APACHE CORP
Form 10-Q
May 08, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2012

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 incorporation or organization)	**(I.R.S. Employer Identification Number)**

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

(Address of principal executive offices)

(713) 296-6000

Registrant s Telephone Number, Including Area Code:

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 x 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 x No ¨

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ¨ No x

Number of shares of registrant s common stock outstanding as of April 30, 2012	390,833,091

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

APACHE CORPORATION AND SUBSIDIARIES

STATEMENT OF CONSOLIDATED OPERATIONS

(Unaudited)

	For the Quarter Ended March 31, 2012	2011
	(In millions, except per common share data)	
REVENUES AND OTHER:		
Oil and gas production revenues	$ 4,457	$ 3,878
Other	79	47
	4,536	3,925
OPERATING EXPENSES:		
Depreciation, depletion and amortization		
Recurring	1,219	936
Additional	521	
Asset retirement obligation accretion	55	37
Lease operating expenses	673	623
Gathering and transportation	77	76
Taxes other than income	257	164
General and administrative	128	112
Merger, acquisitions & transition	6	5
Financing costs, net	40	45
	2,976	1,998
INCOME BEFORE INCOME TAXES	1,560	1,927
Current income tax provision	725	643
Deferred income tax provision	38	150
NET INCOME	797	1,134
Preferred stock dividends	19	19
INCOME ATTRIBUTABLE TO COMMON STOCK	$ 778	$ 1,115
NET INCOME PER COMMON SHARE:		
Basic	$ 2.02	$ 2.91
Diluted	$ 2.00	$ 2.86
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING:		
Basic	385	383
Diluted	399	397
DIVIDENDS DECLARED PER COMMON SHARE	$ 0.17	$ 0.15

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 COMPREHENSIVE INCOME

(Unaudited)

	$xxxxx.xx	$xxxxx.xx
	For the Quarter Ended March 31,	
	2012	**2011**
	(In millions)	
NET INCOME	$ 797	$ 1,134
OTHER COMPREHENSIVE INCOME:		
Commodity cash flow hedge activity, net of tax:		
Reclassification of (gain) loss on settled derivative instruments	(34)	(4)
Change in fair value of derivative instruments	1	(302)
Derivative hedge ineffectiveness reclassified into earnings		2
	(33)	(304)
COMPREHENSIVE INCOME	764	830
Preferred stock dividends	19	19
COMPREHENSIVE INCOME ATTRIBUTABLE TO COMMON STOCK	$ 745	$ 811

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

APACHE CORPORATION AND SUBSIDIARIES

STATEMENT OF CONSOLIDATED CASH FLOWS

(Unaudited)

	For the Quarter Ended March 31, 2012	2011
	(In millions)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 797	$ 1,134
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	1,740	936
Asset retirement obligation accretion	55	37
Provision for deferred income taxes	38	150
Other	18	(14)
Changes in operating assets and liabilities:		
Receivables	(82)	(357)
Inventories	67	(26)
Drilling advances	(136)	(18)
Deferred charges and other	(11)	104
Accounts payable	(67)	95
Accrued expenses	(426)	(65)
Deferred credits and noncurrent liabilities	14	3
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,007	1,979
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to oil and gas property	(1,705)	(1,571)
Additions to gas gathering, transmission and processing facilities	(262)	(125)
Equity investment in Burrup Holdings Limited	(439)	
Deposit related to acquisition of Cordillera Energy Partners III, LLC	(200)	
Other	(36)	(53)
NET CASH USED IN INVESTING ACTIVITIES	(2,642)	(1,749)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Commercial paper, credit facility and bank notes, net	657	19
Dividends paid	(77)	(76)
Common stock activity	2	26
Other	3	23
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	585	(8)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(50)	222
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	295	134
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 245	$ 356
SUPPLEMENTARY CASH FLOW DATA:		
Interest paid, net of capitalized interest	$ 88	$ 73
Income taxes paid, net of refunds	809	448

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

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APACHE CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

(Unaudited)

	March 31, 2012	December 31, 2011
	(In millions)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 245	$ 295
Receivables, net of allowance	3,163	3,079
Inventories	607	655
Drilling advances	368	229
Derivative instruments	284	304
Prepaid assets and other	287	241
	4,954	4,803
PROPERTY AND EQUIPMENT:		
Oil and gas, on the basis of full-cost accounting:		
Proved properties	69,438	67,805
Unproved properties and properties under development, not being amortized	5,731	5,530
Gathering, transmission and processing facilities	5,438	5,175
Other	733	709
	81,340	79,219
Less: Accumulated depreciation, depletion and amortization	(35,511)	(33,771)
	45,829	45,448
OTHER ASSETS:		
Goodwill	1,114	1,114
Deferred charges and other	1,340	686
	$ 53,237	$ 52,051
LIABILITIES AND SHAREHOLDERS EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 1,059	$ 1,048
Current debt	429	431
Current asset retirement obligation	448	447
Derivative instruments	150	113
Other current liabilities	2,612	2,924
	4,698	4,963
LONG-TERM DEBT	7,444	6,785
DEFERRED CREDITS AND OTHER NONCURRENT LIABILITIES:		
Income taxes	7,217	7,197
Asset retirement obligation	3,482	3,440
Other	681	673

