

APACHE CORP  
Form 10-Q  
August 04, 2017  
UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 10-Q

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(Mark One)

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

For the quarterly period ended June 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

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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 July 31, 2017 380,934,131

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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

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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 second-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.

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

	For the Quarter Ended June 30,		For the Six Months Ended June 30,	
	2017	2016	2017	2016
	(In millions, except per common share data)			
REVENUES AND OTHER:				
Oil and gas production revenues				
Oil revenues	\$1,050	\$1,118	\$2,222	\$1,940
Gas revenues	233	209	488	432
Natural gas liquids revenues	63	59	148	101
	1,346	1,386	2,858	2,473
Other	59	(21 )	84	(24 )
Gain (loss) on divestitures	(21 )	17	320	16
	1,384	1,382	3,262	2,465
OPERATING EXPENSES:				
Lease operating expenses	372	359	708	737
Gathering and transportation	48	52	105	104
Taxes other than income	29	65	71	76
Exploration	108	91	200	186
General and administrative	106	103	209	196
Transaction, reorganization, and separation	4	9	(6 )	24
Depreciation, depletion, and amortization:				
Oil and gas property and equipment	536	629	1,074	1,265
Other assets	36	40	74	82
Asset retirement obligation accretion	37	38	73	76
Impairments	—	173	8	173
Financing costs, net	99	104	199	209
	1,375	1,663	2,715	3,128
NET INCOME (LOSS) BEFORE INCOME TAXES	9	(281 )	547	(663 )
Current income tax provision	126	144	314	134
Deferred income tax benefit	(730 )	(225 )	(647 )	(226 )
NET INCOME (LOSS) INCLUDING NONCONTROLLING INTEREST	613	(200 )	880	(571 )
Net income attributable to noncontrolling interest	41	44	95	45
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON STOCK	\$572	\$(244 )	\$785	\$(616 )
NET INCOME (LOSS) PER COMMON SHARE:				
Basic	\$1.50	\$(0.65 )	\$2.06	\$(1.63 )
Diluted	\$1.50	\$(0.65 )	\$2.05	\$(1.63 )
WEIGHTED-AVERAGE NUMBER OF COMMON SHARES OUTSTANDING:				
Basic	381	379	380	379
Diluted	383	379	383	379
DIVIDENDS DECLARED PER COMMON SHARE	\$0.25	\$0.25	\$0.50	\$0.50
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 CASH FLOWS  
(Unaudited)

	For the Six Months Ended June 30, 2017      2016 (In millions)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income (loss) including noncontrolling interest	\$880	\$(571 )
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Gain on divestitures	(320 )	(16 )
Exploratory dry hole expense and unproved leasehold impairments	152	139
Depreciation, depletion, and amortization	1,148	1,347
Asset retirement obligation accretion	73	76
Impairments	8	173
Deferred income tax benefit	(647 )	(226 )
Other	39	91
Changes in operating assets and liabilities:		
Receivables	62	237
Inventories	20	1
Drilling advances	(20 )	(30 )
Deferred charges and other	(90 )	(65 )
Accounts payable	(37 )	(118 )
Accrued expenses	(86 )	(57 )
Deferred credits and noncurrent liabilities	24	2
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>1,206</b>	<b>983</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Additions to oil and gas property	(883 )	(925 )
Leasehold and property acquisitions	(67 )	(118 )
Additions to gas gathering, transmission, and processing facilities	(274 )	—
Proceeds from sale of Midale and House Mountain	228	—
Proceeds from sale of oil and gas properties	483	48
Other, net	(16 )	29
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(529 )</b>	<b>(966 )</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payments on fixed-rate debt	(70 )	—
Distributions to noncontrolling interest	(170 )	(93 )
Dividends paid	(190 )	(189 )
Other	43	(1 )
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(387 )</b>	<b>(283 )</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>290</b>	<b>(266 )</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>1,377</b>	<b>1,467</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>\$1,667</b>	<b>\$1,201</b>

**SUPPLEMENTARY CASH FLOW DATA:**

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Interest paid, net of capitalized interest	\$202	\$206
Income taxes paid, net of refunds	163	201
The accompanying notes to consolidated financial statements are an integral part of this statement.		



