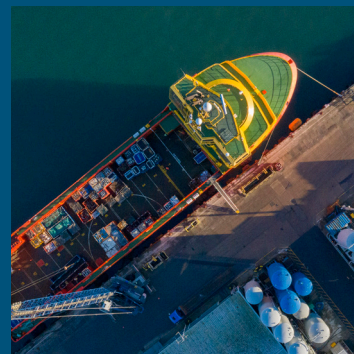


# A Differentiated Approach



**2019** Summary Annual Report  
APACHE CORPORATION

*Apache*

# A Differentiated Approach

Apache's diversified portfolio of assets and approach to exploration and development set us apart from the field. We are leaner and more nimble as a result of our corporate redesign, which began in the fall of 2019, and our differentiated portfolio provides unique investment optionality. We are adjusting to market conditions more quickly; planning and allocating spending more efficiently; and dialing-in our activity levels – across conventional and unconventional, onshore and offshore, and U.S. and international assets – while maintaining strict capital discipline. Our shift in 2015 to an organic growth model with an increased focus on exploration, resulted in a leading position in the Guyana-Suriname Basin, arguably the most watched new resource on the globe. We have taken swift and aggressive actions in anticipation of and in response to 2020 oil prices and are able to withstand a protracted period of commodity price weakness and volatility. Businesses and economies will prosper again on the other side of the current public health and economic crisis, and Apache will be well-positioned when they do.



## 2019 OPERATIONAL OVERVIEW

310

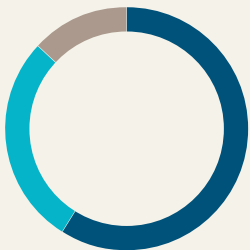
Oil and NGL Production  
(MMbbls/day)

980

Natural Gas Production  
(MMcf/day)

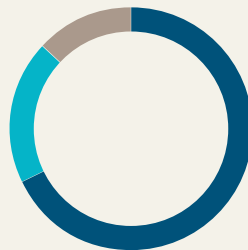
1,011

Proved Reserves  
(MMboe)



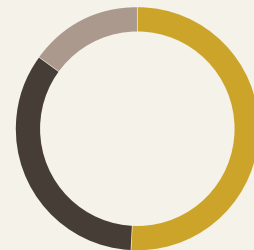
Production (% of total)

United States	59%
Egypt	28%
United Kingdom	13%



Estimated Proved Reserves (% of total)

