APACHE CORP

FORM 10-K
(Annual Report)

Filed 03/02/09 for the Period Ending 12/31/08

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Industry Oil & Gas Operations
Sector Energy
Fiscal Year 12/31
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)
☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2008

APACHE CORPORATION
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

41-0747868
(I.R.S. Employer Identification No.)

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

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, $0.625 par value

Name of Each Exchange On Which Registered

New York Stock Exchange, Chicago Stock Exchange and NASDAQ National Market

New York Stock Exchange

Apache Finance Canada Corporation
7.75% Notes Due 2029
Irrevocably and Unconditionally Guaranteed by Apache Corporation

Securities registered pursuant to Section 12(g) of the Act: Common Stock, $0.625 par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant’s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, 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. (Check one):

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐

(Do not check if a 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 ☒

Aggregate market value of the voting and non-voting common equity held by non-affiliates of registrant as of June 30, 2008 $46,488,719,719
Number of shares of registrant’s common stock outstanding as of January 31, 2009 334,753,638

DOCUMENTS INCORPORATED BY REFERENCE

Portions of registrant’s proxy statement relating to registrant’s 2009 annual meeting of stockholders have been incorporated by reference in parts II and III hereof.
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Apache Corporation, a Delaware corporation formed in 1954, is an independent energy company that explores for, develops and produces natural gas, crude oil and natural gas liquids. In North America, our exploration and production interests are focused in the Gulf of Mexico, the Gulf Coast, East Texas, the Permian basin, the Anadarko basin and the Western Sedimentary basin of Canada. Outside of North America, we have exploration and production interests onshore Egypt, offshore Western Australia, offshore the United Kingdom (U.K.) in the North Sea (North Sea), and onshore Argentina. We also have exploration interests on the Chilean side of the island of Tierra del Fuego. Our common stock, par value $0.625 per share, has been listed on the New York Stock Exchange (NYSE) since 1969, on the Chicago Stock Exchange (CHX) since 1960, and on the NASDAQ National Market (NASDAQ) since 2004. On May 23, 2008, we filed certifications of our compliance with the listing standards of the NYSE and the NASDAQ, including our principal executive officer’s certification of compliance with the NYSE standards. Through our website, www.apachecorp.com, you can access, free of charge, electronic copies of the charters of the committees of our Board of Directors, other documents related to Apache’s corporate governance (including our Code of Business Conduct and Governance Principles), and documents Apache files with the Securities and Exchange Commission (SEC), including our annual reports on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K, as well as any amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934. Included in our annual and quarterly reports are the certifications of our principal executive officer and our principal financial officer that are required by applicable laws and regulations. Access to these electronic filings is available as soon as reasonably practicable after we file such material with, or furnish it to, the SEC. You may also request printed copies of our committee charters or other governance documents free of charge by writing to our corporate secretary at the address on the cover of this report. Our reports filed with the SEC are also made available to read and copy at the SEC’s Public Reference Room at 100 F Street, N.E., Washington, D.C., 20549. You may obtain information about the Public Reference Room by contacting the SEC at 1-800-SEC-0330. Reports filed with the SEC are also made available on its website at www.sec.gov. From time to time, we also post announcements, updates and investor information on our website in addition to copies of all recent press releases.

We hold interests in many of our United States (U.S.), Canadian, and other international properties through subsidiaries, including Apache Canada Ltd., DEK Energy Company (DEKALB), Apache Energy Limited (AEL), Apache North America, Inc., and Apache Overseas, Inc. Properties which we refer in this document may be held by those subsidiaries. We treat all operations as one line of business. References to “Apache” or the “Company” include Apache Corporation and its consolidated subsidiaries unless otherwise specifically stated.

Growth Strategy

Apache’s mission is to grow a profitable upstream oil and gas company for the long-term benefit of our shareholders. Our strategy includes building a balanced portfolio of assets, maintaining financial flexibility, and maximizing earnings and cash flows by controlling costs.

We have a portfolio of core areas that provide long-term growth opportunities through organic drilling supplemented by strategic acquisitions. Two decades ago, recognizing that the United States was a mature oil and gas province, we launched an international exploration component to our portfolio approach. Our international locations provide additional diversity of geologic and geographic risk as well as exposure to larger reserve targets, which fuel production and reserve growth. We have exploration and production operations in six countries, comprising seven regions: the Gulf Coast and Central regions in the United States, Canada, Egypt, the North Sea, Australia and Argentina. We have exploration interests in Chile located adjacent to our Argentine operations in Tierra del Fuego. We have achieved a critical mass in each of our producing regions that support sustainable, lower-risk, repeatable drilling opportunities. This enables us to pursue higher-risk, higher-reward exploration primarily in our international regions, particularly our growth areas of Australia, Canada and Egypt. Our acreage positions, which include 39 million gross acres across the globe, also bring ample growth opportunities.
In 2008, we drilled or participated in 1,418 gross wells with an overall 93 percent success rate; 90 percent were developmental and 10 percent were exploratory. We carefully spread our risk among our regions. For instance, no single region contributed more than 23 percent of our production or reserves in 2008. Our multiple geological locations also provide us a mixture in reserve life, which translates into balance in the timing of returns on our investments. Reserve life (estimated reserves divided by annual production) in our regions ranges from as short as seven years to as long as 27 years.

In addition, our goal is to balance our mix of hydrocarbons, which provides some measure of protection against price deterioration in a given product while retaining upside potential through a significant increase in either commodity price. In 2008, crude oil and liquids provided 50 percent of our production and 68 percent of our revenue. We were well-positioned to realize the benefit of higher oil prices, which significantly outpaced natural gas price increases for much of the year, despite falling 70 percent from their June 2008 peak. Our year-end estimated proved reserves were balanced at 55 percent natural gas and 45 percent crude oil and liquids.

Preserving financial flexibility and a strong balance sheet are also key to our overall business philosophy. We ended 2008 with a debt-to-capitalization ratio of 23 percent, after current year capital investments of $6.3 billion, excluding asset retirement costs. We also had over $1.5 billion of cash and short-term investments. In tightening credit markets, we believe Apache’s single-A debt ratings provide a competitive advantage in accessing capital. Our 2008 return on capital employed and return on equity of four percent and five percent, respectively, was negatively impacted by a non-cash write-down (discussed in Item 7 of this Form 10-K).

Another critical component of our overall strategy is maximization of earnings and cash flow. Both are significantly impacted by commodity prices, which fluctuate and are primarily influenced by factors beyond our control, including worldwide supply and demand, political stability and governmental actions and regulations. For example, demand for energy, once thought to be insatiable, waned, driving prices down. Prices began the year strong and soared to unprecedented levels in mid-2008, only to fall rapidly by year-end, as the financial markets and ultimately the world’s economies stalled.

We also strive to control costs of both adding and producing reserves. Operating regions are given the autonomy necessary to make drilling and operating decisions and to act quickly. Management and incentive systems underscore high cash flows and motivate appropriate risk taking to reach or exceed targeted hurdle rates of return. Results are measured monthly, reviewed with management quarterly and utilized to determine annual performance awards. We monitor capital allocations, at least quarterly, through a disciplined and focused process of analyzing current economic conditions in each of our regions, internally generated drilling prospects, opportunities for tactical acquisitions or, occasionally, new core areas which could enhance our portfolio. We also periodically evaluate our properties to determine whether sales of certain assets could provide opportunities to redeploy our capital resources to rebalance our portfolio and enhance prospective returns.

The global economic slowdown and decline in oil and gas prices create a difficult operating environment for 2009. In preparation, we have substantially reduced our capital budget for 2009 in an effort to keep our expenditures in line with our cash flow. In 2009, we plan to invest $3.5 to $4.0 billion on capital expenditures, which is 50 percent less than in 2008. Our plan includes investments for drilling and recompleting wells, development projects, waterflood projects, equipment upgrades, production enhancement projects and seismic acquisition. Also included is $300 million for gathering, transmission and processing (GTP) assets and $500 million for plugging and abandonment work, of which $250 million is for damage caused by Hurricanes Katrina, Rita and Ike. As is our custom, we will review and revise our capital expenditure estimates throughout the year based on changing industry conditions and results-to-date. Additionally, we plan to step up our search for opportunities to acquire oil and gas properties where we believe we can add value and earn adequate rates of return.

During our 54 years in business and throughout the cycles of our industry, these strategies have underpinned our ability to deliver long-term production growth, increase proved reserves at a reasonable economic cost and achieve competitive investment rates of return for the benefit of our shareholders. We increased reserves 22 out of 23 years and increased production 28 out of the past 30 years, a testament to our longevity. While the business environment in 2009 is likely to be challenging, we believe we are in a strong financial position and are well-positioned to take advantage of what could be some of the most attractive acquisition opportunities in years.
Region Overviews

We currently have exploration and production interests in six countries, divided into seven operating regions: the United States (Gulf Coast and Central regions), Canada, Egypt, Australia, offshore the United Kingdom in the North Sea and Argentina. We also have exploration interests on the Chilean side of the island of Tierra del Fuego, which we acquired in the second quarter of 2008.

The following table sets out a brief comparative summary of certain key 2008 data for each of our operating areas. Additional data and discussion is provided in Item 7 of this Form 10-K.

<table>
<thead>
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</tr>
</thead>
<tbody>
<tr>
<td>Gulf Coast</td>
<td>43.1</td>
<td>22%</td>
<td>3,076</td>
<td>334.8</td>
<td>14%</td>
<td>116</td>
<td>90</td>
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<tr>
<td>Central</td>
<td>33.4</td>
<td>17%</td>
<td>2,007</td>
<td>602.8</td>
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<tr>
<td>Total U.S.</td>
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<td>39%</td>
<td>5,083</td>
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<tr>
<td>Canada</td>
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<td>523.0</td>
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<td>Total North America</td>
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<td>54%</td>
<td>6,734</td>
<td>1,460.6</td>
<td>61%</td>
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</tr>
<tr>
<td>Egypt</td>
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<td>2,739</td>
<td>342.9</td>
<td>14%</td>
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<tr>
<td>Australia</td>
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<td>5%</td>
<td>372</td>
<td>285.5</td>
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<td>North Sea</td>
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<td>188.8</td>
<td>8%</td>
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<tr>
<td>Argentina</td>
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<td>122.8</td>
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<tr>
<td>Total International</td>
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<tr>
<td>Total</td>
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<td>100%</td>
<td>12,328</td>
<td>2,400.6</td>
<td>100%</td>
<td>1,418</td>
<td>1,319</td>
</tr>
</tbody>
</table>

United States

In the U.S., the Gulf Coast region historically generates high returns on invested capital and cash flow significantly in excess of its exploration and development spending. Occasional acquisitions have played an important role, as steep decline rates mean offshore reserves are generally shorter-lived and difficult to replace on a cost-effective basis through drilling alone. The Central region brings the balance of long-lived reserves and consistent drilling results to the portfolio. Apache’s future growth in the U.S. is more likely to be achieved through a combination of drilling and acquisitions than through drilling activity alone.

Gulf Coast Region The region comprises our interests in and along the Gulf of Mexico, in the areas on and offshore Louisiana and Texas. In waters less than 1,200 feet deep in the Gulf of Mexico, Apache is the largest producer and, since 2004, has been the largest held-by-production acreage holder. In 2008, the region contributed approximately 22 percent of our production and approximately 25 percent of our revenues and, at year-end, held approximately 14 percent of our estimated proved reserves.

The region had a productive year even though a considerable amount of effort was expended on evacuations and repair related to Hurricanes Gustav and Ike. We drilled 116 wells, 90 of which were completed as producers, and performed 358 workover and recompletions. In June 2008, we had a key discovery at the Geauxpher prospect located on Garden Banks Block 462 in deepwater Gulf of Mexico. Apache generated the prospect and has a 40 percent working interest. Mariner Energy, Inc. is the designated operator of the block with a 60 percent working interest. A delineation well was drilled in December 2008, extending the productive reservoir limits. We project the initial discovery to be online in the second quarter of 2009. Additional potential on the block is expected to be tested by further drilling. At Ewing Banks 826, we completed four wells during the first half of 2008 and increased...
production to 6,315 b/d from 700 b/d at the beginning of the year. We own a 100 percent working interest in the field. In addition, significant progress was achieved toward wrapping up remaining abandonments associated with Hurricanes Katrina and Rita in 2005 and repairing damage and restoring shut-in production attributable to Hurricanes Gustav and Ike in 2008.

**Central Region** The Central region includes assets in East Texas, the Permian basin of West Texas and New Mexico and the Anadarko basin of western Oklahoma and the Texas Panhandle, where the Company got its start over 50 years ago. At year-end 2008, the Central region accounted for approximately 25 percent of our estimated proved reserves, the largest concentration in the Company. During 2008, we participated in drilling 415 wells in the Central region, 404 of which were completed as producers. Apache also performed 1,210 workovers and recompletions in the region during the year.

**Marketing** In general, most of our U.S. gas is sold at either monthly or daily market prices. Our natural gas is sold primarily to Local Distribution Companies (LDCs), utilities, end-users, integrated major oil and gas companies and marketers. Approximately two percent of our 2008 U.S. natural gas production was sold under physical long-term fixed-price contracts, all of which expired in 2008. See Item 7A, “Quantitative and Qualitative Disclosures about Market Risk Commodity Risk” in this Form 10-K.

Apache primarily markets its U.S. crude oil to integrated major oil companies, purchasers, transporters and refiners. The objective is to maximize the value of crude oil sold by identifying the best markets and most economical transportation routes available to move the product. Sales contracts are generally 30-day evergreen contracts that renew automatically until canceled by either party. These contracts provide for sales that are priced daily at market prevailing prices.

We manage our credit risk by selling our oil and gas to diverse counterparties and monitoring our exposure on a daily basis.

**Canada**

In our Canadian region, we have 4.9 million net acres across the provinces of British Columbia, Alberta and Saskatchewan, which provide a significant inventory of both low-risk development drilling opportunities in and around a number of Apache fields and higher-risk, higher-reward exploration opportunities. In 2008, we drilled 484 wells in Canada, with 471 completed as producers. Three percent of the wells drilled during the year were exploration wells, half of which were productive. We performed 531 workover and recompletion projects. The region comprises approximately 22 percent of our estimated proved reserves, the second largest concentration in the Company.

In 2009, we will continue our pursuit of the emerging shale-gas play in northeast British Columbia, where we have over 217,000 highly prospective net acres. Apache completed seven horizontal wells at the Ootla shale-gas play in the Horn River Basin during 2008. The last completed well utilized a 10-stage fracture stimulation. Apache plans to continue to develop the optimum strategy for Ootla well completions in 2009. In addition, we plan to drill exploratory wells to test other emerging plays in both Alberta and northeast British Columbia during 2009.

We will also continue to target shallow gas, including coal bed methane (CBM), in the Provost, North Grant Land and Nevis areas. As a result of these efforts, we believe Apache has emerged as one of Canada’s largest producers of CBM. We are also utilizing horizontal well technology to develop waterflood and enhanced oil recovery projects in the Midale field located in southeast Saskatchewan, and the Zama and House Mountain fields located in Alberta. Intermediate depth gas development drilling continues in the Kaybob, West 5 and South Grant Land areas of central and southern Alberta.

**Marketing** Our Canadian natural gas marketing activities focus on sales to LDCs, utilities, end-users, integrated major oil companies, supply aggregators and marketers. Our composite client portfolio is diverse with the intent of reducing the concentration of credit risk in our portfolio. Improved North American natural gas pipeline connectivity over the years has led to a closer correlation between Canadian and U.S. natural gas prices. To diversify our market exposure and optimize pricing differences in the U.S. and Canada, we transport natural gas via our firm transportation contracts to California, the Chicago area, and eastern Canada. We sell the majority of our Canadian
production on a monthly basis, either into the first-of-the-month market or the daily market. In 2008, approximately two percent of our gas sales were subject to long-term fixed-price contracts with the latest expiration in 2011.

Our Canadian crude oil is primarily sold to refiners, integrated major oil companies and marketers. To increase the market value of our condensate and heavier crudes, our condensate is generally either used or sold for blending purposes. We sell our oil and natural gas liquids (NGLs) on crude oil postings, which are market-reflective prices that depend on worldwide crude oil prices and are adjusted for transportation and quality. In order to reach more purchasers and diversify our market, we transport crude oil on 12 pipelines to the major trading hubs within Alberta and Saskatchewan.

Egypt

Egypt holds our largest acreage position with more than 11 million gross acres, following relinquishments in January 2009, in 23 separate concessions (19 producing concessions) that provide a sizable resource in the Cretaceous Upper Bahariya formations and outstanding exploration potential in deeper intervals from Lower Cretaceous to Jurassic. In addition to being the largest acreage holder in Egypt, we believe that Apache is the largest producer of liquid hydrocarbons and natural gas in the Western Desert and the third largest in all of Egypt. In 2008, our Egypt region contributed 22 percent of Apache’s production revenue, 21 percent of total production, and 14 percent of total estimated proved reserves. The Company reports all estimated proved reserves held under production sharing agreements utilizing the economic interest method, which excludes the host country’s share of reserves. In 2008, Apache had an active drilling program in Egypt, completing 236 of 260 wells, a 91 percent success rate, and conducted 701 workovers and recompletions. Historically, our growth in Egypt has been driven by drilling; we are the most active driller in Egypt.

In the Khalda concession two additional Salam gas processing trains, three and four, and an associated Apache pipeline compression project on the Western Desert Northern Gas Pipeline are forecasted to add additional net production of 100 MMcf/d and 5,000 b/d when fully operational in the second quarter of 2009. The third processing train commenced operations on December 4, 2008. Commissioning with first gas from the fourth processing train is projected to commence during the first quarter of 2009.

In Egypt, our operations are conducted pursuant to production sharing contracts under which the contractor partner pays all operating and capital expenditure costs for exploration and development. A percentage of the production, usually up to 40 percent, is available to the contractor partners to recover operating and capital expenditure costs. In general, the balance of the production is allocated between the contractor partners and Egyptian General Petroleum Corporation (EGPC) on a contractually defined basis. Development leases within concessions generally have a 25-year life with extensions possible for additional commercial discoveries or on a negotiated basis.

Marketing  Our gas production is sold to EGPC under an industry-pricing formula, a sliding scale based on Dated-Brent crude oil with a minimum of $1.50 per MMbtu and a maximum of $2.65 per MMbtu, which corresponds to a Dated-Brent price of $21.00 per barrel. Generally, the industry-pricing formula applies to all new gas discovered and produced. In exchange for extension of the Khalda Concession lease in July 2004, Apache agreed to accept the industry-pricing formula on a majority of gas sold but retained the previous gas-price formula (without a price cap) until 2013 for up to 100 MMcf/d gross.

Oil from the Khalda Concession, the Qarun Concession and other nearby Western Desert blocks is sold directly to EGPC or other third parties. Oil sales are made either directly into the Egyptian oil pipeline grid, exported or sold at one of two terminals on the northern coast of Egypt or sold to non-governmental third parties including the Middle East Oil Refinery located in northern Egypt. Oil production that is presently sold to EGPC is sold on a spot basis at the monthly EGPC quoted price (indexed to Brent). In 2008, we sold 34 cargoes (approximately 10.1 million barrels) of Western Desert crude oil from the El Hamra terminal located on the northern coast of Egypt into the export market. These export cargoes were sold to EGPC at market prices above our domestic sales. Additionally, Apache sold Qarun quality oil (approximately 7.6 million barrels) at the Sidi Kerir terminal, also located on the northern coast of Egypt. This Qarun oil was sold at prevailing market prices into the domestic market to non-governmental purchasers (three million barrels) or exported to buyers in the Mediterranean markets (11...
cargoes for approximately 4.6 million barrels). We expect sales to the export market from both the Khaldia and Qarun areas in the Western Desert to continue in 2009.

Australia

Overview — In Australia, our exploration activity is focused in the offshore Carnarvon, Gippsland and Browse basins, where Apache holds 5.2 million net acres in 34 exploration permits, 11 production licenses and five retention leases.

Production operations are concentrated in the Carnarvon and Exmouth basins, the location of Apache’s 11 production licenses, all of which are Apache operated. In 2008, the region generated $372 million of production revenues from the sale of 10.5 MMboe, approximately five percent of our total production. Australia held 12 percent of our year-end estimated proved reserves. During the year, the region participated in drilling 46 wells, which generated 25 productive oil wells and nine productive gas wells.

Our growth strategy includes development in the Carnarvon basin and in areas adjacent to this core area. As of the end of 2008, our Van Gogh and Pyrenees projects in the Exmouth basin were under active development. We had also initiated a development project related to our 2008 Halyard discovery (discussed below) and began appraising our large Julimar discovery (also discussed below). We completed planned development drilling at our Reindeer field.

Van Gogh is Apache-operated, while Pyrenees is operated by BHP Billiton. Van Gogh development drilling and sub-sea production equipment installation is well underway, with first oil production slated for mid-2009 through a floating production storage and offloading tanker. Additional development drilling is planned in 2009 prior to the start of production. Pyrenees development drilling is expected to commence in 2009 with first oil production expected in the first half of 2010. Production from each field is estimated at 20,000 b/d net to Apache.

In April 2008, we drilled the Halyard-1 well, which tested 68 MMcf/d of gas and was completed as a producer. The Halyard field is expected to be tied-in to the nearby East Spar gas facilities once a market for the gas is under contract. Apache holds a 55 percent interest in the field. Additional appraisal in 2009 is necessary on the Julimar gas discovery before proceeding with a development plan. Based on current geological mapping, we believe that Julimar could be a multi-Tcf discovery. Apache owns a 65 percent interest in and operates the Julimar-Brunello complex.

During the fourth quarter of 2008, Apache completed a three-well development drilling campaign at the Reindeer field. On January 6, 2009, we secured a 154 Bcf, 7-year gas sales contract that allowed us to reinstate our Reindeer development, which was suspended at the end of 2008 program because of a delay in gas sales contract negotiations. Negotiations were delayed by the onset of the global economic crisis and the resulting drop in metal prices. The gas will be supplied through a new 65-mile offshore pipeline and a new onshore gas processing facility at Devil Creek. This sales contract is discussed in more detail below under “Subsequent Events.” Construction of pipeline and processing infrastructure is scheduled to commence in 2009 with first production anticipated in 2011. Apache owns a 55-percent interest in the field.

We are currently evaluating the results of wells drilled in 2008 and seismic information to assess the future potential in the Gippsland basin. All six wells drilled in 2008 were either dry or non-commercial.

Varanus Island — On June 3, 2008, subsidiaries of the Company reported a gas pipeline explosion at the Varanus Island gas processing and transportation hub offshore Western Australia, which shut-in production from the John Brookes field and Harriet Joint Venture. When fully operational, the Island’s operations process approximately 195 MMcf/d and 5,400 b/d, net to Apache subsidiaries. On August 8, 2008, partial production was reestablished from the John Brookes field and by year-end was at greater than 80 percent pre-incident levels. The Harriet Joint Venture gas facilities are located adjacent to the pipeline explosion and required more significant repairs to restore operation. A portion of the gas production from the Harriet Joint Venture was restored in December 2008 and is projected to be fully restored in the first half of 2009. Harriet Joint Venture oil production is projected to be fully restored in the first quarter of 2009. The John Brookes field accounted for approximately 60 percent and 25 percent of the island’s pre-incident natural gas and oil production, respectively. Production from the Harriet Joint Venture accounted for the remaining 40 percent and 75 percent of the island’s pre-incident natural gas and oil production,
respectively. Company subsidiaries operate the facilities and own a 68.5 percent interest in the Harriet Joint Venture and a 55 percent interest in the John Brookes field. Company subsidiaries maintain replacement cost insurance, subject to a deductible of approximately $7 million, with adequate limits to cover fully their share of the estimated cost of restoring the Varanus Island facilities.

During 2009, our Australian region plans to focus on its major field development projects and, to a lesser extent, its exploration and appraisal activities.

**Marketing**

As of December 31, 2008, Apache had a total of 18 active gas contracts in Australia with expiration dates ranging from March 2010 to July 2030. Generally, natural gas is sold in Western Australia under long-term, fixed-price contracts, many of which contain price escalation clauses based on the Australian consumer price index.

We continue to export all of our crude oil production into international markets at prices indexed to Asian benchmark crude oil prices, which typically track at or above New York Mercantile Exchange (NYMEX) oil prices.

**North Sea**

Apache entered the North Sea in 2003 upon acquiring an approximate 97 percent working interest in the Forties field (Forties). Our drilling program and continued improvements in plant efficiencies led to an 11 percent increase in 2008 production. We expect to increase our North Sea production in 2009 relative to 2008. We also have several targeted facilities projects planned for 2009 to further improve the efficiency of our operations in the North Sea.

In 2008, the North Sea region produced 21.9 MMboe, approximately 11 percent of our total production, generating slightly more than $2.1 billion of revenue and accounting for approximately eight percent of our year-end estimated proved reserves. In 2008, we invested $459 million in the North Sea on drilling and recompleting wells and facility enhancement programs. We drilled 14 wells in the North Sea during 2008, 12 of which were producers. We completed and commissioned a number of key projects in the North Sea region during 2008, including replacing the key import header on the Charlie platform that services the field export system, high-pressure gas-lift compression projects on the Alpha and Delta platforms, a large produced water reinjection system on the Charlie platform and replacement of the infield pipeline between the Bravo and Charlie platforms. Investments in facility upgrades and integrity-related projects over the past five years have continually increased the efficiency of our operations.

Drilling successes and improved platform operating efficiencies led to fourth-quarter 2008 production of 61,740 b/d. During 2008, production averaged 59,494 b/d. The 2008 annual maintenance shut down on the Charlie platform impacted the field by 1,330 b/d, which was an improvement compared to 2,270 b/d impact in 2007. The new import header on the Charlie platform enabled the platform to be shut in for planned maintenance activities without impacting production export operations from the other field platforms.

**Marketing**

In 2008, we entered into two new term contracts for the physical sale of Forties crude at prevailing market prices. These term sales are composed of base-market indices, adjusted for the quality difference between the Forties crude and Brent, with a premium to reflect the higher market value for term arrangements. In addition to the term sales, Apache sold 11 spot cargoes of approximately 600,000 barrels each and received value at or above the prevailing market prices.

**Argentina**

Argentina became our latest core area following two significant acquisitions in 2006 that substantially increased our presence in the country. In the second quarter of 2006, we completed our purchase of Pioneer’s operations in Argentina for $675 million, with estimated proved reserves of 22 MMbbls of liquid hydrocarbons and 297 Bcf of natural gas. In the third quarter of 2006, we acquired additional interests in (and now operate) seven concessions in Tierra del Fuego (Tdf) from Pan American for $429 million. With the addition of Mendoza CCyB Block 17B in 2008, our oil and gas assets are located in the Neuquén, Austral and Cuyo basins of Argentina. While Argentina presents unique challenges with evolving governmental regulations, we are optimistic about our ability to find additional hydrocarbons with the drill bit and to grow our reserves and production over the long-term.
In 2008, our Argentina region continued its broad drilling and recompletion programs. The region drilled 83 wells, 72 of which were productive. We produced 17.5 MMboe in 2008, which accounted for nine percent of Apache’s total production. Argentina holds approximately five percent of our total estimated proved reserves.

In December 2008, the Mendoza Province granted Apache an exploration permit for CCyB Block 17B in the Cuyo basin, increasing our Argentine acreage by 34 percent. The block is adjacent to and along a trend of existing producing fields.

We also completed a nearly 2,500 square kilometer three-dimensional (3-D) seismic mega shoot in Tierra del Fuego, which aided in the identification of prospects and increased Apache’s ability to drill productive wells. In the Austral Basin of Tierra del Fuego, Apache made discoveries on operated blocks in which we own a 70 percent working interest, including the San Sebastian area, where Apache successfully drilled three kilometers from the shore to test a new separate oil structure in the San Sebastian field. Apache also discovered a new field, Sección Veintinueve, and a field extension to the Sara Norte field. Apache believes that the new 3-D seismic survey will continue to generate an inventory of drilling prospects.

On the mainland, we continued our drilling and recompletion campaigns in our established gas areas in the Neuquén basin. We drilled 11 new wells in our Estacion Fernandez Oro field, 10 new wells in our Guanaco field including a new deeper gas pool and 9 new wells in our Ranquil Co field, with a success rate of 100 percent. Apache plans to continue drilling in each of these fields in 2009. We also drilled a successful exploratory well on our Collon Cura exploration lease, fulfilling our license obligations.

Marketing  In 2008, 52 percent of our natural gas portfolio was regulated based upon certain market segments. We realized an average price of $.92 per Mcf on sales to regulated market segments in 2008. The remaining free market volumes were sold either on a monthly or daily basis or under term contracts, some of which extend through 2009. The average price received for free market volumes during the fourth quarter 2008 was $2.28 per Mcf, versus a fourth-quarter 2007 price of $2.32, a decrease of two percent primarily because of lower spot prices in Tierra del Fuego.

Taxes on exported oil effectively limits prices buyers are willing to pay for domestic sales. Domestic oil prices are currently based on $42 per barrel, plus quality adjustments, and producers realize a gradual increase or decrease as market prices deviate from the base price. In Tierra del Fuego, the price cap applies, but Apache retains the value-added tax collected from buyers, effectively increasing realized prices by 21 percent. In 2008, we received an average price of $49.46 per barrel for crude oil.

Chile

In November 2007, Apache was awarded exploration rights on two blocks comprising one million net acres in Tierra del Fuego, following a bid round. This acreage is adjacent to our 552,000 net acres on the Argentine side of the island of Tierra del Fuego, and the additional acreage represents a natural extension of our expanding exploration and production operations. In 2008, Apache finalized the contracts with the Chilean government in July and shot a 3-D seismic survey. In 2009, we plan to process and interpret this seismic data in order to validate prospects and identify initial drilling locations.

Major Customers

In 2008, purchases by Shell accounted for 17 percent of the company’s oil and gas production revenues.

Subsequent Events

Australian Gas Sales Contract  On January 6, 2009, Apache signed a contract to supply natural gas from its Reindeer field to CITIC Pacific’s Sino Iron project in Western Australia. Apache and its joint venture partner agreed to supply 154 billion cubic feet of gas over seven years, beginning in the second half of 2011. Apache owns a 55-percent interest in the field.
The gas will be supplied through a new, 65-mile offshore pipeline and a new onshore sales gas processing facility at Devil Creek, about 28 miles southwest of Dampier, with capacity to process 210 MMcf/d. Apache plans to sell additional production from the Reindeer field to other domestic customers in Western Australia.

The contract price for the first three years is a fixed price adjusted periodically for changes in the Australian consumer price index. Beginning in the fourth year, the price is indexed to international oil prices. At an oil price of $50 per barrel, Apache’s net share of the revenue over the seven years of the contract would be approximately $700 million.

The gas sales agreement will not take effect unless Apache and its joint venture partner sign contracts for engineering and procurement of the gas plant and pipeline by mid-March 2009 (or a later date if agreed by all parties).

Management Changes On January 15, 2009, Raymond Plank retired as Chairman of the Board, a director, and an employee of Apache. Mr. Plank founded Apache in 1954 and had served as an officer of the Company since 1954 (President and/or Chief Executive Officer from 1954 to 2002 and Chairman of the Board since 1979). He had been a director of the Company since 1954. G. Steven Farris, Apache’s president, chief executive officer and chief operating officer since 2002, succeeded Mr. Plank as chairman.

Also on January 15, 2009, Apache and Mr. Plank entered into an amendment and restatement of his employment agreement dated December 5, 1990, pursuant to which he agreed to provide consulting services to the Company for the remainder of his life.

On February 12, 2009, Mr. Farris formed an office of the chief executive with three key executives reporting to him. Messrs. Roger B. Plank, John A. Crum and Rodney J. Eichler were appointed to new positions effective as of February 12, 2009. Mr. Roger Plank now serves as president, Mr. Crum serves as co-chief operating officer and president — North America, and Mr. Eichler serves as co-chief operating officer and president — International. Although Messrs. Roger Plank, Crum and Eichler have separate functional responsibilities, they have joint and equal roles in the daily decision-making and direction of Apache. Mr. Farris continues to serve as chairman and chief executive officer of Apache and has resigned from his positions of president and chief operating officer of Apache effective February 12, 2009. Mr. Farris continues to serve as Apache’s principal financial officer.

Canadian Gas Pipeline Contract On February 10, 2009, Apache’s wholly-owned subsidiary, Apache Canada Ltd entered into an agreement with TransCanada Pipelines Limited (TCPL) pursuant to which TCPL will construct and install a gas pipeline from northeastern British Columbia to the existing NOVA pipeline system located in the Ekwan area of Alberta. Apache Canada intends to ship gas produced from the Ootla basin on the new pipeline.

The construction, operation and transportation rates of the new pipeline are subject to regulatory approval. We expect to receive authority to construct the pipeline, and construction is expected to be complete on or before April 1, 2011. Upon completion of the pipeline, Apache Canada will have a ship-or-pay commitment to ship 100 MMBtu/d for either a four-year period or a ten-year period, depending on the rate structure determined and approved by the regulatory agency. Apache Canada has the right to terminate the agreement before October 1, 2009. If Apache Canada elects to terminate the agreement or TCPL terminates for reasons set forth in the agreement, Apache Canada must reimburse TCPL for certain costs and expenses up to CDN $90 million plus certain taxes.

Drilling Statistics

Worldwide, in 2008, we participated in drilling 1,418 gross wells, with 1,319 (93 percent) completed as producers. We also performed more than 2,800 workovers and recompletions during the year. Historically, our drilling activities in the U.S. have generally concentrated on exploitation and extension of existing, producing fields rather than exploration. As a general matter, our operations outside of the U.S. focus on a mix of exploration and exploitation wells. In addition to our completed wells, at year-end several wells had not yet reached completion: 91 in the U.S. (56.3 net); 10 in Canada (9.7 net); 36 in Egypt (33.5 net); 2 in Australia (1.6 net); 2 in the North Sea (1.9 net); and 9 in Argentina (8.7 net).
The following table shows the results of the oil and gas wells drilled and completed for each of the last three fiscal years:

<table>
<thead>
<tr>
<th>Year</th>
<th>United States</th>
<th>Canada</th>
<th>Egypt</th>
<th>Australia</th>
<th>North Sea</th>
<th>Argentina</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Productive</td>
<td>Dry</td>
<td>Total</td>
<td>Productive</td>
<td>Dry</td>
<td>Total</td>
<td>Productive</td>
</tr>
<tr>
<td>2008</td>
<td>4.5</td>
<td>6.6</td>
<td>11.1</td>
<td>334.8</td>
<td>25.3</td>
<td>360.1</td>
<td>339.3</td>
</tr>
<tr>
<td>2007</td>
<td>3.0</td>
<td>3.1</td>
<td>6.1</td>
<td>264.9</td>
<td>16.5</td>
<td>281.4</td>
<td>267.9</td>
</tr>
<tr>
<td>2006</td>
<td>2.9</td>
<td>2.7</td>
<td>5.6</td>
<td>266.4</td>
<td>15.3</td>
<td>281.7</td>
<td>269.3</td>
</tr>
</tbody>
</table>

**Productive Oil and Gas Wells**

The number of productive oil and gas wells, operated and non-operated, in which we had an interest as of December 31, 2008, is set forth below:
### Production, Pricing and Lease Operating Cost Data

The following table describes, for each of the last three fiscal years, oil, NGLs and gas production, average lease operating expenses per boe (including severance and other taxes and transportation costs) and average sales prices for each of the countries where we have operations:

<table>
<thead>
<tr>
<th>Year Ended December 31</th>
<th>Production</th>
<th>Average Lease Operating Cost per Boe</th>
<th>Average Sales Price</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Oil (Mbbls)</td>
<td>NGLs (Mbbls)</td>
<td>Gas (MMcf)</td>
</tr>
<tr>
<td><strong>2008</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>United States</td>
<td>32,866</td>
<td>2,191</td>
<td>248,835</td>
</tr>
<tr>
<td>Canada</td>
<td>6,278</td>
<td>760</td>
<td>129,099</td>
</tr>
<tr>
<td>Egypt</td>
<td>24,431</td>
<td>—</td>
<td>96,518</td>
</tr>
<tr>
<td>Australia</td>
<td>3,019</td>
<td>—</td>
<td>45,019</td>
</tr>
<tr>
<td>North Sea</td>
<td>21,775</td>
<td>—</td>
<td>965</td>
</tr>
<tr>
<td>Argentina</td>
<td>4,542</td>
<td>1,056</td>
<td>71,609</td>
</tr>
<tr>
<td>Total</td>
<td>92,911</td>
<td>4,007</td>
<td>592,045</td>
</tr>
<tr>
<td><strong>2007</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>United States</td>
<td>33,127</td>
<td>2,811</td>
<td>280,903</td>
</tr>
<tr>
<td>Canada</td>
<td>6,846</td>
<td>820</td>
<td>141,697</td>
</tr>
<tr>
<td>Egypt</td>
<td>22,168</td>
<td>—</td>
<td>87,883</td>
</tr>
<tr>
<td>Australia</td>
<td>5,029</td>
<td>—</td>
<td>71,149</td>
</tr>
<tr>
<td>North Sea</td>
<td>19,576</td>
<td>—</td>
<td>705</td>
</tr>
<tr>
<td>Argentina</td>
<td>4,175</td>
<td>1,022</td>
<td>73,330</td>
</tr>
<tr>
<td>Total</td>
<td>90,921</td>
<td>4,653</td>
<td>655,667</td>
</tr>
<tr>
<td><strong>2006</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>United States</td>
<td>24,394</td>
<td>2,915</td>
<td>243,442</td>
</tr>
<tr>
<td>Canada</td>
<td>7,561</td>
<td>798</td>
<td>147,579</td>
</tr>
<tr>
<td>Egypt</td>
<td>20,648</td>
<td>—</td>
<td>79,424</td>
</tr>
<tr>
<td>Australia</td>
<td>4,341</td>
<td>—</td>
<td>67,933</td>
</tr>
<tr>
<td>North Sea</td>
<td>21,368</td>
<td>—</td>
<td>752</td>
</tr>
<tr>
<td>Argentina</td>
<td>2,503</td>
<td>561</td>
<td>40,878</td>
</tr>
<tr>
<td>Other International</td>
<td>1,156</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Total</td>
<td>81,971</td>
<td>4,274</td>
<td>580,008</td>
</tr>
</tbody>
</table>
Gross and Net Undeveloped and Developed Acreage

The following table sets out our gross and net acreage position in each country where we have operations:

<table>
<thead>
<tr>
<th>Gross and Net Undeveloped and Developed Acreage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Undeveloped Acreage</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>United States</td>
</tr>
<tr>
<td>Canada</td>
</tr>
<tr>
<td>Egypt</td>
</tr>
<tr>
<td>Australia</td>
</tr>
<tr>
<td>North Sea</td>
</tr>
<tr>
<td>Argentina</td>
</tr>
<tr>
<td>Chile</td>
</tr>
<tr>
<td>Total Company</td>
</tr>
</tbody>
</table>

As of December 31, 2008, we had 4,933,430, 3,270,055 and 8,474,094 net acres scheduled to expire by December 31, 2009, 2010 and 2011, respectively, if production is not established or we take no other action to extend the terms. Approximately two million net acres (four million gross acres) of the 2009 expiration total expired in Egypt in January 2009. We plan to continue the terms of many of these licenses and concession areas through operational or administrative actions and do not expect a significant portion of our net acreage position to expire before such actions occur.

Estimated Proved Reserves and Future Net Cash Flows

As of December 31, 2008, Apache had total estimated proved reserves of 1,081 MMbbls of crude oil, condensate and NGLs and 7.9 Tcf of natural gas. Combined, these total estimated proved reserves are equivalent to 2.4 billion barrels of oil equivalent or 14.4 Tcf of natural gas. As a result of prices in effect at the end of 2008, we experienced significant negative revisions to our reserves, causing 2008 to be the first year in the last 23 in which reserves did not grow.

Proved oil and gas reserves are the estimated quantities of natural gas, crude oil, condensate and NGLs that geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. The Company reports all estimated proved reserves held under production sharing arrangements utilizing the “economic interest” method, which excludes the host country’s share of reserves. Reserve estimates are considered proved if economical productivity is supported by either actual production or conclusive formation tests. Estimated reserves that can be produced economically through application of improved recovery techniques are included in the “proved” classification when successful testing by a pilot project or the operation of an active, improved recovery program in the reservoir provides support for the engineering analysis on which the project or program is based. Estimated proved developed oil and gas reserves can be expected to be recovered through existing wells with existing equipment and operating methods.

Apache emphasizes that its reported reserves are estimates which, by their nature, are subject to revision. The estimates are made using available geological and reservoir data, as well as production performance data. These estimates are reviewed throughout the year and revised either upward or downward, as warranted by additional performance data.

Apache’s proved reserves are estimated at the property level and compiled for reporting purposes by a centralized group of experienced reservoir engineers that is independent of the operating groups. These engineers interact with engineering and geoscience personnel in each of Apache’s operating areas and with accounting and marketing employees to obtain the necessary data for projecting future production, costs, net revenues and ultimate recoverable reserves. Reserves are reviewed internally with senior management and presented to Apache’s Board of Directors in summary form on a quarterly basis. Annually, each property is reviewed in detail by our centralized and operating region engineers to ensure forecasts of operating expenses, netback prices, production trends and development timing are reasonable.
The estimate of reserves disclosed in this Annual Report on Form 10-K are prepared by the Company’s internal staff, and the Company is responsible for the adequacy and accuracy of those estimates. However, we engage Ryder Scott Company, L.P. Petroleum Consultants (Ryder Scott) to review our processes and the reasonableness of our estimates of proved hydrocarbon liquid and gas reserves. We selected the properties for review by Ryder Scott. These properties represented all material fields, approximately 90 percent of international properties and over 80 percent of each country’s reserve value for new wells drilled during the year. During 2008, 2007 and 2006, Ryder Scott’s review covered 82, 77 and 75 percent of the Company’s worldwide estimated reserves value, respectively.

Ryder Scott opined that the overall proved reserves for the reviewed properties as estimated by the Company are, in the aggregate, reasonable, prepared in accordance with generally accepted petroleum engineering and evaluation principles and conform to the SEC’s definition of proved reserves as set forth in Rule 210.4-10(a) of Regulation S-X. Ryder Scott has informed the Company that the tests and procedures used during its reserves audit conform to the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information approved by the Society of Petroleum Engineers. Paragraph 2.2(f) of the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information defines a reserves audit as the process of reviewing certain of the pertinent facts interpreted and assumptions made that have resulted in an estimate of reserves prepared by others and the rendering of an opinion about (1) the appropriateness of the methodologies employed, (2) the adequacy and quality of the data relied upon, (3) the depth and thoroughness of the reserves estimation process, (4) the classification of reserves appropriate to the relevant definitions used, and (5) the reasonableness of the estimated reserve quantities. A reserve audit is not the same as a financial audit and is less rigorous in nature than an independent reserve report where the independent reserve engineer determines the reserves on his or her own.

The Company’s estimates of proved reserves and proved developed reserves as of December 31, 2008, 2007 and 2006, changes in estimated proved reserves during the last three years and estimates of future net cash flows and discounted future net cash flows from estimated proved reserves are contained in Note 13 — Supplemental Oil and Gas Disclosures of Item 15 in this Form 10-K. These estimated future net cash flows are based on prices on the last day of the year and are calculated in accordance with Statement of Financial Accounting Standards (SFAS) No. 69, “Disclosures about Oil and Gas Producing Activities.” Disclosure of this value and related reserves has been prepared in accordance with SEC Regulation S-X Rule 4-10.

In December 2008, the SEC released the final rule for “Modernization of Oil and Gas Reporting” (Modernization). The Modernization disclosure requirements will permit reporting of oil and gas reserves using an average price based upon the prior 12-month period rather than year-end prices and the use of new technologies to determine proved reserves, if those technologies have been demonstrated to result in reliable conclusions about reserves volumes. Companies will also be allowed to disclose probable and possible reserves in SEC filed documents. In addition, companies will be required to report the independence and qualifications of its reserves preparer or auditor and file reports when a third party is relied upon to prepare reserves estimates or conduct a reserves audit. The Modernization disclosure requirements become effective for Apache’s Annual Report on for the year ended December 31, 2009.

**Employees**

On December 31, 2008, we had 3,639 employees.

**Offices**

Our principal executive offices are located at One Post Oak Central, 2000 Post Oak Boulevard, Suite 100, Houston, Texas 77056-4400. At year-end 2008, we maintained regional exploration and/or production offices in Tulsa, Oklahoma; Houston, Texas; Calgary, Alberta; Cairo, Egypt; Perth, Western Australia; Aberdeen, Scotland; and Buenos Aires, Argentina. Apache leases all of its primary office space. The current lease on our principal executive offices runs through December 31, 2013. For information regarding the Company’s obligations under its office leases, see the table in Item 7 — Management’s Discussion and Analysis of Financial Condition and Results of Operations — Capital Resources and Liquidity and Note 9 — Commitments and Contingencies of Item 15 in this Form 10-K.
Title to Interests

As is customary in our industry, a preliminary review of title records, which may include opinions or reports of appropriate professionals or counsel, is made at the time we acquire properties. We believe that our title to all of the various interests set forth above is satisfactory and consistent with the standards generally accepted in the oil and gas industry, subject only to immaterial exceptions that do not detract substantially from the value of the interests or materially interfere with their use in our operations. The interests owned by us may be subject to one or more royalty, overriding royalty, and other outstanding interests (including disputes related to such interests) customary in the industry. The interests may additionally be subject to obligations or duties under applicable laws, ordinances, rules, regulations, and orders of arbitral or governmental authorities. In addition, the interests may be subject to burdens such as production payments, net profits interests, liens incident to operating agreements and current taxes, development obligations under oil and gas leases, and other encumbrances, easements, and restrictions, none of which detract substantially from the value of the interests or materially interfere with their use in our operations.

ITEM 1A. RISK FACTORS

Our business activities and the value of our securities are subject to significant hazards and risks, including those described below. If any of such events should occur, our business, financial condition, liquidity and/or results of operations could be materially harmed, and holders and purchasers of our securities could lose part or all of their investments. Additional risks relating to our securities may be included in the prospectuses for securities we issue in the future.

Our profitability and the carrying value of our properties is highly dependent on the prices of crude oil, natural gas and natural gas liquids, which have historically been very volatile

Our estimated proved reserves, revenues, profitability, operating cash flows and future rate of growth are highly dependent on the prices of crude oil, natural gas and NGLs, which are affected by numerous factors beyond our control. These prices have historically been very volatile and are likely to remain volatile in the future. A significant and extended downward trend in commodity prices would have a material adverse effect on our revenues, profitability and cash flow and could result in a reduction in the carrying value of our oil and gas properties and the amounts of our estimated proved oil and gas reserves. To the extent that we have not hedged our production with derivative contracts or fixed-price contracts, any significant and extended decline in oil and natural gas prices adversely affects our financial position.

Under the full-cost method of accounting as allowed by the SEC, the Company is required to review the carrying value of its proved oil and gas properties each quarter on a country-by-country basis. Under these rules, capitalized costs of proved oil and gas properties, net of accumulated DD&A and deferred income taxes, may not exceed the present value of estimated future net cash flows from proved oil and gas reserves, discounted 10 percent, net of related tax effects. These rules generally require pricing future oil and gas production at the unescalated oil and gas prices in effect at the end of each fiscal quarter and require a write-down if the “ceiling” is exceeded, even if prices declined for only a short period of time. The Company recorded a $5.3 billion (3.6 billion net of tax) non-cash write-down of the carrying value of the Company’s U.S., U.K. North Sea, Canadian and Argentine proved oil and gas properties as of December 31, 2008, as a result of the ceiling test limitations. If oil and gas prices deteriorate from the Company’s year-end realized prices, it is likely that additional write-downs will occur in 2009.

A downgrade in our credit rating could negatively impact our cost of and ability to access capital

We receive debt ratings from the major credit rating agencies in the United States. Factors that may impact our credit ratings include debt levels, planned asset purchases or sales and near-term and long-term production growth opportunities. Liquidity, asset quality, cost structure, reserve mix and commodity pricing levels could also be considered by the rating agencies. Apache’s senior unsecured long-term debt is currently rated A3 by Moody’s, A- by Standard & Poor’s and A by Fitch. Apache’s short-term debt rating for its commercial paper program is currently P-2 by Moody’s, A-2 by Standard & Poor’s and F1 by Fitch. The outlook is stable from Moody’s and Standard & Poor’s and negative from Fitch. A ratings downgrade could adversely impact our ability to access debt markets in
the future, increase the cost of future debt and potentially require the Company to post letters of credit in certain circumstances.

**Declining general economic, business or industry conditions may have a material adverse effect on our results of operations, liquidity and financial condition**

Recently, concerns over inflation, energy costs, geopolitical issues, the availability and cost of credit, the United States mortgage market and a declining real estate market in the United States have contributed to increased economic uncertainty and diminished expectations for the global economy.

These factors, combined with volatile oil, natural gas and NGLs prices, declining business and consumer confidence and increased unemployment, have precipitated an economic slowdown and a recession. Concerns about global economic growth have had a significant adverse impact on global financial markets and commodity prices. If the economic climate in the United States or abroad continues to deteriorate, demand for petroleum products could continue to diminish, which could impact the price at which we can sell our oil, natural gas and NGLs, affect our vendors, suppliers and customers ability to continue operations, and ultimately, adversely impact our results of operations, liquidity and financial condition.

**Our commodity price risk management and trading activities may prevent us from benefiting fully from price increases and may expose us to other risks**

To the extent that we engage in price risk management activities to protect ourselves from commodity price declines, we may be prevented from realizing the full benefits of price increases above the levels of the derivative instruments used to manage price risk. In addition, our hedging arrangements may expose us to the risk of financial loss in certain circumstances, including instances in which:

- our production falls short of the hedged volumes;
- there is a widening of price basis differentials between delivery points for our production and the delivery point assumed in the hedge arrangement;
- the counterparties to our hedging or other price risk management contracts fail to perform under those arrangements; or
- a sudden unexpected event materially impacts oil and natural gas prices.

**The credit risk of financial institutions could adversely affect us**

We have exposure to different counterparties, and we have entered into transactions with counterparties in the financial services industry, including commercial banks, investment banks, insurance companies, other investment funds and other institutions. These transactions expose us to credit risk in the event of default of our counterparty. Continued deterioration in the credit markets may continue to impact the credit ratings of our current and potential counterparties and affect their ability to fulfill their existing obligations to us and their willingness to enter into future transactions with us. We have exposure to these financial institutions in the form of derivative transactions in connection with our hedges. We also maintain insurance policies with insurance companies to protect us against certain risks inherent in our business. In addition, if any lender under our credit facility is unable to fund its commitment, our liquidity will be reduced by an amount up to the aggregate amount of such lender’s commitment under our credit facility.

**Certain of our undeveloped leasehold acreage is subject to leases that will expire over the next several years unless production is established on units containing the acreage**

A sizeable portion of our acreage is currently undeveloped. Unless production in paying quantities is established on units containing certain of these leases during their terms, the leases will expire. If our leases expire, we will lose our right to develop the related properties. Our drilling plans for these areas are subject to
change based upon various factors, including drilling results, oil and natural gas prices, the availability and cost of capital, drilling and production costs, availability of drilling services and equipment, gathering system and pipeline transportation constraints and regulatory approvals.

**Our ability to sell natural gas and/or receive market prices for our gas may be adversely affected by pipeline and gathering system capacity constraints and various transportation interruptions**

A portion of our natural gas and oil production in any region may be interrupted, or shut in, from time to time for numerous reasons, including as a result of weather conditions, accidents, loss of pipeline or gathering system access, field labor issues or strikes, or capital constraints that limit the ability of third parties to construct gathering systems, processing facilities or interstate pipelines to transport our production, or we might voluntarily curtail production in response to market conditions. If a substantial amount of our production is interrupted at the same time, it could temporarily adversely affect our cash flow.

**Acquisitions or discoveries of additional reserves are needed to avoid a material decline in reserves and production**

The production rate from oil and gas properties generally declines as reserves are depleted, while related per-unit production costs generally increase as a result of decreasing reservoir pressures and other factors. Therefore, unless we add reserves through exploration and development activities or, through engineering studies, identify additional behind-pipe zones, secondary recovery reserves or tertiary recovery reserves, or acquire additional properties containing proved reserves, our estimated proved reserves will decline materially as reserves are produced. Future oil and gas production is, therefore, highly dependent upon our level of success in acquiring or finding additional reserves on an economic basis. Furthermore, if oil or gas prices increase, our cost for additional reserves could also increase.

**We may not realize an adequate return on wells that we drill**

Drilling for oil and gas involves numerous risks, including the risk that we will not encounter commercially productive oil or gas reservoirs. The wells we drill or participate in may not be productive, and we may not recover all or any portion of our investment in those wells. The seismic data and other technologies we use do not allow us to know conclusively prior to drilling a well that crude or natural gas is present or may be produced economically. The costs of drilling, completing and operating wells are often uncertain, and drilling operations may be curtailed, delayed or canceled as a result of a variety of factors including, but not limited to:

- unexpected drilling conditions;
- pressure or irregularities in formations;
- equipment failures or accidents;
- fires, explosions, blowouts and surface cratering;
- marine risks such as capsizing, collisions and hurricanes;
- other adverse weather conditions; and
- increase in the cost of, or shortages or delays in the availability of, drilling rigs and equipment.

Future drilling activities may not be successful and, if unsuccessful, this failure could have an adverse effect on our future results of operations and financial condition. While all drilling, whether developmental or exploratory, involves these risks, exploratory drilling involves greater risks of dry holes or failure to find commercial quantities of hydrocarbons.

**We may fail to fully identify potential problems related to acquired reserves or to properly estimate those reserves**

Although we perform a review of properties that we acquire that we believe is consistent with industry practices, such reviews are inherently incomplete. It generally is not feasible to review in depth every individual...
property involved in each acquisition. Ordinarily, we will focus our review efforts on the higher-value properties and will sample the remainder. However, even a detailed review of records and properties may not necessarily reveal existing or potential problems, nor will it permit us as a buyer to become sufficiently familiar with the properties to assess fully and accurately their deficiencies and potential. Inspections may not always be performed on every well, and environmental problems, such as ground water contamination, are not necessarily observable even when an inspection is undertaken. Even when problems are identified, we often assume certain environmental and other risks and liabilities in connection with acquired properties. There are numerous uncertainties inherent in estimating quantities of proved oil and gas reserves and future production rates and associated costs with respect to acquired properties, and actual results may vary substantially from those assumed in the estimates. In addition, there can be no assurance that acquisitions will not have an adverse effect upon our operating results, particularly during the periods in which the operations of acquired businesses are being integrated into our ongoing operations.

**Our North American operations are subject to governmental risks that may impact our operations**

Our North American operations have been, and at times in the future may be, affected by political developments and by federal, state, provincial and local laws and regulations such as restrictions on production, changes in taxes, royalties and other amounts payable to governments or governmental agencies, price or gathering rate controls and environmental protection laws and regulations. New political developments, laws and regulations may adversely impact our results on operations.

**International operations have uncertain political, economic and other risks**

Our operations outside North America are based primarily in Egypt, Australia, the United Kingdom and Argentina. On a barrel equivalent basis, approximately 46 percent of our 2008 production was outside North America and approximately 39 percent of our estimated proved oil and gas reserves on December 31, 2008 were located outside North America. As a result, a significant portion of our production and resources are subject to increased political and economic risks and other factors including, but not limited to:

- general strikes and civil unrest;
- the risk of war, acts of terrorism, expropriation, forced renegotiation or modification of existing contracts;
- import and export regulations;
- taxation policies, including royalty and tax increases and retroactive tax claims, and investment restrictions;
- price control;
- transportation regulations and tariffs;
- constrained natural gas markets dependent on demand in a single or limited geographical area;
- exchange controls, currency fluctuations, devaluation or other activities that limit or disrupt markets and restrict payments or the movement of funds;
- laws and policies of the United States affecting foreign trade, including trade sanctions;
- the possibility of being subject to exclusive jurisdiction of foreign courts in connection with legal disputes relating to licenses to operate and concession rights in countries where we currently operate;
- the possible inability to subject foreign persons to the jurisdiction of courts in the United States; and
- difficulties in enforcing our rights against a governmental agency because of the doctrine of sovereign immunity and foreign sovereignty over international operations.

Foreign countries have occasionally asserted rights to oil and gas properties through border disputes. If a country claims superior rights to oil and gas leases or concessions granted to us by another country, our interests could decrease in value or be lost. Even our smaller international assets may affect our overall business and results of operations by distracting management’s attention from our more significant assets. Various regions of the world in which we operate have a history of political and economic instability. This instability could result in new
governments or the adoption of new policies that might result in a substantially more hostile attitude toward foreign investments such as ours. In an extreme case, such a change could result in termination of contract rights and expropriation of our assets. This could adversely affect our interests and our future profitability.

The impact that future terrorist attacks or regional hostilities may have on the oil and gas industry in general, and on our operations in particular, is not known at this time. Uncertainty surrounding military strikes or a sustained military campaign may affect operations in unpredictable ways, including disruptions of fuel supplies and markets, particularly oil, and the possibility that infrastructure facilities, including pipelines, production facilities, processing plants and refineries, could be direct targets of, or indirect casualties of, an act of terror or war. We may be required to incur significant costs in the future to safeguard our assets against terrorist activities.

Material differences between the estimated and actual timing of critical events may affect the completion and commencement of production from development projects

We are involved in several large development projects whose completion may be delayed beyond our anticipated completion dates. Our projects may be delayed by project approvals from joint venture partners; timely issuances of permits and licenses by governmental agencies; weather conditions; manufacturing and delivery schedules of critical equipment; and other unforeseen events. Delays and differences between estimated and actual timing of critical events may adversely affect our large development projects and our ability to participate in large scale development projects in the future.

Our operations are sensitive to currency rate fluctuations

Our operations are sensitive to fluctuations in foreign currency exchange rates, particularly between the U.S. dollar with the Canadian dollar, the Australian dollar and the British Pound. Our financial statements, presented in U.S. dollars, are affected by foreign currency fluctuations through both translation risk and transaction risk. Volatility in exchange rates may adversely affect our results of operation, particularly through the weakening of the U.S. dollar relative to other currencies.

Weather and climate may have a significant adverse impact on our revenues and productivity

Demand for oil and natural gas are, to a significant degree, dependent on weather and climate, which impact the price we receive for the commodities we produce. In addition, our exploration and development activities and equipment can be adversely affected by severe weather, such as hurricanes in the Gulf of Mexico or cyclones offshore Australia, which may cause a loss of production from temporary cessation of activity or lost or damaged equipment. Our planning for normal climatic variation, insurance programs, and emergency recovery plans may inadequately mitigate the effects of such weather, and not all such effects can be predicted, eliminated or insured against.

We may incur significant costs related to environmental matters

As an owner or lessee and operator of oil and gas properties, we are subject to various federal, provincial, state, local and foreign country laws and regulations relating to discharge of materials into, and protection of, the environment. These laws and regulations may, among other things, impose liability on the lessee under an oil and gas lease for the cost of pollution clean-up resulting from operations, subject the lessee to liability for pollution damages and require suspension or cessation of operations in affected areas. Our efforts to limit our exposure to such liability and cost may prove inadequate and result in significant adverse affect on our results of operations. In addition, it is possible that the increasingly strict requirements imposed by environmental laws and enforcement policies could require us to make significant capital expenditures. Such capital expenditures could adversely impact our cash flows and our financial condition.

We face strong industry competition that may have a significant negative impact on our result of operations

Strong competition exists in all sectors of the oil and gas exploration and production industry. We compete with major integrated and other independent oil and gas companies for acquisition of oil and gas leases, properties and
reserves, equipment and labor required to explore, develop and operate those properties and marketing of oil and natural gas production. Crude oil and natural gas prices impact the costs of properties available for acquisition and the number of companies with the financial resources to pursue acquisition opportunities. Many of our competitors have financial and other resources substantially larger than we possess and have established strategic long-term positions and maintain strong governmental relationships in countries in which we may seek new entry. As a consequence, we may be at a competitive disadvantage in bidding for drilling rights. In addition, many of our larger competitors may have a competitive advantage when responding to factors that affect demand for oil and natural gas production, such as fluctuating worldwide commodity prices and levels of production, the cost and availability of alternative fuels and the application of government regulations. We also compete in attracting and retaining personnel, including geologists, geo-physicists, engineers and other specialists. These competitive pressures may have a significant negative impact on our results of operations.

Our insurance policies do not cover all risks

Exploration for and production of oil and natural gas can be hazardous, involving unforeseen occurrences such as blowouts, cratering, fires and loss of well control, which can result in damage to or destruction of wells or production facilities, injury to persons, loss of life, or damage to property or the environment. The insurance coverage that we maintain against certain losses or liabilities arising from our operations may be inadequate to cover any such resulting liability; moreover, insurance is not available to us against all operational risks.

ITEM 1B. UNRESOLVED SEC STAFF COMMENTS

As of December 31, 2008, we did not have any unresolved comments from the SEC staff that were received 180 or more days prior to year-end.

ITEM 3. LEGAL PROCEEDINGS

See the information set forth in Note 9 — Commitments and Contingencies of Item 15 of this Form 10-K which is incorporated herein by reference.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of our security holders during the most recently ended fiscal quarter.
During 2008, Apache common stock, par value $0.625 per share, was traded on the New York and Chicago Stock Exchanges and the NASDAQ National Market under the symbol “APA.” The table below provides certain information regarding our common stock for 2008 and 2007. Prices were obtained from The New York Stock Exchange, Inc. Composite Transactions Reporting System. Per-share prices and quarterly dividends shown below have been rounded to the indicated decimal place.

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th></th>
<th>2007</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Price Range</td>
<td>Dividends Per Share</td>
<td>Price Range</td>
<td>Dividends Per Share</td>
</tr>
<tr>
<td></td>
<td>High</td>
<td>Low</td>
<td>Declared</td>
<td>Paid</td>
</tr>
<tr>
<td>First Quarter</td>
<td>$122.34</td>
<td>$84.52</td>
<td>$.25</td>
<td>$.15</td>
</tr>
<tr>
<td>Second Quarter</td>
<td>149.23</td>
<td>117.65</td>
<td>.15</td>
<td>.25</td>
</tr>
<tr>
<td>Third Quarter</td>
<td>145.00</td>
<td>94.82</td>
<td>.15</td>
<td>.15</td>
</tr>
<tr>
<td>Fourth Quarter</td>
<td>103.17</td>
<td>57.11</td>
<td>.15</td>
<td>.15</td>
</tr>
</tbody>
</table>

The closing price of our common stock, as reported on the New York Stock Exchange Composite Transactions Reporting System for January 30, 2009 (last trading day of the month), was $75.00 per share. As of January 31, 2009, there were 334,753,638 shares of our common stock outstanding held by approximately 6,000 stockholders of record and approximately 448,000 beneficial owners.

We have paid cash dividends on our common stock for 44 consecutive years through December 31, 2008. When, and if, declared by our Board of Directors, future dividend payments will depend upon our level of earnings, financial requirements and other relevant factors.

In 1995, under our stockholder rights plan, each of our common stockholders received a dividend of one preferred stock purchase right (a “right”) for each 2.310 outstanding shares of common stock (adjusted for subsequent stock dividends and a two-for-one stock split) that the stockholder owned. These rights were originally scheduled to expire on January 31, 2006. Effective as of that date, the rights were reset to one right per share of common stock, and the expiration was extended to January 31, 2016. Unless the rights have been previously redeemed, all shares of Apache common stock are issued with rights, which trade automatically with our shares of common stock. For a description of the rights, please refer to Note 7 — Capital Stock of Item 15 in this Form 10-K.

Information concerning securities authorized for issuance under equity compensation plans is set forth under the caption “Equity Compensation Plan Information” in the proxy statement relating to the Company’s 2009 annual meeting of stockholders, which is incorporated herein by reference.
The following stock price performance graph is intended to allow review of stockholder returns, expressed in terms of the appreciation of the Company’s common stock relative to two broad-based stock performance indices. The information is included for historical comparative purposes only and should not be considered indicative of future stock performance. The graph compares the yearly percentage change in the cumulative total stockholder return on the Company’s common stock with the cumulative total return of the Standard & Poor’s Composite 500 Stock Index and of the Dow Jones U.S. Exploration & Production Index (formerly Dow Jones Secondary Oil Stock Index) from December 31, 2003 through December 31, 2008.

**COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN***
Among Apache Corporation, S&P 500 Index
and the Dow Jones US Exploration & Production Index

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apache Corporation</td>
<td>$100.00</td>
<td>$125.41</td>
<td>$170.91</td>
<td>$166.97</td>
<td>$272.02</td>
<td>$189.80</td>
</tr>
<tr>
<td>S &amp; P’s Composite 500 Stock Index</td>
<td>$100.00</td>
<td>$110.88</td>
<td>$116.33</td>
<td>$134.70</td>
<td>$142.10</td>
<td>$89.53</td>
</tr>
<tr>
<td>DJ US Expl &amp; Prod Index</td>
<td>$100.00</td>
<td>$141.87</td>
<td>$234.54</td>
<td>$247.14</td>
<td>$355.06</td>
<td>$212.61</td>
</tr>
</tbody>
</table>

* $100 invested on 12/31/03 in stock including reinvestment of dividends.
Fiscal year ending December 31.
ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected financial data of the Company and its consolidated subsidiaries over the five-year period ended December 31, 2008, which information has been derived from the Company’s audited financial statements. This information should be read in connection with, and is qualified in its entirety by, the more detailed information in the Company’s financial statements of Item 15 in this Form 10-K. As discussed in more detail under Item 15, the 2008 numbers in the following table reflect a $5.3 billion ($3.6 billion net of tax) non-cash write-down of the carrying value of the Company’s U.S., U.K. North Sea, Canadian and Argentine proved oil and gas properties as of December 31, 2008, as a result of ceiling test limitations.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income Statement Data</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total revenues</td>
<td>$12,389,750</td>
<td>$9,999,752</td>
<td>$8,309,131</td>
<td>$7,584,244</td>
<td>$5,332,577</td>
</tr>
<tr>
<td>Income (loss) attributable to common stock</td>
<td>706,274</td>
<td>2,806,678</td>
<td>2,546,771</td>
<td>2,618,050</td>
<td>1,663,074</td>
</tr>
<tr>
<td><strong>Net income (loss) per common share:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>2.11</td>
<td>8.45</td>
<td>7.72</td>
<td>7.96</td>
<td>5.10</td>
</tr>
<tr>
<td>Diluted</td>
<td>2.09</td>
<td>8.39</td>
<td>7.64</td>
<td>7.84</td>
<td>5.03</td>
</tr>
<tr>
<td><strong>Cash dividends declared per common share</strong></td>
<td>.70</td>
<td>.60</td>
<td>.50</td>
<td>.36</td>
<td>.28</td>
</tr>
</tbody>
</table>

| **Balance Sheet Data**              |        |        |        |        |        |
| Total assets                        | $29,186,485 | $28,634,651 | $24,308,175 | $19,271,796 | $15,502,480 |
| Long-term debt                      | 4,808,975  | 4,011,605 | 2,019,831 | 2,191,954 | 2,588,390 |
| Shareholders’ equity                | 16,508,721 | 15,377,979 | 13,191,053 | 10,541,215 | 8,204,421 |
| Common shares outstanding           | 334,710   | 332,927   | 330,737   | 330,121   | 327,458   |

For a discussion of significant acquisitions and divestitures, see Note 2 — Significant Acquisitions and Divestitures of Item 15 in this Form 10-K.

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Apache Corporation is an independent energy company that explores for, develops and produces natural gas, crude oil and natural gas liquids in both North America and internationally. In North America, our exploration and production operations are focused in the Gulf of Mexico, the Gulf Coast, East Texas, the Permian basin, the Anadarko basin and the Western Sedimentary basin of Canada. Outside of North America, we have exploration and production operations onshore Egypt, offshore Western Australia, offshore the United Kingdom (U.K.) in the North Sea (North Sea), and onshore Argentina. We also have exploration interests on the Chilean side of the island of Tierra del Fuego.

The following discussion should be read together with the Consolidated Financial Statements and the Notes to Consolidated Financial Statements, which are included in Item 8 of this Form 10-K, and the Risk Factors information, which are set forth in Item 1A of this Form 10-K.

Overview

Apache’s 2008 results were significantly impacted by several events:

- A drop in demand related to the slowing global economy caused fourth-quarter oil and gas prices to drop sharply.
- Two major uncontrollable events curtailed our production:
  - Hurricanes in the Gulf of Mexico, and
  - an explosion on a pipeline that transports all of our gas production in Australia.
- A non-cash write-down of the carrying value of our U.S., U.K. North Sea, Canadian and Argentine proved oil and gas properties, necessitated by low commodity prices in effect at year-end (discussed below).

Crude Oil and Natural Gas Prices

The oil and gas industry as a whole experienced a year of extremes during 2008. Crude oil and natural gas prices climbed precipitously in the first half of the year, only to pull back in the third quarter before collapsing in the fourth quarter. Apache monthly average realized prices during the summer reached $118.38 per barrel and $9.12 per thousand cubic feet (Mcf). Our December average realized prices were $36.45 per barrel and $4.75 per Mcf. February 2009 indices indicate that prices are trending below December’s averages as the global economy and demand continue to weaken.

Crude Oil and Natural Gas Production

Apache’s 2008 consolidated production declined five percent from 2007 on a barrel of oil equivalent (boe) basis. Our production would have increased over 2007 levels had it not been for the impact of the following:

- U.S. production was affected by wells shut-in because of, and damage caused by, Hurricanes Gustav and Ike. While we plan to restore nearly all of the production during the second quarter of 2009, the timing in many instances is pipeline dependent and, therefore, beyond our control. See Operating Highlights in this Item 7.
- In June 2008, a pipeline explosion at the Varanus Island gas processing and transportation hub offshore Western Australia disrupted gas and oil sales, reducing 2008 production. We plan to have all of the volumes restored in the first half of 2009. See Operating Highlights in this Item 7.

Earnings and Cash Flow

From an earnings perspective, we had our historical best and worst quarters ever, just one quarter apart. The fourth-quarter price collapse and associated $3.6 billion non-cash after-tax write-down nearly eliminated 2008 nine-month earnings that totaled $3.7 billion dollars or $10.84 per common diluted share. The write-down reduced earnings for the year to $706 million, or $2.09 per share.
Record commodity prices in the first half of 2008 drove record cash provided by operating activities of $7.1 billion and record oil and gas revenues of $12.4 billion, both of which were unaffected by the write-down. They were, however, affected by falling commodity prices, most notably in the fourth quarter of 2008. Key financial indicators for each quarter and the year of 2008 are noted below:

### Operating and Drilling Costs

Costs were a challenge for Apache and our industry in 2008 and are expected to remain so in 2009. Drilling, service and acquisition costs, which have increased steadily since the industry’s last downturn in 2001, reached unprecedented levels in 2008. Also, in the U.S., activity to repair damage caused by Gulf of Mexico hurricanes over the last few years has contributed to increased demand and costs. Even though we have seen a sharp drop in commodity prices, costs have fallen less rapidly pressuring operating margins. We believe costs will ultimately adjust to the current oil and gas price environment, but until they do, our operating margins and drilling costs will continue to be pressured.

### Financial Position and 2009

We believe we are well positioned to take advantage of opportunities that will invariably present themselves in the current business environment. We enter 2009 with a debt-to-capitalization ratio of 23 percent, after consideration of the non-cash write-down. We had over $1.5 billion in cash and short-term investments and $2.3 billion availability on our lines of credit at the close of the year. In a tightening credit market, we believe Apache’s single-A debt ratings will provide a competitive advantage in accessing capital. Our 2008 return on capital employed and return on equity were four percent and five percent, respectively, after taking into effect the $5.3 million non-cash write-down.

In 2009, we are projecting production growth driven by multi-year projects coming on-line during the year (discussed below in Operational Highlights). We plan to hold our capital expenditures, currently planned at 50 percent below 2008 spending levels, in line with our operating cash flows. We will continue to monitor capital spending closely based on actual and projected cash flow estimates and intend to scale back spending further should commodity prices remain at current levels or fall further.

For an in-depth discussion of Apache’s long-term growth strategy, please refer to Part 1, Items 1 and 2. Business and Properties of this Form 10-K.

### Full-Cost Accounting and 2008 Write-down in Net Oil and Gas Property Assets

The Company follows the full-cost method of accounting as allowed by the Securities and Exchange Commission (SEC). Under the full-cost method of accounting, a ceiling test must be performed each quarter, for each country. The test establishes a limit (ceiling), on the carrying value of proved oil and gas properties. This carrying value (net book value and the related deferred income taxes) may not exceed the ceiling. The ceiling limitation is the estimated after-tax future net cash flows from proved oil and gas reserves, excluding future.

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### 2008 Key Financial Indicators, by Quarter

<table>
<thead>
<tr>
<th></th>
<th>First Quarter</th>
<th>Second Quarter</th>
<th>Third Quarter</th>
<th>Fourth Quarter</th>
<th>Full Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil and Gas Revenues</td>
<td>$3,177,949</td>
<td>$3,904,118</td>
<td>$3,368,882</td>
<td>$1,876,890</td>
<td>$12,327,839</td>
</tr>
<tr>
<td>Average Realized Oil Price</td>
<td>$89.25</td>
<td>$110.32</td>
<td>$101.04</td>
<td>$50.69</td>
<td>$87.80</td>
</tr>
<tr>
<td>Average Realized Gas Price</td>
<td>$6.42</td>
<td>$8.09</td>
<td>$7.43</td>
<td>$4.76</td>
<td>$6.70</td>
</tr>
<tr>
<td>Income Attributable to Common Stock</td>
<td>$1,020,093</td>
<td>$1,443,809</td>
<td>$1,189,405</td>
<td>*(2,947,033)</td>
<td>*706,274</td>
</tr>
<tr>
<td>Cash from operating activities</td>
<td>$1,808,404</td>
<td>$1,929,509</td>
<td>$2,290,655</td>
<td>$1,036,776</td>
<td>$7,065,344</td>
</tr>
</tbody>
</table>

* Includes a $3.6 billion (after-tax) non-cash write-down in the carrying value of oil and gas properties.
expected cash outflows associated with settling asset retirement obligations accrued on the balance sheet. The estimate of after-tax future net cash flows is discounted at 10 percent per annum and calculated using both commodity prices and costs in effect at the end of the period, held flat for the life of the properties, except where future oil and gas sales are covered by physical contract terms or by derivative instruments that qualify, and are accounted for, as cash flow hedges. If capitalized costs (carrying value) exceed this limit, the excess is charged to expense and reflected as additional Depletion, Depreciation and Amortization (DD&A) during the period.

In December 2008, the SEC released the final rule for “Modernization of Oil and Gas Reporting,” which will permit reporting of oil and gas reserves using an average price based upon the prior 12-month period rather than year-end prices. The new rule becomes effective for the quarter ended December 31, 2009. See Note 1—Summary of Significant Accounting Policies in this Form 10-K.

Despite record realized prices and record revenues for 2008, the low oil and gas prices in effect at the end of the year resulted in an aggregate $5.3 billion ($3.6 billion net of tax) non-cash write-down of the carrying value of Company’s U.S., U.K. North Sea, Canadian and Argentine proved oil and gas properties. If oil and gas prices fall below year-end levels, additional write-downs of oil and gas properties may occur. See Note 1—Summary of Significant Accounting Policies in this Form 10-K.

**Operating Highlights**

We made considerable operational progress during the year, which we believe adds to our platform for long-term profitable growth in spite of hurricanes in the Gulf of Mexico and a gas pipeline explosion at the Varanus Island gas processing and transportation hub offshore Western Australia. Key operational highlights include:

**U.S. Gulf Coast**

Gulf Coast focused on an active drilling program and restoring production impacted by the 2005 and 2008 hurricanes. In addition to drilling wells, the region also performed 358 workover and recompletion operations during 2008. Significant events affecting Gulf Coast operations include:

**Development Projects**

- At Ewing Banks 826, we completed four wells during the first half of 2008 and increased production to 6,315 b/d, up from 700 b/d at the beginning of the year. We own a 100 percent working interest in the field.

**Exploration Projects**

- In June 2008, we had a key discovery at the Geauxpherp Prospect located on Garden Banks Block 462 in deepwater Gulf of Mexico. Apache generated the prospect and has a 40-percent working interest. Mariner Energy, Inc. is the designated operator of the block with a 60-percent working interest. A delineation well was drilled in December 2008, extending the productive reservoir limits. We forecast the initial discovery to be online in the second quarter of 2009. Additional potential on the block is expected to be tested by further drilling.

**Hurricanes**

- During the third quarter of 2008, Hurricanes Gustav and Ike damaged onshore and offshore production and transportation facilities in our Gulf Coast region. Although most of our offshore operated platforms escaped with minor damage, we did lose four Apache-operated and two non-operated platforms. Our ability to transport and process our crude oil and natural gas production was also impacted by damages to third-party pipelines and processing facilities. The impact of the hurricanes on 2008 operations and results follows:

  **Production** — Wells shut-in as a result of the hurricanes reduced 2008 production by an estimated 54.6 MMcf/d and 6,941 b/d. A substantial part of Apache’s net production shut-in by the storm was restored by the end of 2008, with only 7,700 b/d and 83 MMcf/d remaining offline. While we plan to restore nearly all of the production by mid-year 2009, the timing in many instances is beyond our control since we
are awaiting repairs to third-party pipelines and facilities. All but approximately 1,100 boe per day of production will ultimately be restored.

Financial Results — The impact of the hurricanes on our 2008 financial results was an estimated $410 million of lower crude oil and natural gas revenues. We also incurred approximately $75 million of expenditures for repair, redevelopment and abandonment of properties damaged by the hurricanes. The Company anticipates an additional $170 to $190 million of costs, most of which are likely to occur in 2009. A majority of these costs will be recovered through insurance, as discussed below.

Insurance Coverage — The Company carries property damage insurance through Oil Insurance Limited (OIL) for windstorm damage in the Gulf of Mexico of $250 million after reaching a $100 million deductible per event. The deductible will be scaled down based on the Company’s working interest in the damaged properties and is anticipated to be $80 million. The $250 million in coverage will be prorated downward if total claims received by OIL for Hurricane Ike exceed their aggregate limit per event of $750 million. In December 2008, OIL indicated that losses for Hurricane Ike will likely exceed the aggregate limit by an amount that would cause insurance payments to be 80 percent of amounts claimed; however, the final percentage will not be known until all claims have been submitted to OIL. In addition, Apache has $150 million of property damage and business interruption insurance through the London market subject to a $350 million deductible that can be met with property damage and qualifying business interruption losses.

Egypt

In Egypt, we had a steady stream of significant discoveries during the year across basins and plays, completing 236 of 260 wells for a 91-percent success rate. The region also conducted 701 workovers and recompletions and made significant progress on the completion of several major growth projects that will underpin future production growth. Notable successes during the year include:

Development Projects

- In the Khalda concession, two additional Salam gas processing trains, trains three and four, and an associated Apache pipeline compression project on the Western Desert Northern Gas Pipeline are forecasted to add additional net production of 100 MMcf/d and 5,000 b/d when fully operational in the second quarter of 2009. The third processing train commenced operation on December 4, 2008. Commissioning with first gas from the fourth processing train is projected to commence during the first quarter of 2009.

- We drilled 203 waterflood wells across several concessions during 2008, increasing gross oil production from these waterflood projects 55 percent or 27,000 b/d when compared to 2007 production levels. Also, we believe that several discoveries (discussed below) in a new area called the Heba Ridge, which is adjacent to the Asala Ridge waterflood area in the East Bahariya concession, will add significantly to our inventory of waterflood projects in the concession.

Exploration Discoveries

- During 2008, Apache announced that the Hydra-1X exploration well in Egypt’s Western Desert test-flowed 76.6 MMcf/d and 2,813 b/d from the Deep Jurassic and overlying AEB-6 formations. The Hydra 4X well appraised this discovery. Apache has a 100-percent contractor interest in the Shushan “C” concession and is in the process of negotiating a Gas Sales Agreement with the Egyptian General Petroleum Corporation (EGPC) and, when completed, will file to establish a development lease.

- On July 30, 2008, Apache announced that the Heqet-2 well in the Greater Khalda area in Egypt’s Western Desert tested 2,100 b/d from the Jurassic Safa formation at a depth of 14,700 feet. We also announced that the Umbarka-174 well tested 4,300 b/d in the main AEB field in the north central portion of the Greater Khalda area. Both wells are currently producing, and development of these fields continues. In October 2008, we announced the WKAL-C-1X discovery on the West Kalabsha concession. The well tested 4,746 b/d and 4.4 MMcf/d in the Jurassic Safa formation. The WKAL-C-1X discovery represents the westernmost oil ever
discovered in Egypt, confirming our exploration model for this area of the Faghur Basin. Apache has a 100 percent contractor interest in both the Khaldia and West Kalabsha concessions.

- During 2008, several new oil fields were discovered in the Bahariya formation in the East Bahariya concession. The EBAH-C-1X oil discovery identified a new area called the Heba Ridge. The initial discovery and three additional development wells were drilled in the EBAH-C field during 2008 and all were producing at year-end. A total of 40 wells are planned to fully develop the EBAH-C field. Three additional exploration discoveries in the East Bahariya concession found Bahariya oil pay in separate fields. The initial wells are expected to commence production during early 2009. Each of these discoveries will add significantly to our inventory of water-flood projects in the concession.

- Also in 2008, the Phiope-1X exploration well on the Kalabsha development lease in the Khaldia area encountered a potential 374 foot oil column with 173 feet of logged pay in a secondary objective, the Cretaceous Alam El Bueib formation. The well will be tested in early 2009 and is expected to provide a significant oil reserve addition.

- In early 2009, we formally announced three new December 2008 field discoveries in Egypt’s Western Desert that tested an aggregate 80 MMcf/d and 5,909 b/d. The Sultan-3X located on the Khaldia Offset Concession test-flowed 5,021 b/d and 11 MMcf/d from three commingled intervals in the Safa formation. The two other discoveries, the Adam-1X and the Maggie-1X, discovered new gas-condensate fields on the Matruh development lease north of the Sultan discovery. Apache has a 100-percent contractor interest in both of the concessions. We anticipate completion of Sultan-3X as an oil well prior to the end of first-quarter 2009, and completion of Adam-1X and Maggie-1X by year-end 2009.

Australia

In Australia, we had two notable discoveries, the Halcyon-1 and Brulimar-1 as well as continued appraisal success at Julimar and Bambra. We also progressed on several major long lead-time development growth projects, including the Van Gogh and Pyrenees developments. In the Julimar-Brunello area on Australia’s Northwest Shelf, we drilled three successful appraisal wells that will allow us to pursue a development strategy after completing our assessment of commercial options. Also, our subsidiaries made considerable progress in restoring operations at the Varanus Island gas processing and transportation hub, which sustained damage from a gas pipeline explosion in June 2008. Lastly, on January 6, 2009, we secured a 154 Bcf, seven-year gas sales contract that enabled us to reinstate our Reindeer development program. These discoveries and developments are discussed in more detail below.

Development and Appraisal Projects

- We have several large development projects underway in Australia. The Van Gogh and Pyrenees developments remain on schedule to deliver first production in 2009 and 2010, respectively, each with projected net rates of 20,000 b/d. Our Reindeer development program was reinstated following signing of a gas-supply contract (discussed below) and is scheduled to deliver approximately 60 MMcf/d net to Apache in late 2011. Construction of pipeline and processing infrastructure is scheduled to commence in 2009.

- On January 6, 2009, the Company announced that it had signed a contract to supply natural gas from the Reindeer field to CITIC Pacific’s Sino Iron project in Western Australia. The terms call for Apache and its joint venture partner to supply 154 billion cubic feet of gas over seven years beginning in the second half of 2011. Apache owns a 55 percent interest in the field. The gas will be supplied through a new 65-mile offshore pipeline and a new onshore sales gas processing facility at Devil Creek.

- Appraisal of the Julimar-Brunello area on Australia’s Northwest Shelf progressed with three appraisal wells. In January 2008, we announced the Brulimar-1 discovery, which encountered 113 feet of net pay in the Upper Triassic Mungaroo sandstone. In April, we announced the Julimar Southeast-1 discovery, which logged 195 feet of net pay across five intervals of the Triassic Mungaroo sandstone. In May, we announced the Julimar Northwest-1 discovery, which logged 43 feet of net pay in the J-17 Triassic Mungaroo sandstone. We have now drilled seven discoveries in the complex. We plan to complete our appraisal program by mid-
Exploration Discoveries

• In April, we announced the Halyard-1 discovery on Australia’s WA-13-L block, which test-flowed 68 MMcf/d. We are currently in the development design phase that includes consideration of a sub-sea gathering line from Halyard to an existing pipeline at our East Spar field, 10 miles to the southeast, from which the gas can be transported to Varanus Island for processing. Using our existing infrastructure would accelerate development of the field and first sales. Apache obtained governmental approval for the Halyard Field development during the third quarter of 2008, and we are working toward first production in 2010. Apache has a 55 percent interest in and operates the block.

• We are currently evaluating the results of wells drilled in 2008 and seismic information to assess the future potential in the Gippsland basin. All six wells drilled in 2008 were either dry or non-commercial.

Varanus Island

• On June 3, 2008, subsidiaries of the Company reported a gas pipeline explosion at the Varanus Island gas processing and transportation hub offshore Western Australia, which shut-in production at the John Brookes field and Harriet Joint Venture. When fully operational, the Island’s operations process approximately 195 MMcf/d and 5,400 b/d, net to Apache subsidiaries. On August 5, 2008, partial production was reestablished from the John Brookes field, and by year-end was at greater than 80 percent pre-incident levels. The Harriet Joint Venture gas facilities are located adjacent to the pipeline explosion and required more significant repairs to restore operation. A portion of our gas production from the Harriet Joint Venture was restored in December 2008 and is projected to be fully restored in the first half of 2009. Harriet Joint Venture oil production is projected to be fully restored in the first quarter of 2009. The John Brookes field accounted for approximately 60 percent and 25 percent of the island’s pre-incident natural gas and oil production, respectively. Production from the Harriet Joint Venture accounted for the remaining 40 percent and 75 percent of the island’s pre-incident natural gas and oil production, respectively. Company subsidiaries operate the facilities and own a 68.5 percent interest in the Harriet Joint Venture and a 55 percent interest in the John Brookes field. Company subsidiaries maintain replacement cost insurance, subject to a deductible of approximately $7 million, with adequate limits to cover fully their share of the estimated cost of restoring the Varanus Island facilities.

Canada

During 2008, the Canadian region had an active development drilling program and commenced pursuit of an emerging shale-gas play in northeast British Columbia. Notable activities during the year include:

Exploration Projects

• During 2008, the Company completed a total of seven horizontal wells in the Ootla shale-gas play, located in northeast British Columbia. December gross production averaged 2.5 MMcf/d. Current plans for the Ootla development in 2009 include drilling 31 gross horizontal wells and construction of compression and gathering infrastructure required to take the additional production to existing processing facilities. Based on information obtained from these wells, Apache expects to achieve significant improvements in both production rate and reserves per well. Apache has a 50 percent interest and operates approximately one-half of its 400,000 gross acreage position in the play.
Development Projects

- Apache continues to target shallow gas, including coal bed methane (CBM), in areas such as Nevis, North Grant Lands and Provost. Intermediate-depth drilling continued in the Kaybob, West 5 and South Grant Land areas of central and southern Alberta.

North Sea

Throughout 2008, the North Sea region invested in drilling and recompleting wells and facility enhancement programs. Key activities include:

Development Projects

- During 2008, we completed 12 new development wells in the Forties field, which flowed at a combined rate of 18,900 b/d.
- Investments in facility upgrades and integrity-related projects over the past five years have significantly reduced platform downtime. Coupled with production from new wells, these improved platform operating efficiencies enabled the region’s fourth-quarter 2008 production to reach an average 61,740 b/d. Annual production averaged 59,494 b/d, an 11 percent increase from 2007.

Argentina

During 2008, the Argentina region pursued active drilling and recompletion programs. In total, the region drilled 83 wells, 72 of which were productive. Significant activities include:

Development Projects

- Apache drilled 30 new wells in the Neuquén basin, with a success rate of 100 percent, and continued to exploit two new plays with an aggressive drilling and recompletion campaign.

Exploration Projects

- In 2008, Apache completed a nearly 2,500 square kilometer 3-D seismic mega shoot in Tierra del Fuego. Twenty-nine wells were drilled in Tierra del Fuego, resulting in a number of new exploration discoveries and field extensions. Notable successes included the completion of the first phase appraisal campaign in the 2008 Sección Batios block and the successful appraisal of La Sara Norte. We also made exploration discoveries at Las Flechas, Sección Veintinueve, Camino Real and Perla.
- In the Cuyo basin, Apache was awarded the 4,710 square kilometer CC&B-17 B block adjacent to and along a trend of existing producing fields, which increased our Argentine acreage portfolio by 34 percent.

Chile

- During the third quarter of 2008, we commenced a seismic program on the two exploration blocks acquired in 2008.
Results of Operations

Revenues

Crude Oil | Natural Gas | NGL's | Total
---|---|---|---
2006 Revenues | $4,911,861 | $3,001,246 | $161,146 | $8,074,253
Volume increase (decrease) | 616,179 | 404,311 | 16,214 | 1,036,704
Price increase (decrease) | 827,725 | 34,111 | 21,680 | 883,516
Impact of hedges increase (decrease) | (96,640) | 64,149 | — | (32,491)
Increase (decrease) in 2007 | $1,347,264 | $502,571 | $37,894 | $1,887,729
2007 Revenues | $6,259,125 | $3,503,817 | $199,040 | $9,961,982

Contribution to total revenues | 63 % | 35 % | 2 % | 100 %
Volume increase (decrease) | 174,718 | (426,055) | (33,183) | (284,520)
Price increase (decrease) | 2,174,202 | 894,818 | 40,025 | 3,109,045
Impact of hedges increase (decrease) | (450,802) | (7,866) | — | (458,668)
Increase (decrease) in 2008 | $1,898,118 | $460,897 | $6,842 | $2,365,857
2008 Revenues | $8,157,243 | $3,964,714 | $205,882 | $12,327,839

Contribution to total revenues | 66 % | 32 % | 2 % | 100 %

Crude Oil Prices — A substantial portion of our oil production is sold at prevailing market prices, which fluctuate in response to many factors that are outside of our control. Apache’s oil realizations climbed precipitously in the first half of the year reaching a record $118.38 per barrel in June, before collapsing in the fourth quarter. Our realized oil price in December averaged nearly 70 percent lower than June’s peak, as demand for energy dropped following the onset of the global financial crisis. Apache manages a portion of its exposure to fluctuations in crude oil prices, primarily in North America, using financial instruments. In 2008, the 19 percent of our oil production that was subject to financial derivative hedges reduced revenues by $451 million, which comprised a $472 million loss in the first nine months and a gain of $21 million in the fourth quarter of 2008. Refer to Note 3 — Hedging and Derivative Instruments for the year-end status of our derivatives.

While the market price received for crude oil and natural gas varies among geographic areas, crude oil trades in a worldwide market. With the exception of Argentina, price movements for all types and grades of crude oil generally move in the same direction. In Argentina, we are currently selling our oil in the domestic market. The Argentine government previously imposed a sliding-scale tax on oil exports, which effectively limits prices buyers are willing to pay. Domestic oil prices are currently based on a $42 per barrel price, subject to quality adjustments, and producers realize a gradual increase or decrease as market prices deviate from the base price. In Tierra del Fuego, similar price formulas exist, but producers retain value-added tax collected from buyers, effectively increasing price realizations by 21 percent.

Natural Gas Prices — Natural gas, which has a limited global transportation system, is subject to price variances stemming from local supply and demand conditions. The majority of our gas sales contracts are indexed to prevailing local market prices. Apache uses a variety of strategies to manage its exposure to fluctuations in natural gas prices, primarily in North America, including fixed-price contracts and derivatives. In 2008, the 20 percent of our gas production that was subject to financial derivative hedges reduced revenues by $8 million, which comprised a $29 million loss for the first nine months and a gain of $21 million in the fourth quarter of 2008. Refer to Note 3 — Hedging and Derivative Instruments for the year-end status of our derivatives.

Apache primarily sells natural gas into four markets:

1) North America, which has a common market and where most of our gas is sold on a monthly or daily basis at either monthly or daily market prices.
2) Egypt, where the majority of our gas is sold to Egyptian General Petroleum Corporation (EGPC) under an industry pricing formula indexed to Dated-Brent crude oil with a maximum gas price of $2.65 per MMbtu. On up to 100 MMcf/d gross, there is no price cap for our gas under a legacy contract which expires in 2013.

3) Australia, which has a local market with mostly long-term fixed-price contracts that are periodically adjusted for changes in Australia’s consumer price index. Subsequent to year-end, however, Apache signed a contract on 85 bcf (net) that is indexed to oil prices following an initial period of fixed prices.

4) Argentina, where we receive low government-regulated pricing on a substantial portion of our production. The volumes we are required to sell at regulated prices are set by the government and vary with seasonal factors and industry category. During the year, we realized an average price of $.92 per Mcf on government regulated sales. The majority of the remaining volumes were sold at market-driven prices, which exceeded $2.00 per Mcf at year-end. Our average price for 2008 was $1.61 per Mcf.

For specific more information on marketing arrangements by country, please refer to Item 1 and 2, “Business and Properties” of this Form 10-K.

### Production and Pricing

<table>
<thead>
<tr>
<th>Country</th>
<th>Oil Volume Barrels per day:</th>
<th>Increase (Decrease)</th>
<th>2007</th>
<th>Increase (Decrease)</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>89,797</td>
<td>(1.06)%</td>
<td>90,759</td>
<td>35.80%</td>
<td>66,832</td>
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<td>Canada</td>
<td>17,154</td>
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<td>18,756</td>
<td>(9.46)%</td>
<td>20,715</td>
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<td>Egypt</td>
<td>66,753</td>
<td>9.91%</td>
<td>60,735</td>
<td>7.36%</td>
<td>56,570</td>
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<tr>
<td>Australia</td>
<td>8,249</td>
<td>(40.13)%</td>
<td>13,778</td>
<td>15.86%</td>
<td>11,892</td>
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<tr>
<td>North Sea</td>
<td>59,494</td>
<td>10.93%</td>
<td>53,632</td>
<td>(8.39)%</td>
<td>58,544</td>
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<td>Argentina</td>
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<td>NM</td>
<td>—</td>
<td>NM</td>
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Average Oil price — Per barrel:

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<tr>
<th>Country</th>
<th>2008</th>
<th>Increase (Decrease)</th>
<th>2007</th>
<th>Increase (Decrease)</th>
<th>2006</th>
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<tbody>
<tr>
<td>United States</td>
<td>$83.70</td>
<td>25.90%</td>
<td>$66.48</td>
<td>22.61%</td>
<td>$54.22</td>
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<td>Canada</td>
<td>93.53</td>
<td>36.96%</td>
<td>68.29</td>
<td>14.01%</td>
<td>59.90</td>
</tr>
<tr>
<td>Egypt</td>
<td>91.37</td>
<td>26.01%</td>
<td>72.51</td>
<td>14.01%</td>
<td>63.60</td>
</tr>
<tr>
<td>Australia</td>
<td>91.78</td>
<td>15.03%</td>
<td>79.79</td>
<td>16.91%</td>
<td>68.25</td>
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<tr>
<td>North Sea</td>
<td>95.76</td>
<td>35.01%</td>
<td>70.93</td>
<td>12.52%</td>
<td>63.04</td>
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<tr>
<td>Argentina</td>
<td>49.46</td>
<td>7.55%</td>
<td>45.99</td>
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<tr>
<td>China</td>
<td>—</td>
<td>NM</td>
<td>—</td>
<td>NM</td>
<td>62.73</td>
</tr>
<tr>
<td>Total(2)</td>
<td>87.80</td>
<td>27.54%</td>
<td>68.84</td>
<td>14.89%</td>
<td>59.92</td>
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</table>

Natural Gas Volume — Mcf per day:

<table>
<thead>
<tr>
<th>Country</th>
<th>2008</th>
<th>Increase (Decrease)</th>
<th>2007</th>
<th>Increase (Decrease)</th>
<th>2006</th>
</tr>
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<tbody>
<tr>
<td>United States</td>
<td>679,876</td>
<td>(11.66)%</td>
<td>769,596</td>
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<td>666,965</td>
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<td>Canada</td>
<td>352,731</td>
<td>(9.14)%</td>
<td>388,211</td>
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<td>404,325</td>
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<td>Egypt</td>
<td>263,711</td>
<td>9.52%</td>
<td>240,777</td>
<td>10.65%</td>
<td>217,601</td>
</tr>
<tr>
<td>Australia</td>
<td>123,003</td>
<td>(36.90)%</td>
<td>194,928</td>
<td>4.73%</td>
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<tr>
<td>North Sea</td>
<td>2,637</td>
<td>36.42%</td>
<td>1,933</td>
<td>6.21%</td>
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</tr>
<tr>
<td>Argentina</td>
<td>195,651</td>
<td>(2.61)%</td>
<td>200,903</td>
<td>79.39%</td>
<td>111,994</td>
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<tr>
<td>Total(3)</td>
<td>1,617,609</td>
<td>(9.95)%</td>
<td>1,796,348</td>
<td>13.04%</td>
<td>1,589,065</td>
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Average Natural Gas price — Per Mcf:
Crude Oil Revenues

Apache’s 2008 consolidated crude oil revenues increased $1.9 billion on a 28 percent increase in average realized price and a two percent increase in daily production.

U.S. oil revenues were up $549 million, driven by a 26 percent increase in realized crude oil prices, more than offsetting one percent lower production. Prices in the U.S. averaged $83.70 per barrel in 2008, up 26 percent from 2007. Gulf Coast region oil was 2,700 b/d lower, reflecting the impact of hurricanes, which reduced the region’s 2008 production by 6,941 b/d. Central region production was up five percent resulting primarily from production increases on the Permian basin properties acquired at the end of March 2007 and new drilling and recompletion activity in 2008.

Egypt’s crude oil revenues increased $625 million on a 26 percent increase in realized price and a 10 percent increase in production. Price realizations averaged $91.37 per barrel, up from $72.51 per barrel in the prior year. Increases in oil production came from wells at El Diyur, Umbarka and East Bahariya, as well as higher cost recovery.

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<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>Increase (Decrease)</th>
<th>2007</th>
<th>Increase (Decrease)</th>
<th>2006</th>
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<td>$7.04</td>
<td>7.65%</td>
<td>$6.54</td>
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<td>Canada</td>
<td>7.94</td>
<td>26.03%</td>
<td>6.30</td>
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<td>Egypt</td>
<td>5.25</td>
<td>14.13%</td>
<td>4.60</td>
<td>4.02%</td>
<td>4.42</td>
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<tr>
<td>Australia</td>
<td>2.10</td>
<td>11.11%</td>
<td>1.89</td>
<td>14.55%</td>
<td>1.65</td>
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<td>North Sea</td>
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<td>24.95%</td>
<td>15.03</td>
<td>41.26%</td>
<td>10.64</td>
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<td>Argentina</td>
<td>1.61</td>
<td>37.61%</td>
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<td>20.62%</td>
<td>.97</td>
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<tr>
<td>Total(4)</td>
<td>6.70</td>
<td>25.47%</td>
<td>5.34</td>
<td>3.29%</td>
<td>5.17</td>
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Natural Gas Liquids (NGL) Volume — Barrels per day:

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>(Decrease)</th>
<th>2007</th>
<th>(Decrease)</th>
<th>2006</th>
</tr>
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<tbody>
<tr>
<td>United States</td>
<td>5,986</td>
<td>(22.28)%</td>
<td>7,702</td>
<td>(3.54)%</td>
<td>7,985</td>
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<tr>
<td>Canada</td>
<td>2,076</td>
<td>(7.57)%</td>
<td>2,246</td>
<td>2.70%</td>
<td>2,187</td>
</tr>
<tr>
<td>Argentina</td>
<td>2,887</td>
<td>3.11%</td>
<td>2,800</td>
<td>82.17%</td>
<td>1,537</td>
</tr>
<tr>
<td>Total</td>
<td>10,949</td>
<td>(14.11)%</td>
<td>12,748</td>
<td>8.87%</td>
<td>11,709</td>
</tr>
</tbody>
</table>

Average NGL Price — Per barrel:

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>(Decrease)</th>
<th>2007</th>
<th>(Decrease)</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>$58.62</td>
<td>29.58%</td>
<td>$45.24</td>
<td>17.38%</td>
<td>$38.54</td>
</tr>
<tr>
<td>Canada</td>
<td>49.33</td>
<td>21.65%</td>
<td>40.55</td>
<td>14.55%</td>
<td>35.40</td>
</tr>
<tr>
<td>Argentina</td>
<td>37.83</td>
<td>0.13%</td>
<td>37.78</td>
<td>3.11%</td>
<td>36.64</td>
</tr>
<tr>
<td>Total</td>
<td>51.38</td>
<td>20.10%</td>
<td>42.78</td>
<td>13.47%</td>
<td>37.70</td>
</tr>
</tbody>
</table>

(1) Approximately 19 percent of 2008 oil production was subject to financial derivative hedges, compared to 17 percent in 2007 and nine percent in 2006.

(2) Reflects per-barrel reductions of $4.85 in 2008, $1.06 in 2007 and $1.37 in 2006 from financial derivative hedging activities.

(3) Approximately 20 percent of 2008 gas production was subject to financial derivative hedges, compared to 17 percent in 2007 and eight percent in 2006.

(4) Reflects per-Mcf reduction of $.01 in 2008, increase of $.10 in 2007 and reduction of $.05 in 2006 from financial derivative hedging activities.

NM — Not Meaningful
volumes related to accelerated capital spending on the Salam gas plant expansion. These increases more than offset lower condensate volumes at Khalda because of scheduled Obayed and Salam plant shutdowns.

North Sea oil revenues increased $697 million, a 50 percent increase over last year. Revenue gains were driven by a 35 percent increase in realized price and an 11 percent increase in production. Oil price realizations averaged $95.76, up $24.83 per barrel. Production was higher on a successful drilling and workover program and a reduction in platform downtime.

Canada’s oil revenues increased $120 million. Realized prices were up 37 percent and averaged $93.53 per barrel. Daily production declined nine percent on natural decline in various fields and divested properties, which more than offset drilling and reclamation activity.

Argentina’s crude oil revenues increased $33 million, with both production and realized prices up eight percent. Higher production was related to successful drilling, workover and reclamation activities, particularly in Tierra del Fuego. Realized prices increased on favorable quality adjustments received for oil which remains subject to price restrictions, as well as increased production from Tierra del Fuego, a tax favored area where producers retain the 21 percent value-added tax collected from buyers.

Australia’s 2008 oil revenues fell $124 million from 2007 on a 40 percent decline in production, which more than offset a 15 percent increase in realized prices. Nearly half of the production decline resulted from wells shut-in following a pipeline explosion on June 3, 2008 at the Varanus Island gas processing and transportation hub. The remaining decrease is related to a natural decline. Partial production from our John Brookes field, and the associated condensate yields, was brought back on-line in August, and by year-end the field was at 80 percent pre-incident levels. Harriet field oil production was mostly restored by year-end and should be fully restored in early 2009. Condensate yields associated with Harriet gas production, which recommenced in December 2008, are expected to be fully restored in the first half of 2009 when repairs to the Harriet Joint Venture facility are completed.

Natural Gas Revenues

Apache’s 2008 consolidated natural gas revenues increased $461 million, driven by a 25 percent increase in realized natural gas prices. Worldwide daily production was down 10 percent from 2007.

U.S. natural gas revenues increased $227 million on higher prices as production declined 12 percent. Natural gas prices averaged $8.86, up $1.82 per Mcf. Central region gas production was up three percent on drilling and reclamation activities and incremental volumes from Permian basin properties acquired at the end of March 2007. Gulf Coast daily production was 21 percent lower on downtime, natural decline and a delay in Apache’s drilling program related to the hurricanes.

Canada’s natural gas revenues rose $134 million on a 26 percent increase in realized natural gas prices. Gas price realizations climbed $1.64 to $7.94 per Mcf. Natural gas production decreased nine percent because of natural decline in various areas and property divestitures in early 2008.

Egyptian gas revenues were up $103 million over 2007 on a 14 percent increase in price realizations and a 10 percent rise in production. Production rose on successful recompletions at our Matruh concession, new wells brought online at the Northeast Abu Gharadig concession and higher cost recovery volumes associated with an increase in capital spending related to the Salam gas plant expansion.

Argentina’s natural gas revenues increased $30 million on a 38 percent increase in realized price, offset by a three percent decline in daily production. Gas production was negatively impacted by gas re-injections at Tierra del Fuego resulting from gas export and pipeline restrictions. Realized gas prices increased given the more favorable sales mix attained during the year. Relative to last year, we were able to deliver more volumes under higher priced industry contracts. We also benefited from a year over year increase in residential gas prices.

Australia’s natural gas revenues fell $40 million on a 37 percent drop in production. Volumes were impacted by production shut-in after an explosion on the pipeline that transports all of our gas production in Australia and resulting fire that damaged our processing facilities, as previously discussed. Following the incident, both the John Brookes and Harriet fields were shut-in for approximately two months. John Brookes was the first field to come back online, with volumes partially restored in August and ramping up in subsequent months. Harriet production
came back online in December at reduced rates. At year-end, John Brookes produced 80 percent of pre-incident levels, while Harriet saw approximately one-third of its pre-incident volumes restored. Repairs are expected to be completed late in the first half of 2009.

**Year 2007 Compared to Year 2006**

**Crude Oil Revenues**

Apache’s 2007 consolidated crude oil revenues totaled $6.3 billion, $1.3 billion above 2006, with nearly equal contributions from an 11 percent rise in production and a 15 percent increase in our realized oil price. On the whole, production increased an average 24,523 b/d, driven by the U.S. which was up 23,927 b/d. Crude oil price realizations averaged $68.84 per barrel for the year, $83.00 in the fourth quarter alone.

U.S. oil revenues were up $879 million to $2.2 billion with $580 million, or two-thirds of the increase, attributable to a 36 percent increase in production. A 23 percent increase in realized prices added the remaining $299 million. Gulf Coast production climbed 48 percent to 53,842 b/d, mainly on production restored from hurricane-damaged properties, a full year of production from Gulf of Mexico properties acquired in June 2006 and successful drilling and recompletion activities. Central region production grew 21 percent to 36,917 b/d, with the addition of Permian basin properties acquired from Anadarko Petroleum Corporation (Anadarko) in March 2007 and successful drilling and recompletion activities.

In Egypt, crude oil revenues rose $294 million, to $1.6 billion, with increased production generating an additional $110 million of revenues. The balance of the increase in revenues, $184 million, came from a 14 percent increase in realized prices, which were up $8.91 to $72.51 per barrel. Daily production averaged 60,735 b/d, up seven percent. Production gains were associated with development drilling in the Khaldia and Matruh concessions as well as the East Bahariya, Umbarka, El Diyur and North El Diyur concessions.

Australia’s crude oil revenues of $401 million increased 35 percent, or $105 million. Production was 16 percent higher generating $55 million of the increase. Production growth resulted from an additional interest acquired in the Legendre field, completion of West Cycad wells and increased liquids from the Bambra, Wonniach Deep, Doric and Lee gas wells. Australia’s price realizations rose 17 percent to $79.79 per barrel, the highest in the Company, generating an additional $50 million of revenue.

Argentina’s oil revenues increased $85 million to $192 million, with over 90 percent of the increase associated with 67 percent higher production. The year 2007 benefited from a full year of production from acquisitions made in 2006, as well as successful drilling, workover and recompletion activity during the year. Higher volumes added $77 million to revenues, with price increases adding $8 million. Argentina’s realized oil prices averaged $45.99 per barrel, up seven percent from the prior year.

North Sea oil revenues increased $41 million to $1.4 billion. Oil prices averaged $70.93 per barrel, up 13 percent, adding $168 million in revenues. Production averaged 53,632 b/d, down eight percent, reducing revenues by $127 million. Production increases on three of our platforms were more than offset by declines from wells at the Alpha and Echo platforms while drilling operations were suspended for facility upgrades.

Canada’s oil revenues increased $15 million to $467 million, with a 14 percent price increase mostly offset by a nine percent decline in production. Prices averaged $68.29 per barrel, up from $59.90 in 2006. Production dropped in 2007 primarily because of natural decline resulting from a 38 percent reduction in exploration and development capital invested in Canada compared to 2006.

China had no crude oil revenues in 2007 compared to $73 million in the prior year, a result of our August 2006 asset divestiture and exit from China.

**Natural Gas Revenues**

Apache’s natural gas revenues increased 17 percent, or $503 million, to $3.5 billion. Higher production contributed $405 million of the additional revenues. Gas production averaged 1,796 MMcf/d, up 13 percent from 2006. Natural gas prices increased $.17 to an average $5.34 per Mcf, generating an additional $98 million in revenue.
U.S. natural gas revenues grew by $385 million to nearly $2 billion. U.S. production rose 15 percent, boosting revenues $264 million. Gulf Coast production increased 16 percent, boosted by final production restoration on hurricane-damaged properties, a full year of production from Gulf of Mexico properties acquired in June 2006 and successful drilling and recompletion activities. Central region production climbed 14 percent on successful drilling and recompletion activities and the addition of Permian basin properties acquired in March 2007. Higher natural gas prices, which averaged $7.04 per Mcf compared to $6.54 in 2006, added $121 million to revenues.

Gas revenues in Egypt were up $53 million, to $404 million, on an 11 percent increase in production and a four percent increase in price realizations. Production gains of 23 MMcf/d boosted the region’s average output to 241 MMcf/d, generating an additional $39 million in revenues. Production gains resulted from higher throughput and less downtime at the Obaiyed plant compared to 2006 and new wells in the North East Abu Gharadig (NEAG) concession. Higher prices added another $14 million.

Australia’s natural gas revenues increased $22 million to $134 million on higher price realizations and production gains. Price realizations improved 15 percent, adding $16 million to revenues. A five percent demand-driven rise in production generated another $6 million of revenues.

Argentina’s natural gas revenues more than doubled to $86 million, bolstered by a full year of production from 2006 property acquisitions, successful drilling and recompletion activities and a 21 percent increase in price realizations. Production grew 89 MMcf/d, or 79 percent, generating $38 million of new revenues. The price gain added another $8 million.

Canada’s natural gas revenues decreased $6 million to $892 million on a four percent decline in production. Production, which averaged 388 MMcf/d, was impacted by natural decline, which more than offset increases from drilling and recompletion activities. Our exploration and development capital investment in Canada was 38 percent lower than 2006. Lower production reduced revenues by $37 million. Natural gas prices rose $.21, to $6.30 per Mcf, increasing revenues $31 million.

Costs

The table below compares our costs on an absolute dollar and boe basis. Our discussion may reference expenses either on a boe basis or on an absolute dollar basis, or both, depending on their relevance.

<table>
<thead>
<tr>
<th>Year Ended December 31,</th>
<th>Year Ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Depreciation, depletion and amortization:</strong></td>
<td></td>
</tr>
<tr>
<td>Oil and gas property and equipment Recurring</td>
<td>$2,358</td>
</tr>
<tr>
<td>Additional</td>
<td>5,334</td>
</tr>
<tr>
<td>Other assets</td>
<td>158</td>
</tr>
<tr>
<td>Asset retirement obligation accretion</td>
<td>101</td>
</tr>
<tr>
<td>Lease operating expenses</td>
<td>1,909</td>
</tr>
<tr>
<td>Gathering and transportation</td>
<td>157</td>
</tr>
<tr>
<td>Taxes other than income</td>
<td>985</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>289</td>
</tr>
<tr>
<td>Financing costs, net</td>
<td>166</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$11,457</td>
</tr>
</tbody>
</table>
Year 2008 Compared to Year 2007

Depreciation, Depletion and Amortization

The following table details the changes in recurring depreciation, depletion and amortization (DD&A) of oil and gas properties between 2008 and 2007:

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volume change</td>
<td></td>
<td>(127)</td>
</tr>
<tr>
<td>Rate change</td>
<td>277</td>
<td></td>
</tr>
<tr>
<td>Recurring DD&amp;A</td>
<td>$2,208</td>
<td>$2,358</td>
</tr>
</tbody>
</table>

Recurring full-cost depletion expense increased $150 million, $277 million on rate partially offset by $127 million on lower volumes. Our full-cost depletion rate increased $1.28 to $12.06 per boe on drilling and finding costs that exceeded our historical cost basis. The higher industry-wide costs, which also impact estimates of future development costs, have been driven by increased demand for drilling services, a consequence of higher oil and gas prices.

In addition, we recorded a $5.3 billion ($3.6 billion net of tax) non-cash write-down of the carrying value of our December 31, 2008 proved property balances in the U.S., U.K. North Sea, Canada and Argentina proved oil and gas properties. Under the full-cost method of accounting, the Company is required to review the carrying value of its proved oil and gas properties each quarter on a country-by-country basis. Under these rules, capitalized costs of oil and gas properties, net of accumulated DD&A and deferred income taxes, may not exceed the present value of estimated future net cash flows from proved oil and gas reserves, discounted 10 percent, net of related tax effects. These rules generally require pricing future oil and gas production at the unescalated oil and gas prices and costs in effect at the end of each fiscal quarter and require a write-down if the “ceiling” is exceeded, even if prices declined for only a short period of time. Write-downs required by these rules do not impact cash flow from operating activities. If oil and gas prices deteriorate from the Company’s year-end levels, additional write-downs may occur.

Lease Operating Expenses

Lease operating expenses (LOE) include several components: direct operating costs, repair and maintenance, and workover costs.

Direct operating costs generally trend with commodity price levels and are impacted by the type of commodity produced and the location of properties (i.e. offshore, onshore, remote locations, etc). Rising commodity prices impact operating cost elements both directly and indirectly. They directly impact costs such as power, fuel, and chemicals, which are commodity price based. Other items such as labor, boats, helicopters and materials and supplies are indirectly impacted as high prices increase industry activity and demand and thus, costs. Oil, which contributed nearly half of our production, is inherently more expensive to produce than natural gas. Repair and maintenance costs are higher on offshore properties and in areas with remote plants and facilities. All production in Australia and the North Sea and nearly 90 percent from the U.S. Gulf Coast region comes from offshore properties. Workovers accelerate production; hence, activity generally increases with higher commodity prices. Fluctuations in exchange rates impact the Company’s LOE, with a weakening U.S. dollar adding to per-unit costs and a strengthening U.S. dollar lowering per unit costs in our international regions.

LOE increased 15 percent on an absolute dollar basis. On a per-unit basis LOE was up 21 percent, or $1.69 per boe. The following discussion focuses on per-unit costs which we believe to be the most meaningful measure for analyzing LOE.

• Higher operating costs in all regions, including increased power costs in the U.S. and Egypt along with increased labor costs in the North Sea and Argentina, drove the rate up $.33.
• Increased workover activity, primarily in the U.S. and Egypt, resulted in an increase of $.29.

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• Hurricane repairs in the U.S. contributed $.07 to increased cost.
• Repairs related to the pipeline explosion at Varanus Island in Australia added $.03.
• Non-recurring repairs and maintenance in Egypt, Australia, the North Sea and Argentina increased $.07.
• Overall production declines resulted in an increase of $.45, with the impact from a combined 12 percent production decline in the U.S., Canada and Australia partially offset by increased production in Egypt, the North Sea and Argentina. The main contributors were decreased production in Australia, $.30, and production shut-in because of the hurricanes, $.29.

Gathering and Transportation
We generally sell oil and natural gas under two common types of agreements, both of which include a transportation charge. One is a netback arrangement, under which we sell oil or natural gas at the wellhead and collect a lower relative price to reflect transportation costs to be incurred by the purchaser. In this case, we record sales at the netback price received from the purchaser. Alternatively, we sell oil or natural gas at a specific delivery point, pay our own transportation to a third-party carrier and receive a price with no transportation deduction. In this case we record the separate transportation cost as gathering and transportation costs.

In both the U.S. and Canada, we sell oil and natural gas under both types of arrangements. In the North Sea, we pay transportation to a third-party carrier. In Australia, oil and natural gas are sold under netback arrangements. In Egypt, our oil and natural gas production is primarily sold to EGPC under netback arrangements; however, we also export crude oil under both types of arrangements. In Argentina, we sell oil and natural gas under both types of arrangements.

The following table presents gathering and transportation costs we paid directly to third-party carriers for each of the periods presented:

<table>
<thead>
<tr>
<th></th>
<th>For the Year Ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2008 (In millions)</td>
</tr>
<tr>
<td>U.S.</td>
<td>$ 39</td>
</tr>
<tr>
<td>Canada</td>
<td>64</td>
</tr>
<tr>
<td>North Sea</td>
<td>28</td>
</tr>
<tr>
<td>Egypt</td>
<td>21</td>
</tr>
<tr>
<td>Argentina</td>
<td>5</td>
</tr>
<tr>
<td>Total Gathering and Transportation</td>
<td>$157</td>
</tr>
<tr>
<td>Total Gathering and Transportation per boe</td>
<td>$ .80</td>
</tr>
</tbody>
</table>

These costs are primarily related to the portion of natural gas in our U.S. and Canadian operation sold under arrangements where we pay transportation directly to third parties North Sea crude oil sales and our Egyptian crude oil exports not sold under netback arrangements. The $20 million increase was driven primarily by higher transportation tariffs in Canada and an increase in Egyptian export volumes.

Taxes other than Income
Taxes other than income primarily comprises United Kingdom (U.K.) Petroleum Revenue Tax (PRT), severance taxes on properties onshore and in state or provincial waters in the U.S. and Australia and ad valorem taxes on properties in the U.S. and Canada. Severance taxes are generally based on a percentage of oil and gas production revenues, while the U.K. PRT is assessed on net receipts (revenues less qualifying operating costs and capital spending) from the Forties field in the U.K. North Sea. We are subject to a variety of other taxes including U.S. franchise taxes, Australian Petroleum Resources Rent tax and various Canadian taxes including: Freehold.