APACHE CORPORATION AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEET  
(Unaudited)

	June 30, 2017	December 31, 2016
	(In millions)	
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$1,667	\$ 1,377
Receivables, net of allowance	1,015	1,128
Inventories	416	476
Drilling advances	99	81
Assets held for sale	1,231	—
Prepaid assets and other	219	179
	4,647	3,241
<b>PROPERTY AND EQUIPMENT:</b>		
Oil and gas, on the basis of successful efforts accounting:		
Proved properties	38,118	42,693
Unproved properties and properties under development	1,796	1,969
Gathering, transmission and processing facilities	1,254	976
Other	998	1,111
	42,166	46,749
Less: Accumulated depreciation, depletion, and amortization	(24,615 )	(27,882 )
	17,551	18,867
<b>OTHER ASSETS:</b>		
Deferred charges and other	404	411
	\$22,602	\$ 22,519
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$533	\$ 585
Liabilities held for sale	939	—
Other current liabilities (Note 5)	1,401	1,258
	2,873	1,843
<b>LONG-TERM DEBT</b>	8,329	8,544
<b>DEFERRED CREDITS AND OTHER NONCURRENT LIABILITIES:</b>		
Income taxes	1,058	1,710
Asset retirement obligation	1,811	2,432
Other	266	311
	3,135	4,453
<b>COMMITMENTS AND CONTINGENCIES (Note 9)</b>		
<b>EQUITY:</b>		
Common stock, \$0.625 par, 860,000,000 shares authorized, 414,099,033 and 412,612,102 shares issued, respectively	259	258
Paid-in capital	12,246	12,364
Accumulated deficit	(2,607 )	(3,385 )
Treasury stock, at cost, 33,171,015 and 33,172,426 shares, respectively	(2,887 )	(2,887 )
Accumulated other comprehensive loss	(112 )	(112 )
<b>APACHE SHAREHOLDERS' EQUITY</b>	6,899	6,238
Noncontrolling interest	1,366	1,441

TOTAL EQUITY	8,265	7,679
	\$22,602	\$ 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)	—	—	(616 )	—	—	(616 )	45	(571 )
Distributions to noncontrolling interest	—	—	—	—	—	—	(93 )	(93 )
Common dividends (\$0.50 per share)	—	(189 )	—	—	—	(189 )	—	(189 )
Other	1	57	—	1	—	59	—	59
BALANCE AT JUNE 30, 2016	\$258	\$12,487	\$ (2,596 )	\$ (2,888)	\$ (119 )	\$ 7,142	\$ 1,554	\$8,696
BALANCE AT DECEMBER 31, 2016	\$258	\$12,364	\$ (3,385 )	\$ (2,887)	\$ (112 )	\$ 6,238	\$ 1,441	\$7,679
Net income	—	—	785	—	—	785	95	880
Distributions to noncontrolling interest	—	—	—	—	—	—	(170 )	(170 )
Common dividends (\$0.50 per share)	—	(190 )	—	—	—	(190 )	—	(190 )
Other	1	72	(7 )	—	—	66	—	66
BALANCE AT JUNE 30, 2017	\$259	\$12,246	\$ (2,607 )	\$ (2,887)	\$ (112 )	\$ 6,899	\$ 1,366	\$8,265

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 June 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 Accounting Standards Update (ASU) 2016-09, "Improvements to Employee Share-Based Payment Accounting" (see "Recently Adopted Accounting Pronouncement" section 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 second quarter of 2017. For the six-month period ended June 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. 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.

For the second quarter and six-month periods ended June 30, 2016, the Company recorded asset impairments totaling \$173 million in connection with fair value assessments. Impairments totaling \$68 million were recorded for proved oil and gas properties in the U.S. and Canada, as discussed in further detail below in “Oil and Gas Property.” Also, for the second quarter and six-month periods ended June 30, 2016, the Company recorded \$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 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.