	11,380	11,310
COMMITMENTS AND CONTINGENCIES (Note 8)		
SHAREHOLDERS EQUITY:		
Preferred stock, no par value, 10,000,000 shares authorized, 6% Cumulative Mandatory Convertible, Series D, $1,000 per share liquidation preference, 1,265,000 shares issued and outstanding	1,227	1,227
Common stock, $0.625 par, 860,000,000 shares authorized, 385,587,864 and 385,249,885 shares issued, respectively	241	241
Paid-in capital	9,107	9,066
Retained earnings	19,213	18,500
Treasury stock, at cost, 1,103,196 and 1,132,242 shares, respectively	(31)	(32)
Accumulated other comprehensive loss	(42)	(9)
	29,715	28,993
	$ 53,237	$ 52,051

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

APACHE CORPORATION AND SUBSIDIARIES

STATEMENT OF CONSOLIDATED SHAREHOLDERS EQUITY

(Unaudited)

	Series D Preferred Stock	Common Stock	Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total Shareholders Equity
				(In millions)			
BALANCE AT DECEMBER 31, 2010	$ 1,227	$ 240	$ 8,864	$ 14,223	$ (36)	$ (141)	$ 24,377
Net income				1,134			1,134
Commodity hedges, net of tax						(304)	(304)
Cash dividends:							
Preferred				(19)			(19)
Common ($.15 per share)				(58)			(58)
Common stock activity, net			16				16
Treasury stock activity, net			3		3		6
Compensation expense			45				45
Other				1			1
BALANCE AT MARCH 31, 2011	$ 1,227	$ 240	$ 8,928	$ 15,281	$ (33)	$ (445)	$ 25,198
BALANCE AT DECEMBER 31, 2011	$ 1,227	$ 241	$ 9,066	$ 18,500	$ (32)	$ (9)	$ 28,993
Net income				797			797
Commodity hedges, net of tax						(33)	(33)
Cash dividends:							
Preferred				(19)			(19)
Common ($.17 per share)				(65)			(65)
Common stock activity, net			(5)				(5)
Treasury stock activity, net					1		1
Compensation expense			46				46
BALANCE AT MARCH 31, 2012	$ 1,227	$ 241	$ 9,107	$ 19,213	$ (31)	$ (42)	$ 29,715

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

APACHE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

These financial statements have been prepared by Apache Corporation (Apache or the Company) without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). They reflect all adjustments that are, in the opinion of management, necessary for a fair statement of the results for the interim periods, on a basis consistent with the annual audited financial statements. All such adjustments are of a normal recurring nature. Certain information, accounting policies and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States (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, 2011, which contains a summary of the Company s significant accounting policies and other disclosures. Additionally, the Company s financial statements for prior periods include reclassifications that were made to conform to the current-period presentation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As of March 31, 2012, Apache s significant accounting policies are consistent with those discussed in Note 1 of its consolidated financial statements contained in the Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

Use of Estimates

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

Oil and Gas Property

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

Any excess of the net book value of proved oil and gas properties, less related deferred income taxes, over the ceiling is charged to expense and reflected as Additional depreciation, depletion and amortization (DD&A) in the accompanying statement of consolidated operations. Such limitations are imposed separately on a country-by-country basis and are tested quarterly. For a discussion of the calculation of estimated future net cash flows, please refer to Note 14 Supplemental Oil and Gas Disclosures in Apache s Annual Report on Form 10-K for its 2011 fiscal year. At March 31, 2012, the Company recorded a $521 million ($390 million net of tax) non-cash write-down of the carrying value of the Company s Canadian proved oil and gas properties. Excluding the effects of cash flow hedges in calculating the ceiling limitation, the write-down as of March 31, 2012, would have been $656 million ($491 million net of tax).

Recently Issued Accounting Standards Not Yet Adopted

In December 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-11, which increases disclosures about offsetting assets and liabilities. New disclosures are required to enable users of financial statements to understand significant quantitative differences in balance sheets prepared under GAAP and International Financial Reporting Standards (IFRS) related to the offsetting of financial instruments. The existing GAAP guidance allowing balance sheet offsetting, including industry-specific guidance, remains unchanged. The guidance in ASU No. 2011-11 is effective for annual and interim reporting periods beginning on or after January 1, 2013. The disclosures should be applied retrospectively for all prior periods presented. The Company does not expect the adoption of this amendment to impact its consolidated financial statements.

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2. ACQUISITIONS AND DIVESTITURES

2012 Activity

Cordillera Energy Partners

On April 30, 2012, Apache completed the acquisition of Cordillera Energy Partners III, LLC (Cordillera), a privately-held exploration and production company, in a stock and cash transaction. Cordillera s properties include approximately 312,000 net acres in the Granite Wash, Tonkawa, Cleveland, and Marmaton plays in western Oklahoma and the Texas Panhandle. The effective date of the transaction is September 1, 2011.

Apache issued 6,272,667 shares of common stock and paid approximately $2.5 billion of cash to the sellers as consideration for the transaction, subject to normal post-closing adjustments. Approximately $200 million was paid in January 2012 as a cash deposit, and the balance was paid upon closing with a portion of the proceeds from the Company s April 2012 public note offering. For further discussion of this equity issuance, please see Note 9 Capital Stock of this Form 10-Q. For further discussion of the note offering, please see Note 6 Debt of this Form 10-Q.

