APACHE CORP
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March 30, 2007

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

Filed by the Registrant þ
Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement
o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
þ Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to §240.14a-12

Apache Corporation

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

þ No fee required.
o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

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o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

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

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO THE STOCKHOLDERS OF APACHE CORPORATION:

The 2007 annual meeting of stockholders of Apache Corporation, a Delaware corporation, will be held on Wednesday, May 2, 2007, at 10:00 a.m. (Houston time), at the Hilton Houston Post Oak, 2001 Post Oak Boulevard, Houston, Texas, for the following purposes:

1. Election of four directors to serve until the Company s annual meeting in 2010;

2. Approval of the 2007 Omnibus Equity Compensation Plan;

3. Consideration of a stockholder proposal, if presented at the meeting; and

4. Transaction of any other business that may properly come before the meeting or any adjournment thereof.

Holders of record of the Company s common stock as of the close of business on March 13, 2007 are entitled to notice of, and to vote at, the annual meeting. The Company s stock transfer books will not be closed. A complete list of stockholders entitled to vote at the annual meeting will be available for examination by any Apache stockholder at 2000 Post Oak Boulevard, Suite 100, Houston, Texas, for purposes relating to the annual meeting, during normal business hours for a period of ten days before the meeting.

It is important that your shares are represented at the meeting. We encourage you to designate the proxies named on the enclosed proxy card to vote your shares on your behalf and per your instructions. This action does not limit your right to vote in person or to attend the meeting.

By order of the Board of Directors

APACHE CORPORATION

C. L. Peper
Corporate Secretary

Houston, Texas
March 30, 2007

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Note: Throughout this proxy statement, references to the stock split relate to the two-for-one stock split of Apache common stock distributed in shares of common stock on January 14, 2004, to stockholders of record on December 31, 2003, and references to the stock dividends relate to the five-percent stock dividend on Apache common stock distributed in shares of common stock on April 2, 2003, to stockholders of record on March 12, 2003, and to the ten-percent stock dividend on Apache common stock distributed in shares of common stock on

January 21, 2002, to stockholders of record on December 31, 2001.

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APACHE CORPORATION
One Post Oak Central
2000 Post Oak Boulevard, Suite 100
Houston, Texas 77056-4400

March 30, 2007

PROXY STATEMENT

General

This proxy statement contains information about the 2007 annual meeting of stockholders of Apache Corporation. In this proxy statement Apache and the Company both refer to Apache Corporation. This proxy statement and the enclosed proxy card are being mailed to you by the Company s board of directors starting on or about March 30, 2007.

Purpose of the Annual Meeting

At the Company s annual meeting, stockholders will vote on the election of directors, approval of the 2007 Omnibus Equity Compensation Plan, a stockholder proposal as outlined in the accompanying Notice of Meeting, and on any other business that properly comes before the meeting. As of the date of this proxy statement, the Company is not aware of any other business to come before the meeting. There are no rights of appraisal or similar rights of dissenters arising from matters to be acted on at the meeting.

Who Can Vote

Only stockholders of record holding shares of Apache common stock at the close of business on the record date, March 13, 2007, are entitled to receive notice of the annual meeting and to vote the shares of Apache common stock they held on that date. As of February 28, 2007, there were 331,068,988 shares of Apache common stock issued and outstanding. Holders of Apache common stock are entitled to one vote per share and are not allowed to cumulate votes in the election of directors. The enclosed proxy card shows the number of shares that you are entitled to vote.

Apache currently has outstanding one series of preferred stock the 5.68% Cumulative Preferred Stock, Series B (the Series B Preferred Stock). The holders of the depositary shares, each representing 1/10th of a share of Series B Preferred Stock, are not entitled to any voting rights, except under certain circumstances relating to non-payment of dividends on the Series B Preferred Stock. As of the date of this proxy statement, all dividend payments on the Series B Preferred Stock were current.

How to Vote

If your shares of Apache common stock are held by a broker, bank or other nominee (in street name), you will receive instructions from them on how to vote your shares.

If you hold shares of Apache common stock in your own name (as a stockholder of record), you may give instructions on how your shares are to be voted by:

using the toll-free telephone number or internet voting site listed on the enclosed proxy card. Specific directions for using the telephone and internet voting systems are shown on the proxy card.

marking, signing, dating and returning the enclosed proxy card in the postage-paid envelope provided.

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When using telephone or internet voting, the systems verify that you are a stockholder through the use of a company number for Apache and a unique control number for you. **If you vote by telephone or internet, please do not mail the enclosed proxy card.**

Whichever of these methods you use to transmit your instructions, your shares of Apache common stock will be voted as you direct. If you sign and return the enclosed proxy card or otherwise designate the proxies named on the proxy card to vote on your behalf, but do not specify how to vote, your shares will be voted **FOR** the election of the nominees for director and approval of the 2007 Omnibus Equity Compensation Plan, and **AGAINST** the stockholder proposal. If other matters of business not presently known are properly raised at the meeting, the proxies will vote on the matters in accordance with their best judgment.

Voting 401(k) Plan Shares

If you are an employee or former employee participating in the Apache 401(k) Savings Plan and have shares of Apache common stock credited to your plan account as of the record date, such shares are shown on the enclosed proxy card and you have the right to direct the plan trustee regarding how to vote those shares. The trustee for the 401(k) plan is Fidelity Management Trust Company.

The trustee will vote the shares in your plan account in accordance with your instructions. If you do not send instructions (by voting your shares as provided above under How to Vote) or if your proxy card is not received by April 30, 2007, the shares credited to your account will be voted by the trustee in the same proportion as it votes shares for which it did receive timely instructions.

Revoking a Proxy

You may revoke a proxy before it is voted by submitting a new proxy with a later date (by mail, telephone or Internet), by voting at the meeting, or by filing a written revocation with Apache s corporate secretary. Your attendance at the annual meeting with not automatically revoke your proxy.

Quorum and Votes Needed

The presence at the annual meeting, in person or by proxy, of the holders of a majority of the shares of Apache common stock outstanding on the record date will constitute a quorum, permitting the business of the meeting to be conducted. In December 2006, the Company s bylaws were amended to provide for the election of directors by majority vote. Thus, the affirmative vote of a majority of the votes cast at the annual meeting is required for the election of directors. Similarly, for the 2007 Omnibus Equity Compensation Plan and the stockholder proposal, the affirmative vote of the holders of a majority of the shares represented in person or by proxy and entitled to vote on such matters will be required for approval.

How the Votes are Counted

Representatives of Wells Fargo Bank, N.A. will tabulate the votes and act as inspectors of election. A properly signed proxy marked to abstain with respect to the election of one or more directors will be counted for quorum purposes but not for voting purposes. A properly signed proxy marked abstain with respect to the 2007 Omnibus Equity Compensation Plan or the stockholder proposal will be counted for quorum purposes but not for purposes of voting to approve, and such abstention will have the effect of a vote against the plan or the stockholder proposal.

If you hold your shares in street name through a broker or other nominee, your broker or nominee may or may not have discretionary authority to vote certain shares of Apache common stock on a

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matter. Thus, if you do not give your broker or nominee specific instructions, your shares may or may not be voted on a matter to be acted upon and, if not voted, will not be counted in determining the number of shares necessary for approval. However, the shares of Apache common stock represented by such broker non-votes will be counted for quorum purposes.

ELECTION OF DIRECTORS
(ITEM NOS. 1-4 ON PROXY CARD)

The Company s certificate of incorporation provides that, as near as numerically possible, one-third of the directors shall be elected at each annual meeting of stockholders. Unless directors earlier resign or are removed, their terms are for three years, and continue thereafter until their successors are elected and qualify as directors.

The present terms of directors Eugene C. Fiedorek, Patricia Albjerg Graham, F. H. Merelli, and Raymond Plank will expire at the 2007 annual meeting. Mr. Fiedorek, Dr. Graham, Mr. Merelli, and Mr. Plank have been recommended by the Company s corporate governance and nominating committee and nominated by the board of directors for election by the stockholders to an additional three-year term. If elected, Mr. Fiedorek, Dr. Graham, Mr. Merelli, and Mr. Plank will serve beginning upon election until the annual meeting of stockholders in 2010.

Unless otherwise instructed, all proxies will be voted in favor of these nominees. If one or more of the nominees is unwilling or unable to serve, the proxies will be voted only for the remaining named nominees. Proxies cannot be voted for more than four nominees. The board of directors knows of no nominee for director who is unwilling or unable to serve.

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NOMINEES FOR ELECTION AS DIRECTORS

Biographical information, including principal occupation and business experience during the last five years, of each nominee for director is set forth below. Unless otherwise stated, the principal occupation of each nominee has been the same for the past five years.

	Director Since
EUGENE C. FIEDOREK, 75, is a private investor. Formerly, he was managing director of EnCap Investments L.C., a Dallas, Texas, energy investment banking firm, from 1988 until March 1999, when EnCap was acquired by El Paso Energy. Mr. Fiedorek was the managing director of the Energy Banking Group of First RepublicBank Corp. in Dallas, Texas, from 1978 to 1988. At Apache, he is a member of the audit committee.	1988
PATRICIA ALBJERG GRAHAM, 71, joined the Company s board of directors in September 2002. She is the Charles Warren Research Professor Emerita of the History of American Education at Harvard University. Dr. Graham joined the faculty of Harvard Graduate School of Education in 1974, and was its dean from 1982 to 1991. From 1991 to 2000, she served as president of the Spencer Foundation, which supports research into educational improvement. Dr. Graham is a director of Rural School Community Trust, the Center for Advanced Study in the Behavioral Sciences, Central European University, the Higher Education Support Sub-Board of the Open Society Institute, The Fund for Teachers, a Texas non-profit corporation, Smolny College of St. Petersburg State University, Russia, and the Josiah Macy, Jr. Foundation. At Apache, she is a member of the corporate governance and nominating committee.	2002
F. H. MERELLI, 70, became chairman of the board, chief executive officer, president, and a director of Cimarex Energy Co., a Denver, Colorado independent oil and gas exploration and production company, on September 30, 2002, upon the acquisition by Cimarex of Key Production Company, Inc. and the exploration and production division of Helmerich & Payne, Inc. He was chairman of the board and chief executive officer of Key from 1992 until October 2002, and served as Key s president from 1992 to September 1999 and from March 2002 to October 2002. Formerly, Mr. Merelli served as Apache s president and chief operating officer from 1988 to 1991. Prior to that, he was president of Terra Resources, Inc., a Tulsa, Oklahoma oil and gas company, from 1979 to 1988. At Apache, Mr. Merelli is a member of the audit committee and the executive committee.	1997
RAYMOND PLANK, 84, has been chairman of the Company s board of directors since 1979, having served as the company s chief executive officer from 1966 until May 2002, and president from 1954 to 1979. Mr. Plank is a trustee of Ucross Foundation, a Wyoming non-profit corporation, and founder and a director of The Fund for Teachers, a Texas non-profit corporation. He founded the Company and is a member of the executive committee.	1954

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CONTINUING DIRECTORS

Biographical information, including principal occupation and business experience during the last five years, for each continuing member of the board of directors whose term is not expiring at the 2007 annual meeting is set forth below. Unless otherwise stated, the principal occupation of each director has been the same for the past five years.

