

# APACHE CORP

## FORM 10-K (Annual Report)

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**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 [FEE REQUIRED]  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1993,

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE  
SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_

COMMISSION FILE NUMBER 1-4300

**APACHE CORPORATION**

A DELAWARE  
CORPORATION

IRS EMPLOYER  
NO. 41-0747868

ONE POST OAK CENTRAL  
2000 POST OAK BOULEVARD, SUITE 100  
HOUSTON, TEXAS 77056-4400

Telephone Number (713) 296-6000

**SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:**

TITLE OF EACH CLASS -----	NAME OF EACH EXCHANGE ON WHICH REGISTERED -----
Common Stock, \$1.25 Par Value	New York Stock Exchange Chicago Stock Exchange
Common Stock Purchase Rights	New York Stock Exchange Chicago Stock Exchange
9.25% Notes due 2002	New York Stock Exchange

**SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT: NONE**

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

Indicate by check mark 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. //

Aggregate market value of the voting stock held by non-affiliates of registrant as of March 17, 1994	\$1,599,465,322
Number of shares of registrant's common stock outstanding as of March 17, 1994	61,223,553

**DOCUMENTS INCORPORATED BY REFERENCE:**

Portions of registrant's proxy statement relating to registrant's 1994 annual meeting of shareholders have been incorporated by reference into Part III hereof.

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ALL DEFINED TERMS UNDER RULE 4-10(A) OF REGULATION S-X SHALL HAVE THEIR STATUTORILY-PRESCRIBED MEANINGS WHEN USED IN THIS REPORT. QUANTITIES OF NATURAL GAS ARE EXPRESSED IN THIS REPORT IN TERMS OF THOUSAND CUBIC FEET (MCF), MILLION CUBIC FEET (MMCF) OR BILLION CUBIC FEET (BCF). OIL IS QUANTIFIED IN TERMS OF BARRELS (BBLs), THOUSANDS OF BARRELS (MBBLs) AND MILLIONS OF BARRELS (MMBBLs). NATURAL GAS IS COMPARED TO OIL IN TERMS OF BARRELS OF OIL EQUIVALENT (BOE) OR MILLION BARRELS OF OIL EQUIVALENT (MMBOE). OIL AND NATURAL GAS LIQUIDS ARE COMPARED WITH NATURAL GAS IN TERMS OF MILLION CUBIC FEET EQUIVALENT (MMCFE) AND BILLION CUBIC FEET EQUIVALENT (BCFE). ONE BARREL OF OIL IS THE ENERGY EQUIVALENT OF SIX MCF OF NATURAL GAS. DAILY OIL AND GAS PRODUCTION IS EXPRESSED IN TERMS OF BARRELS OF OIL PER DAY (BOPD) AND THOUSANDS OF CUBIC FEET OF GAS PER DAY (MCFD), RESPECTIVELY. WITH RESPECT TO INFORMATION RELATING TO THE COMPANY'S WORKING INTEREST IN WELLS OR ACREAGE, "NET" OIL AND GAS WELLS OR ACREAGE IS DETERMINED BY MULTIPLYING GROSS WELLS OR ACREAGE BY THE COMPANY'S WORKING INTEREST THEREIN. UNLESS OTHERWISE SPECIFIED, ALL REFERENCES TO WELLS AND ACRES ARE GROSS.

## PART I

### ITEM 1. BUSINESS

#### GENERAL

Apache Corporation (Apache or the Company), a Delaware corporation formed in 1954, is an independent energy company that explores for, develops, produces, gathers, processes and markets natural gas and crude oil. Domestically, Apache's exploration and production interests are spread over 18 states, focusing on the Gulf of Mexico, the Anadarko Basin of Oklahoma, the Permian Basin of West Texas and New Mexico, the Gulf Coast and the Rocky Mountain region. Internationally, Apache has production interests in Australia and is currently focusing its international exploration efforts offshore Western Australia and along the Pacific Rim. Apache's common stock has been listed on the New York Stock Exchange since 1969.

Apache holds interests in many of its domestic and international properties through operating subsidiaries, such as MW Petroleum Corporation, Hadson Energy Resources Corporation, Hadson Energy Limited and Apache International, Inc. Properties referred to in this document may be held by those subsidiaries. Apache treats all operations as one segment of business.

#### 1993 RESULTS

In 1993, Apache had net income of \$37.3 million, or \$.70 per share, on total revenues of \$466.6 million. Net cash provided by operating activities during 1993 was \$225.1 million.

The year represents Apache's sixteenth consecutive year of production growth and sixth consecutive year of oil and gas reserves growth. Apache's average daily production was approximately 34 Mbbls of oil and 303 MMcf of natural gas for the year. The Company's estimated proved reserves at December 31, 1993, were 231 MMboe, of which 61 percent was natural gas. Apache's growth in reserves during the year reflects the replacement of 238 percent of the Company's 1993 production. Over half of the newly added reserves were acquired through Apache's ongoing acquisition efforts. The remainder was attributable to Apache's active drilling and workover program, which yielded 210 new producing domestic wells out of 266 attempts, and involved 368 workover and recompletion projects during the year.

At December 31, 1993, Apache had interests in approximately 3,184 net oil and gas wells and 680,893 net developed acres of oil and gas properties. In addition, the Company had interests in 549,833 net undeveloped acres under domestic leases and 7,532,102 net undeveloped acres under international exploration and production rights.

#### APACHE'S GROWTH STRATEGY

Apache grows production, reserves and cash flow through a combination of acquisitions, moderate-risk drilling and development of its inventory of existing projects. The Company also emphasizes reducing operating costs per unit produced and selling marginal and non-strategic properties in order to increase its profit margins.

For Apache, property acquisition is only one phase in a continuing cycle of business growth. Apache's aim is to follow each acquisition cycle with a cycle of reserve enhancement, property consolidation and cash flow acceleration, facilitating asset growth and debt reduction. This approach requires well-planned and carefully executed property development and a commitment to a selective program of ongoing property dispositions. It motivates Apache to target acquisitions that have ascertainable additional reserve potential and to apply an active drilling, workover and recompletion program to realize the potential of the acquired undeveloped and partially developed properties. Apache prefers to operate its properties so that it can best influence their development, and the Company therefore operates properties constituting over 75 percent of its production.

Pursuing its acquire-and-develop strategy, Apache increased its total reserves more than four-fold and production almost three-fold during the six years ended 1993. In addition to its acquisition strategy, Apache continues to develop and exploit its existing inventory of workover, recompletion and other development

projects to increase reserves and production. During 1993, Apache acquired \$324.6 million of additional properties and replaced over 100 percent of its domestic production through its drilling, workover and recompletion program.

Apache's international investments supplement its long-term growth strategy. Although international exploration is recognized as higher-risk than most of Apache's domestic activities, it offers potential for higher rewards and significant reserve additions. Apache refocused its international efforts in 1993 on the acquisition and development of properties in Western Australia and the Pacific Rim, where it believes that reserve additions may be made through higher-risk exploration and through improved production practices and recovery techniques.

## **RECENT ACQUISITIONS AND DISPOSITIONS**

In late 1992, Apache purchased a 93-percent working interest in Matagorda Island Blocks 681 and 682, located off the Texas Gulf Coast, for \$57.4 million, including \$1.8 million for a 14-mile gathering line. This transaction approximately doubled Apache's offshore gas production, adding six producing wells, and reserves of an estimated 73.5 Bcf of gas and 158 Mbbls of condensate. Apache and an affiliate now own all of the working interest in the blocks.

In 1993, Apache entered into two agreements to purchase a combined 103.7 Bcfe of proved reserves in the Gulf of Mexico from Hall-Houston Oil Company (Hall-Houston) for an aggregate consideration of \$113.7 million. In June 1993, Apache closed the first of the two transactions, paying \$29.3 million for Hall-Houston's interest in Mustang Island Blocks 787 and 805. Apache acquired substantially all of Hall-Houston's other producing properties in the Gulf of Mexico for an additional \$84.4 million in the second transaction which closed on August 31, 1993. With the Hall-Houston acquisitions, Apache again more than doubled its interest in offshore gas production, acquiring interests in 63 producing fields and 12 fields under development or awaiting pipeline connections.

