

APACHE CORP
Form 10-Q
November 03, 2017
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2017

OR

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

For the transition period from _____ to _____
Commission File Number 1-4300

APACHE CORPORATION

(exact name of registrant as specified in its charter)

Delaware 41-0747868
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification Number)
One Post Oak Central, 2000 Post Oak Boulevard, Suite 100, Houston, Texas 77056-4400
(Address of principal executive offices)
Registrant's Telephone Number, Including Area Code: (713) 296-6000

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

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

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

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

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

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

Number of shares of registrant's common stock outstanding as of October 31, 2017 380,942,629

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Forward-Looking Statements and Risk

This report includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical facts included or incorporated by reference in this report, including, without limitation, statements regarding our future financial position, business strategy, budgets, projected revenues, projected costs, and plans and objectives of management for future operations, are forward-looking statements. Such forward-looking statements are based on our examination of historical operating trends, the information that was used to prepare our estimate of proved reserves as of December 31, 2016, and other data in our possession or available from third parties. In addition, forward-looking statements generally can be identified by the use of forward-looking terminology such as “may,” “will,” “could,” “expect,” “intend,” “project,” “estimate,” “anticipate,” “plan,” “believe,” or “continue” or similar terminology. Although we believe that the expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such expectations will prove to have been correct. Important factors that could cause actual results to differ materially from our expectations include, but are not limited to, our assumptions about:

- the market prices of oil, natural gas, natural gas liquids (NGLs), and other products or services;
- our commodity hedging arrangements;
- the supply and demand for oil, natural gas, NGLs, and other products or services;
- production and reserve levels;
- drilling risks;
- economic and competitive conditions;
- the availability of capital resources;
- capital expenditure and other contractual obligations;
- currency exchange rates;
- weather conditions;
- inflation rates;
- the availability of goods and services;
- legislative, regulatory, or policy changes;
- terrorism or cyber-attacks;
- occurrence of property acquisitions or divestitures;
- the integration of acquisitions;
- the securities or capital markets and related risks such as general credit, liquidity, market, and interest-rate risks; and
- other factors disclosed under Items 1 and 2—Business and Properties—Estimated Proved Reserves and Future Net Cash Flows, Item 1A—Risk Factors, Item 7—Management’s Discussion and Analysis of Financial Condition and Results of

Operations, Item 7A—Quantitative and Qualitative Disclosures About Market Risk and elsewhere in our most recently filed Annual Report on Form 10-K, other risks and uncertainties in our third-quarter 2017 earnings release, other factors disclosed under Part II, Item 1A—Risk Factors of this Quarterly Report on Form 10-Q, and other filings that we make with the Securities and Exchange Commission.

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

PART I – FINANCIAL INFORMATION
ITEM 1 – FINANCIAL STATEMENTS
APACHE CORPORATION AND SUBSIDIARIES
STATEMENT OF CONSOLIDATED OPERATIONS
(Unaudited)

	For the Quarter Ended September 30, 2017		For the Nine Months Ended September 30, 2016	
	2017	2016	2017	2016
	(In millions, except per common share data)			
REVENUES AND OTHER:				
Oil and gas production revenues				
Oil revenues	\$1,070	\$1,117	\$3,292	\$3,057
Gas revenues	238	263	726	695
Natural gas liquids revenues	81	59	229	160
	1,389	1,439	4,247	3,912
Derivative instrument losses, net	(110)	—	(69)	—
Gain on divestitures	296	5	616	21
Other	—	(6)	43	(30)
	1,575	1,438	4,837	3,903
OPERATING EXPENSES:				
Lease operating expenses	358	382	1,066	1,119
Gathering and transportation	39	51	144	155
Taxes other than income	46	9	117	85
Exploration	231	161	431	347
General and administrative	98	102	307	298
Transaction, reorganization, and separation	20	12	14	36
Depreciation, depletion, and amortization:				
Oil and gas property and equipment	524	610	1,598	1,875
Other assets	35	38	109	120
Asset retirement obligation accretion	30	40	103	116
Impairments	—	836	8	1,009
Financing costs, net	101	102	300	311
	1,482	2,343	4,197	5,471
NET INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	93	(905)	640	(1,568)
Current income tax provision	99	150	413	284
Deferred income tax benefit	(111)	(529)	(758)	(755)
NET INCOME (LOSS) FROM CONTINUING OPERATIONS INCLUDING NONCONTROLLING INTEREST	105	(526)	985	(1,097)
Net loss from discontinued operations, net of tax	—	(33)	—	(33)
NET INCOME (LOSS) INCLUDING NONCONTROLLING INTEREST	105	(559)	985	(1,130)
Net income attributable to noncontrolling interest	42	48	137	93
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON STOCK	\$63	\$(607)	\$848	\$(1,223)
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON SHAREHOLDERS:				
Net income (loss) from continuing operations attributable to common shareholders	\$63	\$(574)	\$848	\$(1,190)
Net loss from discontinued operations	—	(33)	—	(33)
Net income (loss) attributable to common shareholders	\$63	\$(607)	\$848	\$(1,223)

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NET INCOME (LOSS) PER COMMON SHARE:

Basic net income (loss) from continuing operations per share	\$0.16	\$(1.51)	\$2.23	\$(3.14)
Basic net loss from discontinued operations per share	—	(0.09)	—	(0.08)
Basic net income (loss) per share	\$0.16	\$(1.60)	\$2.23	\$(3.22)

DILUTED NET INCOME (LOSS) PER COMMON SHARE:

Diluted net income (loss) from continuing operations per share	\$0.16	\$(1.51)	\$2.22	\$(3.14)
Diluted net loss from discontinued operations per share	—	(0.09)	—	(0.08)
Diluted net income (loss) per share	\$0.16	\$(1.60)	\$2.22	\$(3.22)

WEIGHTED-AVERAGE NUMBER OF COMMON SHARES
OUTSTANDING:

Basic	381	380	381	379
Diluted	383	380	383	379

DIVIDENDS DECLARED PER COMMON SHARE

\$0.25	\$0.25	\$0.75	\$0.75
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The accompanying notes to consolidated financial statements are an integral part of this statement.

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

	For the Quarter Ended September 30, 2017		For the Nine Months Ended September 30, 2016	
	2017	2016	2017	2016
	(In millions)			
NET INCOME (LOSS) INCLUDING NONCONTROLLING INTEREST	\$105	\$(559)	\$985	\$(1,130)
OTHER COMPREHENSIVE INCOME:				
Currency translation adjustment	109	—	109	—
COMPREHENSIVE INCOME (LOSS) INCLUDING NONCONTROLLING INTEREST	214	(559)	1,094	(1,130)
Comprehensive income attributable to noncontrolling interest	42	48	137	93
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO COMMON STOCK	\$172	\$(607)	\$957	\$(1,223)

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

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

	For the Nine Months Ended September 30, 2017 2016 (In millions)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss) including noncontrolling interest	\$985	\$(1,130)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Loss from discontinued operations	—	33
Unrealized derivative instrument losses, net	42	—
Gain on divestitures	(616)	(21)
Exploratory dry hole expense and unproved leasehold impairments	350	260
Depreciation, depletion, and amortization	1,707	1,995
Asset retirement obligation accretion	103	116
Impairments	8	1,009
Deferred income tax benefit	(758)	(755)
Other	167	126
Changes in operating assets and liabilities:		
Receivables	(70)	192
Inventories	17	(2)
Drilling advances	(72)	(36)
Deferred charges and other	(60)	40
Accounts payable	2	(93)
Accrued expenses	(65)	(67)
Deferred credits and noncurrent liabilities	20	(33)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,760	1,634
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to oil and gas property	(1,471)	(1,281)
Leasehold and property acquisitions	(142)	(169)
Additions to gas gathering, transmission, and processing facilities	(384)	(33)
Proceeds from sale of Canadian assets, net of cash divested	661	—
Proceeds from sale of oil and gas properties	743	74
Other, net	(30)	47
NET CASH USED IN INVESTING ACTIVITIES	(623)	(1,362)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on fixed-rate debt	(70)	(1)
Distributions to noncontrolling interest	(212)	(215)
Dividends paid	(285)	(284)
Other	(5)	(9)
NET CASH USED IN FINANCING ACTIVITIES	(572)	(509)
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	565	(237)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT BEGINNING OF YEAR	1,377	1,467
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF PERIOD	\$1,942	\$1,230

SUPPLEMENTARY CASH FLOW DATA:

Interest paid, net of capitalized interest	\$341	\$345
Income taxes paid, net of refunds	315	256

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

APACHE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(Unaudited)