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Mineral tax, Saskatchewan Capital tax and Saskatchewan Resources Surtax. We also pay taxes on invoices and bank transactions in Argentina. The table below presents a comparison of these expenses:

<table>
<thead>
<tr>
<th></th>
<th>For the Year Ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2008 (In millions)</td>
</tr>
<tr>
<td>U.K. PRT</td>
<td>$ 695</td>
</tr>
<tr>
<td>Severance taxes</td>
<td>168</td>
</tr>
<tr>
<td>Ad valorem taxes</td>
<td>71</td>
</tr>
<tr>
<td>Other taxes</td>
<td>51</td>
</tr>
<tr>
<td>Total Taxes other than Income</td>
<td>$ 985</td>
</tr>
<tr>
<td>Total Taxes other than Income per boe</td>
<td>$ 5.03</td>
</tr>
</tbody>
</table>

U.K. PRT was $349 million more than 2007 on a 98 percent increase in net profits, driven by higher oil revenues. The increase in severance taxes resulted from higher taxable revenues in the U.S., consistent with the higher realized oil and natural gas prices in the first nine months of the year. The $15 million increase in ad valorem taxes resulted from higher taxable valuations associated with increases in oil and natural gas prices at the time the taxes were assessed and a full year of taxes on the Permian Basin properties acquired in the first quarter of 2007.

**General and Administrative Expenses**

General and administrative expenses (G&A) were $14 million higher. On a boe basis, G&A averaged $1.48, up $.14 per boe on a combination of increased costs and lower volumes, each of which added $.07 to the rate. The cost increase was driven by higher legal fees, especially in our international operations, increased incentive compensation expenses and miscellaneous higher costs in several departments, partially offset by a decrease in stock-based compensation expenses related to cash settled stock appreciation rights.

**Financing Costs, Net**

The major components of financing costs, net, include interest expense and capitalized interest. Net financing costs for 2008 decreased $54 million or $.22 per boe, on lower average outstanding debt balances. Interest expense was down $28 million on lower average debt. Capitalized interest was up primarily because of higher expenditures associated with long-term construction projects that are under development.

**Provision for Income Taxes**

There were no significant changes in statutory tax rates in the major jurisdictions in which the Company operates during 2008. In 2007 we saw a significant reduction to deferred income taxes resulting from Canadian tax rate reductions.

The provision for income taxes decreased $1.6 billion from 2007 to $220 million, as income before taxes decreased 80 percent as a result of the $5.3 billion in additional DD&A recorded in conjunction with the ceiling test write-down. The effective income tax rate for the year was 23.6 percent compared to 39.8 percent in 2007. The 2008 effective rate was impacted by the magnitude of the taxes related to the write-down, non-cash benefits related to the effect of the strengthening U.S. dollar on our foreign deferred tax liabilities and other net tax settlements. Excluding these items, the 2008 effective rate would have been comparable to the 2007 effective rate. The 2007 effective rate was impacted by a non-cash charge related to the effect of the weakening U.S. dollar on our foreign deferred tax liabilities. Partially offsetting this charge was an out of period benefit from Canadian federal tax rate reductions enacted in the second and fourth quarters of 2007.
## Year 2007 Compared to Year 2006

### Depreciation, Depletion and Amortization

The following table details the changes in depreciation, depletion and amortization (DD&A) of oil and gas properties between 2007 and 2006:

<table>
<thead>
<tr>
<th></th>
<th>DD&amp;A (In millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>$1,699</td>
</tr>
<tr>
<td>Volume change</td>
<td>210</td>
</tr>
<tr>
<td>Rate change</td>
<td>299</td>
</tr>
<tr>
<td>2007</td>
<td>$2,208</td>
</tr>
</tbody>
</table>

Full-cost DD&A expense totaled $2.2 billion, $509 million more than 2006. Production growth drove $210 million of the increase; the remainder is a consequence of higher costs. DD&A per boe averaged $10.78, $1.49 higher than 2006 as the costs to acquire, find and develop reserves continued to exceed our historical cost basis. Increasing costs also impact our estimates for future development of known reserves and estimates to abandon properties, both of which impact our full-cost depletion rate.

DD&A on other assets increased $22 million to $140 million with facilities coming online, in Canada, Egypt and the U.S. A full year of DD&A on assets acquired during 2006 in Argentina also contributed to the year-over-year increase.

### Lease Operating Expenses

Lease operating expenses (LOE) increased 25 percent on an absolute dollar basis. On a per-unit basis LOE was up 12 percent, or $.84 per boe. Almost two-thirds of the increase was from additional workover activity ($.16), a weakening U.S. dollar ($.16), hurricane repair activity ($.15) and incentive-based compensation ($.07). The remaining increase is the result of the inflationary impact of higher commodity prices on all other operating costs, as described above.

The U.S. contributed $.47 to the $.84 per boe increase. Driving factors in the increase were additional hurricane repairs ($.15), more workover activity ($.13), acquired Permian basin oil properties which carry a higher rate than our historical average ($.05), incremental incentive-based compensation with Apache’s rising stock price ($.04) and the inflationary impact higher commodity prices have on operating costs ($.05). Over two-thirds of the increase in workover activity occurred on properties acquired in March 2007 in the Permian basin of West Texas.

Canada added $.30 per boe to the consolidated rate, $.09 of which was attributed to a decline in relative production. A weakening U.S. dollar negatively impacted the rate an additional $.09. The balance of the increase related to higher levels of workover activity ($.03), lease rentals ($.02), company labor ($.02) and generally higher costs.

The North Sea increased the consolidated rate $.09 per boe: the net impact of a $.10 per boe increase on a decline in production volumes and a reduction of $.01 on lower costs. The benefit of decreases in diesel fuel consumption ($.08) and lower turnaround expenses more than offset increases from the impact of the weakening U.S. dollar ($.05), higher standby and supply boat costs ($.01) and higher contract labor ($.01). We are seeing the benefits of several years of facility upgrades to reduce the operating costs, including completion of our power generation ring.

Australia increased the consolidated rate $.09 per boe over 2006. The increase was primarily a result of our acquisition of an additional interest in Legendre, an oil field which carries a higher cost per barrel than our existing blended Australian rate ($.06), and appreciation of the Australian dollar relative to the U.S. dollar ($.02).

Two Argentine acquisitions, in April and September 2006, lowered the 2007 consolidated rate $.13 per boe. The LOE rate on these properties was lower than our existing consolidated rate.
Egypt had no impact on the consolidated rate. Our 2006 exit from China increased the 2007 consolidated rate $.04 per boe.

Gathering and transportation

Gathering and transportation costs totaled $137 million, up $17 million. The following table presents gathering and transportation costs paid by Apache to third-party carriers for each of the periods presented.

<table>
<thead>
<tr>
<th></th>
<th>For the Year Ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2007</td>
</tr>
<tr>
<td></td>
<td>(In millions)</td>
</tr>
<tr>
<td>U.S.</td>
<td>$38</td>
</tr>
<tr>
<td>Canada</td>
<td>54</td>
</tr>
<tr>
<td>North Sea</td>
<td>27</td>
</tr>
<tr>
<td>Egypt</td>
<td>15</td>
</tr>
<tr>
<td>Argentina</td>
<td>3</td>
</tr>
<tr>
<td>Total Gathering and Transportation</td>
<td>$137</td>
</tr>
<tr>
<td>Total Gathering and Transportation per boe</td>
<td>$.67</td>
</tr>
</tbody>
</table>

These costs are primarily related to the portion of natural gas in our U.S. and Canadian operation sold under arrangements where we pay transportation directly to third parties, and North Sea crude oil sales and our Egyptian crude oil exports not sold under netback arrangements. The $17 million increase was driven primarily by U.S. production growth, an increase in Egyptian crude exports not sold under netback arrangements and a full year of transportation costs paid to third parties in Argentina.

Taxes other than Income

Taxes other than income totaled $598 million for 2007 and 2006.

The table below presents a comparison of these expenses:

<table>
<thead>
<tr>
<th></th>
<th>For the Year Ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2007</td>
</tr>
<tr>
<td></td>
<td>(In millions)</td>
</tr>
<tr>
<td>U.K. PRT</td>
<td>$346</td>
</tr>
<tr>
<td>Severance taxes</td>
<td>142</td>
</tr>
<tr>
<td>Ad Valorem taxes</td>
<td>56</td>
</tr>
<tr>
<td>Other taxes</td>
<td>54</td>
</tr>
<tr>
<td>Taxes other than Income</td>
<td>$598</td>
</tr>
<tr>
<td>Taxes other than Income per boe</td>
<td>$2.92</td>
</tr>
</tbody>
</table>

On a per-unit basis taxes other than income decreased $.35, or 12 percent, reflecting the 12 percent increase in equivalent production. The increase in severance taxes was driven by higher production and prices on U.S. and Australian properties burdened by such taxes. U.K. PRT was 12 percent below 2006, largely driven by lower comparable revenues on less production and slightly higher deductible costs. Deductible costs include capital expenditures, LOE, general and administrative expenses (G&A) and transportation tariffs. Ad valorem taxes increased $12 million. Oil and liquids were 47 percent of our production in both 2007 and 2006. A significant portion of our ad valorem taxes are reserve based and increase when prices rise. Other taxes increased with a full year of taxes on invoice and bank transactions in Argentina.
General and Administrative Expenses

General and administrative expenses (G&A) were $64 million, or $.18 per boe, higher than 2006. Incentive-based compensation added $.12 per boe to the rate, a consequence of a strong stock price appreciation during the year, while insurance costs added $.11 per boe, a consequence of industry-wide premium increases after the 2005 hurricanes. These increases were partially offset by a decrease in rate stemming from higher production.

Financing Costs, Net

The major components of financing costs, net, include interest expense and capitalized interest. Net financing costs for 2007 increased $78 million or $.29 per boe, on higher average outstanding debt balances, which offset a slightly lower average interest rate.

Provision for Income Taxes

The 2007 provision for income taxes was $1.9 billion, $403 million above 2006 on both higher taxable income and a higher effective tax rate. Apache’s 2007 effective tax rate was 39.8 percent compared to 36.3 percent in 2006. The 2007 effective rate was impacted by a non-cash charge related to the effect of the weakening U.S. dollar on our foreign deferred tax liabilities. Partially offsetting this charge was an out of period benefit from Canadian federal tax rate reductions enacted in the second and fourth quarters of 2006. The 2006 effective tax rate was impacted by a charge related to retroactive application of a 10 percent increase in the oil and gas company supplemental tax enacted by the U.K., a benefit from a Canadian federal provincial tax rate reduction enacted in the second quarter of 2006 and a gain recognized on the sale of China. Foreign currency fluctuations had a negligible impact on the 2006 rate.

Acquisitions and Divestitures

2008 Activity

There was no major acquisition activity during 2008; however, the Company completed several divestiture transactions. On January 29, 2008, the Company completed the sale of its interest in Ship Shoal blocks 349 and 359 on the outer continental shelf of the Gulf of Mexico to W&T Offshore, Inc. for $116 million. On January 31, 2008, the Company completed the sale of non-strategic oil and gas properties in the Permian Basin of West Texas to Vanguard Permian, LLC for $78 million. On April 2, 2008, the Company completed the sale of non-strategic Canadian properties to Central Global Resources for $112 million. These divestitures are subject to normal post-closing adjustments.

2007 Activity

U.S. Gulf Coast Farm-in On September 6, 2007, Apache entered into an Exploration Agreement with various EnerVest Partnerships (“EVP”) for an initial term of four years whereby Apache committed to spend $30 million in qualified expenditures to explore, drill, produce and market hydrocarbons from specified undeveloped formations across 400,000 net acres in Central and East Texas. As of December 31, 2008, Apache has fulfilled the $30 million commitment.

U.S. Permian Basin On March 29, 2007, the Company closed its acquisition of controlling interest in 28 oil and gas fields in the Permian basin of West Texas from Anadarko for $1 billion. Apache estimates that these fields had proved reserves of 57 million barrels (MMbbls) of liquid hydrocarbons and 78 billion cubic feet (Bcf) of natural gas as of year-end 2006. The Company funded the acquisition with debt. Apache and Anadarko entered into a joint-venture arrangement to effect the transaction. The Company entered into cash flow hedges for a portion of the crude oil and the natural gas production.

2006 Activity

U.S. Permian Basin On January 5, 2007, the Company purchased Amerada Hess’s interest in eight fields located in the Permian basin of West Texas and New Mexico. The original purchase price was reduced from $404 million to $269 million because other interest owners exercised their preferential rights to purchase a number of the properties. The settlement price at closing of $239 million was adjusted for revenues and expenditures.
occurring between the effective date and the closing date of the acquisition. The acquired fields had estimated proved reserves of 27 MMbbls of liquid hydrocarbons and 27 Bcf of natural gas as of year-end 2005.

Argentina On April 25, 2006, the Company acquired the operations of Pioneer Natural Resources (Pioneer) in Argentina for $675 million. The settlement price at closing, of $703 million, was adjusted for revenues and expenditures occurring between the effective date and closing date of the acquisition. The properties are located in the Neuquén, San Jorge and Austral basins of Argentina and had estimated net proved reserves of approximately 22 MMbbls of liquid hydrocarbons and 297 Bcf of natural gas as of December 31, 2005. Eight gas processing plants (five operated and three non-operated), 112 miles of operated pipelines in the Neuquén basin and 2,200 square miles of three-dimensional (3-D) seismic data were also included in the transaction. Apache financed the purchase with cash on hand and commercial paper.

The purchase price was allocated to the assets acquired and liabilities assumed based upon the estimated fair values as of the date of acquisition, as follows (in thousands):

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proved property</td>
<td>$501,938</td>
</tr>
<tr>
<td>Unproved property</td>
<td>189,500</td>
</tr>
<tr>
<td>Gas Plants</td>
<td>51,200</td>
</tr>
<tr>
<td>Working capital acquired, net</td>
<td>11,256</td>
</tr>
<tr>
<td>Asset retirement obligation</td>
<td>(13,635)</td>
</tr>
<tr>
<td>Deferred income tax liability</td>
<td>(37,630)</td>
</tr>
<tr>
<td>Cash consideration</td>
<td>$702,629</td>
</tr>
</tbody>
</table>

On September 19, 2006, Apache acquired additional interests in (and now operates) seven concessions in the Tierra del Fuego Province from Pan American Fueguina S.R.L. (Pan American) for total consideration of $429 million. The settlement price at closing of $396 million was adjusted for normal closing items, including revenues and expenses between the effective date and the closing date of the acquisition. Apache financed the purchase with cash on hand and commercial paper.

The total cash consideration allocated below includes working capital balances purchased, asset retirement obligations assumed and an obligation to deliver specific gas volumes in the future. The purchase price was allocated to the assets acquired and liabilities assumed based upon the estimated fair values as of the date of acquisition, as follows (in thousands):

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proved property</td>
<td>$289,916</td>
</tr>
<tr>
<td>Unproved property</td>
<td>132,000</td>
</tr>
<tr>
<td>Gas plants</td>
<td>12,722</td>
</tr>
<tr>
<td>Working capital acquired, net</td>
<td>8,929</td>
</tr>
<tr>
<td>Asset retirement obligation</td>
<td>(1,511)</td>
</tr>
<tr>
<td>Assumed obligation</td>
<td>(46,000)</td>
</tr>
<tr>
<td>Cash consideration</td>
<td>$396,056</td>
</tr>
</tbody>
</table>

U.S. Gulf Coast In June 2006, the Company acquired the remaining producing properties of BP plc (BP) on the Outer Continental Shelf of the Gulf of Mexico. The original purchase price was reduced from $1.3 billion for 18 producing fields to $845 million because other interest owners exercised their preferential rights to purchase five of the 18 fields. The purchase price consisted of $747 million of proved property, $42 million of unproved property and $56 million of facilities. The settlement price on the date of closing of $821 million was adjusted primarily for revenues and expenditures occurring between the April 1, 2006 effective date and the closing date of the acquisition. The acquired properties include 13 producing fields (nine of which are operated) with estimated proved reserves of 19.5 MMbbls of liquid hydrocarbons and 148 Bcf of natural gas. Apache financed the purchase with cash on hand and commercial paper.
On January 6, 2006, the Company completed the sale of its 55 percent interest in the deepwater section of Egypt’s West Mediterranean Concession to Amerada Hess for $413 million. Apache did not have any proved reserves booked for these properties.

On August 8, 2006, the Company completed the sale of its 24.5 percent interest in the Zhao Dong block, offshore the People’s Republic of China, to Australia-based ROC Oil Company Limited for $260 million, marking Apache’s exit from China. The effective date of the transaction was July 1, 2006. The Company recorded a gain of $174 million in the third quarter of 2006.

### Capital Resources and Liquidity

#### Sources and Uses of Cash

The following table presents the sources and uses of our cash and cash equivalents for each of the three years ended December 31. The table presents capital expenditures on a cash basis; therefore, the amounts differ from the amounts of capital expenditures, elsewhere in this document, which include accruals.

<table>
<thead>
<tr>
<th>Sources of Cash and Cash Equivalents:</th>
<th>Year Ended December 31, (In millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2008</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>$7,065</td>
</tr>
<tr>
<td>Sales of property and equipment</td>
<td>308</td>
</tr>
<tr>
<td>Net commercial paper and bank loan borrowings</td>
<td>—</td>
</tr>
<tr>
<td>Project financing draw-downs</td>
<td>100</td>
</tr>
<tr>
<td>Fixed-rate debt borrowings</td>
<td>796</td>
</tr>
<tr>
<td>Common stock issuances</td>
<td>36</td>
</tr>
<tr>
<td>Other</td>
<td>39</td>
</tr>
<tr>
<td></td>
<td><strong>8,344</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Uses of Cash and Cash Equivalents</th>
<th>Year Ended December 31, (In millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital expenditures</td>
<td>5,823</td>
</tr>
<tr>
<td>Purchase of short-term investments</td>
<td>792</td>
</tr>
<tr>
<td>Acquisitions</td>
<td>150</td>
</tr>
<tr>
<td>Net commercial paper and bank loan repayments</td>
<td>200</td>
</tr>
<tr>
<td>Payments on debt</td>
<td>—</td>
</tr>
<tr>
<td>Repurchase of common stock</td>
<td>—</td>
</tr>
<tr>
<td>Dividends</td>
<td>239</td>
</tr>
<tr>
<td>Other</td>
<td>84</td>
</tr>
<tr>
<td></td>
<td><strong>7,288</strong></td>
</tr>
</tbody>
</table>

Increase (decrease) in cash and cash equivalents

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31, (In millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2008</td>
</tr>
<tr>
<td></td>
<td>$1,056</td>
</tr>
</tbody>
</table>

**Net Cash Provided by Operating Activities**

Net cash provided by operating activities ("operating cash flows") is our primary source of capital and liquidity. Factors affecting changes in operating cash flows are largely the same as those that affect net earnings, with the exception of non-cash expenses such as DD&A and deferred income tax expense. Factors affecting our operating cash flows are discussed in the “Results of Operations” section of this report. Operating cash flows in 2008 increased from 2007.

**Fixed-Rate Debt Issuances**

On October 1, 2008, the Company issued $400 million principal amount, $398 million net of discount, of senior unsecured 6.0-percent notes maturing September 15, 2013, and $400 million principal amount, $398 million net of discount, of senior unsecured 6.9-percent notes maturing September 15, 2018. The notes are redeemable, as a whole or in part, at Apache’s option, subject to a make-whole premium.
proceeds are presently invested in U.S. Treasury Bills and will be used for general corporate purposes or, possibly, future acquisitions.

**Project Financing Draw-downs** On December 5, 2008, one of the Company’s Australian subsidiaries entered into a secured revolving syndicated credit facility for the Van Gogh and Pyrenees oil developments. The facility provides for total commitments of $350 million with availability determined by a borrowing base formula. The borrowing base was set at $350 million and will be redetermined at completion and semi-annually thereafter. The facility is secured by certain assets associated with the Van Gogh and Pyrenees oil developments, including the shares of stock of the Company’s subsidiary holding the assets. The Company has agreed to guarantee the credit facility until completion occurs pursuant to terms of the facility, which is expected in 2010. The commitments under the facility will be reduced by scheduled increments every six months beginning June 30, 2010, with final maturity on March 31, 2014. Interest is based on LIBOR, which may be subject to change under certain market disruption conditions, plus a margin of 1.00 percent pre-completion and 1.75 percent post-completion. The pre-completion margin increases to 1.125 percent in the event the Company’s ratings are downgraded to BBB+ or below by at least two major rating agencies. As of December 31, 2008 there was $100 million outstanding under the facility.

**Capital Expenditures** We fund exploration and development activities primarily through net cash provided by operating activities and budget capital expenditures based on projected operating cash flows. Our operating cash flows, both in the short- and long-term, is impacted by highly volatile oil and natural gas prices, production levels, industry trends impacting operating expenses and our ability to continue to acquire or find high-margin reserves at competitive prices. For these reasons, management primarily relies on annual operating cash flow forecasts. Annual operating cash flow forecasts are revised monthly in response to changing market conditions and production projections. Apache routinely adjusts capital expenditure budgets in response to these adjusted operating cash flow forecasts and market trends in drilling and acquisitions costs. Longer-term operating cash flows and capital spending projections are rarely used by management to operate the business.

Historically, we have used a combination of our operating cash flow, borrowings under the our lines of credit and commercial paper program and, from time to time, issues of public debt or common stock to fund significant acquisitions.

The following table details capital expenditures for each country in which we do business.

<table>
<thead>
<tr>
<th>Exploration and Development:</th>
<th>2008 (In thousands)</th>
<th>2007 (In thousands)</th>
<th>2006 (In thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>$2,183,473</td>
<td>$1,630,776</td>
<td>$1,532,959</td>
</tr>
<tr>
<td>Canada</td>
<td>705,066</td>
<td>650,676</td>
<td>1,056,614</td>
</tr>
<tr>
<td>Egypt</td>
<td>852,802</td>
<td>605,115</td>
<td>454,892</td>
</tr>
<tr>
<td>Australia</td>
<td>879,680</td>
<td>516,054</td>
<td>179,892</td>
</tr>
<tr>
<td>North Sea</td>
<td>459,239</td>
<td>537,868</td>
<td>329,498</td>
</tr>
<tr>
<td>Argentina</td>
<td>317,490</td>
<td>287,047</td>
<td>115,570</td>
</tr>
<tr>
<td>Chile</td>
<td>27,457</td>
<td>—</td>
<td>12,288</td>
</tr>
<tr>
<td>China</td>
<td>—</td>
<td>—</td>
<td>12,288</td>
</tr>
<tr>
<td>Acquisitions — Oil and gas properties</td>
<td>149,838</td>
<td>1,024,956</td>
<td>2,428,432</td>
</tr>
<tr>
<td>Asset Retirement Costs</td>
<td>513,891</td>
<td>439,368</td>
<td>390,612</td>
</tr>
<tr>
<td>Capitalized Interest</td>
<td>94,164</td>
<td>75,748</td>
<td>61,301</td>
</tr>
<tr>
<td>Gathering, Transmission and Processing Facilities</td>
<td>659,248</td>
<td>473,481</td>
<td>248,589</td>
</tr>
<tr>
<td><strong>Total capital expenditures</strong></td>
<td><strong>$6,842,348</strong></td>
<td><strong>$6,241,089</strong></td>
<td><strong>$6,810,647</strong></td>
</tr>
</tbody>
</table>

**Exploration and Development (E&D)** — Increases in our 2008 operating cash flows, year-over-year, enabled us to invest larger amounts on E&D capital projects. We invested $5.4 billion on drilling, recompletions and
platform and production support facilities in 2008, up 28 percent from 2007. Our 2007 E&D capital expenditures were $546 million above 2006.

**Acquisitions** — We completed $150 million of acquisitions in 2008 compared to $1 billion in 2007. Acquisition capital expenditures occur as attractive opportunities arise and, therefore, vary from year to year.

**Asset Retirement Costs** — In 2008, we recorded $514 million of additional asset retirement costs. The increase is primarily related to revisions of our cost estimates. Rising estimates for service costs and the high level of abandonment activities in the Gulf Coast region have accelerated some obligations. Continued worldwide drilling programs, acquisition activity and damage from Hurricane Ike also contributed to the increased abandonment costs.

**Gathering, Transmission and Processing Facilities (GTP)** — We invested $659 million in GTP facilities in 2008 compared to $473 million in 2007. In Egypt, we invested $571 million in gas processing facilities to alleviate capacity constraints, which are restricting production. We also invested $55 million in Australia on GTP projects currently in process. In Canada, we invested $29 million in processing plants.

**2009 Outlook** — In light of a collapse in commodity prices and uncertainties surrounding the worldwide financial crisis, we seek to keep capital spending in line with 2009 operating cash flows in order to preserve our strong balance sheet and financial flexibility. We will closely monitor commodity prices, service cost levels and predicted operating cash and will adjust our exploration and development budgets accordingly. While certain long-lead development projects are committed in 2009, the majority of our drilling and development projects are discretionary and subject to deferral or cancellation as conditions warrant. Because we revise our exploration and development capital budgets frequently throughout the year, projecting future expenditures is difficult at best. Our 2009 preliminary plan includes exploration and development capital of approximately $3.5 to $4.0 billion, including GTP. We generally do not project estimates for acquisitions because their occurrence and timing is unpredictable. Any acquisitions would be funded from operating cash flow, credit facilities, issuing new equity, or a combination thereof.

**Repurchases of Common Stock** On April 19, 2006, the Company announced that its Board of Directors authorized the purchase of up to 15 million shares of the Company’s common stock, representing a market value of approximately $1 billion on the date of announcement. The Company may buy shares from time to time on the open market, in privately negotiated transactions, or a combination of both. The timing and amounts of any purchases will be at the discretion of Apache’s management. The Company initiated the purchase program on May 1, 2006, after the Company’s first-quarter 2006 earnings information was disseminated in the market. During 2006, the Company purchased 2,500,000 shares at an average price of $69.74 per share. No stock purchases were made in 2007 or 2008, and we currently have no plans to purchase any shares in 2009.

**Dividends** The Company has paid cash dividends on its common stock for 44 consecutive years through 2008. Future dividend payments will depend on the Company’s level of earnings, financial requirements and other relevant factors. Common dividends paid during 2008 rose 17 percent to $234 million, reflecting the special cash dividend of 10 cents per common share paid on March 18, 2008 and an increase in common shares outstanding. Common dividends paid during 2007 rose 34 percent to $199 million, reflecting the increase in common shares outstanding and an increase in the common stock dividend rate. The Company increased its quarterly cash dividend 50 percent, to 15 cents per share from 10 cents per share, effective with the November 2006 dividend payment.

During 2008 and 2007, Apache paid a total of $6 million in dividends each year on its Series B Preferred Stock issued in August 1998. See Note 7 — Capital Stock of Item 15 in this Form 10-K.

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Thus far, our liquidity and financial position have not been affected by recent events in the credit markets. We believe that losses from non-performance are unlikely to occur; however, we are not able to predict sudden changes in the creditworthiness of the financial institutions with which we do business. The banks with lending commitments to the Company have credit ratings of at least single-A (or equivalent) which in some cases is based on government support. There is no assurance that the financial condition of these banks will not deteriorate or that the government guarantee will be maintained. We closely monitor the ratings of the 27 banks in our bank group. Having a large bank group allows the Company to mitigate the impact of any bank’s failure to honor its lending commitment.

Cash and Cash Equivalents  We had $1.2 billion in cash and cash equivalents at December 31, 2008, compared with $126 million at December 31, 2007. The majority of this cash is in our foreign subsidiaries ($146 million was in U.S.) and is subject to additional U.S. income taxes if repatriated. Almost all of the cash is denominated in U.S. dollars and, at times, is invested in highly liquid, investment-grade securities, with maturities of three months or less at the time of purchase. We intend to use cash from our international subsidiaries to fund international projects.

Short-term Investments  The Company occasionally invests in highly-liquid, short-term investments in order to maximize our income on available cash balances. As needed, we may reduce such short-term investment balances to further supplement our operating cash flows. At December 31, 2008, we had $792 million invested in obligations of the U.S. Government with original maturities greater than three months but less than a year.

Restricted Cash  The Company classifies cash balances as restricted cash when it is restricted as to withdrawal or usage. As of December 31, 2008, the Company had approximately $14 million of property divestiture proceeds classified as restricted cash and held in escrow available for use in a like-kind exchange under Section 1031 of the U.S. federal income tax code. The Company expected to use these funds to purchase noncurrent assets. Accordingly, the restricted cash was classified as long-term at year-end. Subsequent to year-end, the time limits pursuant to Section 1031 expired and the funds were transferred to cash.

Debt  At year-end 2008, outstanding debt, which consisted of notes, debentures and uncommitted bank lines, totaled $4.9 billion. Current debt includes $100 million of Apache Finance Pty Limited 7.0-percent notes due March 2009 and $13 million borrowed under uncommitted overdraft lines in Argentina. We have no debt maturing in 2010 or 2011, $439 million maturing in 2012, $942 million maturing in 2013 and the remaining $3.4 billion maturing intermittently in years 2014 through 2096.

Debt-to-Capitalization Ratio  The Company’s debt-to-capitalization ratio as of December 31, 2008 was 23 percent.

Available Credit Facilities  The Company had available borrowing capacity under our total credit facilities of approximately $2.6 billion at December 31, 2008; $2.3 billion of unsecured revolving syndicated bank credit facilities and $250 million under one of the Company’s Australian subsidiaries secured revolving syndicated credit facility for the Van Gogh and Pyrenees oil developments, entered into in December 2008. The Company was in compliance with the terms of all credit facilities as of December 31, 2008.
The $2.3 billion of unsecured revolving syndicated bank credit facilities mature in May 2013. Since there were no outstanding borrowings or commercial paper at year-end, the full $2.3 billion of unsecured credit facilities were available to the Company. These facilities consist of a $1.5 billion facility and a $450 million facility in the U.S., a $200 million facility in Australia and a $150 million facility in Canada. The financial covenants of the credit facilities require the Company to maintain a debt-to-capitalization ratio of not greater than 60 percent at the end of any fiscal quarter. The negative covenants include restrictions on the Company’s ability to create liens and security interests on our assets, with exceptions for liens typically arising in the oil and gas industry, purchase money liens and liens arising as a matter of law, such as tax and mechanics’ liens. The Company may incur liens on assets located in the U.S. and Canada of up to five percent of the Company’s consolidated assets, which approximated $1.5 billion as of December 31, 2008. There are no restrictions on incurring liens in countries other than U.S. and Canada. There are also restrictions on Apache’s ability to merge with another entity, unless the Company is the surviving entity, and a restriction on our ability to guarantee debt of entities not within our consolidated group. Furthermore, our non-cash write-down of oil and gas properties in 2008 does not impact the availability of credit lines or result in non-compliance with any covenants.

There are no clauses in the facilities that permit the lenders to accelerate payments or refuse to lend based on unspecified material adverse changes (MAC clauses). The credit facility agreements do not have drawdown restrictions or prepayment obligations in the event of a decline in credit ratings. However, the agreements allow the lenders to accelerate payments and terminate lending commitments if Apache Corporation, or any of its U.S. or Canadian subsidiaries, defaults on any direct payment obligation in excess of $100 million or has any unpaid, non-appealable judgment against it in excess of $100 million. The Company was in compliance with the terms of the credit facilities as of December 31, 2008.

At the Company’s option, the interest rate for the facilities is based on (i) the greater of (a) the JP Morgan Chase Bank prime rate or (b) the federal funds rate plus one-half of one percent or (ii) the London Inter-bank Offered Rate (LIBOR) plus a margin determined by the Company’s senior long-term debt rating. The $1.5 billion and the $450 million credit facilities (U.S. credit facilities) also allow the company to borrow under competitive auctions.

At December 31, 2008, the margin over LIBOR for committed loans was .19 percent on the $1.5 billion facility and .23 percent on the other three facilities. If the total amount of the loans borrowed under the $1.5 billion facility equals or exceeds 50 percent of the total facility commitments, then an additional .05 percent will be added to the margins over LIBOR. If the total amount of the loans borrowed under all of the other three facilities equals or exceeds 50 percent of the total facility commitments, then an additional .10 percent will be added to the margins over LIBOR. The Company also pays quarterly facility fees of .06 percent on the total amount of the $1.5 billion facility and .07 percent on the total amount of the other three facilities. The facility fees vary based upon the Company’s senior long-term debt rating. The U.S. credit facilities are used to support Apache’s commercial paper program.

On December 5, 2008, one of the Company’s Australian subsidiaries entered into a secured revolving syndicated credit facility for the Van Gogh and Pyrenees oil developments. The facility provides for total commitments of $350 million with availability determined by a borrowing base formula. The borrowing base was set at $350 million and will be redetermined at project completion and semi-annually thereafter. The facility is secured by certain assets associated with the Van Gogh and Pyrenees oil developments, including the shares of stock of the Company’s subsidiary holding the assets. The Company has agreed to guarantee the credit facility until completion occurs pursuant to terms of the facility, which is expected in 2010. The commitments under the facility will be reduced by scheduled increments every six months beginning June 30, 2010, with final maturity on March 31, 2014. Interest is based on LIBOR, which may be subject to change under certain market disruption conditions, plus a margin of 1.00 percent pre-completion and 1.75 percent post-completion. The pre-completion margin increases to 1.125 percent in the event the Company’s ratings are downgraded to BBB+ or below by at least two major rating agencies. As of December 31, 2008, there is $100 million outstanding under the facility.

Commercial Paper Program The Company has available a $1.95 billion commercial paper program, which generally enables Apache to borrow funds for up to 270 days at competitive interest rates. As of December 31, 2008, Apache had no commercial paper outstanding. Our weighted-average interest rate for commercial paper was 5.65 percent and 3.85 percent for 2008 and 2007, respectively. If the Company is unable to issue commercial paper...
following a significant credit downgrade or dislocation in the market, the Company’s U.S. credit facilities are available as a 100 percent backstop.

**Credit Ratings** We receive debt ratings from the major credit rating agencies in the United States. Factors that may impact our credit ratings include debt levels, planned asset purchases or sales and near-term and long-term production growth opportunities. Liquidity, asset quality, cost structure, reserve mix and commodity pricing levels could also be considered by the rating agencies. Apache’s senior unsecured long term debt is currently rated A3 by Moody’s, A- by Standard & Poor’s and A by Fitch. Apache’s short-term debt rating for its commercial paper program is currently P-2 by Moody’s, A-2 by Standard & Poor’s and F1 by Fitch. The outlook is stable from Moody’s and Standard & Poor’s and negative from Fitch. A ratings downgrade could adversely impact our ability to access debt markets in the future, increase the cost of future debt and potentially require the Company to post letters of credit in certain circumstances. We cannot predict, nor can we assure, that we will not receive a ratings downgrade in the future.

**Pricing Trends.** For 2008, the Company’s average realized prices were substantially higher than the previous year’s prices. In fact, prices continued a general upward trend until July of this year, at which time prices began to decline significantly. Crude oil trades in global market; consequently, prices for all types and grades of crude oil generally move in the same direction. Natural gas has a limited global transportation system and, therefore, is subject to local supply and demand conditions. Approximately two-thirds of our natural gas is sold in the North American market, which tracks New York Mercantile Exchange (NYMEX) prices, while the remaining is sold under fixed-price contracts in regulated markets. Following is a table of the published monthly average NYMEX prices in 2008:

<table>
<thead>
<tr>
<th></th>
<th>December</th>
<th>November</th>
<th>October</th>
<th>September</th>
<th>August</th>
<th>July</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crude Oil</td>
<td>$ 42.04</td>
<td>$ 57.44</td>
<td>$ 76.77</td>
<td>$ 104.41</td>
<td>$116.73</td>
<td>$134.42</td>
</tr>
<tr>
<td>Natural Gas</td>
<td>$ 5.79</td>
<td>$ 6.70</td>
<td>$ 6.73</td>
<td>$ 7.50</td>
<td>$ 8.30</td>
<td>$ 11.20</td>
</tr>
</tbody>
</table>

While we are presently in a strong financial position, continued lower prices would negatively impact our future oil and gas production revenues, earnings and liquidity. Commodity prices are volatile and future prices cannot be accurately predicted. Apache’s investment decisions are based on longer-term commodity prices. For these reasons, we have historically based our capital expenditure budget on projected cash flows, modifying initial budgets in the event of significant changes in commodity prices. Given the recent commodity price levels, our initial 2009 budgeted expenditures is substantially less than projected 2008 levels. We also believe that certain service costs will be reduced, but historically there has been a lag between a precipitous drop in commodity prices and the underlying service costs necessary to find, develop and produce oil and natural gas.

**Contractual Obligations**

We are subject to various financial obligations and commitments in the normal course of operations. These contractual obligations represent known future cash payments that we are required to make and relate primarily to long-term debt, operating leases, pipeline transportation commitments and international commitments. The Company expects to fund these contractual obligations with cash generated from operating activities.
The following table summarizes the Company’s contractual obligations as of December 31, 2008. See Notes 5 — Debt and 9 — Commitments and Contingencies of Item 15 in this form 10-K for further information regarding these obligations.

<table>
<thead>
<tr>
<th>Contractual Obligations</th>
<th>Note Reference</th>
<th>Total (In thousands)</th>
<th>2009</th>
<th>2010-2012</th>
<th>2013-2014</th>
<th>2015 &amp; Beyond</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt</td>
<td>Note 5</td>
<td>$ 4,921,573</td>
<td>$ 112,598</td>
<td>$ 438,852</td>
<td>$ 957,065</td>
<td>$ 3,413,058</td>
</tr>
<tr>
<td>Interest payments</td>
<td>Note 5</td>
<td>5,112,221</td>
<td>299,485</td>
<td>875,455</td>
<td>471,595</td>
<td>3,465,686</td>
</tr>
<tr>
<td>Drilling rig commitments</td>
<td>Note 9</td>
<td>889,874</td>
<td>516,180</td>
<td>372,594</td>
<td>1,100</td>
<td></td>
</tr>
<tr>
<td>Purchase obligations</td>
<td>Note 9</td>
<td>371,279</td>
<td>370,720</td>
<td>559</td>
<td></td>
<td></td>
</tr>
<tr>
<td>E&amp;D commitments</td>
<td>Note 9</td>
<td>197,512</td>
<td>92,459</td>
<td>99,670</td>
<td>5,383</td>
<td></td>
</tr>
<tr>
<td>Firm transportation agreements</td>
<td>Note 9</td>
<td>223,153</td>
<td>26,541</td>
<td>81,234</td>
<td>55,496</td>
<td>59,882</td>
</tr>
<tr>
<td>Office and related equipment</td>
<td>Note 9</td>
<td>122,599</td>
<td>21,354</td>
<td>60,758</td>
<td>18,962</td>
<td>21,525</td>
</tr>
<tr>
<td>Oil and gas operations equipment</td>
<td>Note 9</td>
<td>472,980</td>
<td>77,122</td>
<td>125,676</td>
<td>59,304</td>
<td>210,878</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td>3,840</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Contractual Obligations(a)(b)(c)(d)</td>
<td></td>
<td>$12,315,031</td>
<td>$1,520,299</td>
<td>$2,054,798</td>
<td>$1,568,905</td>
<td>$7,171,029</td>
</tr>
</tbody>
</table>

(a) This table does not include the estimated discounted liability for dismantlement, abandonment and restoration costs of oil and gas properties of $1.9 billion. See Note 4 — Asset Retirement Obligation of Item 15 in this Form 10-K for further discussion.
(b) This table does not include the Company’s $212 million asset for outstanding derivative instruments valued as of December 31, 2008. See Note 3 — Hedging and Derivative Instruments of Item 15 in this Form 10K for further discussion.
(c) This table does not include the Company’s pension or postretirement benefit obligations. See Note 9 — Commitments and Contingencies of Item 15 in this Form 10-K for further discussion.
(d) This table does not include the Company’s FIN 48 obligations. See Note 6 — Income Taxes of Item 15 in this Form 10-K for further discussion.

Apache is also subject to various contingent obligations that become payable only if certain events or rulings were to occur. The inherent uncertainty surrounding the timing of and monetary impact associated with these events or rulings prevents any meaningful accurate measurement, which is necessary to assess settlements resulting from litigation. Apache’s management feels that it has adequately reserved for its contingent obligations, including approximately $27 million for environmental remediation and approximately $25 million for various legal liabilities. See Note 9 — Commitments and Contingencies of Item 15 in this Form 10-K for a detailed discussion of the Company’s environmental and legal contingencies.

The Company also accrued approximately $74 million as of December 31, 2008, for an insurance contingency because of our involvement with Oil Insurance Limited (OIL). Apache is a member of this insurance pool, which insures specific property, pollution liability and other catastrophic risks of the Company. As part of its membership, the Company is contractually committed to pay termination fees were we to elect to withdraw from OIL. Apache does not anticipate withdrawal from the insurance pool; however, the potential termination fee is calculated annually based on past losses, and the liability reflecting this potential charge has been accrued as required.

**Subsequent Event** On February 10, 2009, Apache’s wholly-owned subsidiary, Apache Canada Ltd. entered into an agreement with TransCanada Pipelines Limited (TCPL) pursuant to which TCPL will construct and install a gas pipeline from northeastern British Columbia to the existing NOVA pipeline system located in the Ekwan area of Alberta. Apache Canada intends to ship gas produced from the Ootla basin on the new pipeline.

The construction, operation and transportation rates of the new pipeline are subject to regulatory approval. Authority to construct the pipeline is expected, and construction is anticipated to be complete on or before April 1, 2011. Upon completion of the pipeline, Apache Canada will have a ship-or-pay commitment of 100 MMBtu of gas.
for either a four-year period or a ten-year period depending on the rate structure determined and approved by the regulatory agency. Apache Canada has the right to terminate the agreement before October 1, 2009. If Apache Canada elects to terminate the agreement or TCPL terminates for reasons set forth in the agreement, Apache Canada must reimburse TCPL for certain costs and expenses up to approximately CDN $90 million plus certain taxes.

**Off-Balance Sheet Arrangements**

Apache does not currently utilize any off-balance sheet arrangements with unconsolidated entities to enhance liquidity and capital resource positions.

**Critical Accounting Policies and Estimates**

Apache prepares its financial statements and the accompanying notes in conformity with accounting principles generally accepted in the United States of America, which require management to make estimates and assumptions about future events that affect the reported amounts in the financial statements and the accompanying notes. Apache identifies certain accounting policies as critical based on, among other things, their impact on the portrayal of Apache’s financial condition, results of operations or liquidity and the degree of difficulty, subjectivity and complexity in their deployment. Critical accounting policies cover accounting matters that are inherently uncertain because the future resolution of such matters is unknown. Management routinely discusses the development, selection and disclosure of each of the critical accounting policies. Following is a discussion of Apache’s most critical accounting policies:

**Reserve Estimates**

Our estimate of proved reserves is based on the quantities of oil and gas that geological and engineering data demonstrate, with reasonable certainty, to be recoverable in future years from known reservoirs under existing economic and operating conditions. The Company reports all estimated proved reserves held under production-sharing arrangements utilizing the “economic interest” method, which excludes the host country’s share of reserves. The accuracy of any reserve estimate is a function of the quality of available data, engineering and geological interpretation and judgment. For example, we must estimate the amount and timing of future operating costs, severance taxes, development costs and workover costs, all of which may in fact vary considerably from actual results. In addition, as prices and cost levels change from year to year, the estimate of proved reserves also changes. Any significant variance in these assumptions could materially affect the estimated quantity and value of our reserves. As such, our reserve engineers review and revise the Company’s reserve estimates at least annually.

Despite the inherent imprecision in these engineering estimates, our reserves are used throughout our financial statements. For example, since we use the units-of-production method to amortize our oil and gas properties, the quantity of reserves could significantly impact our DD&A expense. Our oil and gas properties are also subject to a “ceiling” limitation based in part on the quantity of our proved reserves. Finally, these reserves are the basis for our supplemental oil and gas disclosures.

**Asset Retirement Obligation (ARO)**

The Company has significant obligations to remove tangible equipment and restore land or seabed at the end of oil and gas production operations. Apache’s removal and restoration obligations are primarily associated with plugging and abandoning wells and removing and disposing of offshore oil and gas platforms. Estimating the future restoration and removal costs is difficult and requires management to make estimates and judgments because most of the removal obligations are many years in the future, and contracts and regulation often have vague descriptions of what constitutes removal. Asset removal technologies and costs are constantly changing, as are regulatory, political, environmental, safety and public relations considerations.

ARO associated with retiring tangible long-lived assets is recognized as a liability in the period in which the legal obligation is incurred and becomes determinable. The liability is offset by a corresponding increase in the underlying asset. The ARO is recorded at fair value, and accretion expense is recognized over time as the discounted liability is accreted to its expected settlement value.

Inherent in the present value calculation are numerous assumptions and judgments including the ultimate settlement amounts, inflation factors, credit adjusted discount rates, timing of settlement and changes in the legal,
regulatory, environmental and political environments. To the extent future revisions to these assumptions impact the present value of the existing ARO liability, a corresponding adjustment is made to the oil and gas property balance.

Income Taxes  Our oil and gas exploration and production operations are currently located in six countries. As a result, we are subject to taxation on our income in numerous jurisdictions. We record deferred tax assets and liabilities to account for the expected future tax consequences of events that have been recognized in our financial statements and our tax returns. We routinely assess the realizability of our deferred tax assets. If we conclude that it is more likely than not that some portion or all of the deferred tax assets will not be realized under accounting standards, the tax asset would be reduced by a valuation allowance. We consider future taxable income in making such assessments. Numerous judgments and assumptions are inherent in the determination of future taxable income, including factors such as future operating conditions (particularly as related to prevailing oil and gas prices).

The Company regularly assesses and, if required, establishes accruals for tax contingencies that could result from assessments of additional tax by taxing jurisdictions in countries where the Company operates. Tax reserves have been established and include any related interest, despite the belief by the Company that certain tax positions have been fully documented in the Company’s tax returns. These reserves are subject to a significant amount of judgment and are reviewed and adjusted on a periodic basis in light of changing facts and circumstances considering the progress of ongoing tax audits, case law and any new legislation. The Company believes that the reserves established are adequate in relation to the potential for any additional tax assessments.

ITEM 7A.  QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The primary objective of the following information is to provide forward-looking quantitative and qualitative information about our exposure to market risk. The term market risk relates to the risk of loss arising from adverse changes in oil, gas and NGL prices, interest rates, foreign currency and adverse governmental actions. The disclosures are not meant to be precise indicators of expected future losses, but rather indicators of reasonably possible losses. The forward-looking information provides indicators of how we view and manage our ongoing market risk exposures.

Commodity Risk

The Company’s revenues, earnings, cash flow, capital investments and, ultimately, future rate of growth are highly dependent on the prices we receive for our crude oil, natural gas and NGLs, which have historically been very volatile due to unpredictable events such as economical growth or retraction, weather and climate. Crude oil prices in 2008 began the year strong and increased rapidly to unprecedented levels in the summer, before decreasing to below first quarter 2008 prices by the end of the year. West Texas Intermediate (WTI), an industry benchmark crude oil, peaked above $147 per barrel in July before falling to nearly $40 at year-end as a result of decreased demand for energy as world economies slowed. Natural gas prices, especially in the U.S. where we have fewer long-term supply contracts, followed a similar path.

We periodically enter into hedging activities on a portion of our projected oil and natural gas production through a variety of financial and physical arrangements intended to support oil and natural gas prices at targeted levels and to manage our overall exposure to oil and gas price fluctuations. Apache may use futures contracts, swaps, options and fixed-price physical contracts to hedge its commodity prices. Realized gains or losses from the Company’s price risk management activities are recognized in oil and gas production revenues when the associated production occurs. Apache does not generally hold or issue derivative instruments for trading purposes.

Apache historically only hedged long-term oil and gas prices related to a portion of its expected production associated with acquisitions; however, in 2007 and 2008, the Company’s Board of Directors authorized management to hedge a portion of production generated from the Company’s drilling program. Approximately 20 percent of our 2008 natural gas production and 19 percent of our crude oil production were subjected to financial derivative hedges.
On December 31, 2008, the Company had open natural gas derivative hedges in an asset position with a fair value of $47 million. A 10 percent increase in natural gas prices would reduce the fair value by approximately $15 million, while a 10 percent decrease in prices would increase the fair value by approximately $18 million. The Company also had open oil derivatives in an asset position with a fair value of $165 million. A 10 percent increase in oil prices would decrease the asset by approximately $117 million, while a 10 percent decrease in prices would increase the asset by approximately $118 million. These fair value changes assume volatility based on prevailing market parameters at December 31, 2008. See Note 3 — Hedging and Derivative Instruments of Item 15 in this Form 10-K for notional volumes and terms associated with the Company’s derivative contracts.

Apache conducts its risk management activities for its commodities under the controls and governance of its risk management policy. The Risk Management Committee, comprising the President (principal financial officer), General Counsel, Treasurer and other key members of Apache’s management, approve and oversee these controls, which have been implemented by designated members of the treasury department. The treasury and accounting departments also provide separate checks and reviews on the results of hedging activities. Controls for our commodity risk management activities include limits on credit, limits on volume, segregation of duties, delegation of authority and a number of other policy and procedural controls.

**Interest Rate Risk**

On December 31, 2008, the Company’s debt with fixed interest rates represented approximately 98 percent of total debt. As a result, the interest expense on approximately two percent of Apache’s debt will fluctuate based on short-term interest rates. A 10 percent change in floating interest rates on year-end floating debt balances would change annual interest expense by approximately $707,000.

**Foreign Currency Risk**

The Company’s cash flow stream relating to certain international operations is based on the U.S. dollar equivalent of cash flows measured in foreign currencies. In Australia, oil production is sold under U.S. dollar contracts, and the majority of the gas production is sold under fixed-price Australian dollar contracts. Approximately half the costs incurred for Australian operations are paid in U.S. dollars. In Canada, the majority of oil and gas production is sold under Canadian dollar contracts. The majority of the costs incurred are paid in Canadian dollars. The North Sea production is sold under U.S. dollar contracts, and the majority of costs incurred are paid in British pounds. In Egypt, all oil and gas production is sold under U.S. dollar contracts, and the majority of the costs incurred are denominated in U.S. dollars. Argentine revenues and expenditures are largely denominated in U.S. dollars but converted into Argentine pesos at the time of payment. Revenue and disbursement transactions denominated in Australian dollars, Canadian dollars, British pounds, Egyptian pounds and Argentine pesos are converted to U.S. dollar equivalents based on the average exchange rates during the period.

Foreign currency gains and losses also arise when monetary assets and monetary liabilities denominated in foreign currencies are translated at the end of each month. Currency gains and losses are included as either a component of “Other” under “Revenues and Other” or, as is the case when we re-measure our foreign tax liabilities, as a component of the Company’s provision for income tax expense on the Statement of Consolidated Operations.

**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, 2008 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,” “expect,” “intend,” “project,” “estimate,” “anticipate,” “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, 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 or regulatory changes;
- terrorism;
- occurrence of property acquisitions or divestitures;
- the securities or capital markets and related risks such as general credit, liquidity, market and interest-rate risks; and

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.
ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements and supplementary financial information required to be filed under this item are presented on pages F-1 through F-55 of this Form 10-K and are incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

The financial statements for the fiscal years ended December 31, 2008, 2007 and 2006, included in this report, have been audited by Ernst & Young LLP, registered public accounting firm, as stated in their audit report appearing herein.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

G. Steven Farris, the Company’s Chairman and Chief Executive Officer, in his capacity as principal executive officer, and Roger B. Plank, the Company’s President, in his capacity as principal financial officer, evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2008, the end of the period covered by this report. Based on that evaluation and as of the date of that evaluation, these officers concluded that the Company’s disclosure controls and procedures were effective, providing effective means to ensure that the information we are required to disclose under applicable laws and regulations is recorded, processed, summarized and reported within the time periods specified in the Commission’s rules and forms and communicated to our management, including our principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure. We also made no changes in internal controls over financial reporting during the quarter ending December 31, 2008 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

We periodically review the design and effectiveness of our disclosure controls, including compliance with various laws and regulations that apply to our operations both inside and outside the United States. We make modifications to improve the design and effectiveness of our disclosure controls and may take other corrective action, if our reviews identify deficiencies or weaknesses in our controls.

Management’s Report on Internal Control Over Financial Reporting

The management report called for by Item 308(a) of Regulation S-K is incorporated herein by reference to “Report of Management on Internal Control Over Financial Reporting,” included on Page F-1 in Item 15 of this Form 10-K.

The independent auditors attestation report called for by Item 308(b) of Regulation S-K is incorporated by reference to the “Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting,” included on Page F-3 in Item 15 of this Form 10-K.

Changes in Internal Control Over Financial Reporting

There was no change in our internal controls over financial reporting during the quarter ending December 31, 2008, that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

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PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information set forth under the captions “Nominees for Election as Directors,” “Continuing Directors,” “Executive Officers of the Company,” and “Securities Ownership and Principal Holders” in the proxy statement relating to the Company’s 2009 annual meeting of stockholders (the Proxy Statement) is incorporated herein by reference.

Code of Business Conduct

Pursuant to Rule 303A.10 of the NYSE and Rule 4350(n) of the NASDAQ, we are required to adopt a code of business conduct and ethics for our directors, officers and employees. In February 2004, the Board of Directors adopted the Code of Business Conduct (Code of Conduct), which also meets the requirements of a code of ethics under Item 406 of Regulation S-K. You can access the Company’s Code of Conduct on the Management and Governance page of the Company’s website at www.apachecorp.com. Any stockholder who so requests may obtain a printed copy of the Code of Conduct by submitting a request to the Company’s corporate secretary at the address on the cover of this Form 10-K. Changes in and waivers to the Code of Conduct for the Company’s directors, chief executive officer and certain senior financial officers will be posted on the Company’s website within five business days and maintained for at least 12 months.

ITEM 11. EXECUTIVE COMPENSATION

The information set forth under the captions “Compensation Discussion and Analysis,” “Summary Compensation Table,” “Grants of Plan Based Awards Table,” “Outstanding Equity Awards at Fiscal Year-End Table,” “Option Exercises and Stock Vested Table,” “Non-Qualified Deferred Compensation Table,” “Employment Contracts and Termination of Employment and Change-in-Control Arrangements” and “Director Compensation Table” in the Proxy Statement is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information set forth under the captions “Securities Ownership and Principal Holders” and “Equity Compensation Plan Information” in the Proxy Statement is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information set forth under the captions “Certain Business Relationships and Transactions” and “Director Independence” in the Proxy Statement is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information set forth under the caption “Independent Registered Public Accountants” in the Proxy Statement is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) Documents included in this report:

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1. **Financial Statements**

   Report of management ................................................. F-1
   Report of independent registered public accounting firm .... F-2
   Report of independent registered public accounting firm .... F-3
   Statement of consolidated operations for each of the three years in the period ended December 31, 2008 .... F-4
   Statement of consolidated cash flows for each of the three years in the period ended December 31, 2008 .... F-5
   Consolidated balance sheet as of December 31, 2008 and 2007 .... F-6
   Statement of consolidated shareholders’ equity for each of the three years in the period ended December 31, 2008 .... F-7
   Notes to consolidated financial statements ................................ F-8

2. **Financial Statement Schedules**

   Financial statement schedules have been omitted because they are either not required, not applicable or the information required to be presented is included in the Company’s financial statements and related notes.

3. **Exhibits**

<table>
<thead>
<tr>
<th>Exhibit No.</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1</td>
<td>Agreement and Plan of Merger among Registrant, YPY Acquisitions, Inc. and The Phoenix Resource Companies, Inc., dated March 27, 1996 (incorporated by reference to Exhibit 2.1 to Registrant’s Registration Statement on Form S-4, Registration No. 333-02305, filed April 5, 1996).</td>
</tr>
<tr>
<td>4.2</td>
<td>Form of Certificate for Registrant’s 5.68% Cumulative Preferred Stock, Series B (incorporated by reference to Exhibit 4.2 to Amendment No. 2 on Form 8-K/A to Registrant’s Current Report on Form 8-K, dated and filed April 18, 1998, SEC File No. 001-4300).</td>
</tr>
<tr>
<td>Exhibit No.</td>
<td>Description</td>
</tr>
<tr>
<td>------------</td>
<td>-------------</td>
</tr>
<tr>
<td>4.5</td>
<td>Senior Indenture, dated February 15, 1996, between Registrant and JPMorgan Chase Bank, formerly known as The Chase Manhattan Bank, as trustee, governing the senior debt securities and guarantees (incorporated by reference to Exhibit 4.6 to Registrant’s Registration Statement on Form S-3, dated May 23, 2003, Reg. No. 333-105536).</td>
</tr>
<tr>
<td>4.6</td>
<td>First Supplemental Indenture to the Senior Indenture, dated as of November 5, 1996, between Registrant and JPMorgan Chase Bank, formerly known as The Chase Manhattan Bank, as trustee, governing the senior debt securities and guarantees (incorporated by reference to Exhibit 4.7 to Registrant’s Registration Statement on Form S-3, dated May 23, 2003, Reg. No. 333-105536).</td>
</tr>
<tr>
<td>4.7</td>
<td>Form of Indenture among Apache Finance Pty Ltd, Registrant and The Chase Manhattan Bank, as trustee, governing the debt securities and guarantees (incorporated by reference to Exhibit 4.1 to Registrant’s Registration Statement on Form S-3, dated November 12, 1997, Reg. No. 333-339973).</td>
</tr>
<tr>
<td>4.8</td>
<td>Form of Indenture among Registrant, Apache Finance Canada Corporation and The Chase Manhattan Bank, as trustee, governing the debt securities and guarantees (incorporated by reference to Exhibit 4.1 to Amendment No. 1 to Registrant’s Registration Statement on Form S-3, dated November 12, 1999, Reg. No. 333-90147).</td>
</tr>
<tr>
<td>10.1</td>
<td>Form of Amended and Restated Credit Agreement, dated as of May 9, 2006, among Registrant, the Lenders named therein, JPMorgan Chase Bank, as Administrative Agent, Citibank, N.A. and Bank of America, N.A., as Co-Syndication Agents, and BNP Paribas and UBS Loan Finance LLC, as Co-Documentation Agents (incorporated by reference to Exhibit 10.1 to Registrant’s Annual Report on Form 10-K for year ended December 31, 2006, SEC File No. 001-4300).</td>
</tr>
<tr>
<td>10.2</td>
<td>Form of Request for Approval of Extension of Maturity Date and Amendment, dated as of April 5, 2007, among Registrant, the Lenders named therein, JPMorgan Chase Bank, as Administrative Agent, Citibank, N.A. and Bank of America, N.A., as Co-Syndication Agents, and BNP Paribas and UBS Loan Finance LLC, as Co-Documentation Agents (incorporated by reference to Exhibit 10.2 to Registrant’s Annual Report on Form 10-K for year ended December 31, 2007, SEC File No. 001-4300).</td>
</tr>
<tr>
<td>10.3</td>
<td>Form of Request Form of Request for Approval of Extension of Maturity Date and Amendment, dated as of February 18, 2008, among Registrant, the Lenders named therein, JPMorgan Chase Bank, as Administrative Agent, Citibank, N.A. and Bank of America, N.A., as Co-Syndication Agents, and BNP Paribas and UBS Loan Finance LLC, as Co-Documentation Agents (incorporated by reference to Exhibit 10.1 to Registrant’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2008, SEC File No. 001-4300).</td>
</tr>
<tr>
<td>10.5</td>
<td>Form of Credit Agreement, dated as of May 12, 2005, among Apache Canada Ltd, a wholly-owned subsidiary of Registrant, the Lenders named therein, JPMorgan Chase Bank, N.A., as Global Administrative Agent, RBC Capital Markets and BMO Nesbitt Burns, as Co-Lead Arrangers and Joint Bookrunners, Royal Bank of Canada, as Canadian Administrative Agent, Bank of Montreal and Union Bank of California, N.A., Canada Branch, as Canadian Co-Syndication Agents, and The Toronto-Dominion Bank and BNP Paribas (Canada), as Canadian Co-Documentation Agents (excluding exhibits and schedules) (incorporated by reference to Exhibit 10.02 to Registrant’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2005, SEC File No. 001-4300).</td>
</tr>
<tr>
<td>Exhibit No.</td>
<td>Description</td>
</tr>
<tr>
<td>------------</td>
<td>-------------</td>
</tr>
<tr>
<td>10.6</td>
<td>Form of Credit Agreement, dated as of May 12, 2005, among Apache Energy Limited, a wholly-owned subsidiary of Registrant, the Lenders named therein, JPMorgan Chase Bank, N.A., as Global Administrative Agent, Citigroup Global Markets Inc. and Deutsche Bank Securities Inc., as Co-Lead Arrangers and Joint Bookrunners, Citisecurities Limited, as Australian Administrative Agent, Deutsche Bank AG, Sydney Branch, and JPMorgan Chase Bank, as Australian Co-Syndication Agents, and Bank of America, N.A., Sydney Branch, and UBS AG, Australia Branch, as Australian Co-Documentation Agents (excluding exhibits and schedules) (incorporated by reference to Exhibit 10.03 to Registrant’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2005, SEC File No. 001-4300).</td>
</tr>
<tr>
<td>10.7</td>
<td>Form of Request for Approval of Extension of Maturity Date and Amendment, dated April 5, 2007, among Registrant, Apache Canada Ltd., Apache Energy Limited, the Lenders named therein, JPMorgan Chase Bank, N.A., as Global Administrative Agent, and the other agents party thereto (incorporated by reference to Exhibit 10.6 to Registrant’s Annual Report on Form 10-K for year ended December 31, 2007, SEC File No. 001-4300).</td>
</tr>
<tr>
<td>10.8</td>
<td>Form of Request for Approval of Extension of Maturity Date and Amendment, dated February 18, 2008, among Registrant, Apache Canada Ltd., Apache Energy Limited, the Lenders named therein, JPMorgan Chase Bank, N.A., as Global Administrative Agent, and the other agents party thereto (incorporated by reference to Exhibit 10.2 to Registrant’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2008, SEC File No. 001-4300).</td>
</tr>
<tr>
<td>10.9</td>
<td>Concession Agreement for Petroleum Exploration and Exploitation in the Khalda Area in Western Desert of Egypt by and among Arab Republic of Egypt, the Egyptian General Petroleum Corporation and Phoenix Resources Company of Egypt, dated April 6, 1981 (incorporated by reference to Exhibit 19(g) to Phoenix’s Annual Report on Form 10-K for year ended December 31, 1984, SEC File No. 1-547).</td>
</tr>
<tr>
<td>10.10</td>
<td>Amendment, dated July 10, 1989, to Concession Agreement for Petroleum Exploration and Exploitation in the Khalda Area in Western Desert of Egypt by and among Arab Republic of Egypt, the Egyptian General Petroleum Corporation and Phoenix Resources Company of Egypt (incorporated by reference to Exhibit 10(d)(4) to Phoenix’s Quarterly Report on Form 10-Q for quarter ended June 30, 1989, SEC File No. 1-547).</td>
</tr>
<tr>
<td>10.11</td>
<td>Farmout Agreement, dated September 13, 1985 and relating to the Khalda Area Concession, by and between Phoenix Resources Company of Egypt and Conoco Khalda Inc. (incorporated by reference to Exhibit 10.1 to Phoenix’s Registration Statement on Form S-1, Registration No. 33-1069, filed October 23, 1985).</td>
</tr>
<tr>
<td>10.14</td>
<td>Concession Agreement for Petroleum Exploration and Exploitation in the Qarun Area in Western Desert of Egypt, between Arab Republic of Egypt, the Egyptian General Petroleum Corporation, Phoenix Resources Company of Qarun and Apache Oil Egypt, Inc., dated May 17, 1993 (incorporated by reference to Exhibit 10(b) to Phoenix’s Annual Report on Form 10-K for year ended December 31, 1993, SEC File No. 1-547).</td>
</tr>
<tr>
<td>Exhibit No.</td>
<td>Description</td>
</tr>
<tr>
<td>------------</td>
<td>-------------</td>
</tr>
<tr>
<td>†10.20</td>
<td>Apache Corporation 401(k) Savings Plan, dated January 1, 2008</td>
</tr>
<tr>
<td>†10.21</td>
<td>Amendment to Apache Corporation 401(k) Savings Plan, dated January 29, 2009, effective as of January 1, 2009, except as otherwise specified.</td>
</tr>
<tr>
<td>*†10.22</td>
<td>Apache Corporation Money Purchase Retirement Plan, dated January 1, 2008</td>
</tr>
<tr>
<td>*†10.23</td>
<td>Amendment to Apache Corporation Money Purchase Retirement Plan, dated January 29, 2009, effective as of January 1, 2009, except as otherwise specified.</td>
</tr>
<tr>
<td>Exhibit No.</td>
<td>Description</td>
</tr>
<tr>
<td>------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>†10.34</td>
<td>Apache Corporation 2008 Share Appreciation Program Specifications, pursuant to Apache Corporation 2007 Omnibus Equity Compensation Plan (incorporated by reference to Exhibit 10.3 to Registrant’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2008, SEC File No. 001-4300)</td>
</tr>
<tr>
<td>*†10.35</td>
<td>Apache Corporation Income Continuance Plan, as amended and restated November 20, 2008, effective as of January 1, 2005</td>
</tr>
<tr>
<td>*†10.36</td>
<td>Apache Corporation Deferred Delivery Plan, as amended and restated November 19, 2008, effective as of January 1, 2009, except as otherwise specified</td>
</tr>
<tr>
<td>*†10.37</td>
<td>Apache Corporation Executive Restricted Stock Plan, as amended and restated November 19, 2008</td>
</tr>
<tr>
<td>*†10.38</td>
<td>Apache Corporation Non-Employee Directors’ Compensation Plan, as amended and restated November 20, 2008, effective as of January 1, 2009</td>
</tr>
<tr>
<td>*†10.39</td>
<td>Apache Corporation Outside Directors’ Retirement Plan, as amended and restated November 20, 2008, effective as of January 1, 2009</td>
</tr>
<tr>
<td>†10.40</td>
<td>Apache Corporation Equity Compensation Plan for Non-Employee Directors, as amended and restated February 8, 2007 (incorporated by reference to Exhibit 10.2 to Registrant’s Quarterly Report on Form 10-Q for quarter ended March 31, 2007, SEC File No. 001-4300)</td>
</tr>
<tr>
<td>†10.41</td>
<td>Apache Corporation Non-Employee Directors’ Restricted Stock Units Program Specifications, dated August 14, 2008, pursuant to Apache Corporation 2007 Omnibus Equity Compensation Plan (incorporated by reference to Exhibit 10.9 to Registrant’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2008, SEC File No. 001-4300)</td>
</tr>
<tr>
<td>†10.43</td>
<td>Amended and Restated Employment Agreement, dated December 20, 1990, between Registrant and John A. Kocur (incorporated by reference to Exhibit 10.10 to Registrant’s Annual Report on Form 10-K for year ended December 31, 1990, SEC File No. 001-4300)</td>
</tr>
<tr>
<td>*†10.44</td>
<td>Employment Agreement between Registrant and G. Steven Farris, dated June 6, 1988, and First Amendment, dated November 20, 2008, effective as of January 1, 2005</td>
</tr>
<tr>
<td>†10.45</td>
<td>Amended and Restated Conditional Stock Grant Agreement, dated September 15, 2005, effective January 1, 2005, between Registrant and G. Steven Farris (incorporated by reference to Exhibit 10.06 to Registrant’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2005, SEC File No. 001-4300)</td>
</tr>
<tr>
<td>†10.46</td>
<td>Restricted Stock Unit Award Agreement, dated May 8, 2008, between Registrant and G. Steven Farris (incorporated by reference to Exhibit 10.4 to Registrant’s Quarterly Report on Form 10-Q for quarter ended March 31, 2008, SEC File No. 001-4300)</td>
</tr>
<tr>
<td>*12.1</td>
<td>Statement of Computation of Ratios of Earnings to Fixed Charges and Combined Fixed Charges and Preferred Stock Dividends.</td>
</tr>
</tbody>
</table>
NOTE: Debt instruments of the Registrant defining the rights of long-term debt holders in principal amounts not exceeding 10 percent of the Registrant’s consolidated assets have been omitted and will be provided to the Commission upon request.

(b) See (a) 3. above.

(c) See (a) 2. above.
SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

APACHE CORPORATION

/s/ G. STEVEN FARRIS
G. Steven Farris
Chairman of the Board and Chief Executive Officer

Dated: February 27, 2009

POWER OF ATTORNEY

The officers and directors of Apache Corporation, whose signatures appear below, hereby constitute and appoint G. Steven Farris, Roger B. Plank, P. Anthony Lannie and Rebecca A. Hoyt, and each of them (with full power to each of them to act alone), the true and lawful attorney-in-fact to sign and execute, on behalf of the undersigned, any amendment(s) to this report and each of the undersigned does hereby ratify and confirm all that said attorneys shall do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>/s/ G. STEVEN FARRIS</td>
<td>Chairman of the Board and Chief Executive Officer (principal executive officer)</td>
<td>February 27, 2009</td>
</tr>
<tr>
<td>G. Steven Farris</td>
<td></td>
<td></td>
</tr>
<tr>
<td>/s/ ROGER B. PLANK</td>
<td>President (principal financial officer)</td>
<td>February 27, 2009</td>
</tr>
<tr>
<td>Roger B. Plank</td>
<td></td>
<td></td>
</tr>
<tr>
<td>/s/ REBECCA A. HOYT</td>
<td>Vice President and Controller (principal accounting officer)</td>
<td>February 27, 2009</td>
</tr>
<tr>
<td>Rebecca A. Hoyt</td>
<td></td>
<td></td>
</tr>
<tr>
<td>/s/ FREDERICK M. BOHEN</td>
<td>Director</td>
<td>February 27, 2009</td>
</tr>
<tr>
<td>Frederick M. Bohen</td>
<td></td>
<td></td>
</tr>
<tr>
<td>/s/ RANDOLPH M. FERLIC</td>
<td>Director</td>
<td>February 27, 2009</td>
</tr>
<tr>
<td>Randolph M. Ferlic</td>
<td></td>
<td></td>
</tr>
<tr>
<td>/s/ EUGENE C. FIEDOREK</td>
<td>Director</td>
<td>February 27, 2009</td>
</tr>
<tr>
<td>Eugene C. Fiedorek</td>
<td></td>
<td></td>
</tr>
<tr>
<td>/s/ A. D. FRAZIER, JR.</td>
<td>Director</td>
<td>February 27, 2009</td>
</tr>
<tr>
<td>A. D. Frazier, Jr.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>/s/ PATRICIA ALBJERG GRAHAM</td>
<td>Director</td>
<td>February 27, 2009</td>
</tr>
<tr>
<td>Patricia Albjerg Graham</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Name</td>
<td>Title</td>
<td>Date</td>
</tr>
<tr>
<td>-----------------------</td>
<td>----------</td>
<td>---------------------</td>
</tr>
<tr>
<td>JOHN A. KOCUR /s/</td>
<td>Director</td>
<td>February 27, 2009</td>
</tr>
<tr>
<td>George D. Lawrence</td>
<td>Director</td>
<td>February 27, 2009</td>
</tr>
<tr>
<td>F. H. MERELLI /s/</td>
<td>Director</td>
<td>February 27, 2009</td>
</tr>
<tr>
<td>RODMAN D. PATTON /s/</td>
<td>Director</td>
<td>February 27, 2009</td>
</tr>
<tr>
<td>CHARLES J. PITMAN /s/</td>
<td>Director</td>
<td>February 27, 2009</td>
</tr>
</tbody>
</table>
REPORT OF MANAGEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of the Company is responsible for the preparation and integrity of the consolidated financial statements appearing in this annual report on Form 10-K. The financial statements were prepared in conformity with accounting principles generally accepted in the United States and include amounts that are based on management’s best estimates and judgments.

Management of the Company is responsible for establishing and maintaining effective internal control over financial reporting as such term is defined in Rule 13a-15(f) under the Securities Exchange Act of 1934 (Exchange Act). The Company’s internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements. Our internal control over financial reporting is supported by a program on internal audits and appropriate reviews by management, written policies and guidelines, careful selection and training of qualified personnel and a written code of business conduct adopted by our Company’s board of directors, applicable to all Company directors and all officers and employees of our Company and subsidiaries.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements and even when determined to be effective, can only provide reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company’s internal control over financial reporting as of December 31, 2008. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control — Integrated Framework. Based on our assessment, management believes that the Company maintained effective internal control over financial reporting as of December 31, 2008.

The Company’s independent auditors, Ernst & Young LLP, a registered public accounting firm, are appointed by the Audit Committee of the Company’s board of directors. Ernst & Young LLP have audited and reported on the consolidated financial statements of Apache Corporation and subsidiaries, and the effectiveness of the Company’s internal control over financial reporting. The reports of the independent auditors follow this report on pages F-2 and F-3.

G. Steven Farris  
Chairman of the Board and Chief Executive Officer  
(principal executive officer)

Roger B. Plank  
President  
(principal financial officer)

Rebecca A. Hoyt  
Vice President and Controller  
(principal accounting officer)

Houston, Texas  
February 27, 2009
The Board of Directors and Shareholders of Apache Corporation:

We have audited the accompanying consolidated balance sheets of Apache Corporation and subsidiaries as of December 31, 2008 and 2007, and the related consolidated statements of operations, shareholders’ equity, and cash flows for each of the three years in the period ended December 31, 2008. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Apache Corporation and subsidiaries at December 31, 2008 and 2007, and the consolidated results of their operations and their cash flows for each of the three years ended December 31, 2008, in conformity with U.S. generally accepted accounting principles.

As described in Note 1 to the consolidated financial statements, in 2007 the Company adopted the provisions of Financial Accounting Standards Board Interpretation No. 48, “Accounting for Uncertainty in Income Taxes.”

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Apache Corporation’s internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 27, 2009, expressed an unqualified opinion thereon.

ERNST & YOUNG LLP

Houston, Texas
February 27, 2009
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of Apache Corporation:

We have audited Apache Corporation’s internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Apache Corporation’s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report of Management on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company’s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Apache Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Apache Corporation and subsidiaries as of December 31, 2008 and 2007, and the related consolidated statements of operations, shareholders’ equity, and cash flows for each of the three years in the period ended December 31, 2008, and our report dated February 27, 2009, expressed an unqualified opinion thereon.

ERNST & YOUNG LLP

Houston, Texas
February 27, 2009

Ernst & Young LLP
### APACHE CORPORATION AND SUBSIDIARIES

#### STATEMENT OF CONSOLIDATED OPERATIONS

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES AND OTHER:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oil and gas production revenues</td>
<td>$12,327,839</td>
<td>$9,961,982</td>
<td>$8,074,253</td>
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<tr>
<td>Gain on China divestiture</td>
<td>—</td>
<td>—</td>
<td>173,545</td>
</tr>
<tr>
<td>Other</td>
<td>61,911</td>
<td>37,770</td>
<td>61,333</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>12,389,750</td>
<td>9,999,752</td>
<td>8,309,131</td>
</tr>
<tr>
<td><strong>OPERATING EXPENSES:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation, depletion and amortization</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recurring</td>
<td>2,516,437</td>
<td>2,347,791</td>
<td>1,816,359</td>
</tr>
<tr>
<td>Additional</td>
<td>5,333,821</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Asset retirement obligation accretion</td>
<td>101,348</td>
<td>96,438</td>
<td>88,931</td>
</tr>
<tr>
<td>Lease operating expenses</td>
<td>1,909,625</td>
<td>1,652,855</td>
<td>1,322,562</td>
</tr>
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<td>Gathering and transportation</td>
<td>156,491</td>
<td>137,407</td>
<td>120,537</td>
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<td>Taxes other than income</td>
<td>984,807</td>
<td>597,647</td>
<td>597,927</td>
</tr>
<tr>
<td>General and administrative</td>
<td>288,794</td>
<td>275,065</td>
<td>211,334</td>
</tr>
<tr>
<td>Financing costs, net</td>
<td>166,035</td>
<td>219,937</td>
<td>141,886</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>11,457,358</td>
<td>5,327,140</td>
<td>4,299,536</td>
</tr>
<tr>
<td><strong>INCOME BEFORE INCOME TAXES</strong></td>
<td>932,392</td>
<td>4,672,612</td>
<td>4,009,595</td>
</tr>
<tr>
<td>Current income tax provision</td>
<td>1,456,382</td>
<td>970,728</td>
<td>705,687</td>
</tr>
<tr>
<td>Deferred income tax provision</td>
<td>(1,235,944)</td>
<td>889,526</td>
<td>751,457</td>
</tr>
<tr>
<td><strong>NET INCOME</strong></td>
<td>711,954</td>
<td>2,812,358</td>
<td>2,552,451</td>
</tr>
<tr>
<td>Preferred stock dividends</td>
<td>5,680</td>
<td>5,680</td>
<td>5,680</td>
</tr>
<tr>
<td><strong>INCOME ATTRIBUTABLE TO COMMON STOCK</strong></td>
<td>$706,274</td>
<td>$2,806,678</td>
<td>$2,546,771</td>
</tr>
<tr>
<td><strong>NET INCOME PER COMMON SHARE:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>$ 2.11</td>
<td>$ 8.45</td>
<td>$ 7.72</td>
</tr>
<tr>
<td>Diluted</td>
<td>$ 2.09</td>
<td>$ 8.39</td>
<td>$ 7.64</td>
</tr>
</tbody>
</table>

The accompanying notes to consolidated financial statements are an integral part of this statement.
## APACHE CORPORATION AND SUBSIDIARIES
### STATEMENT OF CONSOLIDATED CASH FLOWS


(In thousands)

### CASH FLOW FROM OPERATING ACTIVITIES:

<table>
<thead>
<tr>
<th>Description</th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income</td>
<td>$711,954</td>
<td>$2,812,358</td>
<td>$2,552,451</td>
</tr>
<tr>
<td>Adjustments to reconcile net income to net cash provided by operating activities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation, depletion and amortization</td>
<td>7,850,258</td>
<td>2,347,791</td>
<td>1,816,359</td>
</tr>
<tr>
<td>Provision (benefit) for deferred income taxes</td>
<td>(1,235,844)</td>
<td>899,527</td>
<td>751,457</td>
</tr>
<tr>
<td>Asset retirement obligation accretion</td>
<td>101,348</td>
<td>96,438</td>
<td>88,931</td>
</tr>
<tr>
<td>Gain on sale of China operations</td>
<td></td>
<td></td>
<td>(173,545)</td>
</tr>
<tr>
<td>Other</td>
<td>(50,596)</td>
<td>48,966</td>
<td>32,380</td>
</tr>
<tr>
<td>Changes in operating assets and liabilities, net of effects of acquisitions:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Increase) decrease in receivables</td>
<td>570,592</td>
<td>(261,962)</td>
<td>(153,616)</td>
</tr>
<tr>
<td>(Increase) decrease in inventories</td>
<td>(22,295)</td>
<td>39,787</td>
<td>10,238</td>
</tr>
<tr>
<td>(Increase) decrease in drilling advances and other</td>
<td>28,846</td>
<td></td>
<td>66,323</td>
</tr>
<tr>
<td>(Increase) decrease in deferred charges and other</td>
<td>(323,832)</td>
<td>12,368</td>
<td>(126,869)</td>
</tr>
<tr>
<td>(Increase) decrease in accounts payable</td>
<td>(70,979)</td>
<td>(38,923)</td>
<td>(136,663)</td>
</tr>
<tr>
<td>(Increase) decrease in accrued expenses</td>
<td>(456,635)</td>
<td>(169,087)</td>
<td>(475,021)</td>
</tr>
<tr>
<td>(Increase) decrease in deferred credits and noncurrent liabilities</td>
<td>(37,373)</td>
<td>(69,299)</td>
<td>60,481</td>
</tr>
<tr>
<td><strong>NET CASH PROVIDED BY OPERATING ACTIVITIES</strong></td>
<td>$7,065,344</td>
<td>$5,677,433</td>
<td>$4,312,906</td>
</tr>
</tbody>
</table>

### CASH FLOWS FROM INVESTING ACTIVITIES:

<table>
<thead>
<tr>
<th>Description</th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Additions to oil and gas property</td>
<td>(5,293,762)</td>
<td>(4,322,469)</td>
<td>(3,891,639)</td>
</tr>
<tr>
<td>Acquisition of BP plc properties</td>
<td></td>
<td></td>
<td>(833,820)</td>
</tr>
<tr>
<td>Acquisition of Pioneer’s Argentine operations</td>
<td></td>
<td></td>
<td>(704,809)</td>
</tr>
<tr>
<td>Acquisition of Amerada Hess properties</td>
<td></td>
<td></td>
<td>(229,134)</td>
</tr>
<tr>
<td>Acquisition of Pan American properties</td>
<td></td>
<td></td>
<td>(396,056)</td>
</tr>
<tr>
<td>Acquisition of Anadarko properties</td>
<td></td>
<td></td>
<td>(1,004,593)</td>
</tr>
<tr>
<td>Proceeds from China divestiture</td>
<td></td>
<td></td>
<td>264,081</td>
</tr>
<tr>
<td>Proceeds from sale of Egypt properties</td>
<td></td>
<td></td>
<td>409,203</td>
</tr>
<tr>
<td>Additions to gathering, transmission and processing facilities</td>
<td>(679,084)</td>
<td>(479,874)</td>
<td>(248,589)</td>
</tr>
<tr>
<td>Restricted cash</td>
<td>(13,880)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from sales of oil and gas properties</td>
<td>307,974</td>
<td>67,483</td>
<td>4,740</td>
</tr>
<tr>
<td>Other, net</td>
<td>(64,226)</td>
<td>(206,476)</td>
<td>(149,559)</td>
</tr>
<tr>
<td><strong>NET CASH USED IN INVESTING ACTIVITIES</strong></td>
<td>(5,742,978)</td>
<td>(5,945,929)</td>
<td>(5,775,582)</td>
</tr>
</tbody>
</table>

### CASH FLOWS FROM FINANCING ACTIVITIES:

<table>
<thead>
<tr>
<th>Description</th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial paper and bank loans, net</td>
<td>(99,803)</td>
<td>(1,412,250)</td>
<td>1,629,257</td>
</tr>
<tr>
<td>Fixed-rate debt borrowings</td>
<td>796,315</td>
<td>1,992,290</td>
<td>714</td>
</tr>
<tr>
<td>Payments on fixed-rate debt</td>
<td>(353)</td>
<td>(173,000)</td>
<td>(274)</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>(239,358)</td>
<td>(204,753)</td>
<td>(154,143)</td>
</tr>
<tr>
<td>Common stock activity</td>
<td>31,513</td>
<td>29,682</td>
<td>31,963</td>
</tr>
<tr>
<td>Treasury stock activity, net</td>
<td>4,498</td>
<td>14,279</td>
<td>(166,907)</td>
</tr>
<tr>
<td>Purchase of short-term investments</td>
<td>(791,999)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of debt and equity transactions</td>
<td>(7,050)</td>
<td>(18,179)</td>
<td>(2,061)</td>
</tr>
<tr>
<td>Other</td>
<td>39,498</td>
<td>25,726</td>
<td>35,791</td>
</tr>
<tr>
<td><strong>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</strong></td>
<td>(266,739)</td>
<td>253,795</td>
<td>1,374,340</td>
</tr>
</tbody>
</table>

**NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

<table>
<thead>
<tr>
<th>Description</th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,055,827</td>
<td>(14,701)</td>
<td>(88,336)</td>
</tr>
<tr>
<td>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</td>
<td>125,823</td>
<td>140,524</td>
<td>228,860</td>
</tr>
</tbody>
</table>

**CASH AND CASH EQUIVALENTS AT END OF YEAR**

<table>
<thead>
<tr>
<th>Description</th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$1,181,450</td>
<td>$125,823</td>
<td>$140,524</td>
</tr>
</tbody>
</table>

### SUPPLEMENTARY CASH FLOW DATA:

<table>
<thead>
<tr>
<th>Description</th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest paid, net of capitalized interest</td>
<td>$171,487</td>
<td>$181,138</td>
<td>$150,253</td>
</tr>
<tr>
<td>Income taxes paid, net of refunds</td>
<td>1,694,557</td>
<td>797,589</td>
<td>827,785</td>
</tr>
</tbody>
</table>

The accompanying notes to consolidated financial statements are an integral part of this statement.
# APACHE CORPORATION AND SUBSIDIARIES
## CONSOLIDATED BALANCE SHEET

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

<table>
<thead>
<tr>
<th>Table of Contents</th>
<th>APACHE CORPORATION AND SUBSIDIARIES</th>
<th>STATEMENT OF CONSOLIDATED SHAREHOLDERS’ EQUITY</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Comprehensive Income</th>
<th>Series B Preferred Stock</th>
<th>Common Stock</th>
<th>Paid-In Capital</th>
<th>Retained Earnings</th>
<th>Treasury Stock</th>
<th>Accumulated Other Comprehensive Income (Loss)</th>
<th>Total Shareholders’ Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<tr>
<td>Comprehensive income (loss):</td>
<td></td>
<td></td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>Net income</td>
<td>$ 2,552,451</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Post retirement, net of income tax benefit of $2,816</td>
<td>(6,116)</td>
<td></td>
<td></td>
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<td></td>
<td></td>
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</tr>
<tr>
<td>Commodity hedges, net of income tax expense of $187,162</td>
<td>340,392</td>
<td></td>
<td></td>
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<td></td>
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<td></td>
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<tr>
<td>Comprehensive income</td>
<td>$ 2,836,727</td>
<td></td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>Cash dividends:</td>
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<td></td>
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<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Preferred ($ 50 per share)</td>
<td></td>
<td></td>
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<tr>
<td>Common share issued</td>
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<td></td>
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<tr>
<td>Treasury shares purchased, net</td>
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<tr>
<td>Compensation expense</td>
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<td>Other</td>
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<td></td>
</tr>
<tr>
<td>Comprehensive income (loss):</td>
<td></td>
<td></td>
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<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>$ 2,812,358</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Post retirement, net of income tax benefit of $4,896</td>
<td>6,333</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commodity hedges, net of income tax benefit of $272,865</td>
<td>(495,212)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Comprehensive income</td>
<td>$ 2,323,479</td>
<td></td>
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<td></td>
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<tr>
<td>Cash dividends:</td>
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<tr>
<td>Preferred ($ 60 per share)</td>
<td></td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>Common shares issued</td>
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<td></td>
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<tr>
<td>Treasury shares purchased, net</td>
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<tr>
<td>Compensation expense</td>
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<td>FIN 48 adoption</td>
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<tr>
<td>Other</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>BALANCE AT DECEMBER 31, 2007</td>
<td>$ 99,387</td>
<td>213,326</td>
<td>4,367,140</td>
<td>$ 15,377,979</td>
<td>$ (520,211)</td>
<td>$ 15,377,979</td>
<td></td>
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</tr>
<tr>
<td>Comprehensive income (loss):</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>Net income</td>
<td>$ 711,954</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Post retirement, net of income tax benefit of $7,495</td>
<td>(7,530)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commodity hedges, net of income tax expense of $301,157</td>
<td>549,505</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Comprehensive income</td>
<td>$ 1,253,929</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Cash dividends:</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Preferred ($ 70 per share)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Common shares issued</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Treasury shares purchased, net</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Compensation expense</td>
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<td></td>
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<td></td>
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<tr>
<td>FIN 48</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BALANCE AT DECEMBER 31, 2008</td>
<td>$ 99,387</td>
<td>$214,221</td>
<td>$4,472,826</td>
<td>$11,929,827</td>
<td>$ (228,304)</td>
<td>$ 21,764</td>
<td>$ 16,508,721</td>
<td></td>
</tr>
</tbody>
</table>

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

F-7
Nature of Operations

Apache Corporation (Apache or the Company) is an independent energy company that explores for, develops and produces natural gas, crude oil and natural gas liquids. The Company’s North American exploration and production activities are divided into two United States (U.S.) operating regions (Central and Gulf Coast) and a Canadian region. Approximately 61 percent of the Company’s proved reserves are located in North America. Outside of North America, Apache has exploration and production interests in Egypt, offshore Western Australia, offshore the United Kingdom in the North Sea (North Sea) and Argentina. In 2008, we finalized contracts for two exploration blocks in Chile.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting policies used by Apache and its subsidiaries reflect industry practices and conform to accounting principles generally accepted in the U.S. (GAAP). Certain reclassifications have been made to prior periods to conform with the current presentations. Significant policies are discussed below.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Apache and its subsidiaries after elimination of intercompany balances and transactions. The Company consolidates all investments in which the Company, either through direct or indirect ownership, has more than a 50 percent voting interest. In addition, Apache consolidates all variable interest entities where it is the primary beneficiary. The Company’s interest in oil and gas exploration and production ventures and partnerships are proportionately consolidated.

Use of Estimates

Preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The Company bases its estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Apache evaluates its estimates and assumptions on a regular basis. Actual results may differ from these estimates and assumptions used in preparation of its financial statements and changes in these estimates are recorded when known. Significant estimates with regard to these financial statements include the estimate of proved oil and gas reserves and related present value estimates of future net cash flows there from (See Note 13 — Supplemental Oil and Gas Disclosure), asset retirement obligations, income taxes, valuation of derivative instruments and contingency obligations including legal and environmental risks and exposures.

Cash Equivalents

The Company considers all highly liquid short-term investments with a maturity of three months or less at time of purchase to be cash equivalents. These investments are carried at cost, which approximates fair value. At December 31, 2008, we had $1.2 billion of cash and cash equivalents.

 Marketable Securities

The Company accounts for investments in debt and equity securities in accordance with Statement of Financial Accounting Standards (SFAS) No. 115, “Accounting for Certain Investments in Debt and Equity Securities.” Investments in debt securities classified as “held to maturity” are recorded at cost. At December 31, 2008, we had $792 million invested in obligations of the U.S. government with original maturities greater than three months but less than a year.

Allowance for Doubtful Accounts

The Company routinely assesses the recoverability of all material trade and other receivables to determine their collectibility. Many of Apache’s receivables are from joint interest owners on properties Apache operates. Thus, Apache may have the ability to withhold future revenue disbursements to recover any non-payment of joint interest billings. Generally, the Company’s crude oil and natural gas receivables are collected within two months. The Company accrues a reserve on a receivable when, based on the judgment of management, it is probable that a receivable will not be collected and the amount of any reserve may be reasonably estimated. As of December 31, 2008 and 2007, the Company had an allowance for doubtful accounts of $33 million and $23 million, respectively.
Apache experienced a decline in the timeliness of receipts from the Egyptian General Petroleum Corporation (EGPC) for oil and gas sales in the second half of 2008. Although the Company continues to collect on these receivables, albeit late, management does not believe there is an indication that the Company will not be able to collect the balance of our receivables from this customer.

Inventories Inventories consist principally of tubular goods and equipment, stated at the lower of weighted-average cost or market, and oil produced but not sold, stated at the lower of cost or market.

Oil and Gas Property The Company uses the full-cost method of accounting for its exploration and development activities. Under this method of accounting, the cost of both successful and unsuccessful exploration and development activities are capitalized as property and equipment. This includes any internal costs that are directly related to exploration and development activities, including salaries and benefits, but does not include any costs related to production, general corporate overhead or similar activities. Historically, total capitalized internal costs in any given year have not been material to total oil and gas costs capitalized in such year. Apache capitalized $236 million, $208 million and $146 million of these internal costs in 2008, 2007 and 2006, respectively. Proceeds from the sale or disposition of oil and gas properties are accounted for as a reduction to capitalized costs unless a significant portion (greater than 25 percent) of the Company’s reserve quantities in a particular country are sold, in which case a gain or loss is recognized.

Costs Excluded Oil and gas unevaluated properties and properties under development include costs that are excluded from costs being depreciated or amortized. These costs represent investments in unproved properties and major development projects in which the Company owns a direct interest. Apache excludes these costs on a country-by-country basis until proved reserves are found, until it is determined that the costs are impaired, or major development projects are placed in service. All costs excluded are reviewed at least quarterly to determine if impairment has occurred. In countries where proved reserves exist, exploratory drilling costs associated with dry holes are transferred to proved properties immediately upon determination that a well is dry and amortized accordingly. Also, geological and geophysical (G&G) costs not associated with specific properties are recorded to proved property. For international operations where a reserve base has not yet been established, impairments are charged to earnings and are determined through an evaluation considering, among other factors, seismic data, requirements to relinquish acreage, drilling results, remaining time in the commitment period, remaining capital plan and political, economic and market conditions.

Ceiling Test Under the full-cost method of accounting, a ceiling test is performed each quarter. The test establishes a limit (ceiling), on a country-by-country basis, on the book value of oil and gas properties. The capitalized costs of proved oil and gas properties, net of accumulated depreciation, depletion and amortization (DD&A) and the related deferred income taxes, may not exceed this “ceiling.” The ceiling limitation is the estimated after-tax future net cash flows from proved oil and gas reserves, excluding future cash outflows associated with settling asset retirement obligations accrued on the balance sheet. The estimate of after-tax future net cash flows is calculated using a discount rate of 10 percent per annum and both costs and commodity prices in effect at the end of the period held flat for the life of production, except where future oil and gas sales are covered by physical contract terms or by derivative instruments that qualify, and are accounted for, as cash flow hedges. If capitalized costs exceed this limit, the excess is charged to expense and reflected as additional DD&A. See Note 13 — Supplemental Oil and Gas Disclosures (Unaudited) for a discussion on calculation of estimated future net cash flows.

The Company recorded a $5.3 billion ($3.6 billion net of tax) non-cash write-down of the carrying value of the Company’s U.S., U.K. North Sea, Canadian and Argentine proved oil and gas properties as of December 31, 2008, as a result of the ceiling test limitations, which is reflected as additional DD&A expense in the accompanying statement of consolidated operations. Approximately nine percent of our future oil and gas production is being hedged in 2009, three percent in 2010 and 2011, two percent in 2012 and less than one percent in 2013. Excluding the effects of cash flow hedges in calculating the ceiling limitation, the write-down would have been $5.9 billion ($4.0 billion net of tax). See Note 12 — Business Segment Information.
If oil and gas prices at the end of the first quarter are below year-end levels, additional write-downs of oil and gas properties are likely to occur.

**Depreciation, Depletion and Amortization**  
DD&A of oil and gas properties is calculated quarterly, on a basis, using the Units of Production Method (UOP). The UOP calculation, in simplest terms, multiplies the percentage of estimated proved reserves produced each quarter times the costs of those reserves. The result is to recognize expense at the same pace that the reservoirs are actually depleting. The amortization base in the UOP calculation includes the sum of proved property costs net of accumulated DD&A, estimated future development costs (future costs to access and develop reserves) and asset retirement costs which are not already included in oil and gas property, less related salvage value.

Gas gathering, transmission and processing facilities, buildings and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, which range from three to 20 years. Accumulated depreciation for these assets totaled $870 million and $720 million at December 31, 2008 and 2007, respectively.

**Asset Retirement Obligation**  
The initial estimated retirement obligation of properties is recognized as a liability, with an associated increase in properties and equipment for the asset retirement cost. Accretion expense is recognized over the estimated productive life of the related assets. If the fair value of the estimated asset retirement obligation changes, an adjustment is recorded to both the asset retirement obligation and the asset retirement cost. Revisions in estimated liabilities can result from revisions of estimated inflation rates, changes in service and equipment costs and changes in the estimated timing of settling asset retirement obligations.

**Capitalized Interest**  
Interest is capitalized on oil and gas investments in unproved properties and exploration and development activities that are in progress qualify for capitalized interest. Major construction projects also qualify for interest capitalization until the assets are ready for service. Capitalized interest is calculated by multiplying the Company’s weighted-average interest rate on debt by the amount of qualifying costs. For projects under construction that carry their own financing, interest is calculated using the interest rate related to the project financing. Interest and related costs are capitalized until each project is complete. Capitalized interest cannot exceed gross interest expense. As oil and gas costs excluded are transferred to unproved properties, any associated capitalized interest is also transferred. As major construction projects are completed, the associated capitalized interest is amortized over the useful life of the related asset. Capitalized interest totaled $94 million, $76 million and $61 million in 2008, 2007, and 2006 respectively.

**Goodwill**  
Goodwill represents the excess of the purchase price of an entity over the estimated fair value of the assets acquired and liabilities assumed. The Company assesses the carrying amount of goodwill by testing the goodwill for impairment annually and when impairment indicators arise. The impairment test requires allocating goodwill and all other assets and liabilities to assigned reporting units. The fair value of each unit is determined and compared to the book value of the reporting unit. If the fair value of the reporting unit is less than the book value, including goodwill, then goodwill is written down to the implied fair value of the goodwill through a charge to expense. Goodwill totaled $189 million at December 31, 2008 and 2007, with approximately $103 million and $86 million recorded in Canada and Egypt, respectively. Each country was assessed as a reporting unit. No impairment of goodwill was recognized during 2008, 2007 or 2006.

**Accounts Payable**  
Included in accounts payable at December 31, 2008 and 2007, are liabilities of approximately $164 million and $125 million, respectively, representing the amount by which checks issued, but not presented to the Company’s banks for collection, exceeded balances in applicable bank accounts.

**Commitments and Contingencies**  
Accruals for loss contingencies arising from claims, assessments, litigation, environmental and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. These accruals are adjusted as additional information becomes available or circumstances change.
Revenue Recognition and Imbalances  Oil and gas revenues are recognized when production is sold to a purchaser at a fixed or determinable price, when delivery has occurred and title has transferred, and if collectibility of the revenue is probable. Cash received relating to future revenues is deferred and recognized when all revenue recognition criteria are met.

Apache uses the sales method of accounting for gas production imbalances. The volumes of gas sold may differ from the volumes to which Apache is entitled based on its interests in the properties. These differences create imbalances that are recognized as a liability only when the properties’ estimated remaining reserves net to Apache will not be sufficient to enable the underproduced owner to recoup its entitled share through production. The Company’s recorded liability is generally reflected in other non-current liabilities. No receivables are recorded for those wells where Apache has taken less than its share of production. Gas imbalances are reflected as adjustments to estimates of proved gas reserves and future cash flows in the unaudited supplemental oil and gas disclosures.

The Company’s Egyptian operations are conducted pursuant to production sharing contracts under which contractor partners pay all operating and capital costs for exploring and developing the concessions. A percentage of the production, generally up to 40 percent, is available to the contractor partners to recover these operating and capital costs. The balance of the production is split among the contractor partners and Egyptian General Petroleum Corporation (EGPC) on a contractually defined basis.

Apache markets its own U.S. natural gas production. As the Company’s production fluctuates because of operational issues, it is occasionally necessary to purchase gas (third-party gas) to fulfill its sales obligations and commitments. Both the costs and sales proceeds of this third-party gas are reported on a net basis in oil and gas production revenues. The costs of third-party gas netted against the related sales proceeds totaled $56 million, $123 million and $160 million, for 2008, 2007 and 2006, respectively.

Derivative Instruments and Hedging Activities  Apache periodically enters into derivative contracts to manage its exposure to commodity price risk. These derivative contracts, which are generally placed with major financial institutions that the Company believes are minimal credit risks, may take the form of forward contracts, futures contracts, swaps or options. The oil and gas reference prices, upon which the commodity derivative contracts are based, reflect various market indices that have a high degree of historical correlation with actual prices received by the Company for its oil and gas production.

Apache accounts for its derivative instruments in accordance with SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities,” as amended. SFAS No. 133 establishes accounting and reporting standards requiring that all derivative instruments, other than those that meet the normal purchases and sales exception, be recorded on the balance sheet as either an asset or liability measured at fair value (which is generally based on information obtained from independent parties). SFAS No. 133 also requires that changes in fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Hedge accounting treatment allows unrealized gains and losses on cash flow hedges to be deferred in other comprehensive income. Realized gains and losses from the change in fair value of derivative instruments that do not qualify for hedge accounting are reported in current period income as “Other” under Revenues and Other in the Statement of Consolidated Operations. If at any time the likelihood of occurrence of a hedged forecasted transaction ceases to be “probable,” hedge accounting under SFAS No. 133 will cease on a prospective basis and all future changes in the fair value of the derivative will be recognized directly in earnings. Amounts recorded in other comprehensive income prior to the change in the likelihood of occurrence of the forecasted transaction will remain in other comprehensive income until such time as the forecasted transaction impacts earnings. If it becomes probable that the original forecasted production will not occur, then the derivative gain or loss would be reclassified from accumulated other comprehensive income into earnings immediately. Hedge effectiveness is measured at least quarterly based on the relative changes in fair value between the derivative contract and the hedged item over time, and any ineffectiveness is immediately reported as “Other” under Revenues and Other in the Statement of Consolidated Operations.
General and Administrative Expense  General and administrative expenses are reported net of recoveries from owners in properties operated by Apache and net of amounts related to lease operating activities or capitalized pursuant to the full-cost method of accounting.

Income Taxes  We record deferred tax assets and liabilities to account for the expected future tax consequences of events that have been recognized in our financial statements and our tax returns. We routinely assess the realizability of our deferred tax assets. If we conclude that it is more likely than not that some portion or all of the deferred tax assets will not be realized under accounting standards, the tax asset is reduced by a valuation allowance. We consider future taxable income in making such assessments. Numerous judgments and assumptions are inherent in the determination of future taxable income, including factors such as future operating conditions (particularly as related to prevailing oil and gas prices).

Earnings from Apache’s international operations are permanently reinvested; therefore, the Company does not recognize U.S. deferred taxes on the unremitted earnings of its international subsidiaries. If it becomes apparent that some or all of the unremitted earnings will be remitted, the Company will then recognize taxes on those earnings.

Foreign Currency Translation  The U.S. dollar has been determined to be the functional currency for each of Apache’s international operations. The functional currency is determined country-by-country based on relevant facts and circumstances of the cash flows, commodity pricing environment and financing arrangements in each country. Foreign currency translation gains and losses arise when monetary assets and liabilities denominated in foreign currencies are remeasured to U.S. dollars at the exchange rate in effect at the end of each reporting period.

The Company accounts for foreign currency gains and losses in accordance with SFAS No. 52, “Foreign Currency Translation.” Foreign currency translation gains and losses related to deferred taxes are recorded as a component of provision for income taxes. The Company recorded a deferred tax benefit of $397 million in 2008, additional deferred tax expense of $228 million in 2007 and a deferred tax benefit of $5 million in 2006 (see Note 6 — Income Taxes). All other foreign currency translation gains and losses are reflected in “Other” under Revenues and Other in the Statement of Consolidated Operations. The Company’s other foreign currency gains and losses included in “Other” under Revenues and Other in the Statement of Consolidated Operations netted to a gain of $38 million in 2008, a $9 million gain in 2007 and a loss of $15 million in 2006.

Foreign currency gains and losses also arise when revenue and disbursement transactions denominated in a country’s local currency are converted to U.S. equivalent dollars based on the average exchange rates during the reporting period.

Insurance Coverage  The Company recognizes an insurance receivable when collection of the receivable is deemed probable. Any recognition of an insurance receivable is recorded by crediting and offsetting the original charge. Any differential arising between insurance recoveries and insurance receivables is recorded as a capitalized cost or as an expense, consistent with its original treatment.

Earnings Per Share  The Company’s basic earnings per share (EPS) amounts have been computed based on the weighted-average number of shares of common stock outstanding for the period. Diluted EPS reflects the potential dilution, using the treasury stock method, which could occur if options were exercised and restricted stock were fully vested.

Diluted EPS also includes the impact of unvested Share Appreciation Plans. For awards in which the share price goals have already been achieved, shares are included in diluted EPS using the treasury stock method, for those awards in which the share price goals have not been achieved, the number of contingently issuable shares included in the diluted EPS is based on the number of shares, if any, using the treasury stock method, that would be issuable if the market price of the Company’s stock at the end of the reporting period exceeded the share price goals under the terms of the plan.


F-12
The Company grants various types of stock-based awards including stock options, nonvested equity shares (restricted stock) and performance-based awards. In 2003 and 2004, the Company also granted cash-based stock appreciation rights. These plans and related accounting policies are defined and described more fully in Note 7 — Capital Stock. Stock compensation awards granted are valued on the date of grant and are expensed, net of estimated forfeitures, on a straight-line basis over the required service period.

**Gathering, Transmission and Processing Facilities** The Company assesses the carrying amount of its gathering, transmission and processing facilities by testing the facilities annually and whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. If the carrying amount of these facilities is less than the sum of the undiscounted cash flows expected to result from their use and eventual disposition, an impairment loss is recorded through a charge to expense. Gathering, transmission and processing facilities totaled $2.9 billion and $2.2 billion at December 31, 2008 and 2007, respectively. No impairment of gathering, transmission and processing facilities was recognized during 2008, 2007 or 2006.

SFAS No. 123-R also requires that benefits of tax deductions in excess of recognized compensation cost be reported as financing cash flows rather than as operating cash flows. The Company classified $47 million, $30 million and $49 million as financing cash inflows in 2008, 2007 and 2006, respectively.

**Treasury Stock** The Company follows the weighted-average-cost method of accounting for treasury stock transactions.

**Recently Issued Accounting Standards Not Yet Adopted** In December 2007, the Financial Accounting Standards Board (FASB) issued a revision to SFAS No. 141, “Business Combinations” (SFAS No. 141(R)). The revision broadens the definition of a business combination to include all transactions or other events in which control of one or more businesses is obtained. Further, the statement establishes principles and requirements for how an acquirer recognizes assets acquired, liabilities assumed and any non-controlling interests acquired. Apache has adopted SFAS No. 141(R) as of January 1, 2009.

Also in December 2007, the FASB issued SFAS No. 160, “Noncontrolling Interests in Consolidated Financial Statements.” This statement amends Accounting Research Bulletin No. 51, “Consolidated Financial Statements.” SFAS No. 160 establishes accounting and reporting standards for the noncontrolling interests in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a noncontrolling interest in a subsidiary, sometimes called a minority interest, is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. Additionally, the amounts of consolidated net income attributable to both the parent and the noncontrolling interest must be reported separately on the face of the income statement. Apache adopted SFAS No. 160 as of January 1, 2009. Adoption of this standard did not have an effect on our financial position or results of operations.

In March 2008, the FASB issued SFAS No. 161, “Disclosures about Derivative Instruments and Hedging Activities,” an amendment to SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities.” SFAS No. 161 changes the disclosure requirements for derivative instruments and hedging activities to include enhanced disclosures about how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for under SFAS No. 133 and how derivative instruments and related hedged items affect an entity’s financial position, financial performance and cash flows. Apache adopted SFAS No. 161 as of January 1, 2009. Adoption of this standard did not have an effect on our financial position or results of operations.

In June 2008, the FASB issued FASB Staff Position (FSP) Emerging Issues Task Force (EITF) Issue No. 03-6-1, “Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities.” FSP EITF No. 03-6-1 addresses whether instruments granted in share-based payment transactions should be considered participating securities for the purposes of applying the two-class method of calculating earnings per share (EPS) pursuant to FASB Statement No. 128, “Earnings Per Share.” This FSP concludes that unvested share-based payment awards that contain rights to receive nonforfeitable dividends or dividend equivalents are participating securities prior to vesting and, therefore, should be included in the earnings allocations in computing basic
EPS under the two-class method. This FSP is effective for financial statements issued beginning after December 15, 2008, with prior-period retrospective allocation. Apache has adopted FSP EITF Issue No. 03-6-1 as of January 1, 2009. Apache does not expect the effect of this FSP on its financial statements to be material.

In December 2008, the FASB issued FSP FAS 132(R)-1, “Employers’ Disclosures about Postretirement Benefit Plan Assets.” This FSP provides additional guidance regarding the application of SFAS No. 132(R), “Employers’ Disclosures about Pensions and Other Postretirement Benefits — An Amendment of FASB Statements No. 87, 88, and 106,” which requires additional disclosures about plan assets of a defined benefit pension or other postretirement plan, including investment strategies, major categories of plan assets, concentrations of risk within plan assets, inputs and valuation techniques used to measure the fair value of plan assets and the effect of fair-value measurements using significant unobservable inputs on changes in plan assets for the period. FSP 132(R)-1 is effective for fiscal years ending after December 15, 2009, with earlier application permitted. We do not expect the adoption of this standard to have an effect on our financial position or results of operations.

In January 2009, the Securities and Exchange Commission (SEC) issued Release No. 33-8995, “Modernization of Oil and Gas Reporting,” amending oil and gas reporting requirements under Rule 4-10 of Regulation S-X and Industry Guide 2 in Regulation S-K and bringing full-cost accounting rules into alignment with the revised disclosure requirements. The new rules include changes to the pricing used to estimate reserves, the ability to include nontraditional resources in reserves, the use of new technology for determining reserves and permitting disclosure of probable and possible reserves. The final rules are effective for registration statements filed on or after January 1, 2010, and for annual reports for fiscal years ending on or after December 31, 2009.

2. SIGNIFICANT ACQUISITIONS AND DIVESTITURES

U.S. Permian Basin

On March 29, 2007, the Company closed its acquisition of controlling interest in 28 oil and gas fields in the Permian Basin of West Texas from Anadarko Petroleum Corporation (Anadarko) for $1 billion. Apache estimated that these fields had proved reserves of 57 million barrels (MMbbls) of liquid hydrocarbons and 78 billion cubic feet (Bcf) of natural gas as of year-end 2006. The Company funded the acquisition with debt. Apache and Anadarko entered into a joint-venture arrangement to effect the transaction. The Company entered into cash flow hedges for a portion of the crude oil and the natural gas production.

U.S. Permian Basin

On January 5, 2006, the Company purchased Amerada Hess’s interest in eight fields located in the Permian basin of West Texas and New Mexico. The original purchase price was reduced from $404 million to $269 million because other interest owners exercised their preferential rights to purchase a number of the properties. The settlement price at closing of $239 million was adjusted for revenues and expenditures occurring between the effective date and the closing date of the acquisition. The acquired fields had estimated proved reserves of 27 MMbbls of liquid hydrocarbons and 27 Bcf of natural gas as of year-end 2005.

Argentina

On April 25, 2006, the Company acquired the operations of Pioneer Natural Resources (Pioneer) in Argentina for $675 million. The settlement price at closing, of $703 million, was adjusted for revenues and expenditures occurring between the effective date and closing date of the acquisition. The properties are located in the Neuquén, San Jorge and Austral basins of Argentina and had estimated net proved reserves of approximately 22 MMbbls of liquid hydrocarbons and 297 Bcf of natural gas as of December 31, 2005. Eight gas processing plants (five operated and three non-operated), 112 miles of operated pipelines in the Neuquén basin and 2,200 square miles of three-dimensional (3-D) seismic data were also included in the transaction. Apache financed the purchase with cash on hand and commercial paper.
The purchase price was allocated to the assets acquired and liabilities assumed based upon the estimated fair values as of the date of acquisition, as follows (in thousands):

<table>
<thead>
<tr>
<th>Asset</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proved property</td>
<td>$501,938</td>
</tr>
<tr>
<td>Unproved property</td>
<td>189,500</td>
</tr>
<tr>
<td>Gas Plants</td>
<td>51,200</td>
</tr>
<tr>
<td>Working capital acquired, net</td>
<td>11,256</td>
</tr>
<tr>
<td>Asset retirement obligation</td>
<td>(13,635)</td>
</tr>
<tr>
<td>Deferred income tax liability</td>
<td>(37,630)</td>
</tr>
<tr>
<td>Cash consideration</td>
<td>$702,629</td>
</tr>
</tbody>
</table>

On September 19, 2006, Apache acquired additional interests in (and now operates) seven concessions in the Tierra del Fuego Province from Pan American Fueguina S.R.L. (Pan American) for total consideration of $429 million. The settlement price at closing of $396 million was adjusted for normal closing items, including revenues and expenses between the effective date and the closing date of the acquisition. Apache financed the purchase with cash on hand and commercial paper.

The total cash consideration allocated below includes working capital balances purchased, asset retirement obligations assumed and an obligation to deliver specific gas volumes in the future. The purchase price was allocated to the assets acquired and liabilities assumed based upon the estimated fair values as of the date of acquisition, as follows (in thousands):

<table>
<thead>
<tr>
<th>Asset</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proved property</td>
<td>$289,916</td>
</tr>
<tr>
<td>Unproved property</td>
<td>132,000</td>
</tr>
<tr>
<td>Gas plants</td>
<td>12,722</td>
</tr>
<tr>
<td>Working capital acquired, net</td>
<td>8,929</td>
</tr>
<tr>
<td>Asset retirement obligation</td>
<td>(1,511)</td>
</tr>
<tr>
<td>Assumed obligation</td>
<td>(46,000)</td>
</tr>
<tr>
<td>Cash consideration</td>
<td>$396,056</td>
</tr>
</tbody>
</table>

**U.S. Gulf Coast**

In June 2006, the Company acquired the remaining producing properties of BP plc (BP) on the Outer Continental Shelf of the Gulf of Mexico. The original purchase price was reduced from $1.3 billion for 18 producing fields to $845 million because other interest owners exercised their preferential rights to purchase five of the 18 fields. The purchase price consisted of $747 million of proved property, $42 million of unproved property and $56 million of facilities. The settlement price on the date of closing of $821 million was adjusted primarily for revenues and expenditures occurring between the April 1, 2006 effective date and the closing date of the acquisition. The acquired properties include 13 producing fields (nine of which are operated) with estimated proved reserves of 19.5 MMbbls of liquid hydrocarbons and 148 Bcf of natural gas. Apache financed the purchase with cash on hand and commercial paper.

**Divestitures**

On January 6, 2006, the Company completed the sale of its 55 percent interest in the deepwater section of Egypt’s West Mediterranean Concession to Amerada Hess for $413 million. Apache did not have any proved reserves booked for these properties.

On August 8, 2006, the Company completed the sale of its 24.5 percent interest in the Zhao Dong block, offshore the People’s Republic of China, to Australia-based ROC Oil Company Limited for $260 million, marking
Apache’s exit from China. The effective date of the transaction was July 1, 2006. The Company recorded a gain of $174 million in the third quarter of 2006.

3. HEDGING AND DERIVATIVE INSTRUMENTS

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 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. Derivative instruments typically entered into by the Company and designated as cash flow hedges are swaps and options.

As of December 31, 2008, we had entered into the following crude oil derivative instruments:

<table>
<thead>
<tr>
<th>Production Period</th>
<th>Fixed-Price Swaps</th>
<th>Collars</th>
<th>Call Options</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mbolsls</td>
<td>Weighted Average (Fixed Price(1))</td>
<td>Mbolsls</td>
</tr>
<tr>
<td>2009</td>
<td>368</td>
<td>$67.95</td>
<td>9,321</td>
</tr>
<tr>
<td>2010</td>
<td>2,018</td>
<td>70.87</td>
<td>6,016</td>
</tr>
<tr>
<td>2011</td>
<td>3,285</td>
<td>71.16</td>
<td>4,377</td>
</tr>
<tr>
<td>2012</td>
<td>2,926</td>
<td>71.34</td>
<td>1,456</td>
</tr>
<tr>
<td>2013</td>
<td>1,086</td>
<td>71.34</td>
<td>—</td>
</tr>
</tbody>
</table>

(1) Crude oil prices primarily represent a weighted average of NYMEX WTI Cushing Index and APPI Tapis prices on contracts entered into on a per barrel basis.

As of December 31, 2008, we had entered into the following natural gas derivative instruments:

<table>
<thead>
<tr>
<th>Production Period</th>
<th>Collars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>MMBtu (in 000’s)</td>
</tr>
<tr>
<td>2009</td>
<td>18,250</td>
</tr>
<tr>
<td>2009</td>
<td>—</td>
</tr>
<tr>
<td>2010</td>
<td>1,350</td>
</tr>
</tbody>
</table>

(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 against NYMEX Henry Hub. The Canadian natural gas prices represent a weighted average of AECO Index prices. The Canadian gas collars are entered into on a per gigajoule (GJ) basis, are converted to U.S. dollars utilizing a December 31, 2008 exchange rate, and are settled against the AECO Index.

Receivables/Payables Related to Crude Oil and Natural Gas Derivative Instruments  The fair market value of the Company’s derivative assets and liabilities, including derivatives no longer qualifying for hedge accounting, are as follows:

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2008</th>
<th>December 31, 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current asset</td>
<td>$154</td>
<td>$21</td>
</tr>
<tr>
<td>Long-term asset</td>
<td>65</td>
<td>7</td>
</tr>
<tr>
<td>Current liability</td>
<td>—</td>
<td>286</td>
</tr>
<tr>
<td>Long-term liability</td>
<td>7</td>
<td>382</td>
</tr>
</tbody>
</table>
Commodity Derivative Activity in Accumulated Other Comprehensive Income (OCI)  Based on market prices as of December 31, 2008, the Company’s net unrealized gain in accumulated OCI for commodity derivatives designated as cash flow hedges totaled $212 million ($138 million after tax). Gains and losses on these hedges will be realized in future earnings contemporaneously with the related sales of natural gas and crude oil production applicable to specific hedges, which will occur through mid-2013. Of the $212 million estimated unrealized gain on derivatives at December 31, 2008, approximately $156 million ($102 million after tax) applies to the next 12 months; however, estimated and actual amounts are likely to vary materially as a result of changes in market conditions. A reconciliation of the components of accumulated OCI in the Statement of Consolidated Shareholders’ Equity related to Apache’s cash flow hedges is presented in the table below:

<table>
<thead>
<tr>
<th></th>
<th>Before Tax</th>
<th>After Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrealized loss on derivatives at December 31, 2007</td>
<td>(639)</td>
<td>(412)</td>
</tr>
<tr>
<td>Realized amounts reclassified into earnings</td>
<td>436</td>
<td>282</td>
</tr>
<tr>
<td>Net change in derivative fair value</td>
<td>415</td>
<td>268</td>
</tr>
<tr>
<td>Unrealized gain on derivatives at December 31, 2008</td>
<td>212</td>
<td>138</td>
</tr>
</tbody>
</table>

4. ASSET RETIREMENT OBLIGATION

The following table is a reconciliation of the asset retirement obligation liability:

<table>
<thead>
<tr>
<th></th>
<th>2008 (In thousands)</th>
<th>2007 (In thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset retirement obligation at beginning of year</td>
<td>$1,866,686</td>
<td>$1,747,566</td>
</tr>
<tr>
<td>Liabilities incurred</td>
<td>343,210</td>
<td>243,284</td>
</tr>
<tr>
<td>Liabilities settled</td>
<td>(587,246)</td>
<td>(480,655)</td>
</tr>
<tr>
<td>Accretion expense</td>
<td>101,348</td>
<td>96,438</td>
</tr>
<tr>
<td>Revisions in estimated liabilities</td>
<td>170,686</td>
<td>260,053</td>
</tr>
<tr>
<td>Asset retirement obligation at end of year</td>
<td>1,894,684</td>
<td>1,866,686</td>
</tr>
<tr>
<td>Less current portion</td>
<td>339,155</td>
<td>309,777</td>
</tr>
<tr>
<td>Asset retirement obligation, long-term</td>
<td>$1,555,529</td>
<td>$1,556,909</td>
</tr>
</tbody>
</table>

The majority of Apache’s asset retirement obligations (ARO) relate to plugging, abandonment and restoration of oil and gas properties. An abandonment liability is initially recorded in the period the related assets are placed in service, with an offsetting increase to properties and equipment. The liabilities incurred are recorded at fair value, and accretion expense is recognized over the life of the related assets, increasing the liability to its expected settlement value. Liabilities settled relate to individual properties plugged and abandoned or sold during the period and include the continued abandonment activity of platforms lost during Hurricanes Katrina, Rita and Ike. Revisions in estimated liabilities during the period primarily related to escalating retirement costs, changes in property lives and the expected timing of settling asset retirement obligations.
All of the Company’s debt, excluding the PVG secured facility, is senior unsecured debt and has equal priority with respect to the payment of both principal and interest. The 6.25%, 5.25%, 5.625%, 6.9% and both 6.0% notes are redeemable, as a whole or in part, at Apache’s option, subject to a make-whole premium. The remaining U.S. notes are not redeemable. Under certain conditions, the Company has the right to advance maturity on the 7.375% debentures and 7.625% debentures.