Apache acquired Hadson Energy Resources Corporation (HERC) through a series of private transactions and subsequent merger, effective November 12, 1993. The aggregate consideration paid for the acquisition was \$98.0 million, including the issuance of 307,977 shares of Apache common stock. Apache acquired HERC and its subsidiaries subject to approximately \$67.6 million of net liabilities at the time of the merger. Through the acquisition of HERC, Apache added proved reserves of 66 Bcfe domestically and 64 Bcfe in Australia.

The HERC and Hall-Houston acquisitions complement Apache's existing operations, and represent the Company's emphasis on the acquisition of natural gas properties and an increased commitment to the Gulf of Mexico and Australian regions. The addition of the Hall-Houston properties makes the Gulf of Mexico the Company's largest producing region. HERC's reserves fit well with Apache's existing interests in Oklahoma and the Carnarvon Basin offshore Western Australia. Domestically, nearly two-thirds of the value of HERC's properties are concentrated in Oklahoma, where Apache is already the largest independent gas producer. HERC's operations in Western Australia, including the Harriet complex of oil and natural gas fields, provide Apache with the reserves and infrastructure required for the commercial development of its other Australian interests.

During 1993, Apache also acquired 11 MMboe of proved reserves through 71 smaller, non-strategic acquisitions for an aggregate consideration of \$76.5 million. Apache also sold \$3.3 million of its non-strategic properties during 1993.

## **EXPLORATION AND PRODUCTION**

The Company's domestic exploration and production activities are divided into five operating regions, the Gulf of Mexico, Midcontinent, Permian Basin, Gulf Coast and Rocky Mountain regions. Approximately 95 percent of the Company's proved reserves are located in its five domestic operating regions. Internationally, the Company conducts its Australian exploration and production and its Indonesian exploration through its

Australian region. Apache's other international interests are directed by the Company and its subsidiaries through the Company's principal offices located in Houston, Texas.

**GULF OF MEXICO.** As a result of Apache's acquisitions of Matagorda Island Blocks 681 and 682 in late 1992 and the Hall-Houston acquisition in 1993, the Gulf of Mexico has become Apache's largest producing region. Because of the growth resulting from these acquisitions, Apache divided its former Gulf Coast region into two regions: Gulf of Mexico and Gulf Coast. The Gulf of Mexico region encompasses all of Apache's interests in properties offshore Texas, Louisiana and Alabama. As a result of acquisitions, Apache's reserves in the region increased 77 percent during 1993. Apache increased its production in the Gulf of Mexico to 150 MMcf of gas per day by year end, double that of a year earlier.

The Gulf of Mexico region encompasses 219,009 net acres, located in both state and federal waters, and accounts for 47.9 MMboe, or 21 percent, of the Company's year-end 1993 reserves. Apache participated in 23 wells which were drilled in the region during the year, 15 of which were completed as producers. The Company performed 11 workover and recompletion operations in the region during 1993.

**MIDCONTINENT.** Apache's Midcontinent region is known for its sizeable position in the Anadarko Basin. Apache has drilled and operated in the Anadarko Basin for over three decades, developing an extensive database of geologic information and a substantial acreage position. In 1993, Apache enhanced its position through the acquisition of HERC, a company with significant acreage and producing interests in the Anadarko Basin.

At December 31, 1993, Apache held an interest in 236,063 net acres in the region, which accounted for approximately 62 MMboe, or 27 percent, of Apache's total proved reserves. Apache participated in 101 wells which were drilled in the Midcontinent region during the year, 91 of which were completed as producing wells. The Company performed 26 workover and recompletion operations in the region during 1993.

**PERMIAN BASIN.** The Permian Basin of West Texas and New Mexico remained an important region to Apache in 1993, generating 19 percent of the Company's production revenues for the year. As of December 31, 1993, Apache held an interest in 167,529 net acres in the region, which accounted for 49.1 MMboe, or 21 percent, of the Company's total proved reserves. Apache operations in the Permian Basin focused primarily on workovers and recompletions, which totaled 76 for the year. Compared with 1992, Apache nearly doubled its drilling activity in the region during 1993, with 14 of the 19 wells drilled in the region completed as producers.

**GULF COAST.** The Gulf Coast region encompasses the Texas and Louisiana coasts and central Texas. In 1993, the region was one of the most prominent in the Company in the number of workover and recompletion projects completed and the number of wells drilled. Apache participated in 77 wells drilled in the Gulf Coast region during the year, 64 of which were completed as producers, including 40 Austin Chalk wells in central Texas, 38 of which were productive. The Company performed 140 workover and recompletion operations during 1993 in the Gulf Coast region. The region encompasses approximately 126,485 net acres, and accounts for 33.5 MMboe, or 14 percent, of the Company's year-end 1993 total proved reserves.

**ROCKY MOUNTAIN.** In the Rocky Mountain region, Apache currently emphasizes oil enhancement opportunities, having conducted 115 development projects in 1993. At year-end 1993, Apache held an interest in 429,090 net acres in the region, which accounted for approximately 26.9 MMboe, or 12 percent, of the Company's total proved reserves. Apache participated in 46 wells in the region during the year, 26 of which were productive.

**AUSTRALIA.** The state of Western Australia has become an important region to Apache following the successful completion of the HERC acquisition. For additional operating efficiencies, Apache consolidated its Australian properties, acquired in 1991, with HERC's operations, which are headquartered in Perth, Western Australia, during the fourth quarter of 1993.

As of December 31, 1993, Apache held 3,297,310 net developed and undeveloped acres in Western Australia. Australian reserves accounted for 11.6 MMboe, or five percent, of the Company's total proved reserves at year end. Through HERC and its subsidiaries, Apache also owns a 22.5-percent interest in and

operates the Harriet Gas Gathering Project, a gas processing and compression facility with a throughput capacity of 80 MMcfd, and a 60-mile, 12-inch offshore pipeline with a throughput capacity of 175 MMcfd. The facilities are located in close proximity to HERC's producing properties offshore in the Carnarvon Basin. HERC acts as operator for most of its properties in Western Australia through its Australian subsidiary, Hadson Energy Limited.

During 1993, Apache's international subsidiary, Apache International, Inc., focused primarily on exploratory drilling in Western Australia, participating in three wells for the year, two of which were productive. Although the wells indicated the presence of a new natural gas and gas condensate field, the economic potential of the field cannot be determined until completion of a feasibility study currently in progress.

**OTHER INTERNATIONAL OPERATIONS.** Outside of Australia, Apache's international interests currently consist only of exploration interests. In 1993, Apache continued to emphasize activities in Indonesia, expanded into Egypt, and continued to reduce its focus on France, Angola, and The Congo, while retaining an interest in the Foxtrot project offshore the Ivory Coast.

In early 1993, Apache took over as operator and increased its interest in the Java Sea IV block offshore Indonesia and the Padang Panjang block on the island of Sumatra, Indonesia. Following the HERC merger, operations for both blocks were consolidated with those for the Bentu block on Sumatra which are conducted by a subsidiary of HERC. Three exploratory wells are expected to be drilled in Indonesia in 1994.

In May 1993, Apache acquired a 50-percent interest in the two-million acre Qarun block in the western desert of Egypt which is operated by Phoenix Resources Company of Qarun. The acquisition of seismic data has concluded and an exploratory well is scheduled to be drilled in 1994.

In January 1994, Apache entered into an agreement with XCL-China, Ltd., a subsidiary of The Exploration Company of Louisiana, to acquire a one-third interest in the Zhao Dong block located in the Bohai Bay shallow water area offshore the People's Republic of China. The contract area contains approximately 48,670 undeveloped acres (16,200 acres net to Apache) and involves a work commitment to acquire new seismic data and drill three exploratory wells during the exploratory phase which began in May 1993. Under the contract, the first exploratory well must be spudded within 15 months of May 1993 and is planned for the second quarter of 1994.