	September 30, 2017	December 31, 2016
	(In millions)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$1,846	\$ 1,377
Restricted cash	96	—
Receivables, net of allowance	1,145	1,128
Inventories	396	476
Drilling advances	151	81
Prepaid assets and other	135	179
	3,769	3,241
PROPERTY AND EQUIPMENT:		
Oil and gas, on the basis of successful efforts accounting:		
Proved properties	38,569	42,693
Unproved properties and properties under development	1,810	1,969
Gathering, transmission, and processing facilities	1,363	976
Other	1,012	1,111
	42,754	46,749
Less: Accumulated depreciation, depletion, and amortization	(25,099)	(27,882)
	17,655	18,867
OTHER ASSETS:		
Deferred charges and other	411	411
	\$21,835	\$ 22,519
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$583	\$ 585
Current debt	550	—
Other current liabilities (Note 5)	1,332	1,258
	2,465	1,843
LONG-TERM DEBT		
	7,933	8,544
DEFERRED CREDITS AND OTHER NONCURRENT LIABILITIES:		
Income taxes	948	1,710
Asset retirement obligation	1,831	2,432
Other	281	311
	3,060	4,453
COMMITMENTS AND CONTINGENCIES (Note 9)		
EQUITY:		
Common stock, \$0.625 par, 860,000,000 shares authorized, 414,108,944 and 412,612,102 shares issued, respectively	259	258
Paid-in capital	12,186	12,364
Accumulated deficit	(2,544)	(3,385)
Treasury stock, at cost, 33,171,015 and 33,172,426 shares, respectively	(2,887)	(2,887)
Accumulated other comprehensive loss	(3)	(112)
APACHE SHAREHOLDERS' EQUITY	7,011	6,238
Noncontrolling interest	1,366	1,441

TOTAL EQUITY	8,377	7,679
	\$21,835	\$ 22,519

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

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

	Common Stock	Paid-In Capital	Accumulated Deficit	Treasury Stock	Accumulated Other Comprehensive Loss	APACHE SHAREHOLDERS' EQUITY	Noncontrolling Interest	TOTAL EQUITY
(In millions)								
BALANCE AT DECEMBER 31, 2015	\$257	\$12,619	\$ (1,980)	\$ (2,889)	\$ (119)	\$ 7,888	\$ 1,602	\$9,490
Net income (loss)	—	—	(1,223)	—	—	(1,223)	93	(1,130)
Distributions to noncontrolling interest	—	—	—	—	—	—	(215)	(215)
Common dividends (\$0.75 per share)	—	(284)	—	—	—	(284)	—	(284)
Other	1	86	—	1	—	88	—	88
BALANCE AT SEPTEMBER 30, 2016	\$258	\$12,421	\$ (3,203)	\$ (2,888)	\$ (119)	\$ 6,469	\$ 1,480	\$7,949
BALANCE AT DECEMBER 31, 2016	\$258	\$12,364	\$ (3,385)	\$ (2,887)	\$ (112)	\$ 6,238	\$ 1,441	\$7,679
Net income	—	—	848	—	—	848	137	985
Distributions to noncontrolling interest	—	—	—	—	—	—	(212)	(212)
Common dividends (\$0.75 per share)	—	(286)	—	—	—	(286)	—	(286)
Other	1	108	(7)	—	109	211	—	211
BALANCE AT SEPTEMBER 30, 2017	\$259	\$12,186	\$ (2,544)	\$ (2,887)	\$ (3)	\$ 7,011	\$ 1,366	\$8,377

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

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

These consolidated financial statements have been prepared by Apache Corporation (Apache or the Company) without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). They reflect all adjustments that are, in the opinion of management, necessary for a fair presentation of the results for the interim periods, on a basis consistent with the annual audited financial statements. All such adjustments are of a normal recurring nature. Certain information, accounting policies, and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP) have been omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. This Quarterly Report on Form 10-Q should be read along with Apache's Annual Report on Form 10-K for the fiscal year ended December 31, 2016, which contains a summary of the Company's significant accounting policies and other disclosures.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As of September 30, 2017, Apache's significant accounting policies are consistent with those discussed in Note 1—Summary of Significant Accounting Policies of its consolidated financial statements contained in Apache's Annual Report on Form 10-K for the fiscal year ended December 31, 2016, with the exception of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-09, "Improvements to Employee Share-Based Payment Accounting" and ASU 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash" (see "Recently Adopted Accounting Pronouncements" in this Note 1 below).

Use of Estimates

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

Fair Value Measurements

Certain assets and liabilities are reported at fair value on a recurring basis in Apache's consolidated balance sheet. Accounting Standards Codification (ASC) 820-10-35, "Fair Value Measurement" (ASC 820), provides a hierarchy that prioritizes and defines the types of inputs used to measure fair value. The fair value hierarchy gives the highest priority to Level 1 inputs, which consist of unadjusted quoted prices for identical instruments in active markets. Level 2 inputs consist of quoted prices for similar instruments. Level 3 valuations are derived from inputs that are significant and unobservable; hence, these valuations have the lowest priority.

The valuation techniques that may be used to measure fair value include a market approach, an income approach, and a cost approach. A market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. An income approach uses valuation techniques to convert future amounts to a single present amount based on current market expectations, including present value techniques, option-pricing models, and the excess earnings method. The cost approach is based on the amount that currently would be required to replace the service capacity of an asset (replacement cost).

Apache also uses fair value measurements on a nonrecurring basis when certain qualitative assessments of its assets indicate a potential impairment. The Company recorded no asset impairments in connection with fair value assessments in the third quarter of 2017. For the nine-month period ended September 30, 2017, the Company recorded asset impairments totaling \$8 million in connection with fair value assessments.

In 2016, the U.K. government enacted Finance Bill 2016, providing tax relief to exploration and production (E&P) companies operating in the U.K. North Sea. Under the enacted legislation, the U.K. Petroleum Revenue Tax (PRT) rate was reduced to zero from the previously enacted 35 percent rate in effect from January 1, 2016. PRT expense ceased prospectively from that date. During the first quarter of 2017, the Company fully impaired the aggregate

remaining value of the recoverable PRT decommissioning asset of \$8 million that would have been realized from future abandonment activities. The recoverable value of the PRT decommissioning asset was estimated using the income approach. The expected future cash flows used in the determination were based on anticipated spending and timing of planned future abandonment activities for applicable fields, considering all available information at the date of review. Apache has classified this fair value measurement as Level 3 in the fair value hierarchy.

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For the quarter ended September 30, 2016, the Company recorded asset impairments totaling \$836 million in connection with fair value assessments including \$355 million for proved oil and gas properties in Canada and \$481 million for the impairment of the recoverable value of the PRT decommissioning asset. For the nine-month period ended September 30, 2016, the Company recorded asset impairments totaling \$1.0 billion in connection with fair value assessments including \$423 million for proved oil and gas properties in the U.S. and Canada, \$481 million for the impairment of the recoverable value of the PRT decommissioning asset, and \$105 million for the impairment of certain gas gathering, transmission, and processing (GTP) assets, which were written down to their fair values of \$175 million.

Oil and Gas Property

The Company follows the successful efforts method of accounting for its oil and gas property. Under this method of accounting, exploration costs such as exploratory geological and geophysical costs, delay rentals, and exploration overhead are expensed as incurred. All costs related to production, general corporate overhead, and similar activities are expensed as incurred. If an exploratory well provides evidence to justify potential development of reserves, drilling costs associated with the well are initially capitalized, or suspended, pending a determination as to whether a commercially sufficient quantity of proved reserves can be attributed to the area as a result of drilling. This determination may take longer than one year in certain areas depending on, among other things, the amount of hydrocarbons discovered, the outcome of planned geological and engineering studies, the need for additional appraisal drilling activities to determine whether the discovery is sufficient to support an economic development plan, and government sanctioning of development activities in certain international locations. At the end of each quarter, management reviews the status of all suspended exploratory well costs in light of ongoing exploration activities; in particular, whether the Company is making sufficient progress in its ongoing exploration and appraisal efforts or, in the case of discoveries requiring government sanctioning, whether development negotiations are underway and proceeding as planned. If management determines that future appraisal drilling or development activities are unlikely to occur, associated suspended exploratory well costs are expensed.

Acquisition costs of unproved properties are assessed for impairment at least annually and are transferred to proved oil and gas properties to the extent the costs are associated with successful exploration activities. Significant undeveloped leases are assessed individually for impairment based on the Company's current exploration plans. Unproved oil and gas properties with individually insignificant lease acquisition costs are amortized on a group basis over the average lease term at rates that provide for full amortization of unsuccessful leases upon lease expiration or abandonment. Costs of expired or abandoned leases are charged to exploration expense, while costs of productive leases are transferred to proved oil and gas properties. Costs of maintaining and retaining unproved properties, as well as amortization of individually insignificant leases and impairment of unsuccessful leases, are included in exploration costs in the statement of consolidated operations.