Burrup Holdings Limited

On January 31, 2012, a subsidiary of Apache Energy Limited completed the acquisition of a 49-percent interest in Burrup Holdings Limited (BHL) for $439 million, including working capital adjustments. The transaction was funded with debt. BHL is the owner of an ammonia fertilizer plant on the Burrup Peninsula of Western Australia. Apache has supplied gas to the plant since operations commenced in 2006. Yara Australia Pty Ltd (Yara) owns the remaining 51 percent of BHL and will operate the plant. In addition, Apache also acquired an interest in a planned technical ammonia nitrate plant to be developed with Yara. The investment in BHL is accounted for under the equity method of accounting, with the balance recorded as a component of Deferred charges and other in Apache s consolidated balance sheet and results of operations recorded as a component of Other under Revenues and Other in the Company s statement of consolidated operations.

2011 Activity

Mobil North Sea Limited Acquisition

On December 30, 2011, Apache completed the acquisition of Mobil North Sea Limited (Mobil North Sea). The assets acquired include: operated interests in the Beryl, Nevis, Nevis South, Skene and Buckland fields; operated interest in the Beryl/Brae gas pipeline and the SAGE gas plant; non-operated interests in the Maclure, Scott and Telford fields; and Benbecula (west of Shetlands) exploration acreage. This acquisition was funded with existing cash on hand.

The transaction was accounted for using the acquisition method of accounting, which requires, among other things, that assets acquired and liabilities assumed be recognized at their fair values as of the acquisition date. The following table summarizes the preliminary estimates of the assets acquired and liabilities assumed in the acquisition. The final determination of fair value for certain assets and liabilities will be completed as soon as the information necessary to complete the analysis is obtained. These amounts will be finalized as soon as possible, but no later than one year from the acquisition date.

	(In millions)
Current assets	$ 208
Oil and gas properties	2,817
Gathering, transmission and processing facilities	338
Goodwill [(1)]	82
Total assets acquired	$ 3,445
Current liabilities	148
Asset retirement obligation	517
Deferred income tax liabilities	1,533
Other long-term obligations	1
Total liabilities assumed	$ 2,199

Net assets acquired	$	1,246

(1) Goodwill was the excess of the consideration transferred over the net assets recognized and represents the future economic benefits arising from assets acquired that could not be individually identified and separately recognized. Goodwill is not deductible for tax purposes.

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. Management believes it is prudent to manage the variability in cash flows by occasionally entering into derivative instruments on a portion of its crude oil and natural gas production. The Company utilizes various types of derivative financial instruments, including swaps and options, to manage fluctuations in cash flows resulting from changes in commodity prices. Derivatives entered into are typically designated as cash flow hedges.

Counterparty Risk

The use of derivative instruments exposes the Company to counterparty credit risk, or the risk that a counterparty will be unable to meet its commitments. To reduce the concentration of exposure to any individual counterparty, Apache utilizes a diversified group of investment-grade rated counterparties, primarily financial institutions, for its derivative transactions. As of March 31, 2012, Apache had derivative positions with 18 counterparties. The Company monitors counterparty creditworthiness on an ongoing basis; however, it cannot predict sudden changes in counterparties creditworthiness. In addition, even if such changes are not sudden, the Company may be limited in its ability to mitigate an increase in counterparty credit risk. Should one of these counterparties not perform, Apache may not realize the benefit of some of its derivative instruments resulting from lower commodity prices.

The Company executes commodity derivative transactions under master agreements that have netting provisions that provide for offsetting payables against receivables. In general, if a party to a derivative transaction incurs a material deterioration in its credit ratings, as defined in the applicable agreement, the other party has the right to demand the posting of collateral, demand a transfer, or terminate the arrangement.

Derivative Instruments

As of March 31, 2012, Apache had the following open crude oil derivative positions:

	Fixed-Price Swaps		Collars		
Production Period	Mbbls	Weighted Average Fixed Price[(1)]	Mbbls	Weighted Average Floor Price[(1)]	Weighted Average Ceiling Price[(1)]
2012	2,996	$73.73	9,122	$76.80	$101.68
2013	1,972	74.29	5,701	82.84	111.63
2014	76	74.50			

(1) Crude oil prices represent a weighted average of several contracts entered into on a per barrel basis. Crude oil contracts are primarily settled against NYMEX WTI Cushing Index. Approximately 29 percent of 2012 collars and 58 percent of 2013 collars are settled against Dated Brent.

As of March 31, 2012, Apache had the following open natural gas derivative positions:

	Fixed-Price Swaps			Collars			
Production Period	MMBtu (in 000 s)	GJ (in 000 s)	Weighted Average Fixed Price[(1)]	MMBtu (in 000 s)	GJ (in 000 s)	Weighted Average Floor Price[(1)]	Weighted Average Ceiling Price [(1)]
2012	35,508		$ 6.22	16,500		$ 5.54	$ 7.30
2012		33,000	C$ 6.61		5,500	C$ 6.50	C$ 7.27
2013	10,095		$ 6.74	6,825		$ 5.35	$ 6.67
2014	1,295		$ 6.72			$	$

(1) U.S. natural gas prices represent a weighted average of several contracts entered into on a per million British thermal units (MMBtu) basis and are settled primarily against NYMEX Henry Hub and various Inside FERC indices. The Canadian gas contracts are entered into on a per gigajoule (GJ) basis and are settled against AECO Index. The Canadian natural gas prices represent a weighted average of AECO Index prices and are shown in Canadian dollars.