The Company has $22 million of debt discounts as of December 31, 2008, which will be charged to interest expense over the life of the related debt issuances; $1.1 million, $1.0 million and $714,000 was recognized in 2008, 2007 and 2006, respectively.
As of December 31, 2008 and 2007, the Company had approximately $45 million and $33 million, respectively, of unamortized deferred loan costs associated with its various debt obligations. These costs are included in deferred charges and other in the accompanying consolidated balance sheet and are being charged to expense over the life of the related debt issuances.

The indentures for the notes described above place certain restrictions on the Company, including limits on Apache’s ability to incur debt secured by certain liens and its ability to enter into certain sale and leaseback transactions. Upon certain change in control, all of these debt instruments would be subject to mandatory repurchase, at the option of the holders. None of the indentures for the notes contain pre-payment obligations in the event of a decline in credit ratings.

**Debt Issuances**

On October 1, 2008, the Company issued $400 million principal amount, $398 million net of discount, of senior unsecured 6.0-percent notes maturing September 15, 2013, and $400 million principal amount, $398 million net of discount, of senior unsecured 6.9-percent notes maturing September 15, 2018. The notes are redeemable, as a whole or in part, at Apache’s option, subject to a make-whole premium. The proceeds are presently invested in U.S. Treasury Bills and will be used for general corporate purposes or, possible, future acquisitions when they mature.

**Money Market and Overdraft Lines of Credit**

The Company has certain uncommitted money market and overdraft lines of credit which are used from time to time for working capital purposes. As of December 31, 2008, $12.6 million was drawn on facilities in Argentina and nothing was drawn on U.S. facilities, compared with $76 million and $4 million in the prior year.

**Commercial Paper Program**

The Company has a $1.95 billion commercial paper program that enables Apache to borrow funds for up to 270 days at competitive interest rates. As of December 31, 2008, the Company had no outstanding commercial paper, compared to $135 million in the prior year. The commercial paper program is fully supported by available borrowing capacity under U.S. committed credit facilities, which expire in 2013.

**Subsidiary Debt**

The notes issued by Apache Finance Pty Limited (Apache Finance Australia) and Apache Finance Canada are irrevocably and unconditionally guaranteed by Apache and, in the case of Apache Finance Pty Limited, by Apache North America, Inc., an indirect wholly-owned subsidiary of the Company. Under certain conditions related to changes in relevant tax laws, Apache Finance Pty Limited and Apache Finance Canada have the right to redeem the notes prior to maturity. The Apache Finance Canada 4.375% notes may be redeemed at the Company’s option subject to a make-whole premium (see Note 15 — Supplemental Guarantor Information).

**Credit Facilities**

The company has $2.3 billion of unsecured revolving syndicated bank credit facilities which mature in May 2013. Since there were no outstanding borrowings or commercial paper at year-end, the full $2.3 billion of unsecured credit facilities were available to the Company. These facilities consist of a $1.5 billion facility and a $450 million facility in the U.S., a $200 million facility in Australia and a $150 million facility in Canada. The financial covenants of the credit facilities require the Company to maintain a debt-to-capitalization ratio of not greater than 60 percent at the end as any fiscal quarter. The negative covenants include restrictions on the Company’s ability to create liens and security interests on our assets, with exceptions for liens typically arising in the oil and gas industry, purchase money liens and liens arising as a matter of law, such as tax and mechanics’ liens.
The Company may incur liens on assets located in the U.S. and Canada of up to five percent of the Company’s consolidated assets, which approximated $1.5 billion as of December 31, 2008. There are no restrictions on incurring liens in countries other than U.S. and Canada. There are also restrictions on Apache’s ability to merge with another entity, unless the Company is the surviving entity, and a restriction on our ability to guarantee debt of entities not within our consolidated group. Furthermore, our non-cash write-down of oil and gas properties in 2008 does not impact the availability of credit lines or result in non-compliance with any covenants.

There are no clauses in the facilities that permit the lenders to accelerate payments or refuse to lend based on unspecified material adverse changes (MAC clauses). The credit facility agreements do not have drawdown restrictions or prepayment obligations in the event of a decline in credit ratings. However, the agreements allow the lenders to accelerate payments and terminate lending commitments if Apache Corporation, or any of its U.S. or Canadian subsidiaries, defaults on any direct payment obligation in excess of $100 million or has any unpaid, non-appealable judgment against it in excess of $100 million. The Company was in compliance with the terms of the credit facilities as of December 31, 2008. The Company’s debt-to-capitalization ratio as of December 31, 2008 was 23 percent.

At the Company’s option, the interest rate for the facilities is based on (i) the greater of (a) the JP Morgan Chase Bank prime rate or (b) the federal funds rate plus one-half of one percent or (ii) the London Inter-bank Offered Rate (LIBOR) plus a margin determined by the Company’s senior long-term debt rating. The $1.5 billion and the $450 million credit facilities (U.S. credit facilities) also allow the company to borrow under competitive auctions.

At December 31, 2008, the margin over LIBOR for committed loans was .19 percent on the $1.5 billion facility and .23 percent on the other three facilities. If the total amount of the loans borrowed under the $1.5 billion facility equals or exceeds 50 percent of the total facility commitments, then an additional .05 percent will be added to the margins over LIBOR. If the total amount of the loans borrowed under all of the other three facilities equals or exceeds 50 percent of the total facility commitments, then an additional .10 percent will be added to the margins over LIBOR. The Company also pays quarterly facility fees of .06 percent on the total amount of the $1.5 billion facility and .07 percent on the total amount of the other three facilities. The facility fees vary based upon the Company’s senior long-term debt rating. The U.S. credit facilities are used to support Apache’s commercial paper program.

On December 5, 2008, one of the Company’s Australian subsidiaries entered into a secured revolving syndicated credit facility for its Van Gogh and Pyrenees oil developments offshore Western Australia. The facility provides for total commitments of $350 million, with availability determined by a borrowing base formula. The borrowing base was set at $350 million and will be redetermined at project completion and semi-annually thereafter. The facility is secured by certain assets associated with the Van Gogh and Pyrenees oil developments, including the shares of stock of the Company’s subsidiary holding the assets. The Company has agreed to guarantee the credit facility until project completion occurs pursuant to terms of the facility, which is expected in 2010. The commitments under the facility will be reduced by scheduled increments every six months beginning June 30, 2010, with final maturity on March 31, 2014. Interest is based on LIBOR, which may be subject to change under certain market disruption conditions, plus a margin of 1.00 percent pre-completion and 1.75 percent post-completion. The pre-completion margin increases to 1.125 percent in the event the Company’s ratings are downgraded to BBB+ or below by at least two major rating agencies. As of December 31, 2008 there was $100 million outstanding under the facility.

**Credit Ratings**

We receive debt ratings from the major credit rating agencies in the United States. Factors that may impact our credit ratings, include debt levels, planned asset-purchases or sales and near-term and long-term production growth opportunities. Liquidity, asset quality, cost structure, reserve mix and commodity pricing levels could also be considered by the rating agencies. Apache’s senior unsecured long-term debt is currently rated A3 by Moody’s, A- by Standard & Poor’s and A by Fitch. Apache’s short-term debt rating for its commercial paper program is currently

F-20
P-2 by Moody’s, A-2 by Standard & Poor’s and F1 by Fitch. The outlook is stable from Moody’s and Standard & Poor’s and negative from Fitch. A ratings downgrade could adversely impact our ability to access debt markets in the future, increase the cost of future debt and potentially require the Company to post letters of credit in certain circumstances. We cannot predict, nor can we assure, that we will not receive a ratings downgrade in the future.

**Aggregate Maturities of Debt**

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount (In millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>$113</td>
</tr>
<tr>
<td>2010</td>
<td>—</td>
</tr>
<tr>
<td>2011</td>
<td>—</td>
</tr>
<tr>
<td>2012</td>
<td>439</td>
</tr>
<tr>
<td>2013</td>
<td>942</td>
</tr>
<tr>
<td>Thereafter</td>
<td>$3,428</td>
</tr>
</tbody>
</table>

**Financing Costs, Net**

Financing costs are composed of the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest expense</td>
<td>$280,457</td>
<td>$308,235</td>
<td>$217,454</td>
</tr>
<tr>
<td>Amortization of deferred loan costs</td>
<td>3,689</td>
<td>3,310</td>
<td>2,048</td>
</tr>
<tr>
<td>Capitalized interest</td>
<td>(94,164)</td>
<td>(75,748)</td>
<td>(61,301)</td>
</tr>
<tr>
<td>Interest Income</td>
<td>(23,947)</td>
<td>(15,860)</td>
<td>(16,315)</td>
</tr>
<tr>
<td>Financing Costs</td>
<td>$166,035</td>
<td>$219,937</td>
<td>$141,886</td>
</tr>
</tbody>
</table>

6. **INCOME TAXES**

Income before income taxes is composed of the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>$(349,405)</td>
<td>$1,728,441</td>
<td>$1,265,915</td>
</tr>
<tr>
<td>Foreign</td>
<td>1,281,797</td>
<td>2,944,171</td>
<td>2,743,680</td>
</tr>
<tr>
<td>Total</td>
<td>$932,392</td>
<td>$4,672,612</td>
<td>$4,009,595</td>
</tr>
</tbody>
</table>
The total provision for income taxes consists of the following:

<table>
<thead>
<tr>
<th></th>
<th>For the Year Ended December 31,</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2008</td>
<td>2007</td>
<td>2006</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(In thousands)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current taxes:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>$127,801</td>
<td>$133,140</td>
<td>$65,068</td>
<td></td>
</tr>
<tr>
<td>State</td>
<td>1,613</td>
<td>5,162</td>
<td>4,069</td>
<td></td>
</tr>
<tr>
<td>Foreign</td>
<td>$1,326,968</td>
<td>$832,426</td>
<td>$633,513</td>
<td></td>
</tr>
<tr>
<td></td>
<td>$1,456,382</td>
<td>$970,728</td>
<td>$702,650</td>
<td></td>
</tr>
<tr>
<td><strong>Deferred taxes:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>(413,731)</td>
<td>435,276</td>
<td>369,301</td>
<td></td>
</tr>
<tr>
<td>State</td>
<td>3,014</td>
<td>(1,073)</td>
<td>3,037</td>
<td></td>
</tr>
<tr>
<td>Foreign</td>
<td>(825,227)</td>
<td>455,323</td>
<td>382,156</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(1,235,944)</td>
<td>889,526</td>
<td>754,494</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$220,438</td>
<td>$1,860,254</td>
<td>$1,457,144</td>
<td></td>
</tr>
</tbody>
</table>

A reconciliation of the tax on the Company’s income before income taxes and total tax expense is shown below:

<table>
<thead>
<tr>
<th></th>
<th>For the Year Ended December 31,</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2008</td>
<td>2007</td>
<td>2006</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(In thousands)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income tax expense at U.S. statutory rate</td>
<td>$326,337</td>
<td>$1,635,414</td>
<td>$1,403,358</td>
<td></td>
</tr>
<tr>
<td>State income tax, less federal benefit</td>
<td>3,008</td>
<td>2,658</td>
<td>24,191</td>
<td></td>
</tr>
<tr>
<td>Taxes related to foreign operations</td>
<td>437,396</td>
<td>127,614</td>
<td>131,370</td>
<td></td>
</tr>
<tr>
<td>Realized tax basis in investment</td>
<td>—</td>
<td>—</td>
<td>(4,387)</td>
<td></td>
</tr>
<tr>
<td>Canadian tax rate reduction</td>
<td>—</td>
<td>(145,398)</td>
<td>(161,073)</td>
<td></td>
</tr>
<tr>
<td>United Kingdom tax rate increase</td>
<td>—</td>
<td>—</td>
<td>63,395</td>
<td></td>
</tr>
<tr>
<td>Current and deferred taxes related to currency fluctuations</td>
<td>(399,973)</td>
<td>227,671</td>
<td>(4,891)</td>
<td></td>
</tr>
<tr>
<td>Domestic manufacturing deduction</td>
<td>(7,312)</td>
<td>(6,656)</td>
<td>(2,644)</td>
<td></td>
</tr>
<tr>
<td>Net change in tax contingencies</td>
<td>(139,590)</td>
<td>—</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>Increase in valuation allowance</td>
<td>2,924</td>
<td>12,144</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>All other, net</td>
<td>2,352</td>
<td>6,807</td>
<td>7,825</td>
<td></td>
</tr>
<tr>
<td></td>
<td>$220,438</td>
<td>$1,860,254</td>
<td>$1,457,144</td>
<td></td>
</tr>
</tbody>
</table>
The net deferred tax liability is comprised of the following:

<p>| Deferred tax assets:                      | December 31,  |</p>
<table>
<thead>
<tr>
<th></th>
<th>2008 (In thousands)</th>
<th>2007 (In thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred income</td>
<td>$ (18,327)</td>
<td>$ (15,312)</td>
</tr>
<tr>
<td>State net operating loss carryforwards</td>
<td>(14,420)</td>
<td>(17,454)</td>
</tr>
<tr>
<td>Foreign net operating loss carryforwards</td>
<td>(127,393)</td>
<td>(27,275)</td>
</tr>
<tr>
<td>Tax credits</td>
<td>(322,351)</td>
<td>(285,493)</td>
</tr>
<tr>
<td>Accrued expenses and liabilities</td>
<td>(80,684)</td>
<td>(12,772)</td>
</tr>
<tr>
<td>Other</td>
<td>(97,282)</td>
<td>(94,673)</td>
</tr>
<tr>
<td><strong>Total deferred tax assets</strong></td>
<td>(660,457)</td>
<td>(452,979)</td>
</tr>
<tr>
<td>Valuation allowance</td>
<td>15,068</td>
<td>12,144</td>
</tr>
<tr>
<td><strong>Net deferred tax assets</strong></td>
<td>(645,389)</td>
<td>(440,835)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Deferred tax liabilities:</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation, depletion and amortization</td>
<td>3,577,990</td>
<td>4,152,354</td>
</tr>
<tr>
<td><strong>Total deferred tax liabilities</strong></td>
<td>3,577,990</td>
<td>4,152,354</td>
</tr>
<tr>
<td>Net deferred income tax liability</td>
<td>$2,932,601</td>
<td>$3,711,519</td>
</tr>
</tbody>
</table>

The Company has not recorded U.S. deferred income taxes on the undistributed earnings of its foreign subsidiaries as management intends to permanently reinvest such earnings. As of December 31, 2008, the undistributed earnings of the foreign subsidiaries amounted to approximately $14.3 billion. Upon distribution of these earnings in the form of dividends or otherwise, the Company may be subject to U.S. income taxes and foreign withholding taxes. It is not practical, however, to estimate the amount of taxes that may be payable on the eventual remittance of these earnings after consideration of available foreign tax credits. Presently, limited foreign tax credits are available to reduce the U.S. taxes on such amounts if repatriated.

On December 31, 2008, the Company had state net operating loss carryforwards of $280 million and foreign net operating loss carryforwards of $4 million in Canada, $25 million in Argentina and $342 million in Australia. The Company also had $121 million of capital loss carryforwards in Canada. The state net operating losses will expire over the next 20 years if they are not otherwise utilized. The foreign net operating loss in Canada will begin to expire in 2014, the Argentina net operating loss will begin to expire in 2009, and the Australia net operating loss has an indefinite carryover period. The capital loss in Canada also has an indefinite carryover period.

The tax benefits of carryforwards are recorded as assets to the extent that management assesses the utilization of such carryforwards to be “more likely than not.” When the future utilization of some portion of the carryforwards is determined not to be “more likely than not,” a valuation allowance is provided to reduce the recorded tax benefits from such assets. The Company does not believe the utilization of the Canadian capital losses to be “more likely than not.” Accordingly, a valuation allowance was provided to reduce the tax benefit from this deferred tax asset.
Apache adopted the provisions of FASB Interpretation No. 48 (FIN 48), “Accounting for Uncertainty in Income Taxes” as of January 1, 2007. FIN 48 clarifies the accounting for income taxes by prescribing a minimum recognition threshold a tax position must meet before being recognized in the financial statements. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Total (In thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at January 1, 2008</td>
<td>$ 508,475</td>
</tr>
<tr>
<td>Additions based on tax positions related to the current year</td>
<td>$0</td>
</tr>
<tr>
<td>Additions for tax positions of prior years</td>
<td>48,131</td>
</tr>
<tr>
<td>Reductions for tax positions of prior years</td>
<td>(335,334)</td>
</tr>
<tr>
<td>Settlements</td>
<td>(6,037)</td>
</tr>
<tr>
<td>Balance at December 31, 2008</td>
<td>$ 213,235</td>
</tr>
</tbody>
</table>

Included in the balance at December 31, 2008, are $37 million of tax positions for which the ultimate deductibility is highly certain, but for which there is uncertainty about the timing of such deductibility. Because of the impact of deferred tax accounting, other than penalties and interest, the disallowance of the shorter deductibility period would not affect the annual effective income tax rate but would accelerate the payment of cash to the taxing authority to an earlier period.

The Company records interest and penalties related to unrecognized tax benefits in income tax expense. During the years ended December 31, 2008, 2007 and 2006, the Company recorded approximately $42 million, $43 million and $26 million, respectively, in interest and penalties. The Company had approximately $42 million and $128 million for the payment of interest and penalties accrued as of December 31, 2008 and 2007, respectively.

During 2008, we settled tax audits in various jurisdictions. These settlements resulted in a $190 million reduction of previously recorded FIN 48 liabilities and associated interest.

The Company is in Administrative Appeals with the Internal Revenue Service (IRS) regarding the 2004 and 2005 tax years and under IRS Audit for the 2006 and 2007 tax years. Resolution of either of the above, which may occur in 2009, could result in a significant change to the balance of the FIN 48 reserve. However, the resolution of unagreed tax issues in the Company’s open tax years cannot be predicted with absolute certainty and differences between what has been recorded and the eventual outcomes may occur. Due to this uncertainty and the uncertain timing of the final resolution of the Appeals process and the 2006 and 2007 audits, an accurate estimate of the range of outcomes occurring during the next 12 months cannot be made at this time. Nevertheless, the Company believes that it has adequately provided for income taxes and any related interest and penalties for all open tax years.

Apache and its subsidiaries are subject to U.S. federal income tax as well as income tax in various states and foreign jurisdictions. While during 2008, the Company settled tax audits in various jurisdictions, our uncertain tax positions are related to tax years that may be subject to examination by the relevant taxing authority. The Company’s earliest open tax years in its key jurisdictions are as follows:

<table>
<thead>
<tr>
<th>Jurisdiction</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>2004</td>
</tr>
<tr>
<td>Canada</td>
<td>2004</td>
</tr>
<tr>
<td>Egypt</td>
<td>1998</td>
</tr>
<tr>
<td>Australia</td>
<td>2001</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>2003</td>
</tr>
<tr>
<td>Argentina</td>
<td>2002</td>
</tr>
</tbody>
</table>
7. CAPITAL STOCK

Common Stock Outstanding

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, beginning of year</td>
<td>332,927,143</td>
<td>330,737,425</td>
<td>330,121,230</td>
</tr>
<tr>
<td>Treasury shares issued (acquired), net</td>
<td>350,895</td>
<td>651,022</td>
<td>(2,170,144)</td>
</tr>
<tr>
<td>Shares issued for:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stock-based compensation plans</td>
<td>1,432,026</td>
<td>1,538,696</td>
<td>2,786,339</td>
</tr>
<tr>
<td>Balance, end of year</td>
<td>334,710,064</td>
<td>332,927,143</td>
<td>330,737,425</td>
</tr>
</tbody>
</table>

On April 19, 2006, the Company announced that its Board of Directors authorized the purchase of up to 15 million shares of the Company’s common stock, representing a market value of approximately $1 billion on the date of the announcement. The Company may buy shares from time to time on the open market, in privately negotiated transactions, or a combination of both. The timing and amounts of any purchases will be at the discretion of Apache’s management. The Company initiated the purchase program on May 1, 2006, after the Company’s first-quarter earnings information was disseminated in the market. During 2006, the Company purchased 2,500,000 shares at an average price of $69.74 per share. No stock purchases were made in 2007 or 2008. Currently, the Company has no plans to purchase additional shares.

Net Income Per Common Share

A reconciliation of the components of basic and diluted net income per common share for the years ended December 31, 2008, 2007 and 2006 is presented in the table below. The income for 2008, reflects an after tax write-down for full-cost accounting of $3.6 billion.

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Income</td>
<td>Shares</td>
<td>Per Share</td>
</tr>
<tr>
<td>Basic:</td>
<td>(In thousands, except per share amounts)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income attributable to common stock</td>
<td>$706,274</td>
<td>334,351</td>
<td>$2.11</td>
</tr>
<tr>
<td>Effect of Dilutive Securities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stock options and others</td>
<td>$ —</td>
<td>2,840</td>
<td>$ —</td>
</tr>
<tr>
<td>Diluted: Income attributable to common stock, including assumed conversions</td>
<td>$706,274</td>
<td>337,191</td>
<td>$2.09</td>
</tr>
</tbody>
</table>

The diluted earnings per share calculation excluded 673,801, 482,994 and 1.2 million average shares of common stock that were anti-dilutive for the years ended December 31, 2008, 2007 and 2006, respectively.

Common Stock Dividend

The Company paid common stock dividends of $.70, $.60 and $.45 per share in 2008, 2007 and 2006, respectively. The 2008 dividends include a special cash dividend of 10 cents per common share declared by the Company’s Board of Directors on February 15, 2008. The special dividend was paid on March 18, 2008, to stockholders of record on February 26, 2008.

Stock Compensation Plans

The Company has several stock-based compensation plans, which include stock options, stock appreciation rights, restricted stock, and performance-based share appreciation plans. In May 2007, the Company’s shareholders
approved the 2007 Omnibus Equity Compensation Plan (the 2007 Plan), which is intended to provide eligible employees with equity-based incentives. The 2007 Plan provides for the granting of Incentive Stock Options, Non-Qualified Stock Options, Performance Awards, Restricted Stock, Restricted Stock Units, Stock Appreciation Rights, or any combination of the foregoing. All new grants will be issued from the 2007 Plan. The existing plans remain in effect solely for the purpose of governing grants still outstanding that were issued prior to approval of the 2007 Plan, including the 2005 Share Appreciation Plan, which remains in effect to issue shares for previously-attained stock appreciation goals.

For 2008, 2007 and 2006, stock-based compensation expensed was $52 million, $73 million and $35 million ($34 million, $47 million and $23 million after-tax), respectively. Costs related to the plans are capitalized or expensed based on the nature of the employee’s activities. A description of the Company’s stock-based compensation plans and related costs follows:

Stock Options

As of December 31, 2008, officers and employees held options to purchase shares of the Company’s common stock under one or more of the employee stock option plans adopted in 1995, 1998, 2000, and 2005 (collectively, the Stock Option Plans), and under the 2007 Plan discussed above. New shares of Company stock will be issued for employee option exercises; however, under the 2000 Stock Option Plan, shares of treasury stock are used for employee option exercises to the extent treasury stock is held. Under the Stock Option Plans and the 2007 Plan, the exercise price of each option equals the closing price of Apache’s common stock on the date of grant. Options generally become exercisable ratably over a four-year period and expire 10 years after granted. All of these plans allow for accelerated vesting if there is a change in control (as defined in each plan). The 2007 Plan and all of the Stock Option Plans, except for the 2000 Stock Option Plan, were submitted to and approved by the Company’s stockholders.

On October 31, 1996, the Company also established the 1996 Performance Stock Option Plan (the Performance Plan) for substantially all full-time employees, excluding officers and certain other key employees. As of December 31, 2008, all options granted under the Performance Plan had been exercised or cancelled.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>General and administrative</td>
<td>$ 34</td>
<td>$ 48</td>
<td>$ 22</td>
</tr>
<tr>
<td>Lease operating expenses</td>
<td>18</td>
<td>25</td>
<td>13</td>
</tr>
<tr>
<td>Stock-based compensation capitalized</td>
<td>21</td>
<td>37</td>
<td>14</td>
</tr>
<tr>
<td></td>
<td><strong>$ 73</strong></td>
<td><strong>$110</strong></td>
<td><strong>$ 49</strong></td>
</tr>
</tbody>
</table>
A summary of stock options issued under the Stock Option Plans, the 2007 Plan and the Performance Plan is presented in the table and narrative below (shares in thousands):

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th></th>
<th>2007</th>
<th></th>
<th>2006</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares Under Option</td>
<td></td>
<td>Weighted</td>
<td>Shares Under Option</td>
<td></td>
<td>Weighted</td>
<td>Shares Under Option</td>
</tr>
<tr>
<td>Average Exercise Price</td>
<td></td>
<td>Price</td>
<td>Average Exercise Price</td>
<td></td>
<td>Price</td>
<td>Average Exercise Price</td>
</tr>
<tr>
<td>Outstanding, beginning of year</td>
<td>6,964</td>
<td>$ 58.31</td>
<td>6,971</td>
<td>$43.41</td>
<td>$ 7,480</td>
<td>$30.55</td>
</tr>
<tr>
<td>Granted</td>
<td>403</td>
<td>132.37</td>
<td>2,403</td>
<td>77.08</td>
<td>1,805</td>
<td>71.63</td>
</tr>
<tr>
<td>Exercised</td>
<td>(1,161)</td>
<td>38.79</td>
<td>(1,976)</td>
<td>27.54</td>
<td>(2,021)</td>
<td>18.99</td>
</tr>
<tr>
<td>forfeited or expired</td>
<td>(238)</td>
<td>77.54</td>
<td>(434)</td>
<td>63.04</td>
<td>(293)</td>
<td>57.56</td>
</tr>
<tr>
<td>Outstanding, end of year</td>
<td>5,968</td>
<td>66.34</td>
<td>6,964</td>
<td>58.31</td>
<td>6,971</td>
<td>43.41</td>
</tr>
<tr>
<td>Expected to vest(1)</td>
<td>2,716</td>
<td>80.82</td>
<td>3,773</td>
<td>71.38</td>
<td>3,024</td>
<td>59.50</td>
</tr>
<tr>
<td>Exercisable, end of year(1)</td>
<td>2,950</td>
<td>51.53</td>
<td>2,772</td>
<td>38.53</td>
<td>3,612</td>
<td>28.41</td>
</tr>
<tr>
<td>Available for grant, end of year</td>
<td>5,546</td>
<td>7,805</td>
<td>1,705</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weighted average fair value of options granted during the year</td>
<td>$39.78</td>
<td>$23.01</td>
<td>$24.38</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(1) As of December 31, 2008, the weighted average remaining contractual life for options outstanding, expected to vest, and exercisable is 6.8 years, 8.0 years and 5.5 years, respectively. The aggregate intrinsic value of options outstanding, expected to vest and exercisable at year-end was $78 million, $8 million and $70 million, respectively.

The fair value of each stock option award is estimated on the date of grant using the Black-Scholes option pricing model. Assumptions used in the valuation are disclosed in the following table. Expected volatilities are based on implied volatilities of traded options on the Company’s common stock, historical volatility of the Company’s common stock and other factors. The expected dividend yield is based on historical yields on the date of grant. The expected term of stock options granted represents the period of time that the stock options are expected to be outstanding and is derived from historical exercise behavior, current trends and values derived from lattice-based models. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant.

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expected volatility</td>
<td>27.93%</td>
<td>24.60%</td>
<td>27.79%</td>
</tr>
<tr>
<td>Expected dividend yields</td>
<td>.53%</td>
<td>.79%</td>
<td>.57%</td>
</tr>
<tr>
<td>Expected term (in years)</td>
<td>5.5</td>
<td>5.5</td>
<td>5.5</td>
</tr>
<tr>
<td>Risk-free rate</td>
<td>3.04%</td>
<td>4.51%</td>
<td>4.98%</td>
</tr>
</tbody>
</table>

The intrinsic value of options exercised during 2008 was approximately $100 million, and the Company realized an additional tax benefit of approximately $28 million for the amount of intrinsic value in excess of compensation cost recognized. As of December 31, 2008, the total compensation cost related to non-vested options not yet recognized was $56 million, which will be recognized over the remaining vesting period of the options.

Stock Appreciation Rights

In 2003 and 2004, the Company issued a total of 1,802,210 and 1,328,400, respectively, of stock appreciation rights (SARs) to non-executive employees in lieu of stock options. The SARs vest ratably over four years and will be settled in cash upon exercise throughout their 10-year life. The weighted-average exercise price was $42.68 and $28.78 for those issued in 2004 and 2003, respectively. The number of SARs outstanding and exercisable as of December 31, 2008 was 907,589. The Company records compensation expense on the vested SARs outstanding.
based on the fair value of the SARs at the end of each period because SARs are cash-settled. As of year-end, the weighted-average fair value of SARs outstanding was $41.73 based on the Black-Scholes valuation methodology using assumptions comparable to those discussed above. During 2008, 404,685 SARs were exercised and approximately 1,325 were forfeited. The aggregate of cash payments made to settle SARs exercised in 2008 was $36 million.

Restricted Stock and Restricted Stock Units

The Company has restricted stock and restricted stock unit plans, including those awarded from the 2007 Plan, that are for all executive officers and certain other key employees. The plans have been approved by Apache’s Board of Directors. The Company awarded 806,396, 399,500 and 149,500 restricted stock units at a per share market price of $135.46, $77.31 and $71.52 in 2008, 2007 and 2006, respectively. The value of the stock issued was established by the market price on the date of grant and is being recorded as compensation expense ratably over the four-year vesting terms. During 2008, 2007 and 2006, $21.3 million ($13.7 million after tax), $8.2 million ($5.3 million after tax) and $6.1 million ($3.9 million after tax), respectively, was charged to expense as shares vested. In 2008 and 2007, $5.9 million and $1.0 million was capitalized, respectively. There were no amounts capitalized in 2006. As of December 31, 2008, there was $103 million of total unrecognized compensation cost related to approximately 1,163,372 unvested shares. The weighted-average remaining life of unvested shares is approximately 3.1 years.

### Table: Restricted Stock and Restricted Stock Units

<table>
<thead>
<tr>
<th>Restricted Stock</th>
<th>Shares</th>
<th>Weighted-Average Grant-Date Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-vested at January 1, 2008</td>
<td>584,850</td>
<td>$72.66</td>
</tr>
<tr>
<td>Granted</td>
<td>806,396</td>
<td>135.46</td>
</tr>
<tr>
<td>Vested</td>
<td>(189,250)</td>
<td>70.45</td>
</tr>
<tr>
<td>Forfeited</td>
<td>(38,624 )</td>
<td>99.25</td>
</tr>
<tr>
<td>Non-vested at December 31, 2008</td>
<td>1,163,372</td>
<td>$115.67</td>
</tr>
</tbody>
</table>

On May 7, 2008, the Stock Option Plan Committee of Apache’s Board of Directors awarded its Chief Executive Officer 250,000 restricted stock units, 50,000 of which will vest on July 1, 2009. The remaining 200,000 shares will vest ratably on the first business day of the years 2010, 2011, 2012 and 2013. Upon vesting, the Company will issue one share of the Company’s common stock as settlement for each restricted stock unit. Thirty thousand of the shares vesting each year will not be eligible for sale by the executive until such time as he retires or otherwise terminates employment with the Company. This award was made under the terms of the Company’s 2007 Omnibus Equity Compensation Plan.

In August 2008, the Company established, pursuant to the Company’s 2007 Omnibus Equity Compensation Plan, the Non-Employee Directors’ Restricted Stock Units Program (the RSU Program). Each non-employee director was awarded 1,500 restricted stock units on August 14, 2008 under the RSU Program, with half of the restricted stock units vesting thirty days after the grant and the other half vesting on the one-year anniversary date of the grant. Each year, all non-employee directors will be eligible to receive grants of restricted stock units comparable in value to the 2008 grant. Non-employee directors are required to choose, at the time of each award, whether such award will vest as 100 percent common stock or a combination of 40 percent cash and 60 percent common stock.

Subsequent Event

The Company appointed Roger B. Plank to President, John A. Crum to Co-chief Operating Officer and President — North America, and Rodney J. Eichler to Co-chief Operating Officer and President — International effective February 12, 2009. On the same date, the Company awarded each of them 62,500 restricted stock units pursuant to Apache’s 2007 Omnibus Equity Compensation Plan. 12,500 of such restricted stock units will vest on each of April 1, 2010, February 12, 2011, February 12, 2012, February 11, 2013 and February 11, 2014. Upon
vesting, Apache will issue one share of Apache’s common stock as settlement for each restricted stock unit. 7,500 of the shares vesting each year for each recipient will be subject to the restriction that none of such 7,500 shares will be eligible for sale by the recipient until such time as he retires or otherwise terminates employment with Apache.

Share Appreciation Plans

The Company utilizes share appreciation plans from time to time to provide incentives for substantially all full-time employees and officers to increase Apache’s share price within a stated measurement period. To achieve the payout, the Company’s stock price must close at or above a stated threshold for 10 out of any 30 consecutive trading days before the end of the stated period. Awards under the plans are payable in equal annual installments as specified by each plan, beginning on a date not more than 30 days after a threshold is attained for the required measurement period and on succeeding anniversaries of the attainment date. Shares issued to employees would be reduced by the required minimum tax withholding. Shares of Apache common stock contingently issuable under the plans are excluded from the computation of income per common share until the stated goals are met as described below.

Since 2000, three share appreciation plans have been approved. A summary of these plans is as follows:

• On May 7, 2008, the Stock Option Plan Committee of the Company’s Board of Directors, pursuant to the Company’s 2007 Omnibus Equity Compensation Plan, approved the 2008 Share Appreciation Program with a target to increase Apache’s share price to $216 by the end of 2012, with an interim goal of $162 to be achieved by the end of 2010. Any awards under the plan would be payable in five equal annual installments. As of December 31, 2008, neither share price threshold had been met.

• On May 5, 2005, the Company’s stockholders approved the 2005 Share Appreciation Plan with a target to increase Apache’s share price to $108 by the end of 2008, with an interim goal of $81 to be achieved by the end of 2007. Awards under the plan are payable in four equal annual installments to eligible employees remaining with the Company. Apache’s share price exceeded the interim $81 threshold for the 10-day requirement as of June 14, 2007, and the first and second installments were awarded in July of 2007 and 2008. Apache’s share price exceeded the $108 threshold for the 10-day requirement as of February 29, 2008, and the first installment was awarded in March of 2008.

• In October 2000, the Company adopted the 2000 Share Appreciation Plan with goals to reach share price targets of $43.29, $51.95 and $77.92 prior to January 1, 2005. Any awards under the plan would be payable in three equal annual installments. The share price targets of $43.29 and $51.95 were met in 2004, and 3.2 million shares of common stock were issued to employees in equal installments in 2004, 2005 and 2006. The third share price target of $77.92 was not met and the related grants were cancelled as of December 31, 2004.
A summary of the number of shares contingently issuable as of December 31, 2008, 2007 and 2006 for each plan is presented in the table below:

<table>
<thead>
<tr>
<th>Shares Subject to Conditional Grants</th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>(In thousands)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>2008 Share Appreciation Program</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outstanding, beginning of year</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Granted</td>
<td>2,929</td>
<td>2,929</td>
<td>2,929</td>
</tr>
<tr>
<td>Issued</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>forfeited or cancelled</td>
<td>(115)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outstanding, end of year(1)</td>
<td>2,814</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weighted-average fair value of conditional grants(2)</td>
<td>$81.78</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td><strong>2005 Share Appreciation Plan</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outstanding, beginning of year</td>
<td>$2,965</td>
<td>$3,529</td>
<td>$3,438</td>
</tr>
<tr>
<td>Granted</td>
<td>171</td>
<td>171</td>
<td>171</td>
</tr>
<tr>
<td>Issued</td>
<td>(805)</td>
<td>(331)</td>
<td>447</td>
</tr>
<tr>
<td>forfeited or cancelled</td>
<td>(159)</td>
<td>(404)</td>
<td>(356)</td>
</tr>
<tr>
<td>Outstanding, end of year(3)</td>
<td>2,001</td>
<td>2,965</td>
<td>3,529</td>
</tr>
<tr>
<td>Weighted-average fair value of conditional grants(4)</td>
<td>$26.07</td>
<td>$26.07</td>
<td>$26.20</td>
</tr>
<tr>
<td><strong>2000 Share Appreciation Plan</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outstanding, beginning of year</td>
<td>$</td>
<td>$</td>
<td>$1,442</td>
</tr>
<tr>
<td>Granted</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issued</td>
<td></td>
<td></td>
<td>(1,398)</td>
</tr>
<tr>
<td>forfeited or cancelled</td>
<td></td>
<td></td>
<td>(44)</td>
</tr>
<tr>
<td>Outstanding, end of year</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

(1) Represents shares issuable upon vesting of $216 and $162 per share price goals of 1,685,430 shares and 1,128,320 shares in 2008.

(2) The fair value of each Share Price Goal conditional grant is estimated as of the date of grant using a Monte Carlo simulation with the following weighted-average assumptions used for grants in 2008 (i) risk-free interest rate of 3.01 percent; (ii) expected volatility of 27.89 percent; and (iii) expected dividend yield of .53 percent.

(3) Represents shares issuable upon vesting of $81 and $108 per share price goals of 581,045 shares and 1,420,177 shares, respectively, in 2008, 933,780 shares and 2,031,522 shares, respectively, in 2007 and 1,395,030 shares and 2,134,100 shares, respectively, in 2006.

(4) The fair value of each Share Price Goal conditional grant is estimated as of the date of grant using a Monte Carlo simulation with the following weighted-average assumptions used for grants in 2007 and 2006, respectively: (i) risk-free interest rate of 3.95 and 3.93 percent; (ii) expected volatility of 28.02 and 28.17 percent; and (iii) expected dividend yield of .57 and .56 percent. No grants were made in 2008.
Current accounting practices dictate that, regardless of whether these thresholds are ultimately achieved, the Company will recognize, over time, the fair value cost determined at the grant date based on numerous assumptions, including an estimate of the likelihood that Apache’s stock price will achieve these thresholds and the expected forfeiture rate. Over the expected service life of each program, the Company will recognize total expense and capitalized costs of approximately $197 million through 2014 and $82 million through 2011 for the 2008 Share Appreciation Program and the 2005 Share Appreciation Plan, respectively. A summary of the amounts recognized as expense and capitalized costs for each plan are detailed in the table below:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2008 Share Appreciation Program</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compensation expense</td>
<td>$15.2</td>
<td>$—</td>
<td>$—</td>
</tr>
<tr>
<td>Compensation expense, net of tax</td>
<td>9.8</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Capitalized costs</td>
<td>8.3</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>2005 Share Appreciation Plan</strong></td>
<td>9.4</td>
<td>$10.6</td>
<td>$12.1</td>
</tr>
<tr>
<td>Compensation expense</td>
<td>6.0</td>
<td>6.8</td>
<td>7.8</td>
</tr>
<tr>
<td>Capitalized costs</td>
<td>4.8</td>
<td>5.4</td>
<td>6.2</td>
</tr>
<tr>
<td><strong>2000 Share Appreciation Plan</strong></td>
<td>$—</td>
<td>$—</td>
<td>$1.1</td>
</tr>
<tr>
<td>Compensation expense</td>
<td>—</td>
<td>—</td>
<td>0.7</td>
</tr>
<tr>
<td>Capitalized costs</td>
<td>—</td>
<td>—</td>
<td>0.6</td>
</tr>
</tbody>
</table>

**Preferred Stock**

The Company has five million shares of no par preferred stock authorized, of which 25,000 shares have been designated as Series A Junior Participating Preferred Stock (the Series A Preferred Stock) and 100,000 shares have been designated as the 5.68 percent Series B Cumulative Preferred Stock (the Series B Preferred Stock).

**Series A Preferred Stock**

In December 1995, the Company declared a dividend of one right (a Right) for each 2.31 shares (adjusted for subsequent stock dividends and a two-for-one stock split) of Apache common stock outstanding on January 31, 1996. Each full Right entitles the registered holder to purchase from the Company one ten-thousandth (1/10,000) of a share of Series A Preferred Stock at a price of $100 per one ten-thousandth of a share, subject to adjustment. The Rights are exercisable 10 calendar days following a public announcement that certain persons or groups have acquired 20 percent or more of the outstanding shares of Apache common stock or 10 business days following commencement of an offer for 30 percent or more of the outstanding shares of Apache’s outstanding common stock (flip in event); each Right will become exercisable for shares of Apache’s common stock at 50 percent of the then-market price of the common stock. If a 20 percent shareholder of Apache acquires Apache, by merger or otherwise, in a transaction where Apache does not survive or in which Apache’s common stock is changed or exchanged (flip over event), the Rights become exercisable for shares of the common stock of the Company acquiring Apache at 50 percent of the then-market price for Apache common stock. Any Rights that are or were beneficially owned by a person who has acquired 20 percent or more of the outstanding shares of Apache common stock and who engages in certain transactions or realizes the benefits of certain transactions with the Company will become void. If an offer to acquire all of the Company’s outstanding shares of common stock is determined to be fair by Apache’s board of directors, the transaction will not trigger a flip in event or a flip-over event. The Company may also redeem the Rights at $.01 per Right at any time until 10 business days after public announcement of a flip in event. These rights
were originally scheduled to expire on January 31, 2006. Effective as of that date, the Rights were reset to one right per share of common stock and the expiration was extended to January 31, 2016. Unless the Rights have been previously redeemed, all shares of Apache common stock issued by the Company after January 31, 1996 will include Rights. Unless and until the Rights become exercisable, they will be transferred with and only with the shares of Apache common stock.

Series B Preferred Stock

In August 1998, Apache issued 100,000 shares ($100 million) of Series B Preferred Stock in the form of one million depositary shares, each representing one-tenth (1/10) of a share of Series B Preferred Stock, for net proceeds of $98 million. The Series B Preferred Stock has no stated maturity, is not subject to a sinking fund and is not convertible into Apache common stock or any other securities of the Company. Apache has the option to redeem the Series B Preferred Stock at $1,000 per preferred share on or after August 25, 2008. Holders of the shares are entitled to receive cumulative cash dividends at an annual rate of $5.68 per depositary share when, and if, declared by Apache’s Board of Directors. During 2008, 2007 and 2006, the Company paid $5.7 million of dividends in its Series B Preferred Stock. In the event of a liquidation of the Company, the holders of the shares will be entitled to receive liquidating distributions in the amount of $1,000 per preferred share plus any accrued or unpaid dividends before any distributions are made on the Company’s common stock.

Comprehensive Income

Components of accumulated other comprehensive income (loss) consists of the following:

<table>
<thead>
<tr>
<th></th>
<th>For the Year Ended December 31,</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2008</td>
<td>2007</td>
<td>2006</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(In thousands)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrealized gain (loss) on derivatives (Note 3)</td>
<td>137,827</td>
<td>(411,678)</td>
<td>83,534</td>
<td></td>
</tr>
<tr>
<td>Unfunded pension and post retirement benefit plan</td>
<td>(7,313)</td>
<td>217</td>
<td>83,534</td>
<td></td>
</tr>
<tr>
<td>Accumulated other comprehensive loss</td>
<td>$21,764</td>
<td>$(520,211)</td>
<td>$(31,332)</td>
<td></td>
</tr>
</tbody>
</table>

(1) Prior to October 1, 2002, the Company’s Canadian subsidiaries’ functional currency was the Canadian dollar. Translation adjustments resulting from translating the Canadian subsidiaries’ financial statements into U.S. dollar equivalents were reported separately and accumulated in other comprehensive income (loss). Currency translation adjustments held in other comprehensive income on the balance sheet will remain there indefinitely unless there is a substantially complete liquidation of the Company’s Canadian operations.
The following table presents the carrying amounts and estimated fair values of the Company’s financial instruments at December 31, 2008 and 2007. See Note 3 — Hedging and Derivative Instruments for a discussion of the Company’s derivative instruments.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Apache</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Money market lines of credit</td>
<td>$ —</td>
<td>$ —</td>
<td>$ 4</td>
<td>$ 4</td>
</tr>
<tr>
<td>Commercial paper</td>
<td>—</td>
<td>—</td>
<td>135</td>
<td>135</td>
</tr>
<tr>
<td>6.25% debentures due 2012</td>
<td>399</td>
<td>417</td>
<td>398</td>
<td>424</td>
</tr>
<tr>
<td>5.25% notes due 2013</td>
<td>499</td>
<td>502</td>
<td>499</td>
<td>512</td>
</tr>
<tr>
<td>6.0% notes due 2013</td>
<td>398</td>
<td>413</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>5.625% notes due 2017</td>
<td>500</td>
<td>496</td>
<td>500</td>
<td>508</td>
</tr>
<tr>
<td>6.9% notes due 2018</td>
<td>398</td>
<td>433</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>7.0% notes due 2018</td>
<td>149</td>
<td>162</td>
<td>149</td>
<td>167</td>
</tr>
<tr>
<td>7.625% notes due 2019</td>
<td>149</td>
<td>170</td>
<td>149</td>
<td>175</td>
</tr>
<tr>
<td>7.7% notes due 2026</td>
<td>100</td>
<td>114</td>
<td>100</td>
<td>115</td>
</tr>
<tr>
<td>7.95% notes due 2026</td>
<td>179</td>
<td>209</td>
<td>179</td>
<td>212</td>
</tr>
<tr>
<td>6.0% notes due 2037</td>
<td>993</td>
<td>963</td>
<td>993</td>
<td>993</td>
</tr>
<tr>
<td>7.375% debentures due 2047</td>
<td>148</td>
<td>167</td>
<td>148</td>
<td>171</td>
</tr>
<tr>
<td>7.625% debentures due 2096</td>
<td>149</td>
<td>167</td>
<td>149</td>
<td>174</td>
</tr>
<tr>
<td>Subsidiary and other obligations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Argentina overdraft lines of credit</td>
<td>13</td>
<td>13</td>
<td>76</td>
<td>76</td>
</tr>
<tr>
<td>Apache PVG secured facility</td>
<td>100</td>
<td>100</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Notes due in 2016 and 2017</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Apache Finance Australia 7.0% notes due 2009</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>103</td>
</tr>
<tr>
<td>Apache Finance Canada 4.375% notes due 2015</td>
<td>350</td>
<td>325</td>
<td>350</td>
<td>329</td>
</tr>
<tr>
<td>Apache Finance Canada 7.75% notes due 2029</td>
<td>297</td>
<td>340</td>
<td>297</td>
<td>353</td>
</tr>
</tbody>
</table>

The fair value of the notes and debentures is based upon an estimate provided to the Company by an independent investment banking firm. The carrying amount of the commercial paper and money market lines of credit approximated fair value because the interest rates are variable and reflective of market rates. The Company’s trade receivables, trade payables and short-term investments are by their very nature short-term. The carrying values included in the accompanying consolidated balance sheet approximate fair value at December 31, 2008 and 2007.

9. COMMITMENTS AND CONTINGENCIES

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 $25 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 affect on the Company’s financial position or results of operations.
Legal Matters

Grynberg

In 1997, Jack J. Grynberg began filing lawsuits against other natural gas producers, gatherers, and pipelines claiming that the defendants have underpaid royalty to the federal government and Indian tribes by mis-measurement of the volume and heating content of natural gas and are responsible for acts of others who mis-measured natural gas. In 2005, Grynberg filed suit against Apache making the same claims he had made previously against others in the industry. With the addition of Apache, there are more than 300 defendants to these actions. The Grynberg lawsuits were consolidated through a federal Multi-District Litigation (MDL) action located in Wyoming federal court for discovery and pre-trial purposes. Although Grynberg purports to be acting on behalf of the government, the federal government has declined to join in the cases. While an adverse judgment against Apache is possible, Apache does not believe the plaintiff’s claims have merit and plans to vigorously pursue its defenses against these claims. Exposure related to this lawsuit is not currently determinable. Apache and other defendants in the MDL filed motions to dismiss based upon Grynberg’s failure to prove statutory requirements for maintaining qui tam lawsuits. On October 20, 2006, the multi-district Judge ruled in favor of Apache and other defendants on these motions to dismiss, dismissing Grynberg’s lawsuits against Apache and others. Grynberg has appealed the ruling.

Argentine Environmental Claims

In connection with the Pioneer acquisition in 2006, the Company acquired a subsidiary of Pioneer 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. The plaintiffs, a private group of landowners, have also named the national government and several provinces as third parties. The lawsuit alleges injury to the environment generally by the oil and gas industry. The plaintiffs principally seek from all defendants, jointly, (i) the remediation of contaminated sites, of the superficial and underground waters, and of soil that allegedly was degraded as a result of deforestation, (ii) if the remediation is not possible, payment of an indemnification for the material and moral damages claimed from defendants operating in the Neuquén basin, of which PNRA is a small portion, (iii) adoption of all the necessary measures to prevent future environmental damages, and (iv) the creation of a private restoration fund to provide coverage for remediation of potential future environmental damages. Much of the alleged damage relates to operations by the Argentine state oil company, which conducted oil and gas operations throughout Argentina prior to its privatization, which began in 1990. While the plaintiffs will seek to make all oil and gas companies operating in the Neuquén basin jointly liable for each others’ actions, PNRA will defend on an individual basis and attempt to require the plaintiffs to delineate damages by company. PNRA intends to defend itself vigorously in the case. It is not certain exactly how or what the court will do in this matter as it is the first of its kind. While it is possible PNRA may incur liabilities related to the environmental claims, no reasonable prediction can be made as PNRA’s exposure related to this lawsuit is not currently determinable.

Louisiana Restoration

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 from contamination and cleanup. Many of these lawsuits claim small amounts, while others assert claims in excess of a million dollars. Also, some lawsuits or claims are being settled or resolved, while others are still being filed. Any exposure, therefore, related to these lawsuits and claims is not currently determinable. While an adverse judgment against Apache is possible, Apache intends to actively defend the cases.
Australia Gas Pipeline Force Majeure

The Company subsidiaries reported a pipeline explosion that interrupted deliveries of natural gas to customers under various long-term contracts. Company subsidiaries believe that the event was a force majeure and as a result, the subsidiaries and their joint venture participants have declared force majeure under those contracts. Although no litigation has been filed other than pre-action discovery proceedings by a single customer, a few customers have threatened to file suit challenging the declaration of force majeure under their contracts. Contract prices under their contracts are significantly below current spot prices for natural gas in Australia. In the event it is determined that the pipeline explosion was not a force majeure, Company subsidiaries believe that liquidated damages should be the extent of the damages under those long-term contracts with such provisions. Approximately 90 percent of the natural gas volumes were sold by Company subsidiaries under long-term contracts that have liquidated damages provisions. Contractual liquidated damages under the long-term contracts with such provisions would not be expected to exceed $200 million AUD. No assurance can be given that customers would not assert claims in excess of contractual liquidated damages and exposure related to such claims is not currently determinable. While an adverse judgment against Company subsidiaries is possible if litigation is filed, Company subsidiaries do not believe any such claims would have merit and plan to vigorously pursue their defenses against any such claims.

In December 2008, the Senate Economics Committee of the Parliament of Australia released its findings from public hearings concerning the economic impact of the gas shortage following the explosion on Varanus Island and the government’s response. The Committee concluded, among other things, that the macroeconomic impact to Western Australia will never be precisely known, but cited to a range of estimates from $300 million AUD to $2.5 billion AUD consisting in part of losses alleged by some parties who have long-term contracts with Company subsidiaries (as described above), but also losses alleged by third parties who do not have contracts with Company subsidiaries (but who may have purchased gas that was re-sold by customers or who may have paid more for energy following the explosion or who lost wages or sales due to the inability to obtain energy or the increased price of energy). A timber industry group, whose members do not have a contract with Company subsidiaries, has announced that it intends to seek compensation for its members and their subcontractors from Company subsidiaries for $200 million AUD in losses allegedly incurred as a result of the gas supply shortage following the explosion. In Johnson Tiles Pty Ltd v. Esso Australia Pty Ltd [2003] VSC 27 (Supreme Court of Victoria, Gillard J presiding), which concerned a 1998 explosion at an Esso natural gas processing plant at Longford in East Gippsland, Victoria, the Court held that Esso was not liable for $1.3 billion AUD of pure economic losses suffered by claimants that had no contract with Esso, but was liable to such claimants for reasonably foreseeable property damage which Esso settled for $32.5 million plus costs. In reaching this decision the Court held that third-party claimants should have protected themselves from pure economic losses, through the purchase of insurance or the installation of adequate backup measures, in case of an interruption in their gas supply from Esso. While an adverse judgment against Company subsidiaries is possible if litigation is filed, Company subsidiaries do not believe any such claims would have merit and plan to vigorously pursue their defenses against any such claims. Exposure related to any such potential claims is not currently determinable.

On October 10, 2008, the Australia National Offshore Petroleum Safety Authority (NOPSA) released a self-titled “Final Report” of the findings of its investigation into the pipeline explosion, prepared at the request of the Western Australian Department of Industry and Resources (DoIR). NOPSA concluded in its report that the evidence gathered to date indicates that the main causal factors in the incident were: (1) ineffective anti-corrosion coating at the beach crossing section of the 12” sales gas pipeline, due to damage and/or dis-bondment from the pipeline; (2) ineffective cathodic protection of the wet-dry transition zone of the beach crossing section of the 12” sales gas pipeline; and (3) ineffective inspection and monitoring by Company subsidiaries of the beach crossing and shallow water section of the 12” sales gas pipeline. NOPSA further concluded that the investigation identified that Apache Northwest Pty Ltd and its co-licensees may have committed offences under the Petroleum Pipelines Act 1969, Sections 36A & 38(b) and the Petroleum Pipelines Regulations 1970, Regulation 10, and that some findings may also constitute non-compliance with pipeline license conditions. NOPSA states in its report that an application for renewal of the pipeline license covering the area of the Varanus Island facility was granted in May 1985 with
Company subsidiaries disagree with NOPSA’s conclusions and believe that the NOPSA report is premature, based on an incomplete investigation and misleading. In a July 17, 2008 media statement, DoIR acknowledged, “The pipelines and Varanus Island facilities have been the subject of an independent validation report [by Lloyd’s Register] which was received in August 2007. NOPSA has also undertaken a number of inspections between 2005 and the present.” These and numerous other inspections, audits and reviews conducted by top international consultants and regulators did not identify any warnings that the pipeline had a corrosion problem or other issues that could lead to its failure. Company subsidiaries believe that the explosion was not reasonably foreseeable, and was not within the reasonable control of Company’s subsidiaries or able to be reasonably prevented by Company subsidiaries, and will work thoroughly and methodically to determine the root cause of the explosion.

On January 9, 2009, the governments of Western Australia and the Commonwealth of Australia announced a joint inquiry to consider the effectiveness of the regulatory regime for occupational health and safety and integrity that applied to operations and facilities at Varanus Island and the role of DoIR, NOPSA and the Western Australian Department of Consumer and Employment Protection (DoCEP).

Environmental Matters

The Company, as an owner or lessee and operator of oil and gas properties, is subject to various federal, provincial, state, local and foreign country laws and regulations relating to discharge of materials into, and protection of, the environment. These laws and regulations may, among other things, impose liability on the lessee under an oil and gas lease for the cost of pollution clean-up resulting from operations and subject to the lessee to liability for pollution damages. In some instances, the Company may be directed to suspend or cease operations in the affected area. We maintain insurance coverage, which we believe is customary in the industry, although we are not fully insured against all environmental risks.

Apache manages its exposure to environmental liabilities on properties to be acquired by identifying existing problems and assessing the potential liability. The Company also conducts periodic reviews, on a Company-wide basis, to identify changes in its environmental risk profile. These reviews evaluate whether there is a probable liability, the amount, and the likelihood that the liability will be incurred. The amount of any potential liability is determined by considering, among other matters, incremental direct costs of any likely remediation and the proportionate cost of employees who are expected to devote a significant amount of time directly to any possible remediation effort. As it relates to evaluations of purchased properties, depending on the extent of an identified environmental problem, the Company may exclude a property from the acquisition, require the seller to remediate the property to Apache’s satisfaction, or agree to assume liability for the remediation of the property. The Company’s general policy is to limit any reserve additions to any incidents or sites that are considered probable to result in an expected remediation cost exceeding $300,000. Any environmental costs and liabilities that are not reserved for are treated as an expense when actually incurred. In our estimation, neither these expenses nor expenses related to training and compliance programs are likely to have a material impact on our financial condition. As of December 31, 2008, the Company had an undiscounted reserve for environmental remediation of approximately $27 million. Apache is not aware of any environmental claims existing as of December 31, 2008, which 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.

Retirement and Deferred Compensation Plans

Apache Corporation provides retirement benefits to its U.S. employees through the use of three types of plans: an IRC 401(k); a money purchase pension plan and a restorative non-qualified retirement savings plan. The 401(k) savings plan provides participating employees the ability to elect to contribute up to 50 percent of eligible...
compensation to the plan with the Company making matching contributions up to a maximum of six percent of each employee’s annual covered compensation. In addition, the Company annually contributes six percent of each participating employee’s compensation, as defined, to a money purchase retirement plan. The 401(k) plan and the money purchase retirement plan are subject to certain annually-adjusted, government-mandated restrictions that limit the amount of employee and Company contributions. For certain eligible employees, the Company also provides a non-qualified retirement/savings plan that allows the deferral of up to 50 percent of each employee’s salary and that accepts employee contributions and the Company’s matching contributions in excess of the government mandated limitations imposed in the 401(k) savings plan and money purchase retirement plan.

Vesting in the Company’s contributions in the 401(k) savings plan, the money purchase retirement plan and the non-qualified retirement/savings plan occurs at the rate of 20 percent for every full-year of employment. Upon a change in control of ownership, immediate and full vesting occurs.

Additionally, Apache Energy Limited, Apache Canada Ltd. and Apache North Sea Limited maintain separate retirement plans, as required under the laws of Australia, Canada and the United Kingdom, respectively. Total annual cost under the retirement plans were $52 million, $59 million and $41 million for 2008, 2007 and 2006, respectively.

Apache also provides a funded noncontributory defined benefit pension plan (U.K. Pension Plan) covering certain employees of the Company’s North Sea operations. The plan provides defined pension benefits based on years of service and final average salary. The plan is closed to newly hired employees.

Additionally, the Company offers postretirement medical benefits to U.S. employees who meet certain eligibility requirements. Covered participants receive medical benefits up until the age of 65 provided the participant remits the required portion of the cost of coverage. The plan is contributory with participants’ contributions adjusted annually. The postretirement benefit plan does not cover benefit expenses once a covered participant becomes eligible for Medicare.
The following tables set forth the benefit obligation, fair value of plan assets and funded status as of December 31, 2008 and 2007 and the underlying weighted average actuarial assumptions used for the U.K. Pension Plan and U.S. postretirement benefit plan. Apache uses a measurement date of December 31 for its pension and postretirement benefit plans.

### Change in Projected Benefit Obligation

<table>
<thead>
<tr>
<th></th>
<th>2008 (In thousands)</th>
<th>2007 (In thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Projected benefit obligation beginning of period</td>
<td>$129,883</td>
<td>$125,627</td>
</tr>
<tr>
<td>Service cost</td>
<td>5,554</td>
<td>7,255</td>
</tr>
<tr>
<td>Interest cost</td>
<td>6,705</td>
<td>6,508</td>
</tr>
<tr>
<td>Foreign currency exchange rate changes</td>
<td>(37,602)</td>
<td>2,131</td>
</tr>
<tr>
<td>Amendments</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Actuarial losses/(gains)</td>
<td>(1,619)</td>
<td>(9,241)</td>
</tr>
<tr>
<td>Effect of curtailment and settlements</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(3,789)</td>
<td>(2,397)</td>
</tr>
<tr>
<td>Retiree contributions</td>
<td>—</td>
<td>112</td>
</tr>
<tr>
<td>Projected benefit obligation at end of year</td>
<td>99,132</td>
<td>129,883</td>
</tr>
</tbody>
</table>

### Change in Plan Assets

<table>
<thead>
<tr>
<th></th>
<th>2008 (In thousands)</th>
<th>2007 (In thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair value of plan assets at beginning of period</td>
<td>122,233</td>
<td>112,821</td>
</tr>
<tr>
<td>Actual return on plan assets</td>
<td>(13,337)</td>
<td>4,704</td>
</tr>
<tr>
<td>Foreign currency exchange rates</td>
<td>(32,309)</td>
<td>1,881</td>
</tr>
<tr>
<td>Employer contributions</td>
<td>9,811</td>
<td>5,224</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(3,789)</td>
<td>(2,397)</td>
</tr>
<tr>
<td>Retiree contributions</td>
<td>—</td>
<td>112</td>
</tr>
<tr>
<td>Fair value of plan assets at end of year</td>
<td>82,609</td>
<td>122,233</td>
</tr>
</tbody>
</table>

### Funded status at end of year

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>(16,523)</td>
<td>(17,399)</td>
<td>(7,650)</td>
</tr>
</tbody>
</table>

### Amounts recognized in Consolidated Balance Sheet

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current liability</td>
<td>—</td>
<td>(363)</td>
</tr>
<tr>
<td>Non current liability</td>
<td>(16,523)</td>
<td>(7,650)</td>
</tr>
<tr>
<td>(16,523)</td>
<td>(17,399)</td>
<td>(14,918)</td>
</tr>
</tbody>
</table>

### Pretax Amounts Recognized in Accumulated Other Comprehensive Income

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accumulated gain (loss)</td>
<td>(13,854)</td>
<td>1,049</td>
</tr>
<tr>
<td>Prior service cost</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Transition asset (obligation)</td>
<td>(353)</td>
<td>—</td>
</tr>
<tr>
<td>(13,854)</td>
<td>(599)</td>
<td>1,049</td>
</tr>
</tbody>
</table>

### Weighted Average Assumptions used as of December 31

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate</td>
<td>5.50%</td>
<td>5.60%</td>
</tr>
<tr>
<td>Salary increases</td>
<td>4.50%</td>
<td>4.40%</td>
</tr>
<tr>
<td>Expected return on assets</td>
<td>6.05%</td>
<td>6.50%</td>
</tr>
<tr>
<td>Healthcare cost trend</td>
<td>8.00%</td>
<td>8.00%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Ultimate in 2015</td>
<td>N/A</td>
<td>5.00%</td>
</tr>
</tbody>
</table>
As of December 31, 2008 and 2007, the accumulated benefit obligation for the pension plan was $69 million and $91 million, respectively.

Apache’s defined benefit pension plan assets are held by a non-related Trustee who has been instructed to invest the assets in an equal blend of equity securities and low-risk debt securities. The Company believes this blend of investments will provide a reasonable rate of return and ensure that the benefits promised to members are provided.

The plan’s assets do not include any equity or debt securities of Apache. A breakout of previous allocations for plan asset holding and the target allocation for the Company’s plan assets are summarized below:

<table>
<thead>
<tr>
<th>Asset Category</th>
<th>Target Allocation 2008</th>
<th>Percentage of Plan Assets at Year-End</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2008</td>
</tr>
<tr>
<td>Equity securities</td>
<td>50%</td>
<td>45%</td>
</tr>
<tr>
<td>Debt securities</td>
<td>50%</td>
<td>51%</td>
</tr>
<tr>
<td>Cash</td>
<td>—</td>
<td>4%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

The following tables set forth the components of the net periodic cost and the underlying weighted average actuarial assumptions used for the pension and postretirement benefit plans as of December 31, 2008, 2007 and 2006:

**Components of Net Periodic Benefit Costs**

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service cost</td>
<td>$5,554</td>
<td>$1,484</td>
<td>$7,255</td>
</tr>
<tr>
<td>Interest cost</td>
<td>6,705</td>
<td>977</td>
<td>6,508</td>
</tr>
<tr>
<td>Expected return on assets</td>
<td>(7,479)</td>
<td>(7,632)</td>
<td>(5,750)</td>
</tr>
<tr>
<td>Amortization of:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transition obligation</td>
<td>—</td>
<td>44</td>
<td>—</td>
</tr>
<tr>
<td>Actuarial (gain)/loss</td>
<td>—</td>
<td>—</td>
<td>139</td>
</tr>
<tr>
<td>Net periodic benefit cost</td>
<td>$4,780</td>
<td>$2,505</td>
<td>$6,131</td>
</tr>
</tbody>
</table>

**Weighted Average Assumptions used to determine Net Periodic Benefit Costs for the Years ended December 31**

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate</td>
<td>5.60%</td>
<td>6.01%</td>
<td>5.10%</td>
</tr>
<tr>
<td>Salary increases</td>
<td>4.40%</td>
<td>N/A</td>
<td>4.10%</td>
</tr>
<tr>
<td>Expected return on assets</td>
<td>6.50%</td>
<td>N/A</td>
<td>6.50%</td>
</tr>
<tr>
<td>Healthcare cost trend</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>— Initial</td>
<td>N/A</td>
<td>8.00%</td>
<td>N/A</td>
</tr>
<tr>
<td>— Ultimate in 2014</td>
<td>N/A</td>
<td>5.00%</td>
<td>N/A</td>
</tr>
</tbody>
</table>

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Assumed health care cost trend rates effect amounts reported for postretirement benefits. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

<table>
<thead>
<tr>
<th>Postretirement Benefits</th>
<th>1% Increase</th>
<th>1% Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effect on service and interest cost components</td>
<td>$ 316</td>
<td>$(272)</td>
</tr>
<tr>
<td>Effect on postretirement benefit obligation</td>
<td>1,873</td>
<td>(1,647)</td>
</tr>
</tbody>
</table>

Apache expects to contribute approximately $12 million to its pension plan and $565,000 to its postretirement benefit plan in 2009. The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

<table>
<thead>
<tr>
<th>Pension Benefits</th>
<th>Postretirement Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>(In thousands)</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>$ 1,454</td>
</tr>
<tr>
<td>2010</td>
<td>2,155</td>
</tr>
<tr>
<td>2011</td>
<td>3,761</td>
</tr>
<tr>
<td>2012</td>
<td>4,566</td>
</tr>
<tr>
<td>2013</td>
<td>3,190</td>
</tr>
<tr>
<td>Years 2014 — 2018</td>
<td>23,137</td>
</tr>
</tbody>
</table>

**Contractual Obligations**

At December 31, 2008, contractual obligations for drilling rigs, purchase obligations, E&D commitments, firm transportation agreements, and long-term operating leases ranging from one to 28 years, are as follows:

<table>
<thead>
<tr>
<th>Net Minimum Commitments</th>
<th>Total</th>
<th>2009</th>
<th>2010-2012</th>
<th>2013-2014</th>
<th>2015 &amp; Beyond</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>(In thousands)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Drilling rig commitments</td>
<td>$ 889,874</td>
<td>$ 516,180</td>
<td>$ 372,594</td>
<td>$ 1,100</td>
<td>—</td>
</tr>
<tr>
<td>Purchase obligations</td>
<td>371,279</td>
<td>370,720</td>
<td>559</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>E&amp;D commitments</td>
<td>197,512</td>
<td>92,459</td>
<td>99,670</td>
<td>5,383</td>
<td>—</td>
</tr>
<tr>
<td>Firm transportation agreements</td>
<td>223,153</td>
<td>26,541</td>
<td>81,234</td>
<td>55,496</td>
<td>59,882</td>
</tr>
<tr>
<td>Office and related equipment</td>
<td>122,599</td>
<td>21,354</td>
<td>60,758</td>
<td>18,962</td>
<td>21,525</td>
</tr>
<tr>
<td>Oil and gas operations equipment</td>
<td>472,980</td>
<td>77,122</td>
<td>125,676</td>
<td>59,304</td>
<td>210,878</td>
</tr>
<tr>
<td>Other</td>
<td>3,840</td>
<td>3,840</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

- Drilling rig commitments include dayrate and other contracts for use of drilling, completion and workover rigs.
- Purchase obligations include contractual obligations to buy or build oil and gas plants and facilities.
- E&D commitments generally consist of seismic and drilling work programs required to retain acreage, meet contractual obligations of international concessions, or to satisfy minimums associated with farm-in properties.
- Firm transportation agreements relate to contractual obligations for capacity rights on third-party pipelines.
- Office and related equipment leases include office and other buildings rentals and related equipment leases.
- Oil and gas operations equipment includes floating production storage and offloading (FPSO’s), compressors, helicopters and boats.

F-40
Included in the table above are leases for buildings, facilities and related equipment with varying expiration dates through 2035. Net rental expense was $38 million, $31 million and $23 million for 2008, 2007 and 2006, respectively.

Subsequent Event

On February 10, 2009, Apache’s wholly-owned subsidiary, Apache Canada Ltd. entered into an agreement with TransCanada Pipelines Limited (TCPL) pursuant to which TCPL will construct and install a gas pipeline from north eastern British Columbia to the existing NOVA pipeline system located in the Ekwan area of Alberta. Apache Canada intends to ship gas produced from the Ootla basin on the new pipeline.

The construction, operation and transportation rates of the new pipeline are subject to regulatory approval. Authority to construct the pipeline is expected, and construction is anticipated to be complete on or before April 1, 2011. Upon completion of the pipeline, Apache Canada will have a ship-or-pay commitment of 100 MMBtu of gas for either a four-year period or a ten-year period depending on the rate structure determined and approved by the regulatory agency. Apache Canada has the right to terminate the agreement before October 1, 2009. If Apache Canada elects to terminate the agreement or TCPL terminates for reasons set forth in the agreement, Apache Canada must reimburse TCPL for certain costs and expenses up to CDN $90 million plus certain taxes.

10. FAIR VALUE

Fair Value Measurement

The Company adopted SFAS No. 157, “Fair Value Measurements,” as of the beginning of 2008. SFAS No. 157 defines fair value and establishes disclosure requirements for assets and liabilities presented at fair value on the consolidated balance sheet. Fair value is the amount that would be received from the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants. A liability is quantified at the price it would take to transfer the liability to a new obligor, not at the amount that would be paid to settle the liability with the creditor.

To better quantify fair value, SFAS No. 157 establishes a three-level hierarchy, prioritizing and defining the types of inputs used to measure fair value. Level 1 inputs 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 which are significant and unobservable and have the lowest priority.

The following table presents the Company’s material assets and liabilities measured at fair value for each hierarchy level as of December 31, 2008:

<table>
<thead>
<tr>
<th></th>
<th>Fair Value Measurements Using</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total Fair Value</td>
</tr>
<tr>
<td><strong>Assets:</strong></td>
<td>In millions</td>
</tr>
<tr>
<td>Crude Oil and Natural Gas Options</td>
<td>$203</td>
</tr>
<tr>
<td>Fixed-Price Oil Swaps</td>
<td>16</td>
</tr>
<tr>
<td><strong>Liabilities:</strong></td>
<td>In millions</td>
</tr>
<tr>
<td>Crude Oil Swaps</td>
<td>$7</td>
</tr>
</tbody>
</table>

Derivative instruments are valued using forward commodity price curves provided by reputable third-party brokers. The fair value of derivative instruments are not actively quoted in the open markets and are valued using Level 2 inputs.

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11. MAJOR CUSTOMERS

In 2008, purchases by Shell accounted for 17 percent of the Company’s oil and gas production revenues.
In 2007, purchases by Shell accounted for 12 percent of the Company’s oil and gas production revenues.
In 2006, purchases by BP accounted for 20 percent of the Company’s oil and gas production revenues.

Concentration of Credit Risk

We have experienced a decline in the timeliness of receipts from the Egyptian General Petroleum Corporation (EGPC) for our Egyptian oil and gas sales in the second half of 2008. We continue to collect on these receivables, albeit late, and there is no indication that we will not be able to collect the balance of our receivables from this customer.

12. BUSINESS SEGMENT INFORMATION

Apache has producing operations in six countries: the United States (Gulf Coast and Central Regions), Canada, Egypt, Australia, offshore the United Kingdom (U.K.) in the North Sea and Argentina. Early in the second quarter of 2008, we finalized contracts for two exploration blocks in Chile (reflected under “Other International”).

F-42
The Company divested its interest in China effective July 1, 2006. Apache is primarily in the business of crude oil and natural gas exploration and production. Financial information by country is presented below:

<table>
<thead>
<tr>
<th>2008</th>
<th>United States</th>
<th>Canada</th>
<th>Egypt</th>
<th>Australia</th>
<th>North Sea</th>
<th>Argentina</th>
<th>Other International</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil and gas production revenues</td>
<td>5,083,397</td>
<td>1,650,402</td>
<td>2,739,246</td>
<td>371,669</td>
<td>2,103,283</td>
<td>379,842</td>
<td>—</td>
<td>12,327,839</td>
</tr>
</tbody>
</table>

Operating Expenses:

- Recurring, depletion and amortization:
  - 1,112,989 | 416,880 | 397,573 | 134,926 | 262,787 | 191,282 | — | 2,516,437 |
  - Additional:
    - 2,667,440 | 1,689,392 | — | — | 568,450 | 408,539 | — | 5,333,821 |
- Asset retirement obligation accretion:
  - 66,189 | 14,173 | — | — | 5,921 | 13,215 | 1,850 | — | 101,348 |
- Lease operating expenses:
  - 925,977 | 336,871 | 241,455 | 103,627 | 190,966 | 110,729 | — | 1,099,625 |
- Gathering and transportation:
  - 39,739 | 62,848 | 20,896 | — | 28,382 | 4,626 | — | 156,491 |
- Taxes other than income:
  - 211,251 | 42,662 | 8,306 | 10,719 | 695,443 | 16,426 | — | 984,807 |

Operating Income (Loss) (1): $59,812 | $(912,424) | $2,071,016 | $116,476 | $344,040 | $(353,610) | — | $1,325,310 |

Other Income (Expense):

- Other: 61,911
- General and administrative: (288,794)
- Financing costs, net: (166,035)

Income Before Income Taxes: 912,392

<table>
<thead>
<tr>
<th>2007</th>
<th>United States</th>
<th>Canada</th>
<th>Egypt</th>
<th>Australia</th>
<th>North Sea</th>
<th>Argentina</th>
<th>Other International</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil and gas production revenues</td>
<td>4,306,108</td>
<td>1,392,856</td>
<td>2,011,796</td>
<td>535,699</td>
<td>1,399,201</td>
<td>316,322</td>
<td>—</td>
<td>9,961,982</td>
</tr>
</tbody>
</table>

Operating Expenses:

- Recurring, depletion and amortization:
  - 1,074,669 | 413,074 | 306,084 | 190,606 | 196,888 | 166,470 | — | 2,347,791 |
  - Asset retirement obligation accretion:
    - 70,006 | 9,144 | — | — | 12,511 | 1,093 | — | 96,438 |
  - Lease operating expenses:
    - 802,164 | 331,403 | 174,859 | 81,288 | 182,388 | 80,753 | — | 1,652,855 |
  - Gathering and transportation:
    - 38,086 | 54,121 | 15,242 | — | 26,647 | 3,020 | — | 137,407 |
  - Taxes other than income:
    - 166,798 | 42,598 | 7,887 | 346,500 | 11,367 | 191,282 | — | 597,647 |


Other Income (Expense):

- Other: 37,770
- General and administrative: (275,065)
- Financing costs, net: — (219,937)

Income Before Income Taxes: 4,672,612

<table>
<thead>
<tr>
<th>2007</th>
<th>United States</th>
<th>Canada</th>
<th>Egypt</th>
<th>Australia</th>
<th>North Sea</th>
<th>Argentina</th>
<th>Other International</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Property and Equipment</td>
<td>$11,919,013</td>
<td>$5,834,792</td>
<td>$2,560,609</td>
<td>$1,590,431</td>
<td>$1,889,651</td>
<td>$1,437,097</td>
<td>—</td>
<td>$25,231,593</td>
</tr>
<tr>
<td>Total Assets</td>
<td>$12,195,552</td>
<td>$7,289,118</td>
<td>$3,360,494</td>
<td>$1,884,443</td>
<td>$2,299,502</td>
<td>$1,664,462</td>
<td>—</td>
<td>$28,634,651</td>
</tr>
<tr>
<td>Additions to Net Property and Equipment</td>
<td>$2,912,541</td>
<td>$836,547</td>
<td>$1,059,793</td>
<td>$603,174</td>
<td>$541,761</td>
<td>$344,818</td>
<td>—</td>
<td>$6,298,634</td>
</tr>
</tbody>
</table>

(1) Operating Income 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.
APACHE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Table:Oil and gas production revenues and Operating Expenses

<table>
<thead>
<tr>
<th></th>
<th>United States</th>
<th>Canada</th>
<th>Egypt</th>
<th>Australia</th>
<th>North Sea</th>
<th>Argentina</th>
<th>International</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oil and gas production revenues</td>
<td>$3,027,227</td>
<td>$1,379,626</td>
<td>$1,664,103</td>
<td>$408,453</td>
<td>$1,355,139</td>
<td>$167,195</td>
<td>$72,510</td>
<td>$8,074,253</td>
</tr>
<tr>
<td>Operating Expenses:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation, depletion and amortization</td>
<td>765,564</td>
<td>365,369</td>
<td>247,354</td>
<td>147,413</td>
<td>179,625</td>
<td>93,025</td>
<td>18,009</td>
<td>1,816,359</td>
</tr>
<tr>
<td>Asset retirement obligation accretion</td>
<td>65,357</td>
<td>8,206</td>
<td>—</td>
<td>2,527</td>
<td>11,808</td>
<td>733</td>
<td>—</td>
<td>88,931</td>
</tr>
<tr>
<td>Lease operating expenses</td>
<td>592,281</td>
<td>292,576</td>
<td>147,656</td>
<td>57,942</td>
<td>185,902</td>
<td>40,807</td>
<td>5,398</td>
<td>1,322,562</td>
</tr>
<tr>
<td>Gathering and transportation</td>
<td>31,810</td>
<td>50,461</td>
<td>10,995</td>
<td>—</td>
<td>26,387</td>
<td>763</td>
<td>121</td>
<td>120,537</td>
</tr>
<tr>
<td>Taxes other than income</td>
<td>143,689</td>
<td>32,999</td>
<td>—</td>
<td>19,524</td>
<td>394,487</td>
<td>2,559</td>
<td>4,669</td>
<td>597,927</td>
</tr>
<tr>
<td>Operating Income (Loss)(1)</td>
<td>$1,428,526</td>
<td>$629,715</td>
<td>$1,258,098</td>
<td>$181,047</td>
<td>$556,930</td>
<td>$29,308</td>
<td>$44,313</td>
<td>$4,127,937</td>
</tr>
<tr>
<td>Other Income (Expense):</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>61,333</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General and administrative</td>
<td>(211,334)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gain on China divestiture</td>
<td>173,545</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financing costs, net</td>
<td>(141,886)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income Before Income Taxes</td>
<td>$4,009,595</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Property and Equipment</td>
<td>$10,139,918</td>
<td>$5,411,726</td>
<td>$1,806,901</td>
<td>$1,184,180</td>
<td>$1,544,778</td>
<td>$1,258,749</td>
<td></td>
<td>$21,346,252</td>
</tr>
<tr>
<td>Total Assets</td>
<td>$11,486,070</td>
<td>$5,821,685</td>
<td>$2,423,655</td>
<td>$1,322,501</td>
<td>$1,839,150</td>
<td>$1,404,382</td>
<td>$10,732</td>
<td>$24,308,175</td>
</tr>
<tr>
<td>Additions to Property and Equipment</td>
<td>$3,159,613</td>
<td>$1,250,355</td>
<td>$569,316</td>
<td>$218,345</td>
<td>$335,055</td>
<td>$1,311,804</td>
<td>$11,794</td>
<td>$6,856,282</td>
</tr>
</tbody>
</table>

(1) Operating Income 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.

F-44
The following table sets forth revenue and direct cost information relating to the Company’s oil and gas exploration and production activities. Apache has no long-term agreements to purchase oil or gas production from foreign governments or authorities.

<table>
<thead>
<tr>
<th></th>
<th>United States</th>
<th>Canada</th>
<th>Egypt</th>
<th>Australia</th>
<th>North Sea</th>
<th>Argentina</th>
<th>Other International</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2008</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Oil and gas production revenues</strong></td>
<td>$5,083,397</td>
<td>$1,650,402</td>
<td>$2,739,246</td>
<td>$371,669</td>
<td>$2,103,283</td>
<td>$379,842</td>
<td>$ —</td>
<td>$12,327,839</td>
</tr>
<tr>
<td><strong>Operating cost:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>— Depreciation, depletion and amortization (Recurring)</td>
<td>$1,081,027</td>
<td>$410,047</td>
<td>$397,573</td>
<td>$133,126</td>
<td>$260,831</td>
<td>$187,918</td>
<td>$—</td>
<td>$2,470,522</td>
</tr>
<tr>
<td>— Additional</td>
<td>$2,667,440</td>
<td>$1,689,392</td>
<td>—</td>
<td>—</td>
<td>$568,450</td>
<td>$408,539</td>
<td>$—</td>
<td>$5,333,821</td>
</tr>
<tr>
<td>— Asset retirement obligation accretion</td>
<td>$66,189</td>
<td>$14,173</td>
<td>—</td>
<td>$9,215</td>
<td>$13,215</td>
<td>$1,850</td>
<td>$—</td>
<td>$101,348</td>
</tr>
<tr>
<td>— Lease operating expenses</td>
<td>$929,977</td>
<td>$336,871</td>
<td>$241,455</td>
<td>$103,627</td>
<td>$190,966</td>
<td>$110,729</td>
<td>$—</td>
<td>$1,909,625</td>
</tr>
<tr>
<td>— Gathering and transportation</td>
<td>$39,739</td>
<td>$62,848</td>
<td>$20,896</td>
<td>—</td>
<td>$28,382</td>
<td>$4,626</td>
<td>$—</td>
<td>$156,491</td>
</tr>
<tr>
<td>— Production taxes(2)</td>
<td>$201,590</td>
<td>$33,643</td>
<td>—</td>
<td>$10,719</td>
<td>$695,443</td>
<td>—</td>
<td>$—</td>
<td>$941,395</td>
</tr>
<tr>
<td>— Income tax</td>
<td>$36,009</td>
<td>$(215,536)</td>
<td>$988,075</td>
<td>$35,483</td>
<td>$172,998</td>
<td>$(116,837)</td>
<td>$—</td>
<td>$910,192</td>
</tr>
<tr>
<td><strong>Results of operations</strong></td>
<td>$(4,017,971)</td>
<td>$2,331,438</td>
<td>$1,657,990</td>
<td>$288,876</td>
<td>$1,930,285</td>
<td>$396,825</td>
<td>$—</td>
<td>$11,823,394</td>
</tr>
<tr>
<td><strong>Amortization rate per boe</strong></td>
<td>$14.05</td>
<td>$13.11</td>
<td>$8.48</td>
<td>$11.26</td>
<td>$11.89</td>
<td>$10.49</td>
<td>$—</td>
<td>$12.06</td>
</tr>
<tr>
<td><strong>2007</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Oil and gas production revenues</strong></td>
<td>$4,306,108</td>
<td>$1,392,856</td>
<td>$2,011,796</td>
<td>$535,699</td>
<td>$1,399,201</td>
<td>$316,322</td>
<td>$—</td>
<td>$9,961,982</td>
</tr>
<tr>
<td><strong>Operating cost:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>— Depreciation, depletion and amortization (1)</td>
<td>$1,048,213</td>
<td>$400,630</td>
<td>$306,084</td>
<td>$189,208</td>
<td>$196,054</td>
<td>$163,557</td>
<td>$—</td>
<td>$2,303,746</td>
</tr>
<tr>
<td>— Asset retirement obligation accretion</td>
<td>$70,006</td>
<td>$9,144</td>
<td>—</td>
<td>$5,684</td>
<td>$12,511</td>
<td>$1,093</td>
<td>$—</td>
<td>$96,438</td>
</tr>
<tr>
<td>— Lease operating expenses</td>
<td>$802,164</td>
<td>$331,403</td>
<td>$174,859</td>
<td>$81,288</td>
<td>$182,388</td>
<td>$80,753</td>
<td>$—</td>
<td>$1,652,855</td>
</tr>
<tr>
<td>— Gathering and transportation</td>
<td>$38,086</td>
<td>$54,412</td>
<td>$15,242</td>
<td>—</td>
<td>$26,647</td>
<td>$3,020</td>
<td>$—</td>
<td>$137,407</td>
</tr>
<tr>
<td>— Production taxes(2)</td>
<td>$152,274</td>
<td>$34,724</td>
<td>—</td>
<td>$22,497</td>
<td>$346,500</td>
<td>—</td>
<td>$—</td>
<td>$555,995</td>
</tr>
<tr>
<td>— Income tax</td>
<td>$779,355</td>
<td>$168,763</td>
<td>$727,493</td>
<td>$81,267</td>
<td>$317,551</td>
<td>$23,765</td>
<td>$—</td>
<td>$2,098,194</td>
</tr>
<tr>
<td><strong>Results of operations</strong></td>
<td>$(2,890,098)</td>
<td>$999,076</td>
<td>$1,223,678</td>
<td>$377,944</td>
<td>$1,081,651</td>
<td>$272,188</td>
<td>$—</td>
<td>$8,644,635</td>
</tr>
<tr>
<td><strong>Amortization rate per boe</strong></td>
<td>$12.62</td>
<td>$11.81</td>
<td>$7.15</td>
<td>$10.36</td>
<td>$9.96</td>
<td>$9.17</td>
<td>$—</td>
<td>$10.78</td>
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<tr>
<td><strong>2006</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
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<td>$3,027,227</td>
<td>$1,379,626</td>
<td>$1,664,103</td>
<td>$408,453</td>
<td>$1,355,139</td>
<td>$167,195</td>
<td>$72,510</td>
<td>$8,074,253</td>
</tr>
<tr>
<td><strong>Operating cost:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>— Depreciation, depletion and amortization (1)</td>
<td>$742,981</td>
<td>$355,446</td>
<td>$247,354</td>
<td>$146,406</td>
<td>$178,682</td>
<td>$91,562</td>
<td>$17,991</td>
<td>$1,780,422</td>
</tr>
<tr>
<td>— Asset retirement obligation accretion</td>
<td>$65,357</td>
<td>$8,506</td>
<td>—</td>
<td>$2,527</td>
<td>$11,808</td>
<td>$733</td>
<td>$—</td>
<td>$88,931</td>
</tr>
<tr>
<td>— Lease Operating expenses</td>
<td>$592,281</td>
<td>$292,576</td>
<td>$147,656</td>
<td>$57,942</td>
<td>$185,902</td>
<td>$40,807</td>
<td>$3,998</td>
<td>$1,322,562</td>
</tr>
<tr>
<td>— Gathering and transportation</td>
<td>$31,810</td>
<td>$50,461</td>
<td>$10,995</td>
<td>—</td>
<td>$26,387</td>
<td>$763</td>
<td>$121</td>
<td>$120,537</td>
</tr>
<tr>
<td>— Production taxes(2)</td>
<td>$131,600</td>
<td>$25,867</td>
<td>—</td>
<td>$19,524</td>
<td>$394,487</td>
<td>$2,559</td>
<td>$—</td>
<td>$574,037</td>
</tr>
<tr>
<td>— Income tax</td>
<td>$519,435</td>
<td>$203,583</td>
<td>$603,887</td>
<td>$61,898</td>
<td>$278,937</td>
<td>$107,700</td>
<td>$16,170</td>
<td>$1,699,680</td>
</tr>
<tr>
<td><strong>Results of operations</strong></td>
<td>$(2,083,464)</td>
<td>$941,439</td>
<td>$1,009,892</td>
<td>$288,297</td>
<td>$1,076,203</td>
<td>$147,194</td>
<td>$39,680</td>
<td>$5,586,169</td>
</tr>
<tr>
<td><strong>Amortization rate per boe</strong></td>
<td>$10.90</td>
<td>$9.97</td>
<td>$6.23</td>
<td>$8.46</td>
<td>$8.31</td>
<td>$9.08</td>
<td>$15.56</td>
<td>$9.20</td>
</tr>
</tbody>
</table>

(1) This amount only reflects DD&A of capitalized costs of oil and gas proved properties and, therefore, does not agree with DD&A reflected on Note 11 — Business Segment Information.

(2) This amount only reflects amounts directly related to oil and gas producing properties and, therefore, does not agree with taxes other than income reflected on Note 11 — Business Segment Information.

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## Costs Incurred In Oil And Gas Property Acquisition, Exploration, And Development Activities

<table>
<thead>
<tr>
<th>Year</th>
<th>United States</th>
<th>Canada</th>
<th>Egypt</th>
<th>Australia</th>
<th>North Sea</th>
<th>Argentina</th>
<th>Other International</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proved</td>
<td></td>
<td>$ 69,642</td>
<td>$ 4,938</td>
<td>$ (500)</td>
<td>$ —</td>
<td>$ 27,488</td>
<td>$ 4,566</td>
<td>$ 74,080</td>
</tr>
<tr>
<td>Unproved</td>
<td></td>
<td>75,437</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>75,437</td>
</tr>
<tr>
<td>Exploration</td>
<td></td>
<td>382,019</td>
<td>253,940</td>
<td>192,588</td>
<td>293,031</td>
<td>107,338</td>
<td>256,068</td>
<td>1,512,441</td>
</tr>
<tr>
<td>Development</td>
<td></td>
<td>2,200,910</td>
<td>580,406</td>
<td>667,860</td>
<td>588,539</td>
<td>364,421</td>
<td>98,074</td>
<td>4,500,210</td>
</tr>
<tr>
<td><strong>Costs incurred(1)</strong></td>
<td></td>
<td>$ 2,728,008</td>
<td>$ 839,284</td>
<td>$ 860,448</td>
<td>$ 881,070</td>
<td>$ 471,759</td>
<td>$ 354,142</td>
<td>$ 27,488</td>
</tr>
<tr>
<td>(1) Includes capitalized interest and asset retirement costs as follows:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capitalized interest</td>
<td></td>
<td>$ 20,267</td>
<td>$ 12,313</td>
<td>$ 7,646</td>
<td>$ 8,636</td>
<td>$ 703</td>
<td>$ 23,988</td>
<td>$ 73,553</td>
</tr>
<tr>
<td>Asset retirement costs</td>
<td></td>
<td>379,189</td>
<td>116,967</td>
<td>(6,746)</td>
<td>11,817</td>
<td>12,664</td>
<td>—</td>
<td>513,891</td>
</tr>
<tr>
<td>2007</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proved</td>
<td></td>
<td>$ 965,476</td>
<td>$ 19,261</td>
<td>$ 10,530</td>
<td>$ 9,259</td>
<td>$ —</td>
<td>$ 1,004,526</td>
<td></td>
</tr>
<tr>
<td>Unproved</td>
<td></td>
<td>24,474</td>
<td>—</td>
<td>20,511</td>
<td>507</td>
<td>—</td>
<td>45,492</td>
<td></td>
</tr>
<tr>
<td>Exploration</td>
<td></td>
<td>139,092</td>
<td>187,312</td>
<td>131,552</td>
<td>323,553</td>
<td>229,946</td>
<td>223,865</td>
<td>1,235,320</td>
</tr>
<tr>
<td>Development</td>
<td></td>
<td>1,762,740</td>
<td>593,926</td>
<td>480,384</td>
<td>231,394</td>
<td>309,448</td>
<td>97,025</td>
<td>3,474,917</td>
</tr>
<tr>
<td><strong>Costs incurred(1)</strong></td>
<td></td>
<td>$ 2,867,308</td>
<td>$ 805,712</td>
<td>$ 631,197</td>
<td>$ 585,988</td>
<td>$ 539,901</td>
<td>$ 330,149</td>
<td>$ 5,760,255</td>
</tr>
<tr>
<td>(1) Includes capitalized interest and asset retirement costs as follows:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capitalized interest</td>
<td></td>
<td>$ 20,577</td>
<td>$ 13,106</td>
<td>$ 6,821</td>
<td>$ 6,447</td>
<td>$ 1,526</td>
<td>$ 20,980</td>
<td>$ 69,457</td>
</tr>
<tr>
<td>Asset retirement costs</td>
<td></td>
<td>271,183</td>
<td>117,456</td>
<td>37,866</td>
<td>12,863</td>
<td>—</td>
<td>439,368</td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proved</td>
<td></td>
<td>$ 1,246,748</td>
<td>$ 5,859</td>
<td>$ 23,981</td>
<td>$ 800,673</td>
<td>$ 2,077,261</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unproved</td>
<td></td>
<td>71,260</td>
<td>—</td>
<td>3,060</td>
<td>321,500</td>
<td>—</td>
<td>395,820</td>
<td></td>
</tr>
<tr>
<td>Exploration</td>
<td></td>
<td>102,711</td>
<td>212,700</td>
<td>84,404</td>
<td>127,246</td>
<td>110,465</td>
<td>76,503</td>
<td>716,057</td>
</tr>
<tr>
<td>Development</td>
<td></td>
<td>1,660,523</td>
<td>891,008</td>
<td>376,877</td>
<td>58,573</td>
<td>219,033</td>
<td>39,067</td>
<td>2,355,341</td>
</tr>
<tr>
<td><strong>Costs incurred(1)</strong></td>
<td></td>
<td>$ 3,081,242</td>
<td>$1,109,567</td>
<td>$461,281</td>
<td>$209,800</td>
<td>$332,558</td>
<td>$1,237,743</td>
<td>$12,288</td>
</tr>
<tr>
<td>(1) Includes capitalized interest and asset retirement costs as follows:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capitalized interests</td>
<td></td>
<td>$ 29,300</td>
<td>$ 21,793</td>
<td>$ 6,839</td>
<td>$ 3,819</td>
<td>$ —</td>
<td>$ 61,301</td>
<td></td>
</tr>
<tr>
<td>Asset retirement costs</td>
<td></td>
<td>348,057</td>
<td>25,301</td>
<td>2,108</td>
<td>15,146</td>
<td>—</td>
<td>390,612</td>
<td></td>
</tr>
</tbody>
</table>

### Capitalized Costs

The following table sets forth the capitalized costs and associated accumulated depreciation, depletion and amortization, including impairments, relating to the Company’s oil and gas production, exploration and development activities:

<table>
<thead>
<tr>
<th>Year</th>
<th>United States</th>
<th>Canada</th>
<th>Egypt</th>
<th>Australia</th>
<th>North Sea</th>
<th>Argentina</th>
<th>Other International</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proved properties</td>
<td></td>
<td>$ 21,275,814</td>
<td>$ 7,748,591</td>
<td>$ 3,638,368</td>
<td>$ 3,121,845</td>
<td>$ 3,099,916</td>
<td>$ 1,754,747</td>
<td>$ 40,639,281</td>
</tr>
<tr>
<td>Unproved properties</td>
<td></td>
<td>381,258</td>
<td>312,616</td>
<td>231,169</td>
<td>110,348</td>
<td>15,724</td>
<td>221,775</td>
<td>1,300,347</td>
</tr>
<tr>
<td>Accumulated DD&amp;A</td>
<td></td>
<td>(11,136,475)</td>
<td>(3,970,016)</td>
<td>(1,826,379)</td>
<td>(1,071,364)</td>
<td>(1,588,885)</td>
<td>(856,380)</td>
<td>(20,448,088)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>$ 10,520,597</td>
<td>$ 4,091,191</td>
<td>$ 2,643,158</td>
<td>$ 2,260,829</td>
<td>$ 1,526,755</td>
<td>$ 1,120,142</td>
<td>$ 21,491,560</td>
</tr>
<tr>
<td>2007</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proved properties</td>
<td></td>
<td>$ 18,819,680</td>
<td>$ 7,009,747</td>
<td>$ 2,834,325</td>
<td>$ 2,148,882</td>
<td>$ 2,610,429</td>
<td>$ 1,222,215</td>
<td>$ 34,645,710</td>
</tr>
<tr>
<td>Unproved properties</td>
<td></td>
<td>315,000</td>
<td>312,803</td>
<td>174,764</td>
<td>202,243</td>
<td>34,651</td>
<td>400,165</td>
<td>1,439,726</td>
</tr>
<tr>
<td>Accumulated DD&amp;A</td>
<td></td>
<td>(7,391,442)</td>
<td>(1,906,208)</td>
<td>(1,482,923)</td>
<td>(952,907)</td>
<td>(759,604)</td>
<td>(263,992)</td>
<td>(12,756,077)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>$ 11,743,238</td>
<td>$ 5,416,442</td>
<td>$ 1,526,166</td>
<td>$ 1,398,218</td>
<td>$ 1,885,476</td>
<td>$ 1,358,386</td>
<td>$ 23,329,359</td>
</tr>
</tbody>
</table>
Costs Not Being Amortized

The following table sets forth a summary of oil and gas property costs not being amortized at December 31, 2008, by the year in which such costs were incurred. There are no individually significant properties or significant development projects included in costs not being amortized. The majority of the evaluation activities are expected to be completed within five to ten years.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Property acquisition costs</td>
<td>$862,314</td>
<td>$225,796</td>
<td>$223,915</td>
<td>$270,590</td>
<td>$142,013</td>
</tr>
<tr>
<td>Exploration and development</td>
<td>378,842</td>
<td>380,168</td>
<td>25,193</td>
<td>(39,420)</td>
<td>12,901</td>
</tr>
<tr>
<td>Capitalized interest</td>
<td>59,191</td>
<td>35,910</td>
<td>7,875</td>
<td>6,187</td>
<td>9,219</td>
</tr>
<tr>
<td>Total</td>
<td>$1,300,347</td>
<td>$641,874</td>
<td>$256,983</td>
<td>$237,357</td>
<td>$164,133</td>
</tr>
</tbody>
</table>

Oil and Gas Reserve Information

The estimate of reserves disclosed in this Annual Report on Form 10-K are prepared by the Company’s internal staff and the Company is responsible for the adequacy and accuracy of those estimates. However, we engage Ryder Scott Company, L.P. Petroleum Consultants (Ryder Scott) to review our processes and the reasonableness of our estimates of proved hydrocarbon liquid and gas reserves. We selected the properties for review by Ryder Scott. These properties represented all material fields, approximately 90 percent of international properties and over 80 percent of each country’s reserve value for new wells drilled during the year. During 2008, 2007 and 2006, Ryder Scott’s review covered 82, 77 and 75 percent of the Company’s worldwide estimated reserves value, respectively.

Ryder Scott opined that the overall proved reserves for the reviewed properties as estimated by the Company are, in the aggregate, reasonable, prepared in accordance with generally accepted petroleum engineering and evaluation principles and conform to the SEC’s definition of proved reserves as set forth in Rule 210.4-10(a) of Regulation S-X. Ryder Scott has informed the Company that the tests and procedures used during its reserves audit conform to the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information approve by the Society of Petroleum Engineers. Paragraph 2.2(f) of the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information defines a reserves audit as the process of reviewing certain of the pertinent facts interpreted and assumptions made that have resulted in an estimate of reserves prepared by others and the rendering of an opinion about (1) the appropriateness of the methodologies employed, (2) the adequacy and quality of the data relied upon, (3) the depth and thoroughness of the reserves estimation process, (4) the classification of reserves appropriate to the relevant definitions used and (5) the reasonableness of the estimated reserve quantities. A reserve audit is not the same as a financial audit and is less rigorous in nature than an independent reserve report where the independent reserve engineer determines the reserves on his own.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

There are numerous uncertainties inherent in estimating quantities of proved reserves and projecting future rates of production and timing of development expenditures. The following reserve data only represent estimates and should not be construed as being exact.

<table>
<thead>
<tr>
<th>Crude Oil, Condensate and Natural Gas Liquids</th>
<th>Natural Gas</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>Canada</td>
</tr>
<tr>
<td>United States</td>
<td>Canada</td>
</tr>
<tr>
<td>(Thousands of barrels)</td>
<td>(Millions of cubic feet)</td>
</tr>
</tbody>
</table>

Table of Contents

APACHE CORPORATION AND SUBSIDIARIES

As of December 31, 2008, 2007 and 2006, on a barrel of equivalent basis 28, 31 and 32 percent of our estimated worldwide reserves, respectively, were classified as proved undeveloped. Approximately 24 percent of our year-end 2008 estimated proved developed reserves are classified as proved not producing. These reserves relate to zones that are either behind pipe, or that have been completed but not yet produced, or zones that have been produced in the past, but are not now producing by mechanical reasons. These reserves are considered to be a lower tier of reserves than producing reserves because they are frequently based on volumetric calculations rather than performance data. Future production associated with behind pipe reserves is scheduled to follow depletion of the currently producing zones in the same wellbores. It should be noted that additional capital may have to be spent to access these reserves. The capital and economic impact of production timing are reflected in this Note 13, under “Future Net Cash Flows.”
Future Net Cash Flows

Future cash inflows are based on year-end oil and gas prices except in those instances where future natural gas or oil sales are covered by physical contract terms providing for higher or lower amounts. Operating costs, production and ad valorem taxes and future development costs are based on current costs with no escalation.

The following table sets forth unaudited information concerning future net cash flows for oil and gas reserves, net of income tax expense. Income tax expense has been computed using expected future tax rates and giving effect to tax deductions and credits available, under current laws, and which relate to oil and gas producing activities. This information does not purport to present the fair market value of the Company’s oil and gas assets, but does present a standardized disclosure concerning possible future net cash flows that would result under the assumptions used.

<table>
<thead>
<tr>
<th>Future Net Cash Flows</th>
<th>United States</th>
<th>Canada(1)</th>
<th>Egypt</th>
<th>Australia</th>
<th>North Sea</th>
<th>Argentina</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2008</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash inflows</td>
<td>$33,163,869</td>
<td>$19,176,850</td>
<td>$8,197,873</td>
<td>$8,081,114</td>
<td>$7,245,187</td>
<td>$2,189,600</td>
<td>$78,054,493</td>
</tr>
<tr>
<td>Production costs</td>
<td>(12,106,876)</td>
<td>(10,816,837)</td>
<td>(1,364,304)</td>
<td>(2,484,538)</td>
<td>(4,007,188)</td>
<td>(815,453)</td>
<td>(31,595,196)</td>
</tr>
<tr>
<td>Development costs</td>
<td>(3,315,013)</td>
<td>(2,038,896)</td>
<td>(1,452,228)</td>
<td>(1,704,401)</td>
<td>(1,100,321)</td>
<td>(180,926)</td>
<td>(9,791,785)</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>(4,559,309)</td>
<td>(3,685,399)</td>
<td>(1,857,758)</td>
<td>(893,348)</td>
<td>(1,043,415)</td>
<td>(270,928)</td>
<td>(12,310,157)</td>
</tr>
<tr>
<td>Net cash flows</td>
<td>13,182,671</td>
<td>2,635,718</td>
<td>3,525,583</td>
<td>2,996,827</td>
<td>1,094,263</td>
<td>922,293</td>
<td>24,357,355</td>
</tr>
<tr>
<td>10 percent discount rate</td>
<td>(6,660,164)</td>
<td>(1,567,388)</td>
<td>(1,168,561)</td>
<td>(1,515,430)</td>
<td>(230,793)</td>
<td>(267,187)</td>
<td>(11,409,523)</td>
</tr>
<tr>
<td>Discounted future net cash flows(2)</td>
<td>$6,522,507</td>
<td>$1,068,330</td>
<td>$2,355,022</td>
<td>$1,483,397</td>
<td>$863,470</td>
<td>$655,106</td>
<td>$12,947,832</td>
</tr>
<tr>
<td><strong>2007</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash inflows</td>
<td>$65,709,496</td>
<td>$30,593,185</td>
<td>$13,218,300</td>
<td>$11,109,570</td>
<td>$18,804,621</td>
<td>$2,196,765</td>
<td>$141,631,937</td>
</tr>
<tr>
<td>Production costs</td>
<td>(14,756,624)</td>
<td>(10,615,928)</td>
<td>(1,441,370)</td>
<td>(2,645,871)</td>
<td>(10,712,341)</td>
<td>(640,022)</td>
<td>(40,812,156)</td>
</tr>
<tr>
<td>Development costs</td>
<td>(3,570,210)</td>
<td>(2,484,076)</td>
<td>(1,332,022)</td>
<td>(1,861,987)</td>
<td>(872,754)</td>
<td>(144,569)</td>
<td>(10,265,618)</td>
</tr>
<tr>
<td>Net cash flows</td>
<td>32,270,642</td>
<td>12,443,856</td>
<td>6,455,946</td>
<td>4,781,706</td>
<td>3,632,791</td>
<td>1,047,335</td>
<td>60,632,276</td>
</tr>
<tr>
<td>10 percent discount rate</td>
<td>(16,958,060)</td>
<td>(6,987,602)</td>
<td>(2,087,773)</td>
<td>(2,218,830)</td>
<td>(1,338,178)</td>
<td>(294,095)</td>
<td>(29,884,538)</td>
</tr>
<tr>
<td>Discounted future net cash flows(2)</td>
<td>$15,312,582</td>
<td>$5,456,254</td>
<td>$4,368,173</td>
<td>$2,562,876</td>
<td>$2,294,613</td>
<td>$753,240</td>
<td>$30,747,738</td>
</tr>
<tr>
<td><strong>2006</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash inflows</td>
<td>$42,809,947</td>
<td>$22,835,940</td>
<td>$9,000,743</td>
<td>$5,747,306</td>
<td>$11,736,209</td>
<td>$1,775,939</td>
<td>$93,906,084</td>
</tr>
<tr>
<td>Production costs</td>
<td>(10,930,520)</td>
<td>(7,602,015)</td>
<td>(1,101,859)</td>
<td>(1,804,495)</td>
<td>(6,905,086)</td>
<td>(427,363)</td>
<td>(28,771,33)</td>
</tr>
<tr>
<td>Development costs</td>
<td>(3,207,033)</td>
<td>(1,888,896)</td>
<td>(1,554,931)</td>
<td>(985,414)</td>
<td>(672,059)</td>
<td>(190,508)</td>
<td>(8,498,841)</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>(8,862,385)</td>
<td>(5,049,325)</td>
<td>(2,466,836)</td>
<td>(883,814)</td>
<td>(1,624,701)</td>
<td>(298,424)</td>
<td>(19,185,485)</td>
</tr>
<tr>
<td>Net cash flows</td>
<td>19,810,009</td>
<td>8,295,704</td>
<td>3,877,117</td>
<td>2,073,583</td>
<td>2,534,363</td>
<td>899,644</td>
<td>37,450,420</td>
</tr>
<tr>
<td>10 percent discount rate</td>
<td>(9,910,108)</td>
<td>(4,714,251)</td>
<td>(1,404,781)</td>
<td>(850,124)</td>
<td>(923,187)</td>
<td>(278,584)</td>
<td>(18,081,031)</td>
</tr>
<tr>
<td>Discounted future net cash flows(2)</td>
<td>$9,899,901</td>
<td>$3,581,453</td>
<td>$2,472,336</td>
<td>$1,223,459</td>
<td>$1,611,180</td>
<td>$581,060</td>
<td>$19,369,389</td>
</tr>
</tbody>
</table>

1) Prior to 2007, Canadian provincial tax credits were included in the estimated future net cash flows. Effective January 1, 2007, the Alberta government eliminated the Royalty Tax Credit program.

2) Estimated future net cash flows before income tax expense, discounted at 10 percent per annum, totaled approximately $19.8 billion, $47.5 billion and $29.6 billion as of December 31, 2008, 2007 and 2006, respectively.
The following table sets forth the principal sources of change in the discounted future net cash flows:

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales, net of production costs</td>
<td>$ (9,725,306)</td>
<td>$ (7,967,797)</td>
<td>$(6,192,148)</td>
</tr>
<tr>
<td>Net change in prices and production costs</td>
<td>(25,450,706)</td>
<td>15,869,295</td>
<td>(5,765,792)</td>
</tr>
<tr>
<td>Discoveries and improved recovery, net of related costs</td>
<td>3,132,109</td>
<td>5,983,717</td>
<td>3,256,269</td>
</tr>
<tr>
<td>Change in future development costs</td>
<td>1,335,971</td>
<td>289,764</td>
<td>(665,840)</td>
</tr>
<tr>
<td>Revision of quantities</td>
<td>214,797</td>
<td>(546,938)</td>
<td>(439,936)</td>
</tr>
<tr>
<td>Purchases of minerals in-place</td>
<td>1,675,599</td>
<td>1,842,457</td>
<td>2,161,922</td>
</tr>
<tr>
<td>Accretion of discount</td>
<td>4,692,752</td>
<td>2,956,636</td>
<td>3,592,933</td>
</tr>
<tr>
<td>Change in income taxes</td>
<td>7,820,734</td>
<td>(5,848,139)</td>
<td>1,119,235</td>
</tr>
<tr>
<td>Sales of properties</td>
<td>(653,782)</td>
<td>(83,336)</td>
<td>(73,817)</td>
</tr>
<tr>
<td>Change in production rates and other</td>
<td>(842,074)</td>
<td>(1,117,310)</td>
<td>(2,151,786)</td>
</tr>
<tr>
<td></td>
<td>$ (17,799,906)</td>
<td>$11,378,349</td>
<td>$(5,158,960)</td>
</tr>
</tbody>
</table>

14. SUPPLEMENTAL QUARTERLY FINANCIAL DATA (Unaudited)

<table>
<thead>
<tr>
<th></th>
<th>First</th>
<th>Second</th>
<th>Third</th>
<th>Fourth</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(In thousands, except per share amounts)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenues</td>
<td>$3,187,741</td>
<td>$3,900,191</td>
<td>$3,364,884</td>
<td>$1,936,934</td>
<td>$12,389,750</td>
</tr>
<tr>
<td>Expenses, net</td>
<td>2,166,228</td>
<td>2,454,962</td>
<td>2,174,059</td>
<td>4,882,547</td>
<td>11,677,796</td>
</tr>
<tr>
<td>Net income</td>
<td>$1,021,513</td>
<td>$1,445,229</td>
<td>$1,190,825</td>
<td>(2,945,613)</td>
<td>711,954</td>
</tr>
<tr>
<td>Income attributable to common stock</td>
<td>$1,020,093</td>
<td>$1,443,809</td>
<td>$1,189,405</td>
<td>(2,947,033)</td>
<td>706,274</td>
</tr>
<tr>
<td>Net income per common share(1):</td>
<td>$3.06</td>
<td>$4.32</td>
<td>$3.55</td>
<td>(8.80)</td>
<td>2.11</td>
</tr>
<tr>
<td>Basic</td>
<td>$3.03</td>
<td>$4.28</td>
<td>$3.52</td>
<td>(8.80)</td>
<td>2.09</td>
</tr>
<tr>
<td>Diluted</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenues</td>
<td>$2,002,875</td>
<td>$2,472,544</td>
<td>$2,504,958</td>
<td>$3,019,375</td>
<td>$9,999,752</td>
</tr>
<tr>
<td>Expenses, net</td>
<td>1,509,926</td>
<td>1,839,006</td>
<td>1,891,610</td>
<td>1,946,852</td>
<td>7,187,394</td>
</tr>
<tr>
<td>Net income</td>
<td>$492,949</td>
<td>633,538</td>
<td>613,348</td>
<td>1,072,523</td>
<td>2,812,358</td>
</tr>
<tr>
<td>Income attributable to common stock</td>
<td>$491,529</td>
<td>$632,118</td>
<td>$611,928</td>
<td>$1,071,103</td>
<td>2,806,678</td>
</tr>
<tr>
<td>Net income per common share(1):</td>
<td>$1.48</td>
<td>$1.91</td>
<td>$1.84</td>
<td>$3.22</td>
<td>8.45</td>
</tr>
<tr>
<td>Basic</td>
<td>$1.47</td>
<td>$1.89</td>
<td>$1.83</td>
<td>$3.19</td>
<td>8.39</td>
</tr>
<tr>
<td>Diluted</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(1) The sum of the individual quarterly net income per common share amounts may not agree with year-to-date net income per common share as each quarterly computation is based on the weighted-average number of common shares outstanding during that period. All potentially dilutive securities were included in each quarterly computation of diluted net income per common share, as none were antidilutive.

15. SUPPLEMENTAL GUARANTOR INFORMATION

Prior to 2001, Apache Finance Australia was a finance subsidiary of Apache with no independent operations. In this capacity, it issued approximately $270 million of publicly traded notes that are fully and unconditionally
guaranteed by Apache and, beginning in 2001, Apache North America, Inc. In 2007, $170 million of these notes matured and were repaid. The guarantors of Apache Finance Australia have joint and several liabilities. Similarly, Apache Finance Canada was also a finance subsidiary of Apache and had issued approximately $300 million of publicly traded notes that were fully and unconditionally guaranteed by Apache. In 2008, Apache Finance Canada issued an additional $350 million in notes that were fully and unconditionally guaranteed by Apache.

Generally, the issuance of publicly traded securities would subject those subsidiaries to the reporting requirements of the Securities and Exchange Commission. Since these subsidiaries had no independent operations and qualified as “finance subsidiaries,” they were exempted from these requirements.

During 2001, Apache contributed stock of its Australian and Canadian operating subsidiaries to Apache Finance Australia and Apache Finance Canada, respectively. As a result of these contributions, they no longer qualify as finance subsidiaries. As allowed by the SEC rules, the following condensed consolidating financial statements are provided as an alternative to filing separate financial statements.