## **OIL AND NATURAL GAS MARKETING**

Apache markets approximately 85 percent of its domestic natural gas on the spot market through Natural Gas Clearinghouse (NGC) or through market responsive contracts with other parties; the remaining 15 percent is sold into long-term, premium-priced contracts. Sales to NGC accounted for 36 percent of the Company's oil and gas revenues in 1993. Effective April 1, 1993, Apache and NGC agreed to extend the term of their existing natural gas marketing agreement under which NGC will continue to market substantially all of Apache's domestic spot market gas production. The Company believes that if the NGC contract were terminated, it would not have a material adverse effect on the Company due to the existence of alternative purchasers.

In 1992, Apache assumed its own domestic crude oil marketing operations. Most of Apache's crude oil production is sold through lease-level marketing to refiners, traders and transporters, generally under 30-day contracts that renew automatically until canceled. Although effective January 1, 1993, Apache ended its prior arrangement to sell to Amoco Production Company (Amoco) substantially all of the oil produced from the MW Petroleum Corporation (MW) properties, sales to Amoco constituted 11-percent of the Company's oil and gas revenues during the year. Oil production from the MW properties is now marketed through Apache's internal crude oil marketing group.

In Australia, HERC's existing proved gas reserves are dedicated to the State Energy Commission of Western Australia (SECWA) under a long-term contract that provides for the sale of 123 Bcf (approximately 28 Bcf net to HERC) over an initial period of up to 10 years. The agreement contains take-or-pay provisions that require SECWA to purchase a minimum of 26 MMcfd (approximately 6 MMcfd net to HERC) through

July 1994, and 35 MMcfd through the remainder of the contract term at a stated minimum price that escalates with the Western Australia consumer price index. If for any reason the SECWA contract were canceled, HERC might not be able to find other markets for its Carnarvon Basin gas.

HERC markets all oil and natural gas liquids produced from its interests in the Harriet field through a contract with Marubeni International Petroleum (Singapore) Pte Limited (Marubeni), which was extended in 1993. Pricing under the contract represents a fixed premium to the average of the quoted spot market prices of Tapis and Dubai crude oil, with payment made in U.S. dollars. Production sold under this contract in 1993 realized an average price of \$18.53 per barrel (exclusive of the impact of hedging activities). The Company believes that if this contract were terminated, it would not have a material adverse effect on the Company due to the demand for Australian crude oil and the existence of alternative purchasers.

## **OIL AND NATURAL GAS PRICES**

Natural gas prices remained volatile and continued to behave independently of historical seasonal patterns in 1993. Until recently, demand for natural gas has tended to be seasonal in nature, with peak demand and higher prices occurring in the colder winter months. In 1992, this linkage was lost: after plummeting to a 13-year low near the peak of the winter heating season, prices defied normal summer and fall seasonal patterns, climbing to a seven-year high. Although natural gas prices remained volatile in 1993, Apache's average realized gas price of \$2.03 per Mcf for the year was 15 percent above the prior-year average of \$1.76 per Mcf.

Due to the escalating price contract with SECWA, HERC's natural gas production in Western Australia is not subject to the same degree of price volatility as is its domestic gas production, however, natural gas sales under the SECWA contract represented only about two percent of the Company's total natural gas sales at year end. In 1993, the price received for production under the contract averaged \$1.79 per Mcf.

Oil prices, especially vulnerable to unpredictable political and economic forces, remained volatile in 1993 and declined steeply in the fourth quarter of 1993. Management believes that, absent a comprehensive U.S. energy policy, oil prices will continue to fluctuate in response to changes in the policies of the Organization of Petroleum Exporting Countries (OPEC) and events in the Middle East. Although levels of production maintained by OPEC member countries and other major oil producing countries continue to impede crude oil price improvements in the near term, management is unable to determine whether the sharply lower oil prices prevailing in the fourth quarter of 1993 will be a relatively short-term experience or if such prices represent a longer-term shift in the crude oil market.

Apache's worldwide crude oil price averaged \$16.78 per barrel in 1993, eight percent lower than the average price of \$18.16 per bbl in 1992. Apache's average crude oil price for its Australian production, including production sold under the Marubeni contract, was \$19.24 per barrel in 1993.

Terms of the acquisition of MW from Amoco included a crude oil price support mechanism that expired in mid-1993 and that buffered the Company from price volatility during the peak debt exposure from the acquisition financing. The transaction also created an oil and gas price sharing provision under which certain price sharing payments are due to Amoco. Pursuant to this provision, to the extent that oil prices exceed specified reference prices that rise to \$33.13 per barrel over the eight-year period ending June 30, 1999, and to the extent that gas prices exceed specified reference prices that rise to \$2.68 per Mcf over the five-year period ending June 30, 1996, Apache will share the excess price realization with Amoco on a portion of the MW production.

From time to time, Apache buys or sells contracts for the future delivery of oil or gas to hedge a limited portion of its production against exposure to spot market price changes. See Note 8 to the Company's financial statements under Item 8 below.

The Company's business will be affected by future worldwide changes in oil and gas prices and the relationship between the prices of oil and gas. No assurance can be given as to the trend in, or level of, future oil and gas prices.

## **RESERVE VALUE CEILING TEST**

Under the Securities and Exchange Commission's full cost accounting rules, the Company reviews the carrying value of its oil and gas properties each quarter on a country-by-country basis. Under full cost accounting rules, capitalized costs of oil and gas properties may not exceed the present value of estimated future net revenues from proved reserves, discounted at 10 percent, plus the lower of cost or fair market value of unproved properties, as adjusted for related tax effects and deferred tax reserves. Application of this rule generally requires pricing future production at the unescalated oil and gas prices in effect at the end of each fiscal quarter and requires a write-down if the "ceiling" is exceeded, even if prices declined for only a short period of time. If a write-down is required, the one-time charge to earnings would not impact cash flow from operating activities. The Company had no write-downs because of ceiling test limitations during 1993.

## **GOVERNMENT REGULATION OF THE OIL AND GAS INDUSTRY**

The Company's exploration, production and marketing operations are regulated extensively at the federal, state and local levels, as well as by other countries in which the Company does business. Oil and gas exploration, development and production activities are subject to various laws and regulations governing a wide variety of matters. For example, hydrocarbon-producing states have statutes or regulations addressing conservation practices and the protection of correlative rights, and such regulations may affect Apache's operations and limit the quantity of hydrocarbons Apache may produce and sell. Other regulated matters include marketing, pricing, transportation, and valuation of royalty payments.

Among other regulated matters on the federal level, the Federal Energy Regulatory Commission (FERC) regulates interstate transportation of natural gas under the Natural Gas Act and regulates the maximum selling prices of certain categories of gas sold in "first sales" in interstate and intrastate commerce under the Natural Gas Policy Act (NGPA). Apache, as a producer and seller of gas, remains subject to FERC's jurisdiction only to a limited extent as a result of a few remaining regulated gas sales. Apache's other gas sales are deregulated under the NGPA or Natural Gas Wellhead Decontrol Act.

Apache's gas sales are affected by regulation of intrastate and interstate gas transportation. In an attempt to promote competition, the FERC has issued a series of orders which have altered significantly the marketing and transportation of natural gas. The effect of these orders has been to enable the Company to market its natural gas production to purchasers other than the interstate pipelines located in the vicinity of its producing properties. The Company is not able to fully determine what impact the new regulations will have on its operations, but it generally believes that the changes will improve the Company's access to transportation and enhance the marketability of its natural gas production. To date, Apache has not experienced any material adverse effect on gas marketing as a result of these FERC orders; however, the Company cannot predict what new regulations may be adopted by the FERC and other regulatory authorities, or what effect subsequent regulations may have on its future gas marketing.