Fair Value Measurements

Apache s commodity derivative instruments consist of variable-to-fixed price commodity swaps and options. The Company uses a market approach to estimate the fair values of its derivative instruments. A market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. The Company s derivatives are not actively quoted in the open market but are valued utilizing commodity futures price strips for the underlying commodities, which are provided by a reputable third party.

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

	$xxxxx.xx	$xxxxx.xx	$xxxxx.xx	$xxxxx.xx	$xxxxx.xx	$xxxxx.xx
	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)]	**Carrying Amount**
			(In millions)			
March 31, 2012						
Assets:						
Commodity Derivative Instruments	$	$ 410	$	$ 410	$ (103)	$ 307
Liabilities:						
Commodity Derivative Instruments		308		308	(103)	205
December 31, 2011						
Assets:						
Commodity Derivative Instruments	$	$ 428	$	$ 428	$ (96)	$ 332
Liabilities:						
Commodity Derivative Instruments		250		250	(96)	154

(1) The derivative fair values above are based on analysis of each contract on a gross basis, even where the legal right of offset exists.

Derivative Assets and Liabilities Recorded in the Consolidated Balance Sheet

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

	March 31, 2012	**December 31, 2011**
	(In millions)	
Current Assets: Derivative instruments	$ 284	$ 304
Other Assets: Deferred charges and other	23	28
Total Assets	$ 307	$ 332
Current Liabilities: Derivative instruments	$ 150	$ 113
Noncurrent Liabilities: Other	55	41
Total Liabilities	$ 205	$ 154

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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:

	Gain (Loss) on Derivatives Recognized In Income	For the Quarter Ended March 31, 2012	2011
		(In millions)	
Gain (loss) reclassified from accumulated other comprehensive income (loss) into operations (effective portion)	Oil and Gas Production Revenues	$ 41	$ 6
Gain (loss) on derivatives recognized in operations (ineffective portion and basis)	Revenues and Other: Other	$ (1)	$ (3)

Derivative Activity in Accumulated Other Comprehensive Income (Loss)

A reconciliation of the components of accumulated other comprehensive income (loss) in the statement of consolidated shareholders equity related to Apache s cash flow hedges is presented in the table below:

	For the Quarter Ended March 31, 2012		2011	
	Before tax	After tax	Before tax	After tax
	(In millions)			
Unrealized gain (loss) on derivatives at beginning of period	$ 145	$ 114	$ (54)	$ (19)
Realized amounts reclassified into earnings	(41)	(34)	(6)	(4)
Net change in derivative fair value	(29)	1	(432)	(302)
Ineffectiveness reclassified into earnings	1		3	2
Unrealized gain (loss) on derivatives at end of period	$ 76	$ 81	$ (489)	$ (323)

Gains and losses on existing hedges will be realized in future earnings through mid-2014, in the same period as the related sales of natural gas and crude oil production occur. Included in accumulated other comprehensive loss as of March 31, 2012, is a net gain of approximately $112 million ($100 million after tax) that applies to the next 12 months; however, estimated and actual amounts are likely to vary materially as a result of changes in market conditions.

4. OTHER CURRENT LIABILITIES

The following table provides detail of our other current liabilities at March 31, 2012 and December 31, 2011:

	March 31, 2012	December 31, 2011
	(In millions)	
Accrued operating expenses	$ 206	$ 221
Accrued exploration and development	1,421	1,430
Accrued compensation and benefits	98	180
Accrued income taxes	474	533
Accrued United Kingdom Petroleum Revenue Tax	171	284
Other	242	276
Total Other current liabilities	$ 2,612	$ 2,924

5. ASSET RETIREMENT OBLIGATION

The following table describes changes to the Company s asset retirement obligation (ARO) liability for the quarter ended March 31, 2012:

	(In millions)
Asset retirement obligation at December 31, 2011	$ 3,887
Liabilities incurred	109
Liabilities settled	(121)
Accretion expense	55
Asset retirement obligation at March 31, 2012	3,930
Less current portion	(448)
Asset retirement obligation, long-term	$ 3,482

6. DEBT AND FINANCING COSTS

The following table presents the carrying amounts and estimated fair values of the Company s outstanding debt at March 31, 2012 and December 31, 2011:

	March 31, 2012		December 31, 2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In millions)			
Money market lines of credit	$ 29	$ 29	$ 31	$ 31
Commercial paper	659	659		
Notes and debentures	7,185	8,312	7,185	8,673
Total Debt	$ 7,873	$ 9,000	$ 7,216	$ 8,704

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

As of March 31, 2012, the Company had unsecured committed revolving syndicated bank credit facilities totaling $3.3 billion, of which $2.3 billion matures in May 2013 and $1.0 billion matures in August 2016. The facilities consist of a $1.5 billion facility, a $1.0 billion facility, and a $450 million facility in the U.S., a $200 million facility in Australia and a $150 million facility in Canada. As of March 31, 2012, available borrowing capacity under the Company s credit facilities was $2.6 billion. The U.S. credit facilities are used to support Apache s commercial paper program.

The Company has available a $2.95 billion commercial paper program, which generally enables Apache to borrow funds for up to 270 days at competitive interest rates. The commercial paper program is fully supported by available borrowing capacity under U.S. committed credit facilities, which expire in 2013 and 2016. As of March 31, 2012, the Company had $659 million in commercial paper outstanding, compared with no outstanding commercial paper as of December 31, 2011.