	Director Since	Term Expires
FREDERICK M. BOHEN, 69, is senior advisor to the president of The Rockefeller University, following his retirement as executive vice president and chief operating officer of The Rockefeller University in November 2005, having served in those capacities from February 2002, and from 1990 through September 1999. He was senior vice president of Brown University from 1983 to 1990, and served as vice president of finance and operations at the University of Minnesota from 1981 to 1983. Mr. Bohen was with the U.S. Department of Health and Human Services as assistant secretary for management and budget from 1977 to 1981. He is a director of American Council of Learned Societies and a member of its executive committee. Mr. Bohen is also a director of the Polish American Freedom Foundation and chairman of its investment committee, a director and treasurer of the TEAK Fellowship, a not-for-profit organization that mentors and assists gifted adolescent children from disadvantaged circumstances, and non-executive chairman of the board of The Fund for Teachers, a Texas non-profit corporation. At Apache, he is chairman of the management development and compensation committee and chairman of the stock option plan committee.	1981	2009
G. STEVEN FARRIS, 59, was appointed president, chief executive officer and chief operating officer in May 2002, having been president and chief operating officer of the Company since May 1994. He was senior vice president of the Company from 1991 to 1994, and vice president - exploration and production from 1988 to 1991. Prior to joining Apache, Mr. Farris was vice president of finance and business development for Terra Resources, Inc., a Tulsa, Oklahoma oil and gas company, from 1983 to 1988. He is U.S. Chairman of the U.S.-Egypt Business Council and is a member of the Board of Visitors of M.D. Anderson Cancer Center, Houston, Texas. At Apache, Mr. Farris is a member of the executive committee.	1994	2008
RANDOLPH M. FERLIC, 70, retired in December 1993 from his practice as a thoracic and cardiovascular surgeon. He is the founder of Surgical Services of the Great Plains, P.C., and served as its president from 1974 to 1993. Dr. Ferlic has been a Regent of the University of Nebraska since November 2000, and is chairman of its audit committee. He serves as a director of the Nebraska Medical Center and chairman of its audit committee, as well as commissioner for the Midwestern Higher Education Compact. At Apache, Dr. Ferlic is chairman of the audit committee and a member of the executive committee.	1986	2008

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	Director Since	Term Expires
A. D. FRAZIER, JR., 62, became chairman and chief executive officer of Danka Business Systems PLC, St. Petersburg, Florida, effective March 14, 2006. He is also chairman of WolfCreek Broadcasting, Inc. and was of Counsel with the law firm of Balch & Bingham LLP, Atlanta, Georgia, from January 2005 to March 2006. Mr. Frazier retired as a director, president and chief operating officer of Caremark Rx, Inc., a publicly-traded pharmacy benefit management company, in March 2004 having served in that role since August 2002. From March 2001 until August 2002, he was chairman and chief executive officer of the Chicago Stock Exchange. Mr. Frazier had been a global partner of AMVESCAP PLC, a London-based independent global investment management firm and the parent company of INVESCO, Inc., from 1997 to March 2001, having served INVESCO as president and chief executive officer of its U.S. institutional business from 1997 to December 2000, and executive vice president from 1996 to 1997. From October 2004 until its sale in January 2007, he was a director and chairman of the board of Gold Kist, Inc., Atlanta, Georgia, an integrated chicken production, processing and marketing company. At Apache, Mr. Frazier is a member of the management development and compensation committee and the stock option plan committee.	1997	2008
JOHN A. KOCUR, 79, is engaged in the private practice of law. He served as vice chairman of the Company s board of directors from 1988 to 1991. Mr. Kocur was employed by the Company from 1969 until his retirement in 1991, and served as the Company s president from 1979 to 1988. At Apache, he is chairman of the executive committee and a member of the management development and compensation committee.	1977	2008
GEORGE D. LAWRENCE, 56, is a private investor, and joined the Company s board of directors in May 1996. Formerly, he was president, chief executive officer and a director of The Phoenix Resource Companies, Inc. from 1990 until May 1996, when Phoenix became a wholly-owned subsidiary of Apache. Mr. Lawrence is non-executive chairman of Ucross Foundation, a Wyoming non-profit corporation, and non-executive chairman of Springboard - Educating the Future, a Texas non-profit corporation, serving in those capacities without compensation. At Apache, he is a member of the executive committee and the management development and compensation committee.	1996	2009
RODMAN D. PATTON, 63, joined the Company s board of directors in December 1999. Mr. Patton has nearly 30 years experience in oil and gas investment banking and corporate finance activity, most recently serving as managing director of the Merrill Lynch Energy Group from 1993 until April 1999. Previously, he was with The First Boston Corporation (later Credit Suisse First Boston) and Eastman Dillon, Union Securities (later Blyth Eastman Dillon). Mr. Patton is a director of Valero GP, LLC, San Antonio, Texas, and is chairman of its audit committee and a member of its compensation committee. Valero GP, LLC is the general partner of Valero LP, owner and operator of crude oil and refined products pipeline, terminalling, and storage assets. At Apache, Mr. Patton is a member of the audit committee.	1999	2009

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	Director Since	Term Expires
CHARLES J. PITMAN, 64, joined the Company s board of directors in May 2000. He retired from BP Amoco plc in late 1999, having served as regional president Middle East/Caspian/Egypt/India. Prior to the merger of British Petroleum and Amoco Corporation in 1998, Mr. Pitman held a variety of executive positions at Amoco. He is the sole member of Shaker Mountain Energy Associates LLC, a consulting company formed in September 1999, and non-executive director of Urals Energy Public Company Limited, an independent oil exploration and production company operating in Russia. At Apache, Mr. Pitman is chairman of the corporate governance and nominating committee.	2000	2009
JAY A. PRECOURT, 69, rejoined the Company s board of directors in February 2003, having been a member of the Company s board from July 1992 to August 1995. He is chairman of the board and chief executive officer of Hermes Consolidated, Inc., a Denver, Colorado gatherer, transporter, and refiner of crude oil and crude oil products. From 2000 until its sale in August 2005, Mr. Precourt was chairman of the board and chief executive officer of ScissorTail Energy, LLC, a Denver, Colorado gatherer, transporter, and processor of natural gas and natural gas liquids. Formerly, Mr. Precourt was vice chairman and chief executive officer of Tejas Gas Corporation from 1986 to 1999 and president from 1996 to 1998, and was chairman of the board of Coral Energy L.P. from 1996 to 1999. He is a director of Halliburton Company and a member of its audit committee, chairman of its health, safety and environment committee, a member of its management oversight committee and, until May 2005, a member of its compensation committee. Also, until April 2005, Mr. Precourt was a director of The Timken Company and chairman of its audit committee, and was chairman of the board of Founders Funds, Inc., from which board he retired in 2004. At Apache, Mr. Precourt is a member of the corporate governance and nominating committee.	2003	2009

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DIRECTOR INDEPENDENCE

During 2006 and the first two months of 2007, the board of directors evaluated all business and charitable relationships between the Company and the Company s non-employee directors (all directors other than Mr. Farris and Mr. Plank) and all other relevant facts and circumstances and, as required by the Company s Governance Principles, determined that each such director is an independent director as defined by the standards for director independence established by applicable laws, rules, and listing standards including, without limitation, the standards for independent directors established by The New York Stock Exchange, Inc. (NYSE), The NASDAQ National Market (NASDAQ), and the Securities and Exchange Commission (SEC).

Subject to some exceptions, these standards generally provide that a director will not be independent if (a) the director is, or in the past three years has been, an employee of the Company; (b) a member of the director s immediate family is, or in the past three years has been, an executive officer of the Company; (c) the director or a member of the director s immediate family has received more than $60,000 per year in direct compensation from the Company other than for service as a director (or for a family member, as a non-executive employee); (d) the director or a member of the director s immediate family is, or in the past three years has been, employed in a professional capacity by Ernst & Young LLP, the Company s independent public accountants, or has worked for such firm in any capacity on the Company s audit; (e) the director or a member of the director s immediate family is, or in the past three years has been, employed as an executive officer of a company where an Apache executive officer serves on the compensation committee; or (f) the director or a member of the director s immediate family is an executive officer of a company that makes payments to, or receives payments from, Apache in an amount which, in any twelve-month period during the past three years, exceeds the greater of $200,000 or two percent of the consolidated gross revenues of the company receiving the payment.

The Company s Governance Principles require that the independent (non-management) directors meet in executive session at least twice each year and, in 2006, they met five times in executive session. Also included in the Company s Governance Principles are the procedures by which a presiding director is chosen for each meeting of independent directors and the method established for communication of concerns to the independent directors. The Company s governance principles are attached to this proxy statement as Appendix A and are available on the Company s website (www.apachecorp.com).

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STANDING COMMITTEES AND MEETINGS OF THE BOARD OF DIRECTORS

The board of directors has an audit committee, a management development and compensation (MD&C) committee, a stock option plan committee, an executive committee, and a corporate governance and nominating (CG&N) committee. Actions taken by these committees are reported to the board of directors at the next board meeting. During 2006, each of the Company s directors attended at least 75 percent of all meetings of the board of directors and committees of which they were members, except Mr. Fiedorek who attended six of seven board meetings and five of eight audit committee meetings. All of the directors attended the Company s 2006 annual meeting of stockholders held on May 4, 2006.

2006 MEMBERSHIP ROSTER

Name	Board	Audit	MD&C	Stock Option	Executive	CG&N
Frederick M. Bohen	ü		ü *	ü *		
G. Steven Farris	ü				ü	
Randolph M. Ferlic	ü	ü *			ü	
Eugene C. Fiedorek	ü	ü				
A. D. Frazier, Jr.	ü		ü	ü		
Patricia Albjerg Graham	ü					ü
John A. Kocur	ü		ü		ü *	
George D. Lawrence	ü		ü		ü	
F. H. Merelli	ü	ü			ü	
Rodman D. Patton	ü	ü				
Charles J. Pitman	ü					ü *
Raymond Plank	ü *				ü	
Jay A. Precourt	ü					ü
No. of Meetings in 2006	7	8	6	6	0	5

* Chairman

The audit committee reviews with the independent public accountants and internal auditors of the Company their respective audit and review programs and procedures, and the scope and results of their audits. It also examines professional services provided by the Company s independent public accountants and evaluates their costs and related fees. Additionally, the audit committee reviews the Company s financial statements and the adequacy of the Company s system of internal accounting controls. The audit committee makes recommendations to the board of directors concerning the Company s independent public accountants and their engagement or discharge.

During 2006 and the first two months of 2007, the board of directors reviewed the composition of the audit committee pursuant to the rules of the NYSE and NASDAQ governing audit committees. Based

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on this review, the board of directors confirmed that all members of the audit committee are independent under the NYSE and NASDAQ rules. During 2000, the audit committee adopted a charter, which was approved by the board of directors on May 4, 2000, and which reflects the NYSE s rules and the regulations of the SEC. On February 4, 2004, the audit committee adopted an amended and restated charter, which was approved by the board of directors on February 5, 2004. The audit committee charter is available on the Company s website (www.apachecorp.com). The board of directors has determined that all members of the audit committee qualify as financial experts, as defined in Item 401 of Regulation S-K under the Securities Act of 1933.

The MD&C committee reviews the Company s management resources and structure, and administers the Company s compensation programs and retirement, stock purchase and similar plans. The duties of the stock option plan committee include the award and administration of option grants under the Company s stock option plans, of grants under the executive restricted stock plan, of stock unit grants under the deferred delivery plan, and of conditional grants under the share appreciation plans. During 2006 and the first two months of 2007, the board of directors reviewed the composition of the MD&C committee pursuant to the rules of the NYSE and NASDAQ governing compensation committees. Based on this review, the board of directors confirmed that all members of the MD&C committee are independent under the NYSE and NASDAQ rules. The MD&C committee charter is available on the Company s website (www.apachecorp.com).