United States	68%
Egypt	19%
United Kingdom	13%

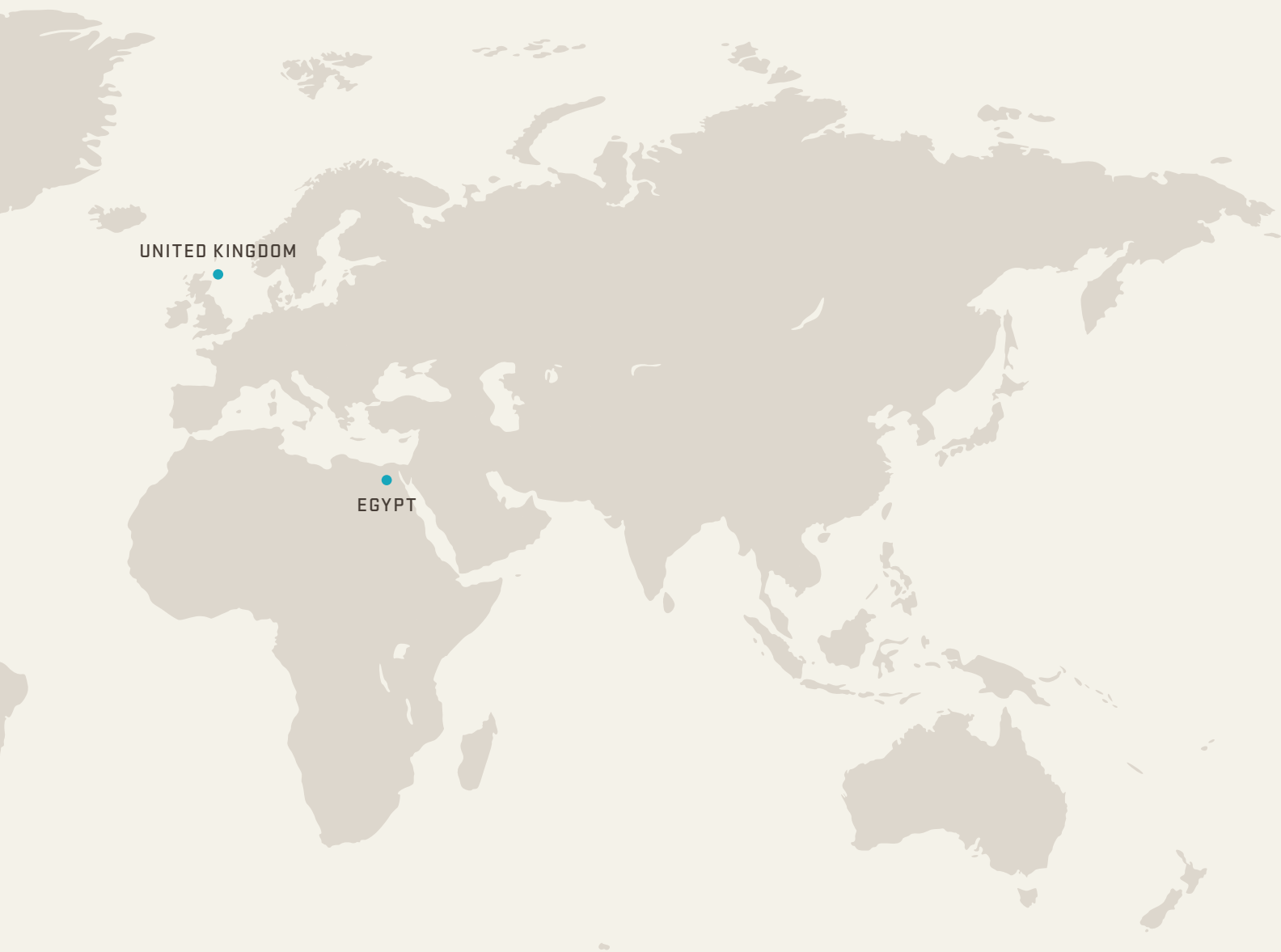


Production by Product (% of total)

Oil	51%
Natural Gas	34%
NGLs	15%

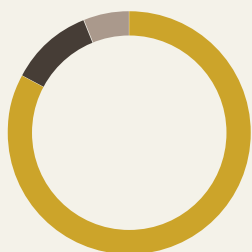
**474 Mboe/d**

Total Production



UNITED KINGDOM

EGYPT



#### Revenue by Product (% of total)

Oil	83%
Natural Gas	11%
NGLs	6%

**\$6.32 Billion**

Total Oil and Gas Revenue

#### 2019 OPERATIONAL DATA BY REGION

	Proved Reserves (MMboe)	Gross Acreage* (in thousands)
United States	684	5,204
Egypt	192	5,122
United Kingdom	135	419
Other International	–	2,308

\*Developed and undeveloped

	Oil and NGL Production (MBbls/day)	Natural Gas Production (MMcf/day)
United States	173	639
Egypt	86	286
United Kingdom	51	55

# Dear Fellow Shareholders,

As we write this, healthcare workers and first responders are on the front lines of the battle against COVID-19, we are all adjusting to changes in the way we live and work, and our industry is facing a crisis driven by simultaneous demand and supply shocks. We are not the first to call these times unprecedented.

While this report is primarily a look back at 2019, we will briefly address the present situation as of May 2020.