As of March 31, 2012, current debt included $29 million borrowed on uncommitted overdraft lines in Canada and Argentina and $400 million 6.25-percent notes due on April 15, 2012, which were repaid with April 2012 debt issuance proceeds. As of December 31, 2011, there was $31 million drawn on uncommitted overdraft lines in Argentina.

In April 2012 the Company issued $400 million principal amount of senior unsecured 1.75-percent notes maturing April 15, 2017, $1.1 billion principal amount of senior unsecured 3.25-percent notes maturing April 15, 2022, and $1.5 billion principal amount of senior unsecured 4.75-percent notes maturing April 15, 2043. The notes are redeemable, as a whole or in part, at Apache s option, subject to a make-whole premium. The Company used the proceeds to fund the cash portion of the purchase price paid to acquire Cordillera, repay the $400 million 6.25-percent notes which matured on April 15, 2012, and for general corporate purposes.

Financing Costs

Financing costs incurred during the periods noted are composed of the following:

	For the Quarter Ended March 31, 2012	For the Quarter Ended March 31, 2011
	(In millions)	
Interest expense	$ 108	$ 108
Amortization of deferred loan costs	1	1
Capitalized interest	(66)	(60)
Interest income	(3)	(4)
Financing costs, net	$ 40	$ 45

7. INCOME TAXES

The Company estimates its annual effective income tax rate in recording its quarterly provision for income taxes in the various jurisdictions in which the Company operates. Statutory tax rate changes and other significant or unusual items are recognized as discrete items in the quarter in which they occur. Accordingly, the Company recorded the income tax impact of a $521 million non-cash write-down of its Canadian proved oil and gas properties as a discrete item in the first quarter of 2012.

Apache and its subsidiaries are subject to U.S. federal income tax as well as income or capital taxes in various state and foreign jurisdictions. The Company s tax reserves are related to tax years that may be subject to examination by the relevant taxing authority. The Company is in Administrative Appeals with the United States Internal Revenue Service (IRS) regarding the 2004 through 2008 tax years and under audit for the 2009 and 2010 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. 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. The Company has an accrued liability of approximately $22 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 or results of operations after consideration of recorded accruals. 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 or results of operations.

Argentine Environmental Claims

As more fully described in Note 8 of the financial statements in Apache s Annual Report on Form 10-K for its 2011 fiscal year, in 2006 the Company acquired a subsidiary of Pioneer Natural Resources in Argentina (PNRA) that is involved in various administrative proceedings with environmental authorities in the Neuquén Province relating to permits for and discharges from operations in that province. In addition, PNRA was named in a suit initiated against oil companies operating in the Neuquén basin entitled *Asociación de Superficiarios de la Patagonia v. YPF S.A., et. al*., originally filed on August 21, 2003, in the Argentine National Supreme Court of Justice relating to various environmental and remediation claims. No material change in the status of these matters has occurred since the filing of Apache s Annual Report on Form 10-K for its 2011 fiscal year.

U.S. Royalty Litigation

As more fully described in Note 8 of the financial statements in Apache s Annual Report on Form 10-K for its 2011 fiscal year, two potential class action lawsuits are pending in respect of oil and gas royalties paid by the Company: *Foster v. Apache Corporation*, Civil Action No. CIV-10-0573-HE, in the United States District Court for the Western District of Oklahoma, and *Joyce Holder Trust v. Apache Corporation*, Civil Action No. 4:11-cv-03872, in the United States District Court for the Southern District of Texas, Houston Division. No material change in the status of these matters has occurred since the filing of Apache s Annual Report on Form 10-K for its 2011 fiscal year.

Louisiana Restoration

As more fully described in Note 8 of the financial statements in Apache s Annual Report on Form 10-K for its 2011 fiscal year, numerous surface owners have filed claims or sent demand letters to various oil and gas companies, including Apache, claiming that, under either expressed or implied lease terms or Louisiana law, they are liable for damage measured by the cost of restoration of leased premises to their original condition as well as damages for contamination and cleanup. In the lawsuit filed on May 4, 2010, against Phoenix Exploration Company LP (Phoenix) captioned *Belle Isle, L.L.C. v. Anadarko Petroleum Corporation et al.*, Docket No. 121742, in the District Court of St. Mary Parish, Louisiana, plaintiff s experts have estimated the cost of remediation to be approximately $87 million, and plaintiffs claim additional damages for canal restoration, among other things, all of which is disputed by the Company. No other material change in the status of these matters has occurred since the filing of Apache s most recent Annual Report on Form 10-K for its 2011 fiscal year.

Hurricane-Related Litigation

As more fully described in Note 8 of the financial statements in Apache s Annual Report on Form 10-K for its 2011 fiscal year, on May 27, 2011, in the case styled *Comer et al. v. Murphy Oil USA, Inc. et al.*, Case No. 1:11-cv-220 HS0-JMR, in the United States District Court for the Southern District of Mississippi, the District Court has granted defendants motion to dismiss plaintiffs claims, and plaintiffs have appealed the decision to the United States Court of Appeals for the Fifth Circuit. No other material change in the status of this matter has occurred since the filing of Apache s Annual Report on Form 10-K for its 2011 fiscal year.