The duties of the CG&N committee include recommending to the board of directors the slate of director nominees submitted to the stockholders for election at the annual meeting and proposing qualified candidates to fill vacancies on the board of directors. The CG&N committee is also responsible for developing corporate governance principles for the Company and overseeing the evaluation of the board of directors. During 2006 and the first two months of 2007, the board of directors reviewed the composition of the CG&N committee pursuant to the rules of the NYSE and NASDAQ governing governance committees. Based on this review, the board of directors confirmed that all members of the CG&N committee are independent under the NYSE and NASDAQ rules. The CG&N committee charter is available on the Company s website (www.apachecorp.com).

The CG&N committee considers director nominee recommendations from executive officers of the Company, independent members of the board, and stockholders of the Company. The CG&N committee may also retain an outside search firm to assist it in finding appropriate nominee candidates. Stockholder recommendations for director nominees received by Apache s corporate secretary (at the address and by the deadline for submitting stockholder proposals set forth under the heading Future Stockholder Proposals) are forwarded to the CG&N committee for consideration.

The executive committee is vested with the authority to exercise the full power of the board of directors, within established policies, in the intervals between meetings of the board of directors. In addition to the general authority vested in it, the executive committee may be vested with specific power and authority by resolution of the board of directors.

As noted above, you can access electronic copies of the charters of the committees of the board of directors, as well as our governance principles and code of business conduct, on the Company s website (www.apachecorp.com). You may also request printed copies of any of these documents by writing to Apache s corporate secretary (at 2000 Post Oak Boulevard, Suite 100, Houston, Texas 77056-4400).

CRITERIA FOR NEW BOARD MEMBERS AND RE-ELECTION OF EXISTING BOARD MEMBERS

The CG&N committee considers the following criteria in recommending new nominees or the re-election of existing directors to the Company s board of directors and its committees from time to time:

- Expertise and perspective needed to govern the business and strengthen and support top management for example: strong financial expertise, knowledge of international operations, or knowledge of the petroleum industry and/or related industries.
- Sound business judgment and a sufficiently broad perspective to make meaningful contributions, under pressure if necessary.
- Interest and enthusiasm in the Company and a commitment to become involved in its future.
- The time and energy to meet board of directors commitments.
- Constructive participation in discussions, with the capacity to quickly understand and evaluate complex and diverse issues.
- Dedication to the highest ethical standards.
- Supportive of management, but independent, objective, and willing to question and challenge both openly and in private exchanges.
- An awareness of the dynamics of change and a willingness to anticipate and explore opportunities.

All decisions regarding whether to recommend the nomination of a new nominee for election to the board of directors or for the re-election of an existing director shall be within the sole discretion of the CG&N committee.

All new nominees and directors for re-election will be evaluated without regard to race, sex, age, religion, or physical disability.

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REPORT OF THE AUDIT COMMITTEE

The Audit Committee (the Committee) oversees the Company s financial reporting process on behalf of the Board of Directors. The Company s management has the primary responsibility for the financial statements, for maintaining effective internal control over financial reporting, and for assessing the effectiveness of internal control over financial reporting. In fulfilling its oversight responsibilities, the Committee reviewed and discussed the audited consolidated financial statements in the Annual Report on Form 10-K with Company management, including a discussion of the quality, not just the acceptability, of the accounting principles; the reasonableness of significant judgments; and the clarity of disclosures in the financial statements.

The Committee reviewed with the independent registered public accounting firm, which is responsible for expressing an opinion on the conformity of those audited consolidated financial statements with U.S. generally accepted accounting principles, its judgments as to the quality, not just the acceptability, of the Company s accounting principles and such other matters as are required to be discussed with the Committee by Statement on Auditing Standards No. 61, *Communication with Audit Committees* (as amended), other standards of the Public Company Accounting Oversight Board (United States), rules of the Securities and Exchange Commission, and other applicable regulations. In addition, the Committee has discussed with the independent registered public accounting firm the firm s independence from Company management and the Company, including the matters in the letter from the firm required by Independence Standards Board Standard No. 1, *Independence Discussions with Audit Committees*, and considered the compatibility of non-audit services with the independent registered public accounting firm s independence.

The Committee also reviewed management s report on its assessment of the effectiveness of the Company s internal control over financial reporting as well as the independent registered public accounting firm s report on (a) management s assessment and (b) the effectiveness of the Company s internal control over financial reporting.

The Committee discussed with the Company s internal auditors and independent registered public accounting firm the overall scope and plans for their respective audits. At each of the four Committee meetings held in person during 2006, the Committee met with the internal auditors and the independent registered public accounting firm, with and without management present, to discuss the results of their examinations, their evaluations of the Company s internal controls, including internal control over financial reporting, and the overall quality of the Company s financial reporting.

In reliance on the reviews and discussions referred to above, the Committee recommended to the Board of Directors, and the Board has approved, that the audited consolidated financial statements and management s assessment of the effectiveness of the Company s internal control over financial reporting be included in the Annual Report on Form 10-K for the year ended December 31, 2006, filed by the Company with the Securities and Exchange Commission.

The Committee is governed by a charter which is available on the Company s website (www.apachecorp.com). The Committee held eight meetings during fiscal year 2006, including the four in-person meetings referenced above. The Committee is comprised solely of independent directors as defined by the New York Stock Exchange and the NASDAQ National Market listing standards and Rule 10A-3 of the Securities Exchange Act of 1934, as amended.

February 26, 2007

Members of the Audit Committee

Randolph M. Ferlic, Chairman
Eugene C. Fiedorek
F. H. Merelli
Rodman D. Patton

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DIRECTOR COMPENSATION

Non-Employee Directors   Compensation Plan and Share Ownership Requirement

Employee directors do not receive additional compensation for serving on the board of directors or any committee of the board. During 2006, under the terms of the non-employee directors   compensation plan, non-employee directors received an annual retainer of $50,000, of which $40,000 was payable in cash and $10,000 in value was payable in the form of shares of Apache common stock. Non-employee directors also received $1,500 for each board of directors or committee meeting attended in person or $1,000 for each meeting attended by telephone, and were reimbursed for expenses incurred in attending meetings. During 2006, non-employee directors received an annual cash retainer of $2,000 for each committee of which they are members and the chairman of each committee received an additional $4,000 annually for chairing their respective committees.

During 2006, under the terms of the Company s non-employee directors   compensation plan, non-employee directors could defer receipt of all or any portion of their retainers or meeting attendance fees and, subject to certain parameters, defer those amounts in the form of cash or in the form of shares of Apache common stock. Amounts deferred in the form of cash accrue interest equal to the Company s rate of return on its short-term marketable securities; amounts deferred in the form of Apache common stock accrue dividends as if the stock were issued and outstanding when such dividends were payable. All deferred amounts, as well as accrued interest and dividends, are maintained in a separate memorandum account for each participating non-employee director. Amounts are paid out in cash and/or shares of common stock, as applicable, upon the non-employee director s retirement or other termination of his or her directorship, or on a specific date, in a lump sum or in annual installments over a ten-year (or shorter) period. Six non-employee directors deferred all or a portion of their fees during 2006.

In setting non-employee directors   compensation, the Company considers the significant amount of time and skill required of directors to fulfill their duties to the Company and, in February 2007, the non-employee directors compensation plan and the equity compensation plan for non-employee directors (described below) were amended. Effective January 1, 2007, non-employee directors will receive an annual cash retainer of $150,000 (with no separate meeting attendance fees or retainer payable in shares) and the chairman of each committee will receive an additional annual cash retainer of $15,000 for chairing their respective committees. Three non-employee directors have chosen to defer all or a portion of their cash retainer fees during 2007.

Also, in February 2007, the Company adopted a minimum share ownership requirement for non-employee directors. Within three years of the requirement s adoption or after joining the board, each non-employee director is required to directly own shares and/or share equivalents totaling at least 7,000 shares of the Company s common stock.

Equity Compensation Plan for Non-Employee Directors

The Company established an equity compensation plan for non-employee directors in February 1994, which is administered by the MD&C committee. Each non-employee director was awarded 1,000 restricted shares of the Company s common stock every five years from July 1, 1994 through July 1, 2000, with the shares vesting at a rate of 200 shares annually. On May 3, 2001, the plan was amended to provide that on July 1, 2001 and on July 1 of each third year thereafter through July 1, 2003, each non-employee director was awarded 1,000 restricted shares of common stock, with one-third of the shares vesting annually. Except as noted below, any unvested shares are forfeited at the time the non-employee director ceases to be a member of the board. The unvested portion of any

award is automatically vested upon retirement or death while still serving as a member of the board; provided that the non-employee director (a) is at least 60 years old and has completed at least ten years of service at the time of retirement or (b) has completed at least ten years of service at the time of death.

On February 5, 2004, the plan was amended to adjust the awards to 2,310 restricted shares of common stock (1,000 shares adjusted for the stock dividends and stock split) for any awards made on July 1, 2004 and thereafter. Awards are made from shares of common stock held in the Company s treasury, are automatic and non-discretionary, and all shares awarded under the plan have full dividend and voting rights. An award of 2,310 shares was made under the plan to each of two non-employee directors on July 1, 2006.

The original expiration date for this plan was July 1, 2009, with a maximum of 50,000 shares of common stock (115,500 shares after adjustment for the stock dividends and stock split) for awards granted during the term of the plan. However, in February 2007, the plan was amended to provide that no new awards will be granted subsequent to January 1, 2007. The plan will continue in existence solely for the purpose of governing still outstanding awards made prior to January 1, 2007.

Outside Directors Retirement Plan

An unfunded retirement plan for non-employee directors was established in December 1992. The plan is administered by the MD&C committee and pays retired non-employee directors benefits equal to two-thirds (2/3) of the annual retainer for a period based on length of service. Payments are made on an annual basis, for a maximum of ten years, and are paid from the general assets of the Company. In the event of the director s death prior to receipt of all benefits payable under the plan, the remaining benefits are payable to the director s surviving spouse or designated beneficiary until the earlier of the termination of the payment period or the death of the surviving spouse or designated beneficiary. During 2006, benefits were paid under this plan to, or on behalf of, four former directors who retired from the Company s board of directors during 1997, 1998, and 2001.

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Director Compensation Table

The table below summarizes the compensation paid by the Company to non-employee directors for the fiscal year ended December 31, 2006:

DIRECTOR COMPENSATION TABLE

Name(1)(a)	Fees Earned or Paid in Cash ($)(b)	Stock Awards (2) ($)(c)	Option Awards ($)(d)	Non-Equity Incentive Plan Compensation ($)(e)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)(f)	All Other Compensation ($)(g)	Total ($)(h)
Frederick M. Bohen	64,000	43,803			3,377		111,180
Randolph M. Ferlic	67,500	43,803					111,303
Eugene C. Fiedorek	56,500	43,803					100,303
A.D. Frazier	59,500	43,803					103,303
Patricia A. Graham(3)	58,500	46,940			2,446		107,886
John A. Kocur	64,500	43,803				46,732(4)	155,035
George D. Lawrence	63,500	43,803			3,679	1,913(5)	112,895
F. H. Merelli	61,500	43,803			473		105,776
Rodman D. Patton	61,500	43,803			1,792		107,095
Charles J. Pitman	62,500	43,803			33		106,336
Jay A. Precourt(3)	56,500	46,940					103,440

(1) Raymond Plank, the Company s chairman and founder, and G. Steven Farris, the Company s president, chief executive officer, and chief operation officer, are not included in this table as they are employees of the Company. The compensation they received as employees of the Company is shown in the Summary Compensation Table.