Each of the companies presented in the condensed consolidating financial statements is wholly owned and has been consolidated in Apache Corporation’s consolidated financial statements for all periods presented. As such, the 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
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
For the Year Ended December 31, 2008

<table>
<thead>
<tr>
<th></th>
<th>Apache Corporation</th>
<th>Apache North America</th>
<th>Apache Finance Australia</th>
<th>Apache Finance Canada</th>
<th>All Other Subsidiaries of Apache Corporation</th>
<th>Reclassifications &amp; Eliminations</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES AND OTHER:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oil and gas production revenues</td>
<td>$4,552,515</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>$7,821,713</td>
<td>(46,389)</td>
<td>$12,327,839</td>
</tr>
<tr>
<td>Equity in net income (loss) of affiliates</td>
<td>525,829</td>
<td>71,228</td>
<td>67,820</td>
<td>(156,540)</td>
<td>88,407</td>
<td>(596,744)</td>
<td>—</td>
</tr>
<tr>
<td>Other</td>
<td>25,876</td>
<td>(30,643)</td>
<td>30,542</td>
<td>58,832</td>
<td>(19,006)</td>
<td>(3,690)</td>
<td>61,911</td>
</tr>
<tr>
<td></td>
<td>5,104,220</td>
<td>40,585</td>
<td>98,362</td>
<td>(97,708)</td>
<td>7,891,114</td>
<td>(646,823)</td>
<td>12,389,750</td>
</tr>
<tr>
<td><strong>OPERATING EXPENSES:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation, depletion and amortization</td>
<td>3,276,414</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>4,573,844</td>
<td>—</td>
<td>7,850,258</td>
</tr>
<tr>
<td>Asset retirement obligation accretion</td>
<td>66,189</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>35,159</td>
<td>—</td>
<td>101,348</td>
</tr>
<tr>
<td>Lease operating expenses</td>
<td>821,150</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>1,088,475</td>
<td>(46,389)</td>
<td>156,491</td>
</tr>
<tr>
<td>Gathering and transportation</td>
<td>38,606</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>164,274</td>
<td>(46,389)</td>
<td>156,491</td>
</tr>
<tr>
<td>Taxes other than income</td>
<td>169,061</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>815,746</td>
<td>—</td>
<td>984,807</td>
</tr>
<tr>
<td>General and administrative</td>
<td>223,468</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>69,016</td>
<td>(3,690)</td>
<td>288,794</td>
</tr>
<tr>
<td>Financing costs, net</td>
<td>150,202</td>
<td>(11,050)</td>
<td>18,046</td>
<td>(5,585)</td>
<td>14,422</td>
<td>—</td>
<td>166,035</td>
</tr>
<tr>
<td></td>
<td>4,745,090</td>
<td>(11,050)</td>
<td>18,046</td>
<td>(5,585)</td>
<td>6,760,936</td>
<td>(50,079)</td>
<td>11,457,358</td>
</tr>
<tr>
<td><strong>INCOME (LOSS) BEFORE INCOME TAXES</strong></td>
<td>359,130</td>
<td>51,635</td>
<td>80,316</td>
<td>(92,123)</td>
<td>1,130,178</td>
<td>(596,744)</td>
<td>932,392</td>
</tr>
<tr>
<td>Provision (benefit) for income taxes</td>
<td>(352,823)</td>
<td>(11,939)</td>
<td>9,088</td>
<td>(28,236)</td>
<td>604,348</td>
<td>—</td>
<td>220,438</td>
</tr>
<tr>
<td><strong>NET INCOME</strong></td>
<td>711,953</td>
<td>63,574</td>
<td>71,228</td>
<td>(63,887)</td>
<td>525,830</td>
<td>(596,744)</td>
<td>711,954</td>
</tr>
<tr>
<td>Preferred stock dividends</td>
<td>5,680</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>5,680</td>
</tr>
<tr>
<td><strong>INCOME ATTRIBUTABLE TO COMMON STOCK</strong></td>
<td>$ 706,273</td>
<td>$ 63,574</td>
<td>$ 71,228</td>
<td>(63,887)</td>
<td>$ 525,830</td>
<td>(596,744)</td>
<td>$ 706,274</td>
</tr>
</tbody>
</table>

F-52
### Condensed Consolidating Statement of Operations

**For the Year Ended December 31, 2007**

<table>
<thead>
<tr>
<th>REVENUES AND OTHER:</th>
<th>Apache Corporation</th>
<th>Apache North America</th>
<th>Apache Finance Australia</th>
<th>Apache Finance Canada</th>
<th>All Other Subsidiaries of Apache Corporation</th>
<th>Reclassifications &amp; Eliminations</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil and gas production revenues</td>
<td>$4,243,362</td>
<td>—</td>
<td>—</td>
<td>$5,827,276</td>
<td>$108,656</td>
<td>$9,961,982</td>
<td></td>
</tr>
<tr>
<td>Equity in net income (loss) of affiliates</td>
<td>1,704,390</td>
<td>49,183</td>
<td>60,985</td>
<td>141,181</td>
<td>—</td>
<td>(1,955,739)</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>13,000</td>
<td>—</td>
<td>(259)</td>
<td>(59,160)</td>
<td>87,879</td>
<td>(3,690)</td>
<td>37,770</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>5,960,752</strong></td>
<td><strong>49,183</strong></td>
<td><strong>60,726</strong></td>
<td><strong>82,021</strong></td>
<td><strong>5,915,155</strong></td>
<td><strong>(2,068,085)</strong></td>
<td><strong>9,999,752</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OPERATING EXPENSES:</th>
<th>Apache Corporation</th>
<th>Apache North America</th>
<th>Apache Finance Australia</th>
<th>Apache Finance Canada</th>
<th>All Other Subsidiaries of Apache Corporation</th>
<th>Reclassifications &amp; Eliminations</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation, depletion and amortization</td>
<td>1,070,058</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>1,277,733</td>
<td>—</td>
<td>2,347,791</td>
</tr>
<tr>
<td>Asset retirement obligation accretion</td>
<td>70,005</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>26,433</td>
<td>—</td>
<td>96,438</td>
</tr>
<tr>
<td>Lease operating expenses</td>
<td>801,937</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>850,918</td>
<td>—</td>
<td>1,652,855</td>
</tr>
<tr>
<td>Gathering and transportation</td>
<td>38,084</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>207,979</td>
<td>(108,656)</td>
<td>137,407</td>
</tr>
<tr>
<td>Taxes other than income</td>
<td>160,971</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>436,676</td>
<td>—</td>
<td>597,647</td>
</tr>
<tr>
<td>General and administrative</td>
<td>223,229</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>55,526</td>
<td>(3,690)</td>
<td>275,065</td>
</tr>
<tr>
<td>Financing costs, net</td>
<td>237,892</td>
<td>—</td>
<td>18,076</td>
<td>(2,711)</td>
<td>(33,320)</td>
<td>—</td>
<td>219,937</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,602,176</strong></td>
<td><strong>18,076</strong></td>
<td><strong>(2,711)</strong></td>
<td><strong>(112,346)</strong></td>
<td><strong>(5,327,140)</strong></td>
<td><strong>5,327,140</strong></td>
<td><strong>(5,327,140)</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>INCOME (LOSS) BEFORE INCOME TAXES</th>
<th>Apache Corporation</th>
<th>Apache North America</th>
<th>Apache Finance Australia</th>
<th>Apache Finance Canada</th>
<th>All Other Subsidiaries of Apache Corporation</th>
<th>Reclassifications &amp; Eliminations</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provision (benefit) for income taxes</td>
<td>3,358,576</td>
<td>49,183</td>
<td>42,650</td>
<td>84,732</td>
<td>3,093,210</td>
<td>(1,955,739)</td>
<td>4,672,612</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,546,218</strong></td>
<td><strong>49,183</strong></td>
<td><strong>42,650</strong></td>
<td><strong>84,732</strong></td>
<td><strong>3,093,210</strong></td>
<td><strong>(1,955,739)</strong></td>
<td><strong>4,672,612</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NET INCOME</th>
<th>Apache Corporation</th>
<th>Apache North America</th>
<th>Apache Finance Australia</th>
<th>Apache Finance Canada</th>
<th>All Other Subsidiaries of Apache Corporation</th>
<th>Reclassifications &amp; Eliminations</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preferred stock dividends</td>
<td>5,680</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>5,680</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,806,678</strong></td>
<td><strong>49,183</strong></td>
<td><strong>49,183</strong></td>
<td><strong>101,243</strong></td>
<td><strong>1,756,130</strong></td>
<td><strong>(1,955,739)</strong></td>
<td><strong>2,806,678</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>INCOME ATTRIBUTABLE TO COMMON STOCK</th>
<th>Apache Corporation</th>
<th>Apache North America</th>
<th>Apache Finance Australia</th>
<th>Apache Finance Canada</th>
<th>All Other Subsidiaries of Apache Corporation</th>
<th>Reclassifications &amp; Eliminations</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preferred stock dividends</td>
<td>5,680</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>5,680</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,806,678</strong></td>
<td><strong>49,183</strong></td>
<td><strong>49,183</strong></td>
<td><strong>101,243</strong></td>
<td><strong>1,756,130</strong></td>
<td><strong>(1,955,739)</strong></td>
<td><strong>2,806,678</strong></td>
</tr>
</tbody>
</table>
## Condensed Consolidating Statement of Operations

For the Year Ended December 31, 2006

<table>
<thead>
<tr>
<th></th>
<th>Apache Corporation</th>
<th>Apache North America</th>
<th>Apache Finance Australia</th>
<th>Apache Finance Canada</th>
<th>All Other Subsidiaries of Apache Corporation</th>
<th>Reclassifications &amp; Eliminations</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES AND OTHER:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oil and gas production revenues</td>
<td>$2,920,731</td>
<td>$—</td>
<td>$—</td>
<td>$—</td>
<td>$5,382,157</td>
<td>$228,635 (2,103,024)</td>
<td>$8,074,253</td>
</tr>
<tr>
<td>Equity in net income (loss) of affiliates</td>
<td>1,795,327</td>
<td>33,997</td>
<td>41,733</td>
<td>277,944</td>
<td>(45,977) (2,103,024)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gain on China divestiture</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>173,545</td>
<td>—</td>
<td>173,545</td>
</tr>
<tr>
<td>Other</td>
<td>94,369</td>
<td>—</td>
<td>(63)</td>
<td>—</td>
<td>(32,973)</td>
<td>—</td>
<td>61,333</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>4,810,427</td>
<td>33,997</td>
<td>41,670</td>
<td>277,944</td>
<td>5,476,752 (2,331,659)</td>
<td>(2,331,659)</td>
<td>8,309,131</td>
</tr>
<tr>
<td><strong>OPERATING EXPENSES:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation, depletion and amortization</td>
<td>752,930</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>1,063,429</td>
<td>—</td>
<td>1,816,359</td>
</tr>
<tr>
<td>Asset retirement obligation accretion</td>
<td>65,357</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>23,574</td>
<td>—</td>
<td>88,931</td>
</tr>
<tr>
<td>Lease operating expenses</td>
<td>587,089</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>964,108 (228,635)</td>
<td>1,322,562</td>
<td></td>
</tr>
<tr>
<td>Gathering and transportation</td>
<td>31,618</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>88,919</td>
<td>—</td>
<td>120,537</td>
</tr>
<tr>
<td>Taxes other than income</td>
<td>135,257</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>462,669</td>
<td>—</td>
<td>597,927</td>
</tr>
<tr>
<td>General and administrative</td>
<td>161,625</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>49,709</td>
<td>—</td>
<td>211,334</td>
</tr>
<tr>
<td>Financing costs, net</td>
<td>118,429</td>
<td>—</td>
<td>18,003</td>
<td>56,444</td>
<td>(50,990)</td>
<td>—</td>
<td>141,886</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,852,306</td>
<td>—</td>
<td>18,003</td>
<td>56,444</td>
<td>2,601,418 (228,635)</td>
<td>4,299,536</td>
<td></td>
</tr>
<tr>
<td><strong>INCOME (LOSS) BEFORE INCOME TAXES</strong></td>
<td>2,958,121</td>
<td>33,997</td>
<td>23,667</td>
<td>221,500</td>
<td>2,875,334 (2,103,024)</td>
<td>4,009,595</td>
<td></td>
</tr>
<tr>
<td>Provision (benefit) for income taxes</td>
<td>405,670</td>
<td>—</td>
<td>(10,330)</td>
<td>(18,203)</td>
<td>1,080,007</td>
<td>—</td>
<td>1,457,144</td>
</tr>
<tr>
<td><strong>NET INCOME</strong></td>
<td>2,552,451</td>
<td>33,997</td>
<td>33,997</td>
<td>239,703</td>
<td>1,795,327 (2,103,024)</td>
<td>2,552,451</td>
<td></td>
</tr>
<tr>
<td>Preferred stock dividends</td>
<td>5,680</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>5,680</td>
</tr>
<tr>
<td><strong>INCOME ATTRIBUTABLE TO COMMON STOCK</strong></td>
<td>$2,546,771</td>
<td>$33,997</td>
<td>$33,997</td>
<td>$239,703</td>
<td>$1,795,327 (2,103,024)</td>
<td>$2,546,771</td>
<td></td>
</tr>
</tbody>
</table>

F-54
# CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2008

<table>
<thead>
<tr>
<th>Cash Provided by (Used in) Operating Activities</th>
<th>Apache Corporation</th>
<th>Apache North America</th>
<th>Apache Finance Australia</th>
<th>Apache Finance Canada</th>
<th>All Other Subsidiaries of Apache Corporation</th>
<th>Reclassifications &amp; Eliminations</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1,590,113</td>
<td>$1,038</td>
<td>$12,239</td>
<td>$3,255</td>
<td>5,485,253</td>
<td>7,065,344</td>
<td>7,065,344</td>
<td></td>
</tr>
</tbody>
</table>

| Cash Flows from Investing Activities:            |                    |                      |                        |                       |                                             |                                |
| Additions to oil and gas property                | (1,532,815)        | —                    | —                      | —                     | (3,760,947)                                | 5,293,762                      |
| Acquisition of Anadarko properties               | 13,880             | —                    | —                      | —                     | (13,880)                                   | —                              |
| Additions to gathering, transmission and processing facilities | (321)              | —                    | —                      | —                     | (678,763)                                  | 679,841                        |
| Proceeds from sales of oil and gas properties    | (206,047)          | —                    | —                      | —                     | 101,927                                    | 307,974                        |
| Investment in and advances to subsidiaries, net | 198,164            | —                    | —                      | —                     | 211,141                                    | —                              |
| Other, net                                       | 384,782            | —                    | —                      | —                     | (449,008)                                  | 64,226                         |
| Total                                            | (1,154,351)        | (12,977)             | —                      | —                     | (4,786,791)                                | 211,141                        |

| Net Cash Provided by Financings Activities       |                    |                      |                        |                       |                                             |                                |
| Commercial paper and bank loan borrowings, net   | (138,231)          | (6,872)              | (737)                  | (2,202)               | 153,117                                    | (104,878)                      |
| Fixed-rate debt borrowings, net                  | 796,315            | —                    | —                      | —                     | —                                          | 796,315                        |
| Payments on fixed-rate debt                      | —                  | —                    | —                      | —                     | (353)                                      | (353)                          |
| Dividends paid                                   | (239,358)          | —                    | —                      | —                     | —                                          | (239,358)                      |
| Common stock activity                            | 31,513             | 19,977               | 12,977                 | (1,090)               | 74,399                                     | 106,263                        |
| Treasury stock activity, net                     | 4,498              | —                    | —                      | —                     | —                                          | 4,498                          |
| Purchase of short-term investing                 | (791,999)          | —                    | —                      | —                     | —                                          | (791,999)                      |
| Cost of debt and equity transactions             | (7,050)            | —                    | —                      | —                     | —                                          | (7,050)                        |
| Other                                            | 46,951             | —                    | —                      | —                     | (7,453)                                    | 39,498                         |
| Total                                            | (297,361)          | 13,105               | 12,240                 | (3,292)               | 219,710                                    | 211,141                        |

| Net Increase (Decrease) in Cash and Cash Equivalents | 138,401           | (910)                | 1                      | (37)                  | 918,172                                    | 1,005,627                      |

| Cash and Cash Equivalents at End of Year          | $142,027           | (426)                | 2                      | 1,714                  | 1,038,133                                  | 1,181,450                      |
### CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2007

<table>
<thead>
<tr>
<th>Activity</th>
<th>Apache Corporation</th>
<th>Apache North America</th>
<th>Apache Finance Australia</th>
<th>Apache Finance Canada</th>
<th>All Other Subsidiaries of Apache Corporation</th>
<th>Reclassifications &amp; Eliminations</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</strong></td>
<td>$ 3,536,130</td>
<td>$ —</td>
<td>$ (18,622)</td>
<td>$ (990,754)</td>
<td>$ 3,150,679</td>
<td>$ —</td>
<td>$ 5,677,433</td>
</tr>
<tr>
<td><strong>CASH FLOWS FROM INVESTING ACTIVITIES:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additions to oil and gas property</td>
<td>(1,748,063)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(2,574,406)</td>
<td>—</td>
<td>(4,322,469)</td>
</tr>
<tr>
<td>Acquisition of Anadarko properties</td>
<td>(1,004,581)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(12)</td>
<td>—</td>
<td>(1,004,593)</td>
</tr>
<tr>
<td>Additions to gathering, transmission and processing facilities</td>
<td>(1,062)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(478,812)</td>
<td>—</td>
<td>(479,874)</td>
</tr>
<tr>
<td>Restricted cash</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from sales of oil and gas properties</td>
<td>4,623</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>62,860</td>
<td>—</td>
<td>67,483</td>
</tr>
<tr>
<td>Investments in and advances to subsidiaries, net</td>
<td>(1,123,148)</td>
<td>(24,977)</td>
<td>—</td>
<td>—</td>
<td>(1,181,454)</td>
<td>2,329,579</td>
<td>—</td>
</tr>
<tr>
<td>Other, net</td>
<td>(71,752)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(134,724)</td>
<td>—</td>
<td>(206,476)</td>
</tr>
<tr>
<td><strong>NET CASH USED IN INVESTING ACTIVITIES</strong></td>
<td>(3,943,983)</td>
<td>(24,977)</td>
<td>—</td>
<td>—</td>
<td>(4,306,548)</td>
<td>2,329,579</td>
<td>5,945,929</td>
</tr>
<tr>
<td><strong>CASH FLOWS FROM FINANCING ACTIVITIES:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commercial paper and bank loan borrowings, net</td>
<td>(1,431,714)</td>
<td>—</td>
<td>163,645</td>
<td>(377)</td>
<td>93,696</td>
<td>(237,500)</td>
<td>(1,412,250)</td>
</tr>
<tr>
<td>Fixed-rate debt borrowings, net</td>
<td>1,992,290</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>1,992,290</td>
</tr>
<tr>
<td>Payments on fixed-rate debt</td>
<td>—</td>
<td>—</td>
<td>(170,000)</td>
<td>—</td>
<td>(3,000)</td>
<td>—</td>
<td>(173,000)</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>(204,753)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(204,753)</td>
<td>—</td>
</tr>
<tr>
<td>Common stock activity</td>
<td>29,682</td>
<td>24,977</td>
<td>24,977</td>
<td>992,881</td>
<td>1,049,244</td>
<td>(2,092,079)</td>
<td>29,682</td>
</tr>
<tr>
<td>Treasury stock activity, net</td>
<td>14,279</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>14,279</td>
</tr>
<tr>
<td>Cost of debt and equity transactions</td>
<td>(18,179)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(18,179)</td>
<td>—</td>
</tr>
<tr>
<td>Other</td>
<td>25,726</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>25,726</td>
</tr>
<tr>
<td><strong>NET CASH PROVIDED BY FINANCING ACTIVITIES</strong></td>
<td>407,331</td>
<td>24,977</td>
<td>18,622</td>
<td>992,504</td>
<td>1,139,940</td>
<td>(2,329,579)</td>
<td>253,795</td>
</tr>
<tr>
<td><strong>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</strong></td>
<td>(522)</td>
<td>—</td>
<td>—</td>
<td>1,750</td>
<td>(15,929)</td>
<td>—</td>
<td>(14,701)</td>
</tr>
<tr>
<td><strong>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</strong></td>
<td>4,148</td>
<td>—</td>
<td>1</td>
<td>1</td>
<td>136,374</td>
<td>—</td>
<td>140,524</td>
</tr>
<tr>
<td><strong>CASH AND CASH EQUIVALENTS AT END OF YEAR</strong></td>
<td>$ 3,626</td>
<td>$ —</td>
<td>$ 1</td>
<td>$ 1,751</td>
<td>$ 120,445</td>
<td>$ —</td>
<td>$ 125,823</td>
</tr>
</tbody>
</table>
## APACHE CORPORATION AND SUBSIDIARIES
### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
### CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2006

<table>
<thead>
<tr>
<th>CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</th>
<th>Apache Corporation</th>
<th>Apache North America</th>
<th>Apache Finance Australia</th>
<th>Apache Finance Canada</th>
<th>All Other Subsidiaries of Apache Corporation</th>
<th>Reclassifications &amp; Eliminations</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(In thousands)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CASH FLOWS FROM INVESTING ACTIVITIES:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additions to oil and gas property</td>
<td>1,834,732</td>
<td>—</td>
<td>—</td>
<td>2,056,907</td>
<td>—</td>
<td>(3,891,639)</td>
<td></td>
</tr>
<tr>
<td>Acquisition of BP p.l.c. properties</td>
<td>(833,820)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(833,820)</td>
<td></td>
</tr>
<tr>
<td>Acquisition of Pioneer’s Argentine operations</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>704,809</td>
<td>—</td>
<td>(704,809)</td>
<td></td>
</tr>
<tr>
<td>Acquisition of Amerada Hess properties</td>
<td>229,134</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(229,134)</td>
<td></td>
</tr>
<tr>
<td>Acquisitions of Pan American Fueguina S.R.L. properties</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>396,056</td>
<td>—</td>
<td>(396,056)</td>
<td></td>
</tr>
<tr>
<td>Additions to gathering, transmission and processing facilities</td>
<td>53,656</td>
<td>—</td>
<td>—</td>
<td>194,933</td>
<td>—</td>
<td>(248,589)</td>
<td></td>
</tr>
<tr>
<td>Proceeds from China divestiture</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>264,081</td>
<td>—</td>
<td>264,081</td>
<td></td>
</tr>
<tr>
<td>Proceeds from sales of Egyptian properties</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>409,203</td>
<td>—</td>
<td>409,203</td>
<td></td>
</tr>
<tr>
<td>Proceeds from sales of oil and gas properties</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>4,740</td>
<td>—</td>
<td>4,740</td>
<td></td>
</tr>
<tr>
<td>Investment in and advances to subsidiaries, net</td>
<td>6,270</td>
<td>(18,050)</td>
<td>—</td>
<td>41,333</td>
<td>53,113</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>Other, net</td>
<td>120,997</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(53,113)</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>NET CASH USED IN INVESTING ACTIVITIES</td>
<td>(2,824,075)</td>
<td>(18,050)</td>
<td>—</td>
<td>2,986,570</td>
<td>53,113</td>
<td>(149,559)</td>
<td></td>
</tr>
<tr>
<td>CASH FLOWS FROM FINANCING ACTIVITIES:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt borrowings</td>
<td>1,714,813</td>
<td>—</td>
<td>2,654</td>
<td>1,651</td>
<td>21,685</td>
<td>39,160</td>
<td>1,779,963</td>
</tr>
<tr>
<td>Payments on debt</td>
<td>(143,900)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(6,366)</td>
<td>—</td>
<td>(150,226)</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>(154,143)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(154,143)</td>
</tr>
<tr>
<td>Common stock activity</td>
<td>31,963</td>
<td>18,050</td>
<td>18,050</td>
<td>19,721</td>
<td>36,452</td>
<td>(92,273)</td>
<td>31,963</td>
</tr>
<tr>
<td>Treasury stock activity, net</td>
<td>(166,907)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(166,907)</td>
</tr>
<tr>
<td>Cost of debt and equity transactions</td>
<td>(2,061)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(2,061)</td>
</tr>
<tr>
<td>Other</td>
<td>35,791</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>35,791</td>
</tr>
<tr>
<td>NET CASH PROVIDED BY FINANCING ACTIVITIES</td>
<td>1,315,556</td>
<td>(18,050)</td>
<td>—</td>
<td>2,986,570</td>
<td>53,113</td>
<td>(137,582)</td>
<td></td>
</tr>
<tr>
<td>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</td>
<td>363</td>
<td>—</td>
<td>(2)</td>
<td>—</td>
<td>(88,697)</td>
<td>—</td>
<td>(88,336)</td>
</tr>
<tr>
<td>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</td>
<td>3,785</td>
<td>—</td>
<td>2</td>
<td>—</td>
<td>225,072</td>
<td>—</td>
<td>228,860</td>
</tr>
<tr>
<td>CASH AND CASH EQUIVALENTS AT END OF YEAR</td>
<td>$ 4,148</td>
<td>—</td>
<td>$ 1</td>
<td>$ 136,375</td>
<td>$ 140,524</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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### CONDENSED CONSOLIDATING BALANCE SHEET

For the Year Ended December 31, 2008

<table>
<thead>
<tr>
<th>Asset Category</th>
<th>Apache Corporation</th>
<th>Apache North America</th>
<th>Apache Finance Australia</th>
<th>Apache Finance Canada (In billions)</th>
<th>All Other Subsidiaries of Apache Corporation &amp; Eliminations</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CURRENT ASSETS:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 142,026</td>
<td>$ —</td>
<td>$ 2</td>
<td>$ 1,714</td>
<td>$ 1,037,708</td>
<td>$ 1,181,450</td>
</tr>
<tr>
<td>Marketable securities</td>
<td>$ 514,174</td>
<td>$ —</td>
<td>$ —</td>
<td>$ 1,095</td>
<td>$ 841,710</td>
<td>$ 1,356,979</td>
</tr>
<tr>
<td>Inventories</td>
<td>$ 456,956</td>
<td>$ —</td>
<td>—</td>
<td>$ 1,786</td>
<td>$ 163,237</td>
<td>$ 621,979</td>
</tr>
<tr>
<td>Drilling advances and other</td>
<td>$ 791,899</td>
<td>$ —</td>
<td>—</td>
<td>$ 100</td>
<td>$ 791,999</td>
<td>$ 1,181,450</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>$ 1,964,161</td>
<td>$ —</td>
<td>$ 4,595</td>
<td>$ 4,257</td>
<td>$ 2,482,216</td>
<td>$ 4,450,974</td>
</tr>
<tr>
<td><strong>PROPERTY AND EQUIPMENT, NET</strong></td>
<td>$ 9,970,619</td>
<td>$ —</td>
<td>—</td>
<td>$ —</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td><strong>OTHER ASSETS:</strong></td>
<td>$ 1,185,771</td>
<td>$ —</td>
<td>—</td>
<td>$ —</td>
<td>$ (1,185,771)</td>
<td></td>
</tr>
<tr>
<td><strong>LIABILITIES AND SHAREHOLDERS’ EQUITY</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CURRENT LIABILITIES:</strong></td>
<td>$ 2,059,459</td>
<td>$ —</td>
<td>$ 165,432</td>
<td>$ 290,587</td>
<td>$ 294,855</td>
<td>$ 2,615,228</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$ 2,960,245</td>
<td>$ (10,097)</td>
<td>$ 265,409</td>
<td>$ 290,587</td>
<td>$ 294,855</td>
<td>$ 2,615,228</td>
</tr>
<tr>
<td>Other accrued expenses</td>
<td>$ 4,061,085</td>
<td>$ (10,097)</td>
<td>$ 1,003,353</td>
<td>$ 357,874</td>
<td>$ 1,000,000</td>
<td>$ 5,378,362</td>
</tr>
<tr>
<td><strong>LONG-TERM DEBT</strong></td>
<td>$ 1,599,539</td>
<td>$ (31,292)</td>
<td>$ 3,548</td>
<td>$ 1,594,862</td>
<td>$ 3,166,657</td>
<td></td>
</tr>
<tr>
<td>Advances from gas purchases</td>
<td>$ 844,126</td>
<td>$ —</td>
<td>—</td>
<td>$ 711,403</td>
<td>$ 1,555,529</td>
<td></td>
</tr>
<tr>
<td>Asset retirement obligation</td>
<td>$ 292,825</td>
<td>$ —</td>
<td>—</td>
<td>—</td>
<td>$ 7,713</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>$ 2,736,490</td>
<td>$ 30,643</td>
<td>$ (61,935)</td>
<td>$ 3,544,815</td>
<td>$ 5,253,561</td>
<td></td>
</tr>
<tr>
<td><strong>COMMITMENTS AND CONTINGENCIES SHAREHOLDERS’ EQUITY</strong></td>
<td>$ 16,508,721</td>
<td>$ 490,074</td>
<td>$ 510,620</td>
<td>$ 1,623,415</td>
<td>$ 12,919,395</td>
<td>$ 15,543,504</td>
</tr>
<tr>
<td><strong>CONSOLIDATED</strong></td>
<td>$ 26,266,461</td>
<td>$ 510,620</td>
<td>$ 714,094</td>
<td>$ 2,564,621</td>
<td>$ 16,859,964</td>
<td>$ 29,186,485</td>
</tr>
</tbody>
</table>

F-58
### CONDENSED CONSOLIDATING BALANCE SHEET

For the Year Ended December 31, 2007

<table>
<thead>
<tr>
<th></th>
<th>Apache Corporation</th>
<th>Apache North America</th>
<th>Apache Finance Australia</th>
<th>Apache Finance Canada</th>
<th>All Other Subsidiaries of Apache Corporation</th>
<th>Reclassifications &amp; Eliminations</th>
<th>Consolidated</th>
<th>(In thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CURRENT ASSETS:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>3,626</td>
<td>—</td>
<td>1</td>
<td>1,751</td>
<td>120,445</td>
<td>—</td>
<td>125,823</td>
<td></td>
</tr>
<tr>
<td>Receivables, net of allowance</td>
<td>853,022</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>1,053,855</td>
<td>—</td>
<td>1,936,977</td>
<td></td>
</tr>
<tr>
<td>Inventories</td>
<td>25,445</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>435,766</td>
<td>—</td>
<td>461,211</td>
<td></td>
</tr>
<tr>
<td>Drilling advances and other</td>
<td>140,335</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>87,905</td>
<td>—</td>
<td>228,240</td>
<td></td>
</tr>
<tr>
<td>Short-term investments</td>
<td>1,052,428</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>1,751</td>
<td>—</td>
<td>2,752,251</td>
<td></td>
</tr>
<tr>
<td><strong>PROPERTY AND EQUIPMENT, NET</strong></td>
<td>11,858,362</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>13,373,231</td>
<td>—</td>
<td>25,231,593</td>
<td></td>
</tr>
<tr>
<td><strong>OTHER ASSETS:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intercompany receivable, net</td>
<td>1,080,893</td>
<td>—</td>
<td>(170,000)</td>
<td>(253,268)</td>
<td>(657,625)</td>
<td>—</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>Goodwill, net</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>189,252</td>
<td>—</td>
<td>189,252</td>
<td></td>
</tr>
<tr>
<td>Equity in affiliates</td>
<td>8,924,250</td>
<td>451,161</td>
<td>670,908</td>
<td>2,137,603</td>
<td>(168,977)</td>
<td>(12,014,945)</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>Deferred charges and other</td>
<td>211,399</td>
<td>—</td>
<td>(12,994)</td>
<td>39,438</td>
<td>634,891</td>
<td>1,003,668</td>
<td>1,832,005</td>
<td></td>
</tr>
<tr>
<td><strong>LIABILITIES AND SHAREHOLDERS’ EQUITY:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CURRENT LIABILITIES:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-term debt</td>
<td>139,100</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>203,204</td>
<td>—</td>
<td>342,304</td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>414,733</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>1,000,668</td>
<td>246,488</td>
<td>1,247,151</td>
<td></td>
</tr>
<tr>
<td>Other accrued expenses</td>
<td>1,170,670</td>
<td>—</td>
<td>(12,994)</td>
<td>39,438</td>
<td>634,891</td>
<td>1,003,668</td>
<td>2,832,105</td>
<td></td>
</tr>
<tr>
<td><strong>LIABILITY AND SHAREHOLDERS’ EQUITY</strong></td>
<td>1,724,503</td>
<td>—</td>
<td>(12,994)</td>
<td>39,438</td>
<td>914,069</td>
<td>2,665,016</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>LONG-TERM DEBT</strong></td>
<td>3,263,820</td>
<td>—</td>
<td>99,890</td>
<td>646,996</td>
<td>899</td>
<td>—</td>
<td>4,011,605</td>
<td></td>
</tr>
<tr>
<td><strong>DEFERRED CREDITS AND OTHER NONCURRENT LIABILITIES:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income taxes</td>
<td>1,582,346</td>
<td>—</td>
<td>(37,148)</td>
<td>5,630</td>
<td>2,374,155</td>
<td>3,924,903</td>
<td>3,924,903</td>
<td></td>
</tr>
<tr>
<td>Advances from gas purchases</td>
<td>12,004</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>12,004</td>
<td>—</td>
<td>12,004</td>
<td></td>
</tr>
<tr>
<td>Asset retirement obligation</td>
<td>962,287</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>594,622</td>
<td>—</td>
<td>1,556,909</td>
<td></td>
</tr>
<tr>
<td>Derivative instruments</td>
<td>346,408</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>35,383</td>
<td>—</td>
<td>381,791</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>1,446,414</td>
<td>—</td>
<td>9,317</td>
<td>248,633</td>
<td>3,252,793</td>
<td>1,000,000</td>
<td>704,364</td>
<td></td>
</tr>
<tr>
<td><strong>COMMITMENTS AND CONTINGENCIES SHAREHOLDERS’ EQUITY:</strong></td>
<td>4,349,459</td>
<td>—</td>
<td>(37,148)</td>
<td>14,947</td>
<td>3,252,793</td>
<td>(1,000,000)</td>
<td>658,051</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>23,127,332</td>
<td>451,161</td>
<td>500,909</td>
<td>2,889,754</td>
<td>14,680,440</td>
<td>(13,014,945)</td>
<td>28,634,651</td>
<td></td>
</tr>
</tbody>
</table>

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Table of Contents

Board of Directors

Frederick M. Bohen (3)(5)  
Former Executive Vice President and  
Chief Operating Officer,  
The Rockefeller University

G. Steven Farris (1)  
Chairman and Chief Executive Officer,  
Apache Corporation

Randolph M. Ferlic, M.D. (1)(2)  
Founder and Former President,  
Surgical Services of the Great Plains, P.C.

Eugene C. Fiedorek (2)  
Private Investor, Former Managing Director,  
EnCap Investments L.C.

A.D. Frazier, Jr. (3)(5)  
Chairman and Chief Executive Officer,  
Danka Business Systems PLC

Patricia Albjerg Graham (4)  
Charles Warren Professor of the  
History of Education Emerita,  
Harvard University

John A. Kocur (1)(3)(4)  
Attorney at Law; Former Vice Chairman of the Board, Apache Corporation

George D. Lawrence (1)(3)  
Private Investor; Former Chief Executive Officer,  
The Phoenix Resource Companies, Inc.

F. H. Merelli (1)(2)  
Chairman of the Board, Chief Executive Officer,  
and President, Cimarex Energy Co.

Rodman D. Patton (2)  
Former Managing Director,  
Merrill Lynch Energy Group

Charles J. Pitman (4)  
Former Regional President — Middle East/  
Caspian/Egypt/India, BP Amoco plc;

(1) Executive Committee  
(2) Audit Committee  
(3) Management Development and Compensation Committee  
(4) Corporate Governance and Nominating Committee  
(5) Stock Option Plan Committee

Officers

G. Steven Farris  
Chairman and Chief Executive Officer

Roger B. Plank  
President

John A. Crum  
Co-Chief Operating Officer and President — North America

Rodney J. Eichler  
Co-Chief Operating Officer and President — International

Michael S. Bahorich  
Executive Vice President and Technology Officer

Floyd R. Price  
Executive Vice President and Exploration Officer

Jon A. Jeppesen  
Senior Vice President

P. Anthony Lannie  
Senior Vice President and General Counsel

W. Kregg Olson  
Senior Vice President — Corporate Reservoir Engineering

Sarah B. Teslik  
Senior Vice President — Policy and Governance

Thomas P. Chambers
Vice President — Corporate Planning

John J. Christmann
Vice President — Business Development

Matthew W. Dundrea
Vice President and Treasurer

Robert J. Dye
Vice President — Investor Relations

Margie Harris
Vice President — Human Resources

Rebecca A. Hoyt
Vice President and Controller

Janine J. McArdle
Vice President — Oil and Gas Marketing

Jon W. Sauer
Vice President — Tax

Cheri L. Peper
Corporate Secretary
The Company has paid cash dividends on its common stock for 44 consecutive years through December 31, 2008. Future dividend payments will depend upon the Company’s level of earnings, financial requirements and other relevant factors.

Apache common stock is listed on the New York and Chicago stock exchanges and the NASDAQ National Market (symbol APA). At December 31, 2008, the Company’s shares of common stock outstanding were held by approximately 6,000 shareholders of record and 448,000 beneficial owners. Also listed on the New York Stock Exchange are:

- Apache Finance Canada’s 7.75% notes, due 2029 (symbol APA29)

**Corporate Offices**

One Post Oak Central
2000 Post Oak Boulevard
Suite 100
Houston, Texas 77056-4400
(713) 296-6000

**Independent Public Accountants**

Ernst & Young LLP
Five Houston Center
1401 McKinney Street, Suite 1200
Houston, Texas 77010-2007

**Stock Transfer Agent and Registrar**

Wells Fargo Bank, N.A.
Attn: Shareowner Services
P.O. Box 64854
South St. Paul, Minnesota 55164-0854
(651) 450-4064 or (800) 468-9716

Communications concerning the transfer of shares, lost certificates, dividend checks, duplicate mailings or change of address should be directed to the stock transfer agent. Shareholders can access account information on the web site: www.shareowneronline.com

**Dividend Reinvestment Plan**

Shareholders of record may invest their dividends automatically in additional shares of Apache common stock at the market price. Participants may also invest up to an additional $25,000 in Apache shares each quarter through this service. All bank service fees and brokerage commissions on purchases are paid by Apache. A prospectus describing the terms of the Plan and an authorization form may be obtained from the Company’s stock transfer agent, Wells Fargo Bank, N.A.

**Direct Registration**

Shareholders of record may hold their shares of Apache common stock in book-entry form. This eliminates costs related to safekeeping or replacing paper stock certificates. In addition, shareholders of record may request electronic movement of book-entry shares between your account with the Company’s stock transfer agent and your broker. Stock certificates may be converted to book-entry shares at any time. Questions regarding this service may be directed to the Company’s stock transfer agent, Wells Fargo Bank, N.A.

**Annual Meeting**

Apache will hold its annual meeting of shareholders on Thursday, May 7, 2009, at 10:00 a.m. in the Ballroom, Hilton Houston Post Oak, 2001 Post Oak Boulevard, Houston, Texas. Apache plans to web cast the annual meeting live; connect through the Apache web site: www.apachecorp.com

**Stock Held in “Street Name”**

The Company maintains a direct mailing list to ensure that shareholders with stock held in brokerage accounts receive information on a timely basis. Shareholders wanting to be added to this list should direct their requests to Apache’s Public and International Affairs Department, 2000 Post Oak Boulevard, Suite 100, Houston, Texas, 77056-4400, by calling (713) 296-6157 or by registering on Apache’s web site: www.apachecorp.com

**Form 10-K Request**

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### Table of Contents

- Shareholder Information
- Stock Data
  
<table>
<thead>
<tr>
<th>Year</th>
<th>Quarter</th>
<th>Price Range per Share</th>
<th>Dividends Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td>2008</td>
<td>First Quarter</td>
<td>$122.34</td>
<td>$84.52</td>
</tr>
<tr>
<td></td>
<td>Second Quarter</td>
<td>149.23</td>
<td>117.65</td>
</tr>
<tr>
<td></td>
<td>Third Quarter</td>
<td>145.00</td>
<td>94.82</td>
</tr>
<tr>
<td></td>
<td>Fourth Quarter</td>
<td>103.17</td>
<td>57.11</td>
</tr>
<tr>
<td>2007</td>
<td>First Quarter</td>
<td>$73.44</td>
<td>$63.01</td>
</tr>
<tr>
<td></td>
<td>Second Quarter</td>
<td>87.82</td>
<td>70.53</td>
</tr>
<tr>
<td></td>
<td>Third Quarter</td>
<td>91.25</td>
<td>73.41</td>
</tr>
<tr>
<td></td>
<td>Fourth Quarter</td>
<td>109.32</td>
<td>87.44</td>
</tr>
</tbody>
</table>

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Shareholders and other persons interested in obtaining, without cost, a copy of the Company’s Form 10-K filed with the Securities and Exchange Commission may do so by writing to Cheri L. Peper, Corporate Secretary, 2000 Post Oak Boulevard, Suite 100, Houston, Texas, 77056-4400.

**Investor Relations**

Shareholders, brokers, securities analysts or portfolio managers seeking information about the Company are welcome to contact Robert J. Dye, Vice President of Investor Relations, at (713) 296-6662.

Members of the news media and others seeking information about the Company should contact Apache’s Public and International Affairs Department at (713) 296-7276.

**Web site:** www.apachecorp.com
**Exhibit Index**

<table>
<thead>
<tr>
<th>Exhibit No.</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1</td>
<td>Agreement and Plan of Merger among Registrant, YPY Acquisitions, Inc. and The Phoenix Resource Companies, Inc., dated March 27, 1996 (incorporated by reference to Exhibit 2.1 to Registrant’s Registration Statement on Form S-4, Registration No. 333-02305, filed April 5, 1996).</td>
</tr>
<tr>
<td>4.2</td>
<td>Form of Certificate for Registrant’s 5.68% Cumulative Preferred Stock, Series B (incorporated by reference to Exhibit 4.2 to Amendment No. 2 on Form 8-K/A to Registrant’s Current Report on Form 8-K, dated and filed April 18, 1998, SEC File No. 001-4300).</td>
</tr>
<tr>
<td>4.5</td>
<td>Senior Indenture, dated February 15, 1996, between Registrant and JPMorgan Chase Bank, formerly known as The Chase Manhattan Bank, as trustee, governing the senior debt securities and guarantees (incorporated by reference to Exhibit 4.6 to Registrant’s Registration Statement on Form S-3, dated May 23, 2003, Reg. No. 333-105536).</td>
</tr>
<tr>
<td>4.6</td>
<td>First Supplemental Indenture to the Senior Indenture, dated as of November 5, 1996, between Registrant and JPMorgan Chase Bank, formerly known as The Chase Manhattan Bank, as trustee, governing the senior debt securities and guarantees (incorporated by reference to Exhibit 4.7 to Registrant’s Registration Statement on Form S-3, dated May 23, 2003, Reg. No. 333-105536).</td>
</tr>
<tr>
<td>4.7</td>
<td>Form of Indenture among Apache Finance Pty Ltd, Registrant and The Chase Manhattan Bank, as trustee, governing the debt securities and guarantees (incorporated by reference to Exhibit 4.1 to Registrant’s Registration Statement on Form S-3, dated November 12, 1997, Reg. No. 333-339973).</td>
</tr>
<tr>
<td>4.8</td>
<td>Form of Indenture among Registrant, Apache Finance Canada Corporation and The Chase Manhattan Bank, as trustee, governing the debt securities and guarantees (incorporated by reference to Exhibit 4.1 to Amendment No. 1 to Registrant’s Registration Statement on Form S-3, dated November 12, 1999, Reg. No. 333-90147).</td>
</tr>
<tr>
<td>10.1</td>
<td>Form of Amended and Restated Credit Agreement, dated as of May 9, 2006, among Registrant, the Lenders named therein, JPMorgan Chase Bank, as Administrative Agent, Citibank, N.A. and Bank of America, N.A., as Co-Syndication Agents, and BNP Paribas and UBS Loan Finance LLC, as Co-Documentation Agents (incorporated by reference to Exhibit 10.1 to Registrant’s Annual Report on Form 10-K for the year ended December 31, 2006, SEC File No. 001-4300).</td>
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<tr>
<td>Exhibit No.</td>
<td>Description</td>
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<td>10.2</td>
<td>— Form of Request for Approval of Extension of Maturity Date and Amendment, dated as of April 5, 2007, among Registrant, the Lenders named therein, JPMorgan Chase Bank, as Administrative Agent, Citibank, N.A. and Bank of America, N.A., as Co-Syndication Agents, and BNP Paribas and UBS Loan Finance LLC, as Co-Documentation Agents (incorporated by reference to Exhibit 10.2 to Registrant’s Annual Report on Form 10-K for year ended December 31, 2007, SEC File No. 001-4300).</td>
</tr>
<tr>
<td>10.3</td>
<td>— Form of Request Form of Request for Approval of Extension of Maturity Date and Amendment, dated as of February 18, 2008, among Registrant, the Lenders named therein, JPMorgan Chase Bank, as Administrative Agent, Citibank, N.A. and Bank of America, N.A., as Co-Syndication Agents, and BNP Paribas and UBS Loan Finance LLC, as Co-Documentation Agents (incorporated by reference to Exhibit 10.1 to Registrant’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2008, SEC File No. 001-4300).</td>
</tr>
<tr>
<td>10.5</td>
<td>— Form of Credit Agreement, dated as of May 12, 2005, among Apache Canada Ltd, a wholly-owned subsidiary of Registrant, the Lenders named therein, JPMorgan Chase Bank, N.A., as Global Administrative Agent, RBC Capital Markets and BMO Nesbitt Burns, as Co-Lead Arrangers and Joint Bookrunners, Royal Bank of Canada, as Canadian Administrative Agent, Bank of Montreal and Union Bank of California, N.A., Canada Branch, as Canadian Co-Syndication Agents, and The Toronto-Dominion Bank and BNP Paribas (Canada), as Canadian Co-Documentation Agents (excluding exhibits and schedules) (incorporated by reference to Exhibit 10.02 to Registrant’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2005, SEC File No. 001-4300).</td>
</tr>
<tr>
<td>10.6</td>
<td>— Form of Credit Agreement, dated as of May 12, 2005, among Apache Energy Limited, a wholly-owned subsidiary of Registrant, the Lenders named therein, JPMorgan Chase Bank, N.A., as Global Administrative Agent, Citigroup Global Markets Inc. and Deutsche Bank Securities Inc., as Co-Lead Arrangers and Joint Bookrunners, Citigroup Securities Limited, as Australian Administrative Agent, Deutsche Bank AG, Sydney Branch, and JPMorgan Chase Bank, as Australian Co-Syndication Agents, and Bank of America, N.A., Sydney Branch, and UBS AG, Australia Branch, as Australian Co-Documentation Agents (excluding exhibits and schedules) (incorporated by reference to Exhibit 10.03 to Registrant’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2005, SEC File No. 001-4300).</td>
</tr>
<tr>
<td>10.7</td>
<td>— Form of Request for Approval of Extension of Maturity Date and Amendment, dated April 5, 2007, among Registrant, Apache Canada Ltd., Apache Energy Limited, the Lenders named therein, JPMorgan Chase Bank, N.A., as Global Administrative Agent, and the other agents party thereto (incorporated by reference to Exhibit 10.6 to Registrant’s Annual Report on Form 10-K for year ended December 31, 2007, SEC File No. 001-4300).</td>
</tr>
<tr>
<td>10.8</td>
<td>— Form of Request for Approval of Extension of Maturity Date and Amendment, dated February 18, 2008, among Registrant, Apache Canada Ltd., Apache Energy Limited, the Lenders named therein, JPMorgan Chase Bank, N.A., as Global Administrative Agent, and the other agents party thereto (incorporated by reference to Exhibit 10.2 to Registrant’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2008, SEC File No. 001-4300).</td>
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<tr>
<td>10.9</td>
<td>Concession Agreement for Petroleum Exploration and Exploitation in the Khalda Area in Western Desert of Egypt by and among Arab Republic of Egypt, the Egyptian General Petroleum Corporation and Phoenix Resources Company of Egypt, dated April 6, 1981 (incorporated by reference to Exhibit 19(g) to Phoenix’s Annual Report on Form 10-K for year ended December 31, 1984, SEC File No. 1-547).</td>
</tr>
<tr>
<td>10.10</td>
<td>Amendment, dated July 10, 1989, to Concession Agreement for Petroleum Exploration and Exploitation in the Khalda Area in Western Desert of Egypt by and among Arab Republic of Egypt, the Egyptian General Petroleum Corporation and Phoenix Resources Company of Egypt (incorporated by reference to Exhibit 10(d)(4) to Phoenix’s Quarterly Report on Form 10-Q for quarter ended June 30, 1989, SEC File No. 1-547).</td>
</tr>
<tr>
<td>10.11</td>
<td>Farmout Agreement, dated September 13, 1985 and relating to the Khalda Area Concession, by and between Phoenix Resources Company of Egypt and Conoco Khalda Inc. (incorporated by reference to Exhibit 10.1 to Phoenix’s Registration Statement on Form S-1, Registration No. 33-1069, filed October 23, 1985).</td>
</tr>
<tr>
<td>10.14</td>
<td>Concession Agreement for Petroleum Exploration and Exploitation in the Qarun Area in Western Desert of Egypt, between Arab Republic of Egypt, the Egyptian General Petroleum Corporation, Phoenix Resources Company of Qarun and Apache Oil Egypt, Inc., dated May 17, 1993 (incorporated by reference to Exhibit 10(b) to Phoenix’s Annual Report on Form 10-K for year ended December 31, 1993, SEC File No. 1-547).</td>
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<tr>
<td>††10.21</td>
<td>Amendment to Apache Corporation 401(k) Savings Plan, dated January 29, 2009, effective as of January 1, 2009, except as otherwise specified.</td>
</tr>
<tr>
<td>††10.23</td>
<td>Amendment to Apache Corporation Money Purchase Retirement Plan, dated January 29, 2009, effective as of January 1, 2009, except as otherwise specified.</td>
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<td>Exhibit No.</td>
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<tr>
<td>†10.36</td>
<td>Apache Corporation Deferred Delivery Plan, as amended and restated November 19, 2008, effective as of January 1, 2009, except as otherwise specified.</td>
</tr>
<tr>
<td>†10.37</td>
<td>Apache Corporation Executive Restricted Stock Plan, as amended and restated November 19, 2008.</td>
</tr>
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NOTE: Debt instruments of the Registrant defining the rights of long-term debt holders in principal amounts not exceeding 10 percent of the Registrant’s consolidated assets have been omitted and will be provided to the Commission upon request.

(b) See (a) 3. above.

(c) See (a) 2. above.
First Amendment to
Corporate Incentive Compensation Plan “A”

This first amendment to the Corporate Incentive Compensation Plan “A” (the “Plan”) is intended to clearly demonstrate that the Plan is not subject to the requirements of section 409A of the Internal Revenue Code, as amended. The amendment is effective as of January 1, 2005.

The last two sentences of section 5 shall be replaced with the following sentences.

The date of payment of a Participant’s award (the “Distribution Date”) must occur within 90 days of the end of the year over which the Participant’s performance was evaluated. The Participant does not vest in his award until the Distribution Date. A portion of the award may be deferred to future years through deferrals into the Non-Qualified Retirement/Savings Plan or any successor plan, pursuant to the rules in that plan. Appropriate taxes will be withheld from each award.

November 20, 2008

ATTEST:  

/s/ Cheri L. Peper
Cheri L. Peper
Corporate Secretary

APACHE CORPORATION

By: /s/ Margery M. Harris
Margery M. Harris
Vice President, Human Resources
First Amendment to 
Corporate Incentive Compensation Plan “B”

This first amendment to the Corporate Incentive Compensation Plan “B” (the “Plan”) is intended to clearly demonstrate that the Plan is not subject to the requirements of section 409A of the Internal Revenue Code, as amended. The amendment is effective as of January 1, 2005.

The last two sentences of section 6 shall be replaced with the following sentences.

The date of payment of a Participant’s award (the “Distribution Date”) must occur within 90 days of the end of the year over which the Participant’s performance was evaluated. The Participant does not vest in his award until the Distribution Date. A portion of the award may be deferred to future years through deferrals into the Non-Qualified Retirement/Savings Plan or any successor plan, pursuant to the rules in that plan. Appropriate taxes will be withheld from each award.

November 20, 2008

ATTEST:

/s/ Cheri L. Peper
Cheri L. Peper
Corporate Secretary

APACHE CORPORATION

By: /s/ Margery M. Harris
Margery M. Harris
Vice President, Human Resources
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Prepared December 4, 2007
Apache Corporation, a Delaware corporation ("Apache"), maintains this profit sharing plan (the "Plan"), which is intended to be qualified under Code §401(a), and which contains a cash or deferred arrangement that is intended to be qualified under Code §401(k).

The Plan is hereby amended and restated as set forth below, effective January 1, 2008, except for those provisions that have their own specific effective dates.

Each Appendix to this Plan is a part of the Plan document. It is intended that an Appendix will be used to (1) describe which business entities are actively participating in the Plan, (2) describe any special participation, eligibility, vesting, or other provisions that apply to the employees of a business entity, (3) describe any special provisions that apply to Participants affected by a designated corporation transaction, and (4) describe any special distribution rules that apply to directly transferred benefits from other plans.

**ARTICLE I**

**Definitions**

The following words and phrases shall have the meaning set forth below:

1.1 Account Owner

"Account Owner" means a Participant who has an Account balance, an Alternate Payee who has an Account balance, or a beneficiary who has obtained an interest in the Account(s) of the previous Account Owner because of the previous Account Owner’s death.

1.2 Accounts

"Accounts" means the various Participant accounts established pursuant to section 4.1.

1.3 Affiliated Entity

"Affiliated Entity" means:

(a) For all purposes of the Plan except those listed in subsection (b), the term “Affiliated Entity” means any legal entity that is treated as a single employer with Apache pursuant to Code §414(b), §414(c), §414(m), or §414(o).

(b) For purposes of determining Annual Additions under section 1.5, limiting Annual Additions to a Participant’s Account(s) under section 3.4, and construing the defined terms as they are used in sections 1.5 and 3.4 (such as “Compensation” and “Employee”), the term “Affiliated Entity” means any legal entity that is treated as a single employer with Apache pursuant to Code §414(m) or §414(o), and any legal entity that would be an Affiliated Entity pursuant to Code §414(b) or §414(c) if the phrase “more than 50%” were substituted for the phrase “at least 80%” each place it occurs in Code §1563(a)(1).

1.4 Alternate Payee

"Alternate Payee” means a Participant’s Spouse, former spouse, child, or other dependent who is recognized by a QDRO as having a right to receive all, or a portion of, the benefits payable under this Plan with respect to such Participant.

1.5 Annual Addition

“Annual Addition” means the allocations to a Participant’s Account(s) for any Limitation Year, as described in detail below.

(a) Annual Additions shall include: (i) Company Contributions (except as provided in paragraphs (b)(iii) and (b)(v)) to this Plan and Company contributions to any other defined contribution plan maintained by the Company or any Affiliated Entity, including Company Matching Contributions forfeited to satisfy the ACP test of section 3.6, (ii) after-tax contributions to any other defined contribution plan
maintained by the Company or an Affiliated Entity; (iii) 401(k) Contributions to this Plan and similar contributions to any other defined contribution plan maintained by the Company or an Affiliated Entity, including any such contributions distributed to satisfy the ADP test of section 3.5; (iv) forfeitures allocated to a Participant’s Account(s) in this Plan and any other defined contribution plan maintained by the Company or any Affiliated Entity (except as provided in paragraphs (b)(iii) and (b)(v) below); (v) all amounts paid or accrued to a welfare benefit fund as defined in Code §419(e) and allocated to the separate account (under the welfare benefit fund) of a Key Employee to provide post-retirement medical benefits; and (vi) contributions allocated on the Participant’s behalf to any individual medical account as defined in Code §415(l)(2).

(b) Annual Additions shall not include: (i) Rollover Contributions to this Plan or rollovers to any other defined contribution plan maintained by the Company or an Affiliated Entity; (ii) repayments of loans made to a Participant from a qualified plan maintained by the Company or any Affiliated Entity; (iii) repayments of forfeitures for rehired Participants, as described in Code §411(a)(7)(B) and §411(a)(3)(D); (iv) direct transfers of employee contributions from one qualified plan to any qualified defined contribution plan maintained by the Company or any Affiliated Entity; (v) repayments of forfeitures of missing individuals pursuant to section 13.12; or (vi) salary deferrals within the meaning of Code §414(u)(2)(C) or §414(v)(6)(B).

1.6 Catch-Up Contributions

“Catch-Up Contributions” means those contributions made to the Plan by the Company, at the election of the Participant pursuant to subsection 3.2(b) that meet the requirements of Code §414(v).

1.7 Code

“Code” means the Internal Revenue Code of 1986, as amended from time to time, and the regulations and rulings in effect thereunder from time to time.

1.8 Committee

“Committee” means the administrative committee provided for in section 8.4.

1.9 Company

“Company” means Apache, any successor thereto, and any Affiliated Entity that adopts the Plan pursuant to Article XI. Each Company is listed in Appendix A.

1.10 Company Contributions

“Company Contributions” means all contributions to the Plan made by the Company pursuant to section 3.1 for the Plan Year.

1.11 Company Discretionary Contributions

“Company Discretionary Contributions” means all contributions to the Plan made by the Company pursuant to subsection 3.1(a) for the Plan Year.

1.12 Company Matching Contributions

“Company Matching Contributions” means all contributions to the Plan made by the Company pursuant to subsection 3.1(b) for the Plan Year.

1.13 Company Stock

“Company Stock” means shares of the $0.625 par value common stock of Apache.

1.14 Compensation

“Compensation” means:

(a) Compensation for Annual Additions.

(i) Items Included. For purposes of determining the limitation on Annual Additions under section 3.4, Compensation means those amounts reported as “wages, tips, other compensation” on Form W-2 by Apache or an Affiliated Entity elective contributions that would have been reported as
“wages, tips, other compensation” on Form W-2 by Apache or an Affiliated Entity but for an election under Code §125(a), §132(f)(4), §402(e)(3), §402(h)(1)(B), §402(k), or §457(b). The Plan shall ignore any rules that limit the remuneration included in “wages, tips, other compensation” based on the nature or location of the employment or the services performed.

(ii) **Timing Restrictions**. Compensation includes amounts that are paid or made available to the Participant during the Limitation Year. Compensation does not include amounts paid after a Participant’s termination of employment except that Compensation does include (A) amounts included in the final payment of his regular compensation for services provided before his termination (including regular pay, overtime, shift differential, commissions, bonuses, and similar payments), but only if the amounts are paid during the Limitation Year in which the termination occurred or, if later, within 2 1/2 months of his termination, (B) the cash-out of any paid time off that the former employee would have been able to use had his employment continued, but only if such amount is paid during the Limitation Year in which the termination occurs or, if later, within 2 1/2 months of his termination, and (C) payments from an unfunded nonqualified deferred compensation plan (1) that are includible in the Participant’s gross income (2) that are paid during the Limitation Year in which the termination occurred or, if later, within 2 1/2 months of the termination, and (3) that would have been paid on such date(s) if the Participant had continued in employment.

(b) **Compensation for Top-Heavy Minimum Contributions and Identifying Highly Compensated Employees and Key Employees**. For purposes of determining the minimum contribution under section 11.4 when the Plan is top-heavy, and for identifying Highly Compensated Employees and Key Employees, Compensation means the amounts that would included as Compensation under subsection (a) if every occurrence of the phrase “Limitation Year” were replaced by the phrase “Plan Year.”

(c) **Code §414(s) Compensation**. For purposes of the ADP and ACP tests under sections 3.5 and 3.6, and for purposes of allocating QNECs under subsection 3.7(c) and QMACs under subsection 3.8(c), Compensation means any definition of compensation for a Plan Year, as selected by the Committee, that satisfies the requirements of Code §414(s) and the regulations promulgated thereunder. The definition of Compensation used in one Plan Year may differ from the definition used in another Plan Year.

(d) **Benefit Compensation**. For purposes of determining and allocating Company Discretionary Contributions under subsection 3.1(a), Compensation generally means regular compensation paid by the Company.

(i) **Inclusions**. Specifically, Compensation includes:

(A) Regular salary or wages,

(B) Overtime pay,

(C) The regular annual bonus (unless all or a portion is excluded by the Committee before the regular annual bonus is paid) and any other bonus designated by the Committee,

(D) Salary reductions pursuant to this Plan,

(E) Salary reductions that are excludable from an Employee’s gross income pursuant to Code §125 or §132(f)(4), and

(F) Amounts contributed as salary deferrals to the NQ Plan.

(ii) **Exclusions**. Compensation excludes:

(A) Commissions,

(B) Severance pay,

(C) Moving expenses,

(D) Any gross-up of moving expenses to account for increased income or employment taxes,

(E) Foreign service premiums paid as an inducement to work outside of the United States.

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Credits or benefits under this Plan (except as provided in subparagraph (i)(D)) and credits or benefits under the Apache Corporation Money Purchase Retirement Plan,

Other contingent compensation,

Any amount relating to the granting of a stock option by the Company or an Affiliated Entity, the exercise of such a stock option, or the sale or deemed sale of any shares thereby acquired,

Contributions to any other fringe benefit plan (including, but not limited to, overriding royalty payments or any other exploration-related payments),

Any bonus other than a bonus described in subparagraph (i)(C), and

Except as provided under subparagraph (i)(F), any benefit accrued under, or any payment from, any nonqualified plan of deferred compensation.

(iii) **Timing Issues**. Compensation includes amounts that are paid to the Employee during that portion of a Plan Year while the Employee is a Covered Employee. Compensation does not include amounts paid after an Employee’s termination of employment, except that Compensation does include (A) amounts included in the final payment of his regular compensation for services provided before his termination (including regular pay, overtime, shift differential, commissions, bonuses, and similar payments), but only if the amounts are paid during the Plan Year in which the termination occurred or, if later, within 2 1/2 months of his termination and (B) any cash-out of accrued vacation time that the former employee would have been able to use had he continued in employment that is paid to him during the Plan Year in which the termination occurred or, if later, within 2 1/2 months of his termination.

(e) **Deferral Compensation**. For purposes of determining Participant Contributions under section 3.2 and for purposes of determining and allocating Company Matching Contributions under subsection 3.1(b), Compensation means Compensation as defined in subsection (d), but only including amounts paid after the Employee has satisfied the eligibility requirements of subsection 2.1(a).

(f) **Limit on Compensation**. For all purposes of subsection (a), for purposes of calculating the minimum contribution required in top-heavy years under subsection (b), for all purposes of subsections (c) and (d), and for purposes of determining the allocation of Company Matching Contributions under subsection (e), the Compensation taken into account for the Limitation Year or Plan Year shall not exceed the dollar limit specified in Code §401(a)(17) in effect for the Limitation Year or Plan Year.

1.15 **Covered Employee**

“Covered Employee” means any Employee of the Company, with the following exceptions.

(a) Any individual directly employed by an entity other than the Company shall not be a Covered Employee, even if such individual is considered a common-law employee of the Company or is treated as an employee of the Company pursuant to Code §414(n).

(b) An Employee shall not be a Covered Employee unless he is either based in the U.S. or on the U.S. payroll.

(c) An Employee included in a unit of Employees covered by a collective bargaining agreement shall not be a Covered Employee unless the collective bargaining agreement specifically provides for such Employee’s participation in the Plan.

(d) An Employee whose job is classified as “temporary” shall be a Covered Employee only after he has worked for the Company and Affiliated Entities for six consecutive months.

(e) An Employee shall not be a Covered Employee while he is classified as an “intern,” a “consultant,” or an “independent contractor.” An Employee may be classified as an “intern” only if he is currently enrolled (or the Company expects him to be enrolled within the next 12 months) in a high school, college, or university. An Employee may be classified as an intern even if he does not receive academic course credit from his school for this employment with the Company.
An individual who is employed pursuant to a written agreement with an agency or other third party for a specific job assignment or project shall not be a Covered Employee.

1.16 Disability
“Disability” means a physical or mental condition that qualifies the Employee for long-term disability payments under Apache’s Long-Term Disability Plan.

1.17 Domestic Relations Order
“Domestic Relations Order” means any judgment, decree, or order (including approval of a property settlement agreement) issued by a court of competent jurisdiction that relates to the provisions of child support, alimony or maintenance payments, or marital property rights to a Participant’s Spouse, former spouse, child, or other dependent and is made pursuant to a state domestic relations law (including a community property law).

1.18 Employee
“Employee” means each individual who performs services for the Company or an Affiliated Entity and whose wages are subject to withholding by the Company or an Affiliated Entity. The term “Employee” includes only individuals currently performing services for the Company or an Affiliated Entity, and excludes former Employees who are still being paid by the Company or an Affiliated Entity (whether through the payroll system, through overriding royalty payments, through exploration-related payments, severance, or otherwise). The term “Employee” also includes any individual who provides services to the Company or an Affiliated Entity pursuant to an agreement between the Company or an Affiliated Entity and a third party that employs the individual, but only if the individual has performed such services for the Company or an Affiliated Entity on a substantially full-time basis for at least one year and only if the services are performed under the primary direction or control by the Company or an Affiliated Entity; provided, however, that if the individuals included as Employees pursuant to the first part of this sentence constitute 20% or less of the Non-Highly Compensated Employees of the Company and Affiliated Entities, then any such individuals who are covered by a qualified plan that is a money purchase pension plan that provides a nonintegrated employer contribution rate for each participant of at least 10% of compensation, that provides for full and immediate vesting, and that provides immediate participation for each employee of the third party (other than those who perform substantially all of their services for the third party and other than those whose compensation from the third party during each of the four preceding plan years was less than $1000) shall not be considered an Employee.

1.19 ERISA
“ERISA” means the Employee Retirement Income Security Act of 1974, as amended, and the regulations and rulings in effect thereunder from time to time.

1.20 Five-Percent Owner
“Five-Percent Owner” means:
(a) With respect to a corporation, any individual who owns (either directly or indirectly according to the rules of Code §318) more than 5% of the value of the outstanding stock of the corporation or stock processing more than 5% of the total combined voting power of all stock of the corporation.
(b) With respect to a non-corporate entity, any individual who owns (either directly or indirectly according to rules similar to those of Code §318) more than 5% of the capital or profits interest in the entity.
(c) An individual shall be a Five-Percent Owner for a particular year if such individual is a Five-Percent Owner at any time during such year.

1.21 401(k) Contributions
“401(k) Contributions” means those contributions made to the Plan by the Company, at the election of the Participant pursuant to subsection 3.2(a), that are excludable from the Participant’s gross income under Code §401(k) and §402(e)(3).
1.22 **Highly Compensated Employee**

“Highly Compensated Employee” means, for each Plan Year, an Employee who (a) was in the “top-paid group” during the immediately preceding Plan Year and had Compensation of $80,000 (as adjusted by the Secretary of the Treasury) or more during the immediately preceding Plan Year, or (b) is a Five-Percent Owner during the current Plan Year, or (c) was a Five-Percent Owner during the immediately preceding Plan Year. The term “top-paid group” means the top 20% of Employees when ranked on the basis of Compensation paid during the year. In determining the number of Employees in the top-paid group, the Committee may elect to exclude Employees with less than six (or some smaller number of) months of service at the end of the year. Employees who normally work less than 17 1/2 (or some fewer number of) hours per week. Employees who normally work less than six (or some fewer number of) months during any year. Employees younger than 21 (or some younger age) on the last day of the year, and Employees who are nonresident aliens who receive no earned income (within the meaning of Code §911(d)(2)) from Apache or an Affiliated Entity that constitutes income from sources within the United States (within the meaning of Code §861(a)(3)). Furthermore, an Employee who is a nonresident alien who receives no earned income (within the meaning of Code §911(d)(2)) from Apache or an Affiliated Entity that constitutes income from sources within the United States (within the meaning of Code §861(a)(3)) during the year shall not be in the top-paid group for that year.

1.23 **Key Employee**

“Key Employee” means an individual described in Code §416(i)(1) and the regulations promulgated thereunder.

1.24 **Lapse in Apache Employment**

“Lapse in Apache Employment” means a Lapse in Apache Employment as defined in subsection 5.3(c).

1.25 **Limitation Year**

“Limitation Year” means the calendar year.

1.26 **Non-Highly Compensated Employee**

“Non-Highly Compensated Employee” means an Employee who is not a Highly Compensated Employee.

1.27 **Non-Key Employee**

“Non-Key Employee” means an Employee who is not a Key Employee.

1.28 **Normal Retirement Age**

“Normal Retirement Age” means age 65.

1.29 **NQ Plan**

“NQ Plan” means the Non-Qualified Retirement/Savings Plan of Apache Corporation.

1.30 **Participant**

“Participant” means any individual with an account balance under the Plan except beneficiaries and Alternate Payees. The term “Participant” shall also include any Covered Employee who has satisfied the eligibility requirements of section 2.1, but who does not yet have an account balance.

1.31 **Participant Contributions**

“Participant Contributions” means 401(k) Contributions and Catch-Up Contributions.

1.32 **Period of Service**

“Period of Service” means a Period of Service as defined in subsection 5.3(a).

1.33 **Plan Year**

“Plan Year” means the 12-month period on which the records of the Plan are kept, which shall be the calendar year.
1.34 **QDRO**
“QDRO,” which is an acronym for qualified domestic relations order, means a Domestic Relations Order that creates or recognizes the existence of an Alternate Payee’s right to, or assigns to an Alternate Payee the right to, receive all or a portion of the benefits payable with respect to a Participant under the Plan and with respect to which the requirements of Code §414(p) and ERISA §206(d)(3) are met.

1.35 **QMAC**
“QMAC,” which is an acronym for qualified matching contribution, means any contribution to the Plan made by the Company that the Company designates as a QMAC, or any portion of the forfeitures designated as a QMAC under subsection 5.4(d). A QMAC must satisfy the requirements of section 3.8.

1.36 **QNEC**
“QNEC,” which is an acronym for qualified non-elective contribution, means any contribution to the Plan made by the Company that the Company designates as a QNEC, or any portion of the forfeitures designated as a QNEC under subsection 5.4(d). A QNEC must satisfy the requirements of section 3.7.

1.37 **Required Beginning Date**
“Required Beginning Date” means:

(a) Excepted as provided in subsections (b), (c), and (d), Required Beginning Date means April 1 of the calendar year following the later of (i) the calendar year in which the Participant attains age 70 1/2, or (ii) the calendar year in which the Participant terminates employment with Apache and all Affiliated Entities.

(b) For a Participant who is both an Employee and a Five-Percent Owner of Apache or an Affiliated Entity, the term “Required Beginning Date” means April 1 of the calendar year following the calendar year in which the Five-Percent Owner attains age 70 1/2. If an Employee older than 70 1/2 becomes a Five-Percent Owner, his Required Beginning Date shall be April 1 of the calendar year following the calendar year in which he becomes a Five-Percent Owner.

(c) Before January 1, 1997, an Employee who was not a Five-Percent Owner may have had a Required Beginning Date. Beginning January 1, 1997, such an Employee shall be treated as if he has not yet had a Required Beginning Date, with the result that his minimum required distributions under subsection 6.6(c) will be zero until his new Required Beginning Date. His new Required Beginning Date shall be determined pursuant to subsections (a) and (b).

(d) If a Participant is rehired after his Required Beginning Date, and he is not a Five-Percent Owner, he shall be treated upon rehire as if he has not yet had a Required Beginning Date, with the result that his minimum required distributions under subsection 6.6(c) will be zero until his new Required Beginning Date. His new Required Beginning Date shall be determined pursuant to subsection (a).

1.38 **Rollover Contribution**
“Rollover Contribution” means any contribution that is rolled over to this Plan pursuant to subsection 3.2(d).

1.39 **Spouse**
“Spouse” means the individual of the opposite sex to whom a Participant is lawfully married according to the laws of the state of the Participant’s domicile.

1.40 **Termination of Employment**
“Termination of Employment” means a severance from employment within the meaning of Code §401(k)(2)(b)(i)(I), and which therefore generally means the date a Participant ceases to be an Employee.

1.41 **Termination From Service Date**
“Termination From Service Date” means the Termination From Service Date defined in subsection 5.3(b).
ARTICLE II
Participation

ARTICLE III
Contributions

The only contributions that can be made to the Plan are Company Contributions pursuant to section 3.1, Plan expenses that are paid by the Company or Account Owner, Participant Contributions and Rollover Contributions pursuant to section 3.2, and loan repayments pursuant to Article VII.

3.1 Company Contributions.
   (a) Company Discretionary Contributions. For each Plan Year, the Company shall contribute to the Trust Fund such amount of Company Discretionary Contributions that the Company, in its sole discretion, determines to contribute. The Company may elect to treat any available forfeitures as Company Discretionary Contributions, pursuant to subsection 5.4(d). Company Discretionary Contributions shall be allocated to each “eligible Participant” in proportion to the eligible Participant’s Compensation. For purposes of this subsection, an “eligible Participant” is a Participant who was a Covered Employee on one or more days during the Plan Year and who was employed by the Company or an Affiliated Entity on the last business day of the Plan Year. Company Discretionary Contributions shall be allocated to Company Contributions Accounts, except for those Company Discretionary Contributions that are designated as QNECs pursuant to subsection 3.7(b), which shall be allocated to Participant Contributions Accounts.
   (b) Company Matching Contributions.
      (i) Standard Match. As of the last day of the Plan Year, the Committee shall make the final allocation of Company Matching Contributions (including such forfeitures occurring during the Plan Year that are treated as Company Matching Contributions pursuant to subsection 5.4(d)) to each Participant who made Participant Contributions during the Plan Year as follows. Each Participant’s allocation shall be equal to his Participant Contributions for the Plan Year, up to a maximum allocation of 6% of his Compensation. The Committee may make interim allocations.

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of Company Matching Contributions during the Plan Year, reflecting the allocation earned thus far in the Plan Year.

(ii) **Additional Match.** If the nondiscrimination tests described in sections 3.5 and 3.6 are not satisfied for a Plan Year, the Company may elect to contribute an additional amount, or it may elect to use any forfeitures occurring during the Plan Year, as an extra Company Matching Contribution for the Plan Year. The extra Company Matching Contribution may be designated as a QMAC pursuant to section 3.8. The extra Company Matching Contribution shall be allocated to all “eligible Participants” in proportion to the Company Matching Contribution allocated to such eligible Participants during the Plan Year under paragraph (i). For purposes of this paragraph only, an “eligible Participant” is any Non-Highly Compensated Employee who is a Covered Employee on the last day of the Plan Year.

(iii) **Coordination With Code §401(a)(17).** Company Matching Contributions in a Plan Year shall accrue only on Participant Contributions up to 6% of the Code §401(a)(17) limit for that Plan Year. Any Company Matching Contributions allocated during the Plan Year in which they were accrued shall be allocated on a temporary basis only; the allocation shall become final after the Committee verifies that the allocation complies with the terms of the Plan, including the limits of Code §401(a)(17). Any reduction in the allocation to comply with Code §401(a)(17), adjusted to reflect investment experience, shall be used as specified in subsection 5.4(d).

(iv) **Accounts.** Company Matching Contributions shall be allocated to Company Contributions Accounts, except for those Company Matching Contributions that are designated as QMACs under section 3.8, which shall be allocated to Participant Contributions Accounts.

(c) **Miscellaneous Contributions.**

(i) **Forfeiture Restoration.** The Company may make additional contributions to the Plan to restore amounts forfeited from the Company Contributions Accounts of certain rehired Participants, pursuant to section 5.4. This additional contribution shall be required only when the available forfeitures are insufficient to restore such forfeited amounts, as described in subsection 5.4(d). This contribution shall be allocated to the Participant’s Company Contributions Account.

(ii) **Top Heavy Contribution.** The Company may make additional contributions to the Plan to satisfy the minimum contribution required by section 12.4. The Company may elect to use any available forfeitures for this purpose, pursuant to subsection 5.4(d).

(iii) **Missing Individuals.** The Company may make additional contributions to the Plan to restore the forfeited benefit of any missing individual, pursuant to section 13.12. This additional contribution shall be required only when the available forfeitures are insufficient to restore such forfeited amounts, as described in subsection 5.4(d).

(iv) **Non-Discrimination Testing.** The Company may make QNECs to the Plan to enable the Plan to satisfy the ADP and ACP tests of sections 3.5 and 3.6. The Company may elect to treat any available forfeitures as QNECs, pursuant to subsection 5.4(d). QNECs shall be allocated to Participant Contribution Accounts.

(v) **Returning Servicemen.** The Company may make additional contributions to the Plan to provide make-up contributions for returning servicemen, pursuant to section 15.4.

(d) **Contributions Contingent on Deductibility.** The Company Contributions for a Plan Year (excluding forfeitures and contributions pursuant to paragraph 3.1(c)(v)) shall not exceed the amount allowable as a deduction for Apache’s taxable year ending with or within the Plan Year pursuant to Code §404. The amount allowable as a deduction under Code §404 shall include carry forwards of unused deductions for prior years. If the Code §404 deduction limit would be exceeded for any Plan Year, the Plan contributions shall be reduced, in the following order, until the Plan contributions equal the Code §404 deduction limit: first, the Company Matching Contributions for those Highly Compensated Employees who are eligible to participate in the NQ Plan; second, all but $1 of the Company Discretionary Contributions for those Highly Compensated Employees who are eligible to participate in the NQ Plan; third, any remaining Company Matching Contribution; fourth, any remaining Company Discretionary Contributions. Company Contributions other than QNECs, QMACs, and...
contributions pursuant to paragraph 3.1(c)(v) shall be paid to the Trustee no later than the due date (including any extensions) for filing the Company’s federal income tax return for such year; QNECs and QMACs shall be paid to the Trustee no later than 12 months after the close of the Plan Year; and contributions subject to paragraph 3.1(c)(v) shall be paid to the Trustee as specified in section 15.4. Company Contributions may be made without regard to current or accumulated earnings and profits; nevertheless, this Plan is intended to qualify as a “profit sharing plan” as defined in Code §401(a). The Company may pay any contribution in the form of Company Stock or cash, as the Company determines.

3.2 Participant Contributions.

(a) 401(k) Contributions.

(i) General Rules. A Participant may elect to defer the receipt of a portion of his Compensation during the Plan Year and contribute such amounts to the Plan as 401(k) Contributions. The Committee shall determine the maximum 401(k) Contributions that a Participant may make and shall establish other administrative rules governing the 401(k) Contributions; for example, the Committee may require 401(k) Contributions to be made in whole percentages of Compensation, the Committee may allow different contribution percentages from bonuses than are allowed from regular pay, and the Committee may limit 401(k) Contributions (for the year or for the pay period or for a bonus) to a percentage of Compensation (for the year or for the pay period or for the bonus). The Company shall pay the amount deducted from the Participant’s Compensation to the Trustee promptly after the deduction is made. 401(k) Contributions shall be allocated to Participant Contributions Accounts.

(ii) Limitations on 401(k) Contributions.

(A) Limit for Apache Plans. The sum of 401(k) Contributions to this Plan and elective deferrals (as defined in Code §402(g)(3)) to any other plan maintained by the Company or an Affiliated Entity shall not exceed the dollar limit in effect under Code §402(g)(1)(B) in any calendar year. The Company shall inform the Committee if such limit has been exceeded, and the excess amount allocated to this Plan. The excess amount allocated to this Plan shall be reduced by any 401(k) Contributions returned pursuant to any other provision of this Article. Any remaining excess amount shall be recharacterized as a Catch-Up Contribution to the extent possible, and any remaining excess amount shall be returned to the Participant as soon as administratively possible, and in no event later than April 15 of the calendar year after the calendar year in which the excess occurred. Company Matching Contributions attributable to amounts returned under this subparagraph shall be forfeited. Unmatched 401(k) Contributions shall be returned first. The amount returned, recharacterized, or forfeited shall be adjusted to reflect the net increase or decrease in the net value of the Participant’s Account attributable thereto. The Committee may use any reasonable method to allocate this adjustment.

(B) Participant Limit. If the sum of the 401(k) Contributions to this Plan and elective deferrals (as defined in Code §402(g)(3)) to any other plan exceed the dollar limit in effect under Code §402(g)(1)(B) in a calendar year, and the Participant is an Employee on the last day of the Plan Year and informs the Committee of the amount of the excess allocated to this Plan, then that amount will be reduced by any 401(k) Contributions for that calendar year that were returned pursuant to any other provision in this Article. Any remaining excess amount shall be recharacterized as a Catch-Up Contribution to the extent possible, and any remaining excess amount shall be returned to the Participant as soon as administratively possible, and in no event later than April 15 of the calendar year after the calendar year in which the excess occurred. Company Matching Contributions attributable to amounts returned under this subparagraph shall be forfeited. Unmatched 401(k) Contributions shall be returned first. The amount returned, recharacterized, or forfeited shall be adjusted to reflect the net increase or decrease in the net value of the Participant’s Account attributable thereto. The Committee may use any reasonable method to allocate this adjustment.
(b) **Catch-Up Contributions.**

(i) **General Rules.** A Participant whose 49th birthday occurred before the first day of the Plan Year may elect to defer the receipt of a portion of his Compensation during the Plan Year and contribute such amounts to the Plan as Catch-Up Contributions. The Company shall pay the amount deducted from the Participant’s Compensation to the Trustee promptly after the deduction is made. The Committee shall determine after the end of each calendar year which Participant Contributions were Catch-Up Contributions and which were 401(k) Contributions. See sections 3.5 and 3.6 for instances in which Participant Contributions that would normally be characterized as 401(k) Contributions are in fact characterized as Catch-Up Contributions. Catch-Up Contributions shall be allocated to Participant Contributions Accounts.

(ii) **Limitations on Catch-Up Contributions.**

(A) **Limit for Apache Plans.** The sum of Catch-Up Contributions to this Plan and similar deferrals under Code §414(v) to any other plan maintained by the Company or an Affiliated Entity shall not exceed the dollar limit in effect under Code §414(v)(2)(B)(i) in any calendar year. The Company shall inform the Committee if such limit has been exceeded, and the excess amount allocated to this Plan. The excess amount allocated to this Plan shall be reduced by any amounts returned pursuant to any other provision of this Article. Any remaining excess amount shall be returned to the Participant as soon as administratively possible, and in no event later than April 15 of the calendar year after the calendar year in which the excess occurred. Company Matching Contributions attributable to amounts returned under this subparagraph shall be forfeited. Unmatched Catch-Up Contributions shall be returned first. The amount returned or forfeited shall be adjusted to reflect the net increase or decrease in the net value of the Participant’s Account attributable thereto. The Committee may use any reasonable method to allocate this adjustment.

(B) **Participant Limit.** If the sum of the Catch-Up Contributions to this Plan and similar deferrals under Code §414(v) to any other plan exceed the dollar limit in effect under Code §414(v)(2)(B)(i) in a calendar year, and the Participant is an Employee on the last day of the Plan Year and informs the Committee of the amount of the excess allocated to this Plan, then that amount will be reduced by any Catch-Up Contributions for that calendar year that were returned pursuant to any other provision in this Article and any remaining excess amount shall be returned to the Participant as soon as administratively possible, and in no event later than April 15 of the calendar year after the calendar year in which the excess occurred. Company Matching Contributions attributable to amounts returned under this subparagraph shall be forfeited. Unmatched Catch-Up Contributions shall be returned first. The amount returned or forfeited shall be adjusted to reflect the net increase or decrease in the net value of the Participant’s Account attributable thereto. The Committee may use any reasonable method to allocate this adjustment.

(c) **Procedures.** Participant Contributions shall be made according to rules prescribed by the Committee that are consistent with the rules in this subsection.

(i) **Authorization.** Participant Contributions may only be made after the Company has received authorization from a Participant to deduct such contributions from his Compensation. Effective January 1, 2006, the Committee may establish procedures whereby a new Participant will be automatically enrolled in the Plan, and will make Participant Contributions at a certain level, unless he affirmatively elects otherwise; the Participant shall be provided with a reasonable opportunity of at least 30 days to elect a different rate of Participant Contribution or no Participant Contribution. Any authorization or deemed authorization may apply only to Compensation that is not then currently available to the Participant. Such authorization or deemed authorization shall remain in effect until revoked or changed by the Participant. If an Employee makes a hardship withdrawal from his Participant Contributions Account under section 6.5, his contribution rate shall be immediately reduced to 0%, and shall remain at 0% for at least 6 months. To be effective, any authorization, change of authorization, or notice of revocation must be filed with the Committee according to such restrictions and requirements as

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the Committee prescribes. The Committee shall establish procedures from time to time for Participants to change their contribution elections, which procedures shall be communicated to Participants. The Committee may establish different procedures for Participant Contributions from different types of Compensation, such as bonuses. A Participant who also participates in the NQ Plan may make a combined contribution election that applies to both this Plan and the NQ Plan; once made, such combined elections are irrevocable for the periods and the compensation described in the elections.

(ii) **Catch-Up Contributions.** The Committee’s procedures for Catch-Up Contributions shall allow all Participants who can make Catch-Up Contributions the effective opportunity to make the same dollar amount of Catch-Up Contributions for the calendar year.

(iii) **Inadequate Paycheck.** If the amounts withheld from a Participant’s paycheck (including, without limitation, loan repayments, Participant Contributions, taxes, contributions to the NQ Plan, and premium payments for various benefits) are greater than the paycheck, the Committee shall establish the order in which the deductions shall be applied, with the result that 401(k) Contributions or Catch-Up Contributions may be reduced below what the Participant had elected. The Committee’s procedures may also automatically increase a Participant’s 401(k) Contributions or Catch-Up Contributions in subsequent pay periods to make up for any missed contributions.

(d) **Rollovers.** The Plan may accept any rollover from or on behalf of a Covered Employee, subject to the following rules. The Committee shall decide from time to time which types of rollovers the Plan will accept, and the conditions under which the Plan will accept them. A rollover may be comprised of a direct transfer of an eligible rollover distribution from a qualified plan described in Code §401(a) (excluding after-tax contributions), a qualified annuity plan described in Code §403(a) (excluding after-tax contributions), an annuity contract described in Code §403(b) (excluding after-tax contributions), or an eligible plan under Code §457(b) that is maintained by an eligible employer described in Code §457(e)(1)(A) (which generally includes state or local governments). A rollover may also be comprised of the portion of a distribution from an individual retirement account or annuity described in Code §408(a) or §408(b) that is eligible to be rolled over and that would otherwise be included in the Covered Employee’s gross income. If the Plan accepts a contribution and subsequently determines that the contribution did not satisfy the conditions for the Plan to accept it, the Plan shall distribute such contribution, as well as the net increase or decrease in the net value of the Trust Fund attributable to the contribution, to the Covered Employee as soon as administratively practicable. All rollovers accepted under this subsection shall be allocated to Rollover Accounts.

3.3 **Return of Contributions.**

(a) **Mistake of Fact.** Upon the request of the Company, the Trustee shall return to the Company, any Company Contribution made under a mistake of fact. The amount that shall be returned shall not exceed the excess of the amount contributed (reduced to reflect any decrease in the net worth of the appropriate Accounts attributable thereto) over the amount that would have been contributed without the mistake of fact. Appropriate reductions shall be made in the Accounts of Participants to reflect the return of any contributions previously credited to such Accounts. If the Company so requests, any contribution made under a mistake of fact shall be returned to the Company within one year after the date of payment.

(b) **Non-Deductible Contributions.** Upon the request of the Company, the Trustee shall return to the Company, any Company Contribution or 401(k) Contribution that is not deductible under Code §404. The Company shall pay any returned 401(k) Contribution to the appropriate Participant or the Company’s NQ Plan, as appropriate, as soon as administratively practicable, subject to any withholding. All contributions under the Plan are expressly conditioned upon their deductibility for federal income tax purposes. The amount that shall be returned shall be the excess of the amount contributed (reduced to reflect any decrease in the net worth of the appropriate Accounts attributable thereto) over the amount that would have been contributed if there had not been a mistake in determining the deduction. Appropriate reductions shall be made in the Accounts of Participants to reflect the return of any contributions previously credited to such Accounts. Any contribution conditioned on its deductibility shall be returned within one year after it is disallowed as a deduction.

(c) **Effect of Correction.** A contribution shall be returned under this section only to the extent that its return will not reduce the Account(s) of a Participant to an amount less than the balance that would have been credited to the Participant’s Account(s) had the contribution not been made.

3.4 **Limitation on Annual Additions.**

(a) **Limit.** The Annual Additions to a Participant’s Account(s) in this Plan and to his accounts in any other defined contribution plans maintained by the Company or an Affiliated Entity for any Limitation Year shall not exceed in the aggregate the lesser of (i) $40,000 (as adjusted by the Secretary of the Treasury), or (ii) 100% of the Participant’s Compensation. The limit in clause (ii) shall not apply to any contribution for medical benefits (within the meaning of Code §419A(f)(2)) after separation from service that is treated as an Annual Addition.

(b) **Corrective Mechanism.**

(i) **Reduction in Annual Additions.** A Participant’s Annual Additions shall be reduced, to the extent necessary to satisfy the foregoing limits, if the Annual Additions arose as a result of a reasonable error in estimating Compensation, as a result of the allocation of forfeitures, or as a result of other facts and circumstances as provided in the regulations under Code §415.

(ii) **Order of Reduction, Multiple Plans.** Apache also maintains the Apache Corporation Money Purchase Retirement Plan, a money purchase pension plan. The Participant’s Annual Additions shall be reduced, to the extent necessary, in the following order. First, to the extent that the Annual Additions in a single plan exceed the limits of subsection (a), the Annual Additions in that plan shall be reduced, in the order specified in that plan, to the extent necessary to satisfy the limits of subsection (a). Then, if the Participant has Annual Additions in more than one plan and in the aggregate they exceed the limits of subsection (a), the Annual Additions will be reduced as follows.

(A) If the Participant was eligible to participate in the NQ Plan on the last day of the Plan Year in which the excess Annual Addition occurred, the Annual Additions to the Apache Corporation Money Purchase Pension Plan will be reduced before the Annual Additions to this Plan are reduced.

(B) If the Participant was not eligible to participate in the NQ Plan on the last day of the Plan Year in which the excess Annual Addition occurred, the Annual Additions to this Plan will be reduced before the Annual Additions to the Apache Corporation Money Purchase Retirement Plan are reduced.

(iii) **Order of Reduction, This Plan.** If the Participant was eligible to participate in the NQ Plan on the last day of the Plan Year in which the excess Annual Addition occurred, the Annual Additions to this Plan shall be reduced in the following order: Company Discretionary Contributions; Company Matching Contributions; 401(k) Contributions; then Catch-Up Contributions. If the Participant was not eligible to participate in the NQ Plan on the last day of the Plan Year in which the excess Annual Addition occurred, the Annual Additions to this Plan shall be reduced in the following order: unmatched 401(k) Contributions; unmatched Catch-Up Contributions; matched 401(k) Contributions and the corresponding Company Matching Contributions; matched Catch-Up Contributions and the corresponding Company Matching Contributions; then Company Discretionary Contributions.

(iv) **Disposition of Excess Annual Additions.** The Plan shall pay any reduction in 401(k) Contributions (adjusted to reflect the net increase or decrease in the net value of the Trust Fund attributable to the contributions) to the Participant as soon as administratively practicable, subject to any withholding. Any reduction of Company Contributions shall be placed in a suspense account in the Trust Fund and used to reduce future Company Contributions to the Plan. The following rules shall apply to such suspense account: (A) no further Company Contributions may be made if the allocation thereof would be precluded by Code §415; (B) any increase or decrease in the net value of the Trust Fund attributable to the suspense account shall not be allocated to the suspense account, but shall be allocated to the Accounts; and (C) all amounts held in the suspense account shall be allocated as of each succeeding allocation date on
which forfeitures may be allocated pursuant to subsection 5.4(d) (and may be allocated more frequently if the Committee so directs), until the suspense account is exhausted.

3.5 Contribution Limits for Highly Compensated Employees (ADP Test).

(a) **Limits on Contributions.** Notwithstanding any provision in this Plan to the contrary, the actual deferral percentage (“ADP”) test of Code §401(k)(3) shall be satisfied. Code §401(k) and the regulations issued thereunder are hereby incorporated by reference to the extent permitted by such regulations. In performing the ADP test for a Plan Year, the Plan will use that Plan Year’s data for the Non-Highly Compensated Employees.

(b) **Permissible Variations of the ADP Test.** To the extent permitted by the regulations under Code §401(m) and §401(k), 401(k) Contributions, QMACs, and QNECs may be used to satisfy the ACP test of section 3.6 if they are not used to satisfy the ADP test. The Committee may elect to exclude from the ADP test those Non-Highly Compensated Employees who, at the end of the Plan Year, had not attained age 21 and/or whose Period of Service was less than one year.

(c) **Advanced Limitation on 401(k) Contributions or Company Matching Contributions.** The Committee may limit the 401(k) Contributions of any Highly Compensated Employee (or any Employee expected to be a Highly Compensated Employee) at any time during the Plan Year, with the result that his share of Company Matching Contributions may be limited. This limitation may be made, if practicable, whenever the Committee believes that the limits of this section or sections 3.4 or 3.6 will not be satisfied for the Plan Year.

(d) **Corrections to Satisfy Test.** If the ADP test is not satisfied for the Plan Year, the Committee shall decide which one or more of the following methods shall be employed to satisfy the ADP test. All corrections shall be accomplished if possible before March 15 of the following Plan Year, and in no event later than 12 months after the close of the Plan Year.

   (i) The Committee may recommend to the Company and the Company may make QNECs and/or QMACs to the Plan, pursuant to subsections 3.7(c) and 3.8(c).

   (ii) The Committee may recommend to the Company and the Company may designate any Company Discretionary Contribution allocated to Non-Highly Compensated Employees as QNECs, pursuant to subsection 3.7(b).

   (iii) The Committee may recommend to the Company and the Company may designate any Company Matching Contributions allocated to Non-Highly Compensated Employees as QMACs, pursuant to section 3.8(b).

   (iv) 401(k) Contributions of Highly Compensated Employees may be recharacterized as Catch-Up Contributions or returned to the Highly Compensated Employee, without the consent of either the Highly Compensated Employee or his Spouse, subject to the rules of subsection (f).

(e) **Order of Correction.** The method described in subsection (c) shall be employed first, during the Plan Year. If that method is not used during the Plan Year, or if the net effect of such method was insufficient for the ADP test to be satisfied, the Company has the discretion to use any one or more of the methods described in paragraphs (d)(i), (d)(ii), and (d)(iii). If the Company does not choose to make the corrections described in paragraphs (d)(i), (d)(ii), and (d)(iii), or if such corrections are insufficient to satisfy the ADP test, then the correction method described in paragraph (d)(iv) shall be used.

(f) **Calculating the Amounts Returned or Recharacterized.** If the ADP test is not satisfied, and 401(k) Contributions are returned or recharacterized pursuant to paragraph (d)(iv) above, the Committee shall determine the amount to be returned or recharacterized and shall then allocate that amount among the Highly Compensated Employees pursuant to Treasury Regulations. The correction for each Highly Compensated Employee shall occur in the following order, to the extent necessary: 401(k) Contributions shall be recharacterized as Catch-Up Contributions to the extent possible, then unmatched 401(k) Contributions shall be returned to the Participant, then matched 401(k) Contributions shall be returned to the Participant and the corresponding Company Matching Contribution shall be forfeited (unless the ACP test was performed before the ADP test, and the
Company Matching Contribution has already been returned to the Participant pursuant to paragraph 3.6(c)(v)). The amount actually recharacterized or returned to each Highly Compensated Employee shall be adjusted to reflect as nearly as possible the actual increase or decrease in the net value of the Trust Fund attributable to the correction through the business day immediately preceding the date as of which the correction is processed.

3.6 Contribution Limits for Highly Compensated Employees (ACP Test).

(a) Limits on Contributions. Notwithstanding any provision in this Plan to the contrary, the actual contribution percentage (“ACP”) test of Code §401(m)(2) shall be satisfied. Code §401(m) and the regulations issued thereunder are hereby incorporated by reference to the extent permitted by such regulations. In performing the ACP test for a Plan Year, the Plan will use that Plan Year’s data for the Non-Highly Compensated Employees.

(b) Permissible Variations of the ACP Test. To the extent permitted by the regulations under Code §401(m) and §401(k), 401(k) Contributions, QMACs, and QNECs may be used to satisfy this test if not used to satisfy the ADP test of section 3.5. The Committee may elect to exclude from the ACP test those Non-Highly Compensated Employees who, at the end of the Plan Year, had not attained age 21 and/or whose Period of Service was for less than one year.

(c) Corrections to Satisfy Test. If the ACP test is not satisfied, the Committee shall decide which one or more of the following methods shall be employed to satisfy the ACP test. All corrections shall be accomplished if possible before March 15 of the following Plan Year, and in no event later than 12 months after the close of the Plan Year.

(i) The Committee may recommend to the Company and the Company may make QNECs or QMACs to the Plan, pursuant to subsections 3.7(c) and 3.8(c).

(ii) The Committee may recommend to the Company and the Company may designate any portion of its Company Discretionary Contributions as QNECs, pursuant to subsection 3.7(b).

(iii) The Committee may recommend to the Company and the Company may designate any portion of its Company Matching Contributions as QMACs, pursuant to subsection 3.8(b).

(iv) The Committee may recommend to the Company and the Company may make extra Company Matching Contributions to the Plan, pursuant to paragraph 3.1(b)(ii).

(v) The non-vested Company Matching Contributions allocated to Highly Compensated Employees as of any date during the Plan Year may be forfeited as of the last day of the Plan Year, and the vested Company Matching Contributions allocated to any Highly Compensated Employee for the Plan Year may be paid to such Highly Compensated Employee, without the consent of either the Highly Compensated Employee or his Spouse, subject to the rules of subsection (e).

(vi) Those 401(k) Contributions that are taken into account for this ACP test for any Highly Compensated Employee may be returned to such Highly Compensated Employee, without the consent of either the Highly Compensated Employee or his Spouse, subject to the rules of subsection (e).

(d) Order of Correction. The method described in subsection 3.5(c) shall be employed first, during the Plan Year. If that method is not used during the Plan Year, or if the net effect of such method was insufficient for the ACP test to be satisfied, the Company has the discretion to use any one or more of the methods described in paragraphs (c)(i), (c)(ii), (c)(iii) and (c)(iv). If the Company does not choose to make the corrections described in paragraphs (c)(i), (c)(ii), (c)(iii), and (c)(iv) or if such corrections are insufficient to satisfy the ACP test, then the correction methods described in paragraphs (c)(v) and (c)(vi) shall be used, as described in subsection (e).

(e) Calculating the Corrective Reduction. If the correction methods described in paragraphs (c)(v) and (c)(vi) are to be used, the Committee shall determine the amount of the correction and then allocate that amount among the Highly Compensated Employees pursuant to Treasury Regulations. The correction under paragraph (c)(v) shall be accomplished by returning all of that Plan Year’s vested Company Matching Contributions to the Highly Compensated Employee before any unvested Company Matching Contributions are forfeited. The correction under paragraph (c)(vi) shall be
accomplished in the following order, to the extent necessary: 401(k) Contributions shall be recharacterized as Catch-Up Contributions to the extent possible, then unmatched 401(k) Contributions shall be returned to the Participant, then matched 401(k) Contributions shall be returned to the Participant and the corresponding Company Matching Contribution shall be returned to the Participant if vested and forfeited if not vested. If the corrections under paragraphs (c)(v) and (c)(vi) are done in tandem, the correction shall be accomplished in the following order, to the extent necessary: 401(k) Contributions shall be recharacterized as Catch-Up Contributions to the extent possible, then unmatched 401(k) Contributions shall be returned to the Participant, then matched 401(k) Contributions shall be returned to the Participant and the corresponding unvested Company Matching Contribution shall be forfeited. The amount of the correction shall be adjusted to reflect as nearly as possible the actual increase or decrease in the net value of the Trust Fund attributable to the correction through the business day immediately preceding the date as of which the correction is processed.

3.7 QNECs.
(a) **Time of Payment.** QNECs shall be paid to the Plan no later than 12 months after the close of the Plan Year to which they relate.

(b) **Source.** The Company may designate as a QNEC all or any portion of the Company Discretionary Contribution that is allocated to Non-Highly Compensated Employees. The designation of Company Contributions as QNECs shall be made before such contributions are made to the Trust Fund. If the Company inadvertently designates any Highly Compensated Employee’s allocation as a QNEC, the designation shall be ineffective.

(c) **Allocation.** The Company may make a contribution to the Plan, in addition to the Company Discretionary Contribution, that the Company designates as a QNEC. This subsection applies to such contributions. As of the last day of each Plan Year, the Committee shall allocate such QNECs for such Plan Year (including such forfeitures occurring during such Plan Year that are treated as QNECs pursuant to subsection 5.4 (d)) to the Participant Contributions Accounts of those Non-Highly Compensated Employees who were Covered Employees on the last day of the Plan Year, as follows:

(i) QNECs shall be allocated to the Participant Contributions Account of the Non-Highly Compensated Employee with the least Compensation, until either the QNECs are exhausted or the Non-Highly Compensated Employee has received the maximum QNEC allocation that can be taken into account in the ADP test or the ACP test, whichever is applicable.

(ii) Any remaining QNECs shall be allocated to the Participant Contributions Account of the Non-Highly Compensated Employee with the next lowest Compensation, until either the QNECs are exhausted or the Non-Highly Compensated Employee has received the maximum QNEC allocation that can be taken into account in the ADP test or the ACP test, whichever is applicable.

(iii) The procedure in paragraph (ii) shall be repeated until all QNECs have been allocated.

(d) **Coordination with Top-Heavy Rules.** All QNECs shall be treated in the same manner as a Company Discretionary Contribution for purposes of section 12.4.

3.8 QMACs.
(a) **Time of Payment.** QMACs shall be paid to the Plan no later than 12 months after the close of the Plan Year to which they relate.

(b) **Source.** The Company may designate as a QMAC all or any portion of the Company Matching Contributions that is allocated to Non-Highly Compensated Employees. The designation of Company Contributions as QMACs shall be made before such contributions are made to the Trust Fund. If the Company inadvertently designates any Highly Compensated Employee’s allocation as a QMAC, the designation shall be ineffective.

(c) **Allocation.** The Company may make a contribution to the Plan, in addition to the Company Matching Contribution, that the Company designates as a QMAC. This subsection applies to such contributions. As of the last day of each Plan Year, the Committee shall allocate such QMACs for such Plan Year
(including such forfeitures occurring during such Plan Year that are treated as QMACs pursuant to subsection 5.4(d)) to the Participant Contributions Accounts of those Non-Highly Compensated Employees who were Covered Employees on the last day of the Plan Year and who made Participant Contributions for the Plan Year, as follows:

(i) QMACs shall be allocated to the Participant Contributions Account of the Non-Highly Compensated Employee with the least Compensation, until either the QMACs are exhausted or the Non-Highly Compensated Employee has received the maximum QMAC allocation that can be taken into account in the ADP test or the ACP test, whichever is applicable.

(ii) Any remaining QMACs shall be allocated to the Participant Contributions Account of the Non-Highly Compensated Employee with the next lowest Compensation, until either the QMACs are exhausted or the Non-Highly Compensated Employee has received the maximum QMAC allocation that can be taken into account in the ADP test or the ACP test, whichever is applicable.

(iii) The procedure in paragraph (ii) shall be repeated until all QMACs have been allocated.

(d) **Coordination with Top-Heavy Rules.** All QMACs shall be treated in the same manner as a Company Discretionary Contribution for purposes of section 12.4.

### ARTICLE IV
**Interests in the Trust Fund**

#### 4.1 Participants’ Accounts

The Committee shall establish and maintain separate Accounts in the name of each Participant, but the maintenance of such Accounts shall not require any segregation of assets of the Trust Fund. Each Account shall contain the contributions specified below and the increase or decrease in the net worth of the Trust Fund attributable to such contributions.

(a) **Participant Contributions Account.** A Participant Contributions Account shall be established for each Participant who makes Participant Contributions or who receives an allocation of QNECs or QMACs. The Committee may elect to establish subaccounts for the different types of contributions allocated to this Account.

(b) **Company Contributions Account.** A Company Contributions Account shall be established for each Participant who receives an allocation of Company Discretionary Contributions that are not designated as QNECs or an allocation of Company Matching Contributions that are not designated as QMACs. The Committee may elect to establish subaccounts for the different types of contributions allocated to this Account.

(c) **Rollover Account.** A Rollover Account shall be established for each Participant who makes a Rollover Contribution.

#### 4.2 Valuation of Trust Fund

(a) **General.** The Trustee shall value the assets of the Trust Fund at least annually as of the last day of the Plan Year, and as of any other dates determined by the Committee, at their current fair market value and determine the net worth of the Trust Fund. In addition, the Committee may direct the Trustee to have a special valuation of the assets of the Trust Fund when the Committee determines, in its sole discretion, that such valuation is necessary or appropriate or in the event of unusual market fluctuations of such assets. Such special valuation shall not include any contributions made by Participants since the preceding Valuation Date, any Company Contributions for the current Plan Year, or any unallocated forfeitures. The Trustee shall allocate the expenses of the Trust Fund occurring since the preceding Valuation Date, pursuant to section 9.2, and then determine the increase or decrease in the net worth of the Trust Fund that has occurred since the preceding Valuation Date. The Trustee shall determine the share of the increase of decrease that is attributable to the non-separately accounted for portion of the Trust Fund and to any amount separately accounted for, as described in subsections (b) and (c).
(b) **Mandatory Separate Accounting.** The Trustee shall separately account for (i) any individually directed investments permitted under section 9.3, and (ii) amounts subject to a Domestic Relations Order.

(c) **Permissible Separate Accounting.** The Trustee may separately account for the following amounts to provide a more equitable allocation of any increase or decrease in the net worth of the Trust Fund:

- (i) the distributable amount of a Participant, pursuant to section 6.7, including any amount distributable to an Alternate Payee or to a beneficiary of a deceased Participant; and
- (ii) Company Matching Contributions made since the preceding Valuation Date;
- (iii) Participant Contributions that were received by the Trustee since the preceding Valuation Date;
- (iv) Company Matching Contributions and 401(k) Contributions of Highly Compensated Employees that may need to be distributed or forfeited to satisfy the ADP and ACP tests of sections 3.5 or 3.6;
- (v) Rollovers that were received by the Trustee since the preceding Valuation Date;
- (vi) Any other amounts for which separate accounting will provide a more equitable allocation of the increase or decrease in the net worth of the Trust Fund.

### 4.3 Allocation of Increase or Decrease in Net Worth

The Committee shall, as of each Valuation Date, allocate the increase or decrease in the net worth of the Trust Fund that has occurred since the preceding Valuation Date between the non-separately accounted for portion of the Trust Fund and the amounts separately accounted for that are identified in subsections 4.2(b) and 4.2(c). The increase or decrease attributable to the non-separately accounted for portion of the Trust Fund shall be allocated among the appropriate Accounts in the ratio that the dollar value of each such Account bore to the aggregate dollar value of all such Accounts on the preceding Valuation Date after all allocations and credits made as of such date had been completed. The Committee shall then allocate any amounts separately accounted for (including the increase or decrease in the net worth of the Trust Fund attributable to such amounts) to the appropriate Account(s) if such separate accounting is no longer necessary.

### ARTICLE V

**Amount of Benefits**

#### 5.1 Vesting Schedule

A Participant shall have a fully vested and nonforfeitable interest in all his Account(s) upon his Normal Retirement Age if he is an Employee on such date, upon his death while an Employee or while on an approved leave of absence from the Company or an Affiliated Entity, or upon his termination of employment with the Company or an Affiliated Entity because of a Disability. In all other instances a Participant’s vested interest shall be calculated according to the following rules.

- (a) **Participant Contributions Account and Rollover Account.** A Participant shall be fully vested at all times in his Participant Contributions Account and his Rollover Account.

- (b) **Company Contributions Account.** A Participant shall become fully vested in his Company Contributions Account in accordance with the following schedule:

<table>
<thead>
<tr>
<th>Period of Service</th>
<th>Vesting Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 1 year</td>
<td>0%</td>
</tr>
<tr>
<td>At least 1 year, but less than 2 years</td>
<td>20%</td>
</tr>
<tr>
<td>At least 2 years, but less than 3 years</td>
<td>40%</td>
</tr>
<tr>
<td>At least 3 years, but less than 4 years</td>
<td>60%</td>
</tr>
<tr>
<td>At least 4 years, but less than 5 years</td>
<td>80%</td>
</tr>
<tr>
<td>5 or more years</td>
<td>100%</td>
</tr>
</tbody>
</table>

- (c) **Change of Control.** The Company Contributions Accounts of all Participants shall be fully vested as of the effective date of a “change in control.” For purposes of this subsection, a “change of control” shall mean the event occurring when a person, partnership, or corporation, together with all persons,
partnerships, or corporations acting in concert with each person, partnership, or corporation, or any or all of them, acquires more than 20% of Apache’s outstanding voting securities; provided that a change of control shall not occur if such persons, partnerships, or corporations acquiring more than 20% of Apache’s voting securities is solicited to do so by Apache’s board of directors, upon its own initiative, and such persons, partnerships, or corporations have not previously proposed to acquire more than 20% of Apache’s voting securities in an unsolicited offer made either to Apache’s board of directors or directly to the stockholders of Apache.

(d) **Plan Termination.** A Company Contributions Account shall be fully vested as described in section 10.1, which discusses the full or partial termination of the Plan or the complete discontinuance of contributions.

5.2 **Vesting After a Lapse in Apache Employment.**

(a) **Separate Accounts.** If a Participant is rehired before incurring a one-year Lapse in Apache Employment, he shall have only one Company Contributions Account, and its vested percentage shall be determined under section 5.1. If a Participant is rehired after incurring a one-year Lapse in Apache Employment, he shall have two Company Contribution Accounts, an “old” Company Contributions Account for the contributions from his earlier episode of employment, and a “new” Company Contributions Account for his later episode of employment. If both the old and new Company Contributions Accounts are fully vested, they shall be combined into a single Company Contributions Account.

(b) **Vesting of New Account.** This subsection is effective January 1, 2006. The vested percentage of the new Company Contributions Account shall be determined based on all the Participant’s Periods of Service.

(c) **Vesting of Old Account.** If the Participant’s Lapse in Apache Employment was for five years or longer, the vested percentage of the old Company Contributions Account shall be based solely on the Participant’s Period of Service from his first episode of employment. If the Participant’s Lapse in Apache Employment was for less than five years, the vested percentage of the old Company Contributions Account shall be determined by aggregating his Periods of Service from both episodes of employment.

5.3 **Calculating Service.**

(a) **Period of Service.**

(i) **General.** A Participant’s Period of Service prior to January 1, 2005 shall be determined according to the provisions of the Plan in effect when the service was rendered. A Participant’s Period of Service begins on the date he first begins to perform duties as an Employee for which he is entitled to payment, and ends on his Termination From Service Date. In addition, a Participant’s Period of Service also includes the period between his Termination From Service Date and the day he again begins to perform duties for the Company or an Affiliated Entity for which he is entitled to payment, but only if such period is less than one year in duration.

(ii) **Additional Rules.** The service-crediting provisions in this paragraph are more generous than required by the Code.

(A) **Leased Employees.** For vesting purposes only, the Plan shall treat an individual as an Employee if he satisfies all the requirements specified in Code §414(n)(2) for being a leased employee of Apache’s or an Affiliated Entity’s, except for the requirement of having performed such services for at least one year.

(B) **Approved Leave.** If the Employee is absent from the Company or Affiliated Entity for more than one year because of an approved leave of absence (either with or without pay) for any reason (including, but not limited to, jury duty) and the Employee returns to work at or prior to the expiration of his leave of absence, no Termination From Service Date will occur during the leave of absence.

(C) **Servicemen.** See Article XV for special provisions that apply to Servicemen.
Corporate Transactions. See Appendix C for instances in which a new Employee’s Period of Service includes his prior employment with another company.

Contractors. If an “eligible contractor” becomes an Employee, his Period of Service shall include his previous continuous service as an eligible contractor, excluding any service provided before 2003. An “eligible contractor” is an individual who (A) performed services for Apache or an Affiliated Entity on a substantially full-time basis in the capacity of an independent contractor (for federal income tax purposes); (B) became an Employee within a month of ceasing to be an independent contractor working full-time for Apache or an Affiliated Entity; and (C) notified the Plan of his prior service as an independent contractor within two months of becoming an Employee (or, if later, by February 28, 2006 or other deadline established by the Committee).

(b) Termination From Service Date.

(i) **Usual Rule.** If the Employee quits, is discharged, retires, or dies, his Termination From Service Date occurs on the last day the Employee performs services for the Company or an Affiliated Entity, except for an Employee who incurs a Disability, in which case his Termination From Service Date does not occur, even if he quits, until the earlier of the one-year anniversary of the date his Disability or the date he recovers from his Disability.

(ii) **Other Absences.** If an Employee is absent from the Company and Affiliated Entities for any reason other than a quit, discharge, or retirement, his “Termination From Service Date” is the earlier of (A) the date he quits, is discharged, retires, or dies, or (B) one year from the date the Employee is absent from the Company or Affiliated Entity for any other reason (such as vacation, holiday, sickness, disability, leave of absence, or temporary lay-off), with the following exception. If the Employee is absent from the Company or Affiliated Entity because of parental leave (which includes only the pregnancy of the Employee, the birth of the Employee’s child, the placement of a child with the Employee in connection with adoption of such child by the Employee, or the caring for such child immediately following birth or placement) on the first anniversary of the day the Employee was first absent, his Termination From Service Date does not occur until the second anniversary of the day he was first absent (and the period between the first and second anniversaries of the day he was first absent shall not be counted in his Period of Service).

(c) **Lapse in Apache Employment.** A Lapse in Apache Employment means the period commencing on an individual’s Termination from Service Date and ending on the date he again begins to perform services as an Employee.

5.4 Forfeitures.

(a) **Exceptions to the Vesting Rules.** The following rules supersede the vesting rules of section 5.1.

(i) **Excess Annual Additions.** Annual Additions to a Participant’s Accounts and any increase or decrease in the net worth of the Participant’s Accounts attributable to such Annual Additions may be reduced to satisfy the limits described in section 3.4. Any reduction shall be used as specified in section 3.4.

(ii) **Excess Participant Contribution.** Company Matching Contributions and any increase or decrease in the net worth of the Account(s) attributable to such contributions may be forfeited as of the last day of the Plan Year if the Participant Contribution that they matched was returned under paragraph 3.2(a)(ii) or 3.2(b)(ii) or subsection 3.5(d) or 3.6(c). Any such forfeiture shall be used as specified in subsection (d).

(iii) **Missing Individuals.** A missing individual’s vested Accounts may be forfeited as of the last day of any Plan Year, as provided in section 13.12. Any such forfeiture shall be used as specified in subsection (d).

(iv) **Excess Match.** Company Matching Contributions that would violate Code §401(a)(17), and any increase or decrease in the net worth of the Account(s) attributable to such contributions, may
be forfeited as specified in subsection 3.1(b). Any such reduction shall be used as specified in subsection 3.1(b).

(b) **Regular Forfeitures.** A Participant’s non-vested interest in his Company Contributions Account shall be forfeited at the end of the Plan Year in which he terminates employment. Any such forfeiture shall be used as specified in subsection (d).

(c) **Restoration of Forfeitures.**

(i) **Missing Individuals.** The forfeiture of a missing individual’s Account(s), as described in section 13.12, shall be restored to such individual if the individual makes a claim for such amount.

(ii) **Regular Forfeitures.**

(A) **Rehire Within 5 Years.** If a Participant is rehired before incurring a five-year Lapse in Apache Employment, and the Participant has received a distribution of his entire vested interest in his Company Contributions Account (with the result that the Participant forfeited his non-vested interest in such Account), then the exact amount of the forfeiture shall be restored to the Participant’s Account. All the rights, benefits, and features available to the Participant when the forfeiture occurred shall be available with respect to the restored forfeiture. If such a Participant again terminates employment prior to becoming fully vested in his Company Contributions Account, the vested portion of his Company Contributions Account shall be determined by applying the vested percentage determined under section 5.1 to the sum of (x) and (y), then subtracting (y) from such sum, where: (x) is the value of the Participant’s Company Contributions Account as of the Valuation Date immediately following his most recent termination of employment; and (y) is the amount previously distributed to the Participant on account of the prior termination of employment.

(B) **Rehire After 5 Years.** If a Participant is rehired after incurring a five-year Lapse in Apache Employment, then no amount forfeited from his Company Contributions Account shall be restored to that Account.

(iii) **Method of Forfeiture Restoration.** Forfeitures that are restored shall be accomplished by an allocation of the forfeitures under subsection (d) or by a special Company Contribution pursuant to paragraph 3.1(c)(i).

(d) **Use of Forfeitures.** The Committee shall decide how forfeitures are used. Forfeitures may be used (i) to restore Accounts as described in subsection (c), (ii) to pay those expenses of the Plan that are properly payable from the Trust Fund and that are not paid by the Company or Account Owners or charged to Accounts, or (iii) as any Company Contribution.

5.5 **Transfers — Portability.**

If any other employer adopts this or a similar profit sharing plan and enters into a reciprocal agreement with the Company that provides that (a) the transfer of a Participant from such employer to the Company (or vice versa) shall not be deemed a termination of employment for purposes of the plans, and (b) service with either or both employers shall be credited for purposes of vesting under both plans, then the transferred Participant’s Account shall be unaffected by the transfer, except, if deemed advisable by the Committee, it may be transferred to the trustee of the other plan.

**ARTICLE VI**

**Distribution of Benefits**

6.1 **Beneficiaries.**

(a) **Designating Beneficiaries.** Each Account Owner shall file with the Committee a designation of the beneficiaries and contingent beneficiaries to whom the distributable amount (determined pursuant to section 6.2) shall be paid in the event of the Account Owner’s death. In the absence of an effective beneficiary designation as to any portion of the distributable amount after a Participant dies, such amount shall be paid to the Participant’s surviving Spouse, or, if none, to his estate. In the absence of
an effective beneficiary designation as to any portion of the distributable amount after any non-Participant Account Owner dies, such amount shall be paid to the Account Owner’s estate. The Account Owner may change a beneficiary designation at any time and without the consent of any previously designated beneficiary.

(b) **Special Rule for Married Participants.** If the Account Owner is a married Participant, his Spouse shall be the sole beneficiary unless the Spouse has consented to the designation of a different beneficiary. To be effective, the Spouse’s consent must be in writing, witnessed by a notary public, and filed with the Committee. Any spousal consent shall be effective only as to the Spouse who signed the consent.

(c) **Special Rule for Divorces.** If an Account Owner has designated his spouse as a primary or contingent beneficiary, and the Account Owner and spouse later divorce (or their marriage is annulled), then the former spouse will be treated as having pre-deceased the Account Owner for purposes of interpreting a beneficiary designation form completed prior to the divorce or annulment. This subsection will apply only if the Committee is informed of the divorce or annulment before payment to the former spouse is authorized.

(d) **Disclaimers.** Any individual or legal entity who is a beneficiary may disclaim all or any portion of his interest in the Plan, provided that the disclaimer satisfies the requirements of Code §2518(b) and applicable state law. The legal guardian of a minor or legally incompetent person may disclaim for such person. The personal representative (or the individual or legal entity acting in the capacity of the personal representative according to applicable state law) may disclaim on behalf of a beneficiary who has died. The amount disclaimed shall be distributed as if the disclaimant had predeceased the individual whose death caused the disclaimant to become a beneficiary.

6.2 **Consent.**

(a) **General.** Except for distributions identified in subsection (b), distributions may be made only after the appropriate consent has been obtained under this subsection. Distributions to a Participant or to a beneficiary (other than a beneficiary of a deceased Alternate Payee) shall be made only with the Participant’s or beneficiary’s consent to the time of distribution. Distributions to an Alternate Payee or his beneficiary shall be made as specified in the QDRO and in accordance with section 13.9. To be effective, the consent must be filed with the Committee according to the procedures adopted by the Committee, within 180 days before the distribution is to commence. A consent once given shall be irrevocable after the distribution has been processed.

(b) **Exceptions to General Rule.** Consent is not required for the following distributions:

- (i) Corrective distributions under Article III that are returned to the Participant because the contribution is not deductible by the Company or because the contribution would exceed the limits of Code §401(a)(17), §415(c)(1), §402(g), §401(k)(3), §401(m)(2), §401(m)(9), §414(v)(2)(B)(i), or any other limitation of the Code;
- (ii) Distributions required to comply with Code §401(a)(9);
- (iii) Cashouts of small Accounts, as described in subsection 6.6(d) or paragraphs 6.6(e)(i) or 13.9(f)(i);
- (iv) Distributions required to comply with Code §401(a)(14);
- (v) Distributions of invalid rollovers pursuant to subsection 3.2(d);
- (vi) Distributions upon Plan termination pursuant to section 10.3; and
- (vii) Distributions that must occur by a deadline specified in the Plan.

6.3 **Distributable Amount.**

The distributable amount of an Account Owner’s Account(s) is the vested portion of the Account(s) (as determined by Article V) as of the Valuation Date coincident with or next preceding the date distribution is made, reduced by (a) any amount that is payable to an Alternate Payee pursuant to section 13.9, (b) any amount withdrawn since such Valuation Date, and (c) the outstanding balance of any loan under Article VII. Furthermore, the Committee shall temporarily suspend or limit distributions (by reducing the distributable amount) as necessary to comply with any of the following:

- (i) a
- (ii) b
- (iii) c
- (iv) d
- (v) e
- (vi) f
- (vii) g

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amount), as explained in subsection 13.9, when the Committee is informed that a Domestic Relations Order affecting the Participant’s Accounts is or may be in the process of becoming QDRO, while the Committee has suspended withdrawals because it believes that the Plan may have a cause of action against the Participant, or when the Plan has notice of a lien or other claim against the Participant.

6.4 Manner of Distribution.

(a) **General**. The distributable amount shall be paid in a single payment, except as otherwise provided in the remainder of this section. Distributions shall be in the form of cash except to the extent that an Account is invested in a fund containing primarily Company Stock, the distributee may elect to receive a distribution of whole shares of Company Stock. Fractional shares of Company Stock shall be converted to and paid in cash.

(b) **Partial Withdrawals and Installments**. Withdrawals are available to Employees as specified in section 6.5 and to those Employees over 70 1/2 who are Five-Percent Owners, as described in paragraph 6.6(c)(ii). Annual installments are available to beneficiaries as described in subsection 6.6(e).

(c) **Grandfather Rules**. Installments were a distribution option under the Plan until June 30, 2001. Any Account Owner who could receive a distribution before July 1, 2001 and who elected before July 1, 2001 to receive the distribution in the form of installments shall receive the benefit so elected. An Account Owner who elected installments may elect to accelerate any or all remaining installment payments.

6.5 In-Service Withdrawals.

An Employee may withdraw amounts from his Accounts only as provided in this section. An Employee may make withdrawals as follows.