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

Quarter Six	
Ended Months	
June Ended	
30, June 30,	
2017 2016	2017 2016
(In millions)	

Oil and Gas Property:

Proved	\$—	\$68	\$—	\$68
Unproved	3966	54	108	

Proved properties impaired during the quarter ended June 30, 2016 had an aggregate fair value of \$143 million.

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

Recently Adopted Accounting Pronouncement

In March 2016, the Financial Accounting Standards Board (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.

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, with early adoption permitted. 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. As part of the assessment to date, the Company has formed an implementation work team, is reviewing software solutions, and began the process of evaluating 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. Upon preliminary evaluation of contracts in each of the Company's revenue streams, the Company 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

In July 2017, Apache announced three separate transactions to sell its subsidiary Apache Canada Ltd. (ACL) and its Canadian operations for aggregate cash proceeds of approximately \$713 million, subject to foreign exchange movements and customary closing adjustments. The sale of assets at Midale and House Mountain, located in Saskatchewan and Alberta, closed on June 30, 2017. The Company recognized a \$52 million loss in association with this sale. The two remaining transactions to sell ACL and Provost assets in Alberta are expected to close in August 2017.

As a result of the agreements to sell these assets, the remaining ACL assets and liabilities qualified as held for sale as of June 30, 2017. A summary of the associated assets and liabilities classified as held for sale on Apache's consolidated balance sheet as of June 30, 2017, is detailed below:

	June 30, 2017 (In millions)
<b>ASSETS</b>	
Current assets	\$ 105
Property, plant & equipment	1,126
Assets held for sale	\$ 1,231
<b>LIABILITIES</b>	
Current liabilities, excluding asset retirement obligation	\$ 112
Asset retirement obligation	779
Other long-term liabilities	48
Liabilities held for sale	\$ 939

In connection with classifying these assets as held for sale, a separate impairment analysis was performed for each of the assets within the disposal group. The analyses were based on the agreed-upon proceeds less costs to sell for the two transactions related to ACL and Provost assets, a Level 1 fair value measurement. The net carrying value of the assets held for sale in the impairment calculation included consideration of the currency translation loss of \$109 million, which is recorded in "Accumulated Other Comprehensive Loss" on the Company's consolidated balance sheet. The currency translation loss will be recognized as a component of the expected net gain on sale during the third quarter of 2017 upon closing of the transactions. The fair value of the net assets held for sale exceeded the underlying equity value of ACL and the carrying amount of Provost assets at the balance sheet date, and no impairment was recognized. ACL recorded pretax losses of \$93 million and \$129 million for the second quarter and first six months of 2017, respectively, compared to pretax losses of \$62 million and \$161 million, respectively, for the comparable periods in 2016. The Company expects to recognize a small gain upon closing of the transactions during the third quarter of 2017.

#### U.S. Divestitures

During the first half of 2017, Apache completed the sale of certain non-core assets, primarily in the Permian and Midcontinent/Gulf Coast regions, in multiple transactions for cash proceeds of \$522 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 \$372 million during the first half 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 \$142 million as of June 30, 2017.

#### Leasehold and Property Acquisitions

During the second quarter and first six months of 2017, Apache completed \$18 million and \$67 million, respectively, of leasehold and property acquisitions primarily in its North America onshore regions.

#### 2016 Activity

##### Leasehold and Property Acquisitions

During the second quarter and first six months of 2016, Apache completed \$99 million and \$118 million, respectively, of leasehold and property acquisitions primarily in its North America onshore regions and Egypt.

### 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.

#### 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 June 30, 2017, Apache had derivative positions with 12 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 June 30, 2017, Apache had the following open crude oil derivative positions:

Put Options <sup>(1)</sup>			
Production Period	Settlement Index	Mbbls	Weighted Average Strike Price
July - December 2017	NYMEX WTI	16,928	\$50.00
July - December 2017	Dated Brent	15,272	\$51.00

(1) Apache paid a total premium of \$100 million for these put option contracts, averaging \$3.09 per barrel.