(2) Includes $10,000 for retainer fees earned in shares of Apache common stock; and, for restricted stock grants, includes dollar amount recognized for financial statement reporting purposes during 2006 of $33,803 for each of Messrs. Bohen, Ferlic, Fiedorek, Frazier, Kocur, Lawrence, Merelli, Patton, and Pitman and $36,940 for each of Dr. Graham and Mr. Precourt.

At year-end 2006, the aggregate number of shares of unvested, restricted Apache common stock was 770 shares for each of Messrs. Bohen, Ferlic, Fiedorek, Frazier, Kocur, Lawrence, Merelli, Patton, and Pitman and 2,310 shares for each of Dr. Graham and Mr. Precourt.

(3) On July 1, 2006, Dr. Graham and Mr. Precourt each received a restricted stock grant of 2,310 shares of Apache common stock, which vests ratably over three years. Based on the per share closing price of $68.25 on the grant date, the value of such grant was $157,658.

(4) Includes life insurance, medical and dental premiums of $29,000 and amount reimbursed for the payment of taxes on such premiums of $17,732.

(5) Includes life insurance premium and amount reimbursed for the payment of taxes on such premium.

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SECURITIES OWNERSHIP AND PRINCIPAL HOLDERS

The following tables set forth, as of February 28, 2007, the beneficial ownership of each director or nominee for director of the Company, the chief executive officer, the four other most highly compensated executive officers, and all directors and executive officers of the Company as a group. All ownership information is based upon filings made by those persons with the SEC and upon information provided to the Company. (All share numbers in the table and footnotes have been adjusted for the stock dividends and stock split.)

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership(1)		Percent of Class Outstanding
Common Stock, par value $0.625	Frederick M. Bohen	19,075	(2)(3)	*
	G. Steven Farris	833,760	(5)(6)(7)	*
	Randolph M. Ferlic	462,389	(2)(8)	*
	Eugene C. Fiedorek	39,293	(2)	*
	A. D. Frazier, Jr.	16,983	(2)	*
	Patricia A. Graham	10,298	(2)(3)	*
	John A. Kocur	38,736	(2)	*
	George D. Lawrence	36,447	(2)(3)	*
	F. H. Merelli	26,549	(2)(3)	*
	Rodman D. Patton	23,709	(2)(3)	*
	Charles J. Pitman	22,316	(2)(3)	*
	Raymond Plank	825,533	(4)(5)(6)(7)	*
	Jay A. Precourt	5,734	(2)	*
	Roger B. Plank	492,034	(4)(5)(6)(7)	*
	John A. Crum	190,199	(5)(6)(7)	*
	Rodney J. Eichler	141,234	(4)(5)(6)(7)	*
	All directors, nominees, and executive officers as a group (including the above name persons)	4,159,915	(4)(5)(6)(7)	1.26

* Represents less than one percent of outstanding shares of common stock.

(1) All ownership is sole and direct unless otherwise noted. Inclusion of any common shares not owned directly shall not be construed as an admission of beneficial ownership. Fractional shares have been rounded to the nearest whole share.

(2) Includes restricted common shares awarded under the Company s Equity Compensation Plan for Non-Employee Directors.

(3) Includes the following common share equivalents related to retainer fees deferred under the Company s Non-Employee Directors Compensation Plan: Mr. Bohen 6,193; Dr. Graham 4,927; Mr. Lawrence 7,611; Mr. Merelli 1,011; Mr. Patton 3,695: and Mr. Pitman 152.

(footnotes continued on following page)

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(4) Includes the following common stock equivalents held through the Company s Deferred Delivery Plan: Mr. Raymond Plank 129,675; Mr. Roger Plank 33,576; Mr. Eichler 17,791; and all directors and executive officers as a group 259,877.

(5) Includes the following common shares issuable upon the exercise of outstanding employee stock options which are exercisable within 60 days: Mr. Farris 239,802; Mr. Raymond Plank 398,568; Mr. Roger Plank 213,812; Mr. Crum 114,010; Mr. Eichler 85,586; and all directors and executive officers as a group 1,564,806. Effective March 16, 2007, Mr. Raymond Plank voluntarily relinquished an employee stock option exercisable for 22,518 common shares.

(6) Includes shares held by the trustee of the Company s 401(k) Savings Plan and related Non-Qualified Retirement/Savings Plan: Mr. Farris 71,502; Mr. Raymond Plank 8,658; Mr. Roger Plank 52,949; Mr. Crum 32,814; Mr. Eichler 12,529; and all directors and executive officers as a group 244,528.

(7) Includes the following restricted stock units (each equivalent to one share of common stock) granted under the Company s Executive Restricted Plan: Mr. Farris 44,125; Mr. Raymond Plank 44,125; Mr. Roger Plank 16,650; Mr. Crum 12,225; Mr. Eichler 11,450; and all directors and executive officers as a group 267,200.

(8) Includes 13,860 common shares owned directly by Ferlic Investments, Ltd. in which Dr. Ferlic owns a 36-percent interest. Also includes a total of 21,090 common shares held by Dr. Ferlic s daughters, son and grandchildren, as to which he has some power of disposition, but disclaims beneficial ownership.

As of February 28, 2007, the Company knows of no person or entity owning more than five percent of outstanding shares of the Company s common stock, based on reports filed with the SEC.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16 (a) of the Securities Exchange Act of 1934 requires the Company s directors and officers, as well as beneficial owners of ten percent or more of the Company s common stock, to report their holdings and transactions in the Company s securities. Based on information furnished to the Company and contained in reports provided pursuant to Section 16(a), as well as written representations that no other reports were required for 2006: (a) G. Steven Farris, an officer and director of the Company, filed a late report relating to gifts totaling 2,600 shares of the Company s common stock to family members, (b) Michael S. Bahorich, an officer of the Company, filed a late report relating to a gift of 1,050 shares of the Company s common stock to a family member, (c) F. H. Merelli, a director of the Company, filed a late report relating to a rollover of 15,886 shares of the Company s common stock from the Company s 401(k) Savings Plan to an individual retirement account, (d) Thomas P. Chambers, an officer of the Company, filed a late report relating to an open market sale of 2,450 shares of the Company s common stock, and (e) John J. Christmann, an officer of the Company, filed a late report relating to three shares of the Company s common stock acquired with reinvested dividends.

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EQUITY COMPENSATION PLAN INFORMATION

The following table summarizes information as of December 31, 2006, relating to the Company s equity compensation plans, under which grants of stock options, restricted stock units, and other rights to acquire shares of Apache common stock may be granted from time to time.

Plan Category	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	(b) Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
Equity compensation plans approved by security holders(1)(4)	7,522,429	$ 50.142(3)	2,558,359
Equity compensation plans not approved by security holders(2)(4)	2,762,078	$ 28.689(3)	894,961(5)
Total	10,284,507	$ 43.692(3)	3,453,320

(1) Includes the Company s 1995 Stock Option Plan, 1998 Stock Option Plan, 2005 Stock Option Plan, and 2005 Share Appreciation Plan.

(2) Includes the Company s 1996 Performance Stock Option Plan, 2000 Stock Option Plan, Executive Restricted Stock Plan, Non-Employee Directors Compensation Plan, Equity Compensation Plan for Non-Employee Directors, and Deferred Delivery Plan.

The Company s Deferred Delivery Plan allows officers and certain key employees to defer income from the Executive Restricted Stock Plan in the form of deferred units. Each deferred unit is equivalent to one share of Apache common stock. Distributions from the plan are made, at the election of the participant, beginning five years from deferral or upon termination of employment.

(3) Weighted average exercise price of outstanding stock options; excludes restricted stock units, performance-based stock units, and deferred stock units.

(4) See Note 8 of the Notes to Consolidated Financial Statements included in the Company s Form 10-K for the year ended December 31, 2006, for the material features of the 1995 Stock Option Plan, 1996 Performance Stock Option Plan, 1998 Stock Option Plan, 2000 Stock Option Plan, 2005 Stock Option Plan, 2005 Share Appreciation, and Executive Restricted Stock Plan.

(5) In February 2007, the Equity Compensation Plan for Non-Employee Directors was amended to provide that no awards will be granted subsequent to January 1, 2007. At the time of the amendment, 16,020 shares of the

Company s common stock that were previously authorized for new grants became unavailable for such purpose.

EXECUTIVE OFFICERS OF THE COMPANY

Biographical information concerning the executive officers of the Company is set forth below. Biographical information concerning Raymond Plank and G. Steven Farris is set forth above under the captions Nominees for Election as Directors and Continuing Directors.

MICHAEL S. BAHORICH, 50, was appointed executive vice president - exploration and production technology in May 2000, having been the Company s vice president - exploration and production technology since January 1999, vice president - exploration technology since December 1997, and the Company s chief geophysicist since 1996. From 1981 until joining the Company, he held positions of increasing responsibility at Amoco Corporation in Denver, Colorado and Tulsa, Oklahoma. Mr. Bahorich is a member of the board of trustees of the Houston Museum of Natural Science and serves on advisory boards at Stanford and Yale Universities.

JEFFREY M. BENDER, 55, was appointed vice president - human resources in September 2000. Prior to joining the Company, he served as vice president of human resources for Vastar Resources, Inc., Houston, Texas, since June 1994, having helped manage its transition from an operating division of Atlantic Richfield Company (ARCO) to an independent organization following Vastar s initial public offering in mid 1994. Previously, Mr. Bender held positions of increasing responsibility with ARCO since 1975.

MICHAEL J. BENSON, 54, was appointed vice president - corporate security in December 2002, having been director of corporate security since joining the Company in 1996. From 1988 until 1996, he owned and operated an international security consulting company advising large corporations and high profile individuals. Previously, Mr. Benson was with the Cheshire Police in the United Kingdom for 14 years.

THOMAS P. CHAMBERS, 51, was appointed vice president - corporate planning in September 2001, having been director of planning since March 1995. Prior to joining the Company, Mr. Chambers was in the international business development group at Pennzoil Exploration and Production, having held a variety of management positions with the BP plc group of companies from 1981 to 1992. Mr. Chambers is a member of the Society of Petroleum Engineers and serves on the advisory board of Houston Foundation for Life.

JOHN J. CHRISTMANN, 40**,** was appointed vice president - business development in January 2004, having been production manager for the Gulf Coast region since April 2003. Prior to that, Mr. Christmann held various positions of increasing responsibility in the business development area since joining the Company in 1997. Previously, he was employed by Vastar Resources/ARCO Oil and Gas Company.

JOHN A. CRUM, 54, was appointed executive vice president in May 2000, and is responsible for the Company s North Sea and Canadian regions, corporate environment, health and safety, procurement, and worldwide drilling. He served as the Company s executive vice president - Apache North Sea from April 2003 to June 2006, executive vice president - Eurasia and new ventures from May 2000 to March 2003, and regional vice president in Australia from 1995 to 2000. Prior to joining the Company, he served in executive and management roles with Aquila Energy Resources Corporation, Pacific Enterprises Oil Company, and Southland Royalty Company.

MATTHEW W. DUNDREA, 53, was appointed vice president and treasurer in July 1997, having been the Company s treasurer since March 1996 and assistant treasurer since 1994. Prior to joining the Company, he held positions of increasing responsibility at Union Texas Petroleum Holding, Inc. from 1982 to 1994.