(a) **Withdrawals for Employees Age 59 1/2 or Older**. An Employee who has attained age 59 1/2 may at any time thereafter withdraw any portion of his Participant Contributions Account and any vested portion of his Company Contributions Account. The minimum withdrawal is $1,000 or the vested Account balance, whichever is less. Only two withdrawals are permitted during each Plan Year under this subsection. If the Employee is not fully vested in his Company Contributions Account at the time of a withdrawal under this subsection, the rules of subparagraph 5.4(c)(ii)(A) shall be applied when determining the vested portion of the Company Contributions Account at any time thereafter.

(b) **Rollover Account**. An Employee may withdraw all or any portion of his Rollover Account at any time. The minimum withdrawal is $1,000 or the Rollover Account balance, whichever is less. Only two withdrawals from the Rollover Account are permitted during each Plan Year.

(c) **Participant Contributions Account**. An Employee may withdraw all or any portion of his Participant Contributions, provided that the Employee has an immediate and heavy financial need, as defined in paragraph (i), the withdrawal is needed to satisfy the financial need, as explained in paragraph (ii), and the amount of the withdrawal does not exceed the limits in paragraph (iii).

(i) **Financial Need**. The following expenses constitute an immediate and heavy financial need: (A) expenses for or necessary to obtain medical care that would be deductible by the Employee under Code §213(d) (determined without regard to whether the expenses exceed 7.5% of adjusted gross income) or that apply to the Employee’s primary beneficiary (as determined pursuant to section 6.1); (B) costs directly related to the purchase of a principal residence of the Employee (excluding mortgage payments); (C) payment of tuition, related educational fees, and room and board expenses for up to the next 12 months of post-secondary education of the Employee, the Employee’s Spouse, the Employee’s children, the Employee’s dependents (within the meaning of Code §152, without regard to Code §152(b)(1), §152(b)(2), and §152(d)(1)(B)), or the Employee’s primary beneficiary (as determined pursuant to section 6.1); (D) payments necessary to prevent the Employee from being evicted from his or her principal residence; (E) payments necessary to prevent the mortgage on the Employee’s principal residence from being foreclosed; (F) payment of burial or funeral expenses for the Employee’s deceased parent, Spouse, child, other dependent (within the meaning of Code §152, without regard to Code §152(b)(1), §152(b)(2), and §152(d)(1)(B)), or primary beneficiary (as determined pursuant to section 6.1); (G) expenses for the repair of damage to the Employee’s...
principal residence that would qualify for the casualty deduction under Code §165 (determined without regard to whether the loss exceeds 10% of adjusted gross income); and (H) any other expense that, under IRS guidance of general applicability, is deemed to be on account of an immediate and heavy financial need. In addition, the Committee may determine, based on a review of all relevant facts and circumstances, that a particular expense or series of expenses of the Employee constitutes an immediate and heavy financial need.

(ii) **Satisfaction of Need.** The withdrawal is deemed to be needed to satisfy the Employee’s financial need if (A) the Employee has obtained all withdrawals and all non-taxable loans available from the Company’s and any Affiliated Entities’ plans of deferred compensation, qualified plans, stock options, stock purchase plans, and similar plans, and (B) for a period of at least 6 months from the date the Employee receives the withdrawal, he ceases to make Participant Contributions and elective contributions to all plans of deferred compensation, qualified plans, stock options, stock purchase plans, and similar plans maintained by the Company or any Affiliated Entity.

(iii) **Maximum Withdrawal.** An Employee may not withdraw more than the sum of the amount needed to satisfy his financial need and any taxes and penalties reasonably anticipated to result from the withdrawal. An Employee may not withdraw any amount in excess of his Participant Contributions unless he has attained age 59 \(\frac{1}{2}\).

(d) **Compliance with Code §401(a)(9).** See paragraph 6.6(b)(ii) for the required distributions to a Five-Percent Owner who is age 70 \(\frac{1}{2}\) or older.

(e) **Form of Payment of Withdrawal.** Withdrawals under subsection (c) shall be in cash. Withdrawals under subsections (a) and (b) shall be in cash, except that any portion of a Participant’s Accounts that is invested in Company Stock may, at the election of the Participant made at the time that notice of withdrawal is made to the Committee, be withdrawn in the form of whole shares of Company Stock.

(f) **Withdrawal Rules.** An Employee may not withdraw any amount under this section that has been borrowed or that is subject to a QDRO. The Committee shall temporarily suspend or limit withdrawals under this section, as explained in section 13.9, when the Committee is informed that a QDRO affecting the Employee’s Accounts is in process or may be in process. The Committee shall issue such rules as to the frequency of withdrawals, and withdrawal procedures, as it deems appropriate. The Committee may postpone the withdrawal until after the next Valuation Date. The Committee may have a special valuation of the Trust Fund performed before a withdrawal is permitted. The Plan may charge a fee for the withdrawal as well as a fee for having a special valuation performed, as determined by the Committee in its sole discretion.

6.6 **Time of Distribution.**

(a) **Earliest Date of Distribution.** Unless an earlier distribution is permitted by section 6.5 (relating to in-service withdrawals), the earliest date that a Participant may elect to receive a distribution is the date of his Termination of Employment or the date he incurs a Disability. This provision will always result in a distribution date that precedes the latest date of distribution specified in Code §401(a)(14). For purposes of Code §401(a)(14), if a Participant does not affirmatively elect a distribution, he shall be deemed to have elected to defer the distribution to a later date.

(b) **Latest Date of Distribution.**

(i) **Former Employees.** A Participant who is not an Employee shall receive a single payment of his distributable amount by his Required Beginning Date. If a Five-Percent Owner terminates employment after his Required Beginning Date, the Plan shall distribute the entire distributable amount to him as soon as administratively practicable after the termination of employment.

(ii) **Current Employees.** An Employee who is not a Five-Percent Owner is not required to receive any distributions under this subsection. An Employee who is a Five-Percent Owner shall receive annual distributions of at least the minimum amount required to be distributed pursuant to Code §401(a)(9), which shall be calculated by using only the Participant’s life expectancy, which shall be recalculated each year. A Five-Percent Owner may request that his first minimum required distribution be distributed in the calendar year preceding his Required
Beginning Date; the Committee shall comply with this request if administrating practicable to do so.

(c) **Small Amounts.**

(i) **$1000 or Less.** If the aggregate value of the nonforfeitable portion of a Participant’s Accounts is $1,000 or less on any date after his Termination of Employment, the Participant shall receive a single payment of the distributable amount as soon as practicable, provided that the aggregate value is $1,000 or less when the distribution is processed.

(ii) **$1000 to $5000.** If paragraph (i) does not apply and the aggregate value of the nonforfeitable portion of a Participant’s Accounts, ignoring his Rollover Account, is $5,000 or less on any date after his Termination of Employment, then as soon as practicable the Plan shall pay the distributable amount to an individual retirement account or annuity within the meaning of Code §408(a) or §408(b) (collectively, an “IRA”) for the Participant, unless the Participant affirmatively elects to receive the distribution directly or to have it paid in a direct rollover under section 6.7. The Committee shall select the trustee or custodian of the IRA as well as how the IRA shall be invested initially. The Plan shall notify the Participant (A) that the distribution has been made to an IRA and can be transferred to another IRA, (B) of the identity and contact information of the trustee or custodian of the IRA into which the distribution is made, and (C) of such other information as required to comply with Code §401(a)(31)(B)(i).

(iii) **Date Account Valued.** The Committee may elect to check the value of the Participant’s Accounts on an occasional (rather than a daily) basis, to determine whether to apply the provisions of this subsection.

(d) **Distribution Upon Participant’s Death.**

(i) **Small Accounts.** If the aggregate cash value of the nonforfeitable portion of a Participant’s Accounts is $5,000 or less at any time after the Participant’s death and before any beneficiary elects to receive a distribution under this subsection, then each beneficiary shall each receive a single payment of his share of the distributable amount as soon as administratively practicable, provided that the aggregate value is $5,000 or less when the distribution is processed. The Committee may elect to check the value of the Participant’s Accounts on an occasional (rather than a daily) basis, to determine whether to apply the provisions of this paragraph.

(ii) **Larger Accounts.** If paragraph (i) does not apply, then each beneficiary may elect to have his distributable amount distributed in a single payment or in annual installments at any time after the Participant’s death, within the following guidelines. No distribution shall be processed until the beneficiary’s identity as a beneficiary is established. The entire distributable amount shall be distributed by the last day of the calendar year containing the fifth anniversary of the Participant’s death. A beneficiary who has elected installment distributions may elect to accelerate any or all remaining payments. If the Participant was a Five-Percent Owner who began to receive the minimum required distributions under paragraph (b)(ii), the distribution to each beneficiary must be made at least as rapidly as required by the method used to calculate the minimum required distributions that was in effect when the Five-Percent Owner died.

(e) **Alternate Payee.** Distributions to an Alternate Payee shall be made in accordance with the provisions of the QDRO and pursuant to subsection 13.9.

6.7 **Direct Rollover Election.**

The amendments to this section have an effective date of January 1, 2007.

(a) **General Rule.** A Participant, an Alternate Payee who is the Spouse or former Spouse of the Participant, any individual who is treated as a designated beneficiary of the Participant pursuant to Code §401(a)(9)(E), or any trust to the extent that any beneficiary of the trust is treated as a designated beneficiary of the Participant pursuant to Code §401(a)(9)(E), (collectively, the “distributee”) may direct the Trustee to pay all or any portion of his “eligible rollover distribution” to an “eligible retirement plan” in a “direct rollover.” This direct rollover option is not available to other Account Owners. Within a reasonable period of time before an eligible rollover distribution, the Committee
shall inform the distributee of this direct rollover option, the appropriate withholding rules, other rollover options, the options regarding income taxation, and any other information required by Code § 402(f). The distributee may waive the usual 30-day waiting period before receiving a distribution, and elect to receive his distribution as soon as administratively practicable after completing and filing his distribution election.

(b) Definition of Eligible Rollover Distribution. An eligible rollover distribution is any distribution or in-service withdrawal other than (i) distributions required under Code § 401(a)(9), (ii) distributions of amounts that have already been subject to federal income tax (such as defaulted loans or after-tax voluntary contributions), other than a direct transfer to (A) another retirement plan that meets the requirements of Code § 401(a) or § 403(a), or (B) an individual retirement account or annuity described in Code § 408(a) or § 408(b), (iii) installment payments in a series of substantially equal payments made at least annually and (A) made over a specified period of ten or more years, (B) made for the life or life expectancy of the distributee, or (C) made for the joint life or joint life expectancy of the distributee and his designated beneficiary, (iv) a distribution to satisfy the limits of Code § 415 or § 402(g), (v) a deemed distribution of a defaulted loan from this Plan, to the extent provided in the regulations, (vi) a distribution to satisfy the ADP or ACP tests, (vii) any other actual or deemed distribution specified in IRS guidance of general applicability, or (viii) any hardship withdrawal by an Employee.

(c) Definition of Eligible Retirement Plan.

(i) Participants, Spouses, and Alternate Payees. For a Participant, an Alternate Payee who is the Spouse or former Spouse of the Participant, or a surviving Spouse of a deceased Participant, an eligible retirement plan is an individual retirement account or annuity described in Code § 408(a) or § 408(b), an annuity plan described in Code § 403(a), an annuity contract described in Code § 403(b), an eligible plan under Code § 457(b) that is maintained by an eligible employer described in Code § 457(e)(1)(A) (which generally includes state and local governments), or the qualified trust of a defined contribution plan described in Code § 401(a), that accepts eligible rollover distributions.

(ii) Other Distributees. For an individual who is treated as a designated beneficiary of the Participant pursuant to Code § 401(a)(9)(E), and for any trust to the extent that a beneficiary of the trust is treated as a designated beneficiary of the Participant pursuant to Code § 401(a)(9)(E), an eligible retirement plan is an individual retirement account or annuity described in Code § 408(a) or § 408(b) that is in existence or is established for the purposes of receiving the distribution on behalf of the beneficiary, and that, with respect to the beneficiary, is treated as an inherited individual retirement account or annuity within the meaning of Code § 408(d)(3)(C). The designated beneficiary has two choices for receiving distributions that are to be paid in a direct rollover to such inherited individual retirement account or annuity.

(A) The designated beneficiary may elect to receive a single payment or installments from the Plan, pursuant to paragraph 6.6(d)(ii), during the calendar year in which the Participant died or in the following calendar year (or by such later date allowed pursuant to IRS guidance of general applicability or a private letter ruling obtained by the designated beneficiary). Each annual installment from the Plan must satisfy the requirements of Code § 401(a)(9)(B)(iii) (which essentially means that each annual installment must be equal to at least the account balance standing to the credit of the deceased Plan Participant at the end of the previous year, divided by the designated beneficiary’s life expectancy). In this case, distributions from the inherited individual retirement account or annuity may be made over the life expectancy of the designated beneficiary.

(B) If the requirements of subparagraph (A) are not satisfied, the designated beneficiary must receive, pursuant to paragraph 6.6(d)(ii), a full distribution from the Plan by the end of the calendar year containing the fifth anniversary of the Participant’s death. In this case, distributions from the inherited individual retirement account or annuity must generally be completed by the end of the calendar year containing the fifth anniversary of the Participant’s death.
ARTICLE VII
Loans

The Committee is authorized, as one of the Plan fiduciaries responsible for investing Plan assets, to establish a loan program. The loan program shall become effective on the date determined by the Committee. The Committee shall administer the Plan’s loan program in accordance with the following rules.

7.1 Availability

Loans are available only to Employees, Participants who are parties-in-interest (within the meaning of ERISA §3(14)), and beneficiaries who are parties-in-interest (collectively referred to in this section as “Borrowers”). The Committee shall temporarily reduce the amount a Participant may borrow or temporarily prevent the Participant from borrowing when, as described in section 13.9, the Committee is informed that a QDRO affecting the Participant’s Accounts is in process or may be in process. Loans shall be temporarily unavailable to a prospective Borrower while the Committee has suspended loans because the Committee believes that the Plan may have a cause of action against the Participant, as explained in subsection 13.9 (h).

7.2 Number of Loans

A Borrower may have no more than one loan outstanding. The Committee may change the maximum number of outstanding loans allowed at any time.

7.3 Loan Amount

The Committee may establish a minimum loan amount of no more than $500. The Committee may require loans to be made in increments of no more than $100. The amount that a Borrower may borrow is subject to the following limits.

(a) A Borrower may not borrow more than the sum of the balance in his Participant Contributions Account and the balance in his Rollover Account.

(b) At the time the loan from this Plan is made, the aggregate outstanding balance of all the Borrower’s loans from all qualified plans maintained by the Company and Affiliated Entities, including the new loan from this Plan, shall not exceed 50% of the Borrower’s vested interest in all qualified plans maintained by the Company and Affiliated Entities.

(c) For purposes of this paragraph, the term “one-year maximum” means the largest aggregate outstanding balance, on any day in the one-year period ending on the day before the new loan from this Plan is obtained, of all loans to the Borrower from all qualified plans maintained by the Company and Affiliated Entities. For purposes of this paragraph, the term “existing loans” means the aggregate outstanding balance, on the day the new loan is made to the Borrower, of all loans to the Borrower from all qualified plans maintained by the Company and Affiliated Entities, excluding the new loan from this Plan. If the existing loans are greater than or equal to the one-year maximum, then the new loan from this Plan shall not exceed $50,000 minus the existing loans. If the existing loans are less than the one-year maximum, then the new loan from this Plan shall not exceed $50,000 minus the one-year maximum.

For purposes of applying the above limits, the vested portion of the Borrower’s accounts under this Plan and all other plans maintained by the Company and Affiliated Entities shall be determined without regard to any accumulated deductible employee contributions (as defined in Code §72(o) (5)(B)), and without regard to any amounts accrued while the Borrower was ineligible to obtain a loan (as described in subsection (a)). Notwithstanding the foregoing, the Committee may, in its sole discretion, establish lesser limits on the amounts that may be borrowed, which limits shall be applied in a non-discriminatory manner. The Committee shall temporarily reduce the amount a Participant may borrow or temporarily prevent the Participant from borrowing, as described in section 13.9, when the Committee is informed that a QDRO affecting the Participant’s Accounts is in process or may be in process. No loan shall be made of amounts that are required to be distributed prior to the end of the term of the loan.
ARTICLE VIII
Allocation of Responsibilities — Named Fiduciaries

7.4 Interest
Each loan shall bear a reasonable rate of interest, which shall remain fixed for the duration of the loan. The Committee or its agent shall determine the reasonable rate of interest on the date the loan documents are prepared. The Committee shall have the authority to establish procedures from time to time for determining the rate of interest. In the absence of Committee action, the interest rate shall be equal to the prime lending rate, plus 1%, as published in the Wall Street Journal on the first day that such newspaper is published during the calendar quarter in which the loan documents are prepared.

7.5 Repayment
All loans shall be repaid, with interest, in substantially level amortized payments made not less frequently than quarterly. The maximum term for a loan is four years; the minimum term for a loan is one year. The Committee has the authority to decrease the minimum term for future loans and the authority to increase the maximum term for future loans to no more than five years. Loan repayments shall be accelerated, and all loans shall be payable in full on the date the Borrower separates from service (if the Borrower is an Employee), the date the Borrower becomes ineligible to borrow from the Plan under to section 7.1, and on any other date or any other contingency as determined by the Committee. If the Borrower is an Employee, loans shall be repaid through payroll withholding unless (a) the Employee is pre-paying his loan, in which case the pre-payment need not be through payroll withholding, or (b) the Employee is on an unpaid leave of absence, in which case he may pay any installment by personal check. Partial pre-payments are accepted.

7.6 Default
A loan shall be in default if any installment is not paid by the end of the calendar quarter following the calendar quarter in which the installment was due. Upon default, the Committee may, in addition to all other remedies, apply the Borrower’s Plan accounts toward payment of the loan; however, the Trustee may not exercise such right of set-off with respect to the Borrower’s Participant Contributions Account until such account has become payable, pursuant to section 6.5 or 6.6.

7.7 Administration
A Borrower shall apply for a loan by completing the application procedures specified by the Committee. Until changed by the Committee, a Borrower shall apply for a loan by calling the Trustee and completing a voice application. The loan shall be processed in accordance with reasonable procedures adopted from time to time by the Committee. The Committee may impose a loan application fee, a loan origination fee, a loan pre-payment fee, and loan maintenance fees. All loans shall be evidenced by a promissory note and shall be fully secured. No Borrower whose Plan accounts are so pledged may obtain distribution of any portion of the accounts that have been pledged. The rights of the Trustee under such pledge shall have priority over all claims of the Borrower, his beneficiaries, and creditors. Each loan shall be treated as a directed investment. Any increase or decrease in the net worth of the Trust Fund attributable to such loan shall be allocated solely to the Plan accounts of the Borrower.

ARTICLE VIII
Allocation of Responsibilities — Named Fiduciaries

8.1 No Joint Fiduciary Responsibilities.
The Trustee(s) and the Committee shall be the named fiduciaries under the Plan and Trust agreement and shall be the only named fiduciaries thereunder. The fiduciaries shall have only the responsibilities specifically allocated to them herein or in the Trust agreement. Such allocations are intended to be mutually exclusive and there shall be no sharing of fiduciary responsibilities. Whenever one named fiduciary is required by the Plan or Trust agreement to follow the directions of another named fiduciary, the two named fiduciaries shall not be deemed to have been assigned a shared responsibility, but the responsibility of the named fiduciary giving the directions shall be deemed his sole responsibility, and the responsibility of the named fiduciary receiving those directions shall be to follow them insofar as the instructions are on their face proper under applicable law.
8.2 The Company.

The Company shall be responsible for: (a) making Company Contributions; (b) certifying to the Trustee the names and specimen signatures of the members of the Committee acting from time to time; (c) keeping accurate books and records with respect to its Employees and the appropriate components of each Employee’s Compensation and furnishing such data to the Committee; (d) selecting agents and fiduciaries to operate and administer the Plan and Trust; (e) appointing an investment manager if it determines that one should be appointed; and (f) reviewing periodically the performance of such agents, managers, and fiduciaries.

8.3 The Trustee.

The Trustee shall be responsible for: (a) the investment of the Trust Fund to the extent and in the manner provided in the Trust agreement; (b) the custody and preservation of Trust assets delivered to it; and (c) the payment of such amounts from the Trust Fund as the Committee shall direct.

8.4 The Committee — Plan Administrator.

The board of directors of Apache shall appoint an administrative Committee consisting of no fewer than three individuals who may be, but need not be, Participants, officers, directors, or Employees of the Company. If the board of directors does not appoint a Committee, Apache shall act as the Committee under the Plan. The members of the Committee shall hold office at the pleasure of the board of directors and shall serve without compensation. The Committee shall be the Plan’s “administrator” as defined in section 3(16)(A) of ERISA. It shall be responsible for establishing and implementing a funding policy consistent with the objectives of the Plan and with the requirements of ERISA. This responsibility shall include establishing (and revising as necessary) short-term and long-term goals and requirements pertaining to the financial condition of the Plan, communicating such goals and requirements to the persons responsible for the various aspects of the Plan operations, and monitoring periodically the implementation of such goals and requirements. The Committee shall publish and file or cause to be published and filed or disclosed all reports and disclosures required by federal or state laws.

8.5 Committee to Construe Plan.

(a) The Committee shall administer the Plan and shall have all discretion, power, and authority necessary for that purpose, including, but not by way of limitation, the full and absolute discretion and power to interpret the Plan, to determine the eligibility, status, and rights of all individuals under the Plan, and in general to decide any dispute and all questions arising in connection with the Plan. The Committee shall direct the Trustee concerning all distributions from the Trust Fund, in accordance with the provisions of the Plan, and shall have such other powers in the administration of the Trust Fund as may be conferred upon it by the Trust agreement. The Committee shall maintain all Plan records except records of the Trust Fund.

(b) The Committee may adjust the Account(s) of any Participant, in order to correct errors and rectify omissions, in such manner as the Committee believes will best result in the equitable and nondiscriminatory administration of the Plan.

8.6 Organization of Committee.

The Committee shall adopt such rules as it deems desirable for the conduct of its affairs and for the administration of the Plan. It may appoint agents (who need not be members of the Committee) to whom it may delegate such powers as it deems appropriate, except that any dispute shall be determined by the Committee. The Committee may make its determinations with or without meetings. It may authorize one or more of its members or agents to sign instructions, notices and determinations on its behalf. If a Committee decision or action affects a relatively small percentage of Plan Participants including a Committee member, such Committee member shall not participate in the Committee decision or action. The action of a majority of the disinterested Committee members shall constitute the action of the Committee.

8.7 Agent for Process.

Apache’s Vice President, General Counsel, and Secretary shall be the agents of the Plan for service of all process.
ARTICLE IX  
Trust Agreement — Investments

8.8  **Indemnification of Committee Members.**  
The Company shall indemnify and hold the members of the Committee, and each of them, harmless from the effects and consequences of their acts, omissions, and conduct in their official capacities, except to the extent that the effects and consequences thereof shall result from their own willful misconduct, breach of good faith, or gross negligence in the performance of their duties. The foregoing right of indemnification shall not be exclusive of the rights to which each such member may be entitled as a matter of law.

8.9  **Conclusiveness of Action.**  
Any action taken by the Committee on matters within the discretion of the Committee shall be conclusive, final and binding upon all participants in the Plan and upon all persons claiming any rights hereunder, including alternate payees and beneficiaries.

8.10  **Payment of Expenses.**  
The members of the Committee shall serve without compensation but their reasonable expenses shall be paid by the Company. The compensation or fees of accountants, counsel, and other specialists and any other costs of administering the Plan or Trust Fund may be paid by the Company or Account Owners or may be charged to the Trust Fund, to the extent permissible under ERISA.

ARTICLE IX  
Trust Agreement — Investments

9.1  **Trust Agreement.**  
Apache has entered into a Trust agreement to provide for the holding, investment, and administration of the funds of the Plan. The Trust agreement shall be part of the Plan, and the rights and duties of any individual under the Plan shall be subject to all terms and provisions of the Trust agreement.

9.2  **Plan Expenses.**  
(a)  **General.**  Except as provided in subsection (b), (i) all taxes upon or in respect of the Plan and Trust shall be paid out of Plan assets, and all expenses of administering the Plan and Trust shall be paid out of Plan assets, to the extent permitted by law and to the extent such taxes and expenses are not paid by the Company or an Account Owner, and (ii) the Committee shall have full discretion to determine how each tax or expense that is not paid by the Company shall be paid and the Committee shall have full discretion to determine how each tax or expense that is paid out of Plan assets shall be allocated. No fiduciary shall receive any compensation for services rendered to the Plan if the fiduciary is being compensated on a full time basis by the Company or an Affiliated Entity.

(b)  **Individual Expenses.**  To the extent not paid by the Company or an Account Owner, all expenses of individually directed transactions, including without limitation the Trustee’s transaction fee, brokerage commissions, transfer taxes, interest on insurance policy loans, and any taxes and penalties that may be imposed as a result of an individual’s investment direction, shall be assessed against the Account(s) of the Account Owner directing such transactions.

9.3  **Investments.**  
(a)  **§404(c) Plan.**  The Plan is intended to be a plan described in ERISA §404(c). To the extent that an Account Owner exercises control over the investment of his Accounts, no person who is a fiduciary shall be liable for any loss, or by reason of any breach, that is the direct and necessary result of the Account Owner’s exercise of control.

(b)  **Directed Investments.**  Accounts shall be invested, upon direction of each Account Owner made in a manner acceptable to the Committee, in any one or more of a series of investment funds designated by the Committee or to the extent permitted by the Committee in a brokerage arrangement. One or more such funds may, at the sole discretion of the Committee, consist primarily of shares of Company Stock. In addition, Company Stock may be an available investment alternative. If so directed by Account Owners, up to 100% of the Accounts under the Plan may be invested in Company Stock. To the extent that any Account is invested in Company Stock or in an investment funds consisting primarily of Company Stock, an Account Owner may sell such investment at any time, subject to reasonable
administrative delays and any blackout periods imposed by the Committee (including blackout periods that apply to particular Participants to ensure compliance with the securities laws). The funds available for investment and the principal features thereof, including a general description of the investment objectives, the risk and return characteristics, and the type and diversification of the investment portfolio of each fund, shall be communicated to the Account Owners in the Plan from time to time. Any changes in such funds shall be immediately communicated to all Account Owners.

(c) **Absence of Directions.** To the extent that an Account Owner fails to affirmatively direct the investment of his Accounts, the Committee shall direct the Trustee in writing concerning the investment of such Accounts. The Committee shall act by majority vote. Any dissenting member of the Committee shall, having registered his dissent in writing, thereafter cooperate to the extent necessary to implement the decision of the Committee.

(d) **Change in Investment Directions.** Account Owners may change their investment directions, with respect to the investment of new contributions and with respect to the investment of existing amounts allocated to Accounts, on any business day, subject to any restrictions and limitations imposed by the Trustee, investment funds, or brokerage arrangement. The Committee shall establish procedures for giving investment directions, which shall be in writing and communicated to Account Owners.

### ARTICLE X
**Termination and Amendment**

10.1 **Termination of Plan or Discontinuance of Contributions.**
Apache expects to continue the Plan indefinitely, but the continuance of the Plan and the payment of contributions are not assumed as contractual obligations. Apache may terminate the Plan or discontinue contributions at any time. Upon the termination of the Plan or the complete discontinuance of contributions, each Participant’s Accounts shall become fully vested. Upon the partial termination of the Plan, the Accounts of all affected Participants shall become fully vested. The only Participants who are affected by a partial termination are those whose employment with the Company or Affiliated Entity is terminated as a result of the corporate event causing the partial termination; Employees terminated for cause and those who leave voluntarily are not affected by a partial termination.

10.2 **Allocations upon Termination or Discontinuance of Company Contributions.**
Upon the termination or partial termination of the Plan or upon the complete discontinuance of contributions, the Committee shall promptly notify the Trustee of such termination or discontinuance. The Trustee shall then determine, in the manner prescribed in section 4.2, the net worth of the Trust Fund as of the close of the business day specified by the Committee. The Trustee shall advise the Committee of any increase or decrease in such net worth that has occurred since the preceding Valuation Date. After crediting to the Participant Contributions Account of each Participant any amount contributed since the preceding Valuation Date, the Committee shall thereupon allocate, in the manner described in section 4.3, among the remaining Plan Accounts, in the manner described in Articles III, IV and V, any Company Contributions or forfeitures occurring since the preceding Valuation Date.

10.3 **Procedure upon Termination of Plan or Discontinuance of Contributions.**
If the Plan has been terminated or partially terminated, or if a complete discontinuance of contributions to the Plan has occurred, then after the allocations required under section 10.2 have been completed, the Trustee shall distribute or transfer the Account(s) of affected Account Owners as follows.

(a) **No Other Plan.** If the Company and Affiliated Entities are not treated, pursuant to the Treasury Regulations under Code §401(k), as maintaining another “alternative defined contribution plan,” the Trustee shall distribute each Account Owner’s entire Account in a single payment, after complying with the requirements of section 6.7. For purposes of this section only, an “alternative defined contribution plan” means a defined contribution plan that is not an employee stock ownership plan within the meaning of Code §4975(e)(7) or §409(a)), a simplified employee pension within the meaning of Code §408(k), a SIMPLE IRA within the meaning of Code §408(p), a plan or contract that satisfies the requirements of Code §403(b), or a plan described in Code §457(b) or §457(f).
(b) **Other Plan Maintained.** If the Company and Affiliated Entities are treated, pursuant to the Treasury Regulations under Code §401(k), as maintaining another “alternative defined contribution plan,” the Trustee shall (i) distribute the Accounts of each non-Participant Account Owner in a single payment, after complying with the requirements of section 6.7, and (ii) transfer the Accounts of each Participant to an alternative defined contribution plan. All the rights, benefits, features, and distribution restrictions with respect to the transferred amounts shall continue to apply to the transferred amounts unless a change is permitted pursuant to applicable IRS guidance of general applicability.

(c) **Form of Payment.** A transfer made pursuant to this section may be in cash, in kind, or partly in cash and partly in kind. Any distribution made pursuant to this section may be in cash, in shares of Company Stock to the extent an Account is invested in Company Stock, or partly in cash and partly in shares of Company Stock. After all such distributions or transfers have been made, the Trustee shall be discharged from all obligation under the Trust; no Account Owner who has received any such distribution, or for whom any such transfer has been made, shall have any further right or claim under the Plan or Trust.

10.4 **Amendment by Apache.**

(a) **Amendment.** Apache may at any time amend the Plan in any respect, without prior notice, subject to the following limitations. No amendment shall be made that would have the effect of vesting in the Company any part of the Trust Fund or of diverting any part of the Trust Fund to purposes other than for the exclusive benefit of Account Owners. The rights of any Account Owner with respect to contributions previously made shall not be adversely affected by any amendment. No amendment shall reduce or restrict, either directly or indirectly, the accrued benefit (within the meaning of Code §411(d)(6)) provided to any Account Owner before the amendment, except as permitted by the Code or IRS guidance of general applicability.

(b) **Amendment to Vesting Schedule.** If the vesting schedule is amended, and it has the potential to provide slower vesting for one or more Participants, each such Participant with a three-year or longer Period of Service may elect to have his nonforfeitable percentage computed under the Plan without regard to such amendment. The period during which the election may be made shall commence with the date the amendment is adopted and shall end on the latest of: (i) 60 days after the amendment is adopted; (ii) 60 days after the amendment becomes effective; or (iii) 60 days after the Participant is issued written notice of the amendment by the Company or Committee. Furthermore, no amendment shall decrease the nonforfeitable percentage, measured as of the later of the date the amendment is adopted or effective, of any Account Owner’s Accounts.

(c) **Procedure.** Each amendment shall be in writing. Each amendment shall be approved by Apache’s board of directors or by an officer of Apache who has the authority to amend the Plan. Each amendment shall be executed by an officer of Apache who has the authority to execute the amendment.

ARTICLE XI
Plan Adoption by Affiliated Entities

11.1 **Adoption of Plan.**

Apache may permit any Affiliated Entity to adopt the Plan and Trust for its Employees. Thereafter, such Affiliated Entity shall deliver to the Trustee a certified copy of the resolutions or other documents evidencing its adoption of the Plan and Trust. The Employees of the Affiliated Entity adopting the Plan shall not be eligible to invest their Accounts in Company Stock until compliance with the applicable registration and reporting requirements of the securities laws.

11.2 **Agent of Affiliated Entity.**

By becoming a party to the Plan, each Affiliated Entity appoints Apache as its agent with authority to act for the Affiliated Entity in all transactions in which Apache believes such agency will facilitate the administration of the Plan. Apache shall have the sole authority to amend and terminate the Plan.
11.3 Disaffiliation and Withdrawal from Plan.

(a) **Disaffiliation.** Any Affiliated Entity that has adopted the Plan and thereafter ceases for any reason to be an Affiliated Entity shall forthwith cease to be a party to the Plan.

(b) **Withdrawal.** Any Affiliated Entity may, by appropriate action and written notice thereof to Apache, provide for the discontinuance of its participation in the Plan. Such withdrawal from the Plan shall not be effective until the end of the Plan Year.

11.4 Effect of Disaffiliation or Withdrawal.

If at the time of disaffiliation or withdrawal, the disaffiliating or withdrawing entity, by appropriate action, adopts a substantially identical plan that provides for direct transfers from this Plan, then, as to Account Owners associated with such entity, no plan termination shall have occurred: the new plan shall be deemed a continuation of this Plan for such Account Owners. In such case, the Trustee shall transfer to the trustee of the new plan all of the assets held for the benefit of Account Owners associated with the disaffiliating or withdrawing entity, and no forfeitures or acceleration of vesting shall occur solely by reason of such action. Such payment shall operate as a complete discharge of the Trustee, and of all organizations except the disaffiliating or withdrawing entity, of all obligations under this Plan to Account Owners associated with the disaffiliating or withdrawing entity. A new plan shall not be deemed substantially identical to this Plan if it provides slower vesting than this Plan. Nothing in this section shall authorize the divesting of any vested portion of a Participant’s Account(s).

11.5 Actions upon Disaffiliation or Withdrawal.

(a) **Distribution or Transfer.** If an entity disaffiliates from Apache or withdraws from the Plan and the provisions of section 11.4 are not followed, then the following rules apply to the Account(s) of the Account Owners associated with the disaffiliating or withdrawing entity. The Account Owner’s Accounts shall remain in this Plan until a distribution is processed under the usual rules of Article VI, unless the disaffiliating or withdrawing entity maintains another qualified plan that accepts direct transfers from this Plan, in which case the Committee may transfer the Account Owner’s Accounts to the disaffiliating or withdrawing entity’s plan without the consent of the Account Owner.

(b) **Form of Transfer.** A transfer made pursuant to this section may be in cash, in kind, or partly in cash and partly in kind. Any distribution made pursuant to this section may be in cash, in shares of Company Stock to the extent an Account is invested in Company Stock, or partly in cash and partly in shares of Company Stock. After such distribution or transfer has been made, no Account Owner who has received any such distribution, or for whom any such transfer has been made, shall have any further right or claim under the Plan or Trust.

ARTICLE XII
Top-Heavy Provisions

12.1 Application of Top-Heavy Provisions.

The provisions of this Article XII shall be applicable only if the Plan becomes “top-heavy” as defined below for any Plan Year. If the Plan becomes “top-heavy” for a Plan Year, the provisions of this Article XII shall apply to the Plan effective as of the first day of such Plan Year and shall continue to apply to the Plan until the Plan ceases to be “top-heavy” or until the Plan is terminated or otherwise amended.

12.2 Determination of Top-Heavy Status.

The Plan shall be considered “top-heavy” for a Plan Year if, as of the last day of the prior Plan Year, the aggregate of the Account balances (as calculated according to the regulations under Code §416) of Key Employees under this Plan (and under all other plans required or permitted to be aggregated with this Plan) exceeds 60% of the aggregate of the Account balances (as calculated according to the regulations under Code §416) in this Plan (and under all other plans required or permitted to be aggregated with this Plan) of all current Employees and all former Employees who terminated employment within one year of the last day of the prior Plan Year. This ratio shall be referred to as the “top-heavy ratio”. For purposes of determining the account balance of any Participant, (a) the balance shall be determined as of the last day of the prior Plan Year, (b) the balance shall also include any distributions to the Participant during the one-year period ending...
on the last day of the prior Plan Year, and (c) the balance shall also include, for distributions made for a reason other than separation from service or death or disability, any distributions to the Participant during the five-year period ending on the last day of the prior Plan Year. This shall also apply to distributions under a terminated plan that, if it had not been terminated, would have been required to be included in an aggregation group. The Account balances of a Participant who had once been a Key Employee, but who is not a Key Employee during the Plan Year, shall not be taken into account.

The following plans must be aggregated with this Plan for the top-heavy test: (a) a qualified plan maintained by the Company or an Affiliated Entity in which a Key Employee participated during this Plan Year or during the previous four Plan Years and (b) any other qualified plan maintained by the Company or an Affiliated Entity that enables this Plan or any plan described in clause (a) to meet the requirements of Code §401(a)(4) or §410. The following plans may be aggregated with this Plan for the top-heavy test: any qualified plan maintained by the Company or an Affiliated Entity that, in combination with the Plan or any plan required to be aggregated with this Plan when testing this Plan for top-heaviness, would satisfy the requirements of Code §401(a)(4) and §410. If one or more of the plans required or permitted to be aggregated with this Plan is a defined benefit plan, a Participant’s “account balance” shall equal the present value of the Participant’s accrued benefit. If the aggregation group includes more than one defined benefit plan, the same actuarial assumptions shall be used with respect to each such defined benefit plan. The foregoing top-heavy ratio shall be computed in accordance with the provisions of Code §416(g), together with the regulations and rulings thereunder.

12.3 Special Vesting Rule.

Unless section 5.1 provides for faster vesting, the amount credited to the Participant’s Company Contributions Account shall vest in accordance with the following schedule during any top-heavy Plan Year:

<table>
<thead>
<tr>
<th>Period of Service</th>
<th>Vesting Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 2 years</td>
<td>0%</td>
</tr>
<tr>
<td>At least 2 years, but less than 3 years</td>
<td>20%</td>
</tr>
<tr>
<td>At least 3 years, but less than 4 years</td>
<td>40%</td>
</tr>
<tr>
<td>At least 4 years, but less than 5 years</td>
<td>60%</td>
</tr>
<tr>
<td>At least 5 years, but less than 6 years</td>
<td>80%</td>
</tr>
<tr>
<td>6 or more years</td>
<td>100%</td>
</tr>
</tbody>
</table>

12.4 Special Minimum Contribution.

Notwithstanding the provisions of section 3.1, in every top-heavy Plan Year, a minimum allocation is required for each Non-Key Employee who both (a) performed one or more hours of service as an Employee during the Plan Year as a Covered Employee after satisfying the eligibility requirements of section 2.1, and (b) was an Employee on the last day of the Plan Year. The minimum allocation shall be a percentage of each Non-Key Employee’s Compensation. The percentage shall be the lesser of 3% or the largest percentage obtained for any Key Employee by dividing his Annual Additions (to this Plan and any other plan aggregated with this Plan) for the Plan Year by his Compensation for the Plan Year. If the Participant participates in both this Plan and the Apache Corporation Money Purchase Retirement Plan, then the Participant’s minimum allocation shall be provided in the Apache Corporation Money Purchase Retirement Plan. If this minimum allocation is not otherwise satisfied for any Non-Key Employee, the Company shall contribute the additional amount needed to satisfy this requirement to such Non-Key Employee’s Company Contributions Account.

12.5 Change in Top-Heavy Status.

If the Plan ceases to be a “top-heavy” plan as defined in this Article XII, and if any change in the benefit structure, vesting schedule, or other component of a Participant’s accrued benefit occurs as a result of such change in top-heavy status, the nonforfeitable portion of each Participant’s benefit attributable to Company Contributions shall not be decreased as a result of such change. In addition, each Participant with at least a three-year Period of Service on the date of such change, may elect to have the nonforfeitable percentage computed under the Plan without regard to such change in status. The period during which the election may be made shall commence on the date the Plan ceases to be a top-heavy plan and shall end on the later of (a) 60 days after the change in status occurs, (b) 60 days after the change in status becomes effective, or (c) 60 days after the Participant is issued written notice of the change by the Company or the Committee.
13.1 Right to Dismiss Employees — No Employment Contract.

The Company and Affiliated Entities may terminate the employment of any employee as freely and with the same effect as if this Plan were not in existence. Participation in this Plan by an employee shall not constitute an express or implied contract of employment between the Company or an Affiliated Entity and the employee.

13.2 Claims Procedure.

(a) General. Each claim for benefits shall be processed in accordance with the procedures that are established by the Committee. The procedures shall comply with the guidelines specified in this section. The Committee may delegate its duties under this section.

(b) Representatives. A claimant may appoint a representative to act on his behalf. The Plan shall only recognize a representative if the Plan has received a written authorization signed by the claimant and on a form prescribed by the Committee, with the following exceptions. The Plan shall recognize a claimant’s legal representative, once the Plan is provided with documentation of such representation. If the claimant is a minor child, the Plan shall recognize the claimant’s parent or guardian as the claimant’s representative. Once an authorized representative is appointed, the Plan shall direct all information and notification regarding the claim to the authorized representative and the claimant shall be copied on all notifications regarding decisions, unless the claimant provides specific written direction otherwise.

(c) Extension of Deadlines. The claimant may agree to an extension of any deadline that is mentioned in this section that applies to the Plan. The Committee or the relevant decision-maker may agree to an extension of any deadline that is mentioned in this section that applies to the claimant.

(d) Fees. The Plan may not charge any fees to a claimant for utilizing the claims process described in this section.

(e) Filing a Claim. A claim is made when the claimant files a claim in accordance with the procedures specified by the Committee. Any communication regarding benefits that is not made in accordance with the Plan’s procedures will not be treated as a claim.

(f) Initial Claims Decision. The Plan shall decide a claim within a reasonable time up to 90 days after receiving the claim. The Plan shall have a 90-day extension, but only if the Plan is unable to decide within 90 days for reasons beyond its control, the Plan notifies the claimant of the special circumstances requiring the need for the extension by the 90th day after receiving the claim, and the Plan notifies the claimant of the date by which the Plan expects to make a decision.

(g) Notification of Initial Decision. The Plan shall provide the claimant with written notification of the Plan’s full or partial denial of a claim, reduction of a previously approved benefit, or termination of a benefit. The notification shall include a statement of the reason(s) for the decision; references to the plan provision(s) on which the decision was based; a description of any additional material or information necessary to perfect the claim and why such information is needed; a description of the procedures and deadlines for appeal; a description of the right to obtain information about the appeal procedures; and a statement of the claimant’s right to sue.

(h) Appeal. The claimant may appeal any adverse or partially adverse decision. To appeal, the claimant must follow the procedures specified by the Committee. The appeal must be filed within 60 days of the date the claimant received notice of the initial decision. If the appeal is not timely and properly filed, the initial decision shall be the final decision of the Plan. The claimant may submit documents, written comments, and other information in support of the appeal. The claimant shall be given reasonable access at no charge to, and copies of, all documents, records, and other relevant information.

(i) Appellate Decision. The Plan shall decide the appeal of a claim within a reasonable time of no more than 60 days from the date the Plan receives the claimant’s appeal. The 60-day deadline shall be...
extended by an additional 60 days, but only if the Committee determines that special circumstances require an extension, the Plan notifies the claimant of the special circumstances requiring the extension by the 60th day after receiving the appeal, and the Plan notifies the claimant of the date by which the Plan expects to make a decision. If an appeal is missing any information from the claimant that is needed to decide the appeal, the Plan shall notify the claimant of the missing information and grant the claimant a reasonable period to provide the missing information. If the missing information is not timely provided, the Plan shall deny the claim. If the missing information is timely provided, the 60-day deadline (or 120-day deadline with the extension) for the Plan to make its decision shall be increased by the length of time between the date the Plan requested the missing information and the date the Plan received it.

(i) **Notification of Decision.** The Plan shall provide the claimant with written notification of the Plan’s appellate decision (positive or adverse). The notification of any adverse or partially adverse decision shall include a statement of the reason(s) for the decision; reference to the plan provision(s) on which the decision was based; a statement of the claimant’s right to sue; and a statement that the claimant is entitled to receive, free of charge and upon request, reasonable access to and copies of all documents, records, and other information relevant to the claim.

(k) **Limitations on Bringing Actions in Court.** Once an appellate decision that is adverse or partially adverse to the claimant has been made, the claimant may file suit in court only if he does so by the earlier of the following dates: (i) the one-year anniversary of the date of the appellate decision, or (ii) the date on which the statute of limitations for such claim expires.

(l) **Discretionary Authority.** The Committee shall have total discretionary authority to determine eligibility, status, and the rights of all individuals under the Plan and to construe any and all terms of the Plan.

13.3 **Source of Benefits.**

All benefits payable under the Plan shall be paid solely from the Trust Fund, and the Company and Affiliated Entities assume no liability or responsibility therefor.

13.4 **Exclusive Benefit of Employees.**

It is the intention of the Company that no part of the Trust, other than as provided in sections 3.3, 9.2, and 13.9 and Article VII hereof and the Trust Agreement, ever to be used for or diverted for purposes other than for the exclusive benefit of Participants, Alternate Payees, and their beneficiaries, and that this Plan shall be construed to follow the spirit and intent of the Code and ERISA.

13.5 **Forms of Notices.**

Wherever provision is made in the Plan for the filing of any notice, election, or designation by a Participant, Spouse, Alternate Payee, or beneficiary, the action of such individual may be evidenced by the execution of such form as the Committee may prescribe for the purpose. The Committee may also prescribe alternate methods for filing any notice, election, or designation (such as telephone voice-response or e-mail).

13.6 **Failure of Any Other Entity to Qualify.**

If any entity adopts this Plan but fails to obtain or retain the qualification of the Plan under the applicable provisions of the Code, such entity shall withdraw from this Plan upon a determination by the Internal Revenue Service that it has failed to obtain or retain such qualification. Within 30 days after the date of such determination, the assets of the Trust Fund held for the benefit of the Employees of such entity shall be separately accounted for and disposed of in accordance with the Plan and Trust.

13.7 **Notice of Adoption of the Plan.**

The Company shall provide each of its Employees with notice of the adoption of this Plan, notice of any amendments to the Plan, and notice of the salient provisions of the Plan prior to the end of the first Plan Year. A complete copy of the Plan shall also be made available for inspection by Employees or any other individual with an Account balance under the Plan.
13.8 **Plan Merger.**  
If this Plan is merged or consolidated with, or its assets or liabilities are transferred to, any other qualified plan of deferred compensation, each Participant shall be entitled to receive a benefit immediately after the merger, consolidation, or transfer that is equal to or greater than the benefit the Participant would have been entitled to receive immediately before the merger, consolidation, or transfer if this Plan had then been terminated.

13.9 **Inalienability of Benefits — Domestic Relations Orders.**  

(a) **General.** Except as provided in section 7.2, relating to Plan loans, subsection 6.1(d) relating to disclaimers, and subsections (b), (g), and (h) below, no Account Owner shall have any right to assign, alienate, transfer, or encumber his interest in any benefits under this Plan, nor shall such benefits be subject to any legal process to levy upon or attach the same for payment of any claim against any such Account Owner.

(b) **QDRO Exception.** Subsection (a) shall apply to the creation, assignment, or recognition of a right to any benefit payable with respect to a Participant pursuant to a Domestic Relations Order unless such Domestic Relations Order is a QDRO, in which case the Plan shall make payment of benefits in accordance with the applicable requirements of any such QDRO.

(c) **QDRO Requirements.** In order to be a QDRO, the Domestic Relations Order must satisfy the requirements of Code §414(p) and ERISA §206(d)(3). In particular, the Domestic Relations Order: (i) must specify the name and the last known mailing address of the Participant; (ii) must specify the name and mailing address of each Alternate Payee covered by the order; (iii) must specify either the amount or percentage of the Participant’s benefits to be paid by the Plan to each such Alternate Payee, or the manner in which such amount or percentage is to be determined; (iv) must specify the number of payments or period to which such order applies; (v) must specify each plan to which such order applies; (vi) may not require the Plan to provide any type or form of benefit, or any option, not otherwise provided under the Plan, subject to the provisions of subsection (f); (vii) may not require the Plan to provide increased benefits (determined on the basis of actuarial value); and (viii) may not require the payment of benefits to an Alternate Payee if such benefits have already been designated to be paid to another Alternate Payee under another order previously determined to be a QDRO.

(d) **QDRO Payment Rules.** In the case of any payment before an Employee has separated from service, a Domestic Relations Order shall not be treated as failing to meet the requirements of subsection (c) solely because such order requires that payment of benefits be made to an Alternate Payee (i) on or after the dates specified in subsection (f), (ii) as if the Employee had retired on the date on which such payment is to begin under such order (but taking into account only the Account balance on such date), and (iii) in any form in which such benefits may be paid under the Plan to the Employee. For purposes of this subsection, the Account balance as of the date specified in the QDRO shall be the vested portion of the Employee’s Account(s) on such date.

(e) **QDRO Review Procedures and Suspension of Benefits.** The Committee shall establish reasonable procedures to determine the qualified status of Domestic Relations Orders and to administer distributions under QDROs. Such procedures shall be in writing and shall permit an Alternate Payee to designate a representative to receive copies of notices. The Committee may temporarily prevent the Participant from borrowing from his Accounts and shall temporarily suspend distributions and withdrawals from the Participant’s Accounts, except to the extent necessary to make the required minimum distributions under Code §401(a)(9), when the Committee receives a Domestic Relations Order or a draft of such an order that affects the Participant’s Accounts or when one or the following individuals informs the Committee, orally or in writing, that a QDRO is in process or may be in process: the Participant, a prospective Alternate Payee, or counsel for the Participant or a prospective Alternate Payee. The Committee shall promulgate reasonable and non-discriminatory rules regarding such suspensions, including but not limited to how long such suspensions remain in effect. The procedures may allow the Participant to borrow such amounts from the Plan, subject to the limits of Article VII, and the Participant to receive such distributions and withdrawals from the Plan, subject to the rules of Articles VI and VII, as are consented to in writing by all prospective Alternate Payees identified in the Domestic Relations Order or, in the absence of a Domestic Relations Order, as are
consented to in writing by the prospective Alternate Payee(s) who informed the Committee that a QDRO was in process or may be in process. When the Committee receives a Domestic Relations Order it shall promptly notify the Participant and each Alternate Payee of such receipt and provide them with copies of the Plan’s procedures for determining the qualified status of the order. Within a reasonable period after receipt of a Domestic Relations Order, the Committee shall determine whether such order is a QDRO and notify the Participant and each Alternate Payee of such determination. During any period in which the issue of whether a Domestic Relations Order is a QDRO is being determined (by the Committee, by a court of competent jurisdiction, or otherwise), the Committee shall separately account for the amounts payable to the Alternate Payee if the order is determined to be a QDRO. If the order (or modification thereof) is determined to be a QDRO within 18 months after the date the first payment would have been required by such order, the Committee shall pay the amounts separately accounted for (plus any interest thereon) to the individual(s) entitled thereto. However, if the Committee determines that the order is not a QDRO, or if the issue as to whether such order is a QDRO has not been resolved within 18 months after the date of the first payment would have been required by such order, then the Committee shall pay the amounts separately accounted for (plus any interest thereon) to the individual(s) who would have been entitled to such amounts if there had been no order. Any determination that an order is a QDRO that is made after the close of the 18-month period shall be applied prospectively only. If the Plan’s fiduciaries act in accordance with fiduciary provision of ERISA in treating a Domestic Relations Order as being (or not being) a QDRO or in taking action in accordance with this subsection, then the Plan’s obligation to the Participant and each Alternate Payee shall be discharged to the extent of any payment made pursuant to the acts of such fiduciaries.

(f) Rights of Alternate Payee. The Alternate Payee shall have the following rights under the Plan:

(i) Single Payment. The only form of payment available to an Alternate Payee is a single payment of the distributable amount (measured at the time the payment is processed). If the Alternate Payee is awarded more than the distributable amount, the Alternate Payee shall initially receive a distribution of the distributable amount, with additional payments made as soon as administratively convenient after more of the amount awarded to the Alternate Payee becomes distributable.

(ii) Timing of Distribution. Subject to the limits imposed by this paragraph, the Alternate Payee may choose (or the QDRO may specify) the date of the distribution. If the value of the nonforfeitable portion of an Alternate Payee’s Account (ignoring any portion of the Participant’s Rollover Account that was assigned to the Alternate Payee) is $5,000 or less, the Alternate Payee shall receive a single payment of the distributable amount as soon as practicable (without the Alternate Payee’s consent), provided that the value is $5,000 or less when the distribution is processed. Otherwise, the distribution to the Alternate Payee may occur at any time after the Committee determines that the Domestic Relations Order is a QDRO and before the Participant’s Required Beginning Date (unless the order is determined to be a QDRO after the Participant’s Required Beginning Date, in which case the distribution to the Alternate Payee shall be made as soon as administratively practicable after the order is determined to be a QDRO).

(iii) Death of Alternate Payee. The Alternate Payee may designate one or more beneficiaries, as specified in section 6.1. When the Alternate Payee dies, the Alternate Payee’s beneficiary shall receive a complete distribution of the distributable amount in a single payment as soon as administratively convenient.

(iv) Investing. An Alternate Payee may direct the investment of his Account pursuant to section 9.3.

(v) Claims. The Alternate Payee may bring claims against the Plan pursuant to section 13.2.

(g) Exception for Misconduct towards the Plan. Subsection (a) shall not apply to any offset of a Participant’s benefits against an amount that the Participant is ordered or required to pay to the Plan if the following conditions are met.

(i) The order or requirement to pay must arise (A) under a judgment of conviction for a crime involving the Plan, (B) under a civil judgment (including a consent order or decree) entered by a
court in an action brought in connection with a violation (or alleged violation) of part 4 of subtitle B of title I of ERISA, or (iii) pursuant to a settlement agreement between the Secretary of Labor and the Participant, or a settlement agreement between the Pension Benefit Guaranty Corporation and the Participant, in connection with a violation (or alleged violation) of part 4 of subtitle B of title I of ERISA by a fiduciary or any other person.

(ii) The judgment, order, decree, or settlement agreement must expressly provide for the offset of all or part of the amount ordered or required to be paid to the Plan against the Participant’s benefits provided under the Plan.

(iii) To the extent that the survivor annuity requirements of Code §401(a)(11) apply with respect to distributions from the Plan to the Participant, if the Participant is married at the time at which the offset is to be made, (A) either the Participant’s Spouse must have already waived his right to a qualified preretirement survivor annuity and a qualified joint and survivor annuity or the Participant’s Spouse must consent in writing to such offset with such consent witnessed by a notary public or representative of the Plan (or it is established to the satisfaction of a Plan representative that such consent may not be obtained by reason of circumstances described in Code §417(a)(2)(B)), or (B) the Participant’s Spouse is ordered or required in such judgment, order, decree, or settlement to pay an amount to the Plan in connection with a violation of part 4 of subtitle B of title I of ERISA, or (C) in such judgment, order, decree, or settlement, the Participant’s Spouse retains the right to receive a survivor annuity under a qualified joint and survivor annuity pursuant to Code §401(a)(11)(A)(i) and under a qualified preretirement survivor annuity provided pursuant to Code §401(a)(11)(A)(ii). The value of the Spouse’s survivor annuity in subparagraph (C) shall be determined as if the Participant terminated employment on the date of the offset, there was no offset, the Plan permitted commencement of benefits only on or after Normal Retirement Age, the Plan provided only the “minimum-required qualified joint and survivor annuity,” and the amount of the qualified preretirement survivor annuity under the Plan is equal to the amount of the survivor annuity payable under the “minimum-required qualified joint and survivor annuity.” For purposes of this paragraph only, the “minimum-required qualified joint and survivor annuity” is the qualified joint and survivor annuity which is the actuarial equivalent of the Participant’s accrued benefit (within the meaning of Code §411(a)(7)) and under which the survivor annuity is 50% of the amount of the annuity which is payable during the joint lives of the Participant and his Spouse.

The Committee shall temporarily prevent the Account Owner from borrowing from his Accounts and shall temporarily suspend distributions and withdrawals from his Accounts, except to the extent necessary to make the required minimum distributions under Code §401(a)(9), when the Committee has reason to believe that the Plan may be entitled to an offset of the Participant’s benefits described in this subsection. The Committee shall promulgate reasonable and non-discriminatory rules regarding such suspensions, including but not limited to how long such suspensions remain in effect

(h) Exception for Federal Liens. Subsection (a) shall not apply to the enforcement of a federal tax levy made pursuant to Code §6331, the collection by the United States on a judgment resulting from an unpaid tax assessment, or any debt or obligation that is permitted to be collected from the Plan under federal law (such as the Federal Debt Collection Procedures Act of 1977). The Committee may temporarily suspend distributions and withdrawals from an Account, except to the extent necessary to make the required minimum distributions under Code §401(a)(9), when the Committee has reason to believe that such a federal tax levy or other obligation has or will be received. The Committee shall promulgate reasonable and non-discriminatory rules regarding such suspensions, including but not limited to how long such suspensions remain in effect.

13.10 Payments due Minors or Incapacitated Individuals.

If any individual entitled to payment under the Plan is a minor, the Committee shall cause the payment to be made to the custodian or representative who, under the state law of the minor’s domicile, is authorized to receive funds on behalf of the minor. If any individual entitled to payment under this Plan has been legally adjudicated to be mentally incompetent or incapacitated, the Committee shall cause the payment to be made to the custodian or representative who, under the state law of the incapacitated individual’s domicile, is
authorized to receive funds on behalf of the incapacitated individual. Payments made pursuant to such power shall operate as a complete discharge of the Trust Fund, the Trustee, and the Committee.

13.11 Uniformity of Application.

The provisions of this Plan shall be applied in a uniform and non-discriminatory manner in accordance with rules adopted by the Committee, which rules shall be systematically followed and consistently applied so that all individuals similarly situated shall be treated alike.

13.12 Disposition of Unclaimed Payments.

Each Participant, Alternate Payee, or beneficiary with an Account balance in this Plan must file with the Committee from time to time in writing his address, the address of each beneficiary (if applicable), and each change of address. Any communication, statement, or notice addressed to such individual at the last address filed with the Committee (or if no address is filed with the Committee then at the last address as shown on the Company’s records) will be binding on such individual for all purposes of the Plan. Neither the Committee nor the Trustee shall be required to search for or locate any missing individual. If the Committee notifies an individual that he is entitled to a distribution and also notifies him that a failure to respond may result in a forfeiture of benefits, and the individual fails to claim his benefits under the Plan or make his address known to the Committee within a reasonable period of time after the notification, then the benefits under the Plan of such individual shall be forfeited. Any amount forfeited pursuant to this section shall be allocated pursuant to subsection 5.4(d). If the individual should later make a claim for this forfeited amount, the Company shall, if the Plan is not then in existence, make a special contribution to the Plan equal to the forfeiture, and such amount shall be distributed to the individual; if the Plan is still in existence, the Company shall pay the amount of the forfeiture to the individual.

13.13 Applicable Law.

This Plan shall be construed and regulated by ERISA, the Code, and, unless otherwise specified herein and to the extent applicable, the laws of the State of Texas excluding any conflicts-of-law provisions.

ARTICLE XIV
Matters Affecting Company Stock

14.1 Voting, Etc.

The shares of Company Stock in Accounts, whether or not vested, may be voted by the Account Owner to the same extent as if duly registered in the Account Owner’s name. The Trustee or its nominee in which the shares are registered shall vote the shares solely as agent of the Account Owner and in accordance with the instructions of the Account Owner. If no instructions are received, the Trustee shall vote the shares of Company Stock for which it has received no voting instructions in the same proportions as the Account Owners affirmatively directed their shares of Company Stock to be voted unless the Trustee determines that a pro rata vote would be inconsistent with its fiduciary duties under ERISA. If the Trustee makes such a determination, the Trustee shall vote the Company Stock as it determines to be consistent with its fiduciary duties under ERISA. Each Account Owner who has Company Stock allocated to his Accounts shall direct the Trustee concerning the tender (as provided below) and the exercise of any other rights appurtenant to the Company Stock. The Trustee shall follow the directions of the Account Owner with respect to the tender.

14.2 Notices.

Apache shall cause to be mailed or delivered to each Account Owner copies of all notices and other communications sent to the Apache shareholders at the same times so mailed or delivered by Apache to its other shareholders.

14.3 Retention/Sale of Company Stock and Other Securities.

The Trustee is authorized and directed to retain the Company Stock and any other Apache securities acquired by the Trust except as follows:

(a) In the normal course of Plan administration, the Trustee shall sell Company Stock to satisfy Plan administration and distribution requirements as directed by the Committee or in accordance with provisions of the Plan specifically authorizing such sales.
(b) In the event of a transaction involving the Company Stock evidenced by the filing of Schedule 14D-1 with the Securities and Exchange Commission (“SEC”) or any other similar transaction by which any person or entity seeks to acquire beneficial ownership of 50% or more of the shares of Company Stock outstanding and authorized to be issued from time to time under Apache’s articles of incorporation (“tender offer”), the Trustee shall sell, convey, or transfer Company Stock pursuant to written instructions of Account Owners delivered to the Trustee in accordance with the following sections 14.4 through 14.15. For purposes of such provisions, the term “filing date” means the date relevant documents concerning a tender offer are filed with the SEC or, if such filing is not required, the date the Trustee receives actual notice that a tender offer has commenced.

(c) If Apache makes any distribution of Apache securities with respect to the shares of Company Stock held in the Plan, other than additional shares of Company Stock (any such securities are hereafter referred to as “stock rights”), the Trustee shall sell, convey, transfer, or exercise such stock rights pursuant to written instructions of Account Owners delivered to the Trustee in accordance with the following sections of this Article.

14.4 Tender Offers.

(a) Allocated Stock. In the event of any tender offer, each Account Owner shall have the right to instruct the Trustee to tender any or all shares of Company Stock, whether or not vested, that are allocated to his Accounts under the Plan on or before the filing date. The Trustee shall follow the instructions of the Account Owner. The Trustee shall not tender any Company Stock for which no instructions are received.

(b) Unallocated Stock. The Trustee shall tender all shares of Company Stock that are not allocated to Accounts in the same proportion as the Account Owners directed the tender of Company Stock allocated to their Accounts unless the Trustee determines that a pro rata tender would be inconsistent with its fiduciary duties under ERISA. If the Trustee makes such a determination, the Trustee shall tender or not tender the unallocated Company Stock as it determines to be consistent with its fiduciary duties under ERISA.

(c) Suspension of Share Purchases. In the event of a tender offer, the Trustee shall suspend all purchases of Company Stock pursuant to the Plan unless the Committee otherwise directs. Until the termination of such tender offer and pending such Committee direction, the Trustee shall invest available cash pursuant to the applicable provisions of the Plan and the Trust Agreement.

(d) Temporary Suspension of Certain Cash Distributions. Notwithstanding anything in the Plan to the contrary, no option to receive cash in lieu of Company Stock shall be honored during the pendency of a tender offer unless the Committee otherwise directs.

14.5 Stock Rights.

(a) General. If Apache makes a distribution of stock rights with respect to the Company Stock held in the Plan and if the stock rights become exercisable or transferable (the date on which the stock rights become exercisable or transferable shall be referred to as the “exercise date”), each Account Owner shall determine whether to exercise the stock rights, sell the stock rights, or hold the stock rights allocated to his Accounts. The provisions of this section shall apply to all stock rights received with respect to Company Stock held in Accounts, whether or not the Company Stock with respect to which the stock rights were issued are vested.

(b) Independent Fiduciary. The Independent Fiduciary provided for in this section 14.15 below shall act with respect to the stock rights. All Account Owner directions concerning the exercise or disposition of the stock rights shall be given to the Independent Fiduciary, who shall have the sole responsibility of assuring that the Account Owners’ directions are followed.

(c) Exercise of Stock Rights. If, on or after the exercise date, an Account Owner wishes to exercise all or a portion of the stock rights allocated to his Accounts, the Independent Fiduciary shall follow the Account Owner’s direction to the extent that there is cash or other liquid assets available in his Accounts to exercise the stock rights. Notwithstanding any other provision of the Plan, each Account Owner who has stock rights allocated to his Accounts shall have a period of five business days following the exercise date in which he may give instructions to the Committee to liquidate any of the
assets held in his Accounts (except shares of Company Stock or assets such as guaranteed investment contracts or similar investments), but only if he does not have sufficient cash or other liquid assets in his Accounts to exercise the stock rights. The liquidation of any necessary investments pursuant to an Account Owner’s direction shall be accomplished as soon as reasonably practicable, taking into account any timing restrictions with respect to the investment funds involved. The cash obtained shall be used to exercise the stock rights, as the Account Owner directs. Any cash that is not so used shall be invested in a cash equivalent until the next date on which the Account Owner may change his investment directions under the Plan.

(d) **Sale of Stock Rights.** On and after the exercise date, the Independent Fiduciary shall sell all or a portion of the stock rights allocated to Accounts, as the Account Owner shall direct.

### 14.6 Other Rights Appurtenant to the Company Stock

If there are any rights appurtenant to the Company Stock, other than voting, tender, or stock rights, each Account Owner shall exercise or take other appropriate action concerning such rights with respect to the Company Stock, whether or not vested, that is allocated to their Accounts in the same manner as the other holders of the Company Stock, by giving written instructions to the Trustee. The Trustee shall follow all such instructions, but shall take no action with respect to allocated Company Stock for which no instructions are received. The Trustee shall exercise or take other appropriate action concerning any such rights appurtenant to unallocated Company Stock.

### 14.7 Information to Trustee

Promptly after the filing date, the exercise date, or any other event that requires action with respect to the Company Stock, the Committee shall deliver or cause to be delivered to the Trustee or the Independent Fiduciary, as appropriate, a list of the names and addresses of Account Owners showing (i) the number of shares of Company Stock allocated to each Account Owner’s Accounts under the Plan, (ii) each Account Owner’s pro rata portion of any unallocated Company Stock, and (iii) each Account Owner’s share of any stock rights distributed by Apache. The Committee shall date and certify the accuracy of such information, and such information shall be updated periodically by the Committee to reflect changes in the shares of Company Stock and other assets allocated to Accounts.

### 14.8 Information to Account Owners

The Trustee or the Independent Fiduciary, as appropriate, shall distribute and/or make available to each affected Account Owner the following materials:

(a) A copy of the description of the terms and conditions of any tender offer filed with the SEC on Schedule 14D-1, or any similar materials if such filing is not required, any material distributed to shareholders generally with respect to the stock rights, and any proxy statements and any other material distributed to shareholders generally with respect to any action to be taken with respect to the Company Stock.

(b) If requested by Apache, a statement from Apache’s management setting forth its position with respect to a tender offer that is filed with the SEC on Schedule 14D-9 and/or a communication from Apache given pursuant to 17 C.F.R. 240.14d-9(e), or any similar materials if such filing or communications are not required.

(c) An instruction form prepared by Apache and approved by the Trustee or the Independent Fiduciary, to be used by an Account Owner who wishes to instruct the Trustee to tender Company Stock in response to the tender offer, to instruct the Independent Fiduciary to sell or exercise stock rights, or to instruct the Trustee or Independent Fiduciary with respect to any other action to be taken with respect to the Company Stock. The instruction form shall state that (i) if the Account Owner fails to return an instruction form to the Trustee by the indicated deadline, the Trustee will not tender any shares of Company Stock the Account Owner is otherwise entitled to tender, (ii) the Independent Fiduciary will not sell or exercise any right allocated to the Account except upon the written direction of the Account Owner, (iii) the Trustee or Independent Fiduciary will not take any other action that the Account Owner could have directed, and (iv) Apache acknowledges and agrees to honor the confidentiality of the Account Owner’s directions to the Trustee.
14.9 **Expenses.**

The Trustee and the Independent Fiduciary shall have the right to require payment in advance by Apache and the party making the tender offer of all reasonably anticipated expenses of the Trustee and the Independent Fiduciary, respectively, in connection with the distribution of information to and the processing of instructions received from Account Owners.

14.10 **Former Account Owners.**

Apache shall furnish former Account Owners who have received distributions of Company Stock so recently as to not be shareholders of record with the information furnished pursuant to section 14.8. The Trustee and the Independent Fiduciary are hereby authorized to take action with respect to the Company Stock distributed to such former Account Owners in accordance with appropriate instructions from them. If the Trustee does not receive appropriate instructions, it shall take no action with respect to the distributed Company Stock.

14.11 **No Recommendations.**

Neither the Committee, the Committee Fiduciary, the Trustee, nor the Independent Fiduciary shall express any opinion or give any advice or recommendation to any Account Owner concerning voting the Company Stock, any tender offer, stock rights, or the exercise of any other rights appurtenant to the Company Stock, nor shall they have any authority or responsibility to do so. Neither the Trustee nor the Independent Fiduciary has any duty to monitor or police the party making a tender offer or Apache in promoting or resisting a tender offer; provided, however, that if the Trustee or the Independent Fiduciary becomes aware of activity that on its face reasonably appears to the Trustee or Independent Fiduciary to be materially false, misleading, or coercive, the Trustee or the Independent Fiduciary, as the case may be, shall promptly demand that the offending party take appropriate corrective action. If the offending party fails or refuses to take appropriate corrective action, the Trustee or the Independent Fiduciary, as the case may be, shall communicate with affected Account Owners in such manner as it deems advisable.

14.12 **Trustee to Follow Instructions.**

(a) So long as the Trustee and the Independent Fiduciary, as the case may be, have determined that the Plan is in compliance with ERISA §404(c), the Trustee or the Independent Fiduciary shall tender, deal with stock rights, and act with respect to any other rights appurtenant to the Company Stock, pursuant to the terms and conditions of the particular transaction or event, and in accordance with instructions received from Account Owners. Except for voting, the Trustee or the Independent Fiduciary shall take no action with respect to Company Stock, stock rights, or other appurtenant rights for which no instructions are received, and such Company Stock, stock rights, or other appurtenant rights shall be treated like all other Company Stock, stock rights, or other appurtenant rights for which no instructions are received. The Trustee, or if an Independent Fiduciary has been appointed, the Independent Fiduciary, shall vote the allocated Company Stock that an Account Owner does not vote as specified in section 14.1.

(b) If the Trustee or Independent Fiduciary determines that the Plan does not satisfy the requirements of ERISA §404(c), the Trustee or Independent Fiduciary shall follow the instructions of the Account Owner with respect to voting, tender, stock rights, or other rights appurtenant to the Company Stock unless the Trustee or Independent Fiduciary determines that to do so would be inconsistent with its fiduciary duties under ERISA. In such case, the Trustee or the Independent Fiduciary shall take such action as it determines to be consistent with its fiduciary duties under ERISA.

14.13 **Confidentiality.**

(a) The Committee shall designate one of its members (the “Committee Fiduciary”) to receive investment directions and to transmit such directions to the Trustee or Independent Fiduciary, as the case may be. The Committee Fiduciary shall also receive all Account Owner instructions concerning voting, tender, stock rights, and other rights appurtenant to the Company Stock. The Committee Fiduciary shall communicate the instructions to the Trustee or the Fiduciary, as appropriate.
Neither the Committee Fiduciary, the Trustee, nor the Independent Fiduciary shall reveal or release any instructions received from Account Owners concerning the Company Stock to Apache, an Affiliated Entity, or the officers, directors, employees, agents, or representatives of Apache and Affiliated Entities, except to the extent necessary to comply with Federal or state law not preempted by ERISA. If disclosure is required by Federal or state law, the information shall be disclosed to the extent possible in the aggregate rather than on an individual basis.

The Committee Fiduciary shall be responsible for reviewing the confidentiality procedures from time to time to determine their adequacy. The Committee Fiduciary shall ensure that the confidentiality procedures are followed. The Committee Fiduciary shall also ensure that the Independent Fiduciary provided for in section 14.15 is appointed.

Apache, with the Trustee’s cooperation, shall take such action as is necessary to maintain the confidentiality of Account records including, without limitation, establishment of security systems and procedures which restrict access to Account records and retention of an independent agent to maintain such records. If an independent recordkeeping agent is retained, such agent must agree, as a condition of its retention by Apache, not to disclose the composition of any Accounts to Apache, an Affiliated Entity or an officer, director, employee, or representative of Apache or an Affiliated Entity.

Apache acknowledges and agrees to honor the confidentiality of the Account Owners’ instructions to the Committee Fiduciary, the Trustee, and the Independent Fiduciary. If Apache, by its own act or omission, breaches the confidentiality of Account Owner instructions, Apache agrees to indemnify and hold harmless the Committee Fiduciary, the Trustee, or the Independent Fiduciary, as the case may be, against and from all liabilities, claims and demands, damages, costs, and expenses, including reasonable attorneys’ fees, that the Committee Fiduciary, the Trustee, or the Independent Fiduciary may incur as a result thereof.

Investment of Proceeds

If Company Stock or the rights are sold pursuant to the tender offer or the provisions of the rights, the proceeds of such sale shall be invested in accordance with the provisions of the Plan and the Trust Agreement.

Independent Fiduciary

Apache shall appoint a fiduciary (the “Independent Fiduciary”) to act solely with respect to the Company Stock in situations which the Committee Fiduciary determines involve a potential for undue influence by Apache in connection with the Company Stock and the exercise of any rights appurtenant to the Company Stock. If the Committee Fiduciary so determines, it shall give written notice to the Independent Fiduciary, which shall have sole responsibility for assuring that Account Owners receive the information necessary to make informed decisions concerning the Company Stock, are free from undue influence or coercion, and that their instructions are followed to the extent proper under ERISA. The Independent Fiduciary shall act until it receives written notice to the contrary from the Committee Fiduciary.

Method of Communications

Several provisions in this Article specify that various communications to or from an Account Owner must be in writing. The Committee, the Committee Fiduciary, the Independent Fiduciary, the Company, and the Trustee, as appropriate, shall each have full authority to treat other forms of communication, such as electronic mail or telephone voice-response, as satisfying any “written” requirement specified in this Article, but only to the extent permitted by the IRS, the Department of Labor, and the Securities Exchange Commission, as appropriate.

ARTICLE XV

Uniformed Services Employment and Reemployment Rights Act of 1994

General

(a) Scope. The Uniformed Services Employment and Reemployment Rights Act of 1994 (the “USERRA”), which is codified at 38 USCA §§4301-4318, confers certain rights on individuals who leave civilian employment to perform certain services in the Armed Forces, the National Guard, the
commissioned corps of the Public Health Service, or in any other category designated by the President of the United States in time of war or emergency (collectively, the “Uniformed Services”). An Employee who joins the Uniformed Services shall be referred to as a “Serviceman” in this Article. This Article shall be interpreted to provide such individuals with all the benefits required by the USERRA but no greater benefits than those required by the USERRA. This Article shall supersede any contrary provisions in the remainder of the Plan.

(b) Rights of Servicemen. When a Serviceman leaves the Uniformed Services, he may have reemployment rights with the Company or Affiliated Entities, depending on many factors, including the length of his stay in the Uniformed Services and the type of discharge he received. When this Article speaks of the date a Serviceman’s potential USERRA reemployment rights expire, it means the date on which the Serviceman fails to qualify for reemployment rights (if, for example, he is dishonorably discharged, or remains in the Uniformed Services for more than 5 years) or, if the Serviceman obtains reemployment rights, the date his reemployment rights lapse because the Serviceman failed to timely exercise those rights.

15.2 While a Serviceman.

In general, a Serviceman shall be treated as an Employee while he continues to receive wages from the Company or an Affiliated Entity, and once the Serviceman’s wages from the Company or Affiliated Entity cease, the Serviceman shall be treated as if he were on an approved, unpaid leave of absence.

(a) Participant Contributions. For purposes of making Participant Contributions under section 3.2, if the Serviceman was a Covered Employee when he became a Serviceman, he shall continue to be treated as a Covered Employee while he continues to receive wages from the Company. As a consequence, (i) if he was a Covered Employee who had satisfied the requirements of Article II when he became a Serviceman, he may continue to make Participant Contributions from his wages from the Company, and (ii) if he had not satisfied the requirements of section 2.1 when he became a Serviceman, his service in the Uniformed Services shall be treated as service with the Company in determining when he will be able to begin making Participant Contributions under section 2.1, and if his wages from the Company continue beyond that eligibility date, the Serviceman may begin to make Participant Contributions on such date. A Serviceman may change his rate of contributions in the same manner as an Employee. A Serviceman’s Participant Contributions shall cease when his wages from the Company cease.

(b) Company Contributions. Wages paid by the Company to a Serviceman shall be included in his Compensation as if the Serviceman were an Employee. A Serviceman’s Participant Contributions shall be matched according to the formula in paragraph 3.1(b)(i). If the Employee was a Covered Employee when he became a Serviceman and his wages continue through the last business day of a Plan Year, then (i) the Serviceman shall be treated as an “eligible Participant” under subsection 3.1(a) for that Plan Year (and shall therefore receive an allocation of any Company Discretionary Contribution); (ii) the Serviceman shall be treated as an “eligible Participant” under paragraph 3.1(b)(ii) for that Plan Year (and shall therefore receive an allocation of any additional match provided under such paragraph); (iii) if he was a Non-Highly Compensated Employee when he became a Serviceman, he shall be eligible to receive an allocation of any QNECs and QMACs provided under subsections 3.7(c) and 3.8(c); and (iv) he shall be treated as an Employee under subsection 12.4(a) (and, if he is a Non-Key Employee, he shall therefore receive any minimum required allocation if the Plan is top-heavy).

(c) Investments. If the Serviceman has an account balance in the Plan, he is an Account Owner and may therefore direct the investment of his Accounts pursuant to section 9.3 and Article XIV.

(d) Loans. For purposes of borrowing from the Plan under Article VII, a Serviceman shall be treated as an Employee until the day on which his potential USERRA reemployment rights expire. If a Serviceman with an outstanding loan continues to receive wages from the Company or an Affiliated Entity after joining the Uniformed Services, his loan payments shall continue to be deducted from those wages. Once the Serviceman’s wages cease, his loan payments shall be suspended until the earlier of (i) his reemployment with the Company or an Affiliated Entity or (ii) the day on which his potential USERRA reemployment rights expire. The Serviceman may repay all or part of his loan at any time.
during the suspension. During the payment suspension, interest shall accrue on the unpaid balance of the loan. See subsections 15.3(b) and 15.4 (c) for the resumption of loan payments for a reemployed Serviceman, and subsection 15.3(a) for the timing of the loan’s default if the Serviceman is not reemployed.

(e) **Distributions and Withdrawals**. For purposes of Article VI (relating to distributions and in-service withdrawals), the Serviceman shall be treated as an Employee until the day on which his potential USERRA reemployment rights expire. See section 15.3 once his potential USERRA rights expire.

(f) **QDROs**. QDROs shall be processed while the Participant is a Serviceman. The Committee has the discretion to establish special procedures under subsection 13.9(e) for Servicemen, by, for example, extending the usual deadlines to accommodate any practical difficulties encountered by the Serviceman that are attributable to his service in the Uniformed Services.

(g) **Rollovers**. If the Serviceman was a Covered Employee when he became a Serviceman, the Serviceman may make Rollover Contributions pursuant to subsection 3.2(d) until the day on which his potential USERRA reemployment rights expire.

15.3 **Expiration of USERRA Reemployment Rights**.

(a) **Consequences**. If a Serviceman is not reemployed before his potential USERRA reemployment rights expire, the Committee shall determine his Termination From Service Date by treating his service in the Uniformed Services as an approved leave of absence but treating the expiration of his potential USERRA reemployment rights as the failure to timely return from his leave of absence, with the consequence that his Termination From Service Date will generally be the date his potential USERRA rights expired. Once his Termination From Service Date has been determined, the Committee shall determine his vested percentage. For purposes of Article VI (relating to distributions), the day the Serviceman’s potential USERRA reemployment rights expired shall be treated as the day of his Termination from Service. For purposes of subsection 5.4(b) (relating to the timing of forfeitures), the Serviceman’s last day of employment shall be the day his potential USERRA reemployment rights expired. If the Serviceman has an outstanding loan from this Plan when his potential USERRA reemployment rights expire, his loan shall go into default on the last day of the calendar quarter after the calendar quarter in which his potential USERRA reemployment rights expired, unless, before the loan goes into default, he repays the loan or is rehired pursuant to subsection (b).

(b) **Rehire after Expiration of Reemployment Rights**. If the Company or an Affiliated Company hires a former Serviceman after his potential USERRA reemployment rights have expired, he shall be treated like any other former employee who is rehired. If he had an outstanding loan and is reemployed before the loan goes into default pursuant to subsection (a), his loan payments shall be recalculated and the Company or Affiliated Entity shall immediately resume withholding the revised loan payments from his pay. The term of the loan when payments resume shall be equal to the remaining term of the loan when payments were suspended.

15.4 **Return From Uniformed Service**.

This section applies solely to a Serviceman who returns to employment with the Company or an Affiliated Entity because he exercised his reemployment rights under the USERRA.

(a) **Credit for Service**. A Serviceman’s length of time in the Uniformed Services shall be treated as service with the Company for purposes of vesting and determining his eligibility to participate in the Plan upon reemployment.

(b) **Participation**. If the Serviceman satisfies the eligibility requirements of section 2.1 before his reemployment, and he is a Covered Employee upon his reemployment, he may participate in the Plan immediately upon his return.

(c) **Loans**. If the Serviceman’s loan payments were suspended under subsection 15.2(d) during his time in the Uniformed Services, his loan payments shall be recalculated and the Company or Affiliated Entity shall immediately resume withholding the revised loan payments from his pay. The term of the loan when payments resume shall be equal to the remaining term of the loan when payments were suspended.
(d) **Make-Up Participant Contributions.** In addition to his regular Participant Contributions, a returning Serviceman shall be permitted to make additional contributions up to the amount of Participant Contributions he could have made if, instead of becoming a Serviceman, he had remained employed by the Company or Affiliated Entity and been paid his Deemed Compensation during that time. See subsection (h) for guidance on applying the various limits contained in the Code to the calculation of the maximum additional contribution the returning Serviceman may make. Such additional contributions may only be made within a period that begins on his reemployment date and whose duration is the lesser of five years or three times his length of time in the Uniformed Services. The additional contributions shall be withheld from his Compensation pursuant to the Serviceman’s election. The Committee shall establish administrative procedures for such elections. The additional contributions shall be allocated to Participant Contributions Accounts.

(e) **Make-Up Match.** For each additional contribution that the Serviceman contributes pursuant to subsection (d), the Company shall promptly contribute to his Accounts an additional matching contribution. The additional matching contribution shall be equal to the Company Matching Contribution (including forfeitures treated as Company Matching Contributions) that he would have received if (i) his additional contributions were Participant Contributions made during his time in the Uniformed Services, and (ii) he was paid his Deemed Compensation during his time in the Uniformed Services. The Serviceman’s additional contributions shall be spread over the pay periods in which they could have occurred in such a way as to maximize the additional matching contribution. See subsection (h) for guidance on applying the various limits contained in the Code to the calculation of the additional matching contribution. The additional matching contribution shall be allocated to the Participant’s Company Contributions Account unless the additional matching contribution would have been designated a QMAC, in which case it shall be allocated to his Participant Contributions Account.

(f) **Make-Up Company Discretionary Contribution.** The Company shall contribute an additional contribution to a Serviceman’s Accounts equal to the Company Discretionary Contribution (including any forfeitures treated as Company Discretionary Contributions) that would have been allocated to such Accounts if the Serviceman had remained employed during his time in the Uniformed Services, and had earned his Deemed Compensation during that time. See subsection (h) for guidance on applying the various limits contained in the Code to the calculation of the additional discretionary contribution. The additional discretionary contribution shall be allocated to the Participant’s Company Contributions Account unless the additional discretionary contribution would have been designated a QNEC, in which case it shall be allocated to his Participant Contributions Account.

(g) **Make-Up Miscellaneous Contributions.** The Company shall contribute to the Serviceman’s Accounts any QNECs and QMACs that the Serviceman would have received pursuant to subsection 3.7(c) or 3.8(c), and any top-heavy minimum contribution he would have received pursuant to section 12.4, (including any forfeitures treated as QNECs, QMACs, or top-heavy minimum contributions) if he had remained employed during his time in the Uniformed Services, and had earned Deemed Compensation during that time. See subsection (h) for guidance on applying the various limits contained in the Code to the calculation of the QNECs, QMACs, and top-heavy minimum contribution. These additional top-heavy minimum contributions shall be allocated to Company Contributions Accounts. The additional QNECs and QMACs shall be allocated to Participant Contributions Accounts.

(h) **Application of Limitations.**

(i) The make-up contributions under subsections (d), (e), (f), and (g) (the “Make-Up Contributions”) shall be ignored for purposes of determining the Company’s maximum contribution under subsection 3.1(d), the limits on Participant Contributions under paragraphs 3.2(a)(ii) and 3.2(b)(ii), the limits on Annual Additions under section 3.4, the ADP test of section 3.5, the ACP test of section 3.6, the non-discrimination requirements of Code §401(a)(4), and (if the Serviceman is a Key Employee) calculating the minimum required top-heavy contribution under section 12.4.

(ii) In order to determine the maximum Make-Up Contributions, the following limitations shall apply.
(A) The Serviceman’s “Aggregate Compensation” for each year shall be calculated. His Aggregate Compensation shall be equal to his actual Compensation, plus his Deemed Compensation that would have been paid during that year. Each type of Aggregate Compensation (for benefit purposes, deferral purposes, etc.) shall be determined separately.

(B) The Serviceman’s Aggregate Compensation each Plan Year shall be limited to the dollar limit in effect for that Plan Year under Code §401(a)(17), for the purposes and in the manner specified in subsection 1.14(f).

(C) The limits of subsection 3.1(d) (relating to the maximum contribution by the Company to the Plan) for each Plan Year shall be calculated by using the Serviceman’s Aggregate Compensation for that Plan Year, and by treating the Make-Up Contributions that are attributable to that Plan Year’s Deemed Compensation as having been made during that Plan Year.

(D) The limits of paragraph 3.2(a)(ii) (relating to the maximum 401(k) Contributions) and paragraph 3.2(b)(ii) (relating to the maximum Catch-Up Contributions) for each calendar year shall be calculated by treating as 401(k) and Catch-Up Contributions his additional contributions pursuant to subsection (d) that are attributable to that calendar year’s Deemed Compensation.

(E) The limits of section 3.4 (relating to the maximum Annual Additions to a Participant’s Accounts) shall be calculated for each Limitation Year by using the Serviceman’s Aggregate Compensation for that Limitation Year, and by treating as Annual Additions all the Make-Up Contributions that are attributable to that Limitation Year’s Deemed Compensation.

(F) The Serviceman’s maximum Make-Up Contributions shall not be limited by the results of the Plan’s ADP test or ACP test for any Plan Year in which the Serviceman has Deemed Compensation, even if the Serviceman is treated as a Highly Compensated Employee (using his Aggregate Compensation) for that Plan Year.

(i) **Deemed Compensation.** A Serviceman’s Deemed Compensation is the Compensation that he would have received (including raises) had he remained employed by the Company or Affiliated Entity during his time in the Uniformed Services, unless it is not reasonably certain what his Compensation would have been, in which case his Deemed Compensation shall be based on his average rate of compensation during the 12 months (or, if shorter, his period of employment with the Company and Affiliated Entities) immediately before he entered the Uniformed Services. A Serviceman’s Deemed Compensation shall be reduced by any Compensation actually paid to him during his time in the Uniformed Services (such as vacation pay). Deemed Compensation shall cease when the Serviceman’s potential USERRA reemployment rights expire. Each type of Deemed Compensation (for benefit purposes, deferral purposes, etc.) shall be determined separately.

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**APACHE CORPORATION**

Date: 2/1/2008

By: /s/ Margery M. Harris

Title: Vice President — Human Resources

## APPENDIX A

### Participating Companies

The following Affiliated Entities were actively participating in the Plan as of the following dates:

<table>
<thead>
<tr>
<th>Business</th>
<th>Participation Begun As Of</th>
<th>Participation Ended As Of</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apache International, Inc.</td>
<td>September 22, 1987</td>
<td>N/A</td>
</tr>
<tr>
<td>Apache Energy Resources Corporation (Known as Hadson Energy Resources</td>
<td>January 1, 1994</td>
<td>December 31, 1995</td>
</tr>
<tr>
<td>Corporation before January 1, 1995)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Apache Canada Ltd.</td>
<td>May 17, 1995</td>
<td>N/A</td>
</tr>
</tbody>
</table>

— END OF APPENDIX A —

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Prepared December 4, 2007
APPENDIX B

Hadson Energy Resources Corporation

Introduction

Apache acquired Hadson Energy Resources Corporation (“HERC”) as of November 12, 1993. HERC and its wholly owned subsidiary, Hadson Energy Limited (“HEL”), maintained the Hadson Energy Resources Corporation Employee 401(k) Plan (the “HERC Plan”), a profit sharing plan containing a cash or deferred arrangement. The HERC Plan was terminated as of December 31, 1993, and amounts were transferred from the HERC Plan to this Plan.

The transferred amounts that are subject to the distribution restrictions of Code §401(k) shall be placed in the Participant Contributions Accounts. Any remaining transferred amounts that represent after-tax contributions, rollovers, or the associated investment earnings shall be placed in the Rollover Account. All remaining transferred amounts shall be placed in the Company Contributions Account.

— END OF APPENDIX B —

B-1

Prepared December 4, 2007
APPENDIX C

Corporate Transactions

Over the years, Apache and its Affiliated Entities have engaged in numerous corporate transactions, both acquisitions and sales. This Appendix contains any special provisions that apply to employees affected by the corporate transaction, including both those who become Employees and those who cease to be Employees.

Sales

For an Employee who transferred to Natural Gas Clearinghouse (“NGC”) pursuant to the terms of the Employee Benefits Agreement effective April 1, 1990 between Apache and NGC, a Period of Service shall be calculated by treating as employment with Apache any period(s) of employment after April 1, 1990 with NGC or any business that is then treated as a single employer with NGC pursuant to Code §414(b), §414(c), §414(m), or §414(o).

Employees terminated in connection with the summer 1995 sale of certain properties to Citation 1994 Investment Limited Partnership are fully vested in their Plan Accounts as of September 1, 1995.

An Employee who transferred to Producers Energy Marketing LLC (“ProEnergy”) in the first half of 1996 is fully vested in his Plan Accounts as of the date of transfer. If such an individual becomes an Employee again, all new contributions to his Plan Accounts shall vest according to the regular rules.

Acquisitions

A Period of Service for vesting purposes for a New Employee (listed below) shall be determined by treating all periods of employment with the Former Employer Controlled Group as periods of employment with Apache. The “Former Employer Controlled Group” means the Former Employer (listed below), its predecessor company/ies, and any business while such business was treated as a single employer with the Former Employer or predecessor company pursuant to Code §414(b), §414(c), §414(m), or §414(o).

[Remainder of Page Intentionally Left Blank]
The following individuals are “New Employees” and the following companies are “Former Employers”:

<table>
<thead>
<tr>
<th>Former Employer</th>
<th>New Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amoco Production Company (“Amoco”)</td>
<td>All individuals who became an Employee of the Company pursuant to the provisions of the Stock Purchase Agreement effective June 30, 1991, between Amoco Production Company, Apache, and others.</td>
</tr>
<tr>
<td>Hadson Energy Resources Corporation (“HERC”) and Hadson Energy Limited (“HEL”)</td>
<td>All individuals employed by HERC or HEL on November 12, 1993.</td>
</tr>
<tr>
<td>Crystal Oil Company (“Crystal”)</td>
<td>All individuals hired from Crystal or related companies within a week of the closing date on an asset purchase that was originally scheduled to close on December 31, 1994.</td>
</tr>
<tr>
<td>Texaco Exploration &amp; Production, Inc. (“TEPI”)</td>
<td>All individuals hired from TEPI or related companies in late February and early March 1995 in connection with an acquisition of assets from TEPI at that time.</td>
</tr>
<tr>
<td>DEKALB Energy Company (“DEKALB”)</td>
<td>All individuals who became an employee of Apache on or after May 17, 1995 — their Period of Service shall include any periods of employment with DEKALB before May 17, 1995.</td>
</tr>
<tr>
<td>The Phoenix Resource Companies, Inc. (“Phoenix”)</td>
<td>All individuals hired by Apache in 1996 who were Phoenix employees on May 20, 1996.</td>
</tr>
<tr>
<td>Crescendo Resources, L.P. (“Crescendo”)</td>
<td>All individuals hired from April 30, 2000 through June 1, 2000 from Crescendo and related companies in connection with an April 30, 2000 asset acquisition from Crescendo.</td>
</tr>
<tr>
<td>Collins &amp; Ware (“C&amp;W”) and Longhorn Disposal, Inc. (“Longhorn”)</td>
<td>All individuals hired from C&amp;W and Longhorn and related companies in connection with a May 23, 2000 asset acquisition from C&amp;W and Longhorn.</td>
</tr>
<tr>
<td>Occidental Petroleum Corporation (“Oxy”)</td>
<td>All individuals hired from Oxy and related companies in connection with an August 2000 asset acquisition from an Oxy subsidiary.</td>
</tr>
<tr>
<td>Private company (“Private”)</td>
<td>All individuals hired in January 2003 from Private and related companies in connection with an asset acquisition of certain property in Louisiana effective as of December 1, 2002.</td>
</tr>
</tbody>
</table>

— END OF APPENDIX C —

C-2

Prepared December 4, 2007
APPENDIX D

DEKALB Energy Company / Apache Canada Ltd.

Introduction

Through a merger effective as of May 17, 1995, Apache then held 100% of the stock of DEKALB Energy Company (which has been renamed Apache Canada Ltd.). Apache Canada Ltd. has adopted this Plan, and Apache has approved its adoption, as of May 17, 1995, for the eligible employees of Apache Canada Ltd. Capitalized terms in this Appendix have the same meanings as those given to them in the Plan. The regular terms of the Plan shall apply to the employees of Apache Canada Ltd., except as provided below.

Eligibility to Participate

Notwithstanding the definition of “Covered Employee,” an employee of Apache Canada Ltd. shall be a Covered Employee only if (1) he is either a U.S. citizen or a U.S. resident, and (2) he was employed by Apache or another Company immediately before becoming an employee of Apache Canada Ltd.

Compensation

If the payroll of the Apache Canada Ltd. employee is handled in the United States, then the definitions of Compensation in section 1.14 apply. To the extent that the payroll of the Apache Canada Ltd. employee is handled outside of the United States, section 1.14 shall apply except that paragraph 1.14(a)(i) shall be replaced by:

(i) For purposes of determining the limitation on Annual Additions under section 3.4, Compensation means the items specified in the safe-harbor definition in Treasury Regulation §1.415(c)-2(d)(2).

— END OF APPENDIX D —
Apache Corporation 401(k) Savings Plan

Amendment

Apache Corporation ("Apache") sponsors the Apache Corporation 401(k) Savings Plan (the "Plan"). In section 10.4 of the Plan, Apache reserved the right to amend the Plan from time to time. Apache hereby exercises that right by amending the Plan as follows.

1. Effective as of January 1, 2009, section 6.7(c)(i) is replaced by the following.

(i) Participants, Spouses, and Alternate Payees. For a Participant, an Alternate Payee who is the Spouse or former Spouse of the Participant, or a surviving Spouse of a deceased Participant, an eligible retirement plan is an individual retirement account or annuity described in Code §408(a) or §408(b), a Roth IRA, an annuity plan described in Code §403(a), an annuity contract described in Code §403(b), an eligible plan under Code §457(b) that is maintained by an eligible employer described in Code §457(e)(1)(A) (which generally includes state and local governments), or the qualified trust of a defined contribution plan described in Code §401(a), that accepts eligible rollover distributions.

2. Effective as of January 1, 2002, section 12.2 is replaced by the following.

12.2 Determination of Top-Heavy Status.

The Plan shall be considered “top-heavy” for a Plan Year if, as of the last day of the prior Plan Year, the aggregate of the Account balances (as calculated according to the regulations under Code §416) of Key Employees under this Plan (and under all other plans required or permitted to be aggregated with this Plan) exceeds 60% of the aggregate of the Account balances (as calculated according to the regulations under Code §416) in this Plan (and under all other plans required or permitted to be aggregated with this Plan) of all current Employees and all former Employees who had performed services for Apache or an Affiliated Entity within the one-year period ending on the last day of the prior Plan Year. This ratio shall be referred to as the “top-heavy ratio”. For purposes of determining the account balance of any Participant, (a) the balance shall be determined as of the last day of the prior Plan Year, (b) the balance shall also include any distributions to the Participant during the one-year period ending on the last day of the prior Plan Year, and (c) the balance shall also include, for distributions made for a reason other than severance of employment or death or disability, any distributions to the Participant during the five-year period ending on the last day of the prior Plan Year. This shall also apply to distributions under a terminated plan that, if it had not been terminated, would have been required to be included in an aggregation group. The Account balances of a Participant who had once been a Key Employee, but who is not a Key Employee during the Plan Year, shall not be taken into account. The following plans must be aggregated with this Plan for the top-heavy test: (a) a qualified plan maintained by the Company or an Affiliated Entity in which a Key Employee participated during this Plan Year or during the previous four Plan Years and (b) any other qualified plan maintained by the Company or an Affiliated Entity that enables this Plan or any plan described in clause (a) to meet the requirements of Code §401(a)(4) or §410. The following plans may be aggregated with this Plan for the top-heavy test: any qualified plan maintained by the Company or an Affiliated Entity that, in combination with the Plan or any plan required to be aggregated with this Plan when testing this Plan for top-heaviness, would satisfy the requirements of Code §401(a)(4) and §410. If one or more of the plans required or permitted to be aggregated with this Plan is a defined benefit plan, a Participant’s “account balance” shall equal the present value of the Participant’s accrued benefit. If the aggregation group includes more than one defined benefit plan, the same actuarial assumptions shall be used with respect to each such defined benefit plan. The foregoing top-heavy ratio shall be computed in accordance with the provisions of Code §416(g), together with the regulations and rulings thereunder.
Effective as of January 1, 2009, Article XV is replaced by the following.

**Article XV**

**Uniformed Services Employment and Reemployment Rights Act of 1994**

15.1 **General**

(a) **Scope.** The Uniformed Services Employment and Reemployment Rights Act of 1994 (the “USERRA”), which is codified at 38 USCA §§4301-4318, confers certain rights on individuals who leave civilian employment to perform certain services in the Armed Forces, the National Guard, the commissioned corps of the Public Health Service, or in any other category designated by the President of the United States in time of war or emergency (collectively, the “Uniformed Services”). An Employee who joins the Uniformed Services shall be referred to as a “Serviceman” in this Article. This Article shall be interpreted to provide such individuals with all the benefits required by the USERRA but no greater benefits than those required by the USERRA. This Article shall supersede any contrary provisions in the remainder of the Plan.

(b) **Rights of Servicemen.** When a Serviceman leaves the Uniformed Services, he may have reemployment rights with the Company or Affiliated Entities, depending on many factors, including the length of his stay in the Uniformed Services and the type of discharge he received. When this Article speaks of the date a Serviceman’s potential USERRA reemployment rights expire, it means the date on which the Serviceman fails to qualify for reemployment rights (if, for example, he is dishonorably discharged, or, in general, remains in the Uniformed Services for more than 5 years) or, if the Serviceman obtains reemployment rights, the date his reemployment rights lapse because the Serviceman failed to timely exercise those rights.

15.2 **While a Serviceman.**

In general, a Serviceman shall be treated as an Employee while he continues to receive wages or Differential Pay from the Company or an Affiliated Entity, and once the Serviceman’s wages and Differential Pay from the Company or Affiliated Entity cease, the Serviceman shall be treated as if he were on an approved, unpaid leave of absence. For purposes of this Article, “Differential Pay” means the pay received by a Serviceman from Apache and Affiliated Entities, pursuant to their military leave policies, that is generally equal to the difference between his pay from the Armed Forces and his regular pay from Apache and Affiliated Entities before his military leave began. Differential Pay must also come within the meaning of “differential wage payment” in Code §3401(h)(2). The definition of “Compensation” in Article I shall include Differential Pay for all purposes.

(a) **Participant Contributions.** For purposes of making Participant Contributions under section 3.2, if the Serviceman was a Covered Employee when he became a Serviceman, he shall continue to be treated as a Covered Employee while he continues to receive wages or Differential Pay from the Company. As a consequence, (i) if he was a Covered Employee who had satisfied the requirements of Article II when he became a Serviceman, he may continue to make Participant Contributions from his wages and Differential Pay from the Company, and (ii) if he had not satisfied the requirements of section 2.1 when he became a Serviceman, his service in the Uniformed Services shall be treated as service with the Company in determining when he will be able to begin making Participant Contributions under section 2.1, and if his wages or Differential Pay from the Company continue beyond that eligibility date, the Serviceman may begin to make Participant Contributions on such date. A Serviceman may change his rate of contributions in the same manner as an Employee. A Serviceman’s Participant Contributions shall cease when his wages and Differential Pay from the Company cease.

(b) **Company Contributions.** Wages and Differential Pay paid by the Company to a Serviceman shall be included in his Compensation as if the Serviceman were an Employee. A Serviceman’s Participant Contributions shall be matched according to the formula in paragraph 3.1(b)(i). If the Employee was a Covered Employee when he became a Serviceman and his wages or Differential Pay continue through the last business day of a Plan Year, then (i) the Serviceman shall be treated as an “eligible Participant” under subsection 3.1(a) for that Plan Year (and shall therefore receive an allocation of any Company Discretionary Contribution); (ii) the Serviceman...
shall be treated as an “eligible Participant” under paragraph 3.1(b)(ii) for that Plan Year (and shall therefore receive an allocation of any additional match provided under such paragraph); (iii) if he was a Non-Highly Compensated Employee when he became a Serviceman, he shall be eligible to receive an allocation of any QNECs and QMACs provided under subsections 3.7(c) and 3.8(c); and (iv) he shall be treated as an Employee under subsection 12.4(a) (and, if he is a Non-Key Employee, he shall therefore receive any minimum required allocation if the Plan is top-heavy).

(c) **Investments.** If the Serviceman has an account balance in the Plan, he is an Account Owner and may therefore direct the investment of his Accounts pursuant to section 9.3 and Article XIV.

(d) **Loans.** For purposes of borrowing from the Plan under Article VII, a Serviceman shall be treated as an Employee until the day on which his potential USERRA reemployment rights expire. If a Serviceman with an outstanding loan continues to receive wages or Differential Pay from the Company or an Affiliated Entity after joining the Uniformed Services, his loan payments shall continue to be deducted from those wages and Differential Pay. Once the Serviceman’s wages and Differential Pay cease, his loan payments shall be suspended until the earlier of (i) his reemployment with the Company or an Affiliated Entity or (ii) the day on which his potential USERRA reemployment rights expire. The Serviceman may repay all or part of his loan at any time during the suspension. During the payment suspension, interest shall accrue on the unpaid balance of the loan. See subsections 15.3(b) and 15.4(c) for the resumption of loan payments for a reemployed Serviceman, and subsection 15.3(a) for the timing of the loan’s default if the Serviceman is not reemployed.

(e) **Distributions and Withdrawals.** For purposes of Article VI (relating to distributions and in-service withdrawals), the Serviceman shall be treated as an Employee until the day on which his potential USERRA reemployment rights expire, with one exception. The Serviceman shall be treated as having had a severance from employment on the date he became a Serviceman with respect to any benefits accrued from his Differential Pay; however, if the Serviceman takes such a distribution, his Participant Contributions [and any deemed Participant Contributions under subsection (h)] shall cease for six months from the date of the distribution. See section 15.3 once his potential USERRA rights expire.

(f) **QDROs.** QDROs shall be processed while the Participant is a Serviceman. The Committee has the discretion to establish special procedures under subsection 13.9(e) for Servicemen, by, for example, extending the usual deadlines to accommodate any practical difficulties encountered by the Serviceman that are attributable to his service in the Uniformed Services.

(g) **Rollovers.** If the Serviceman was a Covered Employee when he became a Serviceman, the Serviceman may make Rollover Contributions pursuant to subsection 3.2(d) until the day on which his potential USERRA reemployment rights expire.

(h) **Death or Disability.** If a Serviceman dies or becomes disabled while he is a Serviceman, his Account shall be fully vested. In addition, the Serviceman will be treated as if he had returned to active employment and then died or became disabled, with the result that he will receive the make-up contributions under subsections 15.4(e), 15.4(f), and 15.4(g), and to the extent those are based on his Participant Contributions, he shall be also treated as if he had continued making Participant Contributions from his Deemed Compensation at the average rate he actually made Participant Contributions during the 12 months (or, if less his actual length of service with Apache and Affiliated Entities) immediately before he became a Serviceman.

15.3 **Expiration of USERRA Reemployment Rights.**

(a) **Consequences.** If a Serviceman is not reemployed before his potential USERRA reemployment rights expire, the Committee shall determine his Termination From Service Date by treating his service in the Uniformed Services as an approved leave of absence but treating the expiration of his potential USERRA reemployment rights as the failure to timely return from his leave of absence, with the consequence that his Termination From Service Date will generally be the date his potential USERRA rights expired. Once his Termination From Service Date has been determined, the Committee shall determine his vested percentage. For purposes of Article VI
(relating to distributions), the day the Serviceman’s potential USERRA reemployment rights expired shall be treated as the day of his Termination from Service. For purposes of subsection 5.4(b) (relating to the timing of forfeitures), the Serviceman’s last day of employment shall be the day his potential USERRA reemployment rights expired. If the Serviceman has an outstanding loan from this Plan when his potential USERRA reemployment rights expire, his loan shall go into default on the last day of the calendar quarter after the calendar quarter in which his potential USERRA reemployment rights expired, unless, before the loan goes into default, he repays the loan or is rehired pursuant to subsection (b).

(b) Rehire after Expiration of Reemployment Rights. If the Company or an Affiliated Company hires a former Serviceman after his potential USERRA reemployment rights have expired, he shall be treated like any other former employee who is rehired. If he had an outstanding loan and is reemployed before the loan goes into default pursuant to subsection (a), his loan payments shall be recalculated and the Company or Affiliated Entity shall immediately resume withholding the revised loan payments from his pay. The term of the loan when payments resume shall be equal to the remaining term of the loan when payments were suspended.

15.4 Return From Uniformed Service.

This section applies solely to a Serviceman who returns to employment with the Company or an Affiliated Entity because he exercised his reemployment rights under the USERRA.

(a) Credit for Service. A Serviceman’s length of time in the Uniformed Services shall be treated as service with the Company for purposes of vesting and determining his eligibility to participate in the Plan upon reemployment.

(b) Participation. If the Serviceman satisfies the eligibility requirements of section 2.1 before his reemployment, and he is a Covered Employee upon his reemployment, he may participate in the Plan immediately upon his return.

(c) Loans. If the Serviceman’s loan payments were suspended under subsection 15.2(d) during his time in the Uniformed Services, his loan payments shall be recalculated and the Company or Affiliated Entity shall immediately resume withholding the revised loan payments from his pay. The term of the loan when payments resume shall be equal to the remaining term of the loan when payments were suspended.

(d) Make-Up Participant Contributions. In addition to his regular Participant Contributions, a returning Serviceman shall be permitted to make additional contributions up to the amount of Participant Contributions he could have made if, instead of becoming a Serviceman, he had remained employed by the Company or Affiliated Entity and been paid his Deemed Compensation during that time. See subsection (h) for guidance on applying the various limits contained in the Code to the calculation of the maximum additional contribution the returning Serviceman may make. Such additional contributions may only be made within a period that begins on his reemployment date and whose duration is the lesser of five years or three times his length of time in the Uniformed Services. The additional contributions shall be withheld from his Compensation pursuant to the Serviceman’s election. The Committee shall establish administrative procedures for such elections. The additional contributions shall be allocated to Participant Contributions Accounts.

(e) Make-Up Match. For each additional contribution that the Serviceman contributes pursuant to subsection (d), the Company shall promptly contribute to his Accounts an additional matching contribution. The additional matching contribution shall be equal to the Company Matching Contribution (including forfeitures treated as Company Matching Contributions) that he would have received if (i) his additional contributions were Participant Contributions made during his time in the Uniformed Services, and (ii) he was paid his Deemed Compensation during his time in the Uniformed Services. The Serviceman’s additional contributions shall be spread over the pay periods in which they could have occurred in such a way as to maximize the additional matching contribution. See subsection (h) for guidance on applying the various limits contained in the Code to the calculation of the additional matching contribution. The additional matching contribution shall be allocated to the Participant’s Company Contributions Account unless the
additional matching contribution would have been designated a QMAC, in which case it shall be allocated to his Participant Contributions Account.

(f) **Make-Up Company Discretionary Contribution.** The Company shall contribute an additional contribution to a Serviceman’s Accounts equal to the Company Discretionary Contribution (including any forfeitures treated as Company Discretionary Contributions) that would have been allocated to such Accounts if the Serviceman had remained employed during his time in the Uniformed Services, and had earned his Deemed Compensation during that time. See subsection (h) for guidance on applying the various limits contained in the Code to the calculation of the additional discretionary contribution. The additional discretionary contribution shall be allocated to the Participant’s Company Contributions Account unless the additional discretionary contribution would have been designated a QNEC, in which case it shall be allocated to his Participant Contributions Account.

(g) **Make-Up Miscellaneous Contributions.** The Company shall contribute to the Serviceman’s Accounts any QNECs and QMACs that the Serviceman would have received pursuant to subsection 3.7(c) or 3.8(c), and any top-heavy minimum contribution he would have received pursuant to section 12.4, (including any forfeitures treated as QNECs, QMACs, or top-heavy minimum contributions) if he had remained employed during his time in the Uniformed Services, and had earned Deemed Compensation during that time. See subsection (h) for guidance on applying the various limits contained in the Code to the calculation of the QNECs, QMACs, and top-heavy minimum contribution. These additional top-heavy minimum contributions shall be allocated to Company Contributions Accounts. The additional QNECs and QMACs shall be allocated to Participant Contributions Accounts.

(h) **Application of Limitations.**

(i) The make-up contributions under subsections (d), (e), (f), and (g) (the “Make-Up Contributions”) shall be ignored for purposes of determining the Company’s maximum contribution under subsection 3.1(d), the limits on Participant Contributions under paragraphs 3.2(a)(ii) and 3.2(b)(ii), the limits on Annual Additions under section 3.4, the ADP test of section 3.5, the ACP test of section 3.6, the non-discrimination requirements of Code §401(a)(4), and (if the Serviceman is a Key Employee) calculating the minimum required top-heavy contribution under section 12.4.

(ii) In order to determine the maximum Make-Up Contributions, the following limitations shall apply.

(A) The Serviceman’s “Aggregate Compensation” for each year shall be calculated. His Aggregate Compensation shall be equal to his actual Compensation, plus his Deemed Compensation that would have been paid during that year. Each type of Aggregate Compensation (for benefit purposes, deferral purposes, etc.) shall be determined separately.

(B) The Serviceman’s Aggregate Compensation each Plan Year shall be limited to the dollar limit in effect for that Plan Year under Code §401(a)(17), for the purposes and in the manner specified in subsection 1.14(f).

(C) The limits of subsection 3.1(d) (relating to the maximum contribution by the Company to the Plan) for each Plan Year shall be calculated by using the Serviceman’s Aggregate Compensation for that Plan Year, and by treating the Make-Up Contributions that are attributable to that Plan Year’s Deemed Compensation as having been made during that Plan Year.

(D) The limits of paragraph 3.2(a)(ii) (relating to the maximum 401(k) Contributions) and paragraph 3.2(b)(ii) (relating to the maximum Catch-Up Contributions) for each calendar year shall be calculated by treating as 401(k) and Catch-Up Contributions his additional contributions pursuant to subsection (d) that are attributable to that calendar year’s Deemed Compensation.
(E) The limits of section 3.4 (relating to the maximum Annual Additions to a Participant’s Accounts) shall be calculated for each Limitation Year by using the Serviceman’s Aggregate Compensation for that Limitation Year, and by treating as Annual Additions all the Make-Up Contributions that are attributable to that Limitation Year’s Deemed Compensation.

(F) The Serviceman’s maximum Make-Up Contributions shall not be limited by the results of the Plan’s ADP test or ACP test for any Plan Year in which the Serviceman has Deemed Compensation, even if the Serviceman is treated as a Highly Compensated Employee (using his Aggregate Compensation) for that Plan Year.

(i) **Deemed Compensation**. A Serviceman’s Deemed Compensation is the Compensation that he would have received (including raises) had he remained employed by the Company or Affiliated Entity during his time in the Uniformed Services, unless it is not reasonably certain what his Compensation would have been, in which case his Deemed Compensation shall be based on his average rate of compensation during the 12 months (or, if shorter, his period of employment with the Company and Affiliated Entities) immediately before he entered the Uniformed Services. A Serviceman’s Deemed Compensation shall be reduced by any Compensation actually paid to him during his time in the Uniformed Services (such as vacation pay, wages, and Differential Pay). Deemed Compensation shall cease when the Serviceman’s potential USERRA reemployment rights expire. Each type of Deemed Compensation (for benefit purposes, deferral purposes, etc.) shall be determined separately.

EXECUTED this 29th day of January, 2009.

APACHE CORPORATION

By: /s/ Margery M. Harris
Title: Vice President — Human Resources
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Document prepared December 4, 2007
Apache Corporation, a Delaware corporation (“Apache”), maintains this money purchase pension plan (the “Plan”), which is intended to be qualified under Code §401(a).

The Plan is hereby amended and restated as set forth below, effective January 1, 2008, except for those provisions that have their own specific effective dates.

Each Appendix to this Plan is a part of the Plan document. It is intended that an Appendix will be used to (1) describe which business entities are actively participating in the Plan, (2) describe any special participation, eligibility, vesting, or other provisions that apply to the employees of a business entity, (3) describe any special provisions that apply to Participants affected by a designated corporation transaction, and (4) describe any special distribution rules that apply to directly transferred benefits from other plans.

ARTICLE I Definitions

The following words and phrases shall have the meaning set forth below:

1.1 Account
“Account” means the account established pursuant to section 4.1.

1.2 Account Owner
“Account Owner” means a Participant who has an Account balance, an Alternate Payee who has an Account balance, or a beneficiary who has obtained an interest in the Account of the previous Account Owner because of the previous Account Owner’s death.

1.3 Affiliated Entity
“Affiliated Entity” means:

(a) For all purposes of the Plan except those listed in subsection (b), the term “Affiliated Entity” means any legal entity that is treated as a single employer with Apache pursuant to Code §414(b), §414(c), §414(m), or §414(o).

(b) For purposes of determining Annual Additions under section 1.5, limiting Annual Additions to a Participant’s Account under section 3.4, and construing the defined terms as they are used in sections 1.5 and 3.4 (such as “ Compensation” and “Employee”), the term “Affiliated Entity” means any legal entity that is treated as a single employer with Apache pursuant to Code §414(m) or §414(o), and any legal entity that would be an Affiliated Entity pursuant to Code §414(b) or §414(c) if the phrase “more than 50%” were substituted for the phrase “at least 80%” each place it occurs in Code §1563(a)(1).

1.4 Alternate Payee
“Alternate Payee” means a Participant’s Spouse, former spouse, child, or other dependent who is recognized by a QDRO as having a right to receive all, or a portion of, the benefits payable under this Plan with respect to such Participant.

1.5 Annual Addition
“Annual Addition” means the allocations to a Participant’s Account for any Limitation Year, as described in detail below.

(a) Annual Additions shall include: (i) Company Contributions (except as provided in paragraphs (b)(iii) and (b)(v)) to this Plan and Company contributions to any other defined contribution plan maintained by the Company or any Affiliated Entity, (ii) after-tax contributions to any other defined contribution plan maintained by the Company or an Affiliated Entity; (iii) elective deferrals by the Participant, pursuant to Code §401(k), to any other defined contribution plan maintained by the Company or an
Affiliated Entity; (iv) forfeitures allocated to a Participant’s Account in this Plan and any other defined contribution plan maintained by the Company or any Affiliated Entity (except as provided in paragraphs (b)(iii) and (b)(v) below); (v) all amounts paid or accrued to a welfare benefit fund as defined in Code §419(e) and allocated to the separate account (under the welfare benefit fund) of a Key Employee to provide post-retirement medical benefits; and (vi) contributions allocated on the Participant’s behalf to any individual medical account as defined in Code §415(i)(2).

(b) Annual Additions shall not include: (i) rollovers to any defined contribution plan maintained by the Company or an Affiliated Entity; (ii) repayments of loans made to a Participant from a qualified plan maintained by the Company or any Affiliated Entity; (iii) repayments of forfeitures for rehired Participants, as described in Code §411(a)(7)(B) and §411(a)(3)(D); (iv) direct transfers of funds from one qualified plan to any qualified plan maintained by the Company or any Affiliated Entity; (v) repayments of forfeitures of missing individuals pursuant to section 12.12; or (vi) salary deferrals within the meaning of Code §414(u)(2)(C) or §414(v)(6)(B).

1.6 Code

“Code” means the Internal Revenue Code of 1986, as amended from time to time, and the regulations and rulings in effect thereunder from time to time.

1.7 Committee

“Committee” means the administrative committee provided for in section 7.4.

1.8 Company

“Company” means Apache, any successor thereto, and any Affiliated Entity that adopts the Plan pursuant to Article X. Each Company is listed in Appendix A.

1.9 Company Contributions

“Company Contributions” means all contributions to the Plan made by the Company pursuant to section 3.1 for the Plan Year.

1.10 Company Mandatory Contributions

“Company Mandatory Contributions” means all contributions to the Plan made by the Company pursuant to subsection 3.1(a) for the Plan Year.

1.11 Compensation

“Compensation” means:

(a) Compensation for Annual Additions.

(i) Items Included. For purposes of determining the limitation on Annual Additions under section 3.4, Compensation means those amounts reported as “wages, tips, other compensation” on Form W-2 by Apache or an Affiliated Entity elective contributions that would have been reported as “wages, tips, other compensation” on Form W-2 by Apache or an Affiliated Entity but for an election under Code §125(a), §132(f)(4), §402(e)(3), §402(h)(1)(B), §402(k), or §457(b). The Plan shall ignore any rules that limit the remuneration included in “wages, tips, other compensation” based on the nature or location of the employment or the services performed.