Apache has taken numerous precautions to protect employee and public health and ensure business continuity in response to the COVID-19 pandemic. As we continue to explore for energy and operate our assets through this difficult time, our team also remains committed to environmental stewardship and responsible energy development. We are very thankful for – and proud of – our entire workforce; they have shown true resiliency and demonstrated ingenuity, determination and commitment to our core values while finding new, more efficient ways to safely get the job done.

Apache has also taken swift and decisive action to protect its financial position in response to the current market conditions. In March, we further reduced our planned 2020 upstream capital investment to approximately \$1.1 billion, which is nearly 55% below the 2019 level; we reduced our annual dividend payment by \$340 million; and to protect 2020 cash flows from further price deterioration, we added significant near-term oil price hedges. In addition, our organizational redesign, which has been underway for several months, is yielding critical cost reductions that will enable us to remain competitive for the long

term. In 2018 and 2019, we completed approximately \$1.6 billion of debt refinancings that significantly reduced near-term bond maturities and enabled us to retire \$150 million of higher coupon bonds. Together, these steps have prepared us to weather this storm and ultimately thrive for many years to come.

In 2019, we made continued progress on several important strategic initiatives. We maintained strict capital discipline, improved operational performance, advanced sustainability reporting, and initiated a successful and potentially high-impact exploration program in the Guyana-Suriname Basin.

## KEY 2019 HIGHLIGHTS

- Reduced capital investment in 2019 by 23% over 2018, while increasing total company adjusted production by nearly 5%, U.S. production by more than 7%, and Permian oil production by 6% year-over-year;
- Signed a 50-50 joint venture agreement with Total S.A. for Block 58 offshore Suriname that significantly reduces Apache's potential large-scale appraisal and development capital requirements;
- Drilled the Maka Central-1 well in Block 58 Suriname and followed with the announcement of a significant oil discovery in January 2020;
- Launched a comprehensive corporate redesign to further align the organization, work processes and cost structure with long-term planned activity levels, and now targeting a minimum annual savings of \$300 million;
- Generated full-year cash return on invested capital on-target with the corporate incentive compensation goal of 19%;

## 2019 ADJUSTED PRODUCTION

Our diverse portfolio gives us a **unique set of dials** to turn in response to changes in the market.





**\$6.32 Billion**

Oil and Gas Revenue

**\$2.37 Billion**

Upstream Capital Investment<sup>1</sup>

**474 Mboe/d**

Reported Production

**413 Mboe/d**

Adjusted Production<sup>2</sup>

**\$4.05 Billion**

Adjusted EBITDAX<sup>1</sup>

<sup>(1)</sup> For a reconciliation to the most directly comparable GAAP financial measure, please refer to our earnings press release.

<sup>(2)</sup> Excludes production attributable to Egypt tax barrels and noncontrolling interest.

- Achieved the highest quarterly Permian oil production rate in Apache history, averaging 103,000 barrels per day during the fourth quarter; and
- Advanced sustainability efforts by initiating alignment with Sustainability Accounting Standards Board (SASB) and Task Force on Climate-related Financial Disclosures (TCFD) reporting standards and beginning to link ESG performance to short-term incentive compensation.

## LOOKING AHEAD

Looking ahead, our strategy for creating long-term shareholder value is straightforward. We will design and fund a capital program capable of delivering a sustainable combination of long-term returns with a moderate pace of growth; adjust our capital investment within our portfolio to match the prevailing commodity price environment; live within cash flow and generate free cash return to investors; and carry out a comprehensive exploratory and appraisal program offshore Suriname, where we have opened up a leading position in arguably the most watched new basin on the globe. With our partner, Total, we have announced two significant oil discoveries on Block 58 in 2020, and – consistent with our strategy of investing for long-term returns with growth as an outcome – we are choosing to allocate capital to Suriname over the next several years in lieu of short-term growth opportunities in a low-price environment elsewhere in the portfolio.