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

Fixed-Price Swaps			
Production Period	MMBtu (in 000's)	Weighted Average Fixed Price <sup>(1)(2)</sup>	
July - December 2017	4,370	\$3.46	
January - March 2018	2,700	\$3.60	

(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.

Subsequent to June 30, 2017, Apache entered into fixed-price natural gas contracts settling against Nymex Henry (2)Hub totaling 20,000 MMBtu/d at a weighted average price of \$3.13 for the fourth quarter of 2017 and 120,000 MMBtu/d at a weighted average price of \$3.33 for the first quarter of 2018.

Apache elected not to designate any of these derivatives as cash flow hedges. Changes in the fair value of these derivatives are recorded in "Other" under "Revenues and Other" in the Company's statement of consolidated operations. Total unrealized gain in the second quarter and first six months of 2017 was \$41 million.

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

#### Fair Value Measurements

Apache's commodity derivative instruments consist of put options and fixed-price swaps. The fair values of the Company's derivatives are not actively quoted in the open market. The Company uses a market approach to estimate the fair values of its derivative instruments 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 fair value of the Company's derivative assets at June 30, 2017, was \$141 million and is reflected in "Prepaid assets and other" in the Company's consolidated balance sheet.

#### 4. CAPITALIZED EXPLORATORY WELL COSTS

The Company's capitalized exploratory well costs were \$274 million and \$264 million at June 30, 2017 and December 31, 2016, respectively. The increase is primarily attributable to additional drilling activities 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 six months ended June 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 June 30, 2017 and December 31, 2016:

	June 30, 2017	December 31, 2016
	(In millions)	
Accrued operating expenses	\$76	\$ 110
Accrued exploration and development	608	463
Accrued compensation and benefits	76	201
Accrued interest	146	145
Accrued income taxes	77	22
Current debt	150	—
Current asset retirement obligation	35	66
Refundable deposits	142	174
Other	91	77
Total other current liabilities	\$1,401	\$ 1,258

#### 6. ASSET RETIREMENT OBLIGATION

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

	(In millions)
Asset retirement obligation at December 31, 2016	\$ 2,498
Liabilities incurred	38
Liabilities divested	(29 )
Liabilities settled	(21 )
Accretion expense	73
Revisions in estimated liabilities	66
Liabilities held for sale	(779 )
Asset retirement obligation at June 30, 2017	1,846
Less current portion	35
Asset retirement obligation, long-term	\$ 1,811

## 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 July 2017, Apache announced the sale of ACL and classified its investment in the subsidiary as held for sale as of June 30, 2017. 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 investment in ACL and decreased its deferred tax liability associated with its investment in other foreign subsidiaries. This resulted in the Company recording a \$674 million deferred income tax benefit in the second quarter of 2017.

Also during the second quarter of 2017, Apache's effective income tax rate was primarily impacted by gains on the sale of oil and gas properties and an increase in the amount of valuation allowance on Canadian deferred tax assets. During the second quarter of 2016, Apache's effective income tax rate was primarily impacted by an increase in the valuation allowance on Canadian deferred tax assets.

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 an increase in the amount of valuation allowance on Canadian deferred tax assets. Apache's 2016 year-to-date effective tax rate was primarily impacted by an increase in the valuation allowance on 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 June 30, 2017 and December 31, 2016:

	June 30, 2017		December 31, 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In millions)			
Commercial paper and committed bank facilities	\$—	\$—	\$—	\$—
Notes and debentures	8,479	9,094	8,544	9,183
Total Debt	\$8,479	\$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 June 30, 2017 and December 31, 2016:

	June 30, December 31, 2017 2016 (In millions)	
Debt before unamortized discount and debt issuance costs	\$8,580	\$ 8,650
Unamortized discount	(49 )	(50 )
Debt issuance costs	(52 )	(56 )
Total debt	8,479	8,544
Current maturities	(150 )	—
Long-term debt	\$8,329	\$ 8,544

As of June 30, 2017, current debt included \$150 million of 7.0% senior notes due February 1, 2018.