## **ENVIRONMENTAL MATTERS**

Apache, as an owner or lessee and operator of oil and gas properties, is subject to various federal, 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, require suspension or cessation of operations in affected areas and impose restrictions on the injection of liquids into subsurface aquifers that may contaminate groundwater.

Apache maintains insurance coverages which it believes are customary in the industry, although it is not fully insured against all environmental risks. The Company is not aware of any environmental claims existing as of December 31, 1993, which would have a material impact upon the Company's financial position or results of operations.

Apache has made and will continue to make expenditures in its efforts to comply with these requirements, which it believes are necessary business costs in the oil and gas industry. Apache has established policies for continuing compliance with environmental laws and regulations, including regulations applicable to its operations in Australia and other countries. Apache has also established operational procedures designed to limit the environmental impact of its field facilities. The costs incurred by these policies and procedures are inextricably connected to normal operating expenses such that the Company is unable to separate the expenses related to environmental matters; however, the Company does not believe any such additional expenses are material to its financial position or results of operations.

Although environmental requirements do have a substantial impact upon the energy industry, generally these requirements do not appear to affect Apache any differently, or to any greater or lesser extent, than other companies in the industry. Apache does not believe that compliance with federal, state, local or foreign country provisions regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, will have a material adverse effect upon the capital expenditures, earnings or competitive position of the Company or its subsidiaries, but there is no assurance that changes in or additions to laws or regulations regarding the protection of the environment will not have such an impact.

## **COMPETITION**

The oil and gas industry is highly competitive. Because oil and gas are fungible commodities, the principal form of competition with respect to product sales is price competition. Apache strives to maintain the lowest finding and production costs possible to maximize profits.

As an independent oil and gas company, Apache frequently competes for reserve acquisitions, exploration leases, licenses, concessions and marketing agreements against companies with substantially larger financial and other resources than Apache possesses. Moreover, many competitors have established strategic long-term positions and maintain strong governmental relationships in countries in which the Company may seek new entry. Apache expects this high degree of competition to continue.

## **EMPLOYEES**

On December 31, 1993, Apache had 984 full-time employees.

## **OFFICES**

Apache's principal executive office is located at One Post Oak Central, 2000 Post Oak Boulevard, Suite 100, Houston, Texas 77056-4400. The Company maintains regional exploration and production offices in Tulsa, Oklahoma; Houston, Texas; Denver, Colorado; and Perth, Western Australia.

## ITEM 2. PROPERTIES

### OIL AND GAS EXPLORATION AND PRODUCTION PROPERTIES AND RESERVES

#### ACREAGE

The developed and undeveloped acreage, including both domestic leases and international production and exploration rights that Apache held as of December 31, 1993, are as follows:

	UNDEVELOPED ACREAGE		DEVELOPED ACREAGE	
	GROSS ACRES	NET ACRES	GROSS ACRES	NET ACRES
<b>GULF OF MEXICO</b>				
Alabama.....	--	--	37,469	7,704
Louisiana.....	45,095	26,739	278,678	81,263
Texas.....	86,463	41,808	233,934	61,495
Total.....	131,558	68,547	550,081	150,462
<b>MIDCONTINENT</b>				
Arkansas.....	40	10	2,549	9
Louisiana.....	1,711	1,126	14,648	10,681
Oklahoma.....	56,376	20,182	424,260	158,389
Texas.....	24,808	13,401	54,031	32,265
Total.....	82,935	34,719	495,488	201,344
<b>PERMIAN BASIN</b>				
New Mexico.....	14,830	7,188	78,175	25,278
Texas.....	103,584	53,601	104,039	81,462
Total.....	118,414	60,789	182,214	106,740
<b>GULF COAST</b>				
Alabama.....	780	167	483	204
Florida.....	1,810	240	--	--
Louisiana.....	10,759	6,656	49,658	21,059
Mississippi.....	7,470	1,324	9,945	1,992
New Mexico.....	640	640	3,632	1,510
Texas.....	47,925	21,229	189,441	71,464
Total.....	69,384	30,256	253,159	96,229
<b>ROCKY MOUNTAIN</b>				
California.....	968	575	480	178
Colorado.....	48,619	22,127	1,040	920
Kansas.....	14,515	5,351	750	713
Michigan.....	160	22	40	6
Montana.....	46,539	19,286	6,064	2,350
Nebraska.....	11,699	4,787	80	10
Nevada.....	145,099	64,979	1,720	913
New Mexico.....	72,391	47,527	34,671	27,037
North Dakota.....	155,443	62,613	53,890	21,784
South Dakota.....	4,639	1,196	3,480	2,330
Utah.....	6,997	1,763	1,680	1,018
Wyoming.....	276,990	125,296	31,101	16,309
Total.....	784,059	355,522	134,996	73,568
<b>TOTAL DOMESTIC.....</b>	<b>1,186,350</b>	<b>549,833</b>	<b>1,615,938</b>	<b>628,343</b>
<b>INTERNATIONAL</b>				
Australia.....	6,613,500	3,244,760	280,460	52,550
The Congo.....	236,228	47,245	--	--
Indonesia.....	5,250,258	3,276,407	--	--
Egypt.....	1,927,380	963,690	--	--
<b>TOTAL INTERNATIONAL.....</b>	<b>14,027,366</b>	<b>7,532,102</b>	<b>280,460</b>	<b>52,550</b>
<b>TOTAL COMPANY.....</b>	<b>15,213,716</b>	<b>8,081,935</b>	<b>1,896,398</b>	<b>680,893</b>

## PRODUCTIVE OIL AND GAS WELLS

The number of productive oil and gas wells, operated and non-operated, in which Apache had an interest as of December 31, 1993, is set forth below.

	GAS		OIL	
	GROSS	NET	GROSS	NET
Gulf of Mexico.....	430	85	40	14
Midcontinent.....	1,511	447	275	82
Permian Basin.....	455	131	2,240	782
Gulf Coast.....	626	289	1,088	832
Rocky Mountain.....	113	83	782	434
International.....	5	1	25	4
Total.....	3,140	1,036	4,450	2,148

## GROSS WELLS DRILLED

The following table sets forth the number of gross exploratory and gross development wells drilled in the last three fiscal years in which the Company participated. The number of wells drilled refers to the number of wells commenced at any time during the respective fiscal year. "Productive" wells are either producing wells or wells capable of commercial production. At December 31, 1993, the Company was participating in 26 wells in the process of drilling.

1993	EXPLORATORY			DEVELOPMENTAL		
	PRODUCTIVE	DRY	TOTAL	PRODUCTIVE	DRY	TOTAL
Domestic.....	12	19	31	198	37	235
International.....	3	5	8	--	--	--
Total.....	15	24	39	198	37	235
1992						
Domestic.....	10	32	42	145	16	161
International.....	--	6	6	--	--	--
Total.....	10	38	48	145	16	161
1991						
Domestic.....	18	11	29	73	18	91
International.....	1	1	2	2	--	2
Total.....	19	12	31	75	18	93

## NET WELLS DRILLED

The following table sets forth, for each of the last three fiscal years, the number of net exploratory and net developmental wells drilled by Apache.

1993	EXPLORATORY			DEVELOPMENTAL		
	PRODUCTIVE	DRY	TOTAL	PRODUCTIVE	DRY	TOTAL
Domestic.....	4.2	10.4	14.6	90.4	22.2	112.6
International.....	0.6	1.3	1.9	--	--	--
Total.....	4.8	11.7	16.5	90.4	22.2	112.6
1992						
Domestic.....	3.2	16.6	19.8	60.1	8.0	68.1
International.....	--	1.1	1.1	--	--	--
Total.....	3.2	17.7	20.9	60.1	8.0	68.1

1991	EXPLORATORY			DEVELOPMENTAL		
	PRODUCTIVE	DRY	TOTAL	PRODUCTIVE	DRY	TOTAL
Domestic.....	9.3	7.5	16.8	32.0	10.1	42.1
International.....	0.1	0.2	0.3	0.2	--	0.2
Total.....	9.4	7.7	17.1	32.2	10.1	42.3

## PRODUCTION AND PRICING DATA

The following table describes, for each of the last three fiscal years, oil, natural gas liquids (NGLs) and gas production for the Company, average production costs and average sales prices.