Costs to develop proved reserves, including the costs of all development wells and related equipment used in the production of crude oil and natural gas, are capitalized. Depreciation of the cost of proved oil and gas properties is calculated using the unit-of-production (UOP) method. The UOP calculation multiplies the percentage of estimated proved reserves produced each quarter by the carrying value of those reserves. The reserve base used to calculate depreciation for leasehold acquisition costs and the cost to acquire proved properties is the sum of proved developed reserves and proved undeveloped reserves. The reserve base used to calculate the depreciation for capitalized costs of exploratory wells and development costs is the sum of proved developed reserves only. Estimated future dismantlement, restoration and abandonment costs, net of salvage values, are included in the depreciable cost.

Oil and gas properties are grouped for depreciation in accordance with ASC 932, "Extractive Activities - Oil and Gas." The basis for grouping is a reasonable aggregation of properties with a common geological structural feature or stratigraphic condition, such as a reservoir or field.

When circumstances indicate that proved oil and gas properties may be impaired, the Company compares unamortized capitalized costs to the expected undiscounted pre-tax future cash flows for the associated assets grouped at the lowest level for which identifiable cash flows are independent of cash flows of other assets. If the expected undiscounted pre-tax future cash flows, based on Apache's estimate of future crude oil and natural gas prices, operating costs, anticipated production from proved reserves and other relevant data, are lower than the unamortized capitalized cost,

the capitalized cost is reduced to fair value. Fair value is generally estimated using the income approach described in the ASC 820. If applicable, the Company utilizes prices and other relevant information generated by market transactions involving assets and liabilities that are identical or comparable to the item being measured as the basis for determining fair value. The expected future cash flows used for impairment reviews and related fair value calculations are typically based on judgmental assessments of future production volumes, commodity prices, operating costs, and capital investment plans, considering all available information at the date of review. These assumptions are applied to develop future cash flow projections that are then discounted to estimated fair value, using a discount rate believed to be consistent with those applied by market participants. Apache has classified these fair value measurements as Level 3 in the fair value hierarchy.

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The following table represents non-cash impairments of the carrying value of the Company's proved and unproved property and equipment for the third quarters and first nine months of 2017 and 2016:

Quarter Ended September 30, 2017	Nine Months Ended September 30, 2017	Quarter Ended September 30, 2016	Nine Months Ended September 30, 2016

Oil and Gas Property:

Proved	\$-355	\$-423
Unproved	16014	214222

Proved properties impaired during the second and third quarters of 2016 had aggregate fair values of \$143 million and \$163 million, respectively.

On the statement of consolidated operations, unproved impairments are recorded in exploration expense, and proved impairments are recorded in impairments.

Recently Adopted Accounting Pronouncements

Stock Compensation

In March 2016, the FASB issued ASU 2016-09, "Improvements to Employee Share-Based Payment Accounting." ASU 2016-09 simplifies several aspects of accounting for share-based payment transactions including income tax consequences, classification of awards as either equity or liabilities, and the classification on the statement of cash flows. The guidance was effective for fiscal years beginning after December 15, 2016. The Company adopted ASU 2016-09 effective January 1, 2017.

Upon adoption, the Company elected to account for forfeitures as they occur rather than estimate expected forfeitures using a modified retrospective transition method. As a result of this election, the Company recorded a cumulative-effect adjustment of \$11 million, representing an increase in accumulated deficit, with the offset to paid-in capital. During the first quarter of 2017, the Company recorded a \$4 million deferred tax asset related to this adjustment, with the offset to accumulated deficit.

ASU 2016-09 requires excess tax benefits and deficiencies to be recognized prospectively as part of the provision for income taxes rather than paid-in capital. The adoption did not have a material impact on the Company's accounting of provision for income taxes. ASU 2016-09 also requires excess tax benefits to be presented as a component of operating cash flows rather than financing cash flows. The Company has adopted this requirement prospectively and accordingly, prior periods have not been adjusted. Excess tax benefits were not material for all periods presented. Additionally, ASU 2016-09 requires that employee taxes paid when an employer withholds shares for tax-withholding purposes be reported as financing activities in the consolidated statements of cash flows, which is how the Company has historically classified these amounts.

Restricted Cash

In November 2016, the FASB issued ASU 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash." ASU 2016-18 requires amounts generally described as restricted cash and restricted cash equivalents be included with cash and cash equivalents when reconciling the total beginning and ending amounts for the periods shown on the statement of cash flows. The guidance is effective for annual and interim periods beginning after December 15, 2017, and is required to be adopted using a retrospective approach, with early adoption permitted. The Company adopted ASU 2016-18 in the third quarter of 2017. Other than the change in presentation within the statement of consolidated cash flows, the adoption of ASU 2016-18 did not have an impact on the Company's consolidated financial statements.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the consolidated balance sheet to the amounts shown in the statement of consolidated cash flows:

	September 30, 2017	December 31, 2016
	(In millions)	
Cash and cash equivalents	\$1,846	\$ 1,377
Restricted cash	96	—
Total cash, cash equivalents, and restricted cash shown in the statement of consolidated cash flows	\$1,942	\$ 1,377

For information regarding the restricted cash balance, please refer to Note 2—Acquisitions and Divestitures.

New Pronouncements Issued But Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842),” requiring lessees to recognize lease assets and lease liabilities for most leases classified as operating leases under previous U.S. GAAP. The guidance is effective for fiscal years beginning after December 15, 2018, and the Company will be required to use a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements. Early adoption is permitted; however, the Company does not intend to early adopt. As part of the assessment to date, the Company has formed an implementation work team and is continuing to evaluate contracts to determine the impact this ASU will have on its consolidated financial statements. At this time, the Company cannot reasonably estimate the financial impact this will have on its consolidated financial statements; however, the Company believes adoption and implementation of this ASU will significantly impact its balance sheet, resulting in an increase in both assets and liabilities relating to its leasing activities.

In May 2014, the FASB and the International Accounting Standards Board (IASB) issued a joint revenue recognition standard, ASU 2014-09, “Revenue from Contracts with Customers (Topic 606).” The new standard removes inconsistencies in existing standards, changes the way companies recognize revenue from contracts with customers, and increases disclosure requirements. The codification was amended through additional ASUs and, as amended, requires companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The guidance is effective for annual and interim periods beginning after December 15, 2017. The standard is required to be adopted using either the full retrospective approach, with all prior periods presented adjusted, or the modified retrospective approach, with a cumulative adjustment to retained earnings on the opening balance sheet. The Company continues to make progress on evaluating the accounting implications of this ASU and its assessment of contracts with customers is largely complete. Based on the Company’s evaluation to date, it does not expect the adoption of this ASU to have a material impact on net earnings, however, the Company is analyzing whether the classification of certain items in revenue and expense will be impacted. The Company continues to evaluate the disclosure requirements, develop accounting policies, and assess changes to the relevant business processes and the control activities within them as a result of the provisions of this ASU. The Company will adopt the new standard on January 1, 2018, utilizing the modified retrospective approach.

2. ACQUISITIONS AND DIVESTITURES

2017 Activity

Canada Divestitures

During the third quarter, Apache announced the sale of its subsidiary Apache Canada Ltd. (ACL) and complete exit of its Canadian operations. On June 30, 2017, Apache completed the sale of its Canadian assets at Midale and House Mountain, located in Saskatchewan and Alberta, for aggregate cash proceeds of approximately \$228 million. The Company recognized a \$52 million loss during the second quarter of 2017 in association with this sale.

In August of 2017, Apache completed the sale of its remaining Canadian operations for aggregate cash proceeds of approximately \$478 million. The Company recognized a \$74 million gain upon closing of these transactions in the third quarter of 2017. The Company has classified \$96 million of proceeds as “Restricted cash” on the Company’s consolidated balance sheet, pending the Alberta Energy Regulator’s clearance of the transfer of Provost area licenses from ACL to the buyer.

A summary of the assets and liabilities at closing of the August transactions is detailed below:

	(In millions)
ASSETS	
Current assets	\$ 110
Property, plant & equipment	1,132
Total Assets	\$ 1,242
LIABILITIES	
Current liabilities, excluding asset retirement obligation	\$ 120
Asset retirement obligation	780
Other long-term liabilities	46
Total Liabilities	\$ 946

The net carrying value of the assets disposed included a currency translation loss of \$109 million, which was recorded in “Accumulated Other Comprehensive Loss” on the Company’s consolidated balance sheet at December 31, 2016. The currency translation loss was recognized as a reduction of the net gain on sale during the third quarter of 2017 upon closing of the transactions.

Apache’s Canadian operations recorded pretax losses of \$12 million and \$141 million for the third quarter and first nine months of 2017, respectively, compared to pretax losses of \$483 million and \$644 million, respectively, for the comparable periods in 2016.

U.S. Divestitures

During the first nine months of 2017, Apache completed the sale of certain non-core assets, primarily leasehold acreage in the Permian and Midcontinent/Gulf Coast regions, in multiple transactions for cash proceeds of \$783 million, subject to customary closing adjustments. A refundable deposit of \$40 million was received in the fourth quarter of 2016 in connection with certain of these transactions. The Company recognized gains of approximately \$594 million during the first nine months of 2017 in connection with these transactions.