As of June 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 June 30, 2017, the Company had no commercial paper or borrowings under committed bank facilities or uncommitted bank lines outstanding.

As of June 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 June 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.

#### Financing Costs, Net

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

	For the Quarter Ended June 30, 2017		For the Six Months Ended June 30, 2016	
	2017	2016	2017	2016
	(In millions)			
Interest expense	\$115	\$116	\$231	\$232
Amortization of deferred loan costs	2	2	4	3
Capitalized interest	(13 )	(12 )	(27 )	(23 )



Loss on extinguishment of debt	—	—	1	—
Interest income	(5 )	(2 )	(10 )	(3 )
Financing costs, net	\$99	\$104	\$199	\$209

## 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 June 30, 2017, the Company has an accrued liability of approximately \$26 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 5<sup>th</sup> Circuit Court of Appeals and additionally challenged the defendants' right to remove the case to federal court. On March 3, 2017, the 5<sup>th</sup> 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 has now filed a Petition for a Writ of Certiorari with the United States Supreme Court.

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. 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 June 30, 2017, the Company had an undiscounted reserve for environmental remediation of approximately \$45 million, of which \$41 million relates to Canadian operations classified as held for sale. The Company is not aware of any environmental claims existing as of June 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 reported a produced water release from a water injection pipeline in a remote area of the Belloy Field that occurred on or about May 4, 2016 and a hydrogen sulfide and oil emulsion leak in the Zama area on or about September 17, 2016. The affected areas have been or are currently being remediated. The Company does not expect the economic impact of any of these incidents to have a material effect on the Company's financial position, results of operations, or liquidity. 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.

In addition to the matters for which we have 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 one-year placeholder notice of claim under the SPA concerning tax and other issues totaling approximately \$200 million in the aggregate. The Company is in the process of reviewing the issues raised by Quadrant and believes at this time that these matters will not have a material adverse effect on the Company's financial position, results of operation, or liquidity.

## 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 ended June 30, 2017 and 2016, is presented in the table below.

	For the Quarter Ended June 30,					
	2017		2016			
	Income	Shares	Per Share	Loss	Shares	Per Share
	(In millions, except per share amounts)					
Basic:						
Income (loss) attributable to common stock	\$572	381	\$ 1.50	\$(244)	379	\$ (0.65 )
Effect of Dilutive Securities:						
Stock options and other	\$—	2	\$ —	\$—	—	\$ —
Diluted:						
Income (loss) attributable to common stock	\$572	383	\$ 1.50	\$(244)	379	\$ (0.65 )
	For the Six Months Ended June 30,					
	2017		2016			
	Income	Shares	Per Share	Loss	Shares	Per Share
	(In millions, except per share amounts)					
Basic:						
Income (loss) attributable to common stock	\$785	380	\$ 2.06	\$(616)	379	\$ (1.63 )
Effect of Dilutive Securities:						
Stock options and other	\$—	3	\$ (0.01 )	\$—	—	\$ —
Diluted:						
Income (loss) attributable to common stock	\$785	383	\$ 2.05	\$(616)	379	\$ (1.63 )

The diluted earnings per share calculation excludes options and restricted stock units that were anti-dilutive totaling 8.5 million and 6.3 million for the quarters ended June 30, 2017 and 2016, respectively, and 8.6 million and 7.4 million for the six months ended June 30, 2017 and 2016, respectively.

## Common Stock Dividends

For each of the quarters ended June 30, 2017, and 2016, Apache paid \$95 million in dividends on its common stock.