YEAR ENDED DECEMBER 31,	PRODUCTION			AVG. PRODUCTION COST PER BOE	AVERAGE SALES PRICE		
	OIL (MMBLS)	NGLS (MMBLS)	GAS (MMCF)		OIL (PER BBL)	NGLS (PER BBL)	GAS (PER MCF)
1993.....	12,294	486	110,622	\$ 4.10	\$ 16.78	\$ 12.35	\$2.03
1992.....	12,056	533	95,982	4.38	18.16	12.34	1.76
1991.....	7,764	630	104,621	3.54	18.40	11.23	1.58

## ESTIMATED RESERVES AND RESERVE VALUE INFORMATION

The following information relating to estimated reserve quantities, reserve values and discounted future net revenues is derived from, and qualified in its entirety by reference to, the more complete reserve and revenue information and assumptions included in the Company's financial statements under Item 8 below. The Company's estimates of proved reserve quantities of its domestic properties and certain international properties have been subject to review by Ryder Scott Company Petroleum Engineers. The Company's estimates of proved reserve quantities of its Western Australia properties held through Hadson Energy Limited have been subject to review by Intera Information Technologies Inc. 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 information represents estimates only and should not be construed as being exact. See Supplemental Oil and Gas Disclosures under Item 8 below.

The following table sets forth the Company's estimated proved developed and undeveloped reserves as of December 31, 1993, 1992 and 1991.

	NATURAL GAS (BCF)	OIL, NGLS AND CONDENSATE (MMBLS)
1993		
Developed.....	720.7	79.4
Undeveloped.....	127.5	10.3
Total.....	848.2	89.7
1992		
Developed.....	585.4	73.1
Undeveloped.....	57.9	7.6
Total.....	643.3	80.7
1991		
Developed.....	549.7	69.2
Undeveloped.....	52.3	10.6
Total.....	602.0	79.8

The following table sets forth the estimated future value of all proved reserves of the Company, and proved developed reserves of the Company, as of December 31, 1993, 1992 and 1991. Future reserve values are based on year-end prices except in those instances where the sale of gas and oil is covered by contract terms providing for determinable escalations. Operating costs, production and ad valorem taxes, and future development costs are based on current costs with no escalations.

DECEMBER 31, -----	ESTIMATED FUTURE NET REVENUES		PRESENT VALUE OF ESTIMATED FUTURE NET REVENUES BEFORE INCOME TAXES (DISCOUNTED AT 10 PERCENT)	
	PROVED	PROVED DEVELOPED	PROVED	PROVED DEVELOPED
	(IN THOUSANDS)			
1993.....	\$2,074,505	\$1,783,187	\$1,359,117	\$1,189,268
1992.....	1,747,113	1,581,853	1,062,558	987,497
1991.....	1,611,044	1,447,025	997,973	930,038

At December 31, 1993, estimated future net revenues expected to be received from all proved reserves of the Company, and from proved developed reserves of the Company, were as follows:

DECEMBER 31, -----	PROVED	PROVED DEVELOPED
(IN THOUSANDS)		
1994.....	\$ 321,507	\$ 332,722
1995.....	312,749	258,091
1996.....	258,554	206,130
Thereafter.....	1,181,695	986,244
Total.....	\$ 2,074,505	\$ 1,783,187
	=====	=====

The Company believes that no major discovery or other favorable or adverse event has occurred since December 31, 1993, which would cause a significant change in the estimated proved reserves reported herein. The estimates above are based on year-end pricing in accordance with the Securities and Exchange Commission (Commission) guidelines and do not reflect current prices. Since January 1, 1993, no oil or gas reserve information has been filed with, or included in any report to, any U.S. authority or agency other than the Commission and the Energy Information Administration (EIA). The basis of reporting reserves to the EIA for the Company's reserves is identical to that set forth in the foregoing table.

## TITLE TO INTERESTS

The Company believes that its title to 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 which do not detract substantially from the value of the interests or materially interfere with their use in the Company's operations. The interests owned by the Company may be subject to one or more royalty, overriding royalty and other outstanding interests customary in the industry. The interests may additionally be subject to burdens such as 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 the Company's operations.

### ITEM 3. LEGAL PROCEEDINGS

The information set forth under the caption "Litigation" in Note 8 to the Company's financial statements under Item 8 below is incorporated herein by reference.

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

No matters were submitted for a vote of security holders during the fourth quarter of 1993.

## PART II

### ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED

#### STOCKHOLDER MATTERS

Apache common stock, par value \$1.25 per share, is traded on the New York Stock Exchange and the Chicago Stock Exchange under the symbol APA. The table below provides certain information regarding Apache common stock for 1993 and 1992. Prices shown are from the New York Stock Exchange Composite Transactions Reporting System.

	1993			1992		
	PRICE RANGE		DIVIDENDS PER SHARE	PRICE RANGE		DIVIDENDS PER SHARE
HIGH	LOW	HIGH		LOW		
First Quarter.....	\$26 1/4	\$17 5/8	\$0.07	\$15 7/8	\$ 12	\$0.07
Second Quarter.....	30 1/4	24 3/8	0.07	18 1/8	13 7/8	0.07
Third Quarter.....	33 1/2	26 3/8	0.07	22 1/8	15 1/2	0.07
Fourth Quarter.....	31 1/4	20 3/8	0.07	21 3/8	17 1/8	0.07

The closing price per share of Apache common stock as reported on the New York Stock Exchange Composite Transactions Reporting System for March 17, 1994, was \$26 1/8. At December 31, 1993, there were 61,085,414 shares of Apache common stock outstanding, held by 10,970 shareholders of record and approximately 30,000 beneficial owners.

Each share of Apache common stock also represents one common stock purchase right which, under certain circumstances, would entitle the holder to acquire additional shares of common stock. See Note 5 to the Company's financial statements under Item 8 below.

The Company has paid cash dividends on its common stock for 108 consecutive quarters and intends to continue the payment of dividends at current levels, although future dividend payments will depend upon the Company's level of earnings, financial requirements and other relevant factors.

## ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected financial data of the Company and its consolidated subsidiaries for each of the years in the five-year period ended December 31, 1993, 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 and financial statements under Item 8 below.

	AT OR FOR THE YEAR ENDED DECEMBER 31,				
	1993(1)	1992	1991(2)	1990	1989
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)				
INCOME STATEMENT DATA					
Total revenues.....	\$ 466,638	\$ 454,300	\$ 356,930	\$273,410	\$246,850
Net income.....	37,334	47,776	34,615	40,297	22,122
Net income per common share.....	.70	1.02	.76	.90	.64
Cash dividends per common share.....	.28	.28	.28	.28	.28
BALANCE SHEET DATA					
Working capital (deficit).....	\$ (62,450)	\$ (43,775)	\$ (55,023)	\$ 15,678	\$ 24,585
Total assets.....	1,592,407	1,218,704	1,209,291	829,634	764,368
Long-term debt.....	453,009	454,373	490,988	194,781	195,622
Shareholders' equity.....	785,854	475,209	439,941	386,780	350,263
Common shares outstanding at end of year.....	61,085	46,936	46,855	44,694	43,949

(1) Includes financial data for HERC after June 30, 1993, and for Hall-Houston after July 31, 1993. See Note 1 to the Company's financial statements under Item 8 below.

(2) Includes financial data for MW after June 30, 1991. See Note 1 to the Company's financial statements under Item 8 below.

Reference is made to Item 7, "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS," for a discussion of significant acquisitions and to the Summary of Significant Accounting Policies and Notes 1 and 2 to the Company's financial statements under Item 8 below.