Australia Gas Pipeline Force Majeure

As more fully described in Note 8 of the financial statements in Apache s Annual Report on Form 10-K for its 2011 fiscal year, in 2008 Company subsidiaries reported a pipeline explosion that interrupted deliveries of natural gas in Australia to customers under various long-term contracts. No material change in the status of these matters has occurred since the filing of Apache s most recent Annual Report on Form 10-K for its 2011 fiscal year except as follows:

The prosecution notice that was filed on May 28, 2009, by the Department of Mines and Petroleum against Apache Northwest Pty Ltd and its co-licensees was dismissed by the Magistrates Court of Western Australia on March 29, 2012.

The report prepared by the inspectors appointed by the government of Western Australia under the Petroleum Pipelines Act to coordinate the final stages of the investigation into the Varanus Island gas explosion, as described in Apache s Annual Report on Form 10-K for its 2011 fiscal year, has been provided by the government to Apache Northwest Pty Ltd for review prior to its publication.

Breton Lawsuit

As more fully described in Note 8 of the financial statements in Apache s Annual Report on Form 10-K for its 2011 fiscal year, on October 4, 2011, plaintiffs filed suit in *Breton Energy, L.L.C. et al. v. Mariner Energy Resources, Inc., et al.*, Case 4:11-cv-03561, in the United States District Court for the Southern District of Texas, Houston Division, seeking compensation from defendants for allegedly depriving plaintiffs, either negligently or intentionally, of rights to hydrocarbons in a reservoir described by plaintiffs as a common reservoir in West Cameron Blocks 171 and 172 offshore Louisiana in the Gulf of Mexico. No material change in the status of this matter has occurred since the filing of Apache s Annual Report on Form 10-K for its 2011 fiscal year.

Escheat Audits

As more fully described in Note 8 of the financial statements in Apache s Annual Report on Form 10-K for its 2011 fiscal year, the State of Delaware, Department of Finance, Division of Revenue (Unclaimed Property), has notified numerous companies, including Apache Corporation, that the State intends to examine its books and records and those of its subsidiaries and related entities to determine compliance with the Delaware Escheat Laws. No material change in the status of this matter has occurred since the filing of Apache s Annual Report on Form 10-K for its 2011 fiscal year.

Burrup-Related Gas Supply Lawsuits

As more fully described in Note 8 of the financial statements in Apache s Annual Report on Form 10-K for its 2011 fiscal year, on May 19, 2011, a lawsuit captioned *Oswal v. Apache Corporation*, Cause No. 2011-30302, in the District Court

of Harris County, Texas, was filed in which plaintiff Pankaj Oswal, in his personal capacity and as trustee for the Burrup Trust, asserts claims against the Company under the Australian Trade Practices Act. No material change in the status of this matter has occurred since the filing of Apache s Annual Report on Form 10-K for its 2011 fiscal year.

Also as more fully described in Note 8 of the financial statements in Apache s Annual Report on Form 10-K for its 2011 fiscal year, this lawsuit is one of a number of legal actions involving the Burrup Fertilisers Pty Ltd ammonia plant in Western Australia. In one of these legal actions a case captioned *Radhika Oswal v. Australia and New Zealand Banking Group Limited* (ANZ) *et al.*, No. SCI 2011 4653, in the Supreme Court of Victoria Oswal s wife, Radhika Oswal, was granted leave on April 20, 2012, to join Apache Fertilisers Pty Ltd as a defendant.

Environmental Matters

As of March 31, 2012, the Company had an undiscounted reserve for environmental remediation of approximately $104 million. The Company is not aware of any environmental claims existing as of March 31, 2012, that have not been provided for or would otherwise have a material impact on its financial position or results of operations. 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.

As more fully described in Note 8 of the financial statements in Apache s Annual Report on Form 10-K for its 2011 fiscal year, Apache Canada Ltd. has asserted a claim against BP Canada arising out of the acquisition of certain Canadian properties under the parties Partnership Interest and Share Purchase and Sale Agreement dated July 20, 2010. No material change in the status of this matter has occurred since the filing of Apache s Annual Report on Form 10-K for its 2011 fiscal year.

As more fully described in Note 8 of the financial statements in Apache s Annual Report on Form 10-K for its 2011 fiscal year, on May 25, 2011, a panel of the Bureau of Ocean Energy Management (BOEM) published a report dated May 23, 2011, and titled OCS G-2580, Vermilion Block 380 Platform A, Incidents of Noncompliance. The report concerned the BOEM s investigation of a fire on the Vermillion 380 A platform located in the Gulf of Mexico. At the time of the incident, Mariner operated the platform. A small amount of hydrocarbons spilled from the platform into the surrounding water as a result of the incident, and 13 workers were rescued and evacuated to safety after jumping into the water. The BOEM concluded in its investigation that the fire was caused by Mariner s failure to adequately maintain or operate the platform s heater-treater in a safe condition. The BOEM also identified other safety deficiencies on the platform. On December 27, 2011, the BOEM issued several Incidents of Non-Compliance, which may provide the basis for the assessment of civil penalties against Mariner. The Company has decided to contest several of the Incidents of Non-Compliance and filed a Notice of Appeal with the BOEM on April 24, 2012. Effective November 10, 2010, Mariner was acquired by Apache. No material change in the status of this matter has occurred since the filing of Apache s Annual Report on Form 10-K for its 2011 fiscal year.