For the six months ended June 30, 2017 and 2016, the Company paid \$190 million and \$189 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 June 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. 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 June 30, 2017, the Company had production in four reporting segments: the United States, Canada, 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 (In millions)	Canada	Egypt <sup>(1)</sup>	North Sea	Other International	Total
For the Quarter Ended June 30, 2017						
Oil and Gas Production Revenues	\$491	\$93	\$521	\$241	\$—	\$1,346
Operating Income (Loss) <sup>(2)</sup>	\$(17)	\$(18)	\$213	\$4	\$(2)	\$180
Other Income (Expense):						
Loss on divestitures, net						(21)
Other						59
General and administrative						(106)
Transaction, reorganization, and separation						(4)
Financing costs, net						(99)
Income Before Income Taxes						\$9
For the Six Months Ended June 30, 2017						
Oil and Gas Production Revenues	\$1,043	\$195	\$1,112	\$508	\$—	\$2,858
Operating Income (Loss) <sup>(2)</sup>	\$43	\$(31)	\$514	\$42	\$(23)	\$545
Other Income (Expense):						
Gain on divestitures, net						320
Other						84
General and administrative						(209)
Transaction, reorganization, and separation						6
Financing costs, net						(199)
Income Before Income Taxes						\$547
Total Assets	\$12,530	\$1,476	\$4,778	\$3,772	\$46	\$22,602

	United States (In millions)	Canada	Egypt <sup>(1)</sup>	North Sea	Other International	Total
For the Quarter Ended June 30, 2016						
Oil and Gas Production Revenues	\$520	\$73	\$542	\$251	\$—	\$1,386
Operating Income (Loss) <sup>(3)</sup>	\$(109)	\$(57)	\$220	\$(115)	\$—	\$(61)
Other Income (Expense):						
Gain on divestitures, net						17
Other						(21)
General and administrative						(103)
Transaction, reorganization, and separation						(9)
Financing costs, net						(104)
Loss Before Income Taxes						\$(281)
For the Six Months Ended June 30, 2016						
Oil and Gas Production Revenues	\$929	\$156	\$934	\$454	\$—	\$2,473
Operating Income (Loss) <sup>(3)</sup>	\$(267)	\$(118)	\$261	\$(101)	\$(1)	\$(226)
Other Income (Expense):						
Gain on divestitures, net						16
Other						(24)
General and administrative						(196)
Transaction, reorganization, and separation						(24)
Financing costs, net						(209)
Loss Before Income Taxes						\$(663)
Total Assets	\$12,383	\$2,070	\$5,520	\$4,326	\$47	\$24,346

(1) 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. and Canada includes leasehold impairments totaling \$38 million and \$1 million, respectively, for the second quarter of 2017. The operating income (loss) of U.S., Canada, and North Sea includes leasehold and other asset impairments totaling \$52 million, \$2 million, and \$8 million, respectively, for the first six months of 2017.

The operating income (loss) of U.S., Canada, and North Sea includes leasehold, property, and other asset impairments totaling \$125 million, \$9 million, and \$105 million, respectively, for the second quarter of 2016. The operating income (loss) of U.S., Canada, and North Sea includes leasehold, property, and other asset impairments totaling \$166 million, \$10 million, and \$105 million, respectively, for the first six months of 2016.

12.SUPPLEMENTAL GUARANTOR INFORMATION

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

Apache Finance Canada is 100 percent owned by Apache Corporation. As such, these condensed consolidating financial statements should be read in conjunction with Apache's consolidated financial statements and the notes thereto, of which this note is an integral part.



APACHE CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS  
For the Quarter Ended June 30, 2017