## **ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

### **OVERVIEW**

Apache's financial performance during 1993 is best understood in light of the following factors:

**GAIN FROM SALE IN PRIOR YEAR** -- The Company's 1992 income reflects an \$18.5 million after-tax gain on the sale of the Company's interest in NGC and \$2.7 million attributable to the Company's equity in NGC's earnings.

**NON-CASH CHARGES** -- With a reduced probability of establishing commercial operations on certain West African concessions, Apache took a \$6.7 million third-quarter write-down that reduced net income by \$4.3 million, or \$.08 per share. Due to the third quarter enactment of tax legislation increasing the federal corporate income tax rate, Apache also took a \$3.5 million third-quarter charge to income in restating deferred taxes as required under Statement of Financial Accounting Standards No. 109. The one-time charge reduced net income by \$.07 per share.

**COMMODITY PRICES** -- As compared to 1992, the current year's performance benefitted from generally higher natural gas prices but suffered from a steep decline in oil prices during the fourth quarter. Although natural gas prices remained volatile and continued to deviate from seasonal patterns, Apache's average realized natural gas price for 1993 was up 15 percent over 1992. Improved gas prices were significantly offset by a downturn in oil prices in the fourth quarter, which caused Apache's 1993 average realized oil price to decline to a five-year low of \$16.78 per barrel.

**PUBLIC STOCK OFFERING; DEBT CONVERSION** -- In March 1993, the Company received net proceeds of \$131.8 million from its public offering of approximately 5.8 million shares of Apache common stock, and applied proceeds to repay all outstanding debt under its revolving bank credit facility. In September 1993, holders converted approximately \$150 million of Apache's 7 1/2-percent convertible subordinated debentures due 2000 into approximately 7.8 million shares of Apache common stock. These transactions increased the weighted average shares of Apache common stock outstanding during the year by 6.6 million shares and reduced outstanding debt by \$281.8 million, with a corresponding reduction in interest expense. This debt reduction was offset, however, by bank debt incurred to fund acquisitions during 1993.

**ACQUISITIONS** -- In 1993, Apache acquired HERC and substantially all of Hall-Houston's producing properties in the Gulf of Mexico for an aggregate of \$211.7 million. Although the impact of these acquisitions on 1993 performance was not as dramatic as the impact of the MW acquisition on 1992's performance, the production, expenses and cash flow from the newly acquired properties nonetheless contributed significantly to the year's outcome, combining to add approximately \$34 million to 1993 revenue. In addition, the Company's 1993 performance reflects a full 12 months of ownership of Apache's 93-percent working interest in Matagorda Island Blocks 681 and 682 in the Gulf of Mexico acquired from Shell Offshore Inc. during the fourth quarter of 1992.

### **RESULTS OF OPERATIONS**

#### **NET INCOME AND REVENUES**

The Company reported net income for the year of \$37.3 million, or \$.70 per share, a 22-percent decrease from 1992 earnings of \$47.8 million, or \$1.02 per share. Significant factors contributing to the lower earnings were after-tax charges to earnings of \$7.8 million, or \$.15 per share, taken in the third quarter related to international impairments and changes in tax laws, the decline in the Company's realized oil prices during 1993, and the gain recognized during 1992 on the sale of NGC. Excluding only the gain on the 1992 NGC sale, the Company's 1993 earnings increased 28 percent over 1992.

Revenues for 1993 totaled \$466.6 million, or three percent higher than a year ago. Production revenues in 1993 totaled \$437.3 million compared to \$394.6 million in 1992. Oil and gas revenues were influenced by improved gas prices over 1992, declining second-half oil prices, and the acquisition of HERC and the Hall-

Houston properties in the second half of the year. Revenues from international operations increased 93 percent to \$15.5 million with six months of Australian production from the HERC acquisition.

Natural gas sales contributed \$225 million to revenues, up 33 percent from 1992, the result of sustained higher prices and higher production during 1993. During 1992, Apache's average realized gas price ranged from \$1.17 per Mcf in February, the lowest price in 13 years, to a high of \$2.40 per Mcf in October. Apache's average realized price for 1992 was \$1.76 per Mcf. In 1993, prices remained in the higher range established in the latter half of 1992. Apache's average realized price for 1993 was \$2.03 per Mcf, up 15 percent over the 1992 average, positively affecting 1993 gas sales by \$30.4 million.

The impact of higher gas prices was augmented by higher gas production in 1993 as compared with 1992. Gas production for the year averaged 303.1 MMcf per day, up 16 percent from 1992, positively affecting gas sales by \$25.8 million. This increase is principally the result of production from newly acquired properties, the most significant of which were the offshore properties acquired from Hall-Houston, the additional 93-percent working interest in Matagorda Island Blocks 681 and 682 acquired in 1992, and the properties acquired in the merger with HERC. Combined, these three acquisitions comprised 332 Bcfe of proved reserves at year end and contributed 68 MMcf of gas per day to Apache's 1993 average daily production.

The impact of increased oil production was offset by lower oil prices in 1993. Oil production contributed \$206.3 million to revenues during 1993, six percent below Apache's record \$218.9 million in oil sales in 1992. Average daily oil production of approximately 33.7 Mbbls barrels of oil increased two percent over the prior year, positively affecting oil sales by \$4.3 million, as acquisitions, continuing workover and recompletion operations, and new drilling in the Permian Basin and along the Austin Chalk trend offset the effects of natural depletion. The Company's average realized oil price of \$16.78 per barrel declined eight percent from 1992, negatively affecting oil sales by \$16.9 million. Oil sales represented 47 percent of total oil and gas sales in 1993 compared to 55 percent of total oil and gas sales in 1992.

Revenues from the sale of natural gas liquids and sulfur declined 12 percent from 1992 to \$6.0 million, a result of lower prices for natural gas liquids and the sale of the Whitney Canyon gas processing plant in 1992. The sale of natural gas liquids declined from 1.5 Mbbls per day in 1992 to 1.3 Mbbls per day in 1993.

Revenues from gas gathering, processing and marketing were \$25.9 million in 1993, down 10 percent from 1992. The decline primarily reflects the sale of Apache's interest in a gas gathering system in Western Oklahoma in March 1993. As a result, gross margins from gathering, processing and marketing were \$4.9 million in 1993, a decline of 32 percent from 1992.

## **COSTS AND EXPENSES**

Operating costs were up two percent in 1993 to \$128.1 million, as a decline in operating costs per barrel of oil equivalent was offset by the impact of increased production. Operating costs include lifting costs, workover expense, and applicable domestic or foreign production taxes. On an equivalent unit of production basis, operating costs declined six percent in 1993 to \$4.10 per boe, down from \$4.38 per boe in 1992. Apache's declining costs per boe reflect increasing natural gas production and lower production costs associated with the operation of gas-bearing properties as compared with oil-bearing properties. Apache's operating costs were also reduced by refunds of well-control insurance totaling \$.7 million and production tax refunds totaling \$1.8 million during 1993.

Depreciation, depletion and amortization (DD&A) expense rose 12 percent year-over-year to \$176.3 million due to increased sales of natural gas and increased Australian production. Although Apache's domestic amortization rate of 38.7 percent of sales for 1993 was down slightly from 1992, declining oil prices and the higher costs associated with newly acquired offshore properties, which reflect shorter reserve lives and faster expected payouts, combined to increase Apache's domestic amortization rate in the second half of 1993. Recurring international DD&A increased as a result of substantially increased Australian production.

International impairments, which rose to \$23.2 million in 1993 from \$12 million in 1992, included \$6.7 million of the Company's investments in West Africa which the Company wrote off in the third quarter of 1993 when it recognized a reduced probability of establishing commercial operations on two of Apache's

concessions. The 1993 impairments also included provisions for Apache's investment in the Java Sea (Indonesia) and Nanteau (France).

