporation of any future change in your address or other contact information. If you do not accept this Amendment, for purposes of vesting of your RSUs, you will be treated as terminating from employment with the Company on the Separation Date.

Amendment to Restricted Stock Unit Award Agreements

This Amendment to the Restricted Stock Unit Award Agreements is entered into in connection with the Recipient's separation from service with Apache Corporation (together with its Affiliates, the "Company") effective March 31, 2014 (the "Separation Date") and the terms of the separation agreement between the Recipient and the Company dated February 11, 2014 (the "Separation Agreement") and governs all outstanding RSUs under the Plan and the Agreements, determined as of the Separation Date, between the Company and the Recipient.

1. Section 3 of each of the Agreements is hereby amended to add a new paragraph at the end thereof, which shall read as follows:

Separation Agreement. Notwithstanding the provisions of Section 3 of any Agreement or the provisions of the Grant Notices or the Plan to the contrary, solely for purposes of vesting of the RSUs, the Recipient's employment shall be deemed to continue with the Company following the Separation Date provided that the Recipient remains in compliance with the provisions of the Separation Agreement. The Recipient shall immediately notify the Company of any future change in address or other contact information.

2. Section 4 of each of the Agreements is hereby amended to add a new paragraph at the end thereof, which shall read as follows:

Separation Agreement. Notwithstanding the provisions of Section 3 of any Agreement or the provisions of the Grant Notices or the Plan to the contrary, the Recipient shall not be treated as continuing in employment with the Company following the Separation Date for purposes of this Section 4 or any Change of Control provisions, or 409A Change of Control provisions, of the Award Notice or the Plan.

3. The remaining terms of the Agreements and the Plan shall continue in full force and effect.
4. This Amendment may be executed in one or more counterparts, and by the different parties hereto in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement.
5. If any provision of this Amendment is held invalid or unenforceable, the remainder of this Amendment shall nevertheless remain in full force and effect, and if any provision is held invalid or unenforceable with respect to particular circumstances, it shall nevertheless remain in full force and effect in all other circumstances, to the fullest extent permitted by law.

IN WITNESS HEREOF, the parties have caused this Amendment to be executed, agreed and accepted, effective as of February 13, 2014.

APACHE CORPORATION

ROGER B. PLANK

By: /s/ Margery M. Harris
Margery M. Harris
Executive Vice President, Human Resources

By: /s/ Roger B. Plank
Roger B. Plank

ATTEST:

/s/ Cheri L. Peper
Cheri L. Peper
Corporate Secretary

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

/s/ G. Steven Farris

G. Steven Farris

Chairman of the Board, Chief Executive Officer and President
(principal executive officer)

Date: May 9, 2014

CERTIFICATIONS

I, Alfonso Leon, certify that:

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

/s/ Alfonso Leon

Alfonso Leon

Executive Vice President and Chief Financial Officer
(principal financial officer)

Date: May 9, 2014

APACHE CORPORATION

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

I, G. Steven Farris, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge, the quarterly report on Form 10-Q of Apache Corporation for the quarterly period ending March 31, 2014, 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: Chairman of the Board, Chief Executive Officer, and President
(principal executive officer)

Date: May 9, 2014

I, Alfonso Leon, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge, the quarterly report on Form 10-Q of Apache Corporation for the quarterly period ending March 31, 2014, 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/ Alfonso Leon

By: Alfonso Leon

Title: Executive Vice President and Chief Financial Officer
(principal financial officer)

Date: May 9, 2014