	Apache Corporation	Apache Finance Canada	All Other Subsidiaries of Apache Corporation	Reclassifications & Eliminations	Consolidated
	(In millions)				
REVENUES AND OTHER:					
Oil and gas production revenues	\$248	\$ —	\$ 1,098	\$ —	\$ 1,346
Equity in net income (loss) of affiliates	(34 )	(26 )	—	60	—
Other	62	8	(11 )	—	59
Gain (loss) on divestiture	34	—	(55 )	—	(21 )
	310	(18 )	1,032	60	1,384
OPERATING EXPENSES:					
Lease operating expenses	79	—	293	—	372
Gathering and transportation	7	—	41	—	48
Taxes other than income	24	—	5	—	29
Exploration	54	—	54	—	108
General and administrative	91	—	15	—	106
Transaction, reorganization, and separation	4	—	—	—	4
Depreciation, depletion, and amortization	130	—	442	—	572
Asset retirement obligation accretion	5	—	32	—	37
Financing costs, net	60	6	33	—	99
	454	6	915	—	1,375
NET INCOME (LOSS) BEFORE INCOME TAXES	(144 )	(24 )	117	60	9
Provision (benefit) for income taxes	(716 )	2	110	—	(604 )
NET INCOME (LOSS) INCLUDING NONCONTROLLING INTEREST	572	(26 )	7	60	613
Net income attributable to noncontrolling interest	—	—	41	—	41
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON STOCK	\$572	\$ (26 )	\$ (34 )	\$ 60	\$ 572

APACHE CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS  
For the Quarter Ended June 30, 2016

	Apache Corporation	Apache Finance Canada	All Other Subsidiaries of Apache Corporation	Reclassifications & Eliminations	Consolidated
	(In millions)				
REVENUES AND OTHER:					
Oil and gas production revenues	\$270	\$ —	\$ 1,116	\$ —	\$ 1,386
Equity in net income (loss) of affiliates	(76 )	6	—	70	—
Other	(22 )	9	(8 )	—	(21 )
Gain (loss) on divestiture	(1 )	—	18	—	17
	171	15	1,126	70	1,382
OPERATING EXPENSES:					
Lease operating expenses	66	—	293	—	359
Gathering and transportation	10	—	42	—	52
Taxes other than income	22	—	43	—	65
Exploration	76	—	15	—	91
General and administrative	86	—	17	—	103
Transaction, reorganization, and separation	9	—	—	—	9
Depreciation, depletion, and amortization	159	—	510	—	669
Asset retirement obligation accretion	5	—	33	—	38
Impairments	61	—	112	—	173
Financing costs, net	64	7	33	—	104
	558	7	1,098	—	1,663
NET INCOME (LOSS) BEFORE INCOME TAXES	(387 )	8	28	70	(281 )
Provision (benefit) for income taxes	(143 )	2	60	—	(81 )
NET INCOME (LOSS) INCLUDING NONCONTROLLING INTEREST	(244 )	6	(32 )	70	(200 )
Net income attributable to noncontrolling interest	—	—	44	—	44
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON STOCK	\$(244)	\$ 6	\$ (76 )	\$ 70	\$ (244 )

APACHE CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS  
For the Six Months Ended June 30, 2017

	Apache Corporation	Apache Finance Canada	All Other Subsidiaries of Apache Corporation	Reclassifications & Eliminations	Consolidated
	(In millions)				
REVENUES AND OTHER:					
Oil and gas production revenues	\$532	\$ —	\$ 2,326	\$ —	\$ 2,858
Equity in net income (loss) of affiliates	188	(27 )	—	(161 )	—
Other	70	16	(2 )	—	84
Gain on divestitures	175	—	145	—	320
	965	(11 )	2,469	(161 )	3,262
OPERATING EXPENSES:					
Lease operating expenses	160	—	548	—	708
Gathering and transportation	14	—	91	—	105
Taxes other than income	47	—	24	—	71
Exploration	82	—	118	—	200
General and administrative	181	—	28	—	209
Transaction, reorganization, and separation	(6 )	—	—	—	(6 )
Depreciation, depletion, and amortization	265	—	883	—	1,148
Asset retirement obligation accretion	11	—	62	—	73
Impairments	—	—	8	—	8
Financing costs, net	120	12	67	—	199
	874	12	1,829	—	2,715
NET INCOME (LOSS) BEFORE INCOME TAXES	91	(23 )	640	(161 )	547
Provision (benefit) for income taxes	(694 )	4	357	—	(333 )
NET INCOME (LOSS) INCLUDING NONCONTROLLING INTEREST	785	(27 )	283	(161 )	880
Net income attributable to noncontrolling interest	—	—	95	—	95
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON STOCK	\$785	\$ (27 )	\$ 188	\$ (161 )	\$ 785