Administrative, selling and other costs were down five percent from those incurred in 1992, despite the Company's acquisitions during 1993. The reduction reflects the Company's sustained efforts to contain costs, the incremental administrative costs incurred in the 1992 corporate relocation to Houston, and the integration of MW. In 1993, Apache successfully assimilated the HERC and Hall-Houston properties with minimal additions to its administrative staff. Administrative cost reductions were partially offset, however, by expenses associated with an employee benefit plan based on Apache common stock, which increased in price by approximately 25 percent from year-end 1992 to year-end 1993.

Net financing costs declined 17 percent in 1993 despite the use of bank debt to fund the HERC and Hall-Houston acquisitions. The decline is primarily attributable to a decline of approximately 100 basis points in Apache's effective interest rate in 1993 as compared with 1992, reflecting a general decline in interest rates and the conversion of Apache's 7 1/2-percent convertible subordinated debentures due 2000 into shares of Apache common stock in September 1993. Interest expense also declined as a result of Apache's repayment of bank debt from a portion of the \$131.8 million in net proceeds of its public offering of common stock in March 1993, the successful conversion of approximately \$150 million of its 7 1/2-percent convertible subordinated debentures due 2000 and through the redemption of \$7 million of 9-percent convertible subordinated debentures due 2001. Debt reductions attributable to the public offering and debt conversion in 1993 were offset by debt incurred in connection with acquisitions. On December 31, 1993, Apache's outstanding debt balance was \$462 million, an increase of one percent from \$455.5 million on December 31, 1992.

### **PRIOR-YEAR COMPARATIVE INFORMATION**

The Company's net income for 1992 increased 38 percent over 1991 to \$47.8 million, or \$1.02 per share. Revenues for 1992 totaled \$454.3 million, or 27 percent higher than revenues for 1991. Production revenues for 1992 totaled \$394.6 million compared to \$316.1 million in 1991. Oil and gas revenues in 1992 were influenced by strong second-half gas prices, a decrease in natural gas production resulting from the disposition of largely gas-bearing properties in 1991 and from curtailments in 1992, and the effect of a full year of oil production from properties included in the MW acquisition.

Natural gas sales contributed \$168.8 million to revenues in 1992, up two percent from 1991, primarily the result of the surge in prices in the second half of the year. For 1992, Apache's average realized gas price was \$1.76 per Mcf, up 11 percent over 1991, positively affecting 1992 revenues by \$16.9 million.

Gas production for 1992 totaled 262.2 MMcf per day, down nine percent from 1991, negatively affecting 1992 revenues by \$13.7 million. Production declined for several reasons, the most significant of which was Apache's disposition of approximately \$187 million of largely gas-bearing properties during 1991 and 1992 following the MW acquisition. The net effect of Apache's compliance with prorationing legislation enacted during 1992 accounted for an approximate 11-MMcf decrease in average daily gas production. Ordinary reserve depletion and the voluntary curtailment of gas production in Oklahoma and the Gulf of Mexico during the first quarter of 1992 due to low gas prices also reduced production.

Increased oil production contributed to a record \$218.9 million in oil sales during 1992, a 53-percent increase over 1991. Total oil production of 12.1 MMBbls increased 55 percent over the prior year due to the inclusion of a full year's production volumes from the MW properties. The Company's average realized oil price of \$18.16 declined one percent from 1991.

Revenues from the sale of natural gas liquids and sulfur declined 11 percent from 1991 to \$6.9 million in 1992, reflecting the sale of the Spindle gas processing plant in late 1991 and the Whitney Canyon plant in 1992.

Apache's gross margin from gathering, processing and marketing, excluding NGC, was \$7.1 million in 1992, which was unchanged from 1991.

The major nonrecurring factor affecting 1992 revenues was Apache's mid-year sale of its interest in NGC. The Company recognized a gain on the NGC sale of \$28.3 million, or \$18.5 million after tax. Apache's

investment in NGC, which was accounted for using the equity method, contributed \$2.7 million to Apache's 1992 net income prior to the sale and \$8.2 million to Apache's net income in 1991.

In July 1991, Apache completed its acquisition of MW for \$511.4 million in cash, the assumption of \$4.1 million in net liabilities and the issuance of two million shares of Apache common stock. At closing, MW had net proved reserves of 63 MMbbls of oil and 288 Bcf of gas. With the MW acquisition and subsequent disposition of non-strategic properties, Apache effectively doubled its proved reserves and increased the proportion of oil in its total reserves from 21 percent to 44 percent. Also in 1991, the Company accrued the cost of relocating its corporate headquarters to Houston, Texas, resulting in a one-time charge that reduced net income by \$7.1 million. Included in other revenues in 1991 was \$5.6 million related to a favorable take-or-pay settlement.

Operating costs, up 37 percent to \$125.3 million, reflected 12 months of ownership of the MW properties. On an equivalent unit of production basis, production costs and production taxes rose to \$4.38 per boe, up from \$3.54 per boe in 1991, reflecting the higher costs associated with MW's predominantly oil-bearing properties.

In 1992, DD&A expense rose 19 percent from the previous year to \$157.5 million due to higher domestic oil and gas sales while the Company's international impairments rose to \$12 million. The increase in amortization expense due to higher sales was mitigated, however, by the favorable impact of the MW acquisition, the effect of which decreased the domestic amortization rate on oil and gas production revenues from 40.8 percent in 1991 to 38.8 percent in 1992.

Administrative, selling and general costs were down 15 percent in 1992 from those incurred in 1991, which included an \$11.1 million pre-tax provision for the relocation of the Company's headquarters. Excluding the impact of the 1991 relocation provision, the Company's administrative, selling and other costs for 1992 increased 16 percent over 1991, reflecting the cost of administering MW's properties for a full year, the continued cost of integrating the MW properties, and the incurrence of \$2.7 million in additional relocation expenses in 1992.

Although Apache reduced its outstanding debt from \$495.7 million at year-end 1991 to \$455.5 million at year-end 1992, interest expense rose 15 percent in 1992 as compared with 1991, which included only six months of interest on the MW acquisition debt. Debt reduction during the year and lower interest rates contributed to a 22-percent decrease in average monthly interest expense in 1992 as compared to the second half of 1991. Amortization of loan costs nearly doubled in 1992, reflecting costs of the MW debt and the issuance of additional senior debt in 1992.

## **CASH FLOW, LIQUIDITY AND CAPITAL RESOURCES**

### **CAPITAL COMMITMENTS**

Apache's primary needs for cash are for exploration, development and acquisition of oil and gas properties, repayment of principal and interest on outstanding debt, and payment of dividends. The Company generally funds its exploration and development activities through internally generated cash flows and budgets its capital expenditures based upon projected cash flows. Apache routinely adjusts its capital expenditures in response to changes in oil and gas prices and corresponding changes in cash flow.

Expenditures for exploration and development increased to \$218.9 million in 1993 from \$136.7 million in 1992. Apache completed 213 producing wells out of 274 wells drilled during the year compared with 209 wells drilled in 1992, of which 155 were completed as producers. Expenditures for exploration and development in 1994, including workover and recompletion operations, are anticipated to be \$240 million, including \$25 million relating to international operations, and will be reviewed quarterly in light of oil and gas prices.

Cash expenditures for acquisitions during 1993 were \$260.9 million, compared to \$63 million in 1992, which included the \$57.4-million acquisition of an additional 93-percent working interest in Matagorda Island Blocks 681 and 682 from Shell Offshore Inc. in November 1992. The cost of acquisitions, including the value of the shares issued and liabilities added through the merger of HERC, totaled \$324.6 million in 1993. Apache's most significant transactions during 1993 were its acquisitions of oil and gas properties from Hall-

Houston for \$113.7 million in cash and the acquisition of HERC. Apache acquired all of the outstanding stock of HERC for approximately \$98 million, which included the issuance of 307,977 shares of Apache common stock (305,003 shares in 1993) and cash payments to HERC stockholders. Net cash outlays attributable to the acquisition of HERC totaled \$70.7 million in 1993. Apache also acquired more than \$76.5 million of other properties during 1993, primarily representing purchases of additional working interests in existing Apache properties, including the purchase of Key Production Company's interest in certain properties held by Apache Operating Partnership L.P. prior to its dissolution during the first quarter of 1993.