ROBERT J. DYE, 51, was appointed vice president - investor relations in May 1997, having been director of investor relations since 1995. Prior to that, Mr. Dye held positions of increasing responsibility in the corporate planning area since joining the Company in 1992. Previously, he was planning manager for the offshore division of BP Exploration, Houston, Texas, from 1988 to 1992.

RODNEY J. EICHLER, 57, was appointed executive vice president in February 2003, having been the Company s regional vice president in Egypt since 1999, and vice president of exploration and production in Egypt since 1997. Prior to that, Mr. Eichler was regional vice president for the Western region in Houston since 1996, and regional exploration and development manager for the Rocky Mountain region in Denver since 1993. Prior to joining the Company, he was vice president-exploration for Axem Resources, LLC in Denver, Colorado, since 1989. Mr. Eichler is president and a director of Springboard - Educating the Future, a Texas non-profit corporation.

REBECCA A. HOYT, 42, was appointed vice president and controller in November 2006, having been assistant controller since 2003. Prior to that, she held positions of increasing responsibility within the accounting area since joining the Company in 1993. Previously, Ms. Hoyt was an audit manager with Arthur Andersen LLP, an independent public accounting firm from 1992 to 1993.

JON A. JEPPESEN, 59, was appointed senior vice president in February 2003, having been the Company s regional vice president for the Gulf Coast region since 2002 and the Offshore region since 1996. He served as the Company s vice president of exploration and development for North America from 1994 to 1996, and manager of the Company s offshore exploration and development from 1993 to 1994. Prior to joining the Company, Mr. Jeppesen was vice president of exploration and development for Pacific Enterprises Oil Company, Dallas, Texas, from 1989 to 1992.

P. ANTHONY LANNIE, 52, was appointed senior vice president and general counsel in May 2004, having been vice president and general counsel since March 2003. Prior to joining the Company, he was president of Kinder Morgan Power Company, Houston, Texas, from 2000 through February 2003, and president of Coral Energy Canada in 1999. Mr. Lannie was senior vice president and general counsel of Coral Energy, an affiliate of Shell Oil Company and Tejas Gas Corporation, from 1995 through 1999, and of Tejas Gas Corporation from 1994 until its combination with Coral Energy in 1998.

ANTHONY R. LENTINI, JR., 57, has been vice president - public and international affairs since January 1995. Prior to joining the Company, he was vice president of public affairs for Mitchell Energy & Development Corp., The Woodlands, Texas, from 1988 through 1994.

JANINE J. MCARDLE, 46, was appointed vice president - oil and gas marketing in November 2002. Prior to joining the Company, she served as managing director for Aquila Europe Ltd from November 2001 to October 2002, and held executive and management positions with Aquila Energy Marketing since 1993, including vice president trading and vice president - mergers and acquisitions. Previously, she was a partner in Hesse Gas from 1991 to 1993, and was a member of the board of directors of Intercontinental Exchange, the electronic trading platform, from 2000 to October 2002. Ms. McArdle currently serves on the board of the Palmer Drug Abuse Program.

W. KREGG OLSON, 53, was appointed vice president - corporate reservoir engineering in January 2004, having been director of technical services since 1995. Prior to that, Mr. Olson held positions of increasing responsibility within corporate reservoir engineering since joining the Company in 1992. Previously, he was associated with Grace Petroleum Corporation.

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CHERI L. PEPER, 53, was appointed corporate secretary of the Company in May 1995, having been assistant secretary since 1992. Prior to joining the Company, she was assistant secretary for Panhandle Eastern Corporation (subsequently PanEnergy Corp.) since 1988. Ms. Peper is a director of MemberSource Credit Union, formerly known as PT&T Federal Credit Union.

ROGER B. PLANK, 50, was appointed executive vice president and chief financial officer in May 2000, having been vice president and chief financial officer since July 1997. Previously, he was vice president - planning and corporate development since March 1996, vice president - corporate planning since 1994, vice president - external affairs from 1993 to 1994, and vice president - corporate communications from 1987 to 1993. The chairman of the Company s board of directors is Mr. Plank s father. He is a past president of Texas Independent Producers and Royalty Owners Association (TIPRO), a large independent trade association. Mr. Plank is a trustee of Ucross Foundation, a Wyoming non-profit corporation, a director of Houston s Alley Theatre, and a director of Parker Drilling Company, Houston, Texas, and chairman of its audit committee.

FLOYD R. PRICE, 57, was appointed executive vice president - Eurasia, Latin America and New Ventures in May 2004, having been executive vice president - Canada since February 2003. He was president of Apache Canada Ltd from October 1999 to May 2004, and was president of the Company s international exploration and production subsidiaries from 1995 to 1999. Mr. Price served as exploration manager from 1991 to 1994, and geologic manager from 1990 to 1991, for the Company s Mid-continent region. Prior to joining the Company, he was vice president of exploration and development from 1988 to 1989, and vice president of mid-continent exploration from 1989 to 1990, for Pacific Enterprises Oil Company, Dallas, Texas.

JON W. SAUER, 46, was appointed vice president - tax in May 2001, having been director of tax since March 1997, and manager of tax from August 1992. Prior to joining the Company, Mr. Sauer was tax manager with Swift Energy Company, Houston, Texas, from 1989 to 1992, and a manager in the tax practice of Arthur Andersen & Co., an independent public accounting firm, from 1983 to 1989. Mr. Sauer currently serves as chairman of the Domestic Petroleum Council tax committee.

SARAH B. TESLIK, 53, was appointed senior vice president - policy and governance in October 2006. Prior to joining the Company, she was chief executive officer of the Certified Financial Planner Board of Standards, Inc. from November 2004 to October 2006, and executive director of the Council of Institutional Directors from July 1988 to October 2004.

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REPORT OF THE MANAGEMENT DEVELOPMENT AND COMPENSATION COMMITTEE

The Management Development and Compensation Committee of the board of directors has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussions, the Management Development and Compensation Committee recommended to the Company s board of directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

February 28, 2007

Management Development and Compensation Committee

Frederick M. Bohen, Chairman
A. D. Frazier, Jr.
John A. Kocur
George D. Lawrence

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COMPENSATION DISCUSSION AND ANALYSIS

Our management development and compensation (MD&C) committee, which is composed of four independent, non-employee directors, as described under Standing Committees and Meetings of the Board of Directors, has responsibility for determining the compensation of the chairman, chief executive officer, chief financial officer, and other top officers.

The MD&C committee has the authority to engage the services of independent compensation consultants for assistance and to provide periodic reviews of the effectiveness and competitiveness of Apache s executive compensation structure. During 2006, the MD&C committee used the services of Towers Perrin to assist the MD&C committee in its review of the compensation structure for all officers.

The Company s vice president of human resources, prepares information and materials for the MD&C committee meetings. Independent compensation consultants work with the vice president of human resources to obtain the information necessary for the analysis. Reports are provided back both to the MD&C committee for review of the compensation for the top officers and to the chief executive officer for review of his direct reports.

Objectives

This report is issued by the MD&C committee of our board of directors to set out the executive compensation policies and programs of the Company. The objective of our executive compensation program is to attract, incentivize, and retain executives capable of leading the Company in a complex, competitive, and changing industry. A capable, highly-motivated senior management team is an integral part of our continued success. Our financial performance is an important function of the talent and efforts of our executive officers. The program ties a significant portion of executive compensation to the Company s success and is primarily comprised of a base salary, an incentive bonus, and a long-term incentive component.

Methodology

Following a discussion with our outside compensation consultant, Towers Perrin, whereby the consultant reviewed our proxy peer financials, the MD&C committee, along with executive management, established a list of peer companies for 2006 to include Hess Corporation, Occidental Petroleum Corporation, Devon Energy Corporation, Anadarko Petroleum Corporation, Chesapeake Energy Corporation, EOG Resources, Inc., XTO Energy Inc., Pioneer Natural Resources Company, and Noble Energy, Inc. Although we may not compare in all financial and performance categories, there are some common factors used for comparative purposes. This list of peer companies is reviewed annually.

As part of our review, Towers Perrin was retained to assist in evaluating the competitive posture of Apache s executive compensation levels relative to the marketplace. Marketplace compensation levels for base salaries, annual incentive opportunity, and long term incentives were developed from private surveys, published surveys and proxy analysis using the peer group identified above. In addition to the market data we consider other factors such as level of responsibility, prior experience, and individual performance.

Base Salary

We believe that the most effective way to compete in the executive labor market is to offer executives a competitive base salary. To achieve this balance, the MD&C committee analyzes each executive s compensation using a four-step process. First, the key executive positions within the Company are defined in terms of scope and responsibility, job complexity, knowledge and experience required, and other relevant factors. Second, the positions are ranked internally on the basis of these definitions to establish a logical relationship among them. Third, the MD&C committee identifies the Company s direct competitors which it believes share comparable operations, employee composition, and capitalization, and obtains comparative compensation data about the identified companies from independent compensation resources. Finally, easily-compared positions are priced in terms of salary ranges by reviewing the comparative industry data and other surveys to establish relative salary ranges for all key executive positions in the Company. Base salaries are targeted to fall at or above the median of executive salaries paid by comparable companies. For 2006, the 21 executive officers generally fell at the median. The MD&C committee reviews the salary of each of the Company s executive officers, currently numbering 21, taking into account discussions with senior management.

Base salaries of all executives are generally reviewed every 12 to 18 months. The MD&C committee retains the services of an outside independent compensation consultant, who was proposed by management and approved by the MD&C committee, to review the base salaries of the Company s executives and confirm that the salaries are competitive with those of comparable companies. The Company s officers received increases in base salary during 2006 to reflect market changes and increased responsibilities, including all of the executives named in the Summary Compensation Table. Effective February 16, 2007, the base salary for each of the Company s chairman of the board and the Company s chief executive officer was increased to $1,450,000.

Incentive Bonus

Executives, other than the Company s chairman of the board and the Company s chief executive officer (separate plan described below), are eligible to receive a cash incentive bonus tied directly to the Company s achievement of specified financial, operational, and strategic objectives and the executive s personal achievements. In the early months of each year, the MD&C committee establishes a listing of corporate objectives selected from those submitted by senior management. The objectives are approved by the MD&C committee and, in 2006, 75 percent of each executive s bonus depended upon the Company s achievement of these specified objectives. The remaining 25 percent of the executive s eligible bonus depended upon personal achievements related to financial strategies, operational improvements, program or project enhancements, or other objectively determinable criteria. This incentive compensation plan effectively correlates a large portion of executive compensation to predetermined corporate objectives and other objectively determinable goals, as previously mentioned. Except as noted below, MD&C committee policy provides for bonuses to be targeted at 50 percent of each executive s base salary and to exceed 50 percent if warranted by the Company s performance. The incentive bonuses for the Company s chief financial officer, general counsel, and certain executive vice presidents are targeted at 75 percent of base salary. Seven regional vice presidents are on separate regional incentive plans based upon production and drilling measures. Target bonuses for those executives can be up to 100 percent.

Executive bonuses for 2006 were based on management s achievement during the year of specific corporate objectives established by the MD&C committee based on accepted measures of performance in the oil and gas industry including (a) increases in cash flow and earnings, (b) growth

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in reserves per share and production per share while maintaining an acceptable ratio of debt to capitalization, and (c) control of costs throughout the Company. Additionally, the MD&C committee approved thirteen operational, financial and administrative strategic objectives believed important to the Company s long-term success and to maximize stockholder value. As a result of the Company s overall performance in 2006, as well as substantial achievement of a majority of the objectives approved for 2006, the MD&C committee recommended and the full board of directors unanimously approved an incentive bonus payment of approximately 95 percent of the targets set for executive officers participating in the corporate plan. Generally, this resulted in annual incentive bonuses of about 48 percent of base salary for most of the Company s executive officers during 2006, and about 72 percent of base salary for selected officers as described above.