APACHE CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS  
For the Six Months Ended June 30, 2016

	Apache Corporation	Apache Finance Canada	All Other Subsidiaries of Apache Corporation	Reclassifications & Eliminations	Consolidated
	(In millions)				
REVENUES AND OTHER:					
Oil and gas production revenues	\$487	\$ —	\$ 1,986	\$ —	\$ 2,473
Equity in net income (loss) of affiliates	(184 )	(20 )	—	204	—
Other	6	21	(51 )	—	(24 )
Gain (loss) on divestitures	(2 )	—	18	—	16
	307	1	1,953	204	2,465
OPERATING EXPENSES:					
Lease operating expenses	144	—	593	—	737
Gathering and transportation	19	—	85	—	104
Taxes other than income	43	—	33	—	76
Exploration	126	—	60	—	186
General and administrative	163	—	33	—	196
Transaction, reorganization, and separation	24	—	—	—	24
Depreciation, depletion, and amortization	315	—	1,032	—	1,347
Asset retirement obligation accretion	9	—	67	—	76
Impairments	61	—	112	—	173
Financing costs, net	125	17	67	—	209
	1,029	17	2,082	—	3,128
NET INCOME (LOSS) BEFORE INCOME TAXES	(722 )	(16 )	(129 )	204	(663 )
Provision (benefit) for income taxes	(106 )	4	10	—	(92 )
NET INCOME (LOSS) INCLUDING NONCONTROLLING INTEREST	(616 )	(20 )	(139 )	204	(571 )
Net income attributable to noncontrolling interest	—	—	45	—	45
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON STOCK	\$(616)	\$(20 )	\$(184 )	\$ 204	\$(616 )

APACHE CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS  
For the Six Months Ended June 30, 2017

	Apache Corporation	Apache Finance Canada	All Other Subsidiaries of Apache Corporation	Reclassifications & Eliminations	Consolidated
	(In millions)				
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ (280)	\$ (13 )	\$ 1,499	\$ —	\$ 1,206
CASH FLOWS FROM INVESTING ACTIVITIES:					
Additions to oil and gas property	(235 )	—	(648 )	—	(883 )
Leasehold and property acquisitions	(58 )	—	(9 )	—	(67 )
Additions to gas gathering, transmission, and processing facilities	—	—	(274 )	—	(274 )
Proceeds from sale of Midale and House Mountain	—	—	228	—	228
Proceeds from sale of oil and gas properties	—	—	483	—	483
Investment in subsidiaries, net	668	—	—	(668 )	—
Other	(9 )	—	(7 )	—	(16 )
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	366	—	(227 )	(668 )	(529 )
CASH FLOWS FROM FINANCING ACTIVITIES:					
Intercompany borrowings	—	259	(927 )	668	—
Payment of fixed-rate debt	(70 )	—	—	—	(70 )
Distributions to noncontrolling interest	—	—	(170 )	—	(170 )
Common stock activity, net	—	—	—	—	—
Dividends paid	(190 )	—	—	—	(190 )
Other	—	—	43	—	43
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(260 )	259	(1,054 )	668	(387 )
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(174 )	246	218	—	290
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	344	—	1,033	—	1,377
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 170	\$ 246	\$ 1,251	\$ —	\$ 1,667

APACHE CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

For the Six Months Ended June 30, 2016

	Apache Corporation	Apache Finance Canada	All Other Subsidiaries of Apache Corporation	Reclassifications & Eliminations	Consolidated
	(In millions)				
CASH PROVIDED BY OPERATING ACTIVITIES	\$ 110	\$ —	\$ 873	\$ —	\$ 983
CASH FLOWS FROM INVESTING ACTIVITIES:					