North Sea GTP Divestiture

During the fourth quarter of 2016, Apache entered into an agreement to sell its 30.28 percent interest in the Scottish Area Gas Evacuation system (SAGE) and its 60.56 percent interest in the Beryl pipeline in the North Sea to Ancala Midstream Acquisitions Limited (Ancala). The transaction is subject to regulatory and third-party approvals, which are ongoing in 2017. The Company received a refundable deposit in connection with this transaction, which is recorded in “Other current liabilities” on the consolidated balance sheet. The refundable deposit was \$149 million as of September 30, 2017.

Leasehold and Property Acquisitions

During the third quarter and first nine months of 2017, Apache purchased \$75 million and \$142 million, respectively, of leasehold and property acquisitions primarily in its North America onshore regions.

2016 Activity

Leasehold and Property Acquisitions

During the third quarter and first nine months of 2016, Apache purchased \$51 million and \$169 million, respectively, of leasehold and property acquisitions primarily in its North America onshore regions and Egypt.

Discontinued Operations

Apache sold its operations in Argentina and Australia in 2014 and 2015, respectively. The results of operations related to the Argentina and Australia dispositions and the losses on disposals were classified as discontinued operations in the Company's financial statements. During 2016, the Company incurred additional losses on these dispositions. The components of the Company's loss from discontinued operations were as follows:

	For the Quarter Ended September 30, 2016	For the Nine Months Ended September 30, 2016
	(In millions)	
Loss from Australia divestiture	\$-(23)	\$-(23)
Loss from Argentina divestiture	—(10)	—(10)
Loss from discontinued operations, net of tax Transaction, Reorganization, and Separation	\$-(33)	\$-(33)

During the third quarter and first nine months of 2017, Apache recorded \$20 million and \$14 million, respectively, in expense related to asset divestitures in the U.S. and Canada and employee separation. During the third quarter and first nine months of 2016, Apache recorded \$12 million and \$36 million, respectively, in expense related to various asset divestitures, company reorganization, and employee separation.

3. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Objectives and Strategies

The Company is exposed to fluctuations in crude oil and natural gas prices on the majority of its worldwide production. Apache manages the variability in its cash flows by occasionally entering into derivative transactions on a portion of its crude oil and natural gas production. The Company utilizes various types of derivative financial instruments to manage fluctuations in cash flows resulting from changes in commodity prices. The Company's derivatives are not designated as cash flow hedges, therefore, changes in fair value are recognized currently in earnings.

Counterparty Risk

The use of derivative instruments exposes the Company to credit loss in the event of nonperformance by the counterparty. To reduce the concentration of exposure to any individual counterparty, Apache utilizes a diversified group of investment-grade rated counterparties, primarily financial institutions, for its derivative transactions. As of September 30, 2017, Apache had derivative positions with 14 counterparties. The Company monitors counterparty creditworthiness on an ongoing basis; however, it cannot predict sudden changes in counterparties' creditworthiness. In addition, even if such changes are not sudden, the Company may be limited in its ability to mitigate an increase in counterparty credit risk. Should one of these counterparties not perform, Apache may not realize the benefit of some of its derivative instruments resulting from lower commodity prices.

Derivative Instruments

As of September 30, 2017, Apache had the following open crude oil derivative positions:

Production Period	Settlement Index	Put Options ⁽¹⁾⁽²⁾	
		Mbbls	Weighted Average Strike Price
October—December 2017	NYMEX WTI	8,464	\$50.00
October—December 2017	Dated Brent	7,636	\$51.00

(1) The remaining unamortized premium paid as of September 30, 2017, was \$50 million.

(2) Subsequent to September 30, 2017, Apache entered into put option contracts settling against Dated Brent totaling 3,650 Mbbls with a strike price of \$50 for the calendar year 2018.

Production Period	Settlement Index	Fixed-Price Swaps			Collars ⁽³⁾		Call Options ⁽⁴⁾	
		Mbbls	Weighted Average Fixed Price	Mbbls	Weighted Average Floor Price	Weighted Average Ceiling Price	Mbbls	Strike Price
January—June 2018	NYMEX WTI	2,715	\$51.23	2,715	\$45.00	\$56.45	—	—
January—June 2018	Dated Brent	2,172	\$54.57	2,172	\$50.00	\$58.77	—	—
January—December 2018	NYMEX WTI	—	—	6,023	\$45.00	\$57.02	6,023	\$60.00

(3) Subsequent to September 30, 2017, Apache entered into crude oil contracts settling against NYMEX WTI totaling 730 Mbbls with a floor and ceiling of \$45.00 and \$56.90, respectively, for the calendar year 2018.

(4) The remaining unamortized premium paid as of September 30, 2017, was \$9 million.

As of September 30, 2017, Apache had the following open natural gas derivative positions:

Production Period	Settlement Index	Fixed-Price Swaps ⁽¹⁾	
		MMBtu (in 000's)	Weighted Average Fixed Price
October—December 2017	NYMEX Henry Hub	4,370	\$3.32
January—March 2018	NYMEX Henry Hub	13,500	\$3.39
January—June 2018	NYMEX Henry Hub	22,625	\$3.17
April—June 2018	NYMEX Henry Hub	16,835	\$2.92
July—December 2018	NYMEX Henry Hub	18,400	\$2.97

Subsequent to September 30, 2017, Apache entered into fixed-price natural gas swaps settling against NYMEX Henry Hub totaling 15,180,000 MMBtu with a weighted average fixed-price of \$2.95 for the second half of 2018.

As of September 30, 2017, Apache had the following open natural gas financial basis swap contracts:

Production Period	Settlement Index	MMBtu (in 000's)		Weighted Average Price Differential
January—March 2018	NYMEX Henry Hub/Waha	9,450		\$(0.43)
July—December 2018	NYMEX Henry Hub/Waha	33,120		\$(0.53)
October—December 2018	NYMEX Henry Hub/Waha	1,380		\$(0.51)
January—March 2019	NYMEX Henry Hub/Waha	1,350		\$(0.54)
January—June 2019	NYMEX Henry Hub/Waha	32,580		\$(0.53)
January—December 2019	NYMEX Henry Hub/Waha	14,600		\$(0.45)

Fair Value Measurements

Apache's commodity derivative instruments consist of variable-to-fixed price commodity swaps, options, and collars. The fair values of the Company's derivatives are not actively quoted in the open market. The Company uses a market approach to estimate the fair values of its derivative instruments on a recurring basis, utilizing commodity futures pricing for the underlying commodities provided by a reputable third party, a Level 2 fair value measurement.

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

	Fair Value Measurements					
	Using Quoted Price in Active Markets (Level 1)		Significant Other Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value	Netting ⁽¹⁾
September 30, 2017	(In millions)					
Assets:						
Commodity Derivative Instruments	\$ 24	\$ —	\$ —	\$ 24	\$ (7)	\$ 17
Liabilities:						
Commodity Derivative Instruments	\$ 7	\$ —	\$ —	\$ 7	\$ (7)	\$ —
December 31, 2016						
Assets:						
Commodity Derivative Instruments	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Liabilities:						
Commodity Derivative Instruments	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

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

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

	September 30,		December 31,	
	2017	2016	2017	2016
	(In millions)			
Current Assets: Prepaid assets and other	\$ 13	\$ —		
Other Assets: Deferred charges and other	4	—		
Total Assets	\$ 17	\$ —		

Derivative Activity Recorded in the Statement of Consolidated Operations

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

	For the Quarter Ended September 30, 2017		For the Nine Months Ended September 30, 2016	
	(In millions)			
Realized gain (loss):				
Derivative settlements, realized gain	\$ 23	\$ —	—	\$ —
Amortization of put premium, realized loss	(50)	—	(50)	—
Unrealized loss	(83)	—	(42)	—
Derivative instrument losses, net	\$(110)	\$ —	—	\$ —

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

4. CAPITALIZED EXPLORATORY WELL COSTS

The Company's capitalized exploratory well costs were \$369 million and \$264 million at September 30, 2017 and December 31, 2016, respectively. The increase is primarily attributable to additional drilling activities in the U.S. during the period, partially offset by successful transfers and dry hole write-offs. No suspended exploratory well costs previously capitalized for greater than one year at December 31, 2016 were charged to dry hole expense during the nine months ended September 30, 2017. Projects with suspended exploratory well costs capitalized for a period greater than one year since the completion of drilling are those identified by management as exhibiting sufficient quantities of hydrocarbons to justify potential development. Management is actively pursuing efforts to assess whether reserves can be attributed to these projects.