The chairman and the chief executive officer are each eligible to receive a cash incentive bonus under a separate incentive compensation plan, which functions and is administered in the same way as the plan described above, except that their performance goals are tied directly to the Company s annual financial and operational results, including the performance of the Company s common stock, all as compared to the results of a group of its peer companies. The goals include earnings, production, cash flow, reserves and ratio of debt to capitalization. Bonuses for the chairman and the chief executive officer are targeted at 100 percent of base salary and can exceed 100 percent if warranted by the Company s performance. As a result of the Company s stock performance, the MD&C committee decided to keep the 2006 bonuses for the chairman and the chief executive officer flat from the prior year and awarded them approximately 81.5 percent of their year-end base salaries.

In addition to the Company s incentive compensation plans, the MD&C committee may be advised of and elect to award a special achievement bonus to an executive officer who has rendered services during the year that substantially exceed those normally required. Special achievement bonuses (a) reflect the MD&C committee s decision to reward any executive whose extraordinary effort has substantially benefited the Company and its stockholders during the year, (b) are awarded only in exceptional circumstances, and (c) are in amounts relative to the benefit provided to the Company. No special achievement bonuses were paid during 2006 to any of the Company s executive officers, including the executive officers named in the Summary Compensation Table.

Long Term Incentives

Long-term incentives in forms relating to the Company s common stock serve to align the interests of executive officers with the Company s stockholders by tying a portion of each executive s long-term compensation to the continued growth of the Company and the appreciation of its common stock. Grants of stock options and restricted stock units were made to the executives named in the Summary Compensation Table during 2006. Grants of restricted stock units under the Company s Executive Restricted Stock Plan covering an aggregate of 142,500 shares of the Company s common stock were made in 2006 to the Company s executive officers as a group, including grants of restricted stock units covering 53,700 shares made to the Company s officers named in the Summary Compensation Table as reflected in the Grants of Plan Based Awards Table. Grants of restricted stock units to executives are proportionate to each officer s base salary. In 2006, individual grants of restricted stock units were based on 100 percent of base salary and vest ratably over four years.

In 2006, the Company s executive officers received stock option grants under the Company s 2005 Stock Option Plan, which does not include provisions allowing for the repricing of outstanding stock options. The grants of stock options made in 2006 to the Company s officers named in the Summary Compensation Table are reflected in the Grant of Plan Based Awards Table. Stock options granted to executives are proportionate to each officer s base salary and benefit them only if stockholders also benefit from appreciating stock prices. In 2006, executive officers received stock option grants based on 100 percent of their base salary. The Company s chairman of the board and chief executive officer received grants of three times salary to keep in practice with the targeted market criteria. Individual stock option grants (i) are generally targeted between the 25th and the 50th percentile of similar plans maintained by comparable companies, taking into account options previously granted, (ii) vest ratably over four years, and (iii) have an exercise price equal to the per share closing price of the Company s common stock on the date of grant.

Equity Award Grant Practices

The MD&C committee meets every May to determine annual grants of equity awards for the officers of the Company. The exercise price for stock option grants is set at the closing price of a share of Apache common stock on the day on which the grant is made. The Company does not back date stock option grants. The MD&C committee has not and does not time the grant of awards in coordination with the release of material non-public information. In the case of a newly-hired executive, the grant would be submitted for approval at the next meeting of the board of directors where the exercise price would be set on the day of such approval.

In February 2005, the Company established the 2005 Share Appreciation Plan, which was approved by the Company s stockholders in May 2005. Conditional grants were made in May 2005 to essentially all regular, full time employees in the United States, Canada, the United Kingdom, Australia, and Argentina, including each of the executives named in the Summary Compensation Table. As with the 2000 Share Appreciation Plan (discussed below), the vast majority of these conditional grants were made to non-executives. The conditional grants under the 2005 Share Appreciation Plan are intended to provide specific individual incentives toward achieving significant price appreciation for the Company s common stock based on attainment of per share price goals of $81 prior to January 1, 2008, and $108 prior to January 1, 2009. Benefits are payable under the conditional grants, and the right to receive shares will exist, only if one or both of the above-referenced share price goals are achieved. No further conditional grants will be made under the $81 share price goal after December 31, 2006, and no further conditional grants will be made under the $108 share price goal after June 30, 2007. Conditional grants under the $108 share price goal will end sooner if the share price goal occurs before June 30, 2007.

In October 2000, the Company established the 2000 Share Appreciation Plan, under which essentially all regular, full-time employees in the United States, Canada, the United Kingdom, and Australia, including each of the executives named in the Summary Compensation Table, were granted the right to receive shares of the Company s common stock upon the attainment of certain share price goals. The 2000 Share Appreciation Plan was intended to provide specific individual incentives toward achieving (i) significant price appreciation for the Company s common stock based on attainment of per share price goals of $100, $120 and $180 (after adjustment for the Company s stock dividends and stock split, the price goals became $43.29, $51.95, and $77.92, respectively) prior to January 1, 2005, and (ii) a separate goal, not tied to share price, of doubling production per share from the 2000 level during any quarter ended prior to January 1, 2005. The first ($43.29) and the second ($51.95) price goals were attained on April 28, 2004 and October 26, 2004, respectively. The conditional grants relating to the first and second price goals made to the Company s executive officers as a group covered an aggregate of 413,162 shares of the Company s common stock, including grants covering 180,686 shares made to the Company s officers named in the Summary Compensation Table. Benefits were payable in three installments over a two-year period following attainment. The third ($77.92) price goal and the separate production goal were not attained prior to January 1, 2005, and the conditional grants relating to those goals expired on December 31, 2004. Pursuant to the terms of the Plan, no right to receive shares existed until the attainment of the applicable price goal. The final vesting under the plan occurred on October 26, 2006.

In recognition of his past contributions and expected future contributions to the Company, Mr. Farris, our chief executive officer, was granted a conditional stock award in December 1998, for a total of 100,000 shares of the Company s common stock (230,992 shares after adjustment for the stock dividends and stock split). The award was composed of five periodic installments, commencing on January 1, 1999, and on January 1st of each of the next four years (2000 through 2003). Each installment vests on the fifth anniversary following the applicable commencement date (subject to acceleration under specific circumstances), and is payable 40 percent in cash and 60 percent in the form of stock. On January 1, 2004, the first periodic installment of 15,398 shares vested, on January 1, 2005, the second periodic installment of 30,798 shares vested, and on January 1, 2006, the third periodic installment of 46,200 shares vested. Each vested installment was paid 60 percent in stock and 40 percent in cash, from which was deducted required tax withholding on the full amount of the vested installment. To receive each subsequent installment, Mr. Farris must be employed by the Company on the applicable commencement and vesting dates (see footnotes (8) and (9) to the Outstanding Equity Awards at Fiscal Year-End Table). In the event Mr. Farris elects to terminate his employment with the Company or his employment is terminated for cause, any unvested installments will be forfeited.

Chairman of the Board and the Chief Executive Officer

Raymond Plank, our chairman of the board of directors, was chief executive officer from 1966 until May 2002. From the company s founding in 1954, Raymond Plank s vision, entrepreneurial spirit, and determination have shaped Apache as it evolved from a small company that organized drilling partnerships to today, when it is one of the largest independent exploration and production companies. After 52 years in the oil and gas industry, Mr. Plank provides experience, contacts, and the ability to gauge appropriate risks that guide Apache on its path of profitable growth.

His activities include direction of Apache s intensive, on-going programs to monitor, analyze, and respond creatively to the changes and new requirements in the oil and gas industry, and leadership in maintenance of sound business relationships with the management of many of the world s largest oil and gas companies. These relationships are important to Apache s strategic alliances and to its acquisition approach, which emphasizes privately negotiated transactions that develop and achieve mutual business benefits. Mr. Plank participates in developing the Company s strategies, and has been jointly responsible for the Company s ongoing interest and successful exploration efforts in international areas such as Egypt, Australia, Argentina, and the North Sea.

G. Steven Farris, our president, chief executive officer and chief operating officer, assumed the responsibilities of chief executive officer in May 2002. His activities include leadership in developing the Company s strategies, implementing the Company s capital expenditure programs, and maintenance of sound business relationships with the management of many of the world s largest oil and gas companies and with the investment community. Mr. Farris has been jointly responsible for the Company s developing interest and successful exploration efforts going forward in international areas such as Egypt, Australia, the North Sea, Argentina, and Canada. As chief executive officer, he oversees all of the Company s major business and staff units guiding and developing Apache s senior management. Reporting directly to Mr. Farris are each of the executive vice presidents, corporate and regional vice presidents, including the chief financial officer and the general counsel.

Base salary, incentive bonus, and long-term incentives for each of Mr. Plank and Mr. Farris are determined in the manner previously described and are reflected in the Summary Compensation Table and Grants of Plan Based Awards Table. Mr. Plank and Mr. Farris each received a base salary adjustment effective February 1, 2006. Bonuses paid to Mr. Plank and Mr. Farris were based on the Company s 2006 performance, as discussed above. Mr. Plank s and Mr. Farris employment agreements are discussed under Employment Contracts and Termination of Employment and Change-in-Control Arrangements.

Base salaries during 2006 for Mr. Plank and Mr. Farris took into account the following: their active roles in the Company s management and leadership of successful acquisitions; and the challenges and expectations for the Company in 2006. Effective February 16, 2007, Mr. Plank and Mr. Farris each received a base salary increase as outlined under the Base Salary discussion. As noted above, the bonuses paid to Mr. Plank and Mr. Farris for 2006 performance represented approximately 81.5 percent of their year-end base salaries.

Omnibus Budget Reconciliation Act of 1993

The Omnibus Budget Reconciliation Act of 1993 (OBRA) imposes a limit, with certain exceptions, on the amount that a publicly held corporation may deduct in any tax year commencing on or after January 1, 1994, for the compensation paid or accrued with respect to its chief executive officer and its four most highly compensated executive officers (other than the chief executive officer). In December 1995, the Internal Revenue Service issued final regulations implementing the legislation, with the regulations effective as of January 1, 1994. Certain performance-based compensation is specifically exempt from the limit if it meets the requirements contained in these final regulations. The MD&C committee continues to review the Company s compensation plans based upon these regulations and, from time to time, determines what further actions or changes to the Company s compensation plans, if any, are appropriate. It is the intention of the MD&C committee to receive stockholder approval for all future stock-based compensation plans so that they may fall into the performance-based compensation exemption.

The Company s 1990 Stock Incentive Plan, 1995 Stock Option Plan, 1998 Stock Option Plan, 2005 Stock Option Plan, and 2005 Share Appreciation Plan were approved by the Company s stockholders and grants made under such plans qualify as performance-based under the regulations. The Company s existing incentive compensation plans, special achievement bonuses, Executive Restricted Stock Plan, 2000 Stock Option Plan, and 2000 Share Appreciation Plan do not meet the requirements of the regulations, as the stockholder approvals necessary for exemption were not sought. However, these plans operate similarly to prior plans and are designed to reward the contribution and performance of employees and to provide a meaningful incentive for achieving the Company s goals, which in turn enhances stockholder value. No further grants can be made under the 2000 Stock Option Plan and 2000 Share Appreciation Plan as they have since terminated. Contingent upon stockholder approval of the proposed 2007 Omnibus Equity Compensation Plan, the Company s Executive Restricted Stock Plan and 2005 Stock Option Plan will be amended to allow no additional grants on or after the date of such approval. While the MD&C committee cannot predict with certainty how the Company s compensation policies may be further impacted by OBRA, it is anticipated that executive compensation paid or accrued pursuant to the Company s compensation plans that have not met the requirements of the regulations will not result in any material loss of tax deductions in the foreseeable future.