Our new centralized organization has made us more nimble, and our diverse portfolio gives us a unique set of dials to turn in response to change in the market. We are planning and allocating our investments more efficiently and have flexibility to adjust our activity levels – across conventional and unconventional exploration and development; onshore and offshore; short-cycle and longer cycle investments and U.S. and international assets. This is our differentiated approach – one that will enable us not only to ride out the current market situation, but to emerge with the capability to take advantage of better opportunities ahead.

Our long-term vision is clear. Oil and gas will continue to power the world's economies well into the future and create countless new opportunities for people wanting reliable, abundant energy to help lift their families to higher standards of living. Businesses and economies will prosper again on the other side of this pandemic, and Apache will be well-positioned when they do.

To our shareholders, we thank you for your continued investment and support. We would also like to extend our thanks to all those working tirelessly and taking personal risk to see us through this public health crisis. You have our deepest appreciation.



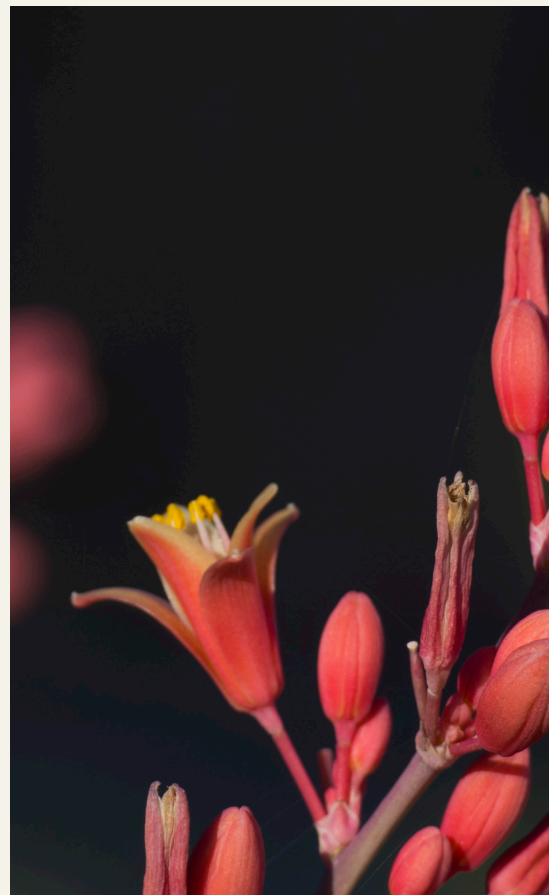
*John E. Lowe*  
**John E. Lowe**  
Chairman of the Board



*John J. Christmann IV*  
**John J. Christmann IV**  
Chief Executive Officer  
and President

# A Differentiated Approach to Sustainability

At Apache, we strive to operate our business in a way that delivers shared value for all our stakeholders.



The core of what we do – the energy we produce and the responsible way in which we operate – enables human progress, supports sustainable development and is helping lead to a cleaner energy future.

Our approach to sustainable operations includes methane emission mitigation strategies, responsible water use, business practices that promote local hiring and sourcing, and community engagement practices.

## OUR FOCUS

As we work to lower methane emissions, we are collaborating with our peers and industry groups to improve methods for leak detection and emission reduction. Our preventive maintenance programs help to minimize methane leaks from equipment. They also help us preemptively identify improperly functioning equipment by using historical operational data to facilitate proactive upkeep, repair and replacement schedules. As a result of these programs and other efforts, we reduced our global methane emissions intensity by 40% from 2014 to 2018.

## FRESH WATER

Fresh water is a precious and limited resource as well as a cost to operations; therefore, we seek and apply innovative ways to use nonfresh water and reduce the overall amount of water required for our operations. We also follow comprehensive procedures for safeguarding water quality and for handling produced water



responsibly. % Since 2014, on average, 79% of the water we have consumed for operations has been recycled or reused water.