5. OTHER CURRENT LIABILITIES

The following table provides detail of the Company's other current liabilities as of September 30, 2017 and December 31, 2016:

	September 30, 2017	December 31, 2016
	(In millions)	
Accrued operating expenses	\$73	\$ 110
Accrued exploration and development	691	463
Accrued compensation and benefits	99	201
Accrued interest	108	145
Accrued income taxes	68	22
Current asset retirement obligation	35	66
Refundable deposits	149	174
Other	109	77
Total other current liabilities	\$ 1,332	\$ 1,258

6. ASSET RETIREMENT OBLIGATION

The following table describes changes to the Company's asset retirement obligation (ARO) liability for the nine-month period ended September 30, 2017:

	(In millions)
Asset retirement obligation at December 31, 2016	\$ 2,498
Liabilities incurred	39
Liabilities divested	(810)
Liabilities settled	(30)
Accretion expense	103
Revisions in estimated liabilities	66
Asset retirement obligation at September 30, 2017	1,866
Less current portion	35
Asset retirement obligation, long-term	\$ 1,831

7. INCOME TAXES

The Company estimates its annual effective income tax rate for continuing operations in recording its quarterly provision for income taxes in the various jurisdictions in which the Company operates. Non-cash impairments of the carrying value of the Company's oil and gas properties, gains and losses on the sale of assets, statutory tax rate changes, and other significant or unusual items are recognized as discrete items in the quarter in which they occur. In August 2017, Apache completed the sale of ACL. For more information regarding this transaction, please refer to Note 2—Acquisitions and Divestitures. As a result of this transaction, Apache recorded a deferred tax asset associated with its realizable capital loss on the sale of ACL, and a decrease in the Company's deferred tax liability associated with its investment in foreign subsidiaries. In the third and second quarters of 2017, the Company recorded a \$2 million deferred income tax expense and a \$674 million deferred income tax benefit, respectively, in connection with these transactions.

Apache's third quarter of 2017 effective income tax rate was primarily impacted by gains on the sale of oil and gas properties and a \$30 million current tax benefit associated with U.S. federal income tax credits. On September 15, 2016, U.K. Finance Act 2016 received Royal Assent. Under the enacted legislation, the corporate income tax rate on North Sea oil and gas profits was reduced from 50 percent to 40 percent effective January 1, 2016. As a result of the enacted legislation, in the third quarter of 2016 the Company recorded a deferred tax benefit of \$235 million related to the remeasurement of the Company's December 31, 2015 U.K. deferred income tax liability.

Apache's 2017 year-to-date effective income tax rate is primarily impacted by the decrease in deferred taxes associated with its investments in foreign subsidiaries, gains on the sale of oil and gas properties, non-cash impairments of the Company's PRT decommissioning asset, and the current tax benefit associated with U.S. federal income tax credits. Apache's 2016 year-to-date effective income tax rate was primarily impacted by non-cash impairments of the carrying value of the Company's oil and gas properties, non-cash impairments of the Company's PRT decommissioning asset, the impact of the change in U.K. statutory income tax rate, and an increase in the amount of valuation allowances on U.S. and Canadian deferred tax assets.

Apache and its subsidiaries are subject to U.S. federal income tax as well as income or capital taxes in various state and foreign jurisdictions. The Company's tax reserves are related to tax years that may be subject to examination by the relevant taxing authority. In April 2017, the Internal Revenue Service (IRS) began their audit of the Company's 2014 income tax year. The Company is also under audit in various states and in most of the Company's foreign jurisdictions as part of its normal course of business.

8. DEBT AND FINANCING COSTS

The following table presents the carrying amounts and estimated fair values of the Company's outstanding debt as of September 30, 2017 and December 31, 2016:

	September 30, 2017		December 31, 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In millions)			
Commercial paper and committed bank facilities	\$—	\$—	\$—	\$—
Notes and debentures	8,483	9,094	8,544	9,183
Total Debt	\$8,483	\$9,094	\$8,544	\$9,183

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

The following table presents the carrying value of the Company's debt as of September 30, 2017 and December 31, 2016:

	September 30, 2017	December 31, 2016
	(In millions)	
Debt before unamortized discount and debt issuance costs	\$8,580	\$ 8,650
Unamortized discount	(48)	(50)
Debt issuance costs	(49)	(56)
Total debt	8,483	8,544
Current maturities	(550)	—
Long-term debt	\$7,933	\$ 8,544

As of September 30, 2017, current debt included \$150 million of 7.0% senior notes due February 1, 2018 and \$400 million of 6.9% senior notes due September 15, 2018.

As of September 30, 2017, the Company had a revolving credit facility that matures in June 2020, subject to Apache's two one-year extension options. The facility provides for aggregate commitments of \$3.5 billion (including a \$750 million letter of credit subfacility), with rights to increase commitments up to an aggregate \$4.5 billion. Proceeds from borrowings may be used for general corporate purposes. Apache's available borrowing capacity under this facility supports its \$3.5 billion commercial paper program. The commercial paper program, which is subject to market availability, facilitates Apache borrowing funds for up to 270 days at competitive interest rates. As of September 30, 2017, the Company had no commercial paper or borrowings under committed bank facilities or uncommitted bank lines outstanding.

As of September 30, 2017, the Company had a letter of credit facility, which provides for £900 million in commitments and rights to increase commitments to £1.075 billion. This facility matures in February 2020. The facility is available for letters of credit and loans to cash collateralize letters of credit or obligations to provide letters of credit, in each case, to the extent letters of credit are unavailable under the facility. As of September 30, 2017, three letters of credit aggregating approximately £147.5 million and no borrowings were outstanding under this facility.

In November 2016, the Company initiated a program to purchase in the open market up to \$250 million in aggregate principal amount of senior notes issued under its indentures. In the fourth quarter of 2016, the Company purchased and canceled \$181 million aggregate principal amount of its senior notes through open market repurchases for \$182 million in cash, including accrued interest and \$0.5 million of premium.

In January 2017, the Company purchased and canceled an additional \$69 million aggregate principal amount of senior notes for \$71 million in cash, including accrued interest and \$1 million of premium, which completed the open market repurchase program. These repurchases resulted in a \$1 million net loss on extinguishment of debt, which is included in “Financing costs, net” in the Company’s consolidated statement of operations. The net loss includes an acceleration of related discount and deferred financing costs.

In August 2017, the Company assumed the obligations of Apache Finance Canada Corporation (AFCC) in respect of \$300 million 7.75% notes due in 2029 which AFCC issued and the Company guaranteed pursuant to the governing indenture. The assumption was permitted by the indenture and effected pursuant to a supplemental indenture thereto. As a result of the assumption, the Company is the obligor under the notes and indenture, and AFCC is released from its obligations thereunder. The \$300 million 7.75% notes historically have been included in the Company’s long-term debt; accordingly, the assumption did not change the Company’s long-term debt or total debt.

Financing Costs, Net

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

	For the Quarter Ended September 30, 2017		For the Nine Months Ended September 30, 2016	
	2017	2016	2017	2016
	(In millions)			
Interest expense	\$113	\$116	\$344	\$348
Amortization of deferred loan costs	3	2	7	5
Capitalized interest	(12)	(13)	(39)	(36)
Loss on extinguishment of debt	—	—	1	—
Interest income	(3)	(3)	(13)	(6)
Financing costs, net	\$101	\$102	\$300	\$311

9. COMMITMENTS AND CONTINGENCIES

Legal Matters

Apache is party to various legal actions arising in the ordinary course of business, including litigation and governmental and regulatory controls. As of September 30, 2017, the Company has an accrued liability of approximately \$37 million for all legal contingencies that are deemed to be probable of occurring and can be reasonably estimated. Apache's estimates are based on information known about the matters and its experience in contesting, litigating, and settling similar matters. Although actual amounts could differ from management's estimate, none of the actions are believed by management to involve future amounts that would be material to Apache's financial position, results of operations, or liquidity after consideration of recorded accruals. For material matters that Apache believes an unfavorable outcome is reasonably possible, the Company has disclosed the nature of the matter and a range of potential exposure, unless an estimate cannot be made at this time. It is management's opinion that the loss for any other litigation matters and claims that are reasonably possible to occur will not have a material adverse effect on the Company's financial position, results of operations, or liquidity.

For additional information on each of the Legal Matters described below, please see Note 10—Commitments and Contingencies to the consolidated financial statements contained in Apache's Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

Argentine Environmental Claims and Argentina Tariff

No material change in the status of the YPF Sociedad Anónima and Pioneer Natural Resources Company indemnities matters has occurred since the filing of Apache's Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

Louisiana Restoration

As more fully described in Apache's Annual Report on Form 10-K for the fiscal year ended December 31, 2016, numerous surface owners have filed claims or sent demand letters to various oil and gas companies, including Apache, claiming that, under either express or implied lease terms or Louisiana law, the companies are liable for damage measured by the cost of restoration of leased premises to their original condition as well as damages for contamination and cleanup.