Summary

According to information provided to the MD&C committee by its independent compensation consultant, the amount of the Company s compensation paid to all of its executive officers during 2006 was competitive. In view of the Company s competitive performance, the MD&C committee believes that its current executive compensation policy is successful in providing stockholders with talented, dedicated executives at competitive compensation levels.

February 28, 2007	Management Development and Compensation Committee
	Frederick M. Bohen, Chairman A. D. Frazier, Jr. John A. Kocur George D. Lawrence

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SUMMARY COMPENSATION TABLE

The table below summarizes the compensation paid to the individuals listed below for all services rendered to the Company and its subsidiaries during 2006. The persons included in this table are the Company s chief executive officer, chief financial officer, and the three other most highly compensated executive officers who served as executive officers of the Company during 2006:

ncipal Position(a)	Year(b)	Salary ($)(c)	Bonus(1) ($)(d)	Stock Awards(2) ($)(e)	Option Awards(2) ($)(f)	Non-Equity Incentive Plan Compensation(1) ($)(g)	Change in Pension Value and Nonqualified Deferred Compensation Earnings(3) ($)(h)	All Other Compensation(($)(i)
k e Board	2006	1,331,250		909,331	553,764	1,100,000	59,997	258,846
s f Executive Officer ating Officer	2006	1,331,250		1,345,441	553,764	1,100,000	335,106	613,389
President ncial Officer	2006	490,625		370,454	66,220	349,600	159,992	183,982
President	2006	366,042		274,562	48,570	260,800	91,239	384,056
er ypt	2006	341,459		249,725	45,814	243,300	310,336	341,149

(1) For 2006, the named executive officers were not entitled to receive payments that would be characterized as bonus payments. Amounts reflected under column (g) are paid pursuant to the Company s incentive compensation plan as described under Incentive Bonus in the Compensation Discussion and Analysis.

(2) Dollar amount of compensation recognized in 2006 for stock awards and option awards, as defined under FAS 123R, including costs related to awards granted in previous years as well as 2006. Dollar amount does not include compensation costs for awards with performance-based vesting requirements that have not been attained and for which attainment has not yet been deemed probable. The discussion of the assumptions used in calculating these values can be found in the Grants of Plan Based Awards Table below and in Note 8 of the Notes to Consolidated Financial Statements included in the Company s Form 10-K for the year ended December 31, 2006.

(3) See Non-Qualified Deferred Compensation Table below.

(4) For benefits and perquisites, see discussion and table below.

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Benefits and Perquisites

Officers participate in two qualified retirement plans. The 401(k) Savings Plan provides a match up to the first six percent of base pay and incentive bonus. The Money Purchase Retirement Plan, provides an annual six percent company contribution into the same investment choices as the 401(k) plan with the exception of Company stock. Additionally, officers can elect to participate in the Non-Qualified Retirement Savings Plan to defer beyond the limits in the 401(k) and continue Company contributions which exceed the limits in the qualified plans. The investment choices mirror those in the qualified retirement plans. The Deferred Delivery Plan allows officers the ability to defer income from the Executive Restricted Stock Plan in the form of deferred units. The contributions into both non-qualified plans are reported in the Non-Qualified Deferred Compensation Table. The Company does not maintain a defined benefit plan.

The Company provides universal life insurance policies for the officers with the exception of Raymond Plank. In exchange for surrendering life insurance coverage, a 20-year annuity was purchased for Mr. Plank that pays $31,500 annually until 2008. The Company paid the annual annuity fee for 2006. The premiums and fees for these policies are reimbursed for the payment of taxes.

For security reasons and to facilitate efficient business travel, the board requires the chairman and chief executive officer to use the Company s aircraft for both business and personal travel. During 2006, the chief financial officer utilized the Company s aircraft as well. Even though the Company considers these costs a necessary business expense rather than a perquisite, in line with SEC guidance, the following table includes the amounts attributable to the top three officer s personal aircraft usage, including trips for charitable interests. The methodology for the valuation of non-integral use of corporate aircraft for disclosure in the Summary Compensation Table, in compliance with SEC guidance, calculates the incremental cost to the Company for personal use of the aircraft based on the cost of fuel and oil per hour of flight; trip-related inspections, repairs and maintenance; crew travel expenses; on-board catering; trip-related flight planning services; landing, parking, and hanger fees; supplies; passenger ground transportation; and other variable costs. Additionally, the value of trips attributable to philanthropic interests were included, even though they are seen as contributing to the goodwill of the Company. In addition, Standard Industry Fare Level (SIFL) tables, published by the Internal Revenue Service, are used to determine the amount of compensation income that is imputed to the executive for tax purposes for personal use of corporate aircraft. The income attributable to the use of corporate aircraft is reimbursed for the payment of taxes, as approved by the board of directors, and such amounts are included in the All Other Compensation shown in the Summary Compensation Table.

In 2006, Raymond Plank made use of a Company-owned apartment for which he reimbursed the company for the time he resided there. The footnotes to the following table show the amount representing the Company s cost for the Company-owned apartment for the period not in use by Mr. Plank but available to other employees traveling on Company business.

The Company provides various forms of compensation related to expatriate assignment which includes foreign service premium, foreign assignment tax equalization, location pay, housing and utilities, home leave and travel, goods and services allowance and relocation expense. In addition to the benefits for which all employees are eligible, the Company also covers the cost of a complete diagnostic annual physical, club dues, and tax return preparation for expatriate assignments.

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The following table provides a detailed breakdown of the amounts for 2006 under All Other Compensation in the Summary Compensation Table:

Description	Raymond Plank	G. Steven Farris	Roger B. Plank	John A. Crum	Rodney J. Eichler
Company Contributions Retirement Plans	$ 26,400	$ 26,400	$ 26,400	$ 26,400	$ 26,400
Company Contributions Non-Qualified Plan	$ 139,475	$ 265,350	$ 57,328	$ 37,326	$ 34,976
Life Insurance Premiums or Annuity Fees	$ 1,200(a)	$ 100,475	$ 14,979	$ 14,707	$ 18,800
Reimbursement for Payment of Taxes on Life Insurance Premiums or Annuity Fees	$ 688	$ 57,629	$ 8,591	$ 8,435	$ 13,309
Use of Company Property	$ 84,665(b)	$ 153,915(b)	$ 55,401(b)	$ 7,200	$ 6,000
Reimbursement for Payment of Taxes on Use of Company Property	$ 6,418	$ 8,547	$ 16,685	$ 106	$ 88
Club Memberships	$ 0	$ 682	$ 2,922	$ 900	$ 400
Reimbursement for Payment of Taxes on Club Memberships	$ 0	$ 391	$ 1,676	$ 516	$ 283
Foreign Service Premium	$ 0	$ 0	$ 0	$ 26,250	$ 51,219
Foreign Assignment Tax Equalization	$ 0	$ 0	$ 0	$ 187,808	$ 0
Location Pay	$ 0	$ 0	$ 0	$ 0	$ 68,292
Housing and Utilities	$ 0	$ 0	$ 0	$ 11,137	$ 47,954
Home Leave and Travel	$ 0	$ 0	$ 0	$ 0	$ 72,678
Goods and Services Allowance	$ 0	$ 0	$ 0	$ 33,354	$ 0
Relocation Expense	$ 0	$ 0	$ 0	$ 29,167	$ 0
Tax Return Preparation	$ 0	$ 0	$ 0	$ 750	$ 750
Total	$ 258,846	$ 613,389	$ 183,982	$ 384,056	$ 341,149

(a) For Raymond Plank, annuity fee related to the 20-year annuity purchased in exchange for surrendering life insurance coverage.

(b) For Raymond Plank, G. Steven Farris, and Roger B. Plank, these amounts are for use of corporate aircraft, of which $3,204, $23,078, and $10,883, respectively, was related to Company supported charitable interests. For Raymond Plank, this amount does not include $27,267 for Company-owned apartment for the period not in use by Mr. Plank but available to other employees traveling on Company business.

GRANTS OF PLAN BASED AWARDS TABLE

The table below provides supplemental information relating to the Company s grants of stock options and restricted stock units during 2006 to the executive officers named in the Summary Compensation Table above. There were no stock appreciation rights (SARs) granted during the last fiscal year. Also included, in compliance with SEC rules on disclosure of executive compensation, is information relating to the estimated grant date fair value of the grants, based upon principles of the Black-Scholes option pricing model. Black-Scholes model utilizes numerous arbitrary assumptions about financial variables such as interest rates, stock price volatility and future dividend yield. Neither the values reflected in the table nor the assumptions utilized in arriving at the values should be considered indicative of future stock performance.

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or	All Other Option Awards: Number of Securities Underlying	Exercise or Base Price of Option Awards	Grant Date Fair Value of Stock and Option
Name(a)	Grant Date(b)	Threshold ($)(c)	Target ($)(d)	Maximum ($)(e)	Threshold (#)(f)	Target (#)(g)	Maximum (#)(h)	Units(#) (1)(i)	Options(#) (2)(j)	($/Sh) (3)(k)	Awards ($) (1)(4)(l)
Raymond Plank	05/03/2006							18,800			1,351,344
	05/03/2006								56,300	71.88	1,383,291
G. Steven Farris	05/03/2006							18,800			1,351,344
	05/03/2006								56,300	71.88	1,383,291
Roger B. Plank	05/03/2006							6,600			474,408
	05/03/2006								6,600	71.88	162,162
John A. Crum	05/03/2006							4,900			352,212
	05/03/2006								4,900	71.88	120,393
Rodney J. Eichler	05/03/2006							4,600			330,648
	05/03/2006								4,600	71.88	113,022

(1) This column reflects the number of restricted stock units granted under the terms of the Executive Restricted Stock Plan. Such restricted stock units vest ratably over four years and no dividends are paid on such units until vested. The grant date fair value of these awards is based on a closing price of the Company s common stock on the date of grant.

(2) This column sets forth the number of shares of the Company s common stock subject to options granted under the terms of the 2005 Stock Option Plan. The options granted under the terms of the 2005 Stock Option Plan are

generally nontransferable and become exercisable ratably over four years. The options were granted for a term of ten years, subject to earlier termination in specific circumstances related to termination of employment, and are not intended to qualify as incentive stock options under Section 422 of the Internal Revenue Code. The exercise price and any withholding tax requirements may be paid by cash and/or delivery or attestation of already-owned shares of the Company s common stock.

The Company s stock option plans, including the 2005 Stock Option Plan, are administered by the Stock Option Plan Committee of Apache s board of directors.

Options granted under the 2005 Stock Option Plan are subject to appropriate adjustment in the event of reorganization, stock split, stock dividend, combination of shares, merger, consolidation or other recapitalization of the Company. If there is a change in control of the Company, all outstanding options become automatically vested so as to make all such options fully vested and exercisable as of the date of such change of control. A change in control occurs when a person, partnership or corporation acting in concert, or any or all of them, acquires more than 20 percent of the Company s outstanding voting securities. A change in control shall not occur if, prior to the acquisition of more than 20 percent of the Company s voting securities, such persons, partnerships or corporations are solicited to do so by the Company s board of directors.