### HIRING LOCALLY

Hiring locally is one way Apache makes meaningful contributions to the communities where we operate. In addition, we often source supplies and services locally, which is economically efficient and fosters goodwill through partnerships with local businesses and workers. We strive to build upon those positive relationships by encouraging a culture of open and responsive two-way communication,

educating stakeholders about our operations and listening to fully understand their concerns so appropriate actions can be taken to address them.

We judge our success by the shared value we create for our stakeholders and strive to contribute to the sustainable development of the communities where we live and work.

To learn more about how Apache is innovating to improve our sustainability performance, view Apache's full 2019 Sustainability Report, available for download at [www.apachecorp.com/sustainability](http://www.apachecorp.com/sustainability).

## ENVIRONMENT BY THE NUMBERS

95%

of the water we consumed for our operations in 2018 was nonfresh water

177%

increase in our use of recycled produced water for hydraulic fracturing since 2014

27%

decrease in Total Recordable Incident Rate for employees and contractors since 2014

On track

%: to meet our goal of reducing global methane emissions intensity to 0.37% or less of gross methane production by 2025

## 2019 Performance Summary

### Financial Summary

(Dollars in millions, except per share data)

Year ending December 31	2019	2018	2017
Oil and Gas Production Revenues	\$ 6,315	\$ 7,348	\$ 5,887
Net Income (Loss) Attributable to Common Shareholders	\$ (3,553)	\$ 40	\$ 1,304
Diluted Net Income (Loss) per Common Share	\$ (9.43)	\$ 0.11	\$ 3.41
Net Cash Provided by Operating Activities	\$ 2,867	\$ 3,777	\$ 2,428
Changes in Operating Assets and Liabilities	\$ (3)	\$ 245	\$ (320)
Cash from Operations before Changes in Operating Assets and Liabilities*	\$ 2,870	\$ 3,532	\$ 2,748
Total Assets	\$ 18,107	\$ 21,582	\$ 21,922
Long-term Debt	\$ 8,555	\$ 8,093	\$ 7,934
Total Equity	\$ 4,465	\$ 8,812	\$ 8,791
Cash Dividends Declared per Common Share	\$ 1.00	\$ 1.00	\$ 1.00

### Operational Summary

Costs Incurred in Oil and Gas Property	\$ 2,529	\$ 3,454	\$ 2,886
Natural Gas Production (MMcf/d)	980	966	958
Oil and NGL Production (Mbbls/d)	310	305	298
Proved Reserves (MMboe)	1,011	1,234	1,175

\*Non-GAAP Financial Measure

### Non-GAAP Financial Measures:

Apache's financial information includes information prepared in conformity with generally accepted accounting principles (GAAP) as well as non-GAAP financial information. It is management's intent to provide non-GAAP financial information to enhance understanding of our consolidated financial information as prepared in accordance with GAAP. Oil and gas capital investment, adjusted EBITDAX, and cash from operations before changes in operating assets and liabilities are non-GAAP measures. This non-GAAP information should be considered by the reader in addition to, but not instead of, the financial statements prepared in accordance with GAAP. For a reconciliation to the most directly comparable GAAP financial measure, please refer to our fourth-quarter 2019 earnings release. Each non-GAAP financial measure is presented along with the corresponding GAAP measure so as not to imply that more emphasis should be placed on the non-GAAP measures.

### Forward-Looking Statements:

This summary annual report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements can be identified by words such as "anticipates," "intends," "plans," "seeks," "believes," "continues," "could," "estimates," "expects," "guidance," "may," "might," "outlook," "possibly," "potential," "projects," "should," "will," "would," and similar references to future periods, but the absence of these words does not mean that a statement is not forward-looking. These statements include, but are not limited to, statements about future plans, expectations and objectives for Apache's operations, including statements about our capital plans, drilling plans, production expectations, asset sales, and monetizations. While forward-looking statements are based on assumptions and analyses made by us that we believe to be reasonable under the circumstances, whether actual results and developments will meet our expectations and predictions depend on a number of risks and uncertainties which could cause our actual results, performance, and financial condition to differ materially from our expectations. See "Risk Factors" in our 2019 Form 10-K and in our quarterly reports on Form 10-Q filed with the Securities and Exchange Commission for a discussion of risk factors that affect our business. Any forward-looking statement made by us in this summary annual report speaks only as of the date on which it is made. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future development or otherwise, except as may be required by law.