(ii) Timing Restrictions. Compensation includes amounts that are paid or made available to the Participant during the Limitation Year. Compensation does not include amounts paid after a Participant’s termination of employment except that Compensation does include (A) amounts included in the final payment of his regular compensation for services provided before his termination (including regular pay, overtime, shift differential, commissions, bonuses, and similar payments), but only if the amounts are paid during the Limitation Year in which the termination occurred or, if later, within 2 1/2 months of his termination, (B) the cash-out of any paid time off that the former employee would have been able to use had his employment continued, but only if such amount is paid during the Limitation Year in which the termination occurs or, if later, within 2 1/2 months of his termination, and (C) payments from an unfunded nonqualified deferred compensation plan (1) that are includible in the Participant’s gross income.
Compensation for Top-Heavy Minimum Contributions and Identifying Highly Compensated Employees and Key Employees. For purposes of determining the minimum contribution under section 11.4 when the Plan is top-heavy, and for identifying Highly Compensated Employees and Key Employees, Compensation means the amounts that would have been paid on such date(s) if the Participant had continued in employment.

(c) Benefit Compensation. For purposes of determining and allocating Company Mandatory Contributions under paragraphs 3.1(a)(i) and 3.1(a)(ii), Compensation generally means regular compensation paid by the Company.

(i) Inclusions. Specifically, Compensation includes:

(A) Regular salary or wages,

(B) Overtime pay,

(C) The regular annual bonus (unless all or a portion is excluded by the Committee before the regular annual bonus is paid) and any other bonus designated by the Committee,

(D) Salary reductions pursuant to the Apache Corporation 401(k) Savings Plan,

(E) Salary reductions that are excludable from an Employee’s gross income pursuant to Code §125 or §132(f)(4), and

(F) Amounts contributed as salary deferrals to the Non-Qualified Retirement/Savings Plan of Apache Corporation.

(ii) Exclusions. Compensation excludes:

(A) Commissions,

(B) Severance pay,

(C) Moving expenses,

(D) Any gross-up of moving expenses to account for increased income or employment taxes,

(E) Foreign service premiums paid as an inducement to work outside of the United States,

(F) Credits or benefits under this Plan and credits or benefits under the Apache Corporation 401(k) Savings Plan (except as provided in subparagraph (i)(D)),

(G) Other contingent compensation,

(H) Any amount relating to the granting of a stock option by the Company or an Affiliated Entity, the exercise of such a stock option, or the sale or deemed sale of any shares thereby acquired,

(I) Contributions to any other fringe benefit plan (including, but not limited to, overriding royalty payments or any other exploration-related payments),

(J) Any bonus other than a bonus described in subparagraph 1.11(c)(i)(C), and

(K) Except as provided under subparagraph (i)(F), any benefit accrued under, or any payment from, any nonqualified plan of deferred compensation.

(iii) Timing Issues. Compensation includes amounts that are paid to the Employee during that portion of a Plan Year while the Employee is a Covered Employee. Compensation does not include amounts paid after an Employee’s termination of employment, except that Compensation does include (A) amounts included in the final payment of his regular compensation for services provided before his termination (including regular pay, overtime, shift differential, commissions, bonuses, and similar payments), but only if the amounts are paid during the Limitation Year in which the termination occurred or, if later, within 2 1/2 months of the termination, and (3) that would have been paid on such date(s) if the Participant had continued in employment.
during the Plan Year in which the termination occurred or, if later, within 2 1/2 months of his termination and (B) any cash-out of accrued vacation time that the former employee would have been able to use had he continued in employment that is paid to him during the Plan Year in which the termination occurred or, if later, within 2 1/2 months of his termination.

(d) **Limit on Compensation.** For all purposes of subsection (a), for purposes of calculating the minimum contribution required in top-heavy years under subsection (b), and for all purposes of subsection (c), the Compensation taken into account for the Plan Year shall not exceed the dollar limit specified in Code §401(a)(17) in effect for the Plan Year or Limitation Year.

1.12 **Covered Employee**

“Covered Employee” means any Employee of the Company, with the following exceptions.

(a) Any individual directly employed by an entity other than the Company shall not be a Covered Employee, even if such individual is considered a common-law employee of the Company or is treated as an employee of the Company pursuant to Code §414(n).

(b) An Employee shall not be a Covered Employee unless he is either based in the U.S. or on the U.S. payroll.

(c) An Employee included in a unit of Employees covered by a collective bargaining agreement shall not be a Covered Employee unless the collective bargaining agreement specifically provides for such Employee’s participation in the Plan.

(d) An Employee whose job is classified as “temporary” shall be a Covered Employee only after he has worked for the Company and Affiliated Entities for six consecutive months.

(e) An Employee shall not be a Covered Employee while he is classified as an “intern,” a “consultant,” or an “independent contractor.” An Employee may be classified as an “intern” only if he is currently enrolled (or the Company expects him to be enrolled within the next 12 months) in a high school, college, or university. An Employee may be classified as an intern even if he does not receive academic course credit from his school for this employment with the Company.

(f) An individual who is employed pursuant to a written agreement with an agency or other third party for a specific job assignment or project shall not be a Covered Employee.

1.13 **Disability**

“Disability” means a physical or mental condition that qualifies the Employee for long-term disability payments under Apache’s Long-Term Disability Plan.

1.14 **Domestic Relations Order**

“Domestic Relations Order” means any judgment, decree, or order (including approval of a property settlement agreement) issued by a court of competent jurisdiction that relates to the provisions of child support, alimony, or maintenance payments, or marital property rights to a Participant’s Spouse, former spouse, child, or other dependent and is made pursuant to a state domestic relations law (including a community property law).

1.15 **Employee**

“Employee” means each individual who performs services for the Company or an Affiliated Entity and whose wages are subject to withholding by the Company or an Affiliated Entity. The term “Employee” includes only individuals currently performing services for the Company or an Affiliated Entity, and excludes former Employees who are still being paid by the Company or an Affiliated Entity (whether through the payroll system, through overriding royalty payments, through exploration-related payments, severance, or otherwise). The term “Employee” also includes any individual who provides services to the Company or an Affiliated Entity pursuant to an agreement between the Company or an Affiliated Entity and a third party that employs the individual, but only if the individual has performed such services for the Company or an Affiliated Entity on a substantially full-time basis for at least one year and only if the services are performed under the primary direction or control by the Company or an Affiliated Entity; provided, however, that if the individuals included as Employees pursuant to the first part of this sentence constitute 20% or less of the
Non-Highly Compensated Employees of the Company and Affiliated Entities, then any such individuals who are covered by a qualified plan that is a money purchase pension plan that provides a nonintegrated employer contribution rate for each participant of at least 10% of compensation, that provides for full and immediate vesting, and that provides immediate participation for each employee of the third party (other than those who perform substantially all of their services for the third party and other than those whose compensation from the third party during each of the four preceding plan years was less than $1000) shall not be considered an Employee.

1.16 **ERISA**

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended, and the regulations and rulings in effect thereunder from time to time.

1.17 **Five Percent Owner**

“Five Percent Owner” means:

(a) With respect to a corporation, any individual who owns (either directly or indirectly according to the rules of Code §318) more than 5% of the value of the outstanding stock of the corporation or stock processing more than 5% of the total combined voting power of all stock of the corporation.

(b) With respect to a non-corporate entity, any individual who owns (either directly or indirectly according to rules similar to those of Code §318) more than 5% of the capital or profits interest in the entity.

(c) An individual shall be a Five Percent Owner for a particular year if such individual is a Five-Percent Owner at any time during such year.

1.18 **Highly Compensated Employee**

“Highly Compensation Employee” means, for each Plan Year, an Employee who (a) was in the “top-paid group” during the immediately preceding Plan Year and had Compensation of $80,000 (as adjusted by the Secretary of the Treasury) or more during the immediately preceding Plan Year, or (b) is a Five-Percent Owner during the current Plan Year, or (c) was a Five-Percent Owner during the immediately preceding Plan Year. The term “top-paid group” means the top 20% of Employees when ranked on the basis of Compensation paid during the year. In determining the number of Employees in the top-paid group, the Committee may elect to exclude Employees with less than six (or some smaller number of) months of service at the end of the year, Employees who normally work less than 17 1/2 (or some fewer number of) hours per week, Employees who normally work less than six (or some fewer number of) months during any year, Employees younger than 21 (or some younger age) on the last day of the year, and Employees who are nonresident aliens who receive no earned income (within the meaning of Code §911(d)(2)) from Apache or an Affiliated Entity that constitutes income from sources within the United States, within the meaning of Code §861(a)(3). Furthermore, an Employee who is a nonresident alien who receives no earned income (within the meaning of Code §911(d)(2)) from Apache or an Affiliated Entity that constitutes income from sources within the United States (within the meaning of Code §861(a)(3)) during the year shall not be in the top-paid group for that year.

1.19 **Key Employee**

“Key Employee” means an individual described in Code §416(i)(1) and the regulations promulgated thereunder.

1.20 **Lapse in Apache Employment**

“Lapse in Apache Employment” has the meaning described in subsection 5.3(c).

1.21 **Limitation Year**

“Limitation Year” means the calendar year.

1.22 **Non-Highly Compensated Employee**

“Non-Highly Compensated Employee” means an Employee who is not a Highly Compensated Employee.
Non-Key Employee

“Non-Key Employee” means an Employee who is not a Key Employee.

Normal Retirement Age

“Normal Retirement Age” means age 65.

Participant

“Participant” means any individual with an account balance under the Plan except beneficiaries and Alternate Payees. The term “Participant” shall also include any individual who has accrued a benefit pursuant to subsection 3.1(a), but who does not yet have an Account balance.

Period of Service

“Period of Service” has the meaning described in subsection 5.3(a).

Plan Year

“Plan Year” means the 12-month period on which the records of the Plan are kept, which shall be the calendar year.

QDRO

“QDRO,” which is an acronym for qualified domestic relations order, means a Domestic Relations Order that creates or recognizes the existence of an Alternate Payee’s right to, or assigns to an Alternate Payee the right to, receive all or a portion of the benefits payable with respect to a Participant under the Plan and with respect to which the requirements of Code §414(p) and ERISA §206(d)(3) are met.

QJSA

“QJSA,” which is an acronym for qualified joint and survivor annuity, means:

(a) For a married Participant, a QJSA is an annuity that will provide equal monthly payments to the Participant for life, and if the Participant dies before his Spouse, the surviving Spouse shall receive monthly payments for her life, with each monthly payment equal to 50% of the monthly payment that the Participant received before his death.

(b) For an unmarried Participant, a QJSA is an annuity that will provide equal monthly payments to the Participant for life.

QOSA

“QOSA,” which is an acronym for qualified optional survivor annuity, means an annuity that will provide equal monthly payments to the Participant for life, and if the Participant dies before his Spouse, the surviving Spouse receives monthly payments for the rest of her life, with each monthly payment equal to 75% of the monthly payment that the Participant received before his death.

QPSA

“QPSA,” which is an acronym for qualified pre-retirement survivor annuity, means an annuity that will provide equal monthly payments to the surviving Spouse of a Participant, for the life of the surviving Spouse.

Required Beginning Date

“Required Beginning Date” means:

(a) Excepted as provided in subsections (b) and (c), Required Beginning Date means April 1 of the calendar year following the later of (i) the calendar year in which the Participant attains age 70 1/2, or (ii) the calendar year in which the Participant terminates employment with Apache and all Affiliated Entities.

(b) For a Participant who is both an Employee and a Five-Percent Owner of Apache or an Affiliated Entity, the term “Required Beginning Date” means April 1 of the calendar year following the calendar year in which the Five-Percent Owner attains age 70 1/2. If an Employee older than 70 1/2 becomes a
Five-Percent Owner, his Required Beginning Date shall be April 1 of the calendar year following the calendar year in which he becomes a Five-Percent Owner.

(c) If a Participant is rehired after his Required Beginning Date, and he is not a Five-Percent Owner, he shall be treated upon rehire as if he has not yet had a Required Beginning Date, with the result that his minimum required distributions under subsection 6.4(c) will be zero until his new Required Beginning Date. His new Required Beginning Date shall be determined pursuant to subsection (a).

1.33 Spouse

“Spouse” means the individual of the opposite sex to whom a Participant is lawfully married according to the laws of the state of the Participant’s domicile.

1.34 Termination from Service Date

“Termination from Service Date” has the meaning described in subsection 5.3(b).

1.35 Valuation Date

“Valuation Date” means the last day of each Plan Year and any other dates as specified in section 4.2 as of which the assets of the Trust Fund are valued at fair market value and as of which the increase or decrease in the net worth of the Trust Fund is allocated among the Participants’ Accounts.

ARTICLE II Participation

2.1 Participation

Each Covered Employee shall be eligible to participate in the Plan on the day he becomes a Covered Employee. A Covered Employee shall cease to accrue benefits in the Plan on the day he ceases to be a Covered Employee.

2.2 Enrollment Procedure

Notwithstanding section 2.1, a Covered Employee shall not be eligible to participate in the Plan until after completing the enrollment procedures specified by the Committee. Such enrollment procedures may, for example, require the Covered Employee to complete and sign an enrollment form or to complete an on-line enrollment. The Covered Employee shall provide all information requested by the Committee, such as the initial investment direction, the address and date of birth of the Employee, and the name, address, and date of birth of each beneficiary of the Employee. The Committee may require that the enrollment procedure be completed a certain number of days prior to the date any Company Contribution is allocated to the Covered Employee’s Account.

ARTICLE III Contributions

3.1 Company Contributions

(a) Company Mandatory Contributions

(i) General. For each Plan Year, the Company shall contribute to the Trust Fund such amount of Company Mandatory Contributions as are necessary to fund the allocations described in this subsection. The Company may elect to treat any available forfeitures as Company Mandatory Contributions, pursuant to subsection 5.4(d).

(ii) Regular Allocation. Each “eligible Participant” shall receive an allocation of Company Mandatory Contributions equal to 6% of the eligible Participant’s Compensation. For purposes of this subsection, an “eligible Participant” is a Participant who received credit for one Hour of Service as a Covered Employee during the Plan Year and who is employed by the Company or an Affiliated Entity on the last day of the Plan Year.

(b) Miscellaneous Contributions

(i) Forfeiture Restoration. The Company may make additional contributions to the Plan to restore amounts forfeited from the Accounts of certain rehired Participants, pursuant to section 5.4.
This additional contribution shall be required only when the available forfeitures are insufficient to restore such forfeited amounts, as described in subsection 5.4(d).

(ii) **Top-Heavy Contribution.** The Company may make additional contributions to the Plan to satisfy the minimum contribution required by section 11.4. The Company may elect to use any available forfeitures for this purpose, pursuant to subsection 5.4(d).

(iii) **Missing Individuals.** The Company may make additional contributions to the Plan to restore the forfeited benefit of any missing individual, pursuant to section 12.12. This additional contribution shall be required only when the available forfeitures are insufficient to restore such forfeited amounts, as described in subsection 5.4(d).

(iv) **Returning Servicemen.** The Company may make additional contributions to the Plan to provide make-up contributions for returning servicemen, pursuant to section 13.4. The Company may elect to use any available forfeitures for this purpose, pursuant to subsection 5.4(d).

(c) **Contributions Contingent on Deductibility.** The Company Contributions for a Plan Year (excluding forfeitures and contributions pursuant to paragraph 3.1(b)(iv)) shall not exceed the amount allowable as a deduction for Apache’s taxable year ending with or within the Plan Year pursuant to Code §404. Company Contributions (excluding contributions pursuant to paragraph 3.1(b)(iv) and any special contributions described in any paragraph of subsection 3.1(a) after paragraph (ii)) shall be paid to the Trustee no later than the due date (including any extensions) for filing the Company’s federal income tax return for such year. Company Contributions shall be made without regard to current or accumulated earnings and profits. The Company shall pay Company Contributions to the Trust Fund in the form of cash.

3.2 **Participant Contributions.**

Participants may not contribute to this Plan. The Plan does not accept rollovers or direct transfers.

3.3 **Return of Contributions.**

(a) **Mistake of Fact.** Upon the request of the Company, the Trustee shall return to the Company any Company Contribution made under a mistake of fact. The Trustee may not return any such contribution later than one year after the Trustee received the contribution. The amount returned shall not exceed the excess of the amount contributed (reduced to reflect any decrease in the net worth of the appropriate Accounts attributable thereto) over the amount that would have been contributed without the mistake of fact. Appropriate reductions shall be made in the Accounts of Participants to reflect the return of any contributions previously credited to such Accounts.

(b) **Non-Deductible Contributions.** Upon the request of the Company, the Trustee shall return to the Company any Company Contribution that is not deductible under Code §404. All contributions under the Plan are expressly conditioned upon their deductibility for federal income tax purposes. The amount that shall be returned shall be the excess of the amount contributed (reduced to reflect any decrease in the net worth of the appropriate Accounts attributable thereto) over the amount that would have been contributed if there had not been a mistake in determining the deduction. Appropriate reductions shall be made in the Accounts of Participants to reflect the return of any contributions previously credited to such Accounts. Any contribution conditioned on its deductibility shall be returned only if it is returned within one year after it is disallowed as a deduction.

(c) **Effect of Correction.** A contribution shall be returned under subsection (a) or (b) only to the extent that its return will not reduce the Account of a Participant to an amount less than the balance that would have been credited to the Participant’s Account had the contribution not been made.

3.4 **Limitation on Annual Additions.**

(a) **Limit.** The Annual Additions to a Participant’s Account(s) in this Plan and to his accounts in any other defined contribution plans maintained by the Company or an Affiliated Entity for any Limitation Year shall not exceed in the aggregate the lesser of (i) $40,000 (as adjusted by the Secretary of the Treasury), or (ii) 100% of the Participant’s Compensation. The limit in clause (ii) shall not apply to any contribution for medical benefits (within the meaning of Code §419A(f)(2)) after separation from service that is treated as an Annual Addition.
CORRECTIVE MECHANISM

(i) Reduction in Annual Additions. A Participant’s Annual Additions shall be reduced, to the extent necessary to satisfy the foregoing limits, if the Annual Additions arose as a result of a reasonable error in estimating Compensation, as a result of the allocation of forfeitures, or as a result of other facts and circumstances as provided in the regulations under Code §415.

(ii) Order of Reduction, Multiple Plans. Apache also maintains the Apache Corporation 401(k) Savings Plan, a profit sharing plan containing a cash or deferred arrangement. The Participant’s Annual Additions shall be reduced, to the extent necessary, in the following order. First, to the extent that the Annual Additions in a single plan exceed the limits of subsection (a), the Annual Additions in that plan shall be reduced, in the order specified in that plan, to the extent necessary to satisfy the limits of subsection (a). Then, if the Participant has Annual Additions in more than one plan and in the aggregate they exceed the limits of subsection (a), the Annual Additions will be reduced as follows.

(A) If the Participant was eligible to participate in the Non-Qualified Retirement/Savings Plan of Apache Corporation on the last day of the Plan Year in which the excess Annual Addition occurred, the Annual Additions to this Plan will be reduced before the Annual Additions to the Apache Corporation 401(k) Savings Plan are reduced, in the order specified in that plan.

(B) If the Participant was not eligible to participate in the Non-Qualified Retirement/Savings Plan of Apache Corporation on the last day of the Plan Year in which the excess Annual Addition occurred, the Annual Additions to the Apache Corporation 401(k) Savings Plan shall be reduced, in the order specified in that plan before the Annual Additions to this Plan are reduced.

(iii) Disposition of Excess Annual Additions. Any reduction of Company Contributions shall be placed in a suspense account in the Trust Fund and used to reduce future Company Contributions to the Plan. The following rules shall apply to such suspense account: (A) no further Company Contributions may be made if the allocation thereof would be precluded by Code §415; (B) any increase or decrease in the net value of the Trust Fund attributable to the suspense account shall not be allocated to the suspense account, but shall be allocated to the Accounts; and (C) all amounts held in the suspense account shall be allocated as of each succeeding allocation date on which forfeitures may be allocated pursuant to subsection 5.4(d) (and may be allocated more frequently if the Committee so directs), until the suspense account is exhausted.

ARTICLE IV Interests in the Trust Fund

4.1 Participants’ Accounts.

The Committee shall establish and maintain a separate Account in the name of each Participant, but the maintenance of such Accounts shall not require any segregation of assets of the Trust Fund. Each Account shall contain the Company Contributions allocated to the Participant and the increase or decrease in the net worth of the Trust Fund attributable to such contributions.

4.2 Valuation of Trust Fund.

(a) General. The Trustee shall value the assets of the Trust Fund at least annually as of the last day of the Plan Year, and as of any other dates determined by the Committee, at their current fair market value and determine the net worth of the Trust Fund. In addition, the Committee may direct the Trustee to have a special valuation of the assets of the Trust Fund when the Committee determines, in its sole discretion, that such valuation is necessary or appropriate or in the event of unusual market fluctuations of such assets. Such special valuation shall not include any contributions made by Participants since the preceding Valuation Date, any Company Contributions for the current Plan Year, or any unallocated forfeitures. The Trustee shall allocate the expenses of the Trust Fund occurring since the preceding Valuation Date, pursuant to section 8.2, and then determine the increase or decrease in the net worth of the Trust Fund that has occurred since the preceding Valuation Date. The Trustee shall
ARTICLE V Amount of Benefits

determine the share of the increase of decrease that is attributable to the non-separately accounted for portion of the Trust Fund and to any amount separately accounted for, as described in subsections (b) and (c).

(b) **Mandatory Separate Accounting.** The Trustee shall separately account for (i) any individually directed investments permitted under section 8.3, and (ii) amounts subject to a Domestic Relations Order.

(c) **Permissible Separate Accounting.** The Trustee may separately account for the following amounts to provide a more equitable allocation of any increase or decrease in the net worth of the Trust Fund:

(i) The distributable amount of a Participant, including any amount distributable to an Alternate Payee or to a beneficiary of a deceased Participant; and

(ii) Company Contributions made since the preceding Valuation Date;

(iii) Any other amounts for which separate accounting will provide a more equitable allocation of the increase or decrease in the net worth of the Trust Fund.

4.3 **Allocation of Increase or Decrease in Net Worth.**

The Committee shall, as of each Valuation Date, allocate the increase or decrease in the net worth of the Trust Fund that has occurred since the preceding Valuation Date between the non-separately accounted for portion of the Trust Fund and the amounts separately accounted for that are identified in subsections 4.2(b) and 4.2(c). The increase or decrease attributable to the non-separately accounted for portion of the Trust Fund shall be allocated among the appropriate Accounts in the ratio that the dollar value of each such Account bore to the aggregate dollar value of all such Accounts on the preceding Valuation Date after all allocations and credits made as of such date had been completed. The Committee shall then allocate any amounts separately accounted for (including the increase or decrease in the net worth of the Trust Fund attributable to such amounts) to the appropriate Account.

ARTICLE V Amount of Benefits

5.1 **Vesting Schedule.**

(a) **General Rule.** Unless subsection (b), (c), or (d) provide for faster vesting, a Participant’s interest in his Account shall become vested in accordance with the following schedule:

<table>
<thead>
<tr>
<th>Period of Service</th>
<th>Vesting Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 1 year</td>
<td>0%</td>
</tr>
<tr>
<td>At least 1 year, but less than 2 years</td>
<td>20%</td>
</tr>
<tr>
<td>At least 2 year, but less than 3 years</td>
<td>40%</td>
</tr>
<tr>
<td>At least 3 year, but less than 4 years</td>
<td>60%</td>
</tr>
<tr>
<td>At least 4 year, but less than 5 years</td>
<td>80%</td>
</tr>
<tr>
<td>5 or more years</td>
<td>100%</td>
</tr>
</tbody>
</table>

(b) **Full Vesting in Certain Circumstances.** A Participant shall have a fully vested and nonforfeitable interest in his Account (i) upon his Normal Retirement Age if he is an Employee on such date, (ii) upon his death while an Employee or while on an approved leave of absence from the Company or an Affiliated Entity, or (iii) upon his termination of employment with the Company or an Affiliated Entity because of a Disability.

(c) **Change of Control.** The Accounts of all Participants shall be fully vested as of the effective date of a “change in control.” For purposes of this subsection, a “change of control” shall mean the event occurring when a person, partnership, or corporation, together with all persons, partnerships, or corporations acting in concert with each person, partnership, or corporation, or any or all of them, acquires more than 20% of Apache’s outstanding voting securities; provided that a change of control shall not occur if such persons, partnerships, or corporations acquiring more than 20% of Apache’s voting securities is solicited to do so by Apache’s board of directors, upon its own initiative, and such persons, partnerships, or corporations have not previously proposed to acquire more than 20% of Apache’s voting securities in an unsolicited offer made either to Apache’s board of directors or directly to the stockholders of Apache.
Plan Termination. A Company Contributions Account shall be fully vested as described in section 9.1, which discusses the full or partial termination of the Plan.

5.2 Vesting After a Lapse in Apache Employment.

(a) Separate Accounts. If a Participant is rehired before incurring a one-year Lapse in Apache Employment, he shall have only one Account, and its vested percentage shall be determined under section 5.1. If a Participant is rehired after incurring a one-year Lapse in Apache Employment, he shall have two Accounts, an “old” Account for the contributions from his earlier episode of employment, and a “new” Account for his later episode of employment. If both the old and new Accounts are fully vested, they shall be combined into a single Account.

(b) Vesting of New Account. This subsection is effective January 1, 2006. The vested percentage of the new Account shall be determined based on all the Participant’s Periods of Service.

(c) Vesting of Old Account. If the Participant’s Lapse in Apache Employment was for five years or longer, the vested percentage of the old Account shall be based solely on the Participant’s Period of Service from his first episode of employment. If the Participant’s Lapse in Apache Employment was for less than five years, the vested percentage of the old Account shall be determined by aggregating his Periods of Service from both episodes of employment.

5.3 Calculating Service.

(a) Period of Service.

(i) General. A Participant’s Period of Service prior to January 1, 2005 shall be determined according to the provisions of the Plan in effect when the service was rendered. A Participant’s Period of Service begins on the date he first begins to perform duties as an Employee for which he is entitled to payment, and ends on his Termination From Service Date. In addition, a Participant’s Period of Service also includes the period between his Termination From Service Date and the day he again begins to perform duties for the Company or an Affiliated Entity for which he is entitled to payment, but only if such period is less than one year in duration.

(ii) Additional Rules. The service-crediting provisions in this paragraph are more generous than required by the Code.

(A) Leased Employees. For vesting purposes only, the Plan shall treat an individual as an Employee if he satisfies all the requirements specified in Code §414(n)(2) for being a leased employee of Apache’s or an Affiliated Entity’s, except for the requirement of having performed such services for at least one year.

(B) Approved Leave. If the Employee is absent from the Company or Affiliated Entity for more than one year because of an approved leave of absence (either with or without pay) for any reason (including, but not limited to, jury duty) and the Employee returns to work at or prior to the expiration of his leave of absence, no Termination From Service Date will occur during the leave of absence.

(C) Servicemen. See Article XIII for special provisions that apply to Servicemen.

(D) Corporate Transactions. See Appendix C for instances in which a new Employee’s Period of Service includes his prior employment with another company.

(E) Contractors. If an “eligible contractor” becomes an Employee, his Period of Service shall include his previous continuous service as an eligible contractor, excluding any service provided before 2003. An “eligible contractor” is an individual who (A) performed services for Apache or an Affiliated Entity on a substantially full-time basis in the capacity of an independent contractor (for federal income tax purposes); (B) became an Employee within a month of ceasing to be an independent contractor working full-time for Apache or an Affiliated Entity; and (C) notified the Plan of his prior service as an independent contractor within two months of becoming an Employee (or, if later, by February 28, 2006 or such other deadline established by the Committee).
(b) **Termination From Service Date**.

(i) **Usual Rule**. If the Employee quits, is discharged, retires, or dies, his Termination From Service Date occurs on the last day the Employee performs services for the Company or an Affiliated Entity, except for an Employee who incurs a Disability, in which case his Termination From Service Date does not occur, even if he quits, until the earlier of the one-year anniversary of the date his Disability or the date he recovers from his Disability.

(ii) **Other Absences**. If an Employee is absent from the Company and Affiliated Entities for any reason other than a quit, discharge, or retirement, his “Termination From Service Date” is the earlier of (A) the date he quits, is discharged, retires, or dies, or (B) one year from the date the Employee is absent from the Company or Affiliated Entity for any other reason (such as vacation, holiday, sickness, disability, leave of absence, or temporary lay-off), with the following exception. If the Employee is absent from the Company or Affiliated Entity because of parental leave (which includes only the pregnancy of the Employee, the birth of the Employee’s child, the placement of a child with the Employee in connection with adoption of such child by the Employee, or the caring for such child immediately following birth or placement) on the first anniversary of the day the Employee was first absent, his Termination From Service Date does not occur until the second anniversary of the day he was first absent (and the period between the first and second anniversaries of the day he was first absent shall not be counted in his Period of Service).

(c) **Lapse in Apache Employment**. A Lapse in Apache Employment means the period commencing on an individual’s Termination from Service Date and ending on the date he again begins to perform services as an Employee.

5.4 **Forfeitures**.

(a) **Exceptions to the Vesting Rules**. The following rules supersede the vesting rules of section 5.1.

(i) **Excess Annual Additions**. Annual Additions to a Participant’s Accounts and any increase or decrease in the net worth of the Participant’s Accounts attributable to such Annual Additions may be reduced to satisfy the limits described in section 3.4. Any reduction shall be used as specified in section 3.4.

(ii) **Missing Individuals**. A missing individual’s vested Accounts may be forfeited as of the last day of any Plan Year, as provided in section 13.12. Any such forfeiture shall be used as specified in subsection (d).

(b) **Regular Forfeitures**. A Participant’s non-vested interest in his Account shall be forfeited at the end of the Plan Year in which the Participant terminates employment. Any such forfeiture shall be used as specified in subsection (d).

(c) **Restoration of Forfeitures**.

(i) **Missing Individuals**. The forfeiture of a missing individual’s Account(s), as described in section 13.12, shall be restored to such individual if the individual makes a claim for such amount.

(ii) **Regular Forfeitures**.

(A) **Rehire Within 5 Years**. If a Participant is rehired before incurring a five-year Lapse in Apache Employment, and the Participant has received a distribution of his entire vested interest in his Account (with the result that he forfeited his non-vested interest in such Account), then the exact amount of the forfeiture shall be restored to his Account. All the rights, benefits, and features available to the Participant when the forfeiture occurred shall be available with respect to the restored forfeiture. If such a Participant again terminates employment prior to becoming fully vested in his Account, the vested portion of his Account shall be determined by applying the vested percentage determined under section 5.1 to the sum of (x) and (y), then subtracting (y) from such sum, where: (x) is the value of his Account as of the Valuation Date immediately following his most recent
Article VI Distribution of Benefits

Termination of employment; and (y) is the amount previously distributed to the Participant on account of the prior termination of employment.

(B) Rehire After 5 Years. If a Participant is rehired after incurring a five-year Lapse in Apache Employment, then no amount forfeited from his Account shall be restored to his Account.

(iii) Method of Forfeiture Restoration. Forfeitures that are restored shall be accomplished by an allocation of the forfeitures under subsection (d) or by a special Company Contribution pursuant to paragraph 3.1(b)(i).

(d) Use of Forfeitures. The Committee shall decide how forfeitures are used. Forfeitures may be used (i) to restore Accounts as described in subsection (c), (ii) to pay those expenses of the Plan that are properly payable from the Trust Fund and that are not paid by the Company or Account Owners or charged to Accounts, or (iii) as any Company Contribution.

5.5 Transfers — Portability.

If any other employer adopts this or a similar money purchase pension plan and enters into a reciprocal agreement with the Company that provides that (a) the transfer of a Participant from such employer to the Company (or vice versa) shall not be deemed a termination of employment for purposes of the plans, and (b) service with either or both employers shall be credited for purposes of vesting under both plans, then the transferred Participant’s Account shall be unaffected by the transfer, except, if deemed advisable by the Committee, it may be transferred to the trustee of the other plan.
Timing of Waiver. The Participant may waive the QPSA, or revoke the QPSA waiver, at any time; however, if the Participant elects to waive the QPSA, with the consent of his Spouse, before the first day of the Plan Year in which the Participant attains age 35, the waiver shall become invalid on the first day of the Plan Year in which the Participant attains age 35.

Explanation. The Committee shall provide the Participant with a written explanation that describes the terms and conditions of the QPSA, the Participant’s right to choose another beneficiary, the rights of the Participant’s Spouse to insist upon a QPSA, the Participant’s right to revoke his election, and such other information as may be required under IRS guidance of general applicability. The written explanation must be provided within the following time limits. If the Participant terminates employment prior to age 35, the explanation must be provided within the period beginning one year before and ending one year after the termination of employment. If the Participant terminates employment on or after age 35, the explanation must be provided within the one of the following periods (whichever period ends last): (i) the period beginning on the first day of the Plan Year in which the Participant attains age 32 and ending on the last day of the Plan Year in which the Participant attains age 34; (ii) the period beginning one year before, and ending one year after, the Participant first becomes eligible to participate in the Plan; and (iii) the period beginning one year before, and ending one year after, a married Participant is fully or partially vested in his Account (which will normally occur either when the Participant gets married or when the Participant completes a one-year Period of Service).

(d) Special Rule for Divorces. If an Account Owner has designated his spouse as a primary or contingent beneficiary, and the Account Owner and spouse later divorce (or their marriage is annulled), then the former spouse will be treated as having pre-deceased the Account Owner for purposes of interpreting a beneficiary designation form completed prior to the divorce or annulment. This subsection (d) will apply only if the Committee is informed of the divorce or annulment before payment to the former spouse is authorized.

(e) Disclaimers. Any individual or legal entity who is a beneficiary may disclaim all or any portion of his interest in the Plan, provided that the disclaimer satisfies the requirements of Code §2518(b) and applicable state law. The legal guardian of a minor or legally incompetent person may disclaim for such person. The personal representative (or the individual or legal entity acting in the capacity of the personal representative according to applicable state law) may disclaim on behalf of a beneficiary who has died. The amount disclaimed shall be distributed as if the disclaimant had predeceased the individual whose death caused the disclaimant to become a beneficiary.

6.2 Distributable Amount.

The distributable amount of a Participant’s Account is the vested portion of the Account, reduced by any amount that is payable to an Alternate Payee pursuant to section 12.9. Furthermore, the Committee may temporarily suspend or limit distributions (by reducing the distributable amount), as explained in subsections 12.9(e), 12.9(g), or 12.9(h), (a) when the Committee is informed that a QDRO affecting the Participant’s Accounts is in process or may be in process, (b) while the Committee believes that the Plan may have a cause of action against the Participant, or (c) when the Plan has notice of a lien or other claim against the Participant’s Accounts.

6.3 Manner of Distribution.

(a) Participants. This subsection shall apply to distributions to Participants.

(i) Form of Distribution. For an unmarried Participant, the distributable amount shall be paid in the form of a QJSA unless the Participant elects a single payment, except that a small account under subsection 6.4(d) shall be paid in the form of a single payment. For a married Participant, the distributable amount shall be paid in the form of a QJSA unless the Participant, with the consent of his Spouse, chooses a QOSA or a single payment, except that a distribution of a small account under subsection 6.4(d) shall be paid in the form of a single payment.

(ii) Consent of Participant and Spouse.
(A) **General.** Except as provided in subparagraph (B), a distribution shall not be made unless the Participant consents to the timing of the distribution no more than 180 days before the distribution. If the Participant is married and chooses a single payment or QOSA, the Participant’s Spouse must consent to both the form of payment and the time of the payment no more than 180 days before the payment, except as provided in subparagraph (B).

(B) **Exceptions to General Rule.** The consent of the Participant is not required, nor is the consent of a married Participant’s Spouse required, for distributions of small amounts pursuant to subsection 6.4(d) or for the distribution of an annuity upon the Participant’s Required Beginning Date, as described in subsection 6.4(c).

(iii) **Method of Spouse’s Consent.** The consent of a Participant’s Spouse must be in writing. The consent is not valid unless the Committee has provided the written explanation described in paragraph (iv). The Spouse must acknowledge the effect of his consent. The Spouse’s consent must be witnessed by a Committee member or by a notary public. The Spouse may limit his consent to a specific beneficiary or may allow the Participant to thereafter designate a different beneficiary. The Spouse may limit his consent to a specific form of benefit. (The Spouse’s consent is not needed if the Spouse cannot be located or in certain other special circumstances identified in IRS guidance.)

(iv) **Distribution Procedure.**

(A) **General.** The Committee shall provide the Participant with a written explanation that contains the information required by the Code and Treasury Regulations, as explained in subparagraph (B). The timing of the explanation, the consent, and the distribution are discussed in subparagraph (C). The Participant may revoke his election at any time before the distribution is processed.

(B) **Contents of Explanation.** The information in the explanation for an unmarried Participant shall include, at a minimum, the terms and conditions of the QISA, the Participant’s right to elect a single payment in lieu of a QISA, the effect of the Participant electing a single payment in lieu of a QISA, the Participant’s right to revoke his distribution election, and such other information as may be required under IRS guidance of general applicability. The information in the explanation for a married Participant shall include, at a minimum, the terms and conditions of the QISA and the QOSA, the Participant’s right to elect a single payment or a QOSA in lieu of a QISA, the effect of the Participant electing a single payment or QOSA in lieu of a QISA, the right of the Participant’s Spouse to insist upon a QISA, the Participant’s right to revoke his distribution election, and such other information as may be required under IRS guidance of general applicability.

(C) **Timing.** The explanation shall be provided no more than 180 days before the annuity starting date. The explanation shall be provided no fewer than 30 days before the annuity starting date, unless all the following conditions are satisfied: (1) the Participant affirmatively elects a QOSA or a single sum distribution (and the Participant’s Spouse, if any, consents), (2) the explanation mentions that the Participant has a right to at least 30 days to consider whether to waive the QISA and consent to a QOSA or a single sum, and (3) the Participant is permitted to revoke an affirmative distribution election until the annuity starting date (or, if later, the 8th day after the Participant is provided with the explanation).

(D) **Annuity Starting Date.** The annuity starting date, for a single sum payment, is the date the payment is processed, which may be any business day. The annuity starting date for a QISA or QOSA is the day as of which the annuity payments begin. The annuity starting date for an annuity must be the first day of a month, must occur on or after the Participant’s termination of employment or 62nd birthday, must occur after the date the explanation is provided, but may precede the date the Participant provides any affirmative distribution election. In any event, the first payment from the annuity shall not precede the 8th day after the explanation is provided.
(b) **Beneficiaries.** The distributable amount that is left to a beneficiary shall be paid, at the election of the beneficiary, in the form of a single payment, installments (for non-Spouse beneficiaries), or an annuity (for Spouse beneficiaries), as described in subsection 6.4(e).

(c) **Alternate Payees.** If the Alternate Payee is not the Participant’s Spouse or former spouse, the amount assigned to the Alternate Payee shall be paid in the form of a single payment. If the Alternate Payee is the Participant’s Spouse or former spouse, then unless the next sentence applies, the amount assigned to an Alternate Payee shall be paid, at the election of the Alternate Payee or as specified in the QDRO, in the form of either a single payment or an annuity for the life of the Alternate Payee. If the amount assigned to the Alternate Payee is $5,000 or less (calculated in accordance with the applicable Treasury regulations), then the Alternate Payee shall receive a single sum distribution.

(d) **Annuities.** If the distribution is to be in the form of an annuity, the Plan shall purchase an annuity contract that satisfies the requirements specified in the Plan and in Code §401(a)(11) and §417, and shall distribute such contract to the distributee. The payments under an annuity shall begin as soon as administratively practicable after the annuity contract is distributed. The payments shall remain constant for the duration of the annuity, except where the Spouse outlives the Participant, in which case the monthly payments to the surviving Spouse drop to 50% (for a QJSA) or 75% (for a QOSA) of the monthly benefit before the Participant’s death.

### 6.4 Time of Distribution.

(a) **Earliest Date of Distribution.** Unless an earlier distribution is permitted by subsection (b) or required by subsection (c), the earliest date that a Participant may elect to receive a distribution is as follows.

(i) **Termination of Employment or Disability.** A Participant may elect to receive a distribution as soon as practicable after he terminates employment or incurs a Disability.

(ii) **During Employment.** A Participant may obtain a distribution while an Employee only if he has attained age 62. After attaining age 62, and while an Employee, the Participant may withdraw all or any portion of his vested Account. The minimum withdrawal shall be $1,000 or, if less, the balance of the Account. Only two withdrawals are permitted each Plan Year under this paragraph. After an Employee’s Required Beginning Date, subsection (c) shall apply instead of this paragraph.

(b) **Alternate Earliest Date of Distribution.** Notwithstanding subsection (a), unless a Participant elects otherwise, his distribution shall commence no later than 60 days after the close of the latest of: (i) the Plan Year in which the Participant attains Normal Retirement Age; (ii) the Plan Year in which occurs the tenth anniversary of the year in which the Participant commenced participation in the Plan; and (iii) the Plan Year in which the Participant terminates employment with the Company and Affiliated Entities. If a Participant does not affirmatively elect a distribution, he shall be deemed to have elected to defer the distribution to a date later than that specified in the preceding sentence.

(c) **Latest Date of Distribution.** The entire distributable amount shall be distributed to a Participant (i) in a single payment no later than his Required Beginning Date, or (ii) in a QJSA or QOSA with payments beginning no later than his Required Beginning Date. The payment will be in the form of a QJSA unless the Participant elects a QOSA or a single payment and, if the Participant is married, his Spouse consents to the QOSA or the single payment.

(d) **Small Amounts.**

(i) **$1000 or Less.** If the value of the nonforfeitable portion of a Participant’s Account is $1,000 or less at any time after the Participant’s termination of employment, the Participant shall receive a single payment of the distributable amount as soon as administratively practicable, provided that the value is $1,000 or less when the distribution is processed.

(ii) **$1000 to $5000.** If paragraph (i) does not apply and the value of the nonforfeitable portion of a Participant’s Account is $5,000 or less on any date after his termination of employment, then as soon as practicable the Plan shall pay the distributable amount to an individual retirement account or annuity within the meaning of Code §408(a) or §408(b) (collectively, an “IRA”) for the Participant, unless the Participant affirmatively elects to receive the distribution directly or
to have it paid in a direct rollover under section 6.5. The Committee shall select the trustee or custodian of the IRA as well as how the IRA shall be invested initially. The Plan shall notify the Participant (A) that the distribution has been made to an IRA and can be transferred to another IRA, (B) of the identity and contact information of the trustee or custodian of the IRA into which the distribution is made, and (C) of such other information as required to comply with Code §401(a)(31)(B)(i).

(iii) Date Account Valued. The Committee may elect to check the value of the Participant’s Account on an occasional (rather than a daily) basis, to determine whether to apply the provisions of this subsection.

(e) Distribution Upon Participant’s Death.

(i) Small Accounts. If the value of the nonforfeitable portion of a Participant’s Account is $5,000 or less at any time after the Participant’s death and before any beneficiary elects to receive a distribution under this subsection, then each beneficiary shall each receive a single payment of his share of the distributable amount as soon as administratively practicable, provided that the aggregate value is $5,000 or less when the distribution is processed. The Committee may elect to check the value of the Participants’ Accounts on an occasional (rather than a daily) basis to determine whether to apply the provisions of this subsection.

(ii) Larger Accounts. If paragraph (i) does not apply, then each beneficiary may elect to have his distributable amount distributed at any time after the Participant’s death, within the following guidelines. The forms of permitted distribution are a lump sum, annual installments, and, for Spouse beneficiaries only, a QPSA. No distribution shall be processed until the beneficiary’s identity as a beneficiary is established. The entire distributable amount shall be distributed by the last day of the calendar year containing the fifth anniversary of the Participant’s death; if a Spouse beneficiary elects a QPSA, the annuity contract shall be distributed by the last day of the calendar year containing the fifth anniversary of the Participant’s death. A beneficiary who elects installments may elect to accelerate any or all remaining payments. In addition, if the Participant was a Five-Percent Owner who began to receive the minimum required distributions under subsection (c), the distribution to each beneficiary must be made at least as rapidly as required by the method used to calculate the minimum required distributions that was in effect when the Five-Percent Owner died.

(f) Alternate Payee. Distributions to Alternate Payees and their beneficiaries shall be made as specified in section 12.9.

6.5 Direct Rollover Election.

The amendments to this section have an effective date of January 1, 2007.

(a) General Rule. A Participant, an Alternate Payee who is the Spouse or former Spouse of the Participant, any individual who is treated as a designated beneficiary of the Participant pursuant to Code §401(a)(9)(E), or any trust to the extent that any beneficiary of the trust is treated as a designated beneficiary of the Participant pursuant to Code §401(a)(9)(E), (collectively, the “distributee”) may direct the Trustee to pay all or any portion of his “eligible rollover distribution” to an “eligible retirement plan” in a “direct rollover.” This direct rollover option is not available to other Account Owners. Within a reasonable period of time before an eligible rollover distribution, the Committee shall inform the distributee of this direct rollover option, the appropriate withholding rules, other rollover options, the options regarding income taxation, and any other information required by Code §402(f). The distributee may waive the usual 30-day waiting period before receiving a distribution, and elect to receive his distribution as soon as administratively practicable after completing and filing his distribution election.

(b) Definition of Eligible Rollover Distribution. An eligible rollover distribution is any distribution or in-service withdrawal other than (i) distributions required under Code §401(a)(9), (ii) distributions of amounts that have already been subject to federal income tax (such as defaulted loans or after-tax voluntary contributions), other than a direct transfer to another retirement plan that meets the requirements of Code §401(a) or §403(a), or to an individual retirement account or annuity described
(c) Definition of Eligible Retirement Plan.

(i) Participants, Spouses, and Alternate Payees. For a Participant, an Alternate Payee who is the Spouse or former Spouse of the Participant, or a surviving Spouse of a deceased Participant, an eligible retirement plan is an individual retirement account or annuity described in Code §408(a) or §408(b), an annuity plan described in Code §403(a), an annuity contract described in Code §403(b), an eligible plan under Code §457(b) that is maintained by an eligible employer described in Code §457(e)(1)(A) (which generally includes state and local governments), or the qualified trust of a defined contribution plan described in Code §401(a), that accepts eligible rollover distributions.

(ii) Other Distributees. For an individual who is treated as a designated beneficiary of the Participant pursuant to Code §401(a)(9)(E), and for any trust to the extent that a beneficiary of the trust is treated as a designated beneficiary of the Participant pursuant to Code §401(a)(9)(E), an eligible retirement plan is an individual retirement account or annuity described in Code §408(a) or §408(b) that is in existence or is established for the purposes of receiving the distribution on behalf of the beneficiary, and that, with respect to the beneficiary, is treated as an inherited individual retirement account or annuity within the meaning of Code §408(d)(3)(C). The designated beneficiary has two choices for receiving distributions that are to be paid in a direct rollover to such inherited individual retirement account or annuity.

(A) The designated beneficiary may elect to receive a single payment or installments from the Plan, pursuant to paragraph 6.6(d)(ii), during the calendar year in which the Participant died or in the following calendar year (or by such later date allowed pursuant to IRS guidance of general applicability or a private letter ruling obtained by the designated beneficiary). Each annual installment from the Plan must satisfy the requirements of Code §401(a)(9)(B)(iii) (which essentially means that each annual installment must be equal to at least the account balance standing to the credit of the deceased Plan Participant at the end of the previous year, divided by the designated beneficiary’s life expectancy). In this case, distributions from the inherited individual retirement account or annuity may be made over the life expectancy of the designated beneficiary.

(B) If the requirements of subparagraph (A) are not satisfied, the designated beneficiary must receive, pursuant to paragraph 6.6(d)(ii), a full distribution from the Plan by the end of the calendar year containing the fifth anniversary of the Participant’s death. In this case, distributions from the inherited individual retirement account or annuity must generally be completed by the end of the calendar year containing the fifth anniversary of the Participant’s death.

(d) Definition of Direct Rollover. A direct rollover is a payment by the Trustee to the eligible retirement plan specified by the distributee.

ARTICLE VII Allocation of Responsibilities — Named Fiduciaries

7.1 No Joint Fiduciary Responsibilities.

Trustee(s) and the Committee shall be the named fiduciaries under the Plan and Trust agreement and shall be the only named fiduciaries thereunder. The fiduciaries shall have only the responsibilities specifically allocated to them herein or in the Trust agreement. Such allocations are intended to be mutually exclusive and there shall be no sharing of fiduciary responsibilities. Whenever one named fiduciary is required by the Plan or Trust agreement to follow the directions of another named fiduciary, the two named fiduciaries shall not be deemed to have been assigned a shared responsibility, but the responsibility of the named fiduciary giving the directions shall be deemed his sole responsibility, and the responsibility of the named fiduciary receiving those directions shall be to follow them insofar as the instructions are on their face proper under applicable law.
7.2 **The Company.**

The Company shall be responsible for: (a) making Company Contributions; (b) certifying to the Trustee the names and specimen signatures of the members of the Committee acting from time to time; (c) keeping accurate books and records with respect to its Employees and the appropriate components of each Employee’s Compensation and furnishing such data to the Committee; (d) selecting agents and fiduciaries to operate and administer the Plan and Trust; (e) appointing an investment manager if it determines that one should be appointed; and (f) reviewing periodically the performance of such agents, managers, and fiduciaries.

7.3 **The Trustee.**

The Trustee shall be responsible for: (a) the investment of the Trust Fund to the extent and in the manner provided in the Trust agreement; (b) the custody and preservation of Trust assets delivered to it; and (c) the payment of such amounts from the Trust Fund as the Committee shall direct.

7.4 **The Committee — Plan Administrator.**

The board of directors of Apache shall appoint an administrative Committee consisting of no fewer than three individuals who may be, but need not be, Participants, officers, directors, or Employees of the Company. If the board of directors does not appoint a Committee, Apache shall act as the Committee under the Plan. The members of the Committee shall hold office at the pleasure of the board of directors and shall service without compensation. The Committee shall be the Plan’s “administrator” as defined in section 3(16)(A) of ERISA. It shall be responsible for establishing and implementing a funding policy consistent with the objectives of the Plan and with the requirements of ERISA. This responsibility shall include establishing (and revising as necessary) short-term and long-term goals and requirements pertaining to the financial condition of the Plan, communicating such goals and requirements to the persons responsible for the various aspects of the Plan operations, and monitoring periodically the implementation of such goals and requirements. The Committee shall publish and file or cause to be published and filed or disclosed all reports and disclosures required by federal or state laws.

7.5 **Committee to Construe Plan.**

(a) The Committee shall administer the Plan and shall have all discretion, power, and authority necessary for that purpose, including, but not by way of limitation, the full and absolute discretion and power to interpret the Plan, to determine the eligibility, status, and rights of all individuals under the Plan, and in general to decide any dispute and all questions arising in connection with the Plan. The Committee shall direct the Trustee concerning all distributions from the Trust Fund, including the purchase of annuity contracts, in accordance with the provisions of the Plan, and shall have such other powers in the administration of the Trust Fund as may be conferred upon it by the Trust agreement. The Committee shall maintain all Plan records except records of the Trust Fund.

(b) The Committee may adjust the Account of any Participant, in order to correct errors and rectify omissions, in such manner as the Committee believes will best result in the equitable and nondiscriminatory administration of the Plan.

7.6 **Organization of Committee.**

The Committee shall adopt such rules as it deems desirable for the conduct of its affairs and for the administration of the Plan. It may appoint agents (who need not be members of the Committee) to whom it may delegate such powers as it deems appropriate, except that the Committee shall determine any dispute. The Committee may make its determinations with or without meetings. It may authorize one or more of its members or agents to sign instructions, notices, and determinations on its behalf. If a Committee decision or action affects a small number of Participants including a Committee member, then such Committee member shall not participate in the Committee decision or action. The action of a majority of the disinterested Committee members shall constitute the action of the Committee.

7.7 **Agent for Process.**

Apache’s Vice President, General Counsel, and Secretary shall be the agents of the Plan for service of all process.
7.8 **Indemnification of Committee Members.**

The Company shall indemnify and hold the members of the Committee, and each of them, harmless from the effects and consequences of their acts, omissions, and conduct in their official capacities, except to the extent that the effects and consequences thereof shall result from their own willful misconduct, breach of good faith, or gross negligence in the performance of their duties. The foregoing right of indemnification shall not be exclusive of the rights to which each such member may be entitled as a matter of law.

7.9 **Conclusiveness of Action.**

Any action taken by the Committee on matters within the discretion of the Committee shall be conclusive, final and binding upon all participants in the Plan and upon all persons claiming any rights hereunder, including Alternate Payees and beneficiaries.

7.10 **Payment of Expenses.**

The members of the Committee shall serve without compensation but the Company shall pay their reasonable expenses. The compensation or fees of accountants, counsel, and other specialists and any other costs of administering the Plan or Trust Fund may be paid by the Company or Account Owners or may be charged to the Trust Fund, to the extent permissible under the provisions of ERISA.

ARTICLE VIII Trust Agreement — Investments

8.1 **Trust Agreement.**

Apache has entered into a Trust agreement to provide for the holding, investment, and administration of the funds of the Plan. The Trust agreement shall be part of the Plan, and the rights and duties of any individual under the Plan shall be subject to all terms and provisions of the Trust agreement.

8.2 **Plan Expenses.**

(a) **General.** Except as provided in subsection (b), (i) all taxes upon or in respect of the Plan and Trust shall be paid out of Plan assets, and all expenses of administering the Plan and Trust shall be paid out of Plan assets, to the extent permitted by law and to the extent such taxes and expenses are not paid by the Company or an Account Owner, and (ii) the Committee shall have full discretion to determine how each tax or expense that is not paid by the Company shall be paid and the Committee shall have full discretion to determine how each tax or expense that is paid out of Plan assets shall be allocated. No fiduciary shall receive any compensation for services rendered to the Plan if the fiduciary is being compensated on a full time basis by the Company or an Affiliated Entity.

(b) **Individual Expenses.** To the extent not paid by the Company or an Account Owner, all expenses of individually directed transactions, including without limitation the Trustee’s transaction fee, brokerage commissions, transfer taxes, interest on insurance policy loans, and any taxes and penalties that may be imposed as a result of an individual’s investment direction, shall be assessed against the Account of the Account Owner directing such transactions.

8.3 **Investments.**

(a) **§404(c) Plan.** The Plan is intended to be a plan described in ERISA §404(c). To the extent that an Account Owner exercises control over the investment of his Accounts, no person who is a fiduciary shall be liable for any loss, or by reason of any breach, that is the direct and necessary result of the Account Owner’s exercise of control.

(b) **Directed Investments.** Accounts shall be invested, upon the direction of each Account Owner made in a manner acceptable to the Committee, in any one or more of a series of investment funds designated by the Committee or to the extent permitted by the Committee in a brokerage arrangement. The funds available for investment and the principal features thereof, including a general description of the investment objectives, the risk and return characteristics, and the type and diversification of the investment portfolio of each fund, shall be communicated to the Account Owners in the Plan from time to time. Any changes in such funds shall be immediately communicated to all Account Owners.
ARTICLE IX Termination and Amendment

9.1 Termination of Plan or Discontinuance of Contributions.
Apache expects to continue the Plan indefinitely, but the continuance of the Plan and the payment of contributions are not assumed as contractual obligations. Apache may terminate the Plan or discontinue contributions at any time. Upon the termination of the Plan, each Participant’s Account shall become fully vested. Upon the partial termination of the Plan, the Accounts of all affected Participants shall become fully vested. The only Participants who are affected by a partial termination are those whose employment with the Company or Affiliated Entity is terminated as a result of the corporate event causing the partial termination; Employees terminated for cause and those who leave voluntarily are not affected by a partial termination.

9.2 Allocations upon Termination.
Upon the termination or partial termination of the Plan, the Committee shall promptly notify the Trustee of such termination. The Trustee shall promptly determine, in the manner prescribed in section 4.2, the net worth of the Trust Fund. The Trustee shall advise the Committee of any increase or decrease in such net worth that has occurred since the preceding Valuation Date. The Committee shall allocate, in the manner described in section 4.3, among the remaining Plan Accounts, in the manner described in Articles III, IV, and V, any Company Contributions or forfeitures occurring since the preceding Valuation Date.

9.3 Procedure Upon Termination of Plan.
If the Plan has been terminated or partially terminated, then, after the allocations required under section 9.2 have been completed, the Trustee shall distribute or transfer the Accounts of affected Account Owners as follows.

(a) No Other Plan. If the Company and Affiliated Entities are not treated, pursuant to the Treasury Regulations under Code §401(k), as maintaining another “alternative defined contribution plan,” the Trustee shall distribute each Account Owner’s Account in a single payment, after complying with the requirements of section 6.5. For purposes of this section only, an “alternative defined contribution plan” means a defined contribution plan that is not an employee stock ownership plan within the meaning of Code §4975(e)(7) or §409(a)), a simplified employee pension within the meaning of Code §408(k), a SIMPLE IRA within the meaning of Code §408(p), a plan or contract that satisfies the requirements of Code §403(b), or a plan described in Code §457(b) or §457(f).

(b) Other Plan Maintained. If the Company and Affiliated Entities are treated, pursuant to the Treasury Regulations under Code §401(k), as maintaining another “alternative defined contribution plan,” the Trustee shall (i) distribute the Accounts of each non-Participant Account Owner in a single payment, after complying with the requirements of section 6.5, and (ii) transfer the Account of each Participant to an alternative defined contribution plan. All the rights, benefits, features, and distribution restrictions with respect to the transferred amounts shall continue to apply to the transferred amounts unless a change is permitted pursuant to applicable IRS guidance of general applicability.

(c) Form of Payment. A transfer made pursuant to this section may be in cash, in kind, or partly in cash and partly in kind. Any distribution made pursuant to this section shall be in cash. After all such distributions or transfers have been made, the Trustee shall be discharged from all obligation under the Trust; no Participant, Spouse, Alternate Payee, or beneficiary who has received any such distribution,
or for whom any such transfer has been made, shall have any further right or claim under the Plan or Trust.

9.4 Amendment by Apache.

(a) Amendment. Apache may at any time amend the Plan in any respect, without prior notice, subject to the following limitations. No amendment shall be made that would have the effect of vesting in the Company any part of the Trust Fund or of diverting any part of the Trust Fund to purposes other than for the exclusive benefit of Account Owners. The rights of any Account Owner with respect to contributions previously made shall not be adversely affected by any amendment. No amendment shall reduce or restrict, either directly or indirectly, the accrued benefit (within the meaning of Code §411(d)(6)) to any Account Owner before the amendment, except as permitted by the Code or IRS guidance of general applicability.

(b) Amendment to Vesting Schedule. If the vesting schedule is amended, each Participant with at least three Years of Service may elect, within the period specified in the following sentence after the adoption of the amendment, to have his nonforfeitable percentage computed under the Plan without regard to such amendment. The period during which the election may be made shall commence with the date the amendment is adopted and shall end on the latest of: (i) 60 days after the amendment is adopted; (ii) 60 days after the amendment becomes effective; or (iii) 60 days after the Participant is issued written notice of the amendment by the Company or Committee. Furthermore, no amendment shall decrease the nonforfeitable percentage, measured as of the later of the date the amendment is adopted or effective, of any Account Owner’s Account.

(c) Procedure. Each amendment shall be in writing. Each amendment shall be approved by Apache’s board of directors or by an officer of Apache who has the authority to amend the Plan. Each amendment shall be executed by an officer of Apache who has the authority to execute the amendment.

ARTICLE X Plan Adoption by Affiliated Entities

10.1 Adoption of Plan.

Apache may permit any Affiliated Entity to adopt the Plan and Trust for its Employees. Thereafter, such Affiliated Entity shall deliver to the Trustee a certified copy of the resolutions or other documents evidencing its adoption of the Plan and Trust.

10.2 Agent of Affiliated Entity.

By becoming a party to the Plan, each Affiliated Entity appoints Apache as its agent with authority to act for the Affiliated Entity in all transactions in which Apache believes such agency will facilitate the administration of the Plan. Apache shall have the sole authority to amend and terminate the Plan.

10.3 Disaffiliation and Withdrawal from Plan.

(a) Disaffiliation. Any Affiliated Entity that has adopted the Plan and thereafter ceases for any reason to be an Affiliated Entity shall forthwith cease to be a party to the Plan.

(b) Withdrawal. Any Affiliated Entity may, by appropriate action and written notice thereof to Apache, provide for the discontinuance of its participation in the Plan. Such withdrawal from the Plan shall not be effective until the end of the Plan Year.

10.4 Effect of Disaffiliation or Withdrawal.

If at the time of disaffiliation or withdrawal, the disaffiliating or withdrawing entity, by appropriate action, adopts a substantially identical plan that provides for direct transfers from this Plan, then, as to Account Owners associated with such entity, no plan termination shall have occurred; the new plan shall be deemed a continuation of this Plan for such Account Owners. In such case, the Trustee shall transfer to the trustee of the new plan all of the assets held for the benefit of Account Owners associated with the disaffiliating or withdrawing entity, and no forfeitures or acceleration of vesting shall occur solely by reason of such action. Such payment shall operate as a complete discharge of the Trustee, and of all organizations except the disaffiliating or withdrawing entity, of all obligations under this Plan to Account Owners associated with the
ARTICLE XI Top-Heavy Provisions

10.5 Actions Upon Disaffiliation or Withdrawal.

(a) Distribution or Transfer. If an entity disaffiliates from Apache or withdraws from the Plan and the provisions of section 10.4 are not followed, then the following rules apply to the Account of an Account Owner associated with the disaffiliating or withdrawing entity. The Account Owner’s Account shall remain in this Plan until a distribution is processed under the usual rules of Article VI, unless the disaffiliating or withdrawing entity maintains another qualified plan that accepts direct transfers from this Plan, in which case the Committee may transfer the Account Owner’s Account to the disaffiliating or withdrawing entity’s plan without the consent of the Account Owner.

(b) Form of Payment. A transfer made pursuant to this section may be in cash, in kind, or partly in cash and partly in kind. Any distribution made pursuant to this section shall be in cash. After such distribution or transfer has been made, no Account Owner who has received any such distribution, or for whom any such transfer has been made, shall have any further right or claim under the Plan or Trust.

ARTICLE XI Top-Heavy Provisions

11.1 Application of Top-Heavy Provisions.

The provisions of this Article XII shall be applicable only if the Plan becomes “top-heavy” as defined below for any Plan Year. If the Plan becomes “top-heavy” for a Plan Year, the provisions of this Article XII shall apply to the Plan effective as of the first day of such Plan Year and shall continue to apply to the Plan until the Plan ceases to be “top-heavy” or until the Plan is terminated or otherwise amended.

11.2 Determination of Top-Heavy Status.

The Plan shall be considered “top-heavy” for a Plan Year if, as of the last day of the prior Plan Year, the aggregate of the Account balances (as calculated according to the regulations under Code §416) of Key Employees under this Plan (and under all other plans required or permitted to be aggregated with this Plan) exceeds 60% of the aggregate of the Account balances (as calculated according to the regulations under Code §416) in this Plan (and under all other plans required or permitted to be aggregated with this Plan) of all current Employees and all former Employees who terminated employment within one year of the last day of the prior Plan Year. This ratio shall be referred to as the “top-heavy ratio.” For purposes of determining the account balance of any Participant, (a) the balance shall be determined as of the last day of the prior Plan Year, (b) the balance shall also include any distributions to the Participant during the one-year period ending on the last day of the prior Plan Year, and (c) the balance shall also include, for distributions made for a reason other than separation from service or death or disability, any distributions to the Participant during the five-year period ending on the last day of the prior Plan Year. This shall also apply to distributions under a terminated plan that, if it had not been terminated, would have been required to be included in an aggregation group. The Account balances of a Participant who had once been a Key Employee, but who is not a Key Employee during the Plan Year, shall not be taken into account. The following plans must be aggregated with this Plan for the top-heavy test: (a) a qualified plan maintained by the Company or an Affiliated Entity in which a Key Employee participated during this Plan Year or during the previous four Plan Years and (b) any other qualified plan maintained by the Company or an Affiliated Entity that enables this Plan or any plan described in clause (a) to meet the requirements of Code §401(a)(4) or §410. The following plans may be aggregated with this Plan for the top-heavy test: any qualified plan maintained by the Company or an Affiliated Entity that, in combination with the Plan or any plan required to be aggregated with this Plan when testing this Plan for top-heaviness, would satisfy the requirements of Code §401(a)(4) and §410. If one or more of the plans required or permitted to be aggregated with this Plan is a defined benefit plan, a Participant’s “account balance” shall mean the present value of the Participant’s accrued benefit. If the aggregation group includes more than one defined benefit plan, the same actuarial assumptions shall be used with respect to each such defined benefit plan. The foregoing top-heavy ratio shall be computed in accordance with the provisions of Code §416(g), together with the regulations and rulings thereunder.
ARTICLE XII Miscellaneous

11.3 Special Vesting Rule.

Unless section 5.1 provides for faster vesting, the Participant’s Account shall vest in accordance with the following schedule during any top-heavy Plan Year:

<table>
<thead>
<tr>
<th>Period of Service</th>
<th>Vesting Percentage</th>
</tr>
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<tbody>
<tr>
<td>Less than 2 years</td>
<td>0%</td>
</tr>
<tr>
<td>At least 2 years, but less than 3 years</td>
<td>20%</td>
</tr>
<tr>
<td>At least 3 years, but less than 4 years</td>
<td>40%</td>
</tr>
<tr>
<td>At least 4 years, but less than 5 years</td>
<td>60%</td>
</tr>
<tr>
<td>At least 5 years, but less than 6 years</td>
<td>80%</td>
</tr>
<tr>
<td>6 or more years</td>
<td>100%</td>
</tr>
</tbody>
</table>

11.4 Special Minimum Contribution.

Notwithstanding the provisions of section 3.1, in every top-heavy Plan Year, a minimum allocation is required for each Non-Key Employee who both (a) performed one or more hours of service as a Covered Employee during the Plan Year, and (b) was an Employee on the last day of the Plan Year. The minimum allocation shall be a percentage of each Non-Key Employee’s Compensation. The percentage shall be the lesser of 3% or the largest percentage obtained for any Key Employee by dividing his Annual Additions (to this Plan and any other plan aggregated with this Plan) for the Plan Year by his Compensation for the Plan Year. If the Participant participates in both this Plan and the Apache Corporation 401(k) Savings Plan, then the Participant’s minimum allocation to this Plan shall be reduced by any allocation of company contributions (or forfeitures treated as company contributions) that he receives in that plan for the Plan Year.

11.5 Change in Top-Heavy Status.

If the Plan ceases to be a “top-heavy” plan as defined in this Article XII, and if any change in the benefit structure, vesting schedule, or other component of a Participant’s accrued benefit occurs as a result of such change in top-heavy status, the nonforfeitable portion of each Participant’s benefit attributable to Company Contributions shall not be decreased as a result of such change. In addition, each Participant with at least a three-year Period of Service on the date of such change may elect to have the nonforfeitable percentage computed under the Plan without regard to such change in status. The period during which the election may be made shall commence on the date the Plan ceases to be a top-heavy plan and shall end on the later of (a) 60 days after the change in status occurs, (b) 60 days after the change in status becomes effective, or (c) 60 days after the Participant is issued written notice of the change by the Company or the Committee.

ARTICLE XII Miscellaneous

12.1 Right to Dismiss Employees — No Employment Contract.

The Company and Affiliated Entities may terminate the employment of any employee as freely and with the same effect as if this Plan were not in existence. Participation in this Plan by an employee shall not constitute an express or implied contract of employment between the Company or an Affiliated Entity and the employee.

12.2 Claims Procedure.

(a) General. Each claim for benefits shall be processed in accordance with the procedures that are established by the Committee. The procedures shall comply with the guidelines specified in this section. The Committee may delegate its duties under this section.

(b) Representatives. A claimant may appoint a representative to act on his behalf. The Plan shall only recognize a representative if the Plan has received a written authorization signed by the claimant and on a form prescribed by the Committee, with the following exceptions. The Plan shall recognize a claimant’s legal representative, once the Plan is provided with documentation of such representation. If the claimant is a minor child, the Plan shall recognize the claimant’s parent or guardian as the claimant’s representative. Once an authorized representative is appointed, the Plan shall direct all information and notification regarding the claim to the authorized representative and the claimant shall be copied on all notifications regarding decisions, unless the claimant provides specific written direction otherwise.

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Document prepared December 4, 2007
(c) **Extension of Deadlines.** The claimant may agree to an extension of any deadline that is mentioned in this section that applies to the Plan. The Committee or the relevant decision-maker may agree to an extension of any deadline that is mentioned in this section that applies to the claimant.

(d) **Fees.** The Plan may not charge any fees to a claimant for utilizing the claims process described in this section.

(e) **Filing a Claim.** A claim is made when the claimant files a claim in accordance with the procedures specified by the Committee. Any communication regarding benefits that is not made in accordance with the Plan’s procedures will not be treated as a claim.

(f) **Initial Claims Decision.** The Plan shall decide a claim within a reasonable time up to 90 days after receiving the claim. The Plan shall have a 90-day extension, but only if the Plan is unable to decide within 90 days for reasons beyond its control, the Plan notifies the claimant of the special circumstances requiring the need for the extension by the 90th day after receiving the claim, and the Plan notifies the claimant of the date by which the Plan expects to make a decision.

(g) **Notification of Initial Decision.** The Plan shall provide the claimant with written notification of the Plan’s full or partial denial of a claim, reduction of a previously approved benefit, or termination of a benefit. The notification shall include a statement of the reason(s) for the decision; references to the plan provision(s) on which the decision was based; a description of any additional material or information necessary to perfect the claim and why such information is needed; a description of the procedures and deadlines for appeal; a description of the right to obtain information about the appeal procedures; and a statement of the claimant’s right to sue.

(h) **Appeal.** The claimant may appeal any adverse or partially adverse decision. To appeal, the claimant must follow the procedures specified by the Committee. The appeal must be filed within 60 days of the date the claimant received notice of the initial decision. If the appeal is not timely and properly filed, the initial decision shall be the final decision of the Plan. The claimant may submit documents, written comments, and other information in support of the appeal. The claimant shall be given reasonable access at no charge to, and copies of, all documents, records, and other relevant information.

(i) **Appellate Decision.** The Plan shall decide the appeal of a claim within a reasonable time of no more than 60 days from the date the Plan receives the claimant’s appeal. The 60-day deadline shall be extended by an additional 60 days, but only if the Committee determines that special circumstances require an extension, the Plan notifies the claimant of the special circumstances requiring the need for the extension by the 60th day after receiving the appeal, and the Plan notifies the claimant of the date by which the Plan expects to make a decision. If an appeal is missing any information from the claimant that is needed to decide the appeal, the Plan shall notify the claimant of the missing information and grant the claimant a reasonable period to provide the missing information. If the missing information is not timely provided, the Plan shall deny the claim. If the missing information is timely provided, the 60-day deadline (or 120-day deadline with the extension) for the Plan to make its decision shall be increased by the length of time between the date the Plan requested the missing information and the date the Plan received it.

(j) **Notification of Decision.** The Plan shall provide the claimant with written notification of the Plan’s appellate decision (positive or adverse). The notification of any adverse or partially adverse decision shall include a statement of the reason(s) for the decision; reference to the plan provision(s) on which the decision was based; a statement of the claimant’s right to sue; and a statement that the claimant is entitled to receive, free of charge and upon request, reasonable access to and copies of all documents, records, and other information relevant to the claim.

(k) **Limitations on Bringing Actions in Court.** Once an appellate decision that is adverse or partially adverse to the claimant has been made, the claimant may file suit in court only if he does so by the earlier of the following dates: (i) the one-year anniversary of the date of the appellate decision, or (ii) the date on which the statute of limitations for such claim expires.
Discretionary Authority. The Committee shall have total discretionary authority to determine eligibility, status, and the rights of all individuals under the Plan and to construe any and all terms of the Plan.

12.3 Source of Benefits.

All benefits payable under the Plan shall be paid solely from the Trust Fund, and the Company and Affiliated Entities assume no liability or responsibility therefor.

12.4 Exclusive Benefit of Employees.

It is the intention of the Company that no part of the Trust, other than as provided in sections 3.3, 8.2, and 12.9 hereof and the Trust Agreement, ever to be used for or diverted for purposes other than for the exclusive benefit of Participants, Alternate Payees, and their beneficiaries, and that this Plan shall be construed to follow the spirit and intent of the Code and ERISA.

12.5 Forms of Notices.

Wherever provision is made in the Plan for the filing of any notice, election, or designation by a Participant, Spouse, Alternate Payee, or beneficiary, the action of such individual may be evidenced by the execution of such form as the Committee may prescribe for the purpose. The Committee may also prescribe alternate methods for filing any notice, election, or designation (such as telephone voice-response or e-mail).

12.6 Failure of Any Other Entity to Qualify.

If any entity adopts this Plan but fails to obtain or retain the qualification of the Plan under the applicable provisions of the Code, such entity shall withdraw from this Plan upon a determination by the Internal Revenue Service that it has failed to obtain or retain such qualification. Within 30 days after the date of such determination, the assets of the Trust Fund held for the benefit of the Employees of such entity shall be separately accounted for and disposed of in accordance with the Plan and Trust.

12.7 Notice of Adoption of the Plan.

The Company shall provide each of its Employees with notice of the adoption of this Plan, notice of any amendments to the Plan, and notice of the salient provisions of the Plan prior to the end of the first Plan Year. A complete copy of the Plan shall also be made available for inspection by Employees and Account Owners.

12.8 Plan Merger.

If this Plan is merged or consolidated with, or its assets or liabilities are transferred to, any other qualified plan of deferred compensation, each Participant shall be entitled to receive a benefit immediately after the merger, consolidation, or transfer that is equal to or greater than the benefit the Participant would have been entitled to receive immediately before the merger, consolidation, or transfer if this Plan had then been terminated.

12.9 Inalienability of Benefits — Domestic Relations Orders.

(a) General. Except as provided in subsection 6.1(e), relating to disclaimers, and subsections (b), (g), and (h) below, no Account Owner shall have any right to assign, alienate, transfer, or encumber his interest in any benefits under this Plan, nor shall such benefits be subject to any legal process to levy upon or attach the same for payment of any claim against any such Account Owner.

(b) QDRO Exception. Subsection (a) shall apply to the creation, assignment, or recognition of a right to any benefit payable with respect to a Participant pursuant to a Domestic Relations Order unless such Domestic Relations Order is a QDRO, in which case the Plan shall make payment of benefits in accordance with the applicable requirements of any such QDRO.

(c) QDRO Requirements. In order to be a QDRO, the Domestic Relations Order must satisfy the requirements of Code §414(p) and ERISA §206(d)(3). In particular, the Domestic Relations Order: (i) must specify the name and the last known mailing address of the Participant; (ii) must specify the name and mailing address of each Alternate Payee covered by the order; (iii) must specify either the amount or percentage of the Participant’s benefits to be paid by the Plan to each such Alternate Payee, or the manner in which such amount or percentage is to be determined; (iv) must specify the number of payments or period to which such order applies; (v) must specify each plan to which such order applies.
(d) **QDRO Payment Rules.** In the case of any payment before an Employee has separated from service, a Domestic Relations Order shall not be treated as failing to meet the requirements of subsection (c) solely because such order requires that payment of benefits be made to an Alternate Payee (i) on or after the dates specified in subsection (f), (ii) as if the Employee had retired on the date on which such payment is to begin under such order (but taking into account only the Account balance on such date), and (iii) in any form in which such benefits may be paid under the Plan to the Employee. For purposes of this subsection, the Account balance as of the date specified in the QDRO shall be the vested portion of the Employee’s Account on such date.

(e) **QDRO Review Procedures and Suspension of Benefits.** The Committee shall establish reasonable procedures to determine the qualified status of Domestic Relations Orders and to administer distributions under QDROs. Such procedures shall be in writing and shall permit an Alternate Payee to designate a representative to receive copies of notices. The Committee may temporarily suspend distributions and withdrawals from the Participant’s Accounts, except to the extent necessary to make the required minimum distributions under Code §401(a)(9), when the Committee receives a Domestic Relations Order or a draft of such an order that affects the Participant’s Accounts or when one or the following individuals informs the Committee, orally or in writing, that a QDRO is in process or may be in process: the Participant, a prospective Alternate Payee, or counsel for the Participant or a prospective Alternate Payee. The Committee shall promulgate reasonable and nondiscriminatory rules regarding such suspensions, including but not limited to how long such suspensions remain in effect. The procedures may allow the Participant to receive such distributions and withdrawals from the Plan, subject to the rules of Article VI, as are consented to in writing by all prospective Alternate Payees identified in the Domestic Relations Order or, in the absence of a Domestic Relations Order, as are consented to in writing by the prospective Alternate Payee(s) who informed the Committee that a QDRO was in process or may be in process. When the Committee receives a Domestic Relations Order it shall promptly notify the Participant and each Alternate Payee of such receipt and provide them with copies of the Plan’s procedures for determining the qualified status of the order. Within a reasonable period after receipt of a Domestic Relations Order, the Committee shall determine whether such order is a QDRO and notify the Participant and each Alternate Payee of such determination. During any period in which the issue of whether a Domestic Relations Order is a QDRO is being determined (by the Committee, by a court of competent jurisdiction, or otherwise), the Committee shall separately account for the amounts payable to the Alternate Payee if the order is determined to be a QDRO. If the order (or modification thereof) is determined to be a QDRO within 18 months after the date the first payment would have been required by such order, the Committee shall pay the amounts separately accounted for (plus any interest thereon) to the individual(s) entitled thereto. However, if the Committee determines that the order is not a QDRO, or if the issue as to whether such order is a QDRO has not been resolved within 18 months after the date of the first payment would have been required by such order, then the Committee shall pay the amounts separately accounted for (plus any interest thereon) to the individual(s) who would have been entitled to such amounts if there had been no order. Any determination that an order is a QDRO that is made after the close of the 18-month period shall be applied prospectively only. If the Plan’s fiduciaries act in accordance with fiduciary provision of ERISA in treating a Domestic Relations Order as being (or not being) a QDRO or in taking action in accordance with this subsection, then the Plan’s obligation to the Participant and each Alternate Payee shall be discharged to the extent of any payment made pursuant to the acts of such fiduciaries.

(f) **Rights of Alternate Payee.** The Alternate Payee shall have the following rights under the Plan:

(i) **Small Accounts.** If the value of the nonforfeitable portion of an Alternate Payee’s Account is $5,000 or less, the Alternate Payee shall receive a single payment of the distributable amount as soon as practicable, provided that the value is $5,000 or less when the distribution is processed.
The Committee may elect to check the value of the Alternate Payee’s Account on an occasional (rather than a daily) basis, to determine whether this paragraph applies.

(ii) Single Payment or Annuity. This paragraph applies only if paragraph (i) does not apply. The only form of payment available to an Alternate Payee who is not the Spouse or former Spouse of the Participant is a single payment of the distributable amount (measured at the time the payment is processed). An Alternate Payee who is the Spouse or former Spouse of the Participant may choose between a single payment of the distributable amount or an annuity. If the Alternate Payee is awarded more than the distributable amount, the Alternate Payee shall initially receive a distribution of the distributable amount, with additional distributions made as soon as administratively convenient after more of the amount awarded to the Alternate Payee becomes distributable.

(iii) Timing of Distribution. This paragraph applies only if paragraph (i) does not apply. Subject to the limits imposed by this paragraph, the Alternate Payee may choose (or the QDRO may specify) the date of the distribution. The distribution to the Alternate Payee may occur at any time after the Committee determines that the Domestic Relations Order is a QDRO and before the Participant’s Required Beginning Date (unless the order is determined to be a QDRO after the Participant’s Required Beginning Date, in which case the distribution to the Alternate Payee shall be made as soon as administratively practicable after the order is determined to be a QDRO).

(iv) Death of Alternate Payee. The Alternate Payee may designate one or more beneficiaries, as specified in section 6.1. When the Alternate Payee dies, the Alternate Payee’s beneficiary shall receive a complete distribution of the distributable amount in a single payment as soon as administratively convenient.

(v) Investing. An Alternate Payee may direct the investment of his Account pursuant to section 8.3.

(vi) Claims. The Alternate Payee may bring claims against the Plan pursuant to section 12.2.

(g) Exception for Misconduct towards the Plan. Subsection (a) shall not apply to any offset of a Participant’s benefits against an amount that the Participant is ordered or required to pay to the Plan if the following conditions are met.

(i) The order or requirement to pay must arise (A) under a judgment of conviction for a crime involving the Plan, (B) under a civil judgment (including a consent order or decree) entered by a court in an action brought in connection with a violation (or alleged violation) of part 4 of subtitle B of title I of ERISA, or (C) pursuant to a settlement agreement between the Secretary of Labor and the Participant, or a settlement agreement between the Pension Benefit Guaranty Corporation and the Participant, in connection with a violation (or alleged violation) of part 4 of subtitle B of title I of ERISA by a fiduciary or any other person.

(ii) The judgment, order, decree, or settlement agreement must expressly provide for the offset of all or part of the amount ordered or required to be paid to the Plan against the Participant’s benefits provided under the Plan.

(iii) If the Participant is married at the time at which the offset is to be made, (A) either the Participant’s Spouse must have already waived his right to a QPSA and QJSA or the Participant’s Spouse must consent in writing to such offset with such consent witnessed by a notary public or representative of the Plan (or it is established to the satisfaction of a Plan representative that such consent may not be obtained by reason of circumstances described in Code §417(a)(2)(B)), or (B) the Participant’s Spouse is ordered or required in such judgment, order, decree, or settlement to pay an amount to the Plan in connection with a violation of part 4 of subtitle B of title I of ERISA, or (C) in such judgment, order, decree, or settlement, the Participant’s Spouse retains the right to receive a survivor annuity under a qualified joint and survivor annuity pursuant to Code §401(a)(11)(A)(i) and under a qualified preretirement survivor annuity provided pursuant to Code §401(a)(11)(A)(ii). The value of the Spouse’s survivor annuity in subparagraph (C) shall be determined as if the Participant terminated employment on the date of the offset, there was no offset, the Plan permitted commencement of...
benefits only on or after Normal Retirement Age, the Plan provided only the “minimum-required qualified joint and survivor annuity,” and the amount of the qualified preretirement survivor annuity under the Plan is equal to the amount of the survivor annuity payable under the “minimum-required qualified joint and survivor annuity.” For purposes of this paragraph only, the “minimum-required qualified joint and survivor annuity” is the qualified joint and survivor annuity which is the actuarial equivalent of the Participant’s accrued benefit (within the meaning of Code §411(a)(7)) and under which the survivor annuity is 50% of the amount of the annuity which is payable during the joint lives of the Participant and his Spouse.

The Committee may temporarily suspend distributions and withdrawals from a Participant’s Account, except to the extent necessary to make the required minimum distributions under Code §401(a)(9), when the Committee has reason to believe that the Plan may be entitled to an offset of the Participant’s benefits described in this subsection. The Committee shall promulgate reasonable and non-discriminatory rules regarding such suspensions, including but not limited to how long such suspensions remain in effect.

(h) Exception for Federal Liens. Subsection (a) shall not apply to the enforcement of a federal tax levy made pursuant to Code §6331, the collection by the United States on a judgment resulting from an unpaid tax assessment, or any debt or obligation that is permitted to be collected from the Plan under federal law (such as the Federal Debt Collection Procedures Act of 1977). The Committee may temporarily suspend distributions and withdrawals from an Account, except to the extent necessary to make the required minimum distributions under Code §401(a)(9), when the Committee has reason to believe that such a federal tax levy or other obligation has or will be received. The Committee shall promulgate reasonable and non-discriminatory rules regarding such suspensions, including but not limited to how long such suspensions remain in effect.

12.10 Payments Due Minors or Incapacitated Individuals.

If any individual entitled to payment under the Plan is a minor, the Committee shall cause the payment to be made to the custodian or representative who, under the state law of the minor’s domicile, is authorized to receive funds on behalf of the minor. If any individual entitled to payment under this Plan has been legally adjudicated to be mentally incompetent or incapacitated, the Committee shall cause the payment to be made to the custodian or representative who, under the state law of the incapacitated individual’s domicile, is authorized to receive funds on behalf of the incapacitated individual. Payments made pursuant to such power shall operate as a complete discharge of the Trust Fund, the Trustee, and the Committee.

12.11 Uniformity of Application.

The provisions of this Plan shall be applied in a uniform and non-discriminatory manner in accordance with rules adopted by the Committee, which rules shall be systematically followed and consistently applied so that all individuals similarly situated shall be treated alike.

12.12 Disposition of Unclaimed Payments.

Each Participant, Alternate Payee, or beneficiary with an Account balance in this Plan must file with the Committee from time to time in writing his address, the address of each beneficiary (if applicable), and each change of address. Any communication, statement, or notice addressed to such individual at the last address filed with the Committee (or if no address is filed with the Committee then at the last address as shown on the Company’s records) will be binding on such individual for all purposes of the Plan. Neither the Committee nor the Trustee shall be required to search for or locate any missing individual. If the Committee notifies an individual that he is entitled to a distribution and also notifies him that a failure to respond may result in a forfeiture of benefits, and the individual fails to claim his benefits under the Plan or make his address known to the Committee within a reasonable period of time after the notification, then the benefits under the Plan of such individual shall be forfeited. Any amount forfeited pursuant to this section shall be allocated pursuant to subsection 5.4(d). If the individual should later make a claim for this forfeited amount, the Company shall, if the Plan is still in existence, make a special contribution to the Plan equal to the forfeiture, and such amount shall be distributed to the individual; if the Plan is not then in existence, the Company shall pay the amount of the forfeiture to the individual.
12.13 **Applicable Law.**

This Plan shall be construed and regulated by ERISA, the Code, and, unless otherwise specified herein and to the extent applicable, the laws of the State of Texas, excluding any conflicts-of-law provisions.

**ARTICLE XIII Uniformed Services Employment and Reemployment Rights Act of 1994**

### 13.1 **General.**

(a) **Scope.** The Uniformed Services Employment and Reemployment Rights Act of 1994 (the “USERRA”), which is codified at 38 USCA §§4301-4318, confers certain rights on individuals who leave civilian employment to perform certain services in the Armed Forces, the National Guard, the commissioned corps of the Public Health Service, or in any other category designated by the President of the United States in time of war or emergency (collectively, the “Uniformed Services”). An Employee who joins the Uniformed Services shall be referred to as a “Serviceman” in this Article. This Article shall be interpreted to provide such individuals with all the benefits required by the USERRA but no greater benefits than those required by the USERRA. This Article shall supersede any contrary provisions in the remainder of the Plan.

(b) **Rights of Servicemen.** When a Serviceman leaves the Uniformed Services, he may have reemployment rights with the Company or Affiliated Entities, depending on many factors, including the length of his stay in the Uniformed Services and the type of discharge he received. When this Article speaks of the date a Serviceman’s potential USERRA reemployment rights expire, it means the date on which the Serviceman fails to qualify for reemployment rights (if, for example, he is dishonorably discharged, or remains in the Uniformed Services for more than 5 years) or, if the Serviceman obtains reemployment rights, the date his reemployment rights lapse because the Serviceman failed to timely exercise those rights.

### 13.2 **While a Serviceman.**

In general, a Serviceman shall be treated as an Employee while he continues to receive wages from the Company or an Affiliated Entity, and once the Serviceman’s wages from the Company or Affiliated Entity cease, the Serviceman shall be treated as if he were on an approved, unpaid leave of absence.

(a) **Company Contributions.** Wages paid by the Company to a Serviceman shall be included in his Compensation as if the Serviceman were an Employee. If the Employee was a Covered Employee when he became a Serviceman and his wages continue through the last day of a Plan Year, then (i) the Serviceman shall be treated as an “eligible Participant” under subsection 3.1(a) for that Plan Year (and shall therefore receive an allocation of Company Mandatory Contributions); and (ii) he shall be treated as an Employee under subsection 11.4(a) (and, if he is a Non-Key Employee, he shall therefore receive any minimum required allocation if the Plan is top-heavy).

(b) **Investments.** If the Serviceman has an account balance in the Plan, he is an Account Owner and may therefore direct the investment of his Accounts pursuant to section 8.3.

(c) **Distributions and Withdrawals.** For purposes of Article VI (relating to distributions), the Serviceman shall be treated as an Employee until the day on which his potential USERRA reemployment rights expire. See section 13.3 once his potential USERRA rights expire.

(d) **QDROs.** QDROs shall be processed while the Participant is a Serviceman. The Committee has the discretion to establish special procedures under subsection 12.9(e) for Servicemen, by, for example, extending the usual deadlines to accommodate any practical difficulties encountered by the Serviceman that are attributable to his service in the Uniformed Services.

### 13.3 **Expiration of USERRA Reemployment Rights.**

(a) **Consequences.** If a Serviceman is not reemployed before his potential USERRA reemployment rights expire, the Committee shall determine his Termination from Service Date by treating his service in the Uniformed Services as an approved leave of absence but treating the expiration of his potential USERRA reemployment rights as the failure to timely return from his leave of absence, with the consequence that his Termination from Service Date will generally be the earlier of the date his
potential USERRA rights expired or one year after the date he joined the Uniformed Services. Once his Termination from Service Date has been determined, the Committee shall determine his vested percentage. For purposes of Article VI (relating to distributions), the day the Serviceman’s potential USERRA reemployment rights expired shall be treated as the day he terminated employment with the Company and Affiliated Entities. For purposes of subsection 5.2(c) (relating to the timing of forfeitures), the Serviceman’s last day of employment shall be the day his potential USERRA reemployment rights expired.

(b) **Rehire after Expiration of Reemployment Rights.** If the Company or an Affiliated Company hires a former Serviceman after his potential USERRA reemployment rights have expired, he shall be treated like any other former employee who is rehired.

13.4 **Return From Uniformed Service.**

This section applies solely to a Serviceman who returns to employment with the Company or an Affiliated Entity because he exercised his reemployment rights under the USERRA.

(a) **Credit for Service.** A Serviceman’s length of time in the Uniformed Services shall be treated as service with the Company for purposes of vesting and determining his eligibility to participate in the Plan upon reemployment.

(b) **Participation.** If the Serviceman satisfies the eligibility requirements of section 2.1 before his reemployment, and he is a Covered Employee upon his reemployment, he may participate in the Plan immediately upon his return.

(c) **Make-Up Company Mandatory Contribution.** The Company shall contribute an additional contribution to a Serviceman’s Account equal to the Company Mandatory Contribution (including any forfeitures treated as Company Mandatory Contributions) that would have been allocated to such Account if the Serviceman had remained employed during his time in the Uniformed Services, and had earned his Deemed Compensation during that time. See subsection (e) for guidance on applying the various limits contained in the Code to the calculation of the additional mandatory contribution.

(d) **Make-Up Miscellaneous Contributions.** The Company shall contribute to the Serviceman’s Accounts any top-heavy minimum contribution he would have received pursuant to section 11.4, (including any forfeitures treated as top-heavy minimum contributions) if he had remained employed during his time in the Uniformed Services, and had earned Deemed Compensation during that time. See subsection (e) for guidance on applying the various limits contained in the Code to the calculation of the top-heavy minimum contribution.

(e) **Application of Limitations.**

(i) The make-up contributions under subsections (c) and (d) (the “Make-Up Contributions”) shall be ignored for purposes of determining the Company’s maximum contribution under subsection 3.1(c), the limits on Annual Additions under section 3.4, the nondiscrimination requirements of Code §401(a)(4), and (if the Serviceman is a Key Employee) calculating the minimum required top-heavy contribution under section 11.4.

(ii) In order to determine the maximum Make-Up Contributions, the following limitations shall apply.

(A) The Serviceman’s “Aggregate Compensation” for each year shall be calculated. His Aggregate Compensation shall be equal to his actual Compensation, plus his Deemed Compensation that would have been paid during that year. Each type of Aggregate Compensation (for benefit purposes, for purposes of determining whether the Serviceman is a Highly Compensated Employee, etc.) shall be determined separately.

(B) The Serviceman’s Aggregate Compensation each Plan Year shall be limited to the dollar limit in effect for that Plan Year under Code §401(a)(17), for the purposes and in the manner specified in subsection 1.11(d).

(C) The limits of subsection 3.1(c) (relating to the maximum contribution by the Company to the Plan) for each Plan Year shall be calculated by using the Serviceman’s Aggregate...
Compensation for that Plan Year, and by treating the Make-Up Contributions that are attributable to that Plan Year’s Deemed Compensation as having been made during that Plan Year.

(D) The limits of section 3.4 (relating to the maximum Annual Additions to a Participant’s Accounts) shall be calculated for each Limitation Year by using the Serviceman’s Aggregate Compensation for that Limitation Year, and by treating as Annual Additions all the Make-Up Contributions that are attributable to that Limitation Year’s Deemed Compensation.

(f) **Deemed Compensation.** A Serviceman’s Deemed Compensation is the Compensation that he would have received (including raises) had he remained employed by the Company or Affiliated Entity during his time in the Uniformed Services, unless it is not reasonably certain what his Compensation would have been, in which case his Deemed Compensation shall be based on his average rate of compensation during the 12 months (or, if shorter, his period of employment with the Company and Affiliated Entities) immediately before he entered the Uniformed Services. A Serviceman’s Deemed Compensation shall be reduced by any Compensation actually paid to him during his time in the Uniformed Services (such as vacation pay). Deemed Compensation shall cease when the Serviceman’s potential USERRA reemployment rights expire. Each type of Deemed Compensation (for benefit purposes, for purposes of determining if the Serviceman is a Highly Compensated Employee, etc.) shall be determined separately.

APACHE CORPORATION

Date: 2/1/2008

By: /s/ Margery M. Harris

Title: Vice President — Human Resources

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Document prepared December 4, 2007
## APPENDIX A

### Participating Companies

The following Affiliated Entities were actively participating in the Plan as of the following dates:

<table>
<thead>
<tr>
<th>Business</th>
<th>Participation Began As Of</th>
<th>Participation Ended As Of</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apache International, Inc.</td>
<td>January 1, 1997</td>
<td>N/A</td>
</tr>
<tr>
<td>Apache Canada Ltd.</td>
<td>January 1, 1997</td>
<td>N/A</td>
</tr>
</tbody>
</table>

— END OF APPENDIX A —

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Document prepared December 4, 2007
APPENDIX B

DEKALB Energy Company / Apache Canada Ltd.

Introduction

Through a merger effective as of May 17, 1995, Apache then held 100% of the stock of DEKALB Energy Company (which has been renamed Apache Canada Ltd.).

Capitalized terms in this Appendix have the same meanings as those given to them in the Plan. The regular terms of the Plan shall apply to the employees of Apache Canada Ltd., except as provided below.

Eligibility to Participate

Notwithstanding the definition of “Covered Employee,” an employee of Apache Canada Ltd. shall be a Covered Employee only if (1) he is either a U.S. citizen or a U.S. resident, and (2) he was employed by Apache or another Company immediately before becoming an employee of Apache Canada Ltd.

Compensation

If the payroll of the Apache Canada Ltd. employee is handled in the United States, then the definitions of Compensation in section 1.11 apply. To the extent that the payroll of the Apache Canada Ltd. employee is handled outside of the United States, section 1.11 shall apply except that paragraph 1.11(a)(i) shall be replaced by:

(i) Items Included. For purposes of determining the limitation on Annual Additions under section 3.4, Compensation means the items specified in the safe-harbor definition in Treasury Regulation §1.415(c)-2(d)(2).

— END OF APPENDIX B —

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Document prepared December 4, 2007
APPENDIX C

Corporate Transactions

Over the years, the Company has engaged in numerous corporate transactions, both acquisitions and sales. This Appendix contains any special service-crediting provisions that apply to employees affected by the corporate transaction (both those who are hired by the Company and those whose employment is terminated).

Sales

The following Participants are fully vested in their Accounts in this Plan, on the following dates:

[none, as of January 1, 2006]

Acquisitions

A Period of Service for vesting purposes for a New Employee (listed below) shall be determined by treating all periods of employment with the Former Employer Controlled Group as periods of employment with Apache. The “Former Employer Controlled Group” means the Former Employer (listed below), its predecessor company/ies, and any business while such business was treated as a single employer with the Former Employer or predecessor company pursuant to Code §414(b), §414(c), §414(m), or §414(o).

The following individuals are “New Employees” and the following companies are “Former Employers”:

<table>
<thead>
<tr>
<th>Former Employer</th>
<th>New Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crescendo Resources, L.P. (“Crescendo”)</td>
<td>All individuals hired from April 30, 2000 through June 1, 2000 from Crescendo and related companies in connection with an April 30, 2000 asset acquisition from Crescendo.</td>
</tr>
<tr>
<td>Collins &amp; Ware (“C&amp;W”) and Longhorn Disposal, Inc. (“Longhorn”)</td>
<td>All individuals hired from C&amp;W, Longhorn, and related companies in connection with a May 23, 2000 asset acquisition from C&amp;W and Longhorn.</td>
</tr>
<tr>
<td>Occidental Petroleum Corporation (“Oxy”)</td>
<td>All individuals hired from Oxy and related companies in connection with an August 2000 asset acquisition from an Oxy subsidiary.</td>
</tr>
<tr>
<td>Private company (“Private”)</td>
<td>All individuals hired in January 2003 from Private and related companies in connection with an asset acquisition of certain property in Louisiana effective as of December 1, 2002.</td>
</tr>
</tbody>
</table>
Apache Corporation Money Purchase Retirement Plan

Amendment

Apache Corporation (“Apache”) sponsors the Apache Corporation Money Purchase Retirement Plan (the “Plan”). In section 9.4 of the Plan, Apache reserved the right to amend the Plan from time to time. Apache hereby exercises that right by amending the Plan as follows.

1. Effective as of January 1, 2002, section 6.5(c)(i) is replaced by the following.
   (i) Participants, Spouses, and Alternate Payees. For a Participant, an Alternate Payee who is the Spouse or former Spouse of the Participant, or a surviving Spouse of a deceased Participant, an eligible retirement plan is an individual retirement account or annuity described in Code §408(a) or §408(b), a Roth IRA, an annuity plan described in Code §403(a), an annuity contract described in Code §403(b), an eligible plan under Code §457(b) that is maintained by an eligible employer described in Code §457(e)(1)(A) (which generally includes state and local governments), or the qualified trust of a defined contribution plan described in Code §401(a), that accepts eligible rollover distributions.

2. Effective as of January 1, 2002, section 11.2 is replaced by the following.
   11.2 Determination of Top-Heavy Status
   The Plan shall be considered “top-heavy” for a Plan Year if, as of the last day of the prior Plan Year, the aggregate of the Account balances (as calculated according to the regulations under Code §416) of Key Employees under this Plan (and under all other plans required or permitted to be aggregated with this Plan) exceeds 60% of the aggregate of the Account balances (as calculated according to the regulations under Code §416) in this Plan (and under all other plans required or permitted to be aggregated with this Plan) of all current Employees and all former Employees who had performed services for Apache or an Affiliated Entity within the one-year period ending on the last day of the prior Plan Year. This ratio shall be referred to as the “top-heavy ratio”. For purposes of determining the account balance of any Participant, (a) the balance shall be determined as of the last day of the prior Plan Year, (b) the balance shall also include any distributions to the Participant during the one-year period ending on the last day of the prior Plan Year, and (c) the balance shall also include, for distributions made for a reason other than severance of employment or death or disability, any distributions to the Participant during the five-year period ending on the last day of the prior Plan Year. This shall also apply to distributions under a terminated plan that, if it had not been terminated, would have been required to be included in an aggregation group. The Account balances of a Participant who had once been a Key Employee, but who is not a Key Employee during the Plan Year, shall not be taken into account. The following plans must be aggregated with this Plan for the top-heavy test: (a) a qualified plan maintained by the Company or an Affiliated Entity in which a Key Employee participated during this Plan Year or during the previous four Plan Years and (b) any other qualified plan maintained by the Company or an Affiliated Entity that enables this Plan or any plan described in clause (a) to meet the requirements of Code §401(a)(4) or §410. The following plans may be aggregated with this Plan for the top-heavy test: any qualified plan maintained by the Company or an Affiliated Entity that, in combination with the Plan or any plan required to be aggregated with this Plan when testing this Plan for top-heaviness, would satisfy the requirements of Code §401(a)(4) and §410. If one or more of the plans required or permitted to be aggregated with this Plan is a defined benefit plan, a Participant’s “account balance” shall equal the present value of the Participant’s accrued benefit. If the aggregation group includes more than one defined benefit plan, the same actuarial assumptions shall be used with respect to each such defined benefit plan. The foregoing top-heavy ratio shall be computed in accordance with the provisions of Code §416(g), together with the regulations and rulings thereunder.
Effective as of January 1, 2009, Article XIII is replaced by the following.

**ARTICLE XIII**

**Uniformed Services Employment and Reemployment Rights Act of 1994**

13.1  **General.**

(a) **Scope.** The Uniformed Services Employment and Reemployment Rights Act of 1994 (the “USERRA”), which is codified at 38 USCA §§4301-4318, confers certain rights on individuals who leave civilian employment to perform certain services in the Armed Forces, the National Guard, the commissioned corps of the Public Health Service, or in any other category designated by the President of the United States in time of war or emergency (collectively, the “Uniformed Services”). An Employee who joins the Uniformed Services shall be referred to as a “Serviceman” in this Article. This Article shall be interpreted to provide such individuals with all the benefits required by the USERRA but no greater benefits than those required by the USERRA. This Article shall supersede any contrary provisions in the remainder of the Plan.

(b) **Rights of Servicemen.** When a Serviceman leaves the Uniformed Services, he may have reemployment rights with the Company or Affiliated Entities, depending on many factors, including the length of his stay in the Uniformed Services and the type of discharge he received. When this Article speaks of the date a Serviceman’s potential USERRA reemployment rights expire, it means the date on which the Serviceman fails to qualify for reemployment rights (if, for example, he is dishonorably discharged, or, in general, remains in the Uniformed Services for more than 5 years) or, if the Serviceman obtains reemployment rights, the date his reemployment rights lapse because the Serviceman failed to timely exercise those rights.

13.2  **While a Serviceman.**

In general, a Serviceman shall be treated as an Employee while he continues to receive wages or Differential Pay from the Company or an Affiliated Entity, and once the Serviceman’s wages and Differential Pay from the Company or Affiliated Entity cease, the Serviceman shall be treated as if he were on an approved, unpaid leave of absence. For purposes of this Article, “Differential Pay” means the pay received by a Serviceman from Apache and Affiliated Entities, pursuant to their military leave policies, that is generally equal to the difference between his pay from the Armed Forces and his regular pay from Apache and Affiliated Entities before his military leave began. Differential Pay must also come within the meaning of “differential wage payment” in Code §3401(h)(2). The definition of “Compensation” in Article I shall include Differential Pay for all purposes.

(a) **Company Contributions.** Wages and Differential Pay paid by the Company to a Serviceman shall be included in his Compensation as if the Serviceman were an Employee. If the Employee was a Covered Employee when he became a Serviceman and his wages or Differential Pay continue through the last business day of a Plan Year, then (i) the Serviceman shall be treated as an “eligible Participant” under subsection 3.1(a) for that Plan Year (and shall therefore receive an allocation of Company Mandatory Contributions); and (ii) he shall be treated as an Employee under subsection 11.4(a) (and, if he is a Non-Key Employee, he shall therefore receive any minimum required allocation if the Plan is top-heavy).

(b) **Investments.** If the Serviceman has an account balance in the Plan, he is an Account Owner and may therefore direct the investment of his Accounts pursuant to section 8.3.

(c) **Distributions and Withdrawals.** For purposes of Article VI (relating to distributions and in-service withdrawals), the Serviceman shall be treated as an Employee until the day on which his potential USERRA reemployment rights expire. See section 15.3 once his potential USERRA rights expire.

(d) **QDROs.** QDROs shall be processed while the Participant is a Serviceman. The Committee has the discretion to establish special procedures under subsection 12.9(c) for Servicemen, by, for example, extending the usual deadlines to accommodate any practical difficulties encountered by the Serviceman that are attributable to his service in the Uniformed Services.
13.3 **Expiration of USERRA Reemployment Rights.**

(a) **Consequences.** If a Serviceman is not reemployed before his potential USERRA reemployment rights expire, the Committee shall determine his Termination From Service Date by treating his service in the Uniformed Services as an approved leave of absence but treating the expiration of his potential USERRA reemployment rights as the failure to timely return from his leave of absence, with the consequence that his Termination From Service Date will generally be the date his potential USERRA rights expired. Once his Termination From Service Date has been determined, the Committee shall determine his vested percentage. For purposes of Article VI (relating to distributions), the day the Serviceman’s potential USERRA reemployment rights expired shall be treated as the day his potential USERRA reemployment rights expired. For purposes of subsection 5.2(c) (relating to the timing of forfeitures), the Serviceman’s last day of employment shall be the day his potential USERRA reemployment rights expired.

(b) **Rehire after Expiration of Reemployment Rights.** If the Company or an Affiliated Company hires a former Serviceman after his potential USERRA reemployment rights have expired, he shall be treated like any other former employee who is rehired.

13.4 **Return From Uniformed Service.**

This section applies solely to a Serviceman who returns to employment with the Company or an Affiliated Entity because he exercised his reemployment rights under the USERRA.

(a) **Credit for Service.** A Serviceman’s length of time in the Uniformed Services shall be treated as service with the Company for purposes of vesting and determining his eligibility to participate in the Plan upon reemployment.

(b) **Participation.** If the Serviceman satisfies the eligibility requirements of section 2.1 before his reemployment, and he is a Covered Employee upon his reemployment, he may participate in the Plan immediately upon his return.

(c) **Make-Up Company Mandatory Contribution.** The Company shall contribute an additional contribution to a Serviceman’s Accounts equal to the Company Mandatory Contribution (including any forfeitures treated as Company Mandatory Contributions) that would have been allocated to such Account if the Serviceman had remained employed during his time in the Uniformed Services, and had earned his Deemed Compensation during that time. See subsection (e) for guidance on applying the various limits contained in the Code to the calculation of the additional discretionary contribution.

(d) **Make-Up Miscellaneous Contributions.** The Company shall contribute to the Serviceman’s Accounts any top-heavy minimum contribution he would have received pursuant to section 11.4, (including any forfeitures treated as top-heavy minimum contributions) if he had remained employed during his time in the Uniformed Services, and had earned Deemed Compensation during that time. See subsection (e) for guidance on applying the various limits contained in the Code to the calculation of the top-heavy minimum contribution.

(e) **Application of Limitations.**

(i) The make-up contributions under subsections (c) and (d) (the “Make-Up Contributions”) shall be ignored for purposes of determining the Company’s maximum contribution under subsection 3.1(c), the limits on Annual Additions under section 3.4, the non-discrimination requirements of Code §401(a)(4), and (if the Serviceman is a Key Employee) calculating the minimum required top-heavy contribution under section 11.4.

(ii) In order to determine the maximum Make-Up Contributions, the following limitations shall apply.
(A) The Serviceman’s “Aggregate Compensation” for each year shall be calculated. His Aggregate Compensation shall be equal to his actual Compensation, plus his Deemed Compensation that would have been paid during that year. Each type of Aggregate Compensation (for benefit purposes, for purposes of determining whether the Serviceman is a Highly Compensated Employee, etc.) shall be determined separately.

(B) The Serviceman’s Aggregate Compensation each Plan Year shall be limited to the dollar limit in effect for that Plan Year under Code §401(a)(17), for the purposes and in the manner specified in subsection 1.11(f).

(C) The limits of subsection 3.1(c) (relating to the maximum contribution by the Company to the Plan) for each Plan Year shall be calculated by using the Serviceman’s Aggregate Compensation for that Plan Year, and by treating the Make-Up Contributions that are attributable to that Plan Year’s Deemed Compensation as having been made during that Plan Year.

(D) The limits of section 3.4 (relating to the maximum Annual Additions to a Participant’s Accounts) shall be calculated for each Limitation Year by using the Serviceman’s Aggregate Compensation for that Limitation Year, and by treating as Annual Additions all the Make-Up Contributions that are attributable to that Limitation Year’s Deemed Compensation.

(f) **Deemed Compensation.** A Serviceman’s Deemed Compensation is the Compensation that he would have received (including raises) had he remained employed by the Company or Affiliated Entity during his time in the Uniformed Services, unless it is not reasonably certain what his Compensation would have been, in which case his Deemed Compensation shall be based on his average rate of compensation during the 12 months (or, if shorter, his period of employment with the Company and Affiliated Entities) immediately before he entered the Uniformed Services. A Serviceman’s Deemed Compensation shall be reduced by any Compensation actually paid to him during his time in the Uniformed Services (such as vacation pay, wages, and Differential Pay). Deemed Compensation shall cease when the Serviceman’s potential USERRA reemployment rights expire. Each type of Deemed Compensation (for benefit purposes, for purposes of determining if the Serviceman is a Highly Compensated Employee, etc.) shall be determined separately.

EXECUTED this 29th day of January, 2009.

APACHE CORPORATION

By: /s/ Margery M. Harris

Title: Vice President — Human Resources
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Apache established this Plan effective as of November 16, 1989. Apache is now restating the Plan in its entirety effective as of January 1, 2009, except as otherwise provided herein.

Apache intends for this Plan to provide a select group of management or highly compensated employees of the Company with deferred retirement benefits, in addition to the retirement benefits provided under the Retirement Plan and the Savings Plan, in consideration of the valuable services provided by such employees to the Company and to induce such employees to remain in the employ of the Company.

Apache intends that the Plan not be treated as a “funded” plan for purposes of either the Code or ERISA. Apache’s also intends for this Plan to comply with the requirements of Code §409A, and the Plan shall be interpreted in that light.

**ARTICLE I**
**DEFINITIONS**

Defined terms used in this Plan have the meanings set forth below or the same meanings as in the Retirement Plan or the Savings Plan, as the case may be:

1.01 **Account**

   “Account” means the account maintained for each Participant to which is credited all Participant Deferrals made by a Participant, all Company Deferrals on behalf of a Participant, and all adjustments thereto. Each Account is divided into a variety of subaccounts, as detailed in Article V.

1.02 **Affiliated Entity**

   “Affiliated Entity” means any legal entity that is treated as a single employer with Apache pursuant to Code §414(b), §414(c), §414(m), or §414(o).

1.03 **Apache**

   “Apache” means Apache Corporation or any successor thereto.

1.04 **Beneficiary**

   “Beneficiary” means a Participant’s beneficiary, as determined in section 5.06.

1.05 **Change of Control**

   “Change of Control” means a change of control as defined in the Income Continuance Plan that is also described in Code §409A(a)(2)(A)(v).

1.06 **Code**


1.07 **Committee**

   “Committee” means the administrative committee provided for in section 6.01.

1.08 **Company**

   “Company” means Apache and any Affiliated Entity that, with approval of the Board of Directors of Apache, has adopted the Plan.
1.09 Company Deferrals

“Company Deferrals” means the allocations to a Participant’s Account made pursuant to section 3.02.

1.10 Compensation

“Compensation” generally means regular compensation paid by the Company.

(a) Inclusions. Specifically, Compensation includes:
   (i) regular salary or wages,
   (ii) overtime pay, and
   (iii) the regular annual bonus (i.e., incentive compensation), to the extent that it is payable in cash, and any other bonus designated by the Committee.

(b) Exclusions. Compensation excludes:
   (i) commissions,
   (ii) severance pay,
   (iii) moving expenses,
   (iv) any gross-up of moving expenses to account for increased income taxes,
   (v) foreign service premiums paid as an inducement to work outside of the United States,
   (vi) Company contributions under the Retirement Plan
   (vii) Company contributions under the Savings Plan,
   (viii) other contingent compensation,
   (ix) contributions to any other fringe benefit plan (including, but not limited to, overriding royalty payments or any other exploration-related payments),
   (x) any amounts relating to the granting of a stock option by the Company or an Affiliated Entity, the exercise of such a stock option, or the sale or deemed sale of any shares thereby acquired,
   (xi) any bonus other than a bonus described in paragraph (a)(iii),
   (xii) payments from any benefit plan, such as any stock appreciation right or payments from a Share Appreciation Plan, any payment from the Deferred Delivery Plan or the Executive Restricted Stock Plan, and payments pursuant to grants made under the Omnibus Equity Compensation Plan of 2007, and
   (xiii) any benefit accrued under, or any payment from, any nonqualified plan of deferred compensation.

(c) Timing Rules. Compensation includes only those amounts paid after the Employee has made both his initial payout election under section 5.04 and his Enrollment Agreement under section 3.01. Compensation does not include any amounts paid after the Participant ceased to be eligible to participate in the Plan. Effective January 1, 2007, a Participant who begins participating in the middle of a Plan Year cannot make Participant Deferrals from a bonus under paragraph (a)(iii) that is attributable to the Participant’s services during the Plan Year in which his participation begins. However, the Company Deferrals for a Participant who begins participating in the middle of a Plan Year are calculated by including a bonus under paragraph (a)(iii) that is attributable to the Participant’s services during the Plan Year in which his participation began. For example, a Participant hired in September 2007 cannot make Participant Deferrals from the incentive compensation paid in February.
2008, but the Participant’s Company Deferrals for 2008 shall be calculated by including the incentive compensation paid in February 2008 in the Participant’s Compensation.

1.11 Employee
“Employee” means any common-law employee of Apache or any Affiliated Entity. An Employee ceases to be an Employee on the date he Separates from Service.

1.12 Enrollment Agreement
“Enrollment Agreement” means an agreement made by an eligible employee whereby he elects the amounts to be withheld from his Compensation pursuant to section 3.01.

1.13 ERISA

1.14 Participant
“Participant” means any eligible employee who has begun to participate in this Plan.

1.15 Participant Deferrals
“Participant Deferrals” means the amounts of a Participant’s Compensation that he elects to defer and have allocated to his Account pursuant to section 3.01.

1.16 Payment Processing Date
“Payment Processing Date” means the date selected by the Committee on which payments from this Plan will be processed. Except in extraordinary circumstances, there will be at least one Payment Processing Date each calendar month.

1.17 Plan
“Plan” means the plan set forth in this document, as amended.

1.18 Plan Year
“Plan Year” means the period during which the Plan records are kept. The Plan Year is the calendar year.

1.19 Retirement Plan
“Retirement Plan” means the Apache Corporation Money Purchase Retirement Plan, as amended.

1.20 Savings Plan
“Savings Plan” means Apache Corporation 401(k) Savings Plan, as amended.

1.21 Separation from Service and Separate from Service
“Separation from Service” has the same meaning as the term “separation from service” in Code §409A(a)(2)(A)(i), determined using the default rules in the regulations and other guidance of general applicability issued pursuant to Code §409A, except that a Separation from Service occurs only if both the Company and the Participant expect the Participant’s level of services to permanently drop by more than half. A Participant who has a Separation from Service “Separates from Service.”

1.22 Spouse
“Spouse” means the individual of the opposite sex to whom a Participant is lawfully married according to the laws of the state of the Participant’s domicile.
1.23 Trust

“Trust” means the trust or trusts, if any, created by the Company to provide funding for the distribution of benefits in accordance with the provisions of the Plan. The assets of any such Trust remain subject to the claims of the Company’s general creditors in the event of the Company’s insolvency.

1.24 Trust Agreement

“Trust Agreement” means the written instrument pursuant to which each separate Trust is created.

1.25 Trustee

“Trustee” means one or more banks, trust companies, or insurance companies designated by the Company to hold and invest the Trust Fund and to pay benefits and expenses as authorized by the Committee in accordance with the terms and provisions of the Trust Agreement.

ARTICLE II
ELIGIBILITY AND PARTICIPATION

2.01 Eligibility and Participation

The Committee shall from time to time in its sole discretion select those Employees who are eligible to participate in the Plan from those Employees who are among a select group of management or highly compensated employees.

2.02 Enrollment

Employees who have been selected by the Committee to participate in the Plan shall complete the enrollment procedure specified by the Committee. The enrollment procedure may include written or electronic form(s) for the employee to designate his beneficiary or beneficiaries, provide instructions regarding the investment of his Account, make Participant Deferrals by entering into one or more Enrollment Agreements with the Company, select one or more payment options for the eventual distribution of his benefits, and provide such other information as the Committee may reasonably require.

2.03 Failure of Eligibility

The Committee has the authority to determine that a Participant is no longer eligible to participate in the Plan. No Company Deferrals will be accrued, nor any Participant Deferrals made after the Participant ceases to be eligible to participate in the Plan. The determination of the Committee with respect to the termination of participation in the Plan will be final and binding on all parties affected thereby. Any benefits accrued under the Plan at the time the Participant becomes ineligible to continue participation will be distributed in accordance with the provisions of Article V.

ARTICLE III
CONTRIBUTION DEFERRALS

3.01 Participant Deferrals

(a) General. A Participant may elect to defer a portion of his Compensation by submitting a completed Enrollment Agreement. Each Enrollment Agreement must specify the amount the Participant elects to defer. Participant Deferrals are deducted through payroll withholding from the Participant’s cash Compensation payable by the Company.

(b) Maximum and Minimum Deferrals. A Participant may elect to defer up to 50% of his Compensation (other than a bonus described in section 1.10(a)(iii)) and up to 75% of a bonus described in section 1.10(a)(iii). The minimum deferral that a Participant may elect, for both this Plan and the Savings Plan combined, is 6% of his Compensation. If the Participant does not elect the minimum deferral from a
bonus described in section 1.10(a)(iii) (in his June election), he cannot make any deferrals from his regular pay during the next regular-pay deferral election (in December).

(c) Deadlines for Enrollment Agreements.

(i) Enrollment Period. In order to make Participant Deferrals, a Participant must submit an Enrollment Agreement during the enrollment period established by the Committee. The enrollment period must precede the Plan Year in which the services giving rise to the Compensation are performed, except in the following situations.

(A) Performance-Based Compensation. If the Compensation is “performance-based compensation based on services performed over a period of at least 12 months” (within the meaning of Code §409A(a)(4)(B)(iii)), the enrollment period must end at least six months before the end of the performance period.

(B) New Participant. The enrollment period for a new Participant must end no later than 30 days after he became eligible to participate in the Plan; the new Participant’s initial Enrollment Agreement may only apply to Compensation for which he has not yet performed any services.

(ii) Duration. The Enrollment Agreement shall apply to Compensation, or to a specific form of Compensation, paid during one entire Plan Year unless it is earlier canceled or revised by the Committee pursuant to subsection (f), cancelled because the Participant ceases to be eligible to participate in the Plan, or cancelled pursuant to subsection (e) (relating to hardship withdrawals).