(3) The exercise price is the closing price per share of the Company s common stock on the date of grant, as reported on The New York Exchange, Inc. Composite Transactions Reporting System.

(4) The grant date fair value is based on the Black-Scholes option pricing model adapted for use in calculating the fair value of executive stock options, using the following assumptions for the grants made May 3, 2006: volatility 27.79 percent; risk free rate of return 4.98 percent; dividend yield 0.57 percent; and expected option life 5.5 years. There were no adjustments made to the model for non-transferability or risk of forfeiture. The actual value, if any, an executive may realize will depend on the excess of the market price over the exercise price on the date the option is exercised. There is no assurance the value realized by an executive will be at or near the value estimated by the Black-Scholes model.

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OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END TABLE

The table below provides supplemental information relating to the stock-based awards held by the executive officers named in the Summary Compensation Table at year-end 2006:

	Option Awards					Stock Awards			
e(a)	Number of Securities Underlying Unexercised Options Exercisable (#)(b)	Number of Securities Underlying Unexercised Options Unexercisable (#)(c)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)(d)	Option Exercise Price ($)(e)	Option Expiration Date (f)	Number of Shares or Units of Stock that Have Not Vested (#)(g)	Market Value of Shares or Units of Stock that Have Not Vested(1) ($)(h)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)(i)	Eq Ince Pl Awa Ma c Pay Va c Unea Sha Un c Ot Rig Th Ha N Ve ($
ond Plank	57,518(10)			14.3398	05/01/2007	3,900(2)	259,389	22,220(6)	
	98,636			15.2056	04/29/2008	5,300(3)	352,503	14,810(7)	
	57,750			14.4210	05/05/2009	16,125(4)	1,072,474		
	57,750			17.9654	09/22/2009	18,800(5)	1,250,388		
	31,865			49.7100	05/03/2010				
	79,174			49.7100	05/02/2011				
	15,875	47,625		56.7300	05/05/2015				
		56,300		71.8800	05/03/2016				
even Farris	57,750			14.4210	05/05/2009	61,598(8)	4,096,883	22,220(6)	
	57,750			17.9654	09/22/2009	76,998(9)	5,121,137	14,810(7)	
	29,253			49.7100	05/03/2010	3,900(2)	259,389		
	79,174			49.7100	05/02/2011	5,300(3)	352,503		
	15,875	47,625		56.7300	05/05/2015	16,125(4)	1,072,474		
		56,300		71.8800	05/03/2016	18,800(5)	1,250,388		
B. Plank	38,920			14.7727	07/17/2007	1,800(2)	119,718	8,800(6)	
	32,802			15.2056	04/29/2008	2,400(3)	159,624	5,860(7)	
	16,400			11.6884	09/17/2008	5,850(4)	389,084		
	18,364			14.4210	05/05/2009	6,600(5)	438,966		
	18,480			17.9654	09/22/2009				
	48,972			21.2663	05/03/2010				

	11,682		51.1400	05/03/2010			
	26,267		51.1400	05/02/2011			
	1,925	5,775	56.7300	05/05/2015			
		6,600	71.8800	05/03/2016			
A. Crum	10,510		17.9654	09/22/2009	1,300(2)	86,463	6,480(6)
	55,208		21.2663	05/03/2010	1,750(3)	116,393	4,320(7)
	14,090		21.2663	05/03/2010	4,275(4)	284,330	
	32,802		25.1083	05/02/2011	4,900(5)	325,899	
	1,400	4,200	56.7300	05/05/2015			
		4,900	71.8800	05/03/2016			
ey J.							
er	18,248		15.2056	04/29/2008	1,200(2)	79,812	6,110(6)
	9,124		11.6884	09/17/2008	1,600(3)	106,416	4,070(7)
	10,164		14.4210	05/05/2009	4,050(4)	269,366	
	10,164		17.9654	09/22/2009	4,600(5)	305,946	
	12,827		21.2663	05/03/2010			
	22,406		25.1083	05/02/2011			
	1,328		55.6200	05/03/2010			
	1,325	3,975	56.7300	05/05/2015			
		4,600	71.8800	05/03/2016			

(See footnotes on following page)

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(1) Based on the per share closing price of the Company s common stock of $66.51 for December 29, 2006.

(2) Vests on 05/01/2007.

(3) Vests ratably on 05/06/2007 and 05/06/2008.

(4) Vests ratably on 05/04/2007, 05/04/2008 and 05/04/2009.

(5) Vests ratably on 06/01/2007, 05/03/2008, 05/03/2009 and 05/03/2010.

(6) Vests only if $108.00 price threshold attained prior to 01/01/2009; no payout value unless vesting occurs.

(7) Vests only if $81.00 price threshold attained prior to 01/01/2008; no payout value unless vesting occurs.

(8) Vests on 01/01/2007 under terms of conditional grant agreement see footnotes to Option Exercises and Stock Vested Table.

(9) Vests on 01/01/2008 under terms of conditional grant agreement see footnotes to Option Exercises and Stock Vested Table.

(10) Effective March 16, 2007, Mr. Raymond Plank voluntarily relinquished a portion of this option exercisable for 22,518 common shares.

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OPTION EXERCISES AND STOCK VESTED TABLE

The table below provides supplemental information relating to the value realized upon the exercise of stock options and upon the vesting of restricted stock units and conditional grants:

	Option Awards		Stock Awards	
Name(a)	Number of Shares Acquired on Exercise (#)(b)	Value Realized on Exercise ($)(c)	Number of Shares Acquired on Vesting (#)(d)(i)	Value Realized on Vesting ($)(e)(i)
Raymond Plank	0	0	38,910(ii)	2,688,124(ii)
G. Steven Farris	0	0	82,415(iii)	5,667,743(iii)
Roger B. Plank	0	0	17,496	1,210,837
John A. Crum	0	0	13,689	947,250
Rodney J. Eichler	20,326	1,120,508	11,835(ii)	818,469(ii)

(i) Reflects restricted stock units vested under the terms of the Executive Restricted Stock Plan and conditional grants vested under the 2000 Share Appreciation Plan.

(ii) For Mr. Plank, includes compensation of $471,669 related to the vesting of 6,773 shares that, after required FICA tax withholding, was deferred under the terms of Apache s Deferred Delivery Plan. For Mr. Eichler, includes compensation of $381,444 related to the vesting of 5,503 shares that, after required FICA tax withholding, was deferred under the terms of Apache s Deferred Delivery Plan.

(iii) Includes compensation of $3,165,624 related to the vesting of the third periodic installment of 46,200 shares under Mr. Farris conditional stock award, of which 27,720 shares (60 percent) were paid to Mr. Farris in the form of stock. The value of the remaining 18,480 shares (40 percent) was paid in cash, based on the per share closing price of the Company s common stock of $68.52 on December 30, 2005. Required tax withholding on the full amount of the third vested installment was deducted from the portion paid in cash.

On December 17, 1998, the Company s board of directors granted a conditional stock award to Mr. Farris for a total of 100,000 shares of the Company s common stock (230,992 shares after adjustment for the stock dividends and stock split). The award is composed of five periodic installments, commencing on January 1st of each of the next five years, and vesting on the fifth anniversary following the applicable commencement date (subject to acceleration under specific circumstances). To receive each installment, which is payable 40 percent in cash and 60 percent in stock, Mr. Farris must be employed by the Company on the applicable commencement and vesting dates. Mr. Farris has all voting, dividend and liquidation rights for each installment of shares as of the applicable commencement date listed below:

6,667 shares (15,398 shares after adjustment) commencing January 1, 1999, vesting January 1, 2004

13,333 shares (30,798 shares after adjustment) commencing January 1, 2000, vesting January 1, 2005

20,000 shares (46,200 shares after adjustment) commencing January 1, 2001, vesting January 1, 2006

26,667 shares (61,598 shares after adjustment) commencing January 1, 2002, vesting January 1, 2007

33,333 shares (76,998 shares after adjustment) commencing January 1, 2003, vesting January 1, 2008.

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NON-QUALIFIED DEFERRED COMPENSATION TABLE

The table below provides supplemental information relating to compensation deferred during 2006 under the terms of the Non-Qualified Retirement/Savings Plan and/or the Deferred Delivery Plan by the executive officers named in the Summary Compensation Table:

Name(a)		Executive Contributions in Last FY ($)(b)	Registrant Contributions in Last FY ($)(c)	Aggregate Earnings in Last FY ($)(d)	Aggregate Withdrawals/ Distributions ($)(e)	Aggregate Balance at Last FYE ($)(f)
Raymond Plank	(i)	0	139,475	1,272	130,693	6,679
	(ii)	464,829	0	58,725	431,764	8,606,371
G. Steven Farris	(i)	125,875	265,350	335,106(iii)	0	4,425,168
	(ii)	0	0	0	0	0
Roger B. Plank	(i)	154,431	57,328	143,880(iii)	0	2,443,953
	(ii)	0	0	16,112	206,118	2,228,411
John A. Crum	(i)	33,104	37,326	91,239(iii)	0	2,639,152
	(ii)	0	0	0	0	0
Rodney J. Eichler	(i)	278,229	34,976	303,734(iii)	0	2,463,234
	(ii)	375,913	0	6,602	0	1,180,754

(i) Non-Qualified Retirement/Savings Plan see discussion under Benefits and Perquisites above.

(ii) Deferred Delivery Plan see discussion under Benefits and Perquisites above and footnote (2) to the table under Equity Compensation Plan Information above.

(iii) Includes unrealized gains as follows: Mr. Farris $97,035; Mr. Roger Plank $69,410; Mr. Crum $43,054; and Mr. Eichler $137,901.

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EMPLOYMENT CONTRACTS AND TERMINATION OF EMPLOYMENT AND CHANGE-IN-CONTROL ARRANGEMENTS

The Company has entered into certain agreements and maintains certain plans that will require the Company to provide compensation to named executive officers of the Company in the event of a termination of employment or a change in control of the Company. The amount of compensation payable to each named executive officer in each situation is listed in the following table for fiscal year 2006.

Name	Retirement or Voluntary Termination	For Cause Termination	Termination without Cause	Change of Control Termination(4)	Death
Raymond Plank					
Employment Contract(1)	$ 675,000/year	$ 675,000/year	$ 675,000/year	$ 675,000/year	$ 750,000
Income Continuance Plan	N/A	N/A	N/A	$ 4,900,000	N/A
Benefits Continuation					
Health	$ 154,000	$ 154,000	$ 154,000	$ 154,000	$ 0
Life	$ 2,400	$ 2,400	$ 2,400	$ 2,400	$ 0
Unvested & Accelerated					
Restricted Stock Units	$ 0	$ 0	$ 0	$ 2,934,754	$ 2,934,754
Stock Options	$ 0	$ 0	$ 0	$ 465,771	$ 465,771
TOTAL	$ 831,400	$ 831,400	$ 831,400	$ 9,131,925	$ 4,150,525
G. Steven Farris					
Employment Contract(2)	$ 0	$ 0	$ 6,075,000	$ 6,075,000	$ 6,075,000
Income Continuance Plan	$ 0	$ 0	$ 0	$ 4,900,000	$ 0
Benefits Continuation	$ 0	$ 0	$ 0		
Health				$ 23,423	$ 1,952
Life				$ 201,154	
Unvested & Accelerated					
Restricted Stock Units(3)	$ 0	$ 0	$ 0	$ 8,055,891	$ 8,055,891
Stock Options	$ 0	$ 0	$ 0	$ 465,771	$ 465,771
TOTAL	$ 0	$ 0	$		