# Since 1954,

Apache has built a team unified by our values, our commitment to building shareholder value and our culture, which empowers every employee to make decisions and achieve the company's goals. Our global team is brought together by a sense of ownership and the knowledge that the best answers win.

Our **VISION** is to be the premier exploration and production company, contributing to global progress by helping meet the world's energy needs.

Our **MISSION** is to grow in an innovative, safe, environmentally responsible and profitable manner for the long-term benefit of our stakeholders.

Our **STRATEGY** is to take a differentiated approach to the exploration and production of cost-advantaged hydrocarbons through innovation, technology, optimization, continuous improvement and relentless focus on costs to deliver top-tier, long-term returns.

Our **CORE VALUES** are:

- Safety is not negotiable and will not be compromised;
- Expect top performance and innovation;
- Seek relentless improvement in all facets;
- Drive to succeed with a sense of urgency;
- Invest in our greatest asset: our people;
- Foster a contrarian spirit;
- Treat our stakeholders with respect and dignity;
- We derive benefit from the Earth and take our environmental responsibility seriously; and
- Conduct our business with honesty and integrity.

#### Apache's Website: [apachecorp.com](http://apachecorp.com)

Apache's website provides additional company and financial data, including:

- Profiles and maps of the company's worldwide operations: [www.apachecorp.com/operations](http://www.apachecorp.com/operations)
- Background on Apache's mission and values, governance, management and history: [www.apachecorp.com/about](http://www.apachecorp.com/about)
- Latest news, updates and articles, and a photo and video gallery: [www.apachecorp.com/news](http://www.apachecorp.com/news)
- Apache stock information, market data, investor presentations and financial news: [www.apachecorp.com/investors](http://www.apachecorp.com/investors)
- Career opportunities: [careers.apachecorp.com](http://careers.apachecorp.com)

#### Apache's Social Media Sites

- LinkedIn: [www.linkedin.com/company/apache-corporation](http://www.linkedin.com/company/apache-corporation)
- Instagram: [www.instagram.com/apachecorporation](http://www.instagram.com/apachecorporation)
- Facebook: [www.facebook.com/apachecorporation](http://www.facebook.com/apachecorporation)
- Twitter: [www.twitter.com/apachecorp](http://www.twitter.com/apachecorp)

#### Apache's 2019 Sustainability Report

Apache's 2019 Sustainability Report features expanded disclosure of Apache's performance in governance, economics, environmental stewardship, health and safety in the workplace, and community outreach. The report is available online at [www.apachecorp.com/sustainability](http://www.apachecorp.com/sustainability).

#### Media and Other Stakeholder Inquiries

Members of the media and other external stakeholders are welcome to contact Apache's Communications & Public Affairs office for inquiries or other information about the company. These requests may be directed to:

Castlen Kennedy  
Vice President, Communications & Public Affairs  
+1 713-296-7276  
[media@apachecorp.com](mailto:media@apachecorp.com)

#### Investor Inquiries

Shareholders, brokers, securities analysts or portfolio managers seeking information about the company are welcome to contact Apache's Investor Relations department:

Gary Clark  
Vice President, Investor Relations  
+1 281-302-2286  
[ir@apachecorp.com](mailto:ir@apachecorp.com)

The Apache logo, featuring the word "Apache" in a stylized, italicized, sans-serif font. The letters are a golden-yellow color.



## **Apache Corporation**

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Houston, Texas 77056-4400  
[apachecorp.com](http://apachecorp.com)