(d) Procedures for Making Elections. The Committee has complete discretion to establish procedures for the completion of Enrollment Agreements, including the acceptable forms and formats of the deferral election (for example, written or electronic, as a whole percentage of Compensation or specific dollar amount, and the manner in which the Enrollment Agreement coordinates with the Savings Plan). The Committee has complete discretion to establish the enrollment periods during which Participants may make Enrollment Agreements, within the bounds described in subsections (a) and (c). The Committee may establish different enrollment periods for different types of Compensation or different groups of Participants. The Committee may specify any default choices that will apply unless the Participant affirmatively elects otherwise. For example, the Committee could decide that the failure to complete a new Enrollment Agreement means that (i) the prior Plan Year’s Enrollment Agreement will be continued for another year, or (ii) no Participant Deferrals will be made, or (iii) the Participant will defer 6% of his Compensation.

(e) Cancellation or Modification of Enrollment Agreements Following a Hardship Withdrawal.

(i) Hardship Withdrawal from this Plan. If a Participant receives a hardship withdrawal from this Plan pursuant to section 5.08, all his outstanding Enrollment Agreements shall be modified to require future Participant Deferrals of 6% of his future Compensation. The Participant may subsequently enter into new Enrollment Agreements at the usual times specified in subsection (c).

(ii) Hardship Withdrawal from the Savings Plan. If the Participant receives a hardship withdrawal from the Savings Plan, all outstanding Enrollment Agreements that apply or might apply to Compensation paid in the six months after the hardship withdrawal shall be cancelled. The Participant may subsequently enter into new Enrollment Agreements at the usual times under subsection (c), but the new Enrollment Agreements cannot apply to any Compensation paid within the six-month period following the hardship withdrawal from the Savings Plan.

(f) Committee-Initiated Changes in Enrollment Agreement. The Committee may adjust any Participant’s Enrollment Agreement for the remainder of any Plan Year by reducing the amount of the Participant’s future Participant Deferrals, provided that the Committee believes that such reduction will assist either
the Retirement Plan or the Savings Plan in satisfying any legal requirement. If the amounts to be withheld from a Participant’s paycheck (including, without limitation, loan repayments, Participant Deferrals, taxes, contributions to the Savings Plan, and premium payments for various benefits) are greater than the paycheck, (i) the Committee shall establish the order in which the deductions are applied, with the result that Participant Deferrals may be reduced below what the Participant had elected, and (ii) the Committee’s procedures may also automatically increase a Participant’s Participant Deferrals in subsequent pay periods to make up for any missed deferrals.

3.02 Company Deferrals

The Company shall credit to a Participant’s Account a matching contribution for the Plan Year and a retirement-6 contribution for the Plan Year. Company Deferrals begin to share in the investment earnings (or losses) at the time specified in section 4.01. The Company may credit matching contributions to a Participant’s Account during the Plan Year on a contingent basis; if the Participant does not satisfy the requirements to receive a matching contribution for the Plan Year, or if the matching contribution credited to the Participant’s Account for the Plan Year is incorrect, the Participant will forfeit any excess matching contribution (adjusted to reflect investment earnings or losses thereon) credited to his Account.

(a) Matching Contribution

(i) Basic Match. The “total match” for the Plan Year is equal to the Participant’s “total deferrals” for the Plan Year, up to a maximum total match for the Plan Year of 6% of the Participant’s Compensation for the Plan Year, except that the match in this Plan is $0 if the Participant has not made the maximum contributions to the Savings Plan that are excludable from his gross income pursuant to Code §402(g).

(ii) Definitions.

The “total deferrals” for a Plan Year are equal to the Participant Deferrals for the Plan Year plus the Before-Tax Contributions to the Savings Plan for the Plan Year.

The “total match” for a Plan Year is equal to the matching contribution to the Participant’s Account in this Plan for the Plan Year plus the Company Matching Contribution allocated to the Participant’s account in the Savings Plan for the Plan Year.

(b) Retirement-6. In order to receive an allocation of the retirement-6 contribution, an employee must be eligible to participate in the Plan on the last business day of the Plan Year. The retirement-6 contribution is calculated each Plan Year after the Company Mandatory Contribution is calculated in the Retirement Plan for the Plan Year. The sum of the Participant’s retirement-6 contribution in this Plan and his Company Mandatory Contribution in the Retirement Plan are equal to 6% of the Participant’s Compensation for the Plan Year. If a Participant’s Company Mandatory Contribution in the Retirement Plan is reduced to comply with any requirement of federal law after the retirement-6 contribution for this Plan has been calculated, then the Participant’s retirement-6 contribution for this Plan will be increased by the amount of the reduction in the match in the Savings Plan.

(c) Additional Contribution. A Company may make an additional Company Deferral to any Participant’s Account at any time, provided that the Company advises the Committee in writing of the contribution.
ARTICLE IV
CREDITING OF ACCOUNTS

4.01 Accounts

(a) Establishment of Accounts. The Committee shall establish one Account for each Participant, which will be subdivided into various subaccounts. The Accounts and subaccounts are merely for recordkeeping purposes, and do not represent any actual property that has been set aside for Participants. Nothing contained in this Article may be construed to require the Company or the Committee to fund any Participant’s Account.

(b) Crediting of Contributions. Participant Deferrals are credited to a Participant’s Account as of the date that the Participant Deferral would have been paid to the Participant had there been no Enrollment Agreement. Company Deferrals are credited to a Participant’s Account as of the date that the Company Deferral was earned by the Participant.

(c) Crediting of Earnings. Each Account is credited with investment earnings or losses calculated in accordance with section 4.02. Participant Deferrals and Company Deferrals start to be credited with investment earnings or losses as soon as administratively convenient after such amounts are credited to Accounts, except that the retirement-6 contribution under section 3.02(b) is not credited with investment earnings or losses until the corresponding Company Mandatory Contribution to the Retirement Plan is actually paid to the Retirement Plan (usually in late February).

4.02 Investments

(a) Investment Options. All amounts credited to a Participant’s Account are credited with investment earnings or losses as if the Participant’s Account was invested in one or more investments. The Committee shall designate the default investment as well as any alternatives, and may change the available alternatives or the default investment from time to time. One or more of the investment alternatives may consist, in whole or in part, of Apache common stock. At such times and under such procedures as the Committee may designate, a Participant may determine the portion of his Account that is to be deemed invested in each alternative. The Participant may make prospective changes for his investment selection as often as the Committee permits and subject to the procedures established by the Committee. A Participant may never make any retroactive changes to his investment selections.

(b) No Ownership Rights. A Participant has no ownership rights with respect to any investment of his Account. Nothing contained in this Article may be construed to give any Participant any power or control to make investment directions or otherwise influence in any manner the investment and reinvestment of assets contained within any investment alternative, such control being at all times retained in the full discretion of the Committee. As a consequence, for example, if a Participant has elected to invest a portion of his Account in Apache stock, the Participant has no voting rights with respect to that stock.

ARTICLE V
DISTRIBUTIONS

5.01 Vesting and Forfeitures

(a) Participant Deferrals. A Participant is fully vested in the portion of his Account that is attributable to his Participant Deferrals.

(b) Company Deferrals, General Rule. A Participant’s years of completed service in this Plan are identical to his “Period of Service” in the Savings Plan. A Participant will vest in the portion of his Plan Account that is attributable to Company Deferrals according to the following schedule, unless subsection (c) provides for faster vesting:
Years of Completed Service | Vested Portion
---|---
Less than 1 | 0%
1 | 20%
2 | 40%
3 | 60%
4 | 80%
5 or more | 100%

(c) **Company Deferrals, Accelerated Vesting.** A Participant is fully vested in the portion of his Plan Account that is attributable to Company Deferrals in the following circumstances.

(i) The Participant is fully vested if he attains age 65 while he is an Employee.

(ii) The Participant is fully vested if he becomes an Employee after attaining age 65.

(iii) The Participant is fully vested if, while he is an Employee, he incurs a disability that qualifies the Employee for long-term disability payments under Apache’s Long-Term Disability Plan.

(iv) The Participant is fully vested if he dies while he is an Employee.

(v) All Participants are fully vested if a change of control, as defined in the Income Continuance Plan, occurs.

(d) **Forfeiture Timing.** The portion of a Participant’s Account that is not vested is forfeited immediately upon his Separation from Service.

### 5.02 Rehires

(a) **Distributions.** If a Participant Separated from Service and subsequently becomes eligible to participate in the Plan again, the benefits from his earlier episode of participation will be paid out as originally scheduled; the new participation will not affect the timing of any benefit payments from his earlier episode of participation.

(b) **Vesting.** If a Participant becomes eligible to again make Participant Deferrals more than five years after Separating from Service, (i) the Plan will establish a new Account for the benefits he accrues during his second episode of participation; (ii) his years of completed service for his new Account will include only his service from his second episode; and (iii) his new service will not increase the vesting of any benefits from his first episode of participation. If a Participant becomes eligible to again make Participant Deferrals less than five years after Separating from Service, the Participant’s years of completed service for his benefits from his second episode of participation will include his service from both episodes of employment.

(c) **Restoration of Forfeiture.** If a Participant begins to participate in the Plan again within five years after his Separation from Service, the exact amount of any forfeiture upon his earlier Separation from Service will be restored to his Account, and will be credited to a separate subaccount. The restoration will occur on the 31st day after the Participant again begins participating in the Plan, but only if the Participant is still eligible to participate in the Plan on that date. The restored subaccount vests based on his service from both episodes of employment (and thus will almost always be partially vested immediately when the Participant again starts to participate). The vested portion of the restored subaccount will be paid to the Participant as the Participant elects in section 5.04(b) for the payment of his new Account attributable to Company Deferrals, unless section 5.06 or 5.07 require faster payment following the Participant’s death or a Change of Control or the Participant takes a hardship withdrawal under section 5.08.
5.03 Distribution Overview

(a) General. In general, a single payment will occur, or a stream of installment payments will commence, on the Payment Processing Date following the earliest of the following dates, or as soon thereafter as is administratively convenient:

(i) Six months after the Participant Separates from Service. See section 5.04.

(ii) For unmatched Participant Deferrals only, at the time(s) selected by the Participant. See sections 5.04(c)(ii) and 5.04(c)(iii).

(iii) The date the Participant dies. See section 5.06.

(iv) The date of a Change of Control. See section 5.07.

(b) Special Rule for Distributions after Age 70. Payments that began before December 31, 2004 because the Participant had attained age 70 will continue to be made pursuant to section 5.05.

(c) Hardships. A Participant may take a withdrawal under section 5.08 if he has a financial hardship.

(d) Divorce. Some or all of a Participant’s benefits in this Plan may be allocated to, and distributed to, his former Spouse, pursuant to section 5.09.

5.04 Distributions after Separation from Service and In-Service Withdrawals

(a) General. A Participant who Separated from Service before January 1, 2009 will be paid according to the payout provisions in the Plan (and any payout elections that had been made) that were effective when he Separated from Service, except that (i) sections 5.06 or 5.07 will apply to such Participants (and accelerate any remaining payments) if there is a Change of Control or the Participant dies, (ii) section 5.08 will apply if the Participant has a financial hardship, and (iii) section 5.09 will apply if the Participant becomes divorced. This remainder of this section contains the rules for distributions following a Separation from Service that occurs on or after January 1, 2009.

(b) Distribution of Company Deferrals.

(i) Initial Election. Upon becoming a Participant, an Employee shall make a payout election to have his vested Account attributable to Company Deferrals paid out in a single payment or in two to ten annual installments. To be effective, the Participant’s payout election must be provided to the Plan within 30 days after the date the Participant became a Participant or by such earlier date established by the Committee. The single payment or the first installment payment will be paid on the first Payment Processing Date that occurs six months or more after the Participant’s Separation from Service. Subsequent installments will be paid each 12 months thereafter.

(ii) Special 2007 Payout Election. The Committee extended to certain Participants the opportunity a new payout election in 2007 to have his vested Account attributable to Company Deferrals paid out in a single payment or in two to ten annual installments. To be effective, the Participant’s payout election must have been provided to the Plan by December 31, 2007 or by such earlier deadline established by the Committee. The single payment or the first installment payment will be paid on the first Payment Processing Date that occurs six months or more after the Participant’s Separation from Service; subsequent installments will be paid each 12 months thereafter.

(iii) Minimum Account Balance for Installments. See section 5.04(d) for the situations when a Participant will be paid a lump sum in spite of having elected installments.
Distribution of Participant Deferrals.

(i) Matched and Unmatched Participant Deferrals. Because different payout alternatives are available for matched and unmatched Participant Deferrals, the Plan will separately account for matched and unmatched Participant Deferrals. Each Plan Year’s unmatched Participant Deferrals, if any, are equal to the amount by which the sum of the Participant Deferrals to this Plan for the Plan Year and the Before-Tax Contributions to the Savings Plan for the Plan Year are greater than 6% of the Participant’s Compensation for the Plan Year. The Committee has full discretion in determining an appropriate and administratively feasible method for differentiating between matched and unmatched Participant Deferrals. The Committee may wait until the end of the Plan Year to make this determination, and may attribute the investment earnings or losses on the Participant Deferrals to the matched Participant Deferrals, to the unmatched Participant Deferrals, or partly to each.

(ii) Matched Participant Deferrals. A Participant’s matched Participant Deferrals will be paid out in the same fashion as the balance of his Account attributable to Company Deferrals under subsection (b).

(iii) Payout Elections for Unmatched Participant Deferrals. A Participant shall make a separate payout election for the next year’s unmatched Participant Deferrals. Beginning with Enrollment Agreements entered into in 2009, the payout election must be made no later than June 30 (or such earlier date established by the Committee) of the year preceding the year in which the unmatched Participant Deferral occurs. The payout elections for 2007, 2008, and 2009 unmatched Participant Deferrals must be made by the end of the year preceding the year in which the unmatched Participant Deferral occurs or such earlier date established by the Committee. Newly eligible Participants must complete a payout election at the same time as their initial Enrollment Agreement. The Participant may choose from among the following payout alternatives for the subaccount containing that Plan Year’s unmatched Participant Deferrals.

(A) No In-Service Withdrawal. The subaccount will be paid out in a single payment or in two to ten annual installments. The single payment or the first installment payment will be paid on the first Payment Processing Date that occurs six months or more after the Participant’s Separation from Service; subsequent installments will be paid each 12 months thereafter. Each installment will be equal to the balance in the subaccount measured as short a period of time before the installment is paid as is administratively convenient, divided by the number of remaining annual installments.

(B) In-Service Withdrawal, Single Payment. The subaccount will be paid in a single payment on the first Payment Processing Date that occurs during the month and year selected by the Participant. The Participant cannot choose to receive the single payment until the second year following the year in which the Participant Deferral occurred. For example, unmatched Participant Deferrals made in 2008 cannot be withdrawn pursuant to this paragraph until January 2010. If the Participant Separates from Service before receiving the single payment, (1) if the single payment is scheduled to be paid during the six months after the Separation from Service, it will be paid as scheduled, and (2) if the single payment is scheduled to be paid more than six months after the Separation from Service, it will instead be paid on the first Payment Processing Date that occurs six months or more after the Separation from Service.

(C) In-Service Withdrawal, Instalments. The subaccount will be paid in a two to ten annual installments, with the first installment paid on the first Payment Processing Date that occurs during the month and year selected by the Participant, and subsequent installments paid each 12 months thereafter. The Participant cannot choose to receive his first installment until the second year following the year in which the Participant Deferral
occurred. Each installment will be equal to the balance in the subaccount measured as short a period of time before the installment is paid as is administratively convenient, divided by the number of remaining annual installments. If the Participant Separates from Service before receiving all installments, (1) any installment scheduled to be paid during the six months after the Separation from Service will be paid as scheduled, and (2) the remaining subaccount balance will be paid on the first Payment Processing Date that occurs six months or more after the Separation from Service.

(d) Calculating Installment Payments. If the value of the Participant’s Account is less than $50,000 six months after the Participant’s Separation from Service, the Participant will be paid a lump sum of his Account on the first Payment Processing Date that occurs six months or more after his Separation from Service. If the preceding sentence does not apply, each installment, other than installments of unmatched Participant Deferrals under section 5.03(c)(iii) above, will be equal to the vested Account balance (ignoring the subaccount(s) containing unmatched Participant Deferrals) measured as short a period of time before the installment is paid as is administratively convenient, divided by the number of remaining annual installments.

(e) Additional Rules for Payout Elections. The Committee has complete discretion to establish procedures for the completion of payout elections, including the acceptable forms and formats of the payout election. The Committee has complete discretion to establish deadlines for the completion of payout elections, within the bounds described in this section. The Committee may establish default choices in the absence of an affirmative Participant election.

(f) Coordination with Other Distribution Sections.

(i) Change of Control. Section 5.07 will apply to determine the timing and amount of [certain] payments made on or after a Change of Control.

(ii) Death. Section 5.06 will apply to determine the timing and amount of all payments made after the Participant dies.

(iii) Age 70. Section 5.05 will apply, instead of this section, to payments made to an Employee who attained age 70 before December 31, 2004.

(iv) Hardships. A Participant may take a withdrawal under section 5.08 if he has a financial hardship.

(v) Divorce. Some or all of a Participant’s benefits in this Plan may be allocated to, and distributed to, his former Spouse, pursuant to section 5.09.

5.05 Age-70-and-Older Distributions.

(a) General. This section applies only to a Participant who, while an Employee, attained age 70 before December 31, 2004. Such a Participant will receive annual payments from the Plan. Payments will be made as soon as administratively convenient after the Company Deferrals under section 3.02 for the prior Plan Year have been determined (which usually does not occur until late February at the earliest). Each payment will be equal to the Participant’s Account balance as of the end of the prior Plan Year, including all amounts credited to the Participant’s Account as of any date in the prior Plan Year, and adjusted pursuant to Article IV to reflect investment experience until the date the payment is processed. A payment will not include any amount credited to the Participant’s Account as of any date within the current Plan Year.

(b) Coordination with Other Distribution Sections.

(i) Death. Any payment after the Participant’s death will be determined under section 5.06.
(ii) **Separation from Service.** When a Participant who has received one or more payments pursuant to subsection (a) Separates from Service, (A) any payments pursuant to subsection (a) that are scheduled to occur within six months after the Separation from Service will occur as scheduled, and (B) his remaining Account balance will be paid on the first Payment Processing Date that occurs six months or more after his Separation from Service.

(iii) **Change of Control.** Section 5.07 will apply to determine the timing and amount of certain payments made on or after a Change of Control.

(iv) **Hardships.** A Participant may take a withdrawal under section 5.08 if he has a financial hardship.

(v) **Divorce.** Some or all of a Participant’s benefits in this Plan may be allocated to, and distributed to, his former Spouse, pursuant to section 5.09.

5.06 **Payments after a Participant Dies**

(a) **Payout.** When a Participant dies, his remaining vested Account balance will be distributed to each of his Beneficiaries on the Payment Processing Date in the fourth month following the Participant’s death, provided that the Beneficiary has completed the tax-withholding forms and supplied such other information as the Committee may reasonably require. For example, if the Participant dies in November, the Beneficiary will be paid in March. This four-month delay should give the Beneficiary adequate time to decide whether to disclaim all or any part of his interest under subsection (d)). Each Beneficiary will receive a single payment.

(b) **Beneficiary Designation.** Each Participant shall designate one or more persons, trusts, or other entities as his Beneficiary to receive any amounts distributable hereunder at the time of the Participant’s death. In the absence of an effective beneficiary designation as to part or all of a Participant’s interest in the Plan, such amount will be distributed to the Participant’s surviving Spouse, if any, otherwise to the personal representative of the Participant’s estate.

(c) **Special Rules for Spouses.** A beneficiary designation may be changed by the Participant at any time and without the consent of any previously designated Beneficiary. However, if the Participant is married, his Spouse will be his Beneficiary unless such Spouse has consented to the designation of a different Beneficiary. To be effective, the Spouse’s consent must be in writing, witnessed by a notary public, and filed with the Committee. If the Participant has designated his Spouse as a primary or contingent Beneficiary, and the Participant and Spouse later divorce (or their marriage is annulled), then the former Spouse will be treated as having pre-deceased the Participant for purposes of interpreting a beneficiary designation that was completed prior to the divorce or annulment; this provision will apply only if the Committee is informed of the divorce or annulment before payment to the former Spouse is authorized.

(d) **Disclaiming.** Any individual or legal entity who is a beneficiary may disclaim all or any portion of his interest in the Plan, provided that the disclaimer satisfies the requirements of Code §2518(b) and applicable state law. The legal guardian of a minor or legally incompetent person may disclaim for such person. The personal representative (or the individual or legal entity acting in the capacity of the personal representative according to applicable state law) may disclaim on behalf of a beneficiary who has died. The amount disclaimed will be distributed as if the disclaimant had predeceased the individual whose death caused the disclaimant to become a beneficiary.

5.07 **Change of Control**

(a) **Former Employees.**

(i) **Separated More than Six Months.** Each Participant who Separated from Service more than six months before the date of a Change of Control, including those already receiving installment...
payments, will be paid a single payment of his entire remaining vested Account balance on the date of a Change of Control or as soon thereafter as is administratively practicable.

(ii) **Recent Separations.** Each Participant who Separated from Service within six months before the date of the Change of Control will be paid a single payment of his entire Account balance six months after his Separation from Service, or as soon thereafter as is administratively practicable.

(b) **Current Employees.** Each Participant who is an Employee on the date of a Change of Control, and who Separates from Service before the first anniversary of the Change of Control, will be paid a single payment of his entire vested Account balance as soon as administratively practicable after the Separation from Service, unless the Participant is a “specified employee,” in which case the single payment will be paid as soon as administratively practicable six months after the Separation from Service. As used in this section, the term “specified employee” has the same meaning as in Code §409A(a)(2)(B)(i); in determining the identity of specified employees, the default rules contained in Treasury Regulation §1.409A-1(i) will be applied, except that the primary document evidencing the Change of Control (such as a Purchase and Sale Agreement or Merger Agreement or Stock Acquisition Agreement) may contain different rules for determining the identity of specified employees after the Change of Control. Each Participant who does not Separate from Service within one year of a Change of Control will be paid his benefits pursuant to section 5.04, 5.05, 5.06, 5.08, or 5.09.

5.08 **Hardship Withdrawals**

A Participant may withdraw all or part of the vested portion of his Account if he has a financial hardship, subject to the following rules. A Participant may take a hardship withdrawal while he is an Employee and also after he has Separated from Service. Payment shall be made as soon as practicable after the Committee has approved the withdrawal, except that payment for a financial hardship that occurs less than six months after the Participant’s Separation from Service shall be made as soon as practicable after the Participant has been Separated from Service for six months.

(a) **Request for Hardship Withdrawal.** The Participant must file a request for withdrawal with the Committee, along with such information and documentation as the Committee may request for this purpose. The Committee shall review the information filed as soon as practicable after it is received and shall promptly inform the Participant of the results of the Committee’s determination.

(b) **Unforeseeable Emergency.** A hardship withdrawal may be made only for the purpose of meeting an unforeseeable emergency, which is a severe financial hardship to the Participant if he has a financial hardship, subject to the following rules. A Participant may take a hardship withdrawal while he is an Employee and also after he has Separated from Service. Payment shall be made as soon as practicable after the Committee has approved the withdrawal, except that payment for a financial hardship that occurs less than six months after the Participant’s Separation from Service shall be made as soon as practicable after the Participant has been Separated from Service for six months.

(c) **Amount of Withdrawal.** The amount withdrawn with respect to an unforeseeable emergency may not exceed the amount necessary to satisfy the emergency plus amounts necessary to pay taxes reasonably anticipated to be incurred because of the withdrawal. The withdrawal will be reduced to take into account the extent to which such hardship is or may be relieved through reimbursement or compensation by insurance or otherwise or by liquidation of the Participant’s assets (to the extent the liquidation of such assets would not itself cause severe financial hardship).
(d) **Coordination with Savings Plan.** If the Participant’s circumstances are such that he can take a hardship withdrawal from both the Savings Plan and from this Plan, the withdrawal will first be taken from this Plan and, if the Participant exhausts his vested Account in this Plan, the Participant may elect to satisfy any remaining hardship by taking a hardship withdrawal from the Savings Plan.

(e) **Cancellation or Modification of Participant Deferrals.** See section 3.01(e) for the cancellation or modification of Enrollment Agreements after a hardship withdrawal from this Plan or the Savings Plan.

(f) **Source of Funds.** A Participant’s hardship withdrawal will be taken first from the subaccounts containing unmatched Participant Deferrals, with the earliest-made unmatched Participant Deferrals withdrawn first. Then, if necessary, amounts will be withdrawn from the subaccount(s) containing matched Participant Deferrals. And finally, if necessary, vested amounts will be withdrawn from the subaccount(s) containing Company Deferrals.

### 5.09 Divorce

(a) **General.** If a Participant has divorced his Spouse, all or a portion of his Account may be allocated to his former Spouse at any time after December 31, 2007. The Participant may be a former or current employee of the Company.

(b) **Contents of Order.** The allocation will occur as soon as practicable after the Plan receives a judgment, decree, or order (collectively, an “order”) that (i) is made pursuant to a state domestic relations law or community property law, (ii) relates to the marital property rights of the former Spouse, (iii) unambiguously specifies the amount or percentage of the Participant’s Account that is to be allocated to the former Spouse, or unambiguously specifies the manner in which the amount or percentage is to be calculated, (iv) does not allocate any benefits that have already been allocated to a different former Spouse, (v) contains the name and last known mailing address of the Participant and the former Spouse, (vi) the name of the Plan, (vii) does not contain any provision that violates subsections (c), (d), or (e), and (viii) contains the former Spouse’s Social Security number (or other similar taxpayer identification number) unless such number has been provided by the former Spouse to the Plan in a manner acceptable to the Committee.

(c) **Payout Provisions.** The vested portion of the amount allocated to the former Spouse will be paid to the former Spouse in a single payment on the first Payment Processing Date that is administratively practicable after (i) the Plan has determined that the order meets the requirements of subsection (b), (ii) the Plan has communicated its interpretation of the order to the Participant and former Spouse, and given them a reasonable amount of time (such as 30 days) to object to the Plan’s interpretation, (and if there is a timely objection, the parties must submit a revised order or withdraw their objections), and (iii) the parties agree to the Plan’s interpretation of the order.

(d) **Not Fully Vested.** If the former Spouse is allocated any unvested amounts, the Plan will establish a separate account for the former Spouse and she may direct the Plan as to how those amounts will be deemed to be invested, in the same manner as a Participant directs the Plan in Article IV. Unvested amounts are forfeited at the same time as the Participant’s unvested amounts are forfeited. If an amount allocated to the former Spouse subsequently become vested, the newly-vested amount will be paid to the former Spouse in a single payment on the first Payment Processing Date that is administratively practicable following the additional vesting. If the former Spouse dies before award is fully vested, she shall forfeit her remaining Account balance, and that exact amount shall be returned to the Participant’s subaccount containing Company Deferrals.

(e) **Source of Funds.** If a Participant is not fully vested in his Account when the allocation to the former Spouse occurs, the amount allocated to the former Spouse will be taken on a pro-rata basis from each of the Participant’s subaccounts.
5.10 Administrative Delays in Payments

The Committee may delay any payment from this Plan for as short a period as is administratively necessary. For example, a delay may be imposed upon all payments when there is a change of recordkeeper or trustee, and a delay may be imposed on payments to any recipient until the recipient has provided (a) the information needed to determine the appropriate tax withholding and tax reporting and (b) any other information reasonably requested by the Committee.

5.11 Noncompliance with Code §409A

To the extent that the Company or the Committee takes any action that causes a violation of Code §409A or fails to take any reasonable action required to comply with Code §409A, Apache shall pay an additional amount (the “gross-up”) to the individual(s) who are subject to the penalty tax under Code §409A(a)(1); the gross-up will be sufficient to put the individual in the same after-tax position he would have been in had there been no violation of Code §409A. The Company shall not pay a gross-up if the cause of the violation of Code §409A is the due to the recipient’s action or due to the recipient’s failure to take reasonable actions (such as failing to timely provide the information required for tax withholding or failing to timely provide other information reasonably requested by the Committee — with the result that the delay in payment violates Code §409A). Any gross-up will be paid as soon as administratively convenient after the Committee determines the gross-up is owed, and no later than the end of the calendar year in which the additional taxes are remitted. However, if the gross-up is due to a tax audit or litigation addressing the existence or amount of a tax liability, the gross-up will be paid as soon as administratively convenient after the litigation or audit is completed, and no later than the end of the calendar year following the calendar year in which the audit is completed or there is a final and non-appealable settlement or other resolution of the litigation.

5.12 Cash Payment and Withholding

All payments from the Plan will be made in cash. The Plan will withhold any taxes or other amounts that it is required to withhold pursuant to any applicable law. The Committee may direct the Plan to withhold additional amounts from any payment, either because the Participant so requested or to repay the Participant’s debt or obligation to Apache and Affiliated Entities.

ARTICLE VI
ADMINISTRATION

6.01 The Committee — Plan Administrator

(a) Current. As of January 1, 2009, the Committee is comprised of the members of the Retirement Plan Advisory Committee.

(b) Before a Change of Control. Before a change of control, as defined in the Income Continuance Plan, the board of directors of Apache shall appoint an administrative Committee consisting of no fewer than three individuals who may be, but need not be, Participants, officers, directors, or employees of the Company. Apache’s board of directors may remove Committee members at will. If the absence of any Committee members, Apache shall become the sole Committee member.

(c) After a Change of Control. This subsection applies on and after the date of a change of control, as defined in the Income Continuance Plan. The only individuals who are able to serve on the Committee after the date of the Change of Control are those who are not then employed by Apache, its successor, or any related legal entities. No Committee members may be added on or after the day of the Change of Control, except that, if the Committee is comprised solely of individuals, (i) the Committee may appoint a legal entity as a Committee member, and (ii) if the number of Committee members drops below three, the remaining member(s) may not resign until having appointed a legal entity or another individual as a Committee member. If all Committee members leave the Committee (if, for example, all Committee members die before the last one appoints a new Committee member or if the sole member resigns, etc.), a new Committee member shall be appointed.

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Committee member is a legal entity that goes out of business), the Committee shall automatically consist of the three Participants with the largest Accounts who are not then employed by Apache, its successor, or any related legal entities.

(d) **Plan Administrator**. The Committee is the Plan’s “administrator” within the meaning of ERISA §3(16)(A). The sole named fiduciaries of the Plan are the Committee and any Trustees.

6.02 Committee Duties

The Committee shall administer the Plan and shall have all discretion and powers necessary for that purpose, including, but not by way of limitation, full discretion and power to interpret the Plan, to determine the eligibility, status, and rights of all persons under the Plan and, in general, to decide any dispute and all questions arising in connection with the Plan. The Committee shall direct the Company, the Trustee, or both, as the case may be, concerning distributions in accordance with the provisions of the Plan. The Committee shall maintain all Plan records except records of any Trust. The Committee shall publish, file, or disclose — or cause to be published, filed, or disclosed — all reports and disclosures required by federal or state laws. The Committee may authorize one or more of its members or agents to sign instructions, notices, and determinations on its behalf.

6.03 Organization of Committee

The Committee shall adopt such rules as it deems desirable for the conduct of its affairs and for the administration of the Plan. It may appoint agents (who need not be members of the Committee) to whom it may delegate such powers as it deems appropriate, except that any dispute shall be determined by the Committee. The Committee may make its determinations with or without meetings. It may authorize one or more of its members or agents to sign instructions, notices, and determinations on its behalf. If a Committee decision or action affects a relatively small percentage of Plan Participants including a Committee member, such Committee member will not participate in the Committee decision or action. The action of a majority of the disinterested Committee members constitutes the action of the Committee.

6.04 Indemnification

The Committee and all of the agents and representatives of the Committee shall be indemnified and saved harmless by the Company against any claims, and the expenses of defending against such claims, resulting from any action or conduct relating to the administration of the Plan, except claims judicially determined to be attributable to gross negligence or willful misconduct.

6.05 Agent for Process

Apache’s Vice President, General Counsel, and Secretary shall be the agents of the Plan for service of all process on the Plan.

6.06 Determination of Committee Final

The decisions made by the Committee are final and conclusive on all persons.

6.07 No Bonding

Neither the Committee nor any committee member is required to give any bond or other security in any jurisdiction in connection with the administration of the Plan, unless Apache determines otherwise or any applicable federal or state law so requires.

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ARTICLE VII
TRUST

7.01 Trust Agreement
The Company may, but is not required to, adopt one or more Trust Agreements for the holding, investment, and administration of funds for Plan benefits. The Trustee may maintain and allocate assets to a separate account for each Participant under the Plan. The assets of any Trust remain subject to the claims of the Company’s general creditors in the event of the Company’s insolvency.

7.02 Expenses of Trust
The parties expect that any Trust created pursuant to section 7.01 will be treated as a “grantor” trust for federal and state income tax purposes and that, as a consequence, the Company will recognize taxable income from the Trust assets, but the Trust itself will not separately be subject to income tax with respect to its income. However, if the Trust should be separately taxable, the Trustee will pay all such taxes out of the Trust. All expenses of administering any Trust, if not paid by the Company, will be a charge against and will be paid from the assets of the Trust.

ARTICLE VIII
AMENDMENT AND TERMINATION

8.01 Termination of Plan
Apache expects to continue the Plan indefinitely, but each Company may terminate its participation in the Plan at any time with Apache’s permission, and Apache may terminate the entire Plan at any time.

8.02 Amendment
(a) Before a Change of Control. Before a change of control, as defined in the Income Continuance Plan, Apache may amend the Plan at any time and from time to time, retroactively or otherwise, on behalf of all Companies, but no amendment may reduce any vested benefit that has accrued on the later of (a) the effective date of the amendment, or (b) the date the amendment is adopted.

(b) After a Change of Control. The Plan may be amended after a change of control, as defined in the Income Continuance Plan, (i) at any time but only to the extent necessary to alleviate a material adverse tax consequence to one or more Participants, former Spouses, or Beneficiaries, and (ii) at any time after the second anniversary of such change of control, but only with respect to Participants who are then employed by Apache, its successor, or any related entity.

(c) Procedure. Each amendment must be in writing. Each amendment must be approved by the board of directors of Apache or its successor, or by an officer of Apache or its successor who is authorized by its board of directors to amend the Plan. Each amendment must be executed by an officer of Apache or its successor who is authorized to execute the amendment.

ARTICLE IX
MISCELLANEOUS

9.01 Funding of Benefits — No Fiduciary Relationship
All benefits payable under the Plan will be paid either from the Trust or by the Company out of its general assets. Nothing contained in the Plan may be deemed to create any fiduciary relationship between the Company and the Participants. Notwithstanding anything herein to the contrary, to the extent that any person acquires a right to receive benefits under the Plan, such right will be no greater than the right of any unsecured general creditor of the Company, except to the extent provided in the Trust Agreement, if any.
9.02 Right to Terminate Employment

The Company may terminate the employment of any Participant as freely and with the same effect as if the Plan were not in existence.

9.03 Inalienability of Benefits

Except for disclaimers under section 5.06(d), payments to a former Spouse pursuant to section 5.09, and amounts paid to the Company under section 5.12, no Participant or Beneficiary has the right to assign, alienate, pledge, transfer, hypothecate, encumber, or anticipate his interest in any benefits under the Plan, nor are the benefits subject to garnishment by any creditor, nor may the benefits under the Plan be levied upon or attached. The preceding sentence does not apply to the enforcement of a federal tax levy made pursuant to Code §6331, the collection by the United States on a judgment resulting from an unpaid tax assessment, or any debt or obligation that is permitted to be collected from the Plan under federal law (such as the Federal Debt Collection Procedures Act of 1977).

9.04 Claims Procedure

(a) General. Each claim for benefits will be processed in accordance with the procedures established by the Committee. The procedures will comply with the guidelines specified in this section. The Committee may delegate its duties under this section.

(b) Representatives. A claimant may appoint a representative to act on his behalf. The Plan will only recognize a representative if the Plan has received a written authorization signed by the claimant and on a form prescribed by the Committee, with the following exceptions. The Plan will recognize a claimant’s legal representative, once the Plan is provided with documentation of such representation. If the claimant is a minor child, the Plan will recognize the claimant’s parent or guardian as the claimant’s representative. Once an authorized representative is appointed, the Plan will direct all information and notification regarding the claim to the authorized representative and the claimant will be copied on all notifications regarding decisions, unless the claimant provides specific written direction otherwise.

(c) Extension of Deadlines. The claimant may agree to an extension of any deadline that is mentioned in this section that applies to the Plan. The Committee or the relevant decision-maker may agree to an extension of any deadline that is mentioned in this section that applies to the claimant.

(d) Fees. The Plan may not charge any fees to a claimant for utilizing the claims process described in this section.

(e) Filing a Claim. A claim is made when the claimant files a claim in accordance with the procedures specified by the Committee. Any communication regarding benefits that is not made in accordance with the Plan’s procedures will not be treated as a claim.

(f) Initial Claims Decision. The Plan will decide a claim within a reasonable time up to 90 days after receiving the claim. The Plan will have a 90-day extension, but only if the Plan is unable to decide within 90 days for reasons beyond its control, the Plan notifies the claimant of the special circumstances requiring the need for the extension by the 90th day after receiving the claim, and the Plan notifies the claimant of the date by which the Plan expects to make a decision.

(g) Notification of Initial Decision. The Plan will provide the claimant with written notification of the Plan’s full or partial denial of a claim, reduction of a previously approved benefit, or termination of a benefit. The notification will include a statement of the reason(s) for the decision; references to the plan provision(s) on which the decision was based; a description of any additional material or information necessary to perfect the claim and why such information is needed; a description of the procedures and deadlines for appeal; a description of the right to obtain information about the appeal procedures; and a statement of the claimant’s right to sue.
(h) Appeal. The claimant may appeal any adverse or partially adverse decision. To appeal, the claimant must follow the procedures specified by the Committee. The appeal must be filed within 60 days of the date the claimant received notice of the initial decision. If the appeal is not timely and properly filed, the initial decision will be the final decision of the Plan. The claimant may submit documents, written comments, and other information in support of the appeal. The claimant will be given reasonable access at no charge to, and copies of, all documents, records, and other relevant information.

(i) Appellate Decision. The Plan will decide the appeal of a claim within a reasonable time of no more than 60 days from the date the Plan receives the claimant’s appeal. The 60-day deadline will be extended by an additional 60 days, but only if the Committee determines that special circumstances require an extension, the Plan notifies the claimant of the special circumstances requiring the need for the extension by the 60th day after receiving the appeal, and the Plan notifies the claimant of the date by which the Plan expects to make a decision. If an appeal is missing any information from the claimant that is needed to decide the appeal, the Plan will notify the claimant of the missing information and grant the claimant a reasonable period to provide the missing information. If the missing information is not timely provided, the Plan will deny the claim. If the missing information is timely provided, the 60-day deadline (or 120-day deadline with the extension) for the Plan to make its decision will be increased by the length of time between the date the Plan requested the missing information and the date the Plan received it.

(j) Notification of Decision. The Plan will provide the claimant with written notification of the Plan’s appellate decision (positive or adverse). The notification of any adverse or partially adverse decision must include a statement of the reason(s) for the decision; reference to the plan provision(s) on which the decision was based; a description of the procedures and deadlines for a second appeal, if any; a description of the right to obtain information about the second-appeal procedures; a statement of the claimant’s right to sue; and a statement that the claimant is entitled to receive, free of charge and upon request, reasonable access to and copies of all documents, records, and other information relevant to the claim.

(k) Limitations on Bringing Actions in Court. Once an appellate decision that is adverse or partially adverse to the claimant has been made, the claimant may file suit in court only if he does so by the earlier of the following dates: (i) the one-year anniversary of the date of an appellate decision made on or before a Change of Control or the three-year anniversary of the date of an appellate decision made after a Change of Control, or (ii) the date on which the statute of limitations for such claim expires.

9.05 Disposition of Unclaimed Distributions

It is the affirmative duty of each Participant to inform the Plan of, and to keep on file with the Plan, his current mailing address and the mailing address of any beneficiaries. If a Participant fails to inform the Plan of these current mailing addresses, neither the Plan nor the Company is responsible for any late payment of benefits or loss of benefits. The Plan, the Committee, and the Company have no duty to search for a missing individual until the date of a Change of Control, at which point the Company has the duty to undertake reasonable measures to search for the proper recipient of any payment under the Plan that is scheduled to be paid on or after the date of the Change of Control. If the missing individual is not found within a year after a payment should have been made to him, all his benefits will be forfeited. If the missing individual later is found, the exact amount forfeited will be restored to his Account as soon as administratively convenient, without any adjustment for forgone investment earnings or losses.

9.06 Distributions due Infants or Incompetents

If any person entitled to a distribution under the Plan is an infant, or if the Committee determines that any such person is incompetent by reason of physical or mental disability, whether or not legally adjudicated an incompetent, the Committee has the power to cause the distributions becoming due to such person to be made to another for his benefit, without responsibility of the Committee to see to the application of such
distributions. Distributions made pursuant to such power will operate as a complete discharge of the Company, the Trustee, the Plan, and the Committee.

9.07 Use and Form of Words
When any words are used herein in the masculine gender, they are to be construed as though they were also used in the feminine gender in all cases where they would so apply, and vice versa. Whenever any words are used herein in the singular form, they are to be construed as though they were also used in the plural form in all cases where they would so apply, and vice versa.

9.08 Headings
Headings of Articles and sections are inserted solely for convenience and reference, and constitute no part of the Plan.

9.09 Governing Law
The Plan shall be construed in accordance with ERISA, the Code, and, to the extent applicable, the laws of the State of Texas excluding any conflicts-of-law provisions.

APACHE CORPORATION

/s/ Margery M. Harris
Margery M. Harris
Vice President, Human Resources
December 31, 2008
Apache Corporation, a Delaware corporation (hereinafter referred to, together with its Affiliates (as defined below) as the “Company” except where the context otherwise requires), hereby establishes the Apache Corporation 2007 Omnibus Equity Compensation Plan (the “Plan”).

The purpose of the Plan is to provide Eligible Persons designated by the Committee for participation in the Plan with equity-based incentives to: (i) encourage such individuals to continue in the long-term service of the Company and its Affiliates, (ii) create in such individuals a more direct interest in the future success of the operations of the Company, (iii) attract outstanding individuals, and (iv) retain and motivate such individuals. The Plan is intended to provide eligible individuals with the opportunity to invest in the Company, thereby relating incentive compensation to increases in stockholder value and more closely aligning the compensation of such individuals with the interests of the Company’s stockholders.

Accordingly, this Plan provides for the granting of Incentive Stock Options, Non-Qualified Stock Options, Performance Awards, Restricted Stock, Restricted Stock Units, Stock Appreciation Rights or any combination of the foregoing, as the Committee determines is best suited to the circumstances of the particular individual as provided herein.

The Effective Date of the Plan (the “Effective Date”) is May 2, 2007. This amendment and restatement is effective as of May 2, 2007.

The following terms shall have the meanings set forth below:

(a) “Administrative Agent” means any designee or agent that may be appointed by the Committee pursuant to subsections 3.1(h) and 3.4 hereof.

(b) “Affiliate” means any entity other than the Company that is affiliated with the Company through stock or equity ownership or otherwise and is designated as an Affiliate for purposes of the Plan by the Committee; provided, however, that, notwithstanding any other provisions of the Plan to the contrary, for purposes of NQSOs
and SARs, if an individual who otherwise qualifies as an Eligible Person provides services to such an entity and not to the Company, such entity may only be designated an Affiliate if the Company qualifies as a “service recipient,” within the meaning of Internal Revenue Code Section 409A, with respect to such individual; provided further that such definition of “service recipient” shall be determined by (a) applying Internal Revenue Code Section 1563(a)(1), (2), and (3), for purposes of determining a controlled group of corporations under Internal Revenue Code Section 414(b), using the language “at least 50 percent” instead of “at least 80 percent” each place it appears in Internal Revenue Code Section 1563(a)(1), (2), and (3), and by applying Treasury Regulations Section 1.414(c)-2, for purposes of determining trades or businesses (whether or not incorporated) that are under common control for purposes of Internal Revenue Code Section 414(c), using the language “at least 50 percent” instead of “at least 80 percent” each place it appears in Treasury Regulations Section 1.414(c)-2, and (b) where the use of Shares with respect to the grant of an Option or SAR to such an individual is based upon legitimate business criteria, by applying Internal Revenue Code Section 1563(a)(1), (2), and (3), for purposes of determining a controlled group of corporations under Internal Revenue Code Section 414(b), using the language “at least 20 percent” instead of “at least 80 percent” each place it appears in Internal Revenue Code Section 1563(a)(1), (2), and (3), and by applying Treasury Regulations Section 1.414(c)-2, for purposes of determining trades or businesses (whether or not incorporated) that are under common control for purposes of Internal Revenue Code Section 414(c), using the language “at least 20 percent” instead of “at least 80 percent” at each place it appears in Treasury Regulations Section 1.414(c)-2; provided further that for purposes of ISOs, “Affiliate” shall mean any present or future corporation which is or would be a “subsidiary corporation” of the Company as the term is defined in Section 424(f) of the Internal Revenue Code.

(c) “Award” means any Stock Option, Stock Appreciation Right, Restricted Stock, Restricted Stock Unit, Performance Award, Dividend Equivalent or any other stock-based award granted to a Participant under the Plan.

(d) “Board” means the Board of Directors of the Company.

(e) “Change of Control” shall have the meaning assigned to such term in the Company’s Income Continuance Plan as in effect on the Effective Date.

(f) “Committee” means the Stock Option Plan Committee of the Board or such other Committee of the Board that is empowered hereunder to administer the Plan. The Committee shall be constituted at all times so as to permit the Plan to be administered by “non-employee directors” (as defined in Rule 16b-3 of the Exchange Act) and “outside directors” (as defined in Treasury Regulations Section 1.162-27(e)(3)) and to satisfy such additional regulatory or listing requirements as the Board may determine to be applicable or appropriate.

(g) “Deferred Delivery Plan” means the Company’s Deferred Delivery Plan, as it has been or may be amended from time to time, or any successor plan.
(h) “Dividend Equivalent” means a right, granted to an Eligible Person to receive cash, Stock, other Awards or other property equal in value to dividends paid with respect to a specified number of shares of Stock, or other periodic payments.

(i) “Eligible Persons” means those employees of the Company or of any Affiliates, members of the Board, and members of the board of directors of any Affiliates who are designated as Eligible Persons by the Committee. Notwithstanding the foregoing, grants of Incentive Stock Options may not be granted to anyone who is not an employee of the Company or an Affiliate.


(k) “Exercise Date” means the date of exercise determined in accordance with subsection 6.2(g) hereof.

(l) “Fair Market Value” means the per share closing price of the Stock as reported on The New York Stock Exchange, Inc. Composite Transactions Reporting System for a particular date or, if the Stock is not so listed on such date, as reported on NASDAQ or on such other exchange or electronic trading system which, on the date in question, reports the largest number of traded shares of Stock, provided, however, that if on the date Fair Market Value is to be determined there are no transactions in the Stock, Fair Market Value shall be determined as of the immediately preceding date on which there were transactions in the Stock; provided further, however, that if the foregoing provisions are not applicable, the fair market value of a share of the Stock as determined by the Committee by the reasonable application of such reasonable valuation method, consistently applied, as the Committee deems appropriate; provided further, however, that, with respect to ISOs, such Fair Market Value shall be determined subject to Section 422(c)(7) of the Internal Revenue Code.

(m) “Incentive Stock Option” or “ISO” means any Option intended to be and designated as an incentive stock option and which satisfies the requirements of Section 422 of the Internal Revenue Code or any successor provision thereto.

(n) “Internal Revenue Code” means the Internal Revenue Code of 1986, as it may be amended from time to time, and any successor thereto. Any reference to a section of the Internal Revenue Code or Treasury Regulation shall be treated as a reference to any successor section.

(o) “Non-Qualified Stock Option” or “NQSO” means any Option that is not intended to qualify as an “incentive stock option” under Section 422 of the Internal Revenue Code.

(p) “Option” means an option to purchase a number of shares of Stock granted pursuant to subsection 6.1.

(q) “Option Price” means the price at which shares of Stock subject to an option may be purchased, determined in accordance with subsection 6.2(b) hereof.
(r) “Participant” means an Eligible Person designated by the Committee, from time to time during the term of the Plan to receive one or more Awards under the Plan.

(s) “Performance Award” is a right to either a number of shares of Stock or SARs (“Performance Shares”) determined (in either case) in accordance with subsection 9.1 of this Plan based on the extent to which the applicable Performance Goals are achieved. A Performance Share shall be of no value to a Participant unless and until earned in accordance with subsection 9.2 hereof.

(t) “Performance Goals” are the performance conditions, if any, established pursuant to subsection 9.1 by the Committee in connection with an Award.

(u) “Performance Period” with respect to a Performance Award is a period not less than one calendar year or one fiscal year of the Company, beginning not earlier than the year in which such Performance Award is granted, which may be referred to herein and by the Committee by use of the calendar of fiscal year in which a particular Performance Period commences.

(v) “Prior Plans” means the Company’s 2005 Stock Option Plan and the Executive Restricted Stock Plan.

(w) “Restricted Stock” means Stock granted to an Eligible Person under Section 8 hereof, that is subject to certain restrictions and to a risk of forfeiture.

(x) “Restricted Stock Unit” means a right, granted to an Eligible Person under Section 8 hereof, to receive Stock, cash or a combination thereof at the end of a specified vesting period.

(y) “Restriction Period” shall have the meaning assigned to such term in subsection 8.1.

(z) “Stock” means the $0.625 par value common stock of the Company and or any security into which such common stock is converted or exchanged upon merger, consolidation, or any capital restructuring (within the meaning of Section 13) of the Company.

(aa) “Stock Appreciation Right” or “SAR” means a right granted to an Eligible Person to receive an amount in cash, Stock, or other property equal to the excess of the Fair Market Value as of the Exercise Date of one share of Stock over the SAR Price times the number of shares of Stock to which the Stock Appreciation Right relates. Stock Appreciation Rights may be granted in tandem with Options or other Awards or may be freestanding.
(bb) “SAR Price” means the price at which the Stock Appreciation Right was granted, which shall be determined in the same manner as the Option Price of an Option in accordance with subsection 6.2 hereof.

2.2 Headings; Gender and Number. The headings contained in the Plan are for reference purposes only and shall not affect in any way the meaning or interpretation of the Plan. Except when otherwise indicated by the context, the masculine gender shall also include the feminine gender, and the definition of any term herein in the singular shall also include the plural.

Section 3
Plan Administration

3.1 Administration by the Committee. The Plan shall be administered by the Committee. In accordance with the provisions of the Plan, the Committee shall, in its sole discretion, adopt rules and regulations for carrying out the purposes of the Plan, including, without limitation, the authority to:

(a) Grant Awards;
(b) Select the Eligible Persons and the time or times at which Awards shall be granted;
(c) Determine the type and number of Awards to be granted, the number of shares of Stock to which an Award may relate and the terms, conditions, restrictions, and Performance Goals relating to any Award;
(d) Determine whether, to what extent, and under what circumstances an Award may be settled, canceled, forfeited, exchanged, or surrendered;
(e) Constitute and interpret the Plan and any Award;
(f) Prescribe, amend, and rescind rules and procedures relating to the Plan;
(g) Determine the terms and provisions of agreements;
(h) Appoint designees or agents (who need not be members of the Committee or employees of the Company) to assist the Committee with the administration of the Plan; and
(i) Make all other determinations deemed necessary or advisable for the administration of the Plan.
3.2 The Committee shall, in its absolute discretion, and without amendment to the Plan, have the power to accelerate, waive or modify, at any time, any term or condition of an Award that is not mandatory under this Plan; provided, however, that the Committee shall not have any discretion to accelerate, waive or modify any term or condition of an Award that is intended to qualify as “performance-based compensation” for purposes of Section 162(m) of the Internal Revenue Code if such discretion would cause the Award to not so qualify. In the event of a Change of Control, the provisions of Section 12 hereof shall be mandatory and shall govern the vesting and exercisability schedule of any Award granted hereunder.

3.3 No member of the Committee shall be liable for any action, omission, or determination made in good faith. The Company shall indemnify (to the extent permitted under Delaware law) and hold harmless each member of the Committee and each other director or employee of the Company to whom any duty or power relating to the administration or interpretation of the Plan has been delegated against any cost or expense (including counsel fees) or liability (including any sum paid in settlement of a claim with the approval of the Committee) arising out of any action, omission or determination relating to the Plan, unless, in either case, such action, omission or determination was taken or made by such member, director or employee in bad faith and without reasonable belief that it was in the best interests of the Company. The determination, interpretations and other actions of the Committee pursuant to the provisions of the Plan shall be binding and conclusive for all purposes and on all persons.

3.4 The Committee may from time to time adopt such rules and regulations for carrying out the purposes of the Plan as it may deem proper and in the best interests of the Company. The Committee may appoint an Administrative Agent, who need not be a member of the Committee or an employee of the Company, to assist the Committee in administration of the Plan and to whom it may delegate such powers as the Committee deems appropriate, except that the Committee shall determine any dispute. The Committee may correct any defect, supply any omission or reconcile any inconsistency in the Plan, or in any agreement entered into hereunder, in the manner and to the extent it shall deem expedient, and it shall be the sole and final judge of such inconsistency.

3.5 Compliance with Section 162(m). Except as expressly otherwise stated in any resolution of the Committee, the Plan is intended to comply with the requirements of Section 162(m) or any successor section(s) of the Internal Revenue Code (“Section 162(m)”) as to any “covered employee” as defined in Section 162(m), and shall be administered, interpreted, and construed consistently therewith. The Committee is authorized to take such additional action, if any, that may be required to ensure that the Plan and any Award under the Plan satisfy the requirements of Section 162(m), taking into account any regulations or other guidance issued by the Internal Revenue Service.
4.1 Number of Shares. Subject to adjustments pursuant to Section 4.4 hereof, up to 15,000,000 shares of Stock, plus any shares of Stock available for issuance under the Prior Plans but not underlying outstanding stock options or other awards under the Prior Plans or which shares are allocable to any outstanding stock options or other awards under the Prior Plans to the extent such stock options or other awards expire, are forfeited or otherwise terminate unexercised, are authorized for issuance under the Plan in accordance with the Plan’s terms and subject to such restrictions or other provisions as the Committee may from time to time deem necessary. Of such total number of shares of Stock so authorized, not more than 10,000,000 may be designated for Restricted Stock, Restricted Stock Units, and Performance Awards. During the duration of the Plan, no Eligible Person may be granted Options which in the aggregate cover in excess of 10 percent of the total shares of Stock authorized under the Plan. No Award may be granted under the Plan on or after the 10-year anniversary of the Effective Date. The foregoing to the contrary notwithstanding, the total number of shares of Stock that may be issued pursuant to ISOs granted under the Plan shall equal to 5,000,000, subject to adjustments pursuant to Section 4.4 hereof.

4.2 Availability of Shares Not Issued under Awards. If shares of Stock which may be issued pursuant to the terms of the Plan awarded hereunder are forfeited, cancelled, exchanged or surrendered or if an Award otherwise terminates or expires without a distribution of shares to the holder of such Award, the shares of Stock with respect to such Award shall, to the extent of any such forfeiture, cancellation, exchange, surrender, termination or expiration, again be available for Awards under the Plan.

4.3 Stock Offered. The Company shall at all times during the term of the Plan retain as authorized and unissued Stock and/or Stock in the Company’s treasury, at least the number of shares from time to time required under the provisions of the Plan, or otherwise assure itself of its ability to perform its obligations hereunder.

4.4 Adjustments for Stock Split, Stock Dividend, Etc. If the Company shall at any time increase or decrease the number of its outstanding shares of Stock or change in any way the rights and privileges of such shares by means of the payment of a Stock dividend or any other distribution upon such shares payable in Stock or rights to acquire Stock, or through a Stock split, reverse Stock split, subdivision, consolidation, combination, reclassification or recapitalization involving the Stock (any of the foregoing being herein called a “capital restructuring”), then in relation to the Stock that is affected by one or more of the above events, the numbers, rights, and privileges of the following shall be, in each case, equitably and proportionally adjusted to take into account the occurrence of any of the above events, (i) the number and kind of shares of Stock or other property (including cash) that may thereafter be issued pursuant to subsections 4.1 and 4.10, (ii) the number and kind of shares of Stock or other property (including cash) issued or issuable in respect of outstanding Awards; and (iii) the exercise price, grant price, or
purchase price relating to any Award; provided that, with respect to Incentive Stock Options, such adjustment shall be made in accordance with Section 424(h) of the Internal Revenue Code; (iv) the Performance Goals, and (v) the individual limitations applicable to Awards.

4.5 Other Changes in Stock. In the event there shall be any change, other than as specified in subsections 4.4 hereof, in the number or kind of outstanding shares of Stock or of any stock or other securities into which the Stock shall be changed or for which it shall have been exchanged, and if the Committee shall in its discretion determine that such change equitably requires an adjustment in the number or kind of shares subject to outstanding Awards or which have been reserved for issuance pursuant to the Plan but are not then subject to an Award, then such adjustments shall be made by the Committee and shall be effective for all purposes of the Plan and on each outstanding Award that involves the particular type of stock for which a change was effected.

4.6 Rights to Subscribe. If the Company shall at any time grant to the holders of its Stock rights to subscribe pro rata for additional shares thereof or for any other securities of the Company or of any other corporation, there shall be reserved with respect to the shares then under an outstanding Award to any Participant of the particular class of Stock involved the Stock or other securities which the Participant would have been entitled to subscribe for if immediately prior to such grant the Participant had exercised his entire Option. If, upon exercise of any such Option, the Participant subscribes for the additional shares or other securities, the aggregate Option Price shall be increased by the amount of the price that is payable by the Participant for such additional shares or other securities as if the Participant had exercised his entire Option immediately prior to the grant of such additional shares or other securities.

4.7 General Adjustment Rules. No adjustment or substitution provided for in this Section 4 shall require the Company to sell a fractional share of Stock under any Option, or otherwise issue a fractional share of Stock, and the total substitution or adjustment with respect to each Option shall be limited by deleting any fractional share. In the case of any such substitution or adjustment, the aggregate Option Price for the shares of Stock then subject to the Option shall remain unchanged but the Option Price per share under each such Option shall be equitably adjusted by the Committee to reflect the greater or lesser number of shares of Stock or other securities into which the Stock subject to the Option may have been changed.

4.8 Determination by the Committee, Etc. Adjustments under this Section 4 shall be made by the Committee, whose determinations with regard thereto shall be final and binding upon all parties.

4.9 Code Section 409A. For any Award that is not subject to Internal Revenue Code Section 409A before the adjustments identified in the preceding sections of this Section 4, no adjustment shall be made that would cause the Award to become subject to Internal Revenue Code Section 409A. For an Award that is subject to Internal Revenue Code Section 409A before the adjustments identified in the preceding sections of this Section 4...
4, no adjustment shall cause the Award to violate Internal Revenue Code Section 409A, without the prior written consent of both the Participant and the Committee.

4.10 Award Limits. The following limits shall apply to grants of all Awards under the Plan:

(a) **Options**: The maximum aggregate number of shares of Stock that may be subject to Options granted in any calendar year to any one Participant shall be 250,000 shares.

(b) **SARs**: The maximum aggregate number of shares that may be subject to Stock Appreciation Rights granted in any calendar year to any one Participant shall be 250,000 shares. Any shares covered by Options which include tandem SARs granted to one Participant in any calendar year shall reduce this limit on the number of shares subject to SARs that can be granted to such Participant in such calendar year.

(c) **Restricted Stock or Restricted Stock Units**: The maximum aggregate number of shares of Stock that may be subject to Awards of Restricted Stock or Restricted Stock Units granted in any calendar year to any one Participant shall be 250,000 shares.

(d) **Performance Awards**: The maximum aggregate grant with respect to Performance Awards granted in any calendar year to any one Participant shall be 250,000 shares (or SARs based on the value of such number of shares).

To the extent required by Section 162(m) of the Code, shares subject to Options or SARs which are canceled shall continue to be counted against the limits set forth in paragraphs (a) and (b) immediately preceding.

Section 5

Granting of Awards to Participants

5.1 **Participation.** Participants in the Plan shall be those Eligible Persons who, in the judgment of the Committee, are performing, or during the term of their incentive arrangement will perform, vital services in the management, operation, and development of the Company or an Affiliate, and significantly contribute, or are expected to significantly contribute, to the achievement of the Company’s long-term corporate economic objectives. Participants may be granted from time to time one or more Awards; provided, however, that the grant of each such Award shall be separately approved by the Committee, and receipt of one such Award shall not result in automatic receipt of any other Award. Upon determination by the Committee that an Award is to be granted to a Participant, as soon as practicable, written notice shall be given to such person, specifying the terms, conditions, rights and duties related thereto. Each Participant shall, if required by the Committee, enter into an agreement with the
Company, in such form as the Committee shall determine and which is consistent with the provisions of the Plan, specifying such terms, conditions, rights, and duties. Awards shall be deemed to be granted as of the date specified in the grant resolution of the Committee, which date shall be the date of any related agreement with the Participant. In the event of any inconsistency between the provisions of the Plan and any such agreement entered into hereunder, the provisions of the Plan shall govern.

Awards granted to members of the Board shall be recommended to the full Board by the Management Development and Compensation Committee and approved by the full Board.

5.2 Notification to Participants and Delivery of Documents. As soon as practicable after such determinations have been made, each Participant shall be notified of (a) his/her designation as a Participant, (b) the date of grant, (c) the number and type of Awards granted to the Participant, (d) in the case of Performance Awards, the Performance Period and Performance Goals, (e) in the case of Restricted Stock or Restricted Stock Units, the Restriction Period (as defined in subsection 8.1), and (f) any other terms or conditions imposed by the Committee with respect to the Award.

5.3 Delivery of Award Agreement. This requirement for delivery of a written Award agreement is satisfied by electronic delivery of such agreement provided that evidence of the Participant’s receipt of such electronic delivery is available to the Company and such delivery is not prohibited by applicable laws and regulations.

Section 6
Stock Options

6.1 Grant of Stock Options. Coincident with or following designation for participation in the Plan, an Eligible Person may be granted one or more Options. Grants of Options under the Plan shall be made by the Committee. In no event shall the exercise of one Option affect the right to exercise any other Option or affect the number of shares of Stock for which any other Option may be exercised, except as provided in subsection 6.2(j) hereof.

6.2 Stock Option Agreements. Each Option granted under the Plan shall be identified as either an Incentive Stock Option or a Non-Qualified Stock Option (or, if no such identification is made, then it shall be a Non-Qualified Stock Option) and evidenced by a written agreement which shall be entered into by the Company and the Participant to whom the Option is granted, and which shall contain the following terms and conditions set out in this subsection 6.2, as well as such other terms and conditions, not inconsistent therewith, as the Committee may consider appropriate.
(a) **Number of Shares.** Each Stock Option agreement shall state that it covers a specified number of shares of Stock, as determined by the Committee.

(b) **Price.** The price at which each share of Stock covered by an Option may be purchased, the Option Price, shall be determined in each case by the Committee and set forth in the Stock Option agreement. The price may vary according to a formula specified in the Stock Option agreement, but in no event shall the Option Price ever be less than the Fair Market Value of the Stock on the date the Option is granted.

(c) **No Backdating.** There shall be no backdating of Options, and each Option shall be dated the actual date that the Committee adopts the resolution awarding the grant of such Option.

(d) **Limitations on Incentive Stock Options.** No Incentive Stock Option may be granted to an individual if, at the time of the proposed grant, such individual owns (or is attributed to own by virtue of the Internal Revenue Code) Stock possessing more than 10 percent of the total combined voting power of all classes of stock of the Company or any Affiliate unless (i) the exercise price of such Incentive Stock Option is at least 110 percent of the Fair Market Value of a share of Stock at the time such Incentive Stock Option is granted and (ii) such Incentive Stock Option is not exercisable after the expiration of five years from the date such Incentive Stock Option is granted.

To the extent that the aggregate Fair Market Value of Stock of the Company with respect to which Incentive Stock Options are exercisable for the first time by a Participant during any calendar year under the Plan and any other option plan of the Company (or any Affiliate) shall exceed $100,000, such Options shall be treated as Non-Qualified Stock Options. Such Fair Market Value shall be determined as of the date on which each such Incentive Stock Option is granted.

(e) **Duration of Options.** Each Stock Option agreement shall state the period of time, determined by the Committee, within which the Option may be exercised by the Participant (the “Option Period”). The Option Period must end, in all cases, not more than ten years from the date an Option is granted.

(f) **Termination of Options.** During the lifetime of a Participant to whom a Stock Option is granted, the Stock Option may be exercised only by such Participant or, in the case of disability (as determined pursuant to the Company’s Long-Term Disability Plan or any successor plan) by the Participant’s designated legal representative, except to the extent such exercise would cause any Award intended to qualify as an ISO not to so qualify. Once a Participant to whom a Stock Option was granted dies, the Stock Option may be exercised only by the personal representative of the Participant’s estate. Unless the Stock Option agreement shall specify a longer or shorter period, at the discretion of the Committee, then the Participant (or representative) may exercise the Stock Option for a period of up to three months after such Participant terminates employment or ceases to be a member of the Board.
(g) Exercise, Payments, Etc.

(i) Each Stock Option agreement shall provide that the method for exercising the Option granted therein shall be by delivery to the Office of the Secretary of the Company or to the Administrative Agent of written notice specifying the number of shares of Stock with respect to which such Option is exercised and payment to the Company of the aggregate Option Price. Such notice shall be in a form satisfactory to the Committee and shall specify the particular Options (or portions thereof) which are being exercised and the number of shares of Stock with respect to which the Options are being exercised. The Participant’s obligation to deliver written notice of exercise is satisfied by electronic delivery of such notice through means satisfactory to the Committee and prescribed by the Company. The exercise of the Option shall be deemed effective on the date such notice is received by the Office of the Secretary or by the Administrative Agent and payment is made to the Company of the aggregate Option Price (the “Exercise Date”); however, if payment of the aggregate Option Price is made pursuant to a sale of shares of Stock as contemplated by subsection 6.2(g)(iv)(E) below, the Exercise Date shall be deemed to be the date of such sale. If requested by the Company, such notice shall contain the Participant’s representation that he or she is purchasing the Stock for investment purposes only and his or her agreement not to sell any Stock so purchased in any manner that is in violation of the Exchange Act or any applicable state law, and such restriction, or notice thereof, shall be placed on the certificates representing the Stock so purchased. The purchase of such Stock shall take place upon delivery of such notice to the Office of the Secretary of the Company or to the Administrative Agent, at which time the aggregate Option Price shall be paid in full to the Company by any of the methods or any combination of the methods set forth in subsection 6.2(g)(iv) below.

(ii) The shares of Stock to which the Participant is entitled as a result of the exercise of the Option shall be issued by the Company and either (A) delivered by electronic means to an account designated by the Participant or (B) delivered to the Participant in the form of a properly executed certificate or certificates representing such shares of Stock. If shares of Stock are used to pay all or part of the aggregate Option Price, the Company shall issue and deliver to the Participant the additional shares of Stock, in excess of the aggregate Option Price or portion thereof paid using shares of Stock, to which the Participant is entitled as a result of the Option exercise.

(iii) The Company’s obligation to deliver the shares of Stock to which the Participant is entitled as a result of the exercise of the Option shall be subject to the payment in full to the Company of the aggregate Option Price and the required tax withholding.

(iv) The aggregate Option Price shall be paid by any of the following methods or any combination of the following methods:

(A) in cash, including the wire transfer of funds in U.S. dollars to one of the Company’s bank accounts located in the United States, with such bank account to be designated from time to time by the Company;
(B) by personal, certified or cashier’s check payable in U.S. dollars to the order of the Company;

(C) by delivery to the Company or the Administrative Agent of certificates representing a number of shares of Stock then owned by the Participant, the aggregate Fair Market Value of which (as of the Exercise Date) is equal to the aggregate Option Price of the Option being exercised, properly endorsed for transfer to the Company, provided that the shares of Stock used for this purpose must have been owned by the Participant for a period of at least six months;

D) by certification or attestation to the Company or the Administrative Agent of the Participant’s ownership (as of the Exercise Date) of a number of shares of Stock, the aggregate Fair Market Value of which (as of the Exercise Date) is not greater than the aggregate Option Price of the Option being exercised, provided that the shares of Stock used for this purpose have been owned by the Participant for a period of at least six months; or

(E) by delivery to the Company or the Administrative Agent of a properly executed notice of exercise together with irrevocable instructions to a broker to promptly deliver to the Company, by wire transfer or check as noted in subsection 6.2(g)(iv)(A) and (B) above, the amount of the proceeds of the sale of all or a portion of the Stock or of a loan from the broker to the Participant necessary to pay the aggregate Option Price.

(h) **Tax Withholding.** Each Stock Option agreement shall provide that, upon exercise of the Option, the Participant shall make appropriate arrangements with the Company to provide for not less than the minimum amount of tax withholding required by law, including without limitation Sections 3102 and 3402 or any successor section(s) of the Internal Revenue Code and applicable state and local income and other tax laws, by payment of such taxes in cash (including wire transfer), by check, or as provided in Section 11 hereof.

(i) **Repricing Prohibited.** Subject to Sections 4, 6, 12, 13, and 16, outstanding Stock Options granted under this Plan shall not be repriced without approval by the Company’s stockholders. In particular, neither the Board nor the Committee may take any action: (1) to amend the terms of an outstanding Option or SAR to reduce the Option Price or grant price thereof, cancel an Option or SAR and replace it with a new Option or SAR with a lower Option Price or grant price, or that has an economic effect that is the same as any such reduction or cancellation or (2) to cancel an outstanding Option or SAR having an Option Price or grant price above the then-current Fair Market Value of the Stock in exchange for the grant of another type of Award, without, in each such case, first obtaining approval of the stockholders of the Company of such action.

(j) **Stockholder Privileges.** No Participant shall have any rights as a stockholder with respect to any shares of Stock covered by an Option until the Participant becomes the holder of record of such Stock. Except as provided in Section 4 hereof, no adjustments shall be made for dividends or other distributions or other rights as to which
there is a record date preceding the date on which such Participant becomes the holder of record of such Stock.

(k) **Section 409A Avoidance**. Once granted, no Stock Option shall be modified, extended, or renewed in any way that would cause the Stock Option to be subject to Internal Revenue Code Section 409A. The Option Period shall not be extended to any date that would cause the Stock Option to become subject to Internal Revenue Code Section 409A. The Option Price shall not be adjusted to reflect any dividends declared and paid on the Stock between the date of grant and the date the Stock Option is exercised; however, the right to one or more dividends declared and paid on the Stock between the date of grant and the date the Option is exercised may be set forth in a separate arrangement.

Section 7

7.1 **Stock Appreciation Rights**. The Committee is authorized to grant SARs to Participants either alone (“freestanding”) or in tandem with other Awards, including Performance Awards, Options, and Restricted Stock. Stock Appreciation Rights granted in tandem with any Award must be granted at the same time as the Award is granted. Stock Appreciation Rights granted in tandem with Options shall terminate and no longer be exercisable upon the termination or exercise of the related Stock Options. Options granted in tandem with Stock Appreciation Rights shall terminate and no longer be exercisable upon the termination or exercise of the related Stock Appreciation Rights. The Committee shall establish the terms and conditions applicable to any Stock Appreciation Rights, which terms and conditions need not be uniform but may not be inconsistent with the terms of the Plan. Freestanding Stock Appreciation Rights shall generally be subject to terms and conditions substantially similar to those described in Section 4 and subsection 6.2 for Options, including, but not limited to, the requirements of subsections 6.2(b), (d), and (i) and subsection 4.7 regarding general adjustment rules, minimum price, duration, and prohibition on repricing.

7.2 **Section 409A Avoidance**. The SAR Price may be fixed on the date it is granted or the SAR Price may vary according to an objective formula specified by the Committee at the time of grant. However, the SAR Price can never be less than the Fair Market Value of the Stock on the date of grant. The SAR grant must specify the number of shares to which it applies, which must be fixed at the date of grant (subject to adjustment pursuant to Sections 4, 6, and 11). Once granted, no SAR shall be modified, extended, or renewed in any way that would cause the SAR to be subject to Internal Revenue Code Section 409A. The period during which the SAR may be exercised shall not be extended to any date that would cause the SAR to become subject to Internal Revenue Code Section 409A. The value of the SAR shall not be adjusted to reflect any dividends declared and paid on the Stock between the date of grant and the date the SAR is exercised; however, the right to one or more dividends declared and paid on the Stock between the date of grant and the date the SAR is exercised may be set forth in a separate arrangement.
Section 8

Restricted Stock and Restricted Stock Units

8.1 Restriction Period. At the time an Award of Restricted Stock or Restricted Stock Units is made, the Committee shall establish the terms and conditions applicable to such Award, including the period of time (the “Restriction Period”) and attainment of performance goals during which certain restrictions established by the Committee shall apply to the Award. Each such Award, and designated portions of the same Award, may have a different Restriction Period, at the discretion of the Committee. Except as permitted or pursuant to Sections 12 and 13 hereof, the Restriction Period applicable to a particular Award shall not be changed. Restricted Stock or Restricted Stock Units may or may not be subject to Internal Revenue Code Section 409A. If they are subject to Internal Revenue Code Section 409A, the grant of the Restricted Stock or Restricted Stock Units must contain the provisions needed to comply with the requirements of Internal Revenue Code Section 409A, including but not limited to (i) the timing of any election to defer receipt of the Restricted Stock or Restricted Stock Units beyond the date of vesting, (ii) the timing of any payout election, and (iii) the timing of the settlement of Restricted Stock or a Restricted Stock Unit. Restricted Stock or Restricted Stock Units that are subject to Internal Revenue Code Section 409A may be adjusted to reflect any dividends declared and paid on the Stock between the date of grant and the date the Restricted Stock or Restricted Stock Unit vests, but only to the extent permitted in IRS guidance of general applicability.

8.2 Certificates for Stock. Restricted Stock shall be evidenced in such manner as the Committee shall determine. If certificates representing Restricted Stock are registered in the name of the Participant, the Committee may require that such certificates bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Restricted Stock, that the Company retain physical possession of the certificates, and that the Participant deliver a stock power to the Company, endorsed in blank, relating to the Restricted Stock represented by a stock certificate registered in the name of the Participant.

8.3 Restricted Stock Terms and Conditions. Participants shall have the right to enjoy all shareholder rights during the Restriction Period except that:

(a) The Participant shall not be entitled to delivery of the Stock certificate until the Restriction Period shall have expired.
(b) The Participant may not sell, transfer, pledge, exchange, hypothecate, or otherwise dispose of the Stock during the Restriction Period.
(c) A breach of the terms and conditions established by the Committee with respect to the Restricted Stock shall cause a forfeiture of the Restricted Stock and any dividends withheld thereon.
(d) Dividends and Splits. As a condition to the grant of an Award of Restricted Stock, the Committee may specify whether any cash dividends paid on a share of Restricted Stock be automatically reinvested in additional shares of Restricted Stock or applied to the purchase of additional Awards under this
8.4 Restricted Stock Units. The Committee is authorized to grant Restricted Stock Units to Participants, which are rights to receive Stock at the end of a specified deferral period, subject to the following terms and conditions:

Award and Restrictions. Settlement of an Award of Restricted Stock Units shall occur upon expiration of the deferral period specified for such Restricted Stock Unit by the Committee (or, if permitted by the Committee, as elected by the Participant). In addition, Restricted Stock Units shall be subject to such restrictions (which may include a risk of forfeiture) as the Committee may impose, if any, which restrictions may lapse at the expiration of the deferral period or at earlier specified times (including based on achievement of performance goals and/or future service requirements), separately or in combination, in installments or otherwise, as the Committee may determine. Restricted Stock Units shall be satisfied by the delivery of cash or Stock in the amount equal to the Fair Market Value of the specified number of shares of Stock covered by the Restricted Stock Units, or a combination thereof, as determined by the Committee at the date of grant or thereafter.

8.5 Deferral of Receipt of Restricted Stock Units. With the consent of the Committee, a Participant who has been granted a Restricted Stock Unit may by compliance with the then applicable procedures under the Plan irrevocably elect in writing to defer receipt of all or any part of any distribution associated with that Restricted Stock Unit Award in accordance with either the terms and conditions of the Deferred Delivery Plan or the terms and conditions specified under the grant agreement and related documents. The terms and conditions of any such deferral, including, but not limited to, the period of time for, and form of, election; the manner and method of payout; and the use and form of Dividend Equivalents in respect of stock-based units resulting from such deferral, shall be as determined by the Committee. The Committee may, at any time and from time to time, but prospectively only except as hereinafter provided, amend, modify, change, suspend, or cancel any and all of the rights, procedures, mechanics, and timing parameters relating to such deferrals. In addition, the Committee may, in its sole discretion, accelerate the pay out of such deferrals (and any earnings thereon), or any portion thereof, either in a lump sum or in a series of payments, but only to the extent that the payment or the change in timing of the payment will not cause a violation of Internal Revenue Code Section 409A.

8.6 Bonus Stock and Awards in Lieu of Obligations. The Committee is authorized to grant Stock as a bonus, or to grant Stock or other Awards in lieu of obligations to pay cash or deliver other property under this Plan or under plans or compensatory arrangements, provided that, in the case of Participants subject to Section 16 of the Exchange Act, the amount of such grants remains within the discretion of the Committee.
to the extent necessary to ensure that acquisitions of Stock or other Awards are exempt from liability under Section 16(b) of the Exchange Act. Stock or Awards granted hereunder shall be subject to such other terms as shall be determined by the Committee. In the case of any grant of Stock to an officer of the Company or an Affiliate in lieu of salary or other cash compensation, the number of shares granted in place of such compensation shall be reasonable, as determined by the Committee.

8.7 Dividend Equivalents. The Committee is authorized to grant Dividend Equivalents to a Participant, entitling the Participant to receive cash, Stock, other Awards, or other property equal in value to dividends paid with respect to a specified number of shares of Stock, or other periodic payments. Dividend Equivalents may be awarded on a free-standing basis or in connection with another Award. The Committee may provide that Dividend Equivalents shall be paid or distributed when accrued or shall be deemed to have been reinvested in additional Stock, Awards, or other investment vehicles, and subject to risk of forfeiture, as the Committee may specify.

Section 9

Performance Awards

9.1 Establishment of Performance Goals for Company. Performance Goals applicable to a Performance Award shall be established by the Committee in its absolute discretion on or before the date of grant and within the time period prescribed by, and shall otherwise comply with the requirements of, Code Section 162(m)(4)(C), or any successor provision thereto, and the regulations thereunder, for performance-based compensation. Such Performance Goals may include or be based upon any of the following criteria, either in absolute amount, per share, or per barrel of oil equivalent (boe): pretax income or after tax income, operating profit, return on equity, capital or investment, earnings, book value, increase in cash flow return, sales or revenues, operating expenses (including, but not limited to, lease operating expenses, severance taxes and other production taxes, gathering and transportation, general and administrative costs, and other components of operating expenses), stock price appreciation, implementation or completion of critical projects or processes, production growth, reserve growth, and/or corporate acquisition goals based on value of assets acquired or similar objective measures.

Where applicable, the Performance Goals may be expressed in terms of attaining a specified level of a particular criteria or attaining a percentage increase or decrease in a particular criteria, and may be applied relative to internal goals or levels attained in prior years or related to other companies or indices or as ratios expressing relationship between Performance Goals, or any combination thereof, as determined by the Committee.

The Performance Goals may include a threshold level of performance below which no vesting will occur, levels of performance at which specified vesting will occur, and a maximum level of performance at which full vesting will occur.
The Committee may in its discretion classify Participants into as many groups as it determines, and as to any Participant relate his/her Performance Goals partially, or entirely, to the measured performance, either absolutely or relatively, of an identified subsidiary, division, operating company, test strategy, or new venture of the Company and/or its Affiliates.

Notwithstanding any other provision of the Plan, payment or vesting of any Performance Award shall not be made until the applicable Performance Goals have been satisfied and any other material terms of such Award were in fact satisfied. The Committee shall certify in writing the attainment of each Performance Goal. Notwithstanding any provision of the Plan to the contrary, with respect to any Performance Award, (a) the Committee may not adjust, downwards or upwards, any amount payable, or other benefits granted, issued, retained, and/or vested pursuant to such an Award on account of satisfaction of the applicable Performance Goals and (b) the Committee may not waive the achievement of the applicable Performance Goals, except in the case of the Participant’s death or disability, or a Change of Control.

9.2 Levels of Performance Required to Earn Performance Awards. At or about the same time that Performance Goals are established for a specific period, the Committee shall in its absolute discretion establish the percentage of the Performance Awards granted for such Performance Period which shall be earned by the Participant for various levels of performance measured in relation to achievement of Performance Goals for such Performance Period.

9.3 Other Restrictions. The Committee shall determine the terms and conditions applicable to any Performance Award, which may include restrictions on the delivery of Stock payable in connection with the Performance Award and restrictions that could result in the future forfeiture of all or part of any Stock earned. The Committee may provide that shares of Stock issued in connection with a Performance Award be held in escrow and/or legended. Performance Awards may or may not be subject to Internal Revenue Code Section 409A. If a Performance Award is subject to Internal Revenue Code Section 409A, the Performance Award grant agreement shall contain the terms and conditions needed to comply with the requirements of Internal Revenue Code Section 409A, including but not limited to (i) the timing of any election to defer receipt of the Performance Award, (ii) the timing of any payout election, and (iii) the timing of the actual payment of the Performance Award. Performance Awards that are subject to Internal Revenue Code Section 409A may be adjusted to reflect any dividends declared and paid on the Stock between the date of grant and the date the Performance Award is paid, but only to the extent permitted in IRS guidance of general applicability.

9.4 Notification to Participants. Promptly after the Committee has established the Performance Goals with respect to a Performance Award, the Participant shall be provided with written notice of the Performance Goals so established.
9.5 Measurement of Performance against Performance Goals. The Committee shall, as soon as practicable after the close of a Performance Period, determine (a) the extent to which the Performance Goals for such Performance Period have been achieved and (b) the percentage of the Performance Awards earned as a result.

These determinations shall be absolute and final as to the facts and conclusions therein made and be binding on all parties. Promptly after the Committee has made the foregoing determination, each Participant who has earned Performance Awards shall be notified. For all purposes of this Plan, notice shall be deemed to have been given the date action is taken by the Committee making the determination. Participants may not sell, transfer, pledge, exchange, hypothecate, or otherwise dispose of all or any portion of their Performance Awards during the Performance Period.

9.6 Treatment of Performance Awards Earned. Upon the Committee’s determination that a percentage of any Performance Award has been earned for a Performance Period, Participants to whom such earned Performance Awards have been granted and who have been in the employ of the Company or Affiliates continuously from the date of grant until the end of the Performance Period, subject to the exceptions set forth in the Performance Award agreement and in Sections 10 and 12 hereof, shall be entitled, subject to the other conditions of this Plan, to payment in accordance with the terms and conditions of the Performance Awards. Performance Awards shall under no circumstances become earned or have any value whatsoever for any Participant who is not in the employ of the Company or its Affiliates continuously during the entire Performance Period for which such Performance Award was granted, except as provided in Sections 10 and 12.

9.7 Subsequent Performance Award Grants. Following the grant of Performance Awards with respect to a Performance Period, additional Participants may be designated by the Committee for grant of Performance Awards for such Performance Period subject to the same terms and conditions set forth for the initial grants, except that the Committee, in its sole discretion, may reduce the value of the amounts to which subsequent Participants may become entitled, prorated according to reduced time spent during the Performance Period, and the applicable Performance Award agreement shall be modified to reflect such reduction.

9.8 Stockholder Privileges. No Participant shall have any rights as a stockholder with respect to any shares of Stock covered by a Performance Award until the Participant becomes the holder of record of such Stock.

Section 10
Termination of Employment, Death, Disability, etc.

10.1 Termination of Employment. Except as provided herein, the treatment of an Award upon a termination of employment or any other service relationship by and
between a Participant and the Company or an Affiliate shall be specified in the agreement controlling such Award.

10.2 Termination for Cause. If the employment of the Participant by the Company is terminated for cause, as determined by the Committee, all Awards to such Participant shall thereafter be void for all purposes. As used in subsections 9.1, 10.2, and 10.3 hereof, “cause” shall mean a gross violation, as determined by the Committee, of the Company’s established policies and procedures, provided that the effect of this subsection 10.2 shall be limited to determining the consequences of a termination and that nothing in this subsection 10.2 shall restrict or otherwise interfere with the Company’s discretion with respect to the termination of any employee.

10.3 Performance Awards. Except as set forth below, each Performance Award shall state that each such Award shall be subject to the condition that the Participant has remained an Eligible Person from the date of grant until the applicable vesting date as follows:

(a) If the Participant voluntarily leaves the employment of the Company or an Affiliates, or if the employment of the Participant is terminated by the Company for cause or otherwise, any Performance Award to such Participant not previously vested shall thereafter be void and forfeited for all purposes.

(b) A Participant shall become vested in all Performance Awards that have met the Performance Goals within the Performance Period on the date the Participant retires from employment with the Company on or after attaining retirement age (which for all purposes of this Plan is determined to be age 65, unless otherwise designated by the Committee at the time the Award is granted), on the date the Participant dies while employed by the Company, or on the date the Participant terminates service with the Company and the Affiliates due to permanent disability (as determined pursuant to the Company’s Long-Term Disability Plan or any successor plan, unless the Performance award is subject to Internal Revenue Code Section 409A, in which case “permanent disability” must also fall within the meaning specified in Internal Revenue Code Section 409A(a)(2)(C) or a more restrictive meaning established by the Committee) while employed by the Company. Such Participant shall not become entitled to any payment which may arise due to the occurrence of a Performance Goal after the Participant dies, terminates service due to permanent disability, or retires. Payment shall occur as soon as administratively convenient following the date the Participant dies, terminates service due to permanent disability, or retires, but in no event shall the payment occur later than March 15 in the calendar year immediately following the calendar year in which the Participant died, so terminates service, or retired. If the Participant dies before receiving payment, the payment shall be made to those entitled under the Participant’s will or, if there is no will, to the Participant’s estate.

10.4 Forfeiture Provisions. Subject to Sections 12 and 14, in the event a Participant terminates employment during a Restriction Period for the Participant’s Restricted Stock or Restricted Stock Units, such Awards will be forfeited; provided, however, that the
Committee may provide for proration or full payout in the event of (a) death, (b) permanent disability, or (c) any other circumstances the Committee may determine.

Section 11
Tax Withholding

11.1 Withholding Requirement. The Company and any Affiliate is authorized to withhold from any Award granted, or any payment relating to an Award under this Plan, including from a distribution of Stock, amounts of withholding and other taxes or social security payments due or potentially payable in connection with any transaction involving an Award, and to take such other action as the Committee may deem advisable to enable the Company and Participants to satisfy obligations for the payment of withholding taxes and other tax or social security obligations relating to any Award. This authority shall include authority to withhold or receive Stock or other property and to make cash payments in respect thereof, in satisfaction of a Participant’s tax obligations, either on a mandatory or elective basis at the discretion of the Committee.

11.2 Withholding Requirement — Stock Options and SARs. The Company’s obligations to deliver shares of Stock upon the exercise of an Option or SAR shall be subject to the Participant’s satisfaction of all applicable federal, state, and local income and other tax and social security withholding requirements. At the time the Committee grants an Option, it may, in its sole discretion, grant the Participant an election to pay all such amounts of required tax withholding, or any part thereof:

(a) by the delivery to the Company or the Administrative Agent of a number of shares of Stock then owned by the Participant, the aggregate Fair Market Value of which (as of the Exercise Date) is not greater than the amount required to be withheld, provided that such shares have been held by the Participant for a period of at least six months;

(b) by certification or attestation to the Company or the Administrative Agent of the Participant’s ownership (as of the Exercise Date) of a number of shares of Stock, the aggregate Fair Market Value of which (as of the Exercise Date) is not greater than the amount required to be withheld, provided that such shares of Stock have been owned by the Participant for a period of at least six months; or

(c) by the Company or the Administrative Agent withholding from the shares of Stock otherwise issuable to the Participant upon exercise of the Option, a number of shares of Stock, the aggregate Fair Market Value of which (as of the Exercise Date) is not greater than the amount required to be withheld. Any such elections by Participants to have shares of Stock withheld for this purpose will be subject to the following restrictions:
(i) all elections shall be made on or prior to the Exercise Date; and
(ii) all elections shall be irrevocable.

11.3 Section 16 Requirements. If the Participant is an officer or director of the Company within the meaning of Section 16 or any successor section(s) of the Exchange Act ("Section 16"), the Participant must satisfy the requirements of Section 16 and any applicable rules and regulations thereunder with respect to the use of shares of Stock to satisfy such tax withholding obligation.

11.4 Restricted Stock and Performance Award Payment and Tax Withholding. Each Restricted Stock and Performance Award agreement shall provide that, upon payment of any entitlement under such an Award, the Participant shall make appropriate arrangements with the Company to provide for the amount of minimum tax and social security withholding required by law, including without limitation Sections 3102 and 3402 or any successor section(s) of the Internal Revenue Code and applicable state and local income and other tax and social security laws. The withholding may be deducted from the Award. Any payment under such an Award shall be made in a proportion of cash and shares of Stock, determined by the Committee, such that the cash portion shall be sufficient to cover the withholding amount required by this Section. The cash portion of any payment shall be based on the Fair Market Value of the shares of Stock on the applicable date of vesting to which such tax withholding relates. Such cash portion shall be withheld by the Company to satisfy applicable tax and social security withholding requirements.

Section 12

Change of Control

12.1 In General. In the event of the occurrence of a Change of Control of the Company:

(a) all outstanding Options shall become automatically vested, without further action by the Committee or the Board, so as to make all such Options fully vested and exercisable as of the date of such change of control;

(b) all unvested Restricted Stock Awards and Restricted Stock Units shall automatically vest. Newly vested Restricted Stock Units shall be converted to Stock and the Participant shall be issued the requisite number of shares, after any withholding under Section 11, as soon as administratively practicable after the Change of Control occurs, unless the Participant had elected to defer Restricted Stock Units to the Deferred Delivery Plan in which case the Participant’s account in the Deferred Delivery Plan shall be credited with deferred Restricted Stock Units as of the date of the Change of Control;
(c) assuming the achievement of a Performance Goal, the entitlement to receive cash and Stock under any outstanding Performance Award grants shall vest automatically, without further action by the Committee or the Board, and shall become payable as follows:

(i) If such Change of Control occurs subsequent to the achievement of a Performance Goal, any remainder of such payout amount shall vest as of the date of such Change of Control and shall be paid by the Company to the Participant within thirty (30) days of the date of such Change of Control in the manner set out in subsection 12.1 hereof.

(ii) If the achievement of a Performance Goal occurs subsequent to the date of a Change of Control, the applicable payout amount shall vest in full for which the Performance Period has not yet ended and shall be paid by the Company to the Participant within thirty (30) days after the Performance Goal is reached. The payment will occur only if the Participant is employed at the time that the Performance Goal is reached or if the Performance Goal is reached after the Participant was terminated for any reason (or without reason) after the Change of Control.

(d) Notwithstanding subsections (a), (b), and (c), if any Award is subject to Internal Revenue Code Section 409A, vesting shall occur as of the Change of Control, but payment shall not occur until the earlier of (x) the date payment would have been due if the Change of Control had not occurred or (y) the date that the Change of Control constitutes a “change in the ownership or effective control of the corporation, or in the ownership of a substantial portion of the assets of the corporation” within the meaning of Internal Revenue Code Section 409A(a)(2)(A)(v).

Section 13
Reorganization or Liquidation

In the event that the Company is merged or consolidated with another corporation and the Company is not the surviving corporation, or if all or substantially all of the assets or more than 20 percent of the outstanding voting stock of the Company is acquired by any other corporation, business entity or person, or in case of a reorganization (other than a reorganization under the United States Bankruptcy Code) or liquidation of the Company, then the Committee, or the board of directors of any corporation assuming the obligations of the Company, shall, as to the Plan and outstanding Awards make appropriate provision for the adoption and continuation of the Plan by the acquiring or successor corporation and for the protection of any holders of such outstanding Awards by the substitution on an equitable basis of appropriate stock of the Company or of the merged, consolidated, or otherwise reorganized corporation which will be issuable with respect to the Stock. Additionally, upon the occurrence of such an event and provided that a Performance Goal
has occurred, upon written notice to the Participants, the Committee may accelerate the vesting and payment dates of the entitlement to receive cash and Stock under outstanding Awards so that all such existing entitlements are paid prior to any such event. If a Performance Goal has not yet been attained, the Committee in its discretion may make equitable payment or adjustment.

In its discretion, and on such terms and conditions as it deems appropriate, the Committee may provide, either by the terms of an agreement applicable to any Award or by resolution adopted prior to the occurrence of a Change of Control or an event described in this Section 13, that any outstanding Award (or portion thereof) shall be converted into a right to receive cash, on or as soon as practicable following the closing date or expiration date of the transaction resulting in the Change of Control or such event in an amount equal to the highest value of the consideration to be received in connection with such transaction for one share of Stock, or, if higher, the highest Fair Market Value of a share of Stock during the thirty (30) consecutive business days immediately prior to the closing date or expiration date of such transaction, less the per-share Option Price or grant price of SARs, as applicable to the Award, multiplied by the number of shares subject to such Award, or the applicable portion thereof.

Section 14

Rights of Employees and Participants

14.1 Employment. Neither anything contained in the Plan or any agreement nor the granting of any Award under the Plan shall confer upon any Participant any right with respect to the continuation of his or her employment by the Company or any Affiliate, or interfere in any way with the right of the Company or any Affiliate, at any time, to terminate such employment or to increase or decrease the level of the Participant’s compensation from the level in existence at the time of the Award.

An Eligible Person who has been granted an Award in one year shall not necessarily be entitled to be granted Awards in subsequent years.

14.2 Non-transferability. Except as otherwise determined at any time by the Committee as to any Awards other than ISOs, no right or interest of any Participant in an Award granted pursuant to the Plan shall be assignable or transferable during the lifetime of the Participant, either voluntarily or involuntarily, or subjected to any lien, directly or indirectly, by operation of law, or otherwise, including execution, levy, garnishment, attachment, pledge, bankruptcy, or court order; provided that the Committee may permit further transferability of Awards other than ISOs, on a general or a specific basis, and may impose conditions and limitations on any permitted transferability, subject to any applicable Restriction Period; provided further, however, that no Award may be transferred for value or other consideration without first obtaining approval thereof by the stockholders of the Company. In the event of a Participant’s death, a Participant’s rights and interests in any Award as set forth in an Award agreement, shall be transferable by
testamentary will or the laws of descent and distribution, and payment of any entitlements due under the Plan shall be made to the Participant’s legal representatives, heirs, or legatees. If in the opinion of the Committee a person entitled to payments or to exercise rights with respect to the Plan is disabled from caring for his or her affairs because of mental condition, physical condition, or age, payment due such person may be made to, and such rights shall be exercised by, such person’s guardian, conservator, or other legal personal representative upon furnishing the Committee with evidence satisfactory to the Committee of such status. If any individual entitled to payment or to exercise rights with respect to the Plan is a minor, the Committee shall cause the payment to be made to (or the right to be exercised by) the custodian or representative who, under the state law of the minor’s domicile, is authorized to act on behalf of the minor or is authorized to receive funds on behalf of the minor. With respect to those Awards, if any, that are permitted to be transferred to another individual, references in the Plan to exercise or payment related to such Awards by or to the Participant shall be deemed to include, as determined by the Committee, the Participant’s permitted transferee. A Participant’s unexercised Option or SAR, or amounts due but remaining unpaid to such Participant, at the Participant’s death, shall be exercised or paid as designated by the Participant by will or by the laws of descent and distribution. In the event any Award is exercised by or otherwise paid to the executors, administrators, heirs or distributees of the estate of a deceased Participant, or the transferee of an Award, in any such case, pursuant to the terms and conditions of the Plan and the applicable Award agreement and in accordance with such terms and conditions as may be specified from time to time by the Committee, the Company shall be under no obligation to issue shares of Stock thereunder unless and until the Company is satisfied, as determined in the discretion of the Committee, that the person or persons exercising such Award, or to receive such payment, are the duly appointed legal representative of the deceased Participant’s estate or the proper legatees or distributees thereof, or the valid transferee of such Award, as applicable. Any purported assignment, transfer or encumbrance of an Award that does not comply with this Section 14.2 shall be void and unenforceable against the Company.

14.3 Noncompliance with Internal Revenue Code Section 409A. If an Award is subject to the requirements of Internal Revenue Code Section 409A, to the extent that the Company or an Affiliate takes any action that causes a violation of Internal Revenue Code Section 409A or fails to take reasonable actions required to comply with Internal Revenue Code Section 409A, in each case as determined by the Committee, the Company shall pay an additional amount to the Participant (or beneficiary) equal to the additional income tax imposed pursuant to Internal Revenue Code Section 409A on the Participant as a result of such violation, plus any taxes imposed on this additional payment.
Section 15
Other Employee Benefits

The amount of any income deemed to be received by a Participant as a result of the payment under an Award or exercise shall not constitute “earnings” or “compensation” with respect to which any other employee benefits of such Participant are determined, including without limitation benefits under any pension, profit sharing, life insurance, or salary continuation plan.

Section 16
Amendment, Modification, and Termination

The Committee or the Board may at any time terminate, and from time to time may amend or modify the Plan, and the Committee or the Board may, to the extent permitted by the Plan, from time to time amend or modify the terms of any Award theretofore granted, including any Award agreement, in each case, retroactively or prospectively; provided, however, that no amendment or modification of the Plan may become effective without approval of the amendment or modification by the Company’s stockholders if stockholder approval is required to enable the Plan to satisfy an applicable statutory or regulatory requirements, unless the Company, on the advice of outside counsel, determines that stockholder approval is not necessary.

Notwithstanding any other provision of this Plan, no amendment, modification, or termination of the Plan or any Award shall adversely affect the previously accrued material rights or benefits of a Participant under any outstanding Award theretofore awarded under the Plan, without the consent of such Participant holding such Award, except to the extent necessary to avoid a violation of Internal Revenue Code Section 409A or the Board or the Committee determines, on advice of outside counsel or the Company’s independent accountants, that such amendment or modification is required for the Company, the Plan, or the Award to satisfy, comply with, or meet the requirements of any law, regulation, listing rule, or accounting standard applicable to the Company.

The Committee shall have the authority to adopt (without the necessity for further stockholder approval) such modifications, procedures, and subplans as may be necessary or desirable to comply with the provisions of the laws (including, but not limited to, tax laws and regulations) of countries other than the United States in which the Company may operate, so as to assure the viability of the benefits of the Plan to Participants employed in such countries.
Section 17

Requirements of Law

17.1 Requirements of Law. The issuance of Stock and the payment of cash pursuant to the Plan shall be subject to all applicable laws, rules, and regulations, including applicable federal and state securities laws. The Company may require a Participant, as a condition of receiving payment under an Award, to give written assurances in substance and form satisfactory to the Company and its counsel to such effect as the Company deems necessary or appropriate in order to comply with federal and applicable state securities laws.

17.2 Section 16 Requirements. If a Participant is an officer or director of the Company within the meaning of Section 16 of the Exchange Act, Awards granted hereunder shall be subject to all conditions required under Rule 16b-3, or any successor rule(s) promulgated under the Exchange Act, to qualify the Award for any exemption from the provisions of Section 16 available under such Rule. Such conditions are hereby incorporated herein by reference and shall be set forth in the agreement with the Participant, which describes the Award.

17.3 Governing Law. The Plan and all agreements hereunder shall be construed in accordance with and governed by the laws of the State of Texas.

Section 18

Duration of the Plan

The Plan shall terminate on the ten year anniversary of the Effective Date. No grants shall be awarded after such termination; however, the terms of the Plan shall continue to apply to all Awards outstanding when the Plan terminates.

Dated: November 19, 2008; Effective as of May 2, 2007.

APACHE CORPORATION

ATTEST:

/s/ Cheri L. Peper
Cheri L. Peper
Corporate Secretary

By: /s/ Margery M. Harris
Margery M. Harris
Vice President, Human Resources
The Company desires to provide income continuance benefits to the following groups of its employees in case there is a change of control affecting the Company, for the reasons indicated:

(i) Those 40 years of age and older, a protected class under federal and state age discrimination laws, because it has been determined that they typically have more difficulty in finding new employment than younger persons;

(ii) Those who have been continuously employed by the Company for 10 years or more, because they have demonstrated their personal commitment to the success of the Company;

(iii) Those whose special skills, experience or potential justify their inclusion in order to acquire or retain their services; and

(iv) Those who are officers of the Company.

The Company adopted this Plan on January 10, 1986 in order to protect the income and other employee benefits of the Company’s Employees and in order to induce the Employees to remain in the employ of the Company for the ultimate benefit of the Company and its shareholders.

The Plan is intended to create a binding legal relationship between the Company and each Employee, and a copy of the Plan together with applicable conditions will be given to each Employee. It is also intended that this Plan comply with the requirements of Code §409A, and it shall be interpreted in this light.

Section 1. Definitions.

(a) “Benefit Period” shall mean a period of time following an Employee’s Termination Date. An Employee’s Benefit Period is determined on his Termination Date and is equal to half the number of months of his continuous service with the Company on that date, up to a maximum Benefit Period of 24 months, with the following exceptions. The Benefit Period for an officer of the Company is 24 months. The Benefit Period may be extended to a maximum of 24 months, if the Company concludes the extension is reasonably required in order to induce an individual to accept employment or in order to retain an existing employee.

(b) “Change of Control” shall mean the event occurring when a person, partnership or corporation together with all persons, partnerships or corporations acting in concert with each person, partnership or corporation, or any or all of them, acquires
more than 20% of the Company’s outstanding voting securities; provided that a Change of Control shall not occur if such persons, partnerships or corporations acquiring more than 20% of the Company’s voting securities is solicited to do so by the Company’s board of directors, upon its own initiative, and such persons, partnerships or corporations have not previously proposed to acquire more than 20% of the Company’s voting securities in an unsolicited offer made either to the Company’s board of directors or directly to the stockholders of the Company.

(c) “COBRA Premium” shall mean 100% of the applicable premium, as defined in Code §4980B(f)(4).

(d) “Code” shall mean the Internal Revenue Code of 1986, as amended, or any successor. References to a particular section of the Code shall also refer to any successor section.

(e) “Committee” shall mean the administrative committee provided for in section 4.

(f) “Company” shall mean Apache Corporation, a Delaware corporation, whose headquarters is in Houston, Texas, and, unless the context indicates otherwise, its wholly-owned subsidiaries and affiliates. “Affiliate” shall mean any and all entities that, together with Apache, would not cause any portion of this Plan to be treated as a multiple employer welfare arrangement pursuant to ERISA §3(40).

(g) “Effective Date” shall mean the date on which a Change of Control takes place.

(h) “Employee” shall mean each regular exempt or non-exempt employee of the Company on the Effective Date or the Termination Date who:

(i) is 40 years of age or older; or

(ii) has been continuously employed by the Company for 10 years or more; or

(iii) has been designated by the Board of Directors as having special skills, experience or potential which warrant extension of the Plan to them; or

(iv) is an officer of the Company.

(i) “ERISA” shall mean the Employee Retirement Income Security Act of 1974, as amended.

(j) “Monthly Compensation” shall mean one-twelfth of the total of all compensation, including wages, salary, and any other incentive compensation, bonuses, commissions and non-salary and non-wage cash compensation, that was paid as consideration for the Employee’s services during the year immediately preceding the
Termination Date, or that would have been so paid at the Employee’s usual rate of compensation if the Employee had worked a full year.

(k) “Participant” shall mean an Employee who has become entitled to the benefits under the Plan pursuant to section 2.

(l) “Plan” shall mean the Income Continuance Plan of the Company, as amended.

(m) “Separation from Service and Separate from Service” shall mean a separation from service within the meaning of Code §409A(a)(2)(A)(i). A Participant who has a Separation from Service “Separates from Service.” For purposes of this Plan, a Separation from Service occurs when the Company and the Participant both expect that the Participant’s level of services to permanently drop by more than 50% from his average level of services during the preceding 36 months (or, if less, the duration of his employment with the Company).

(n) “Specified Employee” shall have the same meaning as in Code §409A(a)(2)(B)(i). In determining the identity of Specified Employees, the default rules contained in Treasury Regulation §1.409A-1(i) will be applied, except that the primary document evidencing the Change of Control (such as a Purchase and Sale Agreement or Merger Agreement or Stock Acquisition Agreement) may contain different rules for determining the identity of Specified Employees after the Change of Control.

(o) “Termination Date” shall mean:

(i) If an Employee’s Separation from Service is involuntary, his Termination Date is the date on which an authorized written or oral statement is conveyed to the Employee indicating that the Employee’s employment is terminated; or

(ii) If an Employee’s Separation from Service is voluntary, his Termination Date is the date on which the Employee delivers a written notice to the Company or its successor advising of termination of employment.

Section 2. Eligibility for Benefits.

The benefits described in this Plan shall come into effect only if the Employee is “terminated” on or within two years after the Change of Control. For this purpose, an Employee is considered “terminated” in the following circumstances.

(a) Involuntary Termination. Each of the following three conditions is satisfied.

(i) The Company or its successor terminates an Employee for any reason on or after the Change of Control.

(ii) The termination constitutes a Separation from Service.
The termination does not result from an act of the Covered Employee that (A) constitutes common-law fraud, a felony, or a gross malfeasance of duty, and (B) is materially detrimental to the best interests of the Company or its successor.

(b) Voluntary Termination with Cause. Either the facts and circumstances indicate that each of the following five conditions is satisfied or that the Participant’s termination is properly characterized as involuntary pursuant Treasury Regulation §1.409A-1(n)(2), other IRS guidance of general applicability, or an IRS private letter ruling applicable to the Participant.

(i) The Employee Separates from Service of his own volition.

(ii) The Employee’s Separation from Service occurs during the 24-month period beginning on the date of the Change of Control.

(iii) One or more of the following conditions occurs without the Employee’s consent on or after the Change of Control:

(A) There is a material diminution in the Employee’s base compensation, compared to his rate of base compensation on the date of the Change of Control.

(B) There is a material diminution in the Employee’s authority, duties, or responsibilities.

(C) There is a material diminution in the authority, duties, or responsibilities of the Employee’s supervisor, such as a requirement that the Employee (or his supervisor) report to a corporate officer or employee instead of reporting directly to the board of directors.

(D) There is a material diminution in the budget over which the Employee retains authority.

(E) There is a material change in the geographic location at which the Employee must perform his services, including, for example, the assignment of the Employee to a regular workplace that is more than 50 miles from his regular workplace on the date of the Change of Control.

(iv) The Employee must notify the Company of the existence of one or more adverse conditions specified in paragraph (iii) within 90 days of the initial existence of the adverse condition. The notice must be provided in writing to Apache’s Vice President, Human Resources or his delegate. The notice may be provided by personal delivery or it may be sent by email, inter-office mail, regular mail (whether or not certified), fax, or any similar method. Apache’s Vice President, Human Resources
or his delegate shall acknowledge receipt of the notice within 5 business days; the acknowledgement shall be sent to the Covered Employee by certified mail.

(v) The Company does not remedy the adverse condition within 30 days of being notified of the adverse condition.

Section 3. Benefits.

(a) Income Continuation.

(i) Timing of Payments, General. Except as provided for Specified Employees in paragraph (ii) or as reduced in paragraph (iii), each month the Participant will be paid his Monthly Compensation. The first payment will be made on the first 15th of the month that occurs after the Participant’s Separation from Service or as soon thereafter as is administratively practicable, and subsequent payments will be made on the 15th of each succeeding month. The number of payments the Participant receives is equal to the number of months in his Benefit Period.

(ii) Exceptions for Specified Employees. This paragraph applies to the payments to a Participant who is a Specified Employee. The Specified Employee shall be paid as described in subsection (a) with the following exceptions for his first six payments.

(A) No Deferral of Compensation. The payments under this Plan generally cease to be subject to a substantial risk of forfeiture when the Participant Separates from Service. If the payments cease to be subject to a substantial risk of forfeiture in one year and the Participant Separates from Service on or before October 15 of that year, the first six payments will be made at the times specified in subsection (a). If the payments cease to be subject to a substantial risk of forfeiture in one year and the Participant Separates from Service after October 15 of that year, regular payments will be made at the times specified in subsection (a) through February 15 in the year after the Separation from Service and the remainder of the first six payments will be paid on March 15 (or if March 15 is not a business day, the payment shall be made on the immediately preceding business day).

For example, if the Participant terminates on December 31, he will receive the regular payments on January 15 and February 15, and will receive four months’ worth of payments on March 15. His next payment will be on July 15.

For purposes of Treasury Regulation §§ 1.409A-1(b)(4)(i)(F) and 1.409A-2(b)(2), each payment from this Plan is considered a separate payment.

(B) Limited Payments during First Six Months. This subparagraph applies only if subparagraph (A) does not apply to the Specified Employee, such as when his benefits cease to be subject to a substantial risk of forfeiture in a year earlier than the year of his Separation from Service. Each month, the sum of (1) the monthly payment under this paragraph (ii), (2) the amount of any
gross-up under paragraphs (b)(iii) or (b)(iv), and (3) any payment from any other separation pay plan (other than those described in Treasury Regulation §1.409A-1(b)(9)(ii), (iv), or (v)) is limited to the lesser of one-third of the Participant’s annual compensation for the year preceding the year in which he Separated from Service or one-third the of the annual limit in effect under Code §401(a)(17) for the calendar year containing the Separation from Service. For this purpose, “annual compensation” means the Participant’s annualized compensation based upon the annual rate of pay for services provided to Apache for the year preceding the year in which the Participant Separated from Service, adjusted for any increase during that year that was expected to continue indefinitely had the Participant not Separated from Service. If any monthly payments are limited by the foregoing, the reductions in each payment shall be aggregated and that exact sum shall be paid to the Specified Employee six months after his Separation from Service.

(C) Reduction in Payments. The payments described in this subsection shall be reduced by the amount of any severance pay required by foreign law.

(b) Continued Health Coverage.

(i) General. The Participant shall continue to be covered by the Company’s medical plan, dental plan, vision plan, and employee assistance program after Separating from Service for the number of months in his Benefit Period. The Participant and his family members may also be able to continue their coverage even after the Benefit Period ends, pursuant to the continuation coverage rules under those plans. The benefits offered during the Benefit Period shall contain at least one alternative that is at least as valuable as the benefits offered immediately before the Change of Control. In addition, the Participant shall have the same coverage options as are available to current employees of the Company. The Participant may change his coverage from one alternative to another, and may add or drop coverage for his dependents or spouse, subject to the same rules as a current employee of the Company.

(ii) Premiums. The Company may not charge a Participant for coverage under the employee assistance program. The Company may charge a premium for coverage under the medical, dental, and vision plans, but the maximum premium for the alternative(s) that are at least as valuable as the benefits offered immediately before the Change of Control shall not exceed what was charged under the schedule of premiums that was in effect immediately before the Change of Control. For example, if the premium was $64 per month for employee-only coverage and $200 per month for family coverage on the date of the Change of Control, and a male Participant marries a woman with children two months into their 24-month Benefit Period, their premium will be $200 per month for next 22 months for coverage that is at least as valuable as the family coverage benefits immediately before the Change of Control.
(iii) **Cafeteria Plan.** Except as provided in paragraph (iv), the Company shall ensure that it maintains a cafeteria plan allowing each Participant in this Plan to reduce their pay described in subsection (a) to pay their share of the premiums for medical, dental, and vision coverage generally on a pre-tax basis. If the cafeteria plan fails one of its nondiscrimination tests, a highly paid Participant’s supposedly pre-tax deductions from his pay will generally be included in his taxable income. In this case, the Company shall pay the Participant a gross-up so that the highly paid ICP participant’s after-tax income equals what it would have if his deduction from his pay were made on a pre-tax basis.

(iv) **After-Tax Premiums.** Each year, beginning with the year containing the Change of Control, the Committee shall determine whether each self-funded health plan is discriminatory. If a self-funded plan is discriminatory, each Participant who was a highly compensated individual (within the meaning of Code §105(h)(5)) shall pay the COBRA Premium for coverage with after-tax deductions from his pay described in subsection (a), and for purposes of Code §105 a separate self-funded health plan shall be considered to have been established for such highly compensated individuals for that year. If sufficient deductions were not properly withheld, the Participant is responsible for reimbursing the Company for the underwithholding. The Company shall pay a gross-up to each Participant who was a highly compensated individual (within the meaning of Code §105(h)(5)) so that his after-tax income equals what it would have if he only had to pay the amount described in paragraph (ii) for coverage and this amount was withheld on a pre-tax basis from his pay. In addition, the Committee may project during a year whether a self-funded plan will be discriminatory, and pay a gross-up to each Participant who is expected to be a highly compensated individual (within the meaning of Code §105(h)(5)) for that year so that his after-tax income equals what it would have if he only had to pay the amount described in paragraph (ii) for coverage and this amount were withheld on a pre-tax basis from his pay.

(v) **Gross-Up.** If a Participant receives a gross-up under paragraph (iii) or (iv), the gross-up shall be paid as quickly as possible and no later than end of the calendar year following the calendar year in which the Participant’s right to the gross-up arose. However, if the gross-up is due to a tax audit or litigation addressing the existence or amount of a tax liability, the gross-up shall be paid as soon as administratively convenient after the litigation or audit is completed, and no later than the end of the calendar year following the calendar year in which the audit is completed or there is a final and non-appealable settlement or other resolution of the litigation.

(c) **Continued Life Insurance.** The Company shall continue to provide term-life insurance for each Participant until (i) the Participant stops paying the premiums or (ii) the Benefit Period expires. The amount of the available coverage shall be at least as much as was provided to the Participant on the date of the Change of Control. The Participant-paid portion of the premiums shall be no larger than the premiums charged to current employees of the Company who perform the same types of tasks, at the same level, as the Participant performed immediately before the Change of Control.
(d) Legal Expenses

(i) Expenses That Are Not Subject to Code §409A. The Plan shall reimburse the Participant (or, if the Participant has died, his beneficiary, spouse, and dependents — collectively, the “claimant” in this subsection) for all expenses, including attorneys’ fees, that the claimant incurs before the end of the calendar year containing the second anniversary of the Participant’s Separation from Service and that are incurred in enforcing the claimant’s rights against the Company or its successor under this Plan, regardless of the whether the action is successful. The Plan shall reimburse the claimant as soon as practicable and no later than the end of the calendar year containing the third anniversary of the Participant’s Separation from Service.

(ii) Expenses That Are Subject to Code §409A. The Plan shall reimburse the claimant for all expenses, including attorneys’ fees, that he incurs after the calendar year containing the second anniversary of the Participant’s Separation from Service and before the third anniversary of the Participant’s death and that are incurred in enforcing the claimant’s rights against the Company or its successor under this Plan, regardless of the whether the action is successful.

(e) Noncompliance with Code §409A. To the extent that the Company takes any action that causes a violation of Code §409A or fails to take reasonable actions required to comply with Code §409A, the Company shall pay an additional amount (the “gross-up”) to the individual(s) who are subject to the penalty tax under Code §409A(a)(1) that is sufficient to put him in the same after-tax position he would have been in had there been no violation of Code §409A. The Company shall not pay a gross-up if the cause of the violation of Code §409A is because the recipient failed to take reasonable actions (such as failing to timely provide the information required for tax withholding or failing to timely provide other information reasonably requested by the Committee — with the result that the delay in payment violates Code §409A). Any gross-up will be made as soon as administratively convenient after the Committee determines the gross-up is owed, and no later than the end of the calendar year immediately following the calendar year in which the additional taxes are remitted. However, if the gross-up is due to a tax audit or litigation addressing the existence or amount of a tax liability, the gross-up will be paid as soon as administratively convenient after the litigation or audit is completed, and no later than the end of the calendar year following the calendar year in which the audit is completed or there is a final and non-appealable settlement or other resolution of the litigation.

(f) Death of Participant

(i) Payments to Beneficiary. If the Participant dies during the Benefit Period, his Beneficiary shall be paid all remaining payments under subsection (a), (d), and (e), on the same schedule as they would have been paid to the Participant had he lived. See subsection (g) for possible delays. The amount paid to the Beneficiary will be reduced by the cost of health coverage of the surviving spouse and dependents. If
the Beneficiary dies before receiving all such payments, any remaining payments shall be paid to the Beneficiary’s estate.

(ii) **Health Coverage.** If the Participant dies during the Benefit Period, his spouse and dependents shall continue to receive the benefits identified in subsection (b), at the price specified in subsection (b), for the remaining duration of the Benefit Period. A surviving spouse or dependent who is not covered by such plans when the Participant dies may elect to be covered by such plans whenever the Participant could have elected coverage for them had he not died. Any gross-up under subsection (b)(iii) or (b)(iv) shall be made the surviving spouse, if any, and otherwise to the dependents. (See section 9 for payments to a minor.)

(iii) **Beneficiary Designation.** Each Participant shall designate one or more persons, trusts, or other entities as his Beneficiary to receive any amounts identified in paragraph (i). In the absence of an effective beneficiary designation as to part or all of a Participant’s interest in the Plan, such amount will be distributed to the Participant’s surviving spouse, if any, otherwise to the personal representative of the Participant’s estate.

(iv) **Special Rules for Spouses.** A beneficiary designation may be changed by the Participant at any time and without the consent of any previously designated Beneficiary. However, if the Participant is married, his spouse will be his Beneficiary unless such spouse has consented to the designation of a different Beneficiary. To be effective, the spouse’s consent must be in writing, witnessed by a notary public, and filed with the Committee. If the Participant has designated his spouse as a primary or contingent Beneficiary, and the Participant and spouse later divorce (or their marriage is annulled), then the former spouse will be treated as having pre-deceased the Participant for purposes of interpreting a beneficiary designation that was completed prior to the divorce or annulment; this provision will apply only if the Committee is informed of the divorce or annulment before payment to the former spouse is authorized.

(v) **Disclaiming.** Any individual or legal entity who is a Beneficiary may disclaim all or any portion of his interest in the Plan, provided that the disclaimer satisfies the requirements of Code §2518(b) and applicable state law. The legal guardian of a minor or legally incompetent person may disclaim for such person. The personal representative (or the individual or legal entity acting in the capacity of the personal representative according to applicable state law) may disclaim on behalf of a Beneficiary who has died. The amount disclaimed will be distributed as if the disclaimant had predeceased the individual whose death caused the disclaimant to become a Beneficiary.