9. CAPITAL STOCK

Net Income per Common Share

A reconciliation of the components of basic and diluted net income per common share for the quarters ended March 31, 2012 and 2011 is presented in the table below.

	For the Quarter Ended March 31,					
	2012			2011		
	Income	Shares	Per Share	Income	Shares	Per Share
	(In millions, except per share amounts)					
Basic:						
Income attributable to common stock	$ 778	385	$ 2.02	$ 1,115	383	$ 2.91
Effect of Dilutive Securities:						
Mandatory Convertible Preferred Stock	19	12		19	12	
Stock options and other		2			2	
Diluted:						
Income attributable to common stock, including assumed conversions	$ 797	399	$ 2.00	$ 1,134	397	$ 2.86

The diluted earnings per share calculation excludes options and restricted stock units that were anti-dilutive totaling 2.9 million and 1.6 million for the quarters ending March 31, 2012 and 2011, respectively.

Issuance of Common and Preferred Shares

On April 30, 2012, in conjunction with Apache s acquisition of Cordillera, the Company issued 6,272,667 shares of common stock to the sellers.

Common and Preferred Stock Dividends

During the first quarters of 2012 and 2011, Apache paid $58 million and $57 million, respectively, in dividends on its common stock. In the first quarters of 2012 and 2011, the Company also paid $19 million in dividends on its Series D Preferred Stock.

Conditional Restricted Stock Units

To provide long-term incentives for Apache employees to deliver competitive returns to the Company s stockholders, the Company s Board of Directors approved the 2012 Performance Program, pursuant to the 2011 Omnibus Equity Compensation Plan. In January 2012 eligible employees received initial conditional restricted stock unit awards totaling 851,985 units. A total of 840,525 units were outstanding at March 31, 2012, from which a minimum of zero and a maximum of 2,101,313 units could be awarded. The ultimate number of shares awarded is based upon measurement of total shareholder return of Apache common stock as compared to a designated peer group during a three-year performance period. Should any restricted stock units be awarded at the end of the three-year performance period, 50 percent of restricted stock units awarded will immediately vest, and an additional 25 percent will vest on succeeding anniversaries of the end of the performance period.

10. BUSINESS SEGMENT INFORMATION

Apache is engaged in a single line of business. Both domestically and internationally, the Company explores for, develops, and produces natural gas, crude oil, and natural gas liquids. At March 31, 2012, the Company had production in six countries: the United States, Canada, Egypt, Australia, offshore the United Kingdom (U.K.) in the North Sea, and Argentina. Apache also pursues exploration interests in other countries that may over time result in reportable discoveries and development opportunities. Financial information for each country is presented below:

	United States	Canada	Egypt	Australia	U.K. North Sea	Argentina	Other International	Total
				(In millions)				
For the Quarter Ended March 31, 2012								
Oil and Gas Production Revenues	$ 1,550	$ 353	$ 1,249	$ 426	$ 742	$ 137	$	$ 4,457
Operating Income (Loss) [(1)]	$ 672	$ (487)	$ 928	$ 250	$ 264	$ 28	$	$ 1,655
Other Income (Expense):								
Other								79
General and administrative								(128)
Merger, acquisitions & transition								(6)
Financing costs, net								(40)
Income Before Income Taxes								$ 1,560
Total Assets	$ 24,209	$ 8,372	$ 6,870	$ 5,334	$ 6,591	$ 1,773	$ 88	$ 53,237
For the Quarter Ended March 31, 2011								
Oil and Gas Production Revenues	$ 1,377	$ 402	$ 1,199	$ 372	$ 430	$ 98	$	$ 3,878
Operating Income [(1)]	$ 629	$ 78	$ 893	$ 226	$ 206	$ 10	$	$ 2,042
Other Income (Expense):								
Other								47
General and administrative								(112)
Merger, acquisitions & transition								(5)
Financing costs, net								(45)

Income Before Income Taxes								$ 1,927
Total Assets	$ 21,683	$ 8,635	$ 6,266	$ 4,016	$ 2,609	$ 1,598	$ 59	$ 44,866

(1) Operating Income (Loss) consists of oil and gas production revenues less depreciation, depletion and amortization, asset retirement obligation accretion, lease operating expenses, gathering and transportation costs, and taxes other than income. Canada s operating loss for the first quarter of 2012 includes additional depletion of $521 million to write-down the carrying value of oil and gas properties.

11. SUPPLEMENTAL GUARANTOR INFORMATION

Apache Finance Canada Corporation (Apache Finance Canada) issued approximately $300 million of publicly-traded notes due in 2029 and an additional $350 million of publicly-traded notes due in 2015 that are fully and unconditionally guaranteed by Apache. The following condensed consolidating financial statements are provided as an alternative to filing separate financial statements.