On July 24, 2013, a lawsuit captioned Board of Commissioners of the Southeast Louisiana Flood Protection Authority – East v. Tennessee Gas Pipeline Company et al., Case No. 2013-6911 was filed in the Civil District Court for the Parish of Orleans, State of Louisiana, in which plaintiff on behalf of itself and as the board governing the levee districts of Orleans, Lake Borgne Basin, and East Jefferson alleged that Louisiana coastal lands have been damaged as a result of oil and gas industry activity, including a network of canals for access and pipelines. The defendants removed the case from state court to federal court and, on February 13, 2015, the federal court entered judgment in favor of defendants dismissing all of plaintiff's claims with prejudice. Plaintiff appealed the lower court's dismissal to the 5th Circuit Court of Appeals and additionally challenged the defendants' right to remove the case to federal court. On March 3, 2017, the 5th Circuit Court of Appeals affirmed the propriety of federal jurisdiction based in part on Apache's argument that plaintiff's state-based claims required a resolution of substantial questions of federal law and also affirmed the dismissal of the action. The Plaintiff filed a Petition for a Writ of Certiorari with the United States Supreme Court. On October 30, 2017, the United States Supreme Court denied review and declined to consider the plaintiff's Petition of Certiorari.

Starting in November of 2013 and continuing into 2017, several Parishes in Louisiana have pending lawsuits against many oil and gas producers, including Apache. These cases are pending in federal and state courts in Louisiana. In these cases, the Parishes, as plaintiffs, allege that defendants' oil and gas exploration, production, and transportation operations in specified fields were conducted in violation of the State and Local Coastal Resources Management Act of 1978, as amended, and applicable regulations, rules, orders, and ordinances promulgated or adopted thereunder by the Parish or the State of Louisiana. Plaintiffs allege that defendants caused substantial damage to land and water bodies located in the coastal zone of Louisiana. Plaintiffs seek, among other things, unspecified damages for alleged violations of applicable state law within the coastal zone, the payment of costs necessary to clear, re-vegetate, detoxify, and otherwise restore the subject coastal zone as near as practicable to its original condition, and actual restoration of the coastal zone to its original condition. While an adverse judgment against Apache might be possible,

Apache intends to vigorously oppose these claims.

No other material change in the status of these matters has occurred since the filing of Apache's Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

Apollo Exploration Lawsuit

In a fourth amended petition filed on March 21, 2016, in a case captioned Apollo Exploration, LLC, Cogent Exploration, Ltd. Co. & SellmoCo, LLC v. Apache Corporation, Cause No. CV50538 in the 385th Judicial District Court, Midland County, Texas, plaintiffs have reduced their alleged damages to approximately \$500 million (having previously claimed in excess of \$1.1 billion) relating to certain purchase and sale agreements, mineral leases, and areas of mutual interest agreements concerning properties located in Hartley, Moore, Potter, and Oldham Counties, Texas. The Court recently granted two of Apache's motions for summary judgment further limiting the plaintiffs' theories and potential damages. Apache believes that plaintiffs' claims lack merit, and further that plaintiffs' alleged damages, even as amended, are grossly inflated. Apache will vigorously oppose the claims. No other material change in the status of these matters has occurred since the filing of Apache's Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

Escheat Audits

There has been no material change with respect to the review of the books and records of the Company and its subsidiaries and related entities by the State of Delaware, Department of Finance (Unclaimed Property), to determine compliance with the Delaware Escheat Laws, since the filing of Apache's Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

Environmental Matters

As of September 30, 2017, the Company had an undiscounted reserve for environmental remediation of approximately \$4 million. The Company is not aware of any environmental claims existing as of September 30, 2017, that have not been provided for or would otherwise have a material impact on its financial position, results of operations, or liquidity. There can be no assurance, however, that current regulatory requirements will not change or past non-compliance with environmental laws will not be discovered on the Company's properties.

ACL, a former subsidiary of the Company, previously reported produced water spills in a remote area of the Bellow Field and a hydrogen sulfide and oil emulsion leak in the Zama area. The Company sold ACL in a transaction that was completed in the third quarter of 2017. The Canadian environmental litigation and liabilities remained with ACL and are now the responsibility of the acquirer.

In addition to the matters for which the Company has already accrued, on July 17, 2017, in three separate actions, San Mateo County, California, Marin County, California, and the City of Imperial Beach, California, all filed suit individually and on behalf of the people of the state of California against over 30 oil, gas, and coal companies alleging damages as a result of global warming. Plaintiffs seek unspecified damages and abatement under various tort theories. Apache believes that the claims made against it are baseless and intends to vigorously defend these lawsuits.

Australian Operations Divestiture Dispute

By a Sale and Purchase Agreement dated April 9, 2015 (SPA), the Company and its subsidiaries divested their remaining Australian operations to Viraciti Energy Pty Ltd, which has since been renamed Quadrant Energy Pty Ltd (Quadrant). Closing occurred on June 5, 2015. By letter dated June 6, 2016, Quadrant provided the Company with a placeholder notice of claim under the SPA concerning tax and other issues totaling approximately \$200 million in the aggregate. The Company believes that these claims lack merit and intends to vigorously defend against them. Moreover, on September 22, 2017, subsidiaries of the Company filed suit against Quadrant for breaching the SPA and wrongfully withholding tax refunds owed under the SPA. This claim totals approximately \$80 million AUD.

10. CAPITAL STOCK

Net Income (Loss) per Common Share

A reconciliation of the components of basic and diluted net income (loss) per common share for the quarters and nine months ended September 30, 2017 and 2016, is presented in the table below.

	For the Quarter Ended September 30,				
	2017		2016		
	Incom	Shares	Per Share	Loss	Shares
	Loss	Per Share	Loss	Per Share	Per Share
	(In millions, except per share amounts)				
Basic:					
Income (loss) from continuing operations	\$63	381	\$ 0.16	\$(574)	380
Loss from discontinued operations	—	381	—	(33)	380
Income (loss) attributable to common stock	\$63	381	\$ 0.16	\$(607)	380
Effect of Dilutive Securities:					
Stock options and other	\$—	2	\$ —	\$—	—
Diluted:					
Income (loss) from continuing operations	\$63	383	\$ 0.16	\$(574)	380
Loss from discontinued operations	—	383	—	(33)	380
Income (loss) attributable to common stock	\$63	383	\$ 0.16	\$(607)	380
For the Nine Months Ended September 30,					
	2017		2016		
	Incom	Shares	Per Share	Loss	Shares
	Loss	Per Share	Loss	Per Share	Per Share
	(In millions, except per share amounts)				
Basic:					
Income (loss) from continuing operations	\$848	381	\$ 2.23	\$(1,190)	379
Loss from discontinued operations	—	381	—	(33)	379
Income (loss) attributable to common stock	\$848	381	\$ 2.23	\$(1,223)	379
Effect of Dilutive Securities:					
Stock options and other	\$—	2	\$ (0.01)	\$—	—
Diluted:					
Income (loss) from continuing operations	\$848	383	\$ 2.22	\$(1,190)	379
Loss from discontinued operations	—	383	—	(33)	379
Income (loss) attributable to common stock	\$848	383	\$ 2.22	\$(1,223)	379

The diluted earnings per share calculation excludes options and restricted stock units that were anti-dilutive totaling 8.4 million and 4.7 million for the quarters ended September 30, 2017 and 2016, respectively, and 7.5 million and 6.5 million for the nine months ended September 30, 2017 and 2016, respectively.

Common Stock Dividends

For each of the quarters ended September 30, 2017, and 2016, Apache paid \$95 million in dividends on its common stock. For the nine months ended September 30, 2017 and 2016, the Company paid \$285 million and \$284 million, respectively.

Stock Repurchase Program

Apache's Board of Directors has authorized the purchase of up to 40 million shares of the Company's common stock. Shares may be purchased either in the open market or through privately negotiated transactions. The Company initiated the buyback program on June 10, 2013, and through September 30, 2017, had repurchased a total of 32.2 million shares at an average price of \$88.96 per share. The Company is not obligated to acquire any specific number of shares and has not purchased any shares during 2017.

11. ACCUMULATED OTHER COMPREHENSIVE LOSS

The following table describes changes to the Company's accumulated other comprehensive loss by component for the nine-month period ended September 30, 2017:

	Currency Translation Adjustment	Pension and Postretirement Benefit Plan	Total
(In millions)			
Accumulated other comprehensive loss at December 31, 2016	\$(109)	\$ (3)	\$(112)
Currency translation adjustment divested ⁽¹⁾	109	—	109
Accumulated other comprehensive loss at September 30, 2017	\$—	\$ (3)	\$(3)

Currency translation adjustments resulting from translating the Canadian subsidiaries' financial statements into U.S. dollar equivalents, prior to adoption of the U.S. dollar as their functional currency, were reported separately and (1) accumulated in other comprehensive loss. This currency translation loss was recognized as a reduction of the net gain on divestiture during the third quarter of 2017 in connection with the Canada divestitures. For more information regarding these divestitures, please refer to Note 2—Acquisitions and Divestitures.