(g) **Administrative Delays in Payments.** The Committee may delay any payment from this Plan for as short a period as is administratively necessary. For example, a delay may be imposed upon all payments from the Plan when there is a change of recordkeeper or trustee, and a delay may be imposed on payments to any
recipient until they have provided the information needed for tax withholding and tax reporting, as well as any other information reasonably requested by the Committee. However, no delay may last long enough for the Plan to be considered a “pension plan” within the meaning of ERISA §3(2).

(h) Technical Note. If a Participant or Beneficiary has a taxable year different from the calendar year, the deadlines under Article II shall be adjusted to the latest date, as specified in IRS guidance of general applicability, that would permit compliance with Code §409A.

(i) Cash Payment and Withholding. All payments from the Plan will be made in cash. The Plan will withhold any taxes or other amounts that it is required to withhold pursuant to any applicable law. The Plan will also withhold any amounts (such as medical premiums) that the recipient authorizes the Plan or the Company to withhold.

Section 4. Administration

(a) Composition of the Committee.

(i) Current. As of January 1, 2009, the Committee is comprised of the members of the Retirement Plan Advisory Committee.

(ii) Before a Change of Control. Before a Change of Control, the board of directors of Apache shall appoint an administrative Committee consisting of no fewer than three individuals who may be, but need not be, Participants, officers, directors, or employees of the Company. Apache’s board of directors may remove Committee members at will. In the absence of any Committee members, Apache shall become the sole Committee member.

(iii) After a Change of Control. This paragraph applies on and after the date of a Change of Control. The only individuals who are able to serve on the Committee after the date of the Change of Control are those who are not then employed by Apache, its successor, or any related legal entities. No Committee members may be added on or after the day of the Change of Control, except that, if the Committee is comprised solely of individuals, (A) the Committee may appoint a legal entity as a Committee member, who may generally resign by giving 60 days’ notice to the other Committee members, and (B) if the number of Committee members drops below three, the remaining member(s) may not resign until having appointed a legal entity or another individual as a Committee member. If all Committee members leave the Committee (if, for example, all Committee members die before the last one appoints a new Committee member or if the sole Committee member is a legal entity that goes out of business), the Committee shall automatically consist of the three Participants with the largest monthly payments from the Plan who are not then employed by Apache, its successor, or any related legal entities.
Plan Administrator. The Committee is the Plan’s “administrator” within the meaning of ERISA §3(16)(A). The sole named fiduciaries of the Plan are the Committee and the trustees of any trusts from which Plan benefits may be paid.

Committee Duties. The Committee shall administer the Plan and shall have all discretion and powers necessary for that purpose, including, but not by way of limitation, full discretion and power to interpret the Plan, to determine the eligibility, status, and rights of all persons under the Plan and, in general, to decide any dispute and all questions arising in connection with the Plan. The Committee shall direct the Company, the trustee of any rabbi trust established to pay Plan benefits, or both, as the case may be, concerning payments in accordance with the provisions of the Plan. The Committee shall maintain all Plan records except records of any trust. The Committee shall publish, file, or disclose — or cause to be published, filed, or disclosed — all reports and disclosures required by federal or state laws. The Committee may authorize one or more of its members or agents to sign instructions, notices, and determinations on its behalf.

Organization of Committee. The Committee shall adopt such rules as it deems desirable for the conduct of its affairs and for the administration of the Plan. It may appoint agents (who need not be members of the Committee) to whom it may delegate such powers as it deems appropriate, except that any dispute shall be determined by the Committee. The Committee may make its determinations with or without meetings. It may authorize one or more of its members or agents to sign instructions, notices, and determinations on its behalf. If a Committee decision or action affects a relatively small percentage of Plan Participants including a Committee member, such Committee member will not participate in the Committee decision or action. The action of a majority of the disinterested Committee members constitutes the action of the Committee.

Indemnification. The Committee and all of the agents and representatives of the Committee shall be indemnified and saved harmless by the Company against any claims, and the expenses of defending against such claims, resulting from any action or conduct relating to the administration of the Plan, except claims judicially determined to be attributable to gross negligence or willful misconduct.

Agent for Process. Apache’s Vice President, General Counsel, and Secretary shall be the agents of the Plan for service of all process.

Determination of Committee Final. The decisions made by the Committee are final and conclusive on all persons.

No Bonding. Neither the Committee nor any committee member is required to give any bond or other security in any jurisdiction in connection with the administration of the Plan, unless Apache determines otherwise before a Change of Control or any applicable federal or state law so requires.
Section 5. Terms of Plan; Termination.
This Plan is terminable at any time by the majority vote of the Board of Directors of the Company or its successor upon six months’ prior written notice delivered to all Employees, provided that the Company or its successor shall be prohibited from delivering notice of termination of the Plan after or within six months prior to a Change of Control.

Section 6. Amendment.
This Plan can be amended at any time by the Company on the following conditions:

(a) No amendment shall be adopted by the Company or its successor subsequent to the Effective Date, except to alleviate any material negative tax consequences to one or more actual or expected recipients of Plan benefits.

(b) Immediately after adopting any amendment, the Company shall provide to Employees a written statement of this Plan, as amended, and no amendments shall be effective as to any Employee, until the Employee has received the statement. An Employee will be deemed to have received the written statement of the Plan if it is delivered in person or after 48 hours of dispatch by mail or other suitable means of delivery to the last known address of the Employee.

Section 7. Other Plans and Contracts.
It is the intention of the Company that the benefits provided for in this Plan are in addition to, and not in lieu of any other rights, privileges or benefits to which the Employee may now or hereafter be entitled under any contract, arrangement, plan or other policy applicable to any Employee with the Company or any other employer.

Section 8. Claims Procedure.
(a) General. Each claim for benefits will be processed in accordance with the procedures established by the Committee. The procedures will comply with the guidelines specified in this section. Claims for reimbursement under the medical, dental, and vision plans, the employee assistance program, and claims for life insurance shall be determined under the procedures specified in those plans; however, this Plan’s procedures shall determine eligibility for continued participation in such plans. The Committee may delegate its duties under this section.

(b) Representatives. A claimant may appoint a representative to act on his behalf. The Plan will only recognize a representative if the Plan has received a written authorization signed by the claimant and on a form prescribed by the Committee, with the following exceptions. The Plan will recognize a claimant’s legal representative, once the Plan is provided with documentation of such representation. If the claimant is a minor child, the Plan will recognize the claimant’s parent or guardian as the claimant’s representative. Once an authorized representative is appointed, the Plan will direct all information and notification regarding the claim to the authorized representative and the
claimant will be copied on all notifications regarding decisions, unless the claimant provides specific written direction otherwise.

(c) Extension of Deadlines. The claimant may agree to an extension of any deadline that is mentioned in this section that applies to the Plan. The Committee or the relevant decision-maker may agree to an extension of any deadline that is mentioned in this section that applies to the claimant.

(d) Fees. The Plan may not charge any fees to a claimant for utilizing the claims process described in this section.

(e) Filing a Claim. A claim is made when the claimant files a claim in accordance with the procedures specified by the Committee. Any communication regarding benefits that is not made in accordance with the Plan’s procedures will not be treated as a claim.

(f) Initial Claims Decision. The Plan will decide a claim within a reasonable time up to 90 days after receiving the claim. The Plan will have a 90-day extension, but only if the Plan is unable to decide within 90 days for reasons beyond its control, the Plan notifies the claimant of the special circumstances requiring the need for the extension by the 90th day after receiving the claim, and the Plan notifies the claimant of the date by which the Plan expects to make a decision.

(g) Notification of Initial Decision. The Plan will provide the claimant with written notification of the Plan’s full or partial denial of a claim, reduction of a previously approved benefit, or termination of a benefit. The notification will include a statement of the reason(s) for the decision; references to the plan provision(s) on which the decision was based; a description of any additional material or information necessary to perfect the claim and why such information is needed; a description of the procedures and deadlines for appeal; a description of the right to obtain information about the appeal procedures; and a statement of the claimant’s right to sue.

(h) Appeal. The claimant may appeal any adverse or partially adverse decision. To appeal, the claimant must follow the procedures specified by the Committee. The appeal must be filed within 60 days of the date the claimant received notice of the initial decision. If the appeal is not timely and properly filed, the initial decision will be the final decision of the Plan. The claimant may submit documents, written comments, and other information in support of the appeal. The claimant will be given reasonable access at no charge to, and copies of, all documents, records, and other relevant information.

(i) Appellate Decision. The Plan will decide the appeal of a claim within a reasonable time of no more than 60 days from the date the Plan receives the claimant’s appeal. The 60-day deadline will be extended by an additional 60 days, but only if the Committee determines that special circumstances require an extension, the Plan notifies the claimant of the special circumstances requiring the need for the extension.
by the 60th day after receiving the appeal, and the Plan notifies the claimant of the date by which the Plan expects to make a decision. If an appeal is missing any information from the claimant that is needed to decide the appeal, the Plan will notify the claimant of the missing information and grant the claimant a reasonable period to provide the missing information. If the missing information is not timely provided, the Plan will deny the claim. If the missing information is timely provided, the 60-day deadline (or 120-day deadline with the extension) for the Plan to make its decision will be increased by the length of time between the date the Plan requested the missing information and the date the Plan received it.

(j) Notification of Decision. The Plan will provide the claimant with written notification of the Plan’s appellate decision (positive or adverse). The notification of any adverse or partially adverse decision must include a statement of the reason(s) for the decision; reference to the plan provision(s) on which the decision was based; a description of the procedures and deadlines for a second appeal, if any; a description of the right to obtain information about the second-appeal procedures; a statement of the claimant’s right to sue; and a statement that the claimant is entitled to receive, free of charge and upon request, reasonable access to and copies of all documents, records, and other information relevant to the claim.

(k) Arbitration. The claimant and the Plan may voluntarily enter into a binding arbitration to resolve any claim, in which case (i) the Plan and/or Company pays all the arbitration fees and costs, (ii) the Plan agrees that any statute of limitations or other defense based on timeliness is tolled during the time between the date the claimant completes and submits the forms that begin the arbitration process and the date of the arbitrator’s decision (which will only apply if the claimant files suit after receiving an adverse decision from the arbitrator), and (iii) the Plan provides the claimant, upon request, sufficient information relating to the arbitration to enable the claimant to make an informed judgment about whether to submit the dispute to arbitration, including a statement that the claimant’s decision to choose or not choose arbitration will have no effect on the claimant’s rights to any other benefits under the Plan, and information about the applicable rules, the claimant’s right to representation, the process for selecting the arbitrator, and the circumstances, if any, that may affect the arbitrator’s impartiality.

Section 9. Distributions Due Infants or Incompetents

If any person entitled to a distribution under the Plan is an infant, or if the Committee determines that any such person is incompetent by reason of physical or mental disability, whether or not legally adjudicated as incompetent, the Committee has the power to cause the distributions becoming due to such person to be made to another for his benefit, without responsibility of the Committee to see to the application of such distributions. Distributions made pursuant to such power will operate as a complete discharge of the Company, the trustee, the Plan, and the Committee.
Section 10. Use and Form of Words
When any words are used herein in the masculine gender, they are to be construed as though they were also used in the feminine gender in all cases where they would so apply, and vice versa. Whenever any words are used herein in the singular form, they are to be construed as though they were also used in the plural form in all cases where they would so apply, and vice versa.

Section 11. Applicable Law
This Plan shall be interpreted to have been made in the State of Texas and the laws of the State of Texas shall control.


ATTEST:

/s/ Cheri L. Peper
Cheri L. Peper
Corporate Secretary

By: /s/ Margery M. Harris
Margery M. Harris
Vice President
APACHE CORPORATION
DEFERRED DELIVERY PLAN
As Amended and Restated November 19, 2008
Effective as of January 1, 2009, except as otherwise specified herein
APACHE CORPORATION
DEFERRED DELIVERY PLAN

Apache established this Plan effective as of February 10, 2000. Apache is now amending and restating the Plan in its entirety effective as of January 1, 2009, except as otherwise provided herein.

Apache intends for this Plan to provide a select group of management or highly compensated employees of the Company with the opportunity to defer income, and, in conjunction with the 2007 Omnibus Equity Compensation Plan, to be appropriately rewarded when Apache’s shares increase in value, to induce such employees to remain in the employ of the Company, and to reward those employees for their valuable services to the Companies.

Apache intends that the Plan not be treated as a “funded” plan for purposes of either the Code or ERISA. Apache also intends for this Plan to comply with the requirements of Code §409A, and the Plan shall be interpreted in that light.

ARTICLE I DEFINITIONS

1.01 Definitions

Defined terms used in this Plan shall have the meanings set forth below:

(a) “Account” means the memorandum account maintained for each Participant that is credited with all Participant Deferrals and any contributions by the Company. Each Participant’s Account is divided into subaccounts, as determined by the Committee, and in general each award or deferral will be allocated to its own subaccount.

(b) “Apache” means Apache Corporation or any successor thereto.

(c) “Affiliated Entity” means any legal entity that is treated as a single employer with Apache pursuant to Code §414(b), §414(c), §414(m), or §414(o).

(d) “Beneficiary” means a Participant’s beneficiary, as determined in section 5.04.

(e) “Change of Control” means a change of control as defined in the Income Continuance Plan that is also described in Code §409A(a)(2)(A)(v).


(g) “Committee” means the Stock Option Plan Committee of Apache’s Board of Directors. The Committee shall be constituted at all times so as to permit the Plan to be administered by “non-employee directors” (as defined in Rule 16b-3 of the Securities Exchange Act of 1934, as amended).

(h) “Company” means Apache and any Affiliated Entity that, with approval of the Board of Directors of Apache, has adopted the Plan.

(i) “Company Deferrals” means the allocations to a Participant’s Account made pursuant to section 3.02.

(j) “Compensation” means amounts deferrable under this Plan, as determined by the Committee. “Election Agreement” means an agreement made by an eligible employee whereby he elects the amount(s) to be withheld from his Compensation pursuant to section 3.01.

(k) “ERISA” means the Employee Retirement Income Security Act of 1974, as amended

(l) “Fair Market Value” means the per share closing price of the Stock as reported on The New York Stock Exchange, Inc. Composite Transactions Reporting System for a particular date or, if the Stock is not so listed on such date, as reported on NASDAQ or on such other exchange or electronic trading system which, on the date in question, reports the largest number of traded shares of Stock, provided, however, that if on the date Fair Market Value is to be determined there are no transactions in the Stock, Fair Market Value shall be determined as of the immediately preceding date on which there were transactions in the Stock; provided further, however, that if the foregoing provisions are not applicable, the fair market value of a share of the Stock as determined by the Committee by the
reasonable application of such reasonable valuation method, consistently applied, as the Committee deems appropriate.

(m) “Participant” means any eligible employee selected to participate in the Plan.

(n) “Participant Deferrals” means the amounts of a Participant’s Compensation that elects to defer and have allocated to his Account pursuant to section 3.01.

(o) “Plan” means the plan set forth in this document, as amended.

(p) “Plan Year” means the calendar year.

(q) “Separation from Service” has the same meaning as the term “separation from service” in Code §409A(a)(2)(A)(i), determined using the default rules in the regulations and other guidance of general applicability issued pursuant to Code §409A, except that a Separation from Service occurs only if both the Company and the Participant expect the Participant’s level of services to permanently drop by more than half. A Participant who has a Separation from Service “Separates from Service.”

(r) “Spouse” means the individual of the opposite sex to whom a Participant is lawfully married according to the laws of the state of the Participant’s domicile.

(s) “Stock” means the $0.625 par value common stock of Apache.

(t) “Stock Units” mean investment units and any related units from dividend amounts. Each Stock Unit is equivalent to one share of Stock.

(u) “Trust” means the trust or trusts, if any, created by the Company to provide funding for the distribution of benefits in accordance with the provisions of the Plan. The assets of any such Trust remain subject to the claims of the Company’s general creditors in the event of the Company’s insolvency.

(v) “Trust Agreement” means the written instrument pursuant to which each separate Trust is created.

(w) “Trustee” means one or more banks, trust companies, or insurance companies designated by the Company to hold and invest the Trust fund and to pay benefits and expenses as authorized by the Committee in accordance with the terms and provisions of the Trust Agreement.

1.02 Headings; Gender and Number

The headings contained in the Plan are for reference purposes only and shall not affect in any way the meaning or interpretation of the Plan. Except when otherwise indicated by the context, the masculine gender shall also include the feminine gender, and the definition of any term herein in the singular shall also include the plural.

ARTICLE II ELIGIBILITY AND PARTICIPATION

2.01 Eligibility and Participation

The Committee shall from time to time in its sole discretion select those employees of the Company who are eligible to participate in the Plan from among a select group of management or highly compensated employees.

2.02 Election

Participants shall complete the election procedures specified by the Committee. The election procedures may include form(s) for the Participant to designate a Beneficiary, elect Participant Deferrals by entering into an Election Agreement with the Company, select a payment option for the eventual distribution of his Account or any subaccount, and provide such other information as the Committee may reasonably require.

2.03 Failure of Eligibility

The Committee shall have the authority to determine that a Participant is no longer eligible to participate in the Plan. When a Participant becomes ineligible, all outstanding Election Agreements shall be cancelled. The determination of the Committee with respect to the termination of participation in the Plan shall be final.
and binding on all parties affected thereby. Any benefits vested hereunder at the time the Participant becomes ineligible to continue participation shall be distributed in accordance with the provisions of Article V.

ARTICLE III CONTRIBUTION DEFERRALS

3.01 Participant Deferrals

(a) **General.** A Participant may elect to defer a portion of his Compensation by filing the appropriate Election Agreement with the Committee’s designee. The Committee has complete discretion to establish procedures for the completion of Election Agreements, including the acceptable forms and formats of the deferral election. The Committee has complete discretion to establish the election periods during which Participants may make Election Agreements, within the bounds described in subsection (b). The Committee may establish different election periods for different types of Compensation, different grants of Compensation, or different groups of Participants.

(b) **Deadlines for Election Agreements.**

(i) **Election Period.** In order to make Participant Deferrals, a Participant must submit an Election Agreement during the election period established by the Committee. The election period must precede the Plan Year in which the services giving rise to the Compensation are performed, except in the following situations.

(A) **Performance-Based Compensation.** If the Compensation is “performance-based compensation based on services performed over a period of at least 12 months” (within the meaning of Code §409A(a)(4)(B)(iii)), the election period must end at least six months before the end of the performance period.

(B) **New Participant.** The election period for a new Participant must end no later than 30 days after he became eligible to participate in the Plan; the new Participant’s initial Election Agreement may only apply to Compensation for which he has not yet performed any services. However, a Participant who has a lapse in eligibility to participate in the Plan can only use this special 30-day election when he again becomes eligible to accrue benefits (other than investment earnings), (1) on the date of his new eligibility if he has received a complete payout of his benefits from his prior episode of participation, or (2) if his lapse in eligibility was at least 24 months in duration.

(C) **Unvested Deferrals.** The election period for any Compensation that is subject to the condition that the Participant continue to provide services for Apache and Affiliated Entities for at least 12 months, such as many grants of restricted stock units, must end within 30 days of the date the Compensation is awarded, provided that (1) the award does not vest for 12 months following the end of the election period, (2) no event other than the Participant’s death or disability (within the meaning of Code §409A (2)(C)), or a Change of Control can cause vesting within the 12 months following the end of the election period, and (3) if the Participant’s death or disability, or the Change of Control occurs before the first anniversary of the end of the election period, the Election Agreement shall be cancelled.

(ii) **Duration of and Cancellation of Election Agreements.** The Committee has full discretion to determine which Compensation is subject to each Election Agreement. The Election Agreement becomes irrevocable by the Participant at the end of the election period. The Committee shall determine, at the time the Election Agreement is made, the circumstances in which the Election Agreement shall be cancelled, such as upon the Participant’s disability or upon a Change of Control. An Election Agreement is not affected by a hardship withdrawal from the Non-Qualified Retirement/Savings Plan of Apache Corporation. However, if the Participant takes a hardship withdrawal from the Apache Corporation 401(k) Savings Plan, all outstanding Election Agreements that apply to Compensation that would have been paid to the Participant within six months after the hardship withdrawal (if the Election Agreements had not
been in effect) shall be cancelled and no further Participant Deferrals made pursuant to such Election Agreements.

3.02 Company Deferrals

Upon prior approval of the Committee, the Company may credit any amount to a Participant’s Account at any time.

ARTICLE IV INVESTMENT OF DEFERRALS AND ACCOUNTING; VOTING

4.01 Investments

All amounts credited to a Participant’s Account shall be invested in Stock Units, with the number of Stock Units determined using the Fair Market Value of the Stock for the date as of which the amount is credited to the Participant’s Account. Amounts equal to any cash dividends declared on the Stock shall be credited to the Participant’s Account as of the record date for such dividend. Such dividend amounts shall be invested in Stock Units, with the number of Stock Units determined using the Fair Market Value of the Stock on the dividend payment date, and such Stock Units shall vest pursuant to section 5.01. Nothing contained in this section shall be construed to require the Company or the Committee to fund any Participant’s Account.

4.02 Voting

Participants shall have no right to vote any Stock Units prior to the date on which such Stock Units are subject to distribution and shares of Stock are issued therefor.

ARTICLE V DISTRIBUTIONS

5.01 Vesting

(a) General. Each award of Compensation to a Participant shall vest in accordance with the terms of the award, which are determined by the Committee. Upon the death of a Participant, the award shall specify whether no vesting occurs, whether the next tranche or some other portion of the award vests, or whether the entire award vests.

(b) Termination for Cause. If the employment of the Participant is terminated for cause as determined by the Company, the Participant’s entire Account balance, whether vested or not, shall be forfeited immediately. For this purpose, “cause” shall mean a gross violation, as determined by the Company, of the Company’s established policies and procedures.

(c) Earnings. Stock Units attributable to dividend amounts credited to a Participant’s Account shall vest as the Stock Units on which the dividend amounts are calculated vest.

(d) Change of Control. If a change of control, within the meaning of Apache’s Income Continuance Plan or any successor plan, of Apache occurs, all unvested Stock Units credited to Participants’ Accounts shall become automatically vested, without further action by the Committee or Apache’s board of directors.

5.02 Payouts of Company Deferrals.

(a) Timing of Payout. The Committee may specify the timing of the distribution of any grant of Company Deferrals, or the Committee may allow a Participant to make a payout election for his Company Deferrals. If the Participant is given the opportunity to make a payout election, the deadline for the election is 30 days after the grant of a Company Deferral.

(b) Payout Alternatives. A Participant shall receive a lump sum distribution of the subaccount(s) containing Company Deferrals six months after he Separates from Service, unless the Committee permits him to elect five installments and he so elects, in which case the first installment will be paid six months after his Separation from Service, or as soon as convenient after that date, and subsequent installments will be paid on the anniversary of the first installment, or as near to that date as is administratively convenient. If the Participant is given the opportunity to make a payout election, the
deadline for the election is 30 days after the grant of a Company Deferral, or if later, December 31, 2008.

(c) **Death or Change of Control.** If there is a Change of Control or the Participant dies before receiving all installments, the remaining vested benefits shall be paid as specified in section 5.04 or 5.05, rather than as provided for in this section.

(d) **Small Accounts.** See section 5.03(d) for payouts of small accounts.

5.03 PAYOUTS OF PARTICIPANT DEFERRALS

(a) **Election.** Each subaccount containing Participant Deferrals shall be paid in a lump sum six months after the Participant’s Separation from Service unless the Committee, in its sole discretion, allows a Participant to elect, and the Participant does elect, to have the Participant Deferrals under an Election Agreement paid to him in one of the following manners. Any payout election that the Participant is permitted make with respect to deferrals pursuant to an Election Agreement must be made by the end of the election period for that Election Agreement. The Committee has the discretion to reduce the possible payout alternatives from the three identified below.

(i) **In-Service Withdrawal, Single Payment.** The subaccount for Participant Deferrals from an Election Agreement will be paid in a lump sum five years after the Stock Units vest, or as near to that date as administratively convenient. For example, if the Stock Units under a particular Election Agreement vest over four years, the Participant will receive four annual lump sums. If the Participant Separates from Service before receiving all lump sums with respect to an Election Agreement, (A), if a lump sum is scheduled to be paid during the six months after the Separation from Service, it will be paid as scheduled, and (B) if any lump sum is scheduled to be paid more than six months after the Separation from Service, it will instead be paid 6 months after his Separation from Service, or as soon thereafter as is administratively convenient.

(ii) **In-Service Withdrawal, Limited Installments.** This payout alternative is available only if all Stock Units relating to an Election Agreement either are vested at the time of the Election Agreement or are scheduled to vest on a single date; thus, for example, this alternative is not available for a restricted stock unit award where vesting is scheduled to occur over four years. The benefits will be paid in five annual installments, with the first installment paid five years after the Stock Units vest (or, if vested when granted, five years after the date of the grant), or as near to that date as administratively convenient. Subsequent installments are paid on the anniversary of the first installment or as near to that date as administratively convenient. The amount of each installment is equal to the number of remaining Stock Units associated the Election Agreement, divided by the number of remaining installments, rounded down to the nearest whole Stock Unit, except that the last installment is equal to the number of remaining vested Stock Units, with any fractional share paid in cash. If the Participant Separates from Service before receiving all installments with respect to an Election Agreement, (A), any installment payment scheduled to be paid during the six months after the Separation from Service will be paid as scheduled, and (B) any remaining installment(s) will instead be paid in a lump sum 6 months after his Separation from Service, or as soon thereafter as is administratively convenient.
(iii) **No In-Service Withdrawal.** The subaccount for the Participant Deferrals from each Election Agreement will be paid out in a single payment or in five annual installments. The single payment or the first installment payment will be paid six months after the Participant’s Separation from Service or as soon thereafter as is administratively convenient; subsequent installments will be paid on each anniversary of the first installment, or as near thereto as administratively convenient. Each installment will be equal to the balance in the subaccount measured as short a period of time before the installment is paid as is administratively convenient, divided by the number of remaining annual installments, rounded down to the nearest whole Stock Unit, except that the last installment shall be equal to the number of remaining Stock Units, with any fractional share paid in cash.

(b) **Existing Elections.** If a Participant made an Election Agreement before 2009 for an award that vested over more than one year, such as the restricted stock unit grants made on September 11, 2007 that vest over four years, and the Participant elected to defer such amounts for five years after vesting occurred with each amount paid in five installments, the payments scheduled to be made on or after January 1, 2009 will, in spite of the Participant’s previous election, be paid a lump sum on the fifth anniversary of date of the date such Stock Units vested, or, if later, in January of 2009. If the Participant Separates from Service before receiving all lump sums with respect to an Election Agreement, (i) if a lump sum is scheduled to be paid during the six months after the Separation from Service, it will be paid as scheduled, and (ii) if any lump sum is scheduled to be paid more than six months after the Separation from Service, it will instead be paid in January 2009 or if later six months after his Separation from Service, or as soon thereafter as is administratively convenient.

(c) **Death or Change of Control.** If there is a Change of Control or the Participant dies before receiving all vested Stock Units, the remaining vested Stock Units shall be paid as specified in section 5.04 or 5.05, rather than as originally scheduled.

(d) **Small Accounts.** If the Fair Market Value of a Participant’s vested Account six months after he Separates from Service is less than $100,000, he shall receive a lump sum payment of the vested Account balance six months after the Separation from Service or as soon thereafter as is administratively convenient.

5.04 **Distributions After Participant’s Death**

This section applies once a Participant dies.

(a) **Immediate Payment.** When a Participant dies, his remaining vested Account balance shall be paid to each beneficiary in one lump sum four months after the Participant’s death, which should give each beneficiary adequate time to decide whether to disclaim. However, no payment may be made before the Committee’s designee has been furnished with proof of death and such other information as it may reasonably require, including information needed for tax reporting purposes. Such distribution shall be paid in whole shares of Stock, with any fractional shares paid in cash.

(b) **Designating Beneficiaries.** Each Participant shall designate one or more persons, trusts, or other entities as his Beneficiary to receive any amounts distributable hereunder after the Participant’s death, by furnishing the Committee with a beneficiary designation form. In the absence of an effective Beneficiary designation as to part or all of a Participant’s interest in the Plan, such amount will be distributed to the Participant’s surviving Spouse, if any, otherwise to the Participant’s estate. Unless the Participant’s beneficiary designation form specifies otherwise, if a Beneficiary dies after the Participant but before being paid by the Plan, the Plan shall pay the Beneficiary’s estate.

(c) **Changing Beneficiaries.** A beneficiary designation may be changed by the Participant at any time and without the consent of any previously designated Beneficiary. However, if the Participant is married, his Spouse shall be his Beneficiary unless such Spouse has consented to the designation of a different Beneficiary. To be effective, the Spouse’s consent must be in writing, witnessed by a notary public, and filed with the Committee’s designee. If a Participant has designated his Spouse as a Beneficiary or as a contingent Beneficiary, and the Participant and that Spouse subsequently divorce, then the former Spouse will be treated as having pre-deceased the Participant for purposes of interpreting a beneficiary
designating form completed prior to the divorce; this sentence shall apply only if the Committee’s designee is informed of the divorce before payment to the former spouse is authorized.

(d) **Disclaimers.** Any individual or legal entity who is a Beneficiary may disclaim all or any portion of his interest in the Plan, provided that the disclaimer satisfies the requirements of applicable state law and Code §2518(b). The legal guardian of a minor or legally incompetent person may disclaim for such person. The personal representative (or the individual or legal entity acting in the capacity of the personal representative according to applicable state law) may disclaim on behalf of a Beneficiary who has died. The amount disclaimed shall be distributed as if the disclaimant had predeceased the Participant.
5.05 Change of Control

(a) Former Employees.

(i) Separated More than Six Months. Each Participant who is not a “specified employee” (defined below) and each Participant who Separated from Service more than six months before the date of a Change of Control, including those who are already receiving installment payments, will be paid a single payment of his entire remaining vested Account balance on the date of the Change of Control or as soon thereafter as is administratively practicable.

(ii) Recent Separations. Each Participant who is a specified employee and who Separated from Service less than six months before the Change of Control occurred will be paid a single payment of his entire Account balance six months after his Separation from Service, or as soon thereafter as is administratively practicable.

(iii) Specified Employee. The term “specified employee” has the same meaning as the term “specified employee” in Code §409A(a)(2)(B)(i), and is determined using the default rules in the regulations and other guidance of general applicability issued pursuant to Code §409A.

(b) Current Employees. Each Participant who is an employee on the date of a Change of Control will be paid a lump sum of his entire vested Account balance on the date of the Change of Control or as soon thereafter as is administratively practicable.

5.06 Rehires. If a Participant Separated from Service and then becomes eligible to again accrue benefits, the payment of his benefits from his first episode of participation will not be affected by his subsequent participation. He will be treated as a new Participant for making payout elections for benefits accruing during his second episode of participation, except as otherwise provided in section 3.01.

5.07 Form of Distribution. Subject to section 5.08, each payment shall be made in whole shares of Stock, with each Stock Unit being converted into one share of Stock. Any fractional Stock Units will be converted into cash based on the Fair Market Value of a share of Stock on the day preceding the day the payment is processed. Upon a change of control as defined in the Income Continuance Plan or its successor, the payment for each Stock Unit shall be one share of Stock unless the material characteristics of the Stock were affected by the Change of Control, in which case the payment for each Stock Unit shall be in the form of cash equal to the fair market value, determined as of the date of the Change of Control, of the property an Apache shareholder receives upon the change of control in exchange for one of his Shares.

5.08 Withholding

At the time of vesting or payment, as applicable, either the recipient shall pay the Plan cash sufficient to cover the required withholding or the Plan shall withhold from such payment any taxes or other amounts that are required to be withheld pursuant to any applicable law; any Stock Units withheld shall be converted into cash based on the Fair Market Value of a share of Stock (a) on the day preceding the day the payment is processed or (b) on the day the vesting occurs. The Committee may direct the Company to withhold additional amounts from any payment to repay the Participant’s debt or obligation to the Company or at the request of the Participant.

5.09 Divorce

(a) General. If a Participant has divorced his Spouse, all or a portion of his Account may be allocated to his former Spouse. The Participant may be a former or current employee of the Company.

(b) Contents of Order. The allocation will occur as soon as practicable after the Plan receives a judgment, decree, or order (collectively, an “order”) that (i) is made pursuant to a state domestic relations law or community property law, (ii) relates to the marital property rights of the former Spouse, (iii) unambiguously specifies the amount or percentage of the Participant’s Account that is to be allocated to the former Spouse, or unambiguously specifies the manner in which the amount or percentage is to be calculated, (iv) does not allocate any benefits that have already been allocated to a different former Spouse, (v) contains the name and last known mailing address of the Participant and each former Spouse, (vi) the name of the Plan, (vii) does not contain any provision that violates subsections (c),
(d), or (e), and (viii) contains the former Spouse’s Social Security number (or other similar taxpayer identification number) unless such number has been provided by the former Spouse to the Plan in a manner acceptable to the Committee.

(c) **Payout Provisions.** The vested portion of the amount allocated to the former Spouse will be paid to the former Spouse in a single payment as soon as administratively practicable after (i) the Plan has determined that the order meets the requirements of subsection (b), (ii) the Plan has communicated its interpretation of the order to the Participant and former Spouse, and given them a reasonable amount of time (such as 30 days) to object to the Plan’s interpretation, (and if there is a timely objection, the parties must submit a revised order or withdraw their objections), and (iii) the parties agree to the Plan’s interpretation of the order.

(d) **Not Fully Vested.** If the former Spouse is allocated any unvested amounts, the Plan will establish a separate account for the former Spouse. Unvested amounts are forfeited at the same time as the Participant’s unvested amounts are forfeited. If an amount allocated to the former Spouse subsequently become vested, the newly-vested amount will be paid to the former Spouse in a single payment as soon as administratively practicable following the additional vesting. If the former Spouse dies before award is fully vested, the unvested amounts shall be returned to the Participant’s Account.

(e) **Source of Funds.** The order may specify which subaccounts the former Spouse’s benefits shall be taken from; if the order is silent on this matter, the amount awarded to the former Spouse shall be taken from the Participant’s subaccounts in the order determined by the Committee and shall be taken on a pro rata basis from the vested portion of the Account and the unvested portion.

5.10 Administrative Delays in Payments

The Committee may delay any payment from this Plan for as short a period as is administratively necessary. For example, a delay may be imposed upon all payments when there is a change of recordkeeper or trustee, and a delay may be imposed on payments to any recipient until the recipient has provided (a) the information needed to determine the appropriate tax withholding and tax reporting and (b) any other information reasonably requested by the Committee.

5.11 Noncompliance with Code §409A

To the extent that the Company or the Committee takes any action that causes a violation of Code §409A or fails to take any reasonable action required to comply with Code §409A, Apache shall pay an additional amount (the “gross-up”) to the individual(s) who are subject to the penalty tax under Code §409A(a)(1); the gross-up will be sufficient to put the individual in the same after-tax position he would have been in had there been no violation of Code §409A. The Company shall not pay a gross-up if the cause of the violation of Code §409A is the due to the recipient’s action or due to the recipient’s failure to take reasonable actions (such as failing to timely provide the information required for tax withholding or failing to timely provide other information reasonably requested by the Committee — with the result that the delay in payment violates Code §409A). Any gross-up will be paid as soon as administratively convenient after the Committee determines the gross-up is owed, and no later than the end of the calendar year immediately following the calendar year in which the additional taxes are remitted. However, if the gross-up is due to a tax audit or litigation addressing the existence or amount of a tax liability, the gross-up will be paid as soon as administratively convenient after the litigation or audit is completed, and no later than the end of the calendar year following the calendar year in which the audit is completed or there is a final and non-appealable settlement or other resolution of the litigation.

ARTICLE VI ADMINISTRATION

6.01 Committee to Administer and Interpret Plan

The Plan shall be administered by the Committee. The Committee shall have all discretion and powers necessary for administering the Plan, including, but not by way of limitation, full discretion and power to interpret the Plan, to determine the eligibility, status and rights of all persons under the Plan and, in general, to decide any dispute. The Committee shall direct the Company, the Trustee, or both, as the case may be,
concerning distributions in accordance with the provisions of the Plan. The Committee’s designee shall maintain all Plan records except records of any Trust. The Committee may delegate any of its administrative duties to a designee.

6.02 Organization of Committee

The Committee shall adopt such rules as it deems desirable for the conduct of its affairs and for the administration of the Plan. The Committee may appoint a designee and/or agent (who need not be a member of the Committee or an employee of the Company) to assist the Committee in administration of the Plan and to whom it may delegate such powers as the Committee deems appropriate, except that the Committee shall determine any dispute. The Committee may make its determinations with or without meetings. The Committee may authorize one or more of its members, designees or agents to sign instructions, notices and determinations on its behalf. The action of a majority of the Committee’s members shall constitute the action of the Committee.

6.03 Agent for Process

Apache’s General Counsel and Apache’s Corporate Secretary shall each be an agent of the Plan for service of all process.

6.04 Determination of Committee Final

The decisions made by the Committee shall be final and conclusive on all persons.

ARTICLE VII TRUST

7.01 Trust Agreement

The Company may, but shall not be required to, adopt a separate Trust Agreement for the holding and administration of the funds contributed to Accounts under the Plan. The Trustee shall maintain and allocate assets to a separate account for each Participant under the Plan. The assets of any such Trust shall remain subject to the claims of the Company’s general creditors in the event of the Company’s insolvency.

7.02 Expenses of Trust

The parties expect that any Trust created pursuant to section 7.01 will be treated as a “grantor” trust for federal and state income tax purposes and that, as a consequence, such Trust will not be subject to income tax with respect to its income. However, if the Trust is separately taxable, the Trustee shall pay all such taxes out of the Trust. All expenses of administering any such Trust shall be a charge against and shall be paid from the assets of such Trust.

ARTICLE VIII AMENDMENT AND TERMINATION

8.01 Amendment

The Plan may be amended at any time and from time to time, retroactively or otherwise; however, no amendment shall reduce any vested benefit that has accrued on the effective date of such amendment. Each Plan amendment shall be in writing and shall be approved by the Committee and/or Apache’s Board of Directors. An officer of Apache to whom the Committee and/or Apache’s Board of Directors has delegated the authority to execute Plan amendments shall execute each such amendment or the Plan document restated to include all such Plan amendment(s).

The Committee shall have the authority to adopt such modifications, procedures and subplans as may be necessary or desirable to comply with the provisions of the laws (including, but not limited to, tax laws and regulations) of countries other than the United States in which the Company may operate, so as to assure the viability of the benefits of the Plan to Participants employed in such countries. In only certain limited circumstances, as described in the Treasury Regulations and other guidance of general applicability issued pursuant to Code §409A, may the termination of a plan affect the timing of the payment of Plan benefits.
8.02 Successors and Assigns; Termination of Plan

The Plan is binding upon Apache and its successors and assigns. The Plan shall continue in effect from year to year unless and until terminated by Apache’s Board of Directors. Any such termination shall operate only prospectively and shall not reduce any vested benefit that has accrued on the effective date of such termination.

ARTICLE IX STOCK SUBJECT TO THE PLAN

9.01 Number of Shares

Subject to Section 4.01 and to adjustment pursuant to Section 9.03 hereof, 350,000 shares of Stock (adjusted to 735,000 shares for (i) the Company’s five-percent stock dividend, record date March 12, 2003, paid April 2, 2003, and (ii) the Company’s two-for-one stock split, record date December 31, 2003, distributed January 14, 2004) are authorized for issuance under the Plan in accordance with the provisions of the Plan and subject to such restrictions or other provisions as the Committee may from time to time deem necessary. This authorization may be increased from time to time by approval of the Board and the stockholders of Apache if, in the opinion of counsel for the Company, such stockholder approval is required. Shares of Stock distributed under the terms of the Plan and shares of Stock equal to the number of Stock Units credited to Participants’ Accounts maintained under the Plan shall be applied to reduce the maximum number of shares of Stock remaining available for use under the Plan. However, shares of Stock represented by any Stock Units related to the deferral of income from any plan for which shares of Stock have been authorized for issuance, such as the 2007 Omnibus Equity Compensation Plan, shall retain their authorization under such plan, and shall not be applied to reduce the number of shares of Stock remaining available for use under the Plan. Apache, at all times during the existence of the Plan and while any Stock Units are credited to Participants’ Accounts maintained under the Plan, shall retain as Stock in Apache’s treasury at least the number of shares from time to time required under the provisions of the Plan, or otherwise assure itself of its ability to perform its obligations hereunder.

9.02 Other Shares of Stock

The shares of Stock represented by any Stock Units from dividend amounts that are forfeited, and any shares of Stock that for any other reason are not issued to a Participant or are forfeited, shall again become available for use under the Plan.

9.03 Adjustments for Stock Split, Stock Dividend, Etc.

If Apache shall at any time increase or decrease the number of its outstanding shares of Stock or change in any way the rights and privileges of such shares by means of the payment of a Stock dividend or any other distribution upon such shares payable in Stock, or through a Stock split, subdivision, consolidation, combination, reclassification or recapitalization involving the Stock, then in relation to the Stock that is affected by one or more of the above events, the numbers, rights and privileges of the following shall be increased, decreased or changed in like manner as if they had been issued and outstanding, fully paid and nonassessable at the time of such occurrence: (a) the shares of Stock remaining available for use under the Plan; and (b) the shares of Stock then represented by Stock Units credited to Participants’ Accounts maintained under the Plan.

9.04 Dividend Payable in Stock of Another Corporation, Etc.

If Apache shall at any time pay or make any dividend or other distribution upon the Stock payable in securities or other property (except cash or Stock), a proportionate part of such securities or other property shall be set aside for Stock Units credited to Participants’ Accounts maintained under the Plan and delivered to any Participant upon distribution pursuant to the terms of the Plan. Prior to the time that any such securities or other property are delivered to a Participant in accordance with the foregoing, Apache shall be the owner of such securities or other property and shall have the right to vote the securities, receive any dividends payable on such securities, and in all other respects shall be treated as the owner. If securities or other property which have been set aside by Apache in accordance with this Section are not delivered to a Participant because all or part of his Stock Units are forfeited pursuant to the terms of the Plan, then the
ARTICLE X REORGANIZATION OR LIQUIDATION

In the event that Apache is merged or consolidated with another corporation and Apache is not the surviving corporation, or if all or substantially all of the assets or more than 20 percent of the outstanding voting stock of Apache is acquired by any other corporation, business entity or person, or in case of a reorganization (other than a reorganization under the United States Bankruptcy Code) or liquidation of the Company, and if the provisions of Section 9.07 hereof do not apply, the Committee, or the board of directors of any corporation assuming the obligations of the Company, shall, as to the Plan and any Stock Units credited to Participants’ Accounts maintained under the Plan, either (i) make appropriate provision for the adoption and continuation of the Plan by the Committee and shall be effective for all purposes of the Plan.

9.05 Other Changes in Stock

In the event there shall be any change, other than as specified in Sections 9.03 and 9.04 hereof, in the number or kind of outstanding shares of Stock or of any stock or other securities into which the Stock shall be changed or for which it shall have been exchanged, and if the Committee shall in its discretion determine that such change equitably requires an adjustment in the number or kind of shares (a) remaining available for use under the Plan and/or (b) represented by Stock Units credited to Participants’ Accounts maintained under the Plan, then such adjustments shall be made by the Committee and shall be effective for all purposes of the Plan.

9.06 Rights to Subscribe

If Apache shall at any time grant to the holders of its Stock rights to subscribe pro rata for additional shares thereof or for any other securities of Apache or of any other corporation, there shall be reserved with respect to the Stock Units credited to Participants’ Accounts maintained under the Plan the Stock or other securities which the Participant would have been entitled to subscribe for if immediately prior to such grant the shares of Stock represented by such Stock Units had been issued and outstanding. If, at the time of distribution under the terms of the Plan, the Participant subscribes for the additional shares or other securities, the price that is payable by the Participant for such additional shares or other securities shall be withheld from such distribution pursuant to Section 5.08 hereof.

9.07 General Adjustment Rules

No adjustment or substitution provided for in this Article IX shall require Apache to sell or otherwise issue a fractional share of Stock. All benefits payable under the Plan shall be distributed in whole shares of Stock, with any fractional shares paid in cash.

9.08 Determination by the Committee, Etc.

Adjustments under this Article IX shall be made by the Committee, whose determinations with regard thereto shall be final and binding upon all parties thereto.

ARTICLE X REORGANIZATION OR LIQUIDATION

In the event that Apache is merged or consolidated with another corporation and Apache is not the surviving corporation, or if all or substantially all of the assets or more than 20 percent of the outstanding voting stock of Apache is acquired by any other corporation, business entity or person, or in case of a reorganization (other than a reorganization under the United States Bankruptcy Code) or liquidation of the Company, and if the provisions of Section 9.07 hereof do not apply, the Committee, or the board of directors of any corporation assuming the obligations of the Company, shall, as to the Plan and any Stock Units credited to Participants’ Accounts maintained under the Plan, either (i) make appropriate provision for the adoption and continuation of the Plan by the acquiring or successor corporation and for the protection of any Stock Units credited to Participants’ Accounts maintained under the Plan by the substitution on a equitable basis of appropriate stock of Apache or of the merged, consolidated or otherwise reorganized corporation which will be issuable with respect to the Stock, provided that no additional benefits shall be conferred upon the Participants with respect to such Stock Units as a result of such substitution or (ii) to the extent permitted by the distribution rules under Code §409A, upon written notice to the Participants, provide that all distributions from the Plan shall be made within a specified number of days of the date of such notice. In the latter event, the Committee shall accelerate the vesting of all unvested Stock Units credited to Participants’ Accounts so that all such Stock Units become fully vested and, to the extent permitted by the distribution rules under Code §409A, all Stock Units are payable prior to or upon any such event.

ARTICLE XI MISCELLANEOUS

11.01 Funding of Benefits — No Fiduciary Relationship

Benefits shall be paid either out of the Trust or, if no Trust is in existence or if the assets in the Trust are insufficient to provide fully for such benefits, then such benefits shall be distributed by the Company out of
its general assets. Nothing contained in the Plan shall be deemed to create any fiduciary relationship between the Company and the Participants. Notwithstanding anything herein to the contrary, to the extent that any person acquires a right to receive benefits under the Plan, such right shall be no greater than the right of any unsecured general creditor of the Company, except to the extent provided in the Trust Agreement, if any.

11.02 Right to Terminate Employment

The Company may terminate the employment of any Participant as freely and with the same effect as if the Plan were not in existence.

11.03 Inalienability of Benefits

Except for disclaimers under section 5.04(d), payments to a former Spouse pursuant to section 5.09, and amounts paid to the Company under section 5.08, no Participant or Beneficiary has the right to assign, alienate, pledge, transfer, hypothecate, encumber, or anticipate his interest in any benefits under the Plan, nor are the benefits subject to garnishment by any creditor, nor may the benefits under the Plan be levied upon or attached. The preceding sentence does not apply to the enforcement of a federal tax levy made pursuant to Code §6331, the collection by the United States on a judgment resulting from an unpaid tax assessment, or any debt or obligation that is permitted to be collected from the Plan under federal law (such as the Federal Debt Collection Procedures Act of 1977).

11.04 Claims Procedure

(a) General. Each claim for benefits shall be processed in accordance with the procedures that may be established by the Committee. The procedures shall comply with the guidelines specified in this section. The Committee may delegate its duties under this section.

(b) Representatives. A claimant may appoint a representative to act on his behalf. The Plan shall only recognize a representative if the Plan has received a written authorization signed by the claimant and on a form prescribed by the Committee, with the following exceptions. The Plan shall recognize a claimant’s legal representative, once the Plan is provided with documentation of such representation. If the claimant is a minor child, the Plan shall recognize the claimant’s parent or guardian as the claimant’s representative. Once an authorized representative is appointed, the Plan shall direct all information and notification regarding the claim to the authorized representative and the claimant shall be copied on all notifications regarding decisions, unless the claimant provides specific written direction otherwise.

(c) Extension of Deadlines. The claimant may agree to an extension of any deadline that is mentioned in this section that applies to the Plan. The Committee or the relevant decision-maker may agree to an extension of any deadline that is mentioned in this section that applies to the claimant.

(d) Fees. The Plan may not charge any fees to a claimant for utilizing the claims process described in this section.

(e) Filing a Claim. A claim is made when the claimant files a claim in accordance with the procedures specified by the Committee. Any communication regarding benefits that is not made in accordance with the Plan’s procedures will not be treated as a claim.

(f) Initial Claims Decision. The Plan shall decide a claim within a reasonable time up to 90 days after receiving the claim. The Plan shall have a 90-day extension, but only if the Plan is unable to decide within 90 days for reasons beyond its control, the Plan notifies the claimant of the special circumstances requiring the need for the extension by the 90th day after receiving the claim, and the Plan notifies the claimant of the date by which the Plan expects to make a decision.

(g) Notification of Initial Decision. The Plan shall provide the claimant with written notification of the Plan’s full or partial denial of a claim, reduction of a previously approved benefit, or termination of a benefit. The notification shall include a statement of the reason(s) for the decision; references to the plan provision(s) on which the decision was based; a description of any additional material or information necessary to perfect the claim and why such information is needed; a description of the procedures and deadlines for appeal; a description of the right to obtain information about the appeal procedures; and a statement of the claimant’s right to sue.
(h) **Appeal.** The claimant may appeal any adverse or partially adverse decision. To appeal, the claimant must follow the procedures specified by the Committee. The appeal must be filed within 60 days of the date the claimant received notice of the initial decision. If the appeal is not timely and properly filed, the initial decision shall be the final decision of the Plan. The claimant may submit documents, written comments, and other information in support of the appeal. The claimant shall be given reasonable access at no charge to, and copies of, all documents, records, and other relevant information.

(i) **Appellate Decision.** The Plan shall decide the appeal of a claim within a reasonable time of no more than 60 days from the date the Plan receives the claimant’s appeal. The 60-day deadline shall be extended by an additional 60 days, but only if the Committee determines that special circumstances require an extension, the Plan notifies the claimant of the special circumstances requiring the need for the extension by the 60th day after receiving the appeal, and the Plan notifies the claimant of the date by which the Plan expects to make a decision. If an appeal is missing any information from the claimant that is needed to decide the appeal, the Plan shall notify the claimant of the missing information and grant the claimant a reasonable period to provide the missing information. If the missing information is not timely provided, the Plan shall deny the claim. If the missing information is timely provided, the 60-day deadline (or 120-day deadline with the extension) for the Plan to make its decision shall be increased by the length of time between the date the Plan requested the missing information and the date the Plan received it.

(j) **Notification of Decision.** The Plan shall provide the claimant with written notification of the Plan’s appellate decision (positive or adverse). The notification of any adverse or partially adverse decision shall include a statement of the reason(s) for the decision; reference to the plan provision(s) on which the decision was based; a description of the procedures and deadlines for a second appeal, if any; a description of the right to obtain information about the second-appeal procedures; a statement of the claimant’s right to sue; and a statement that the claimant is entitled to receive, free of charge and upon request, reasonable access to and copies of all documents, records, and other information relevant to the claim.

(k) **Limitations on Bringing Actions in Court.** Once an appellate decision that is adverse or partially adverse to the claimant has been made, the claimant may file suit in court only if he does so by the earlier of the following dates: (i) the one-year anniversary of the date of an appellate decision made on or before a Change of Control or the three-year anniversary of the date of an appellate decision made after a Change of Control, or (ii) the date on which the statute of limitations for such claim expires.

11.05 **Disposition of Unclaimed Distributions**

It is the affirmative duty of each Participant to inform the Plan of, and to keep on file with the Plan, his current mailing address and the mailing address of his Spouse and any Beneficiaries. If a Participant fails to inform the Plan of these current mailing addresses, neither the Plan nor the Company is responsible for any late payment of benefits or loss of benefits. The Plan, the Committee, and the Company have no duty to search for a missing individual until the date of a Change of Control, at which point the Company has the duty to undertake reasonable measures to search for the proper recipient of any payment under the Plan that is scheduled to be paid on or after the date of the Change of Control. If the missing individual is not found within a year after a payment should have been made to him, all his benefits will be forfeited. If the missing individual later is found, the exact number of Stock Units forfeited will be restored to the Account as soon as administratively convenient, without any adjustment for dividends paid in the interim.

11.06 **Distributions due Infants or Incompetents**

If any person entitled to a distribution under the Plan is an infant, or if the Committee determines that any such person is incompetent by reason of physical or mental disability, whether or not legally adjudicated an incompetent, the Committee shall have the power to cause the distributions becoming due to such person to be made to another for his benefit, without responsibility of the Committee to see to the application of such distributions. Distributions made pursuant to such power shall operate as a complete discharge of the Company, the Trustee, if any, and the Committee.
11.07 **Addresses**

Any notice, form, or election required or permitted to be given under the Plan shall be in writing and shall be given by first class mail, by Federal Express, UPS, or other carrier, by fax or other electronic means, or by personal delivery to the appropriate party, addressed:

(a) If to the Company, to Apache Corporation at its principal place of business at 2000 Post Oak Boulevard, Suite 100, Houston, Texas 77056-4400 (Attention: Corporate Secretary) or at such other address as may have been furnished in writing by the Company to a Participant; or

(b) If to a Participant, at the address the Participant has furnished to the Company in writing.

(c) If to a Beneficiary or former Spouse, at the address the Participant has furnished to the Company in writing, or at the address the Beneficiary or former Spouse subsequently provided in writing.

11.08 **Statutory References**

Any reference to a specific section of the Code or other statute shall be deemed to refer to the cited section or to the appropriate successor section.

11.09 **Governing Law**

The Plan and all Election Agreements shall be construed in accordance with the Code, ERISA (if applicable), and, to the extent applicable, the laws of the State of Texas excluding any conflicts-of-law provisions.

Executed November 19, 2008, effective as of January 1, 2009, except as otherwise specified herein.

**ATTEST:**

/s/ Cheri L. Peper
Cheri L. Peper
Corporate Secretary

/s/ Margery M. Harris
Margery M. Harris
Vice President, Human Resources
1.1 Establishment.
Apache Corporation, a Delaware corporation (hereinafter referred to, together with its Affiliated Corporations (as defined below) as the “Company” except where the context otherwise requires), established the Apache Corporation Executive Restricted Stock Plan (formerly known as the Pilot Executive Restricted Plan), effective as of May 2, 2002 (the “Plan”).

1.2 Purposes.
The primary purpose of the Plan is to focus the energies of the Company’s executive and regional officers on significantly increasing shareholder wealth by increasing such officers’ ownership of the Company’s equity. Additional purposes of the Plan include the retention of existing key employees and as an additional inducement in the recruitment of talented personnel in a competitive environment.

2.1 Definitions.
(a) “Affiliated Corporation” means any corporation or other entity (including but not limited to a partnership) that is affiliated with Apache Corporation through stock ownership or otherwise and is treated as a common employer under the provisions of Sections 414(b) and (c) or any successor section(s) of the Internal Revenue Code.

(b) “Board” means the Board of Directors of the Company.

(c) “Committee” means the Stock Option Plan Committee of the Board or such other committee of the Board that is empowered hereunder to administer the Plan. The Committee shall be constituted at all times so as to permit the Plan to be administered by “non-employee directors” (as defined in Rule 16b-3 of the Securities Exchange Act of 1934, as amended).

(d) “Deferred Delivery Plan” means the Company’s Deferred Delivery Plan, as it has been or may be amended from time to time, or any successor plan.

(e) “Eligible Employees” means executive and regional officers of the Company.

(f) “Fair Market Value” means the per share closing price of the Stock as reported on The New York Stock Exchange, Inc. Composite Transactions Reporting System for a particular date or, if the Stock is not so listed on such date, as reported on NASDAQ or on such other exchange or electronic trading system which, on the date in question, reports the largest number of traded shares of Stock, provided, however, that if on the date Fair Market Value is to be determined there are no transactions in the Stock, Fair Market Value shall be determined as of the immediately preceding date on which
Section 3 Plan Administration

The Plan shall be administered by the Committee. In accordance with the provisions of the Plan, the Committee shall, in its sole discretion, adopt rules and regulations for carrying out the purposes of the Plan, including, without limitation, selecting the Participants from among the Eligible Employees, appointing designees or agents (who need not be members of the Committee or employees of the Company) to assist the Committee with the administration of the Plan, and establishing such other terms and requirements as the Committee may deem necessary or desirable and consistent with the terms of the Plan. The Committee may correct any defect, supply any omission, or reconcile any inconsistency in the Plan or in any Grant Agreement entered into hereunder, in the manner and to the extent it shall deem expedient and the Committee shall be the sole and final judge of such expediency. No member of the Committee shall be liable for any action or determination made in good faith. The determinations, interpretations, and other actions of the Committee pursuant to the provisions of the Plan shall be binding and conclusive for all purposes and on all persons.

2.2 Headings; Gender and Number.

The headings contained in the Plan are for reference purposes only and shall not affect in any way the meaning or interpretation of the Plan. Except when otherwise indicated by the context, the masculine gender shall also include the feminine gender, and the definition of any term herein in the singular shall also include the plural.
Section 4 Stock Subject to the Plan

4.1 Number of Shares.
Subject to Sections 4.3 and 6.1 hereof, up to 450,000 shares of Stock (adjusted to 945,000 shares for (i) the Company’s five-percent stock dividend, record date March 12, 2003, paid April 2, 2003, and (ii) the Company’s two-for-one stock split, record date December 31, 2003, distributed January 14, 2004) are authorized for issuance under the Plan upon conversion of any Plan Units in accordance with the Plan’s terms and subject to such restrictions or other provisions as the Committee may from time to time deem necessary. Shares of Stock issued pursuant to the conversion of any Plan Units or related Stock Units awarded hereunder shall be applied to reduce the maximum number of shares of Stock remaining available for use under the Plan. The Company shall at all times during the term of the Plan and while any Plan Units or related Stock Units are outstanding retain as authorized and unissued Stock and/or Stock in the Company’s treasury, at least the number of shares from time to time required under the provisions of the Plan, or otherwise assure itself of its ability to perform its obligations hereunder.

4.2 Other Shares of Stock.
Any shares of Stock that are subject to issuance upon conversion of a Plan Unit or related Deferred Restricted Unit that expires, is forfeited, is cancelled, or for any reason is terminated, and any shares of Stock that for any other reason are not issued to a Participant or are forfeited shall automatically become available for use under the Plan.

4.3 Certain Adjustments.
If the Company shall at any time increase or decrease the number of its outstanding shares of Stock (other than by way of issuing Stock in a public or private offering for cash or property) or change in any way the rights and privileges of such shares by means of a dividend or any other distribution upon such shares payable in Stock, or through a split, subdivision, consolidation, combination, reclassification, or recapitalization involving the Stock or a subscription for shares of Stock that has the effect of diluting the Company’s capital (hereinafter a “capital restructuring”), then for purposes of determining the entitlement to payments under Section 6, the number of shares of Stock authorized for issuance under this Section 4 shall be equitably and proportionally adjusted to take into account any capital restructuring. Any adjustment under this Section shall be made by the Committee, whose determination with regard thereto, including whether any adjustment is needed, shall be final and binding upon all parties.

Section 5 Reorganization or Liquidation

In the event that the Company is merged or consolidated with another corporation and the Company is not the surviving corporation, or if all or substantially all of the assets or more than 20 percent of the outstanding voting stock of the Company is acquired by any other corporation, business entity or person, or in case of a reorganization (other than a reorganization under the United States Bankruptcy Code) or liquidation of the Company, and if the provisions of Section 7 hereof do not apply, the Committee, or the board of directors of any corporation assuming the obligations of the Company, shall, as to the Plan and outstanding Plan Units either (i) make appropriate provision for the adoption and continuation of the Plan by the acquiring or successor...
corporation and for the protection of any holders of such outstanding Plan Units by the substitution on an equitable basis of appropriate stock of the Company or of the merged, consolidated, or otherwise reorganized corporation that will be issuable with respect to the Stock, provided that no additional benefits shall be conferred upon the Participants holding such Plan Units as a result of such substitution, or (ii) provide that all Plan Units shall become immediately vested and convertible into shares of Stock.

Section 6 Grant of Plan Units

6.1 Grants.

From time to time each Participant may be awarded one or more grants (each, a “Grant”) of Plan Units under this Plan by the Committee. Each Grant shall be composed of a number of Plan Units as may be determined by the Committee in its sole discretion. Each Grant awarded by the Committee shall be evidenced by a written agreement entered into by the Company and the Participant to whom the Grant is awarded (the “Grant Agreement”), which shall contain the terms and conditions set out in this Section 6 (which may be modified in any manner as the Committee shall determine in its sole discretion), as well as such other terms and conditions as the Committee may consider appropriate.

6.2 Grant Agreements.

Each Grant Agreement entered into by the Company and each Participant shall contain at least the following terms and conditions. In the event of any inconsistency between the provisions of the Plan and any Grant Agreement, the provisions of the Plan shall govern.

6.2.1 Grant Terms, 2005. Each Grant Agreement made during 2005 — even those made before December 14, 2005 (the date this Plan was retroactively amended) — shall evidence the Grant of Plan Units and conditionally entitle the Participant to receive the indicated Plan Units which shall vest, subject to Section 6.2.3 below, based on the following schedule:

<table>
<thead>
<tr>
<th>Date</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 1, 2006</td>
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<tr>
<td>May 4, 2007</td>
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<tr>
<td>May 4, 2008</td>
<td>25%</td>
</tr>
<tr>
<td>May 4, 2009</td>
<td>25%</td>
</tr>
</tbody>
</table>

6.2.2 Grant Terms, 2006 and After. Each Grant Agreement made after December 31, 2005 shall evidence the Grant of Plan Units and conditionally entitle the Participant to receive the indicated Plan Units which shall vest, subject to Section 6.2.3 below, based on the following schedule:

<table>
<thead>
<tr>
<th>Event</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>The first day of the month immediately following the month that includes the deadline for making a deferral election of such Plan Units to the Deferred Delivery Plan</td>
<td>25%</td>
</tr>
<tr>
<td>The second anniversary of the Grant Date</td>
<td>25%</td>
</tr>
</tbody>
</table>
6.2.3 Deferral of Vested Units. A Participant may make an election during the month in which the Grant is made to defer all or a portion of the Grant to the Deferred Delivery Plan, subject to the rules and procedures described in the Deferred Delivery Plan. If a Participant elects such a deferral, on the date the deferred Plan Units vest, the Participant’s Account in the Deferred Delivery Plan shall be credited with Stock Units that are equal in value to the deferred Plan Units that vested less any taxes imposed and withheld when vesting occurred. At the time the Participant makes the deferral election, he or she shall also make a payout election with respect to the deferred Plan Units, from among the choices provided in the Deferred Delivery Plan; the payout election shall be made pursuant to the procedures and rules specified in the Deferred Delivery Plan and by the deadline prescribed therein. Plan Units that are not deferred into the Deferred Delivery Plan shall be converted into Stock, and the Participant shall be issued the requisite number of shares, as soon as administratively convenient after the deferral election period ends, and in no event later than 60 days after vesting occurs.

6.3 Termination of Employment, Death, Disability, etc.

Except as set forth below, each Grant Agreement shall state that each Grant, the Plan Units received thereunder and the right to receive any shares of Stock or Stock Units, thereunder upon vesting of the Plan Units shall be subject to the condition that the Participant has remained an Eligible Employee from the initial award of a Grant until the applicable vesting date as follows:

(a) If the employment of the Participant is terminated by the Company for cause, all Plan Units, vested and unvested, shall thereafter be void and forfeited for all purposes.

(b) If the Participant voluntarily leaves the employment of the Company, or if the employment of the Participant is terminated by the Company other than for cause, the Participant shall be entitled to receive the shares of Stock issuable in accordance with Section 5 or 6.2.3. Such Participant shall not be entitled to any shares of Stock issuable on account of Plan Units that were not vested prior to the effective date of such Participant’s leaving the employment of the Company. If the Participant dies before receiving all of the Stock to which he or she is entitled under this Section 6.3(b), such Stock shall be issued to those entitled under the Participant’s will or by the laws of descent and distribution.

(c) If the Participant becomes disabled (as determined pursuant to the Company’s Long-Term Disability Plan or any successor plan), while still employed by the Company, the Participant shall be entitled to receive the shares of Stock issuable on account of vested Plan Units in accordance with Section 5 or 6.2.3. Such Participant shall not be entitled to any shares of Stock issuable on account of Plan Units that were not vested prior to the date such Participant’s became disabled. If the Participant dies before receiving all of the Stock to which he or she is entitled under this Section 6.3(c), such...
Stock shall be issued to those entitled under the Participant’s will or by the laws of descent and distribution.

(d) If a Participant dies while still employed by the Company, all unvested Plan Units shall automatically vest and convert into the right to receive Stock, without conversion into Stock Units and deferral into the Deferred Delivery Plan, and the shares of Stock issuable for vested Plan Units (including those vested pursuant to this Section 6.3(d)) will be issued in accordance with Section 5 or 6.2.3 and shall be made to those entitled under the Participant’s will or by the laws of descent and distribution.

6.4 Tax Withholding.
Each Grant Agreement shall provide that, when the benefits under this Plan become subject to tax, either (a) the Participant shall make appropriate arrangements with the Company to provide for the tax withholding required under foreign, federal, state, local, and any other applicable tax laws, or (b) the Company shall withhold a sufficient number of shares of Stock to satisfy such tax withholding.

6.5 Stockholder Privileges.
No Participant shall have any rights as a stockholder with respect to any shares of Stock into which a Plan Unit is convertible until the Participant becomes the holder of record of such Stock.

Section 7 Change of Control

7.1 In General.
In the event of a change of control of the Company, as defined in Section 7.3 hereof, all unvested Plan Units shall automatically vest. The newly vested Plan Units shall be converted to Stock and the Participant shall be issued the requisite number of shares, after any withholding under Section 6.4, as soon as administratively practicable after the change of control occurs, regardless of whether the Participant had elected to defer such Plan Units to the Deferred Delivery Plan pursuant to Section 6.2.3.

7.2 Limitation on Payments.
If the provisions of this Section 7 would result in the receipt by any Participant of a payment within the meaning of Section 280G or any successor section(s) of the Internal Revenue Code, and the regulations promulgated thereunder, and if the receipt of such payment by any Participant would, in the opinion of independent tax counsel of recognized standing selected by the Company, result in the payment by such Participant of any excise tax provided for in Sections 280G and 4999 or any successor section(s) of the Internal Revenue Code, then the amount of such payment shall be reduced to the extent required, in the opinion of independent tax counsel, to prevent the imposition of such excise tax; provided, however, that the Committee, in its sole discretion, may authorize the payment of all or any portion of the amount of such reduction to the Participant.
7.3 **Definition.**

For purposes of the Plan, a “change of control” shall mean any event specified in the Company’s Income Continuance Plan or any successor plan that constitutes a change of control within the meaning of such plan.

**Section 8 Rights of Employees, Participants**

8.1 **Employment.**

Neither anything contained in the Plan or any Grant Agreement nor the granting of any Plan Units under the Plan shall confer upon any Participant any right with respect to the continuation of his or her employment by the Company or any Affiliated Corporation, or interfere in any way with the right of the Company or any Affiliated Corporation, at any time to terminate such employment or to increase or decrease the level of the Participant’s compensation from the level in existence at the time of the award of Plan Units.

8.2 **Non-Transferability.**

No right or interest of any Participant in a Plan Unit granted pursuant to the Plan shall be assignable or transferable during the lifetime of the Participant, either voluntarily or involuntarily, or subjected to any lien, directly or indirectly, by operation of law, or otherwise, including execution, levy, garnishment, attachment, pledge or bankruptcy. In the event of a Participant’s death, a Participant’s rights and interests in any Plan Unit shall, to the extent provided in Section 6.3 hereof, be transferable by testamentary will or the laws of descent and distribution, and payment of any entitlements due under the Plan shall be made to the Participant’s legal representatives, heirs, or legatees. If, in the opinion of the Committee, a person entitled to payments or to exercise rights with respect to the Plan is disabled from caring for his or her affairs because of mental condition, physical condition or age, payment due such person may be made to, and such rights shall be exercised by, such person’s guardian, conservator or other legal personal representative upon furnishing the Committee with evidence satisfactory to the Committee of such status.

**Section 9 Other Employee Benefits**

The amount of any income deemed to be received by a Participant as a result of the payment upon conversion of a Plan Unit shall not constitute “earnings” or “compensation” with respect to which any other employee benefits of such Participant are determined, including without limitation benefits under any pension, profit sharing, life insurance or salary continuation plan.

**Section 10 Plan Amendment, Modification and Termination**

The Committee or the Board may at any time terminate and, from time to time, may amend or modify the Plan. No amendment, modification or termination of the Plan shall in any manner adversely affect any Plan Unit theretofore awarded under the Plan, without the consent of the Participant holding such Plan Unit. The Committee shall have the authority to adopt such modifications, procedures and subplans as may be necessary or desirable to comply with the provisions of the laws (including, but not limited to, tax laws and regulations) of countries other than the United States in which the
Company may operate, so as to assure the viability of the benefits of the Plan to Participants employed in such countries.

Section 11 Requirements of Law

11.1 Requirements of Law.

The issuance of shares of Stock pursuant to the Plan shall be subject to all applicable laws, rules and regulations, including applicable federal and state securities laws. The Company may require a Participant, as a condition of receiving payment upon conversion of a Plan Unit, to give written assurances in substance and form satisfactory to the Company and its counsel to such effect as the Company deems necessary or appropriate in order to comply with federal and applicable state securities laws.

11.2 Section 16 Requirements.

If a Participant is an officer or director of the Company within the meaning of Section 16, Grants awarded hereunder shall be subject to all conditions required under Rule 16b-3, or any successor rule(s) promulgated under the Securities Exchange Act of 1934, as amended, to qualify the Plan Units for any exemption from the provisions of Section 16 available under such Rule. Such conditions are hereby incorporated herein by reference and shall be set forth in the agreement with the Participant that describes the Grant.

11.3 Governing Law.

The Plan and all Grant Agreements hereunder shall be construed in accordance with and governed by the laws of the State of Texas.

Section 12 Duration of the Plan

The Plan shall terminate effective as of May 2, 2007, and no Plan Units shall be awarded on or after such termination date. Plan Units that remain outstanding at the time of the Plan termination shall continue to vest, be converted into Stock, or deferred into the Deferred Delivery Plan in accordance with the Grant Agreement pertaining to such Plan Units and in accordance with the terms of the Deferred Delivery Plan.

Dated: November 19, 2008

ATTEST:

/s/ Cheri L. Peper
Cheri L. Peper
Corporate Secretary

APACHE CORPORATION

By: /s/ Margery M. Harris
Margery M. Harris
Vice President
APACHE CORPORATION
NON-EMPLOYEE DIRECTORS’ COMPENSATION PLAN
As Amended and Restated November 20, 2008; Effective as of January 1, 2009

PURPOSE

The purpose of the Non-Employee Directors’ Compensation Plan (the “Plan”) is to set forth certain of the compensation arrangements for members of the board of directors (the “Board”) of Apache Corporation (the “Apache”) who are not also employees of Apache (the “Non-Employee Directors”). The Plan does not supersede or amend in any way any other arrangements relating to Non-Employee Directors including specifically, without limitation, the Outside Directors’ Retirement Plan, the 2007 Omnibus Equity Compensation Plan, indemnification provisions of Apache’s charter or bylaws, or policies with respect to reimbursement of expenses.

It is Apache’s express intention that this Plan comply with the requirements of Code §409A, and the Plan shall be interpreted in that light.

PLAN PROVISIONS

1. Board Retainer. Each Non-Employee Director shall be paid $37,500 at the end of each calendar quarter (or as soon thereafter as is administratively practicable) during which he or she served as a member of Apache’s Board (“Cash Retainer Fee”). If a Non-Employee Director serves as a member of Apache’s Board for less than an entire calendar quarter, the Cash Retainer Fee for that quarter shall be prorated on the basis of the number of weeks served during that calendar quarter.

2. Committee Chairperson Retainers. Each Non-Employee Director serving as chairperson of any committee of Apache’s Board shall be paid $3,750 at the end of each calendar quarter (or as soon thereafter as is administratively practicable) (“Committee Chairperson Retainer Fee”). If a Non-Employee Director serves as chairperson of any committee of Apache’s Board for less than an entire calendar quarter, the Committee Chairperson Retainer Fee for that quarter shall be prorated on the basis of the number of weeks as chairperson during that calendar quarter.

3. Attendance Fees. No attendance fee shall be paid to any Non-Employee Director for any meeting of the Board or any committee thereof attended in person or by teleconference, video conference, or other similar means.

4. Optional Deferral of Fees.
   (a) Deferrable Fees. A Non-Employee Director may defer all or any portion of any unpaid Cash Retainer Fees and Committee Chairperson Retainer Fees (“Deferrable Fees”).

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(b) Election to Defer. A Non-Employee Director’s election to defer all or any portion of Deferrable Fees ("Deferral Election") shall be effected by the completion of a Deferral Election form. A Deferral Election form must be executed by the deferring Non-Employee Director and received by Apache on or before December 31 of the year prior to the year in which the Deferrable Fees are earned, except that a new Non-Employee Director may enter into a Deferral Election within 30 days of becoming a Non-Employee Director. A Deferral Election shall apply only to Deferrable Fees paid for services rendered after the date of the Deferral Election. Each December 31, a Deferral Election made for the following year shall become irrevocable. A new Deferral Election must be made each year for the upcoming year.

(c) Memorandum Account. Apache shall maintain a separate account ("Memorandum Account") for each deferring Non-Employee Director. Each Memorandum Account shall be subdivided into a “Cash Account” and a “Stock Account.” The Memorandum Accounts are merely for recordkeeping purposes, and do not represent any actual property that has been set aside for Non-Employee Directors. Nothing contained in this Plan shall be construed to require Apache to fund any Memorandum Account. Neither the deferring Non-Employee Director nor his or her Beneficiary shall have any property interest whatsoever in any specific assets of Apache. A Non-Employee Director shall have no ownership rights with respect to any balance in his or her Memorandum Account, and thus shall have no right to vote any Stock in his or her Stock Account.

(d) Crediting of Cash Accounts. Any deferred Cash Retainer Fees and deferred Committee Chairperson Retainer Fees shall be credited to the Cash Account. Any dividends paid on Stock in the Stock Accounts shall be credited to the Cash Account. All amounts credited to a Cash Account shall be credited with investment earnings at the rate of interest earned by Apache’s short-term marketable securities portfolio or an equivalent index or market rate for similar investments in short-term marketable securities.

(e) Crediting of Stock Accounts. No deferrals shall be credited to a Stock Account; however, see section 4(f) for transfers from the Cash Account to the Stock Account. All amounts credited to a Stock Account shall be treated as if such amounts were invested in Stock. Apache shall at all times have reserved from its treasury shares for issuance under this Plan a number of shares at least equal to the number of shares of Stock in the Stock Accounts.

(f) Transfers from Cash Account to Stock Account. Each year, a Non-Employee Director may elect to transfer all or a portion of his or her Cash Account to his or her Stock Account (but only in whole-share increments) by completing an election form that must be received by Apache on or before December 31. Any such transfer shall be made as of the first trading day of the following year, and shall be based on the per share closing price of the Stock as reported on the Composite Tape for the first trading day of the year. Transfers are not permitted from a Stock Account to a Cash Account.

(g) Payout Elections. If a Non-Employee Director’s directorship terminated before January 1, 2005, his or her benefit payments shall be determined under the terms of the Plan on December 31, 2004 and the payout elections in effect at the
time his or her directorship terminated. If a Non-Employee Director had a Separation from Service after December 31, 2004 and before January 1, 2009, his or her benefits shall be determined under the terms of the Plan in effect at the time of his or her Separation from Service (defined in paragraph (v) below). The remainder of this section 4(g) shall only apply to individuals who continue as Non-Employee Directors after December 31, 2008, or who become Non-Employee Directors after December 31, 2008.

(i) Election. Each individual who is Non-Employee Director on January 1, 2009 has made a payout election for his or her Memorandum Account, which specified both the timing and form of distribution. A new Non-Employee Director shall make a payout election at the same time that he or she makes his or her first Deferral Election. If no payout election is timely made, the Non-Employee Director shall be deemed to have elected to be paid a single lump-sum payment in January after his or her Separation from Service. The payout election with respect to a Memorandum Account is irrevocable after the deadline for making the payout election. The payout election will not apply if there is a change of control (see section 4(h)) or the Non-Employee Director dies (see section 4(i)).

(ii) Form of Payout. A Non-Employee Director may elect to be paid out in a single lump-sum payment or in two to ten annual installments. Each installment from a Stock Account shall be equal to the number of shares in the Stock Account on the second trading day of that year, divided by the number of remaining installments, rounded down to the nearest whole share. For example, the first installment from a Stock Account payable in seven installments beginning in 2010 shall be one-seventh of the shares in the account on the second trading day of 2010; the second installment shall be one-sixth of the shares in the account on the second trading date of 2011; etc. Each installment from a Cash Account shall be equal to the balance of the Cash Account on the second trading day of the year, divided by the number of remaining installments, except that the last installment shall equal the balance of the Cash Account at the time the distribution is processed. Distributions from the Stock Account shall be paid in whole shares of Stock. Distributions from the Cash Account shall be paid in cash.

(iii) Timing of Payment(s). A Non-Employee Director may select a specific year in which the single lump-sum payment is made or the installment payments begin ("In-Service Distribution"), in which case the payment will be made as soon as administratively practicable in January of the earlier of the selected year or the year after the Non-Employee Director’s Separation from Service. Alternatively, a Non-Employee Director may elect for his or her single lump-sum payment or first installment to be paid as soon as administratively practicable in the January after his or her Separation from Service. Subsequent installment payments shall be made in January of each year, beginning with the year after the first installment was paid.

(iv) Special Rules Where Payments Begin While Still a Director. This paragraph (iv) applies to a Non-Employee Director who elected an In-Service Distribution. A second Memorandum Account shall be established for the Non-Employee Director for any amounts deferred into the Plan during or after the
year in which the In-Service Distribution is scheduled to begin. Distributions from the second Memorandum Account shall be subject to the rules specified in this section 4(g), except that a Non-Employee Director must complete a payout election for the second Memorandum Account by the December 31 that immediately precedes the year in which amounts are first deferred into the second Memorandum Account.

(v) Definition of Separation from Service. The term “Separation from Service” has the same meaning as the term “separation from service” in Code §409A(a)(2)(A)(i), determined using the default rules in the regulations and other guidance of general applicability issued pursuant to Code §409A, including the special rules for members of a board of directors found in Treasury Regulation §1.409A-1(h)(5) and §1.409A-1(c)(2)(ii). In general, a Separation from Service will occur when a Non-Employee Director ceases to be a member of the Board.

(vi) Special Rules for Specified Employees. If a Non-Employee Director is a Specified Employee, (A) any payments under paragraph (iii) above that are triggered by his or her Separation from Service and scheduled to occur within six months after the Separation from Service shall be delayed and paid six months after the Separation from Service, and (B) section 4(h) is modified for a Non-Employee Director whose Separation from Service preceded a change of control by less than six months to provide that the lump sum payment will not occur until six months after the Separation from Service.

The term “Specified Employee” has the same meaning as the term “specified employee” in Code §409A(a)(2)(B)(i), and is determined using the default rules in the regulations and other guidance of general applicability issued pursuant to Code §409A.

(h) Change of Control. If there is a change of control of Apache that is described in section 409A(a)(2)(A)(v) of the Code, each Memorandum Account shall be paid to the appropriate Non-Employee Director (or to the Beneficiary of a deceased Non-Employee Director) in a single lump-sum payment made on the date of the change of control or as soon thereafter as is administratively practicable.

(i) Beneficiaries. If a Non-Employee Director dies while there is still a balance in his or her Memorandum Account, that amount shall be paid to his or her Beneficiary in a single lump-sum payment that is made as soon as administratively convenient four months after the Non-Employee Director’s death, which provides the Beneficiary with an opportunity to disclaim, except that no payment shall be made until Apache has been furnished with proof of death and such other information as it may reasonably require.

(i) Designation. Each Non-Employee Director shall designate one or more persons, trusts, or other entities as his or her beneficiary (“Beneficiary”). In the absence of an effective Beneficiary designation as to part or all of a Memorandum Account, such amount shall be distributed to the Non-Employee Director’s surviving Spouse, if any, otherwise to the Non-Employee Director’s
estate. Unless the Non-Employee Director’s Beneficiary designation form specifies otherwise, if a Beneficiary dies after the Non-Employee Director but before being paid by the Plan, the Plan shall pay the Beneficiary’s estate.

(ii) Changing Beneficiaries. A Beneficiary designation may be changed by the Non-Employee Director at any time and without the consent of any previously designated Beneficiary. However, if the Non-Employee Director is married, the Non-Employee Director’s Spouse shall be the Beneficiary unless the Spouse has consented to the designation of a different Beneficiary. To be effective, the Spouse’s consent must have been made before January 1, 2005 or, if made on or after January 1, 2005, the Spouse’s consent must be in writing, witnessed by a notary public, and filed with Apache. If the Non-Employee Director has designated his or her Spouse as a primary or contingent Beneficiary, and the Non-Employee Director and Spouse later divorce (or their marriage is annulled), then the former Spouse will be treated as having pre-deceased the Non-Employee Director for purposes of interpreting a Beneficiary designation form completed prior to the divorce or annulment; this provision will apply only if Apache is notified of the divorce or annulment before payment to the former Spouse is made.

(iii) “Spouse” shall mean the individual to whom a Non-Employee Director is lawfully married according to the laws of the state of the Non-Employee Director’s domicile.

(iv) Disclaimers. Any individual or legal entity who is a Beneficiary may disclaim all or any portion of his or her interest in the Plan, provided that the disclaimer satisfies the requirements of Code §2518(b) and applicable state law. The legal guardian of a minor or legally incompetent person may disclaim for such person. The personal representative (or the individual or legal entity acting in the capacity of the personal representative according to applicable state law) may disclaim on behalf of a Beneficiary who has died. The amount disclaimed shall be distributed as if the disclaimant had predeceased the individual whose death caused the disclaimant to become a Beneficiary.

(j) Adjustments in Stock. In the event of any merger, consolidation, liquidation, dissolution, recapitalization, or reorganization of Apache, split, subdivision, or consolidation of shares of Stock, the payment of a stock dividend, or any other material change in Apache’s capital structure, the number of shares of Stock shown in each deferring Non-Employee Director’s Stock Account shall be adjusted to reflect that number of shares of Stock or such cash, securities, or other property to which such Non-Employee Director would have been entitled if, immediately prior thereto, such Non-Employee Director had been the holder of record of the number of shares of Stock shown in the Stock Account. Notwithstanding the foregoing, the issuance by Apache of Stock, rights, options, or warrants to acquire Stock, or securities convertible or exchangeable into Stock in consideration of cash, property, labor, or services, whether or not for fair value, shall not result in an adjustment pursuant to this section 4(j).

5. Assignment and Transfer. The right of the Non-Employee Director or any other person to receive payments under the Plan shall not be assigned, transferred, pledged, or encumbered.
6. **Amendment of Plan.** The Plan may be amended from time to time or terminated by vote of the Board. Upon such amendment or termination, Non-Employee Directors shall not be entitled to receive pursuant to the Plan any compensation or other rights or benefits not accrued hereunder prior to the time of amendment or termination hereof; provided, however, that no such Plan amendment or termination shall impair any rights of Non-Employee Directors to amounts previously accrued pursuant to the Plan or accumulated in such Non-Employee Director’s Memorandum Account. A Plan termination shall not affect the timing of any benefit payments from a Memorandum Account; payment may occur substantially after the Plan is terminated.

7. **Successors and Assigns.** The Plan is binding upon Apache and its successors and assigns. The Plan shall continue in effect until terminated by the Board. Any such termination shall operate only prospectively and shall not affect the rights and obligations under elections previously made.

8. **Administrative Delays.** The Committee may delay any payment from this Plan for as short a period as is administratively necessary. For example, a delay may be imposed upon all payments from the Plan when there is a change of recordkeeper, and a delay may be imposed on payments to any recipient until they have provided the information needed for tax withholding and tax reporting, as well as any other information reasonably requested by the Committee.

9. **409A Noncompliance.** To the extent that Apache or the Committee takes any action that causes a violation of Code §409A or fails to take reasonable actions required to comply with Code §409A, Apache shall pay an additional amount (the “gross-up”) to the individual(s) who are subject to the penalty tax under Code §409A(a)(1) that is sufficient to put the individual in the same after-tax position he or she would have been in had there been no violation of Code §409A. Apache shall not pay a gross-up if the cause of the violation of Code §409A is the recipient’s failure to take reasonable actions (such as failing to timely provide the information required for tax withholding or failing to timely provide other information reasonably requested by the Committee) — with the result that the delay in payment violates Code §409A). Any gross-up will be made as soon as administratively convenient after the Committee determines the gross-up is owed, and no later than the end of the calendar year immediately following the calendar year in which the additional taxes are remitted. However, if the gross-up is due to a tax audit or litigation addressing the existence or amount of a tax liability, the gross-up will be paid as soon as administratively convenient after the litigation or audit is completed, and no later than the end of the calendar year following the calendar year in which the audit is completed or there is a final and non-appealable settlement or other resolution of the litigation.

10. **Notices.** Any notice, form, or election required or permitted to be given under the Plan shall be in writing and shall be given by first class mail, by Federal Express, UPS, or other carrier, by fax or other electronic means, or by personal delivery to the appropriate party, addressed:

(a) If to Apache, to Apache Corporation at its principal place of business at 2000 Post Oak Boulevard, Suite 100, Houston, Texas 77056-4400 (Attention: Corporate Secretary) or at such other address as may have been furnished in writing by Apache to a Non-Employee Director; or
(b) If to a Non-Employee Director or Spouse, at the address the Non-Employee Director has furnished to Apache in writing.
(c) If to a Beneficiary, at the address the Non-Employee Director has furnished to Apache in writing for such Beneficiary, unless the Beneficiary has furnished his or her own address in writing to Apache.

Any such notice to a Non-Employee Director, Spouse, or Beneficiary shall be deemed to have been given as of the third day after deposit in the United States Postal Service, postage prepaid, properly addressed as set forth above, in the case of a mailed notice, or as of the date delivered in the case of any other method of delivery.

11. Gender. Any term used herein in the singular shall also include the plural, and the masculine gender shall also include the feminine gender, and vice versa.

12. Statutory References. Any reference to a specific section of the Code shall be deemed to refer to that section or to the appropriate successor section.


Dated: November 20, 2008; Effective as of January 1, 2009

ATTEST:                      APACHE CORPORATION

/s/ Cheri L. Peper                  By: /s/ Margery M. Harris
Cheri L. Peper                                           Margery M. Harris
Corporate Secretary                           Vice President, Human Resources
ARTICLE I
Eligibility, Participation and Contributions

1.1 Eligibility and Participation.
Each Outside Director begins to participate in the Plan as of the date his or her Service begins.

1.2 Contributions.
All amounts payable under the Plan shall be paid from the general assets of the Company. Nothing contained in the Plan shall be deemed to create any fiduciary relationship between the Company and the participating Outside Director (“Participant”). The rights of a Participant under the Plan are no greater than the rights of an unsecured general creditor of the Company.

ARTICLE II
Retirement Payments

2.1 Definitions.
The term “Separation from Service” has the same meaning as the term “separation from service” in Code §409A(a)(2)(A)(i). A Separation from Service is determined using the default rules in the regulations and other guidance of general applicability issued pursuant to Code §409A, including the special rules for a member of a board of directors found in Treasury Regulation §1.409A-1(h)(5) and §1.409A-1(c)(2)(ii). In general, a Separation from Service will occur when a Participant ceases to be a member of the Company’s Board of Directors.

It is the Company’s express intention that this Plan comply with the requirements of Code §409A, and the Plan shall be interpreted in that light.
The term “Specified Employee” has the same meaning as the term “specified employee” in Code §409A(a)(2)(B)(i), and is determined using the default rules in the regulations and other guidance of general applicability issued pursuant to Code §409A.

2.2 Retirement Payments

(a) **Eligibility for Benefits.** A Participant who Retires with four or more Quarters of Service is entitled to receive benefits under the Plan.

(b) **Amount of Benefits.** The amount of benefits under the Plan is equal to the value of a series of quarterly payments, with each payment equal in amount to one-sixth of the Participant’s Annual Director’s Retainer, and with the number of quarterly payments equal to the number of the Participant’s Quarters of Service. As a consequence, each Participant will generally receive an annual benefit of $66\frac{2}{3}\%$ of his or her Annual Director’s Retainer.

(c) **Annual Director’s Retainer.** means the aggregate annual amount of an Outside Director’s board retainer fee payable pursuant to section 1 of the Company’s Non-Employee Directors’ Compensation Plan (or comparable section of any successor plan), whether or not all or a portion of such amount is deferred or delayed. Such amount will be determined as of the earlier of the date a Participant ceases to be an Outside Director or the date the Participant dies.

(d) “**Quarter of Service**” means the aggregate total full months of Service as an Outside Director divided by three and rounded up to the next whole number, up to a maximum of 40 Quarters of Service.

(e) “**Retirement, Retired or Retires**” means a Participant’s ceasing to hold office as an Outside Director, for any reason other than death.

(f) “**Service**” means the aggregate total, not to exceed 120, of (i) the number of full months beginning on or after July 1, 1992 (whether or not consecutive) that a Participant held office as an Outside Director, whether or not a Participant at the time, and (ii) $\frac{1}{2}$ the number of full months prior to July 1, 1992 (whether or not consecutive) that a Participant held office as an Outside Director; provided, however, that a Participant who, as of December 15, 1992, has held office as an Outside Director for an aggregate total of 15 years shall automatically be credited with 120 full months of Service.

(g) **Episodic Participation.** If a Participant has a Separation from Service and then becomes an Outside Director again, (i) the Participant’s benefits from his or her initial episode of participation shall be paid according to the terms of the Plan on the date of his or her Separation from Service and shall not be affected by any subsequent Service, and (ii) the Participant’s benefits from his or her later episodes of participation shall be calculated by ignoring his or her Service from earlier episodes of participation. In calculating the amount of benefits for the most recent episode of participation, the
maximum Quarters of Service is 40, reduced by the number of Quarters of Service for which he or she earned benefits under this Plan from earlier episodes of participation.

2.3 Retirement Payments Following a Change of Control.

In the event of a “change of control” of the Company, as defined in the Company’s Income Continuance Plan (as amended or the corresponding provisions of any successor plan), each then current Outside Director shall be eligible for the benefits described in section 2.2 even if the Outside Director has less than four Quarters of Service. If the change of control is a transaction described in §409A(a)(2)(A)(v) of the Internal Revenue Code of 1986, as amended (“Code”), each Participant shall be paid a single lump-sum payment on the date of the change of control, or as soon as practicable thereafter, equal to the net present value of the benefit to which the Participant is entitled, calculated in the manner described in section 2.5, as of the date of the change of control; however, if the Participant was a Specified Employee whose Separation from Service occurred less than six months before the change of control, he or she shall be paid a single lump-sum payment six months after the Separation from Service, or as soon as practicable thereafter, equal to the net present value of the benefit to which the Participant is entitled, calculated in the manner described in section 2.5, as of the date six months after the Separation from Service. If the change of control is not a transaction described in Code §409A(a)(2)(A)(v), each Participant shall be paid at the time(s) specified in section 2.4 or 2.5, whichever is applicable.

2.4 Quarterly Payments.

A Participant may elect to be paid quarterly installments that are paid on the last day of each calendar quarter (or as near to that date as administratively practicable). See section 2.5 for the deadline for the Participant’s payout election. The first quarterly payment shall be made as of the last day of the calendar quarter after the date of the Participant’s Separates from Service, unless the Participant is a Specified Employee, in which case the first two quarterly payments shall be delayed until, and paid with, the third regularly scheduled quarterly payment.

2.5 Lump-Sum Payments.

A Participant shall receive a single lump-sum payment unless the Participant elects quarterly installments. Participants on December 31, 2008 have already made their payout election. A new Participant’s payout election must be made within 30 days after the individual becomes an Outside Director. Once the deadline for making a payout election has passed, the payout election is irrevocable.

The lump sum shall be paid as soon as administratively practicable after the Participant’s Separation from Service, unless the Participant is a Specified Employee, in which case the lump sum shall be paid as soon as administratively practicable after six months after the Participant’s Separation from Service. The amount of the lump sum

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3
shall be calculated by the Committee as of the date of the Participant’s Separation from Service. The amount of the lump sum shall be equal to the net present value of the quarterly payments to which the Participant would otherwise be entitled, determined using an annual interest rate equal to the rate on ten-year treasury bonds/notes as reported in The Wall Street Journal published on or most recently prior to the date of the Participant’s Separation from Service.

2.6 Retirement before 2009.

A Participant whose Separation from Service occurred between December 31, 2004 and January 1, 2009 shall receive his or her benefit in accordance with the terms of the Plan in effect at the time of the Separation from Service. A Participant who Retired before January 1, 2005 shall receive his or her benefit in accordance with the terms of the Plan at the time of the Retirement.

ARTICLE III
Death Payments

3.1 Death Benefits.

(a) Eligibility for Death Benefits. If a Participant dies before receiving all of his or her benefits under Article II, the Participant’s Beneficiary, as determined in section 3.2, shall receive the remaining benefits. If a Participant elected quarterly payments, the Participant’s Beneficiary shall be paid a lump sum equal to the net present value of any remaining payments, calculated as of the date of the Participant’s death, and calculated in the manner specified in section 2.5. If a Participant is scheduled to receive a single lump-sum payment, but dies before doing so, the Participant’s Beneficiary shall be paid the lump sum.

(b) Timing. Payment to the Beneficiary shall be made as soon as administratively convenient four months after the Participant’s death, which provides the Beneficiary with an opportunity to disclaim, except that no payment shall be made until the Company has been furnished with proof of death and such other information as it may reasonably require.

(c) Beneficiary in Pay Status. The Beneficiary of a Participant who died on or before December 31, 2008 shall receive his or her death benefits in accordance with the terms of the Plan in effect on the date of the Participant’s death.

3.2 Beneficiaries.

(a) “Beneficiary” means the recipient of the Participant’s death benefits under section 3.1.

(b) Designation. Each Participant shall designate one or more persons, trusts, or other entities as his or her Beneficiary. In the absence of an effective
Beneficiary designation as to part or all of a Participant’s death benefits, the Participant’s surviving Spouse, if any, shall be the Participant’s Beneficiary, and in the absence of a surviving Spouse, the Participant’s estate shall be the Beneficiary. Unless the Participant’s Beneficiary designation form specifies otherwise, if a Beneficiary dies after the Participant but before being paid by the Plan, the Plan shall pay the Beneficiary’s estate.

(c) Changing Beneficiaries. A Beneficiary designation may be changed by the Participant at any time and without the consent of any previously designated Beneficiary. However, if the Participant is married, the Participant’s Spouse shall be the Participant’s Beneficiary unless the Spouse has consented to the designation of a different Beneficiary. To be effective, the Spouse’s consent must have been made before January 1, 2005 or, if made on or after January 1, 2005, the Spouse’s consent must be in writing, witnessed by a notary public, and filed with the Company. If the Participant has designated his or her Spouse as a primary or contingent Beneficiary, and the Participant and Spouse later divorce (or their marriage is annulled), then the former Spouse will be treated as having pre-deceased the Participant for purposes of interpreting a Beneficiary designation form completed prior to the divorce or annulment; this provision will apply only if the Company is notified of the divorce or annulment before payment to the former Spouse is made.

(d) “Spouse” shall mean the individual to whom a Participant is lawfully married according to the laws of the state of the Participant’s domicile.

(e) Disclaimers. Any individual or legal entity who is a Beneficiary may disclaim all or any portion of his or her interest in the Plan, provided that the disclaimer satisfies the requirements of Code §2518(b) and applicable state law. The legal guardian of a minor or legally incompetent person may disclaim for such person. The personal representative (or the individual or legal entity acting in the capacity of the personal representative according to applicable state law) may disclaim on behalf of a Beneficiary who has died. The amount disclaimed shall be distributed as if the disclaimant had predeceased the individual whose death caused the disclaimant to become a Beneficiary.

ARTICLE IV
Administration, Amendment and Termination

4.1 The Management Development and Compensation Committee.

The Plan shall be administered by the Management Development and Compensation Committee (the “Committee”) of the Company’s Board of Directors. All administrative duties, including but not limited to, the power to interpret the Plan and to decide any dispute, shall be carried out by the Committee, which shall have full discretion and authority hereunder. All claims under the Plan shall be filed with the Company and shall be decided by the Committee. The decisions made by the
Committee shall be final and binding on all persons having or claiming to have rights under the Plan.

4.2 Termination or Amendment of Plan

The Plan may be terminated or amended at any time through action of the Company’s Board of Directors. No termination or amendment, however, shall reduce the payments (a) to a Participant or Beneficiary where a Participant has already died or reached Retirement, (b) to which a Participant is or may become entitled, based on such Participant’s Service and Annual Director’s Retainer as determined on the effective date of such termination or amendment, or (c) to which a Participant is or may become entitled pursuant to section 2.3 as a result of a change of control. The termination of the Plan shall not affect the timing of any benefit payments; payments after the Plan has terminated will be made at the time(s) specified in Articles II and III.

ARTICLE V
Miscellaneous

5.1 Inalienability of Payments

No Participant shall have the right to assign, transfer, hypothecate, encumber or anticipate his or her interest in any payments under the Plan, nor shall the payments under the Plan be subject to any legal process to levy upon or attach such payments for any claim against the Participant, Spouse, or Beneficiary.

5.2 Notices

Any notice, form, or election required or permitted to be given under the Plan shall be in writing and shall be given by first class mail, by Federal Express, UPS, or other carrier, by fax or other electronic means, or by personal delivery to the appropriate party, addressed:

(a) If to the Company, to Apache Corporation at its principal place of business at 2000 Post Oak Boulevard, Suite 100, Houston, Texas 77056-4400 (Attention: Corporate Secretary) or at such other address as may have been furnished in writing by the Company to a Participant; or

(b) If to a Participant or Spouse, at the address the Participant has furnished to the Company in writing.

(c) If to a Beneficiary, at the address the Participant has furnished to the Company in writing for such Beneficiary, unless the Beneficiary has furnished his or her own address to the Company.

Any such notice to a Participant, Spouse, or Beneficiary shall be deemed to have been given as of the third day after deposit in the United States Postal Service, postage
5.3 Disposition of Unclaimed Payments.

Any communication, statement or notice addressed to a Participant at his or her last post office address, as provided to the Company under section 5.2, will be binding on the Participant, Spouse, or Beneficiary for all purposes of the Plan. If the Company cannot ascertain the whereabouts of any person to whom a payment is due under the Plan within three years from the date such payment is due, such payment shall be cancelled on the records of the Plan and the amount thereof forfeited to the Company.

5.4 Administrative Delays.

The Committee may delay any payment from this Plan for as short a period as is administratively necessary. For example, a delay may be imposed upon all payments from the Plan when there is a change of recordkeeper, and a delay may be imposed on payments to any recipient until they have provided the information needed for tax withholding and tax reporting, as well as any other information reasonably requested by the Committee.

5.5 409A Noncompliance.

To the extent that the Company takes any action that causes a violation of Code §409A or fails to take reasonable actions required to comply with Code §409A, the Company shall pay an additional amount (the “gross-up”) to the individual(s) who are subject to the penalty tax under Code §409A(a)(1) that is sufficient to put the individual in the same after-tax position he or she would have been in had there been no violation of Code §409A. The Company shall not pay a gross-up if the cause of the violation of Code §409A is the recipient’s failure to take reasonable actions (such as failing to timely provide the information required for tax withholding or failing to timely provide other information reasonably requested by the Committee — with the result that the delay in payment violates Code §409A). Any gross-up will be made as soon as administratively convenient after the Committee determines the gross-up is owed, and no later than the end of the calendar year immediately following the calendar year in which the additional taxes are remitted. However, if the gross-up is due to a tax audit or litigation addressing the existence or amount of a tax liability, the gross-up will be paid as soon as administratively convenient after the litigation or audit is completed, and no later than the end of the calendar year following the calendar year in which the audit is completed or there is a final and non-appealable settlement or other resolution of the litigation.

5.6 Gender.

Any term herein used in the singular shall also include the plural, and the masculine gender shall also include the feminine gender, and vice versa.
5.7 Statutory References.

Any reference to a specific section of the Code shall be deemed to refer to that section or to the appropriate successor section.

5.8 Governing Law.

The Plan shall be governed by the laws of the State of Texas, ignoring any conflicts-of-law provisions.

Dated: November 20, 2008

ATTEST: APACHE CORPORATION

By: /s/ Cheri L. Peper By: /s/ Margery M. Harris
Cheri L. Peper Margery M. Harris
Corporate Secretary Vice President, Human Resources
FIRST AMENDMENT TO
EMPLOYMENT AGREEMENT OF G. STEVEN FARRIS

The parties enter into this first amendment to the Employment Agreement between Apache Corporation (“Apache”) and G. Steven Farris (“Farris”) that was entered into on June 6, 1988 (hereinafter, the “Agreement”), in order to satisfy the requirements of §409A of the Internal Revenue Code of 1986, as amended (hereinafter, the “Code”).

Notwithstanding any provision in the Agreement to the contrary,

1. As required by Code §409A, payments pursuant to section 10 of the Agreement will begin automatically upon the first to occur of the following events:
   (a) Farris has a separation from service as determined by the Secretary of the Treasury, which occurs when Farris’s level of service drops to 20% or less of his average level of service during the preceding three years, as determined pursuant to Code §409A(a)(2)(A)(i) and IRS guidance of general applicability, including Treasury Regulation §1.409A-1(h)(1(ii); (b) Farris becomes disabled within the meaning of Code §409A(a)(2)(C); or (c) Farris dies.

2. The payments pursuant to section 10 of the Agreement will be $0 for the first six months after Farris’s separation from service, as determined above. The payments that would have been made during that six-month period, if not for the preceding sentence, will be paid to Farris (or to his estate if he has died) within the first ten days of the seventh month after his separation from service.

IN WITNESS HEREOF, the parties have caused this amendment to be executed, effective as of January 1, 2005.

APACHE CORPORATION

/s/ Margery M. Harris
Margery M. Harris
Vice President, Human Resources

ATTEST:

/s/ Cheri L. Peper
Cheri L. Peper
Corporate Secretary

November 20, 2008

FARRIS

/s/ G. Steven Farris
G. Steven Farris
Apache Corporation Employment Agreement

Recitals

This contract is entered into on June 6, 1988, between Apache Corporation (“Apache”), a Delaware corporation with principal offices at 1900 One United Bank Center, 1700 Lincoln Street, Denver, Colorado 80203-4519, and G. Steven Farris (“Farris”), an individual with his principal residence at 9004 S. Joplin, Tulsa, Oklahoma 74137.

Apache wishes to employ Farris in the capacity described below on the terms and conditions described below, and Farris wishes to accept employment on those terms.

Consideration and Agreement

In consideration of the payments and performance called for by this agreement, and in consideration of the employment relation created between them, Apache and Farris convenant and agree as follows:

1. Office. Apache employs Farris as its Vice President, effective as of the Commencement Date.

2. Employment. Farris shall commence full-time employment with Apache on the Commencement Date. While employed by Apache, Farris shall devote all of his business and professional time to the business of Apache, except for time spent managing personal business and investments.

3. Commencement Date. The “Commencement Date” shall be a mutually agreeable date between June 27, 1988, and July 18, 1988.

4. Base Compensation. Apache shall pay Farris the sum of $14,166 per month after the Commencement Date and during his employment, payable in semi-monthly installments, and modifiable only by Apache’s board of directors as provided below (“Base Compensation”).

5. Benefits. Farris shall participate in the following Apache benefit plans as they may be supplemented, amended, replaced or terminated by Apache from time to time:

   (a) The Apache Incentive Compensation Plan, with participation potential of fifty percent of Base Compensation;

   (b) The Apache 1982 Employee Stock Option Plan, with a grant of a 10,000 share ISO option;

   (c) The Apache Phantom Stock Appreciation Plan (a/k/a
Long-Term Incentive Compensation Plan), with a grant of 25,000 phantom shares;

(d) All other Apache benefit plans customarily extended to executives entering the employ of Apache in 1988 or thereafter, including but not limited to the Apache Retirement Plan, the Apache Income Continuation Plan, and the various Apache medical, dental, life insurance, and disability insurance plans.

Apache shall also pay for a Denver luncheon club membership and a covered garage parking space for Farris.

6. LTIP. Apache and Farris agree to work in good faith to formulate an additional long-term incentive program for the benefit of Farris (the “LTIP”). The LTIP will pay Farris a percentage of the net gain after tax upon each year’s annual drilling capital expenditures. Net gain will be determined on the basis of a five-year production and reserve report developed by an independent petroleum engineering consultant.

7. Residence. Farris may tender possession of his principal residence (including all related real property, appurtenances, improvements and fixtures) to Apache at any time within one year after the Commencement Date, and within 10 days thereafter Apache shall purchase the residence for a cash purchase price equal to the average of two independent fair market value appraisals by MAI or SRA appraisers, performed at Apache’s cost. If the two appraisals differ by more than five percent, a third MAI or SRA appraisal shall be obtained at Apache’s cost, and the purchase price shall be the average of the closest two appraisals. Risk of loss of or damage to the residence shall pass with possession. Upon payment of the purchase price, Farris shall convey good and marketable title to the residence to Apache by general warranty deed, free and clear of all liens and encumbrances. All taxes, utilities, rents and other payments and charges shall be pro-rated to the date of change of possession. Farris shall obtain an ALTA Owner’s Title Insurance Policy insuring title to the residence in Apache, subject only to exceptions and conditions acceptable to Apache, and shall deliver a title commitment and pay the policy premium at closing. All other payments and procedures attendant to the sale and purchase of the residence shall be handled in the manner customary in Tulsa, Oklahoma. An amount equal to six weeks of salary will be paid as a relocation allowance.

8. Duties. Farris’ duties and responsibilities shall be determined by Apache’s board of directors, which shall also review and modify Farris’ Base Compensation, benefits and incentives from time to time as they deem appropriate.
9. **Termination.** Farris’ employment shall be terminable at will by either Farris or Apache upon 30 days’ advance written notice.

10. **Severance Payments.** If Farris employment is terminated by Apache without Cause, or if Farris terminates his employment within 30 days after Apache’s board of directors has reduced his Base Compensation without proportionately reducing the salaries of all Apache executives of the rank of vice-president or higher, then Apache shall, for thirty-six months after termination:

(a) continue to pay Farris an amount equal to his Base Compensation as it existed 60 days prior to termination;

(b) on each March first during the thirty-six months, pay Farris 50 percent of the maximum amount for which he was qualified under the Apache Incentive Compensation Plan (calculated on his base compensation as of 60 days prior to termination);

(c) continue to pay all amounts, if any, unconditionally accrued and payable under the LTIP; and

(d) continue to provide individual and dependent insurance benefits equivalent to those provided 60 days prior to termination, subject to customary co-payment or contribution by Farris;

(the “Severance Payments”). “Cause” means:

(e) Farris’ willful failure to perform his duties after a demand for performance is delivered to him by the Apache board of directors which specifically states the manner in which the board believes Farris has not performed his duties;

(f) Farris’ willful gross misconduct materially injurious to Apache;

(g) Farris’ violation of a direct order of the board of directors, the executive committee of the board, or the chairman of the board; or

(h) Farris’ disability invoking Apache’s disability insurance.

An act or omission shall be “willful” if it is done or omitted:

(i) in bad faith; or
(j) without reasonable belief that the act or omission was in the interests of the company.

Severance Payments shall be payable to Farris’ heirs or devisees in the event of his death after termination of employment.

11. Conduct. Farris shall not:
   (a) directly or indirectly compete with Apache;
   (b) appropriate or usurp business opportunities available to Apache; or
   (c) reveal any trade secret or confidence of Apache;

during the term of his employment or for thirty-six months thereafter, except:
   (d) as permitted in writing by Apache’s board of directors; and
   (e) that Farris shall be permitted to compete with Apache if Apache terminates his employment without Cause.

A breach of this paragraph 11 by Farris shall be conclusively deemed to be willful gross misconduct materially injurious to Apache, and if a breach occurs Apache shall have the right:
   (f) to terminate Farris for Cause if he is still employed by Apache; or
   (g) to cease paying Severance Payments if Apache is paying Severance Payments;
   (h) to seek damages if Farris is not employed by Apache and Apache is not paying Severance Payments.

Apache’s trade secrets and confidences shall include any information about Apache or its business which is not generally available to the public, including, but not limited to, any planning, analysis, strategy, data, investor information, financial information, legal information, geological or geophysical information or proprietary information. Upon termination of employment, Farris shall promptly surrender all documents, maps, records, data and all other information representing, reflecting or containing trade secrets or confidences, without demand by Apache.

12. Apache Successors. Apache shall not merge or consolidate with another organization unless the surviving
organization assumes all of Apache’s obligations under this agreement. This agreement shall benefit and bind Apache’s successors.

13. Amendment. This agreement may not be amended (other than to the extent that the board of directors may modify Farris’ Base Compensation, benefits and incentives from time to time) except by a writing signed by the chairman of the board of Apache and by Farris.

14. Entire Agreement. This is the entire agreement between Farris and Apache. It supercedes and replaces all prior agreements, discussions, offers and understandings between them concerning employment, compensation, incentives, or benefits.

15. Severability. The invalidity of any term of this agreement shall not invalidate or affect any other term of this agreement.

16. Choice of Law. This agreement shall be interpreted under the laws of the State of Colorado, and its courts shall have jurisdiction over its enforcement and interpretation. Venue shall be proper in the city and county of Denver.

Apache Corporation

/s/ C. Eugene Daniels ________________________________
By C. Eugene Daniels
Vice President of Human Resources

/s/ G. Steven Farris ________________________________
G. Steven Farris
### APACHE CORPORATION

**STATEMENT OF COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES AND COMBINED FIXED CHARGES, PREFERRED STOCK DIVIDENDS AND PREFERRED INTERESTS OF SUBSIDIARIES**

(In thousands, except ratio data)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EARNINGS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pretax income from continuing operations before preferred interests of subsidiaries (5)</td>
<td>$932,392</td>
<td>$4,672,612</td>
<td>$4,009,595</td>
<td>$4,206,254</td>
<td>$2,663,083</td>
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<tr>
<td>Add: Fixed charges excluding capitalized interest and preferred interests requirements of consolidated subsidiaries (5)</td>
<td>214,288</td>
<td>258,221</td>
<td>178,399</td>
<td>138,399</td>
<td>134,797</td>
</tr>
<tr>
<td><strong>Adjusted Earnings</strong></td>
<td>$1,146,680</td>
<td>$4,930,833</td>
<td>$4,187,994</td>
<td>$4,344,653</td>
<td>$2,797,880</td>
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<tr>
<td><strong>FIXED CHARGES AND PREFERRED STOCK DIVIDENDS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest expense including capitalized interest (1)</td>
<td>$280,457</td>
<td>$308,235</td>
<td>$217,454</td>
<td>$175,419</td>
<td>$168,090</td>
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<tr>
<td>Amortization of debt expense</td>
<td>3,689</td>
<td>3,310</td>
<td>2,048</td>
<td>3,748</td>
<td>2,471</td>
</tr>
<tr>
<td>Interest component of lease rental expenditures (2)</td>
<td>24,306</td>
<td>22,424</td>
<td>20,198</td>
<td>16,220</td>
<td>14,984</td>
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<tr>
<td>Fixed charges</td>
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<td>333,969</td>
<td>239,700</td>
<td>195,387</td>
<td>185,545</td>
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<tr>
<td>Preferred stock dividend requirements (4)</td>
<td>7,438</td>
<td>9,437</td>
<td>8,922</td>
<td>9,105</td>
<td>9,058</td>
</tr>
<tr>
<td><strong>Combined Fixed Charges and Preferred Stock Dividends</strong></td>
<td>$315,890</td>
<td>$343,406</td>
<td>$248,622</td>
<td>$204,492</td>
<td>$194,603</td>
</tr>
<tr>
<td><strong>Ratio of Earnings to Fixed Charges</strong></td>
<td>3.72</td>
<td>14.76</td>
<td>17.47</td>
<td>22.24</td>
<td>15.08</td>
</tr>
</tbody>
</table>

(1) The Company did not receive a tax benefit for $5 million of transaction costs written off to interest expense when the Company retired its preferred interests of subsidiaries in September 2003. Given the non-deductibility of the charge, $9 million of pre-tax income was required to cover the $5 million write-off. Accordingly, interest expense has been grossed up by $4 million.

(2) Represents the portion of rental expense assumed to be attributable to interest factors of related rental obligations determined at interest rates appropriate for the period during which the rental obligations were incurred. Approximately 32 to 34 percent of rental payments applies for all periods presented.

(3) The Company did not receive a tax benefit for a portion of its preferred interests of consolidated subsidiaries. This amount represents the pre-tax earnings that would be required to cover preferred interests requirements of consolidated subsidiaries. In September 2003, the Company retired its preferred interests of subsidiaries.

(4) The Company does not receive a tax benefit for its preferred stock dividends. This amount represents the pre-tax earnings that would be required to cover its preferred stock dividends.

(5) Interest expense on our FIN 48 liability is a component of income tax expense and it is not included in the calculation of earnings to fixed charges.
Apache Corporation (a Delaware corporation)  

Listing of Subsidiaries as of February 20, 2009

<table>
<thead>
<tr>
<th>Exact Name of Subsidiary and Name under which Subsidiary does Business</th>
<th>Jurisdiction of Incorporation or Organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apache Corporation (New Jersey)</td>
<td>New Jersey</td>
</tr>
<tr>
<td>Apache Crude Oil Marketing, Inc.</td>
<td>Delaware</td>
</tr>
<tr>
<td>Apache Delaware Investment LLC</td>
<td>Delaware</td>
</tr>
<tr>
<td>Apache Delaware V LLC</td>
<td>Delaware</td>
</tr>
<tr>
<td>Apache Dory Corporation LDC</td>
<td>Delaware</td>
</tr>
<tr>
<td>Apache East Ras Budran Corporation LDC</td>
<td>Cayman Islands</td>
</tr>
<tr>
<td>Apache Energy Limited</td>
<td>Delaware</td>
</tr>
<tr>
<td>Apache Australia Offshore Holdings Pty Ltd</td>
<td>Western Australia</td>
</tr>
<tr>
<td>Apache PVG Pty Ltd</td>
<td>Western Australia</td>
</tr>
<tr>
<td>Apache Coniston Novara Holdings Pty Ltd</td>
<td>Western Australia</td>
</tr>
<tr>
<td>Apache Coniston Novara Pty Ltd</td>
<td>Western Australia</td>
</tr>
<tr>
<td>Apache DCDP Holdings Pty Ltd</td>
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<tr>
<td>Apache DCDP Pty Ltd</td>
<td>Western Australia</td>
</tr>
<tr>
<td>Apache East Spar Pty Limited</td>
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<td>Apache Halyard Holdings Pty Ltd</td>
<td>Western Australia</td>
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<td>Apache Halyard Pty Ltd</td>
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<tr>
<td>Apache Hurricane Holdings Pty Ltd</td>
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<tr>
<td>Apache Hurricane Pty Ltd</td>
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<tr>
<td>Apache Julimar Holdings Pty Ltd</td>
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<tr>
<td>Apache Kersail Pty Ltd</td>
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<tr>
<td>Apache Macedon Holdings Pty Ltd</td>
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<tr>
<td>Apache Mailtand Holdings Pty Ltd</td>
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<tr>
<td>Apache Mailtand Pty Ltd</td>
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<tr>
<td>Apache Northwest Pty Ltd</td>
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<tr>
<td>Apache Oil Australia Pty Limited</td>
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</tr>
<tr>
<td>Apache Permits Pty Ltd</td>
<td>New South Wales, Australia</td>
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<tr>
<td>Apache Reindeer Holdings Pty Ltd</td>
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<td>Apache Reindeer Pty Ltd</td>
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<tr>
<td>Apache Louisiana Holdings, LLC</td>
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Exhibit 21.1
Page 1 of 3
Apache Corporation (a Delaware corporation)  
Listing of Subsidiaries as of February 20, 2009

<table>
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<tr>
<th>Exact Name of Subsidiary and Name</th>
<th>Jurisdiction of Incorporation or Organization</th>
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<tr>
<td>Apache Louisiana Minerals LLC (formerly Apache Louisiana Minerals, Inc.)</td>
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<td>Exact Name of Subsidiary and Name of Subsidiary under which Subsidiary does Business</td>
<td>Jurisdiction of Incorporation or Organization</td>
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* In liquidation
Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statements (Form S-3 Nos. 333-57785, 333-75633, 333-32580, 333-105536 and 333-155884) of Apache Corporation and in the related Prospectuses,

(2) Registration Statement (Form S-4 No. 333-107934) of Apache Corporation and in the related Prospectus, and


of our report dated February 27, 2009, with respect to the consolidated financial statements of Apache Corporation and the effectiveness of internal control over financial reporting of Apache Corporation, included in this Annual Report (Form 10-K) for the year ended December 31, 2008.

/s/ Ernst & Young LLP

Houston, Texas
February 27, 2009

/s/ Ryder Scott Company, L.P.
Ryder Scott Company, L.P.
Houston, Texas
February 27, 2009
CERTIFICATIONS

I, G. Steven Farris, certify that:

1. I have reviewed this annual report on Form 10-K of Apache Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

/s/ G. Steven Farris
G. Steven Farris
Chairman and Chief Executive Officer

Date: February 27, 2009
CERTIFICATIONS

I, Roger B. Plank, certify that:

1. I have reviewed this annual report on Form 10-K of Apache Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

/s/ Roger B. Plank
Roger B. Plank
President (principal financial officer)

Date: February 27, 2009
APACHE CORPORATION

Certification of Chief Executive Officer and Principal Financial Officer

I, G. Steven Farris, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge, the annual report on Form 10-K of Apache Corporation for the period ending December 31, 2008, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. §78m or §78o (d)) and that information contained in such report fairly represents, in all material respects, the financial condition and results of operations of Apache Corporation.

Date: February 27, 2009

/s/ G. Steven Farris
By: G. Steven Farris
Title: Chairman and Chief Executive Officer (principal executive officer)

I, Roger B. Plank, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge, the annual report on Form 10-K of Apache Corporation for the period ending December 31, 2008, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. §78m or §78o (d)) and that information contained in such report fairly represents, in all material respects, the financial condition and results of operations of Apache Corporation.

/s/ Roger B. Plank
By: Roger B. Plank
Title: President (principal financial officer)

Date: February 27, 2009