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

APACHE CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

For the Quarter Ended March 31, 2012

	Apache Corporation	Apache Finance Canada	All Other Subsidiaries of Apache Corporation	Reclassifications & Eliminations	Consolidated
			(In millions)		
REVENUES AND OTHER:					
Oil and gas production revenues	$ 1,058	$	$ 3,399	$	$ 4,457
Equity in net income (loss) of affiliates	555	(174)	46	(427)	
Other	(1)	17	64	(1)	79
	1,612	(157)	3,509	(428)	4,536
OPERATING EXPENSES:					
Depreciation, depletion and amortization	292		1,448		1,740
Asset retirement obligation accretion	19		36		55
Lease operating expenses	215		458		673
Gathering and transportation	12		65		77
Taxes other than income	50		207		257
General and administrative	99		30	(1)	128
Merger, acquisitions & transition	6				6
Financing costs, net	44	14	(18)		40
	737	14	2,226	(1)	2,976
INCOME (LOSS) BEFORE INCOME TAXES	875	(171)	1,283	(427)	1,560
Provision (benefit) for income taxes	78	(43)	728		763
NET INCOME (LOSS)	797	(128)	555	(427)	797
Preferred stock dividends	19				19
INCOME (LOSS) ATTRIBUTABLE TO COMMON STOCK	$ 778	$ (128)	$ 555	$ (427)	$ 778
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO COMMON STOCK	$ 745	$ (128)	$ 555	$ (427)	$ 745

APACHE CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

For the Quarter Ended March 31, 2011

	Apache Corporation	Apache Finance Canada	All Other Subsidiaries of Apache Corporation	Reclassifications & Eliminations	Consolidated
			(In millions)		
REVENUES AND OTHER:					
Oil and gas production revenues	$ 1,006	$	$ 2,872	$	$ 3,878
Equity in net income (loss) of affiliates	894	(14)	(28)	(852)	
Other	1	(20)	67	(1)	47
	1,901	(34)	2,911	(853)	3,925
OPERATING EXPENSES:					
Depreciation, depletion and amortization	300		636		936
Asset retirement obligation accretion	17		20		37
Lease operating expenses	191		432		623
Gathering and transportation	12		64		76
Taxes other than income	41		123		164
General and administrative	89		24	(1)	112
Merger, acquisitions & transition	5				5
Financing costs, net	37	14	(6)		45
	692	14	1,293	(1)	1,998
INCOME (LOSS) BEFORE INCOME TAXES	1,209	(48)	1,618	(852)	1,927
Provision (benefit) for income taxes	75	(6)	724		793
NET INCOME (LOSS)	1,134	(42)	894	(852)	1,134
Preferred stock dividends	19				19
INCOME (LOSS) ATTRIBUTABLE TO COMMON STOCK	$ 1,115	$ (42)	$ 894	$ (852)	$ 1,115
COMPREHENSIVE INCOME ATTRIBUTABLE TO COMMON STOCK	$ 811	$ 280	$ 3,590	$ (3,870)	$ 811

APACHE CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

For the Quarter Ended March 31, 2012

	Apache Corporation	Apache Finance Canada	All Other Subsidiaries of Apache Corporation	Reclassifications & Eliminations	Consolidated
			(In millions)		
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ 230	$ (7)	$ 1,784	$	$ 2,007
CASH FLOWS FROM INVESTING ACTIVITIES:					
Additions to oil and gas property	(417)		(1,288)		(1,705)
Additions to gas gathering, transmission and processing facilities			(262)		(262)
Equity investment in BHL			(439)		(439)
Deposit related to Cordillera acquisition	(200)				(200)
Investment in subsidiaries, net	(210)			210	
Other	(23)		(13)		(36)
NET CASH USED IN INVESTING ACTIVITIES	(850)		(2,002)	210	(2,642)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Commercial paper, credit facility and bank notes, net	657				657
Intercompany borrowings			225	(225)	
Dividends paid	(77)				(77)
Common stock activity	2	4	(19)	15	2
Other	8		(5)		3
NET CASH PROVIDED BY FINANCING ACTIVITIES	590	4	201	(210)	585
NET DECREASE IN CASH AND CASH EQUIVALENTS	(30)	(3)	(17)		(50)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	41	5	249		295
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 11	$ 2	$ 232	$	$ 245

APACHE CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

For the Quarter Ended March 31, 2011

	Apache Corporation	Apache Finance Canada	All Other Subsidiaries of Apache Corporation	Reclassifications & Eliminations	Consolidated
			(In millions)		
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ 392	$ (5)	$ 1,592	$	$ 1,979
CASH FLOWS FROM INVESTING ACTIVITIES:					
Additions to oil and gas property	(469)		(1,102)		(1,571)
Additions to gas gathering, transmission and processing facilities			(125)		(125)
Investment in subsidiaries, net	95			(95)	
Other	(17)		(36)		(53)
NET CASH USED IN INVESTING ACTIVITIES	(391)		(1,263)	(95)	(1,749)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Commercial paper, credit facility and bank notes, net	19				19
Intercompany borrowings		1	(96)	95	
Dividends paid	(76)				(76)
Common stock activity	26	4	(4)		26
Other	31		(8)		23
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		5	(108)	95	(8)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1		221		222
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	6		128		134
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 7	$	$ 349	$	$ 356

APACHE CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATING BALANCE SHEET

March 31, 2012

	Apache Corporation	Apache Finance Canada	All Other Subsidiaries of Apache Corporation	Reclassifications & Eliminations	Consolidated
			(In millions)		
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	$ 11	$ 2	$ 232	$	$ 245
Receivables, net of allowance	777		2,386		3,163
Inventories	55		552		607
Drilling advances	12		356		368
Derivative instruments	106		178		284
Prepaid assets and other	4,082		(3,795)		287
	5,043	2	(91)		4,954
PROPERTY AND EQUIPMENT, NET	12,570		33,259		45,829
OTHER ASSETS:					
Intercompany receivable, net	4,156		(1,754)		