12. BUSINESS SEGMENT INFORMATION

Apache is engaged in a single line of business. Both domestically and internationally, the Company explores for, develops, and produces natural gas, crude oil, and natural gas liquids. At September 30, 2017, the Company had production in three reporting segments: the United States, Egypt, and offshore the United Kingdom in the North Sea (North Sea). Apache also has exploration interests in Suriname that may, over time, result in a reportable discovery and development opportunity. Financial information for each area is presented below:

	United States	Canada ⁽¹⁾	Egypt ⁽²⁾	North Sea	Other International	Total
(In millions)						
For the Quarter Ended September 30, 2017						
Oil and Gas Production Revenues	\$550	\$ 36	\$ 543	\$ 260	\$ —	\$1,389
Operating Income (Loss) ⁽³⁾	\$(114)	\$(1)	\$ 226	\$ 16	\$ (1)	\$126
Other Income (Expense):						
Gain on divestitures, net						296
Derivative instrument losses, net						(110)
General and administrative						(98)
Transaction, reorganization, and separation						(20)
Financing costs, net						(101)
Income Before Income Taxes						\$93
For the Nine Months Ended September 30, 2017						
Oil and Gas Production Revenues	\$1,593	\$ 231	\$ 1,655	\$ 768	\$ —	\$4,247
Operating Income (Loss) ⁽³⁾	\$(71)	\$(33)	\$ 740	\$ 59	\$ (24)	\$671
Other Income (Expense):						
Gain on divestitures, net						616
Derivative instrument losses, net						(69)
Other						43
General and administrative						(307)
Transaction, reorganization, and separation						(14)
Financing costs, net						(300)
Income Before Income Taxes						\$640
Total Assets	\$13,105	\$ —	\$ 4,906	\$ 3,770	\$ 54	\$21,835

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	United States	Canada ⁽¹⁾	Egypt ⁽²⁾	North Sea	Other International	Total
(In millions)						
For the Quarter Ended September 30, 2016						
Oil and Gas Production Revenues	\$524	\$ 87	\$ 581	\$ 247	\$ —	\$1,439
Operating Income (Loss) ⁽⁴⁾	\$(17)	\$(466)	\$ 263	\$(455)	\$ (13)	\$(688)
Other Income (Expense):						
Gain on divestitures, net						5
Other						(6)
General and administrative						(102)
Transaction, reorganization, and separation						(12)
Financing costs, net						(102)
Loss From Continuing Operations Before Income Taxes						\$(905)
For the Nine Months Ended September 30, 2016						
Oil and Gas Production Revenues	\$1,453	\$ 243	\$ 1,515	\$ 701	\$ —	\$3,912
Operating Income (Loss) ⁽⁴⁾	\$(283)	\$(586)	\$ 525	\$(557)	\$ (13)	\$(914)
Other Income (Expense):						
Gain on divestitures, net						21
Other						(30)
General and administrative						(298)
Transaction, reorganization, and separation						(36)
Financing costs, net						(311)
Loss From Continuing Operations Before Income Taxes						\$(1,568)
Total Assets	\$12,299	\$1,630	\$5,320	\$3,851	\$ 49	\$23,149

(1) During the third quarter of 2017, Apache completed the sale of its Canadian operations. For more information regarding this divestiture, please refer to Note 2—Acquisitions and Divestitures.

(2) Includes a noncontrolling interest in Egypt.

Operating income (loss) consists of oil and gas production revenues less lease operating expenses, gathering and transportation costs, taxes other than income, exploration costs, depreciation, depletion, and amortization, asset retirement obligation accretion, and impairments. The operating income (loss) of U.S. includes leasehold impairments totaling \$160 million for the third quarter of 2017. The operating income (loss) of U.S., Canada, and North Sea includes leasehold and other asset impairments totaling \$212 million, \$2 million, and \$8 million, respectively, for the first nine months of 2017.

The operating income (loss) of U.S., Canada, and North Sea includes leasehold, property, and other asset impairments totaling \$46 million, \$423 million, and \$481 million, respectively, for the third quarter of 2016. The operating income (loss) of U.S., Canada, and North Sea includes leasehold, property, and other asset impairments totaling \$212 million, \$433 million, and \$586 million, respectively, for the first nine months of 2016.

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

The following discussion relates to Apache Corporation and its consolidated subsidiaries and should be read in conjunction with the Company's consolidated financial statements and accompanying notes included under Part I, Item 1, "Financial Statements" of this Quarterly Report on Form 10-Q, as well as the Company's consolidated financial statements, accompanying notes and Management's Discussion and Analysis of Financial Condition and Results of Operations included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

Overview

Apache Corporation, a Delaware corporation formed in 1954, is an independent energy company that explores for, develops, and produces natural gas, crude oil, and natural gas liquids. The Company has exploration and production operations in three geographic areas: the United States (U.S.), Egypt, and offshore the United Kingdom (U.K.) in the North Sea (North Sea). Apache also has exploration interests in Suriname that may, over time, result in a reportable discovery and development opportunity.

During the quarter, Apache completed its strategic exit from Canada that was enabled by its Alpine High discovery. We believe this portfolio shift is a significant upgrade to the Company's portfolio of assets, as the Alpine High discovery offers higher returns and significantly more long-term growth potential. Apache's U.S. assets are complemented by its international assets in Egypt and the North Sea, each of which adds to the Company's deep inventory of exploration and development opportunities and generate cash flows in excess of current capital investments, facilitating the Company's ability to develop Alpine High while maintaining financial flexibility. Apache reported third-quarter net income of \$63 million, or \$0.16 per common share, compared to a loss of \$607 million, or \$1.60 per common share, in the third quarter of 2016. The increase in net income compared to the prior-year quarter is primarily the result of gains on divestitures in the current-year quarter, as well as lower impairment charges in the current period. Revenue gains from significant increases in realized commodity prices partially mitigated the impact of production declines.

Daily production in the third quarter of 2017 averaged 448 thousand barrels of oil equivalent per day (Mboe/d), a decrease of 14 percent from the comparative prior-year quarter driven by the sale of the Company's Canadian operations. Excluding production from Canada, Apache's worldwide equivalent daily production decreased 8 percent due to natural decline. The production decline was driven by strategic decisions to curtail capital investments in the two preceding years in order to allow costs to re-align with the lower commodity price environment and to allocate a significant portion of this year's capital investments to the development of the Alpine High field and infrastructure. During the first nine months of 2017, the Company generated \$1.8 billion in cash from operating activities, an 8 percent increase from the comparative prior-year period, and \$1.4 billion of cash proceeds from non-core asset divestments. Apache exited the quarter with \$1.9 billion of cash, cash equivalents, and restricted cash, an increase of \$565 million from year-end 2016. In addition, the Company reduced debt from year-end levels and has \$3.5 billion of available committed borrowing capacity. In response to continued commodity price volatility, the Company entered commodity derivatives to secure deployment of high priority investments without compromising its financial strength or flexibility. We continuously monitor changes in our operating environment and have the ability, due to our dynamic capital allocation process, to adjust our capital investment program to levels that maximize value for our shareholders over the long-term.

Operating Highlights

Significant operating activities for the quarter include the following:

North America

North America equivalent production decreased 17 percent for the quarter relative to the 2016 period, reflecting Apache's exit from Canada. Excluding Canada, Apache's North America equivalent production decreased 6 percent, in line with the Company's expectations given the significant reduction in capital investments over the preceding two years and the allocation of a significant portion of our 2017 capital investments to infrastructure at Alpine High.

Third-quarter equivalent production from the Permian Basin region, which accounts for more than half of Apache's total North American production, increased 1 percent from the third quarter of 2016, which was driven by our Alpine High discovery and strong performance in the Midland Basin. Third-quarter production increased 11 percent from the

prior sequential quarter, a reflection of increased activity and the startup of Alpine High production.

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- Drilling and infrastructure development activities continue at Alpine High; specifically:

First production from the Alpine High play was achieved in early May 2017. Net production averaged approximately 13.3 Mboe/d during the third quarter, and we anticipate production of 25 Mboe/d by the end of the year.

During the first nine months of 2017, Apache invested \$389 million in midstream facilities at Alpine High, with development ongoing.

Three processing facilities are currently operating with a combined gross inlet capacity of 200 million cubic feet of natural gas per day (MMcf/d). Infrastructure buildout for two additional central processing facilities has been slightly delayed by a quarter as a result of Hurricane Harvey-related damage to Houston-area manufacturing facilities that are providing key infrastructure equipment.

In 2017, Apache announced three separate transactions to sell its subsidiary Apache Canada Ltd. (ACL) and exit its Canadian operations. The sale of assets at Midale and House Mountain, located in Saskatchewan and Alberta, closed on June 30, 2017 for approximately \$228 million of cash proceeds. The two remaining transactions to sell ACL and Provost assets in Alberta closed in August 2017 for approximately \$478 million of cash proceeds. The sale of Apache's Canadian operations further streamlines its portfolio, enabling the Company to allocate a higher percentage of capital to the Permian Basin.

International

The Egypt region net equivalent production decreased 12 percent from the third quarter of 2016 despite a decline of only 3 percent in gross production, a function of the Company's production-sharing contracts. In August 2017, the Company received final award of two new concessions totaling 1.6 million net acres. At the end of September 2017, the Company began acquiring high resolution 3D seismic in the West Kalabsha concession and plans to expand this seismic activity to cover the majority of its acreage.

The North Sea region average daily production decreased 5 percent from the third quarter of 2016, primarily the result of extended turnaround activities in the third quarter of 2017 and natural well decline. The Callater discovery, which came online in late May 2017, has two wells producing with a third offset well expected to commence production later in the fourth quarter of 2017.

Results of Operations

Oil and Gas Revenues

The table below presents revenues by geographic region and each region's percent contribution to revenues for 2017 and 2016.

	For the Quarter Ended September 30,						For the Nine Months Ended September 30,					
	2017		2016		2017		2016		2017		2016	
	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
	Value	Contribution	Value	Contribution	Value	Contribution	Value	Contribution	Value	Contribution	Value	Contribution
	(\$ in millions)											
Total Oil Revenues:												
United States	\$381	36	%	\$377	34	%	\$1,133	35	%	\$1,099	36	%
Canada	14	1	%	47	4	%	110	3	%	132	4	%
North America	395	37	%	424	38	%	1,243	38	%	1,231	40	%
Egypt ⁽¹⁾	442	41	%	476	43	%	1,351	41	%	1,209	40	%
North Sea	233	22	%	217	19	%	698	21	%	617	20	%
International ⁽¹⁾	675	63	%	693	62	%	2,049	62	%	1,826	60	%
Total ⁽¹⁾	\$1,070	100	%	\$1,117	100	%	\$3,292	100	%	\$3,057	100	%
Total Natural Gas Revenues:												
United States	\$97	41	%	\$98	37	%	\$266	37	%	\$222	32	%
Canada	19	8	%	36	14	%	104	14	%	100	14	%
North America	116	49	%	134	51	%	370	51	%	322	46	%
Egypt ⁽¹⁾	98	41	%	103	39	%	295	41	%	298	43	%
North Sea	24	10	%	26	10	%	61	8	%	75	11	%
International ⁽¹⁾	122	51	%	129	49	%	356	49	%	373	54	%
Total ⁽¹⁾	\$238	100	%	\$263	100	%	\$726	100	%	\$695	100	%
Total Natural Gas Liquids (NGL) Revenues:												
United States	\$72	89	%	\$49	83	%	\$194	85	%	\$132	82	%
Canada	3	4	%	4	7	%	17	7	%	11	7	%
North America	75	93	%	53	90	%	211	92	%	143	89	%
Egypt ⁽¹⁾	3	4	%	2	3	%	9	4	%	8	5	%
North Sea	3	3	%	4	7	%	9	4	%	9	6	%
International ⁽¹⁾	6	7	%	6	10	%	18	8	%	17	11	%
Total ⁽¹⁾	\$81	100	%	\$59	100	%	\$229	100	%	\$160	100	%
Total Oil and Gas Revenues:												
United States	\$550	40	%	\$524	36	%	\$1,593	38	%	\$1,453	37	%
Canada	36	2	%	87	6	%	231	5	%	243	6	%
North America	586	42	%	611	42	%	1,824	43	%	1,696	43	%
Egypt ⁽¹⁾	543	39	%	581	41	%	1,655	39	%	1,515	39	%
North Sea	260	19	%	247	17	%	768	18	%	701	18	%
International ⁽¹⁾	803	58	%	828	58	%	2,423	57	%	2,216	57	%
Total ⁽¹⁾	\$1,389	100	%	\$1,439	100	%	\$4,247	100	%	\$3,912	100	%

(1) Includes revenues attributable to a noncontrolling interest in Egypt.

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Production

The table below presents the third-quarter and year-to-date 2017 and 2016 production and the relative increase or decrease from the prior period.

	For the Quarter Ended September 30,			For the Nine Months Ended September 30,		
	2017	Increase (Decrease)	2016	2017	Increase (Decrease)	2016
Oil Volume – b/d						
United States	90,883	(8)%	98,269	89,228	(17)%	106,924
Canada	3,441	(73)%	12,619	8,881	(33)%	13,331
North America	94,324	(15)%	110,888	98,109	(18)%	120,255
Egypt ⁽¹⁾⁽²⁾	93,749	(15)%	110,809	97,447	(7)%	105,118
North Sea	49,945	2 %	49,192	49,274	(11)%	55,071
International	143,694	(10)%	160,001	146,721	(8)%	160,189
Total	238,018	(12)%	270,889	244,830	(13)%	280,444
Natural Gas Volume – Mcf/d						
United States	404,486	2 %	395,062	378,625	(6)%	404,282
Canada	107,524	(54)%	233,635	175,787	(29)%	248,912
North America	512,010	(19)%	628,697	554,412	(15)%	653,194
Egypt ⁽¹⁾⁽²⁾	378,426	(7)%	405,863	389,533	(4)%	403,832
North Sea	50,057	(28)%	69,509	42,800	(36)%	66,884
International	428,483	(10)%	475,372	432,333	(8)%	470,716
Total	940,493	(15)%	1,104,069	986,745	(12)%	1,123,910
NGL Volume – b/d						
United States	49,149	(13)%	56,355	48,063	(14)%	55,897
Canada	2,183	(64)%	6,039	3,780	(36)%	5,879
North America	51,332	(18)%	62,394	51,843	(16)%	61,776
Egypt ⁽¹⁾⁽²⁾	916	(19)%	1,124	917	(18)%	1,120
North Sea	1,219	(28)%	1,697	1,044	(33)%	1,557
International	2,135	(24)%	2,821	1,961	(27)%	2,677
Total	53,467	(18)%	65,215	53,804	(17)%	64,453
BOE per day ⁽³⁾						
United States	207,447	(6)%	220,468	200,396	(13)%	230,202
Canada	23,544	(59)%	57,597	41,959	(31)%	60,695
North America	230,991	(17)%	278,065	242,355	(17)%	290,897
Egypt ⁽²⁾	157,737	(12)%	179,575	163,286	(6)%	173,544
North Sea ⁽⁴⁾	59,507	(5)%	62,475	57,451	(15)%	67,775
International	217,244	(10)%	242,050	220,737	(9)%	241,319
Total	448,235	(14)%	520,115	463,092	(13)%	532,216

(1) Gross oil, natural gas, and NGL production in Egypt for the third quarter and nine-month period of 2017 and 2016 were as follows:

	For the Quarter Ended September 30,		For the Nine Months Ended September 30,	
	2017	2016	2017	2016
Oil (b/d)	201,151	210,755	196,781	210,939
Natural Gas (Mcf/d)	818,350	826,548	813,880	828,950
NGL (b/d)	1,526	1,853	1,514	1,918

(2) Includes production volumes per day attributable to a noncontrolling interest in Egypt for the third quarter and nine-month period of 2017 and 2016 of:

	For the Quarter		For the Nine	
	Ended		Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Oil (b/d)	31,275	36,839	32,573	34,964
Natural Gas (Mcf/d)	126,459	135,233	130,263	134,591
NGL (b/d)	305	374	306	373

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

(4) Average sales volumes from the North Sea were 57,207 boe/d and 65,171 boe/d for the third quarter of 2017 and 2016, respectively, and 57,963 boe/d and 67,222 boe/d for the first nine months of 2017 and 2016, respectively.

Sales volumes may vary from production volumes as a result of the timing of liftings in the Beryl field.

Pricing

The table below presents third-quarter and year-to-date 2017 and 2016 pricing and the relative increase or decrease from the prior period.

	For the Quarter Ended September 30,			For the Nine Months Ended September 30,		
	2017	Increase (Decrease)	2016	2017	Increase (Decrease)	2016
Average Oil Price - Per barrel						
United States	\$45.68	9 %	\$41.83	\$46.54	24 %	\$37.53
Canada	42.23	5 %	40.17	45.25	26 %	36.04
North America	45.56	9 %	41.65	46.42	24 %	37.36
Egypt	51.23	10 %	46.54	50.78	21 %	41.97
North Sea	53.11	17 %	45.47	51.35	24 %	41.28
International	51.87	12 %	46.20	50.97	22 %	41.74
Total	49.34	11 %	44.35	49.15	23 %	39.86
Average Natural Gas Price - Per Mcf						
United States	\$2.62	(2)%	\$2.66	\$2.58	29 %	\$2.00
Canada	1.90					