Other capital expenditures for 1993 include the purchase of NGC's interest in a gas gathering system in western Oklahoma which was sold in March 1993, in a transaction described under "Capital Resources" below.

Funds for the 1993 acquisitions were obtained principally from borrowings under the Company's revolving bank credit agreement. The Company aggressively pursues acquisition opportunities as part of its reserve growth strategy. The amount and timing of future funding requirements for acquisitions are dependent upon several factors, including the market for oil and gas properties, and cannot be predicted for the upcoming year.

At December 31, 1993, Apache had outstanding \$240.0 million under its revolving bank credit facility, \$41.6 million in additional bank debt consolidated through the HERC acquisition, and an aggregate of \$180.4 million in principal amount of other long-term debt, comprised principally of notes and debentures maturing in the years 1997 through 2002. The Company's overall debt increased \$6.6 million from December 31, 1992, as borrowing for acquisitions offset the impact of Apache's 1993 equity offering and debenture conversion. In 1993, Apache made cash payments on long-term debt totaling \$162 million, of which \$1.1 million was scheduled under these debt obligations. Interest payments on the Company's outstanding debt obligations during 1994 are projected (using weighted average balances for floating rate obligations) to be approximately \$27 million, while scheduled principal payments for 1994 currently total \$9 million.

Dividends paid during 1993 totaled \$14.9 million, up 14 percent from 1992, primarily due to the issuance of approximately 5.8 million shares of Apache common stock in connection with the Company's March 1993 equity offering and the issuance of approximately 7.8 million shares upon conversion of its outstanding 7 1/2-percent convertible subordinated debentures due 2000. The Company's dividend policy currently provides for the payment of regular quarterly dividends at the rate of \$.28 per share annually. Although no change in the dividend policy is contemplated for 1994, the declaration and amount of future dividends is dependent upon the Company's cash requirements, applicable debt covenants and other factors deemed relevant by the Board of Directors.

## **CAPITAL RESOURCES**

The Company's primary capital resources are net cash provided by operating activities, proceeds from financing activities and proceeds from sales of non-strategic assets.

Net cash provided by operating activities during 1993 was \$225.1 million, up \$30.7 million from 1992. The 16-percent improvement in cash flows primarily reflects increased gas production, higher gas prices and reduced interest costs. Future cash flows will be influenced by product prices and production volumes and are not presently ascertainable.

In March 1993, Apache and NGC completed the sale of their respective interests in a gathering system in western Oklahoma. Apache received gross cash proceeds of approximately \$32.2 million in the transaction, of which \$16.4 million was attributable to NGC's interest in the system.

Also in March 1993, Apache completed the public offering of approximately 5.8 million shares of Apache common stock for net proceeds of \$131.8 million. In April 1993, Apache applied the proceeds to repay all outstanding debt under its revolving bank credit facility. In October 1993, the borrowing base under Apache's revolving bank credit facility was increased to \$400 million. As of December 31, 1993, the Company had reborrowed \$240 million under the facility, largely to fund the purchase of the Hall-Houston properties and the HERC acquisition.

The availability of funds under Apache's \$400-million revolving bank credit facility is subject to the maintenance of certain financial covenants by the Company and to periodic redetermination by its bank group based upon the Company's estimated oil and gas reserve values and forecast rates of production. The Company has complied with its financial covenants at all times since the inception of the revolving credit facility in July 1991. The facility matures on April 30, 1996, and, with the lenders' consent, may be extended in one-year increments or converted into a term loan.

At December 31, 1993, HERC and its wholly-owned subsidiary, Hadson Energy Limited (HEL), each had a credit facility with Bank of Montreal. At year end, credit available under the HERC facility was \$26 million, of which \$19.6 million was outstanding. The HEL facility had a total of \$22 million outstanding at year-end 1993 with repayment to be made in quarterly installments of \$2 million each plus interest until repaid in full in July 1996.

In September 1993, Apache completed the conversion of its 7 1/2-percent convertible subordinated debentures due 2000, resulting in the issuance of approximately 7.8 million shares of Apache common stock. Primarily as a result of the conversion and Apache's March 1993 equity offering, Apache's debt as a percentage of capital declined to 37 percent at December 31, 1993, despite increased bank debt incurred for 1993 acquisitions.

In May 1992, Apache issued 9.25-percent notes due 2002 in the principal amount of \$100 million. Proceeds from the offering were used to reduce bank debt, pay off the 9.5-percent convertible debentures due 1996 and for general corporate purposes. In December 1992, the Company privately placed 3.93-percent convertible notes due 1997 in the principal amount of \$75 million. The 3.93-percent notes are not redeemable before maturity and are convertible into Apache common stock at the option of the holders at any time prior to maturity at a conversion price of \$27.00 per share. Proceeds from the sale of the 3.93-percent notes were used to repay bank debt.

## **LIQUIDITY**

The Company had \$17.1 million in cash and cash equivalents on hand at December 31, 1993, down from \$26.1 million at the end of 1992. The Company's ratio of current assets to current liabilities at year end of .7:1 was unchanged from year-end 1992.

Management believes that cash on hand at year end, net cash generated from operations and unused available borrowing capacity under the revolving credit facility will be adequate to meet future liquidity needs for at least the next two fiscal years, including satisfying the Company's financial obligations and funding exploration and development operations and routine acquisitions.

## **FUTURE TRENDS**

Apache intends to continue increasing production and reserves through drilling and property acquisitions. Apache is considering increasing its current borrowing capacity to enhance its ability to pursue additional growth opportunities. Although the Company's future performance is difficult to predict, the following factors are likely to impact its operating results and financial condition in the future.

## **CONTINUING VOLATILITY OF PRODUCT PRICES**

In 1993, spot market natural gas prices remained volatile and continued to behave independently of historical seasonal patterns, although in a relatively higher range of average monthly prices from approximately \$1.79 per Mcf in February to \$2.26 per Mcf in December. Spot market oil prices, which are especially vulnerable to complex and unpredictable political and economic forces, also remained volatile in 1993, as Apache's average realized price fluctuated from \$18.97 per barrel in April to \$12.88 per barrel in December. The recent failure of OPEC to reduce production quotas and the addition of more than one million barrels of oil per day of North Sea crude production suggest that oil prices will not improve in the near term. Management believes that, absent a comprehensive U.S. energy policy, oil prices will continue to fluctuate in response to changes in the policies of OPEC, events in the Middle East and events in certain non-OPEC

countries. Management also believes that gas prices will remain volatile and may not necessarily conform to historical cycles based on heating seasons.

## **ENVIRONMENTAL REGULATION**

The Company operates under numerous state and federal laws regulating the discharge of materials into, and the protection of, the environment. In the ordinary course of business, Apache conducts an ongoing review of the effects of these various environmental laws on its business and operations. The estimated cost of continued compliance with current environmental laws, based upon the information currently available, is not material to the Company's financial position or results of operations. It is impossible to determine whether and to what extent Apache's future performance may be affected by environmental laws; however, management does not believe that such laws will have a material adverse effect on the Company's financial position or results of operations.

## **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-30 of this Form 10-K, and are incorporated herein by reference.

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

None.

## **PART III**

## **ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT**

The information set forth under the captions "Information About Nominees for Election as Directors," "Continuing Directors," "Executive Officers of the Company," and "Voting Securities and Principal Holders" in the Company's proxy statement relating to the Company's 1994 annual meeting of shareholders (the "Proxy Statement") is incorporated herein by reference.

## **ITEM 11. EXECUTIVE COMPENSATION**

The information set forth under the captions "Summary Compensation Table," "Option/SAR Grants Table," "Options/SAR Exercises and Year-End Value Table," "Employment Contracts and Termination of Employment and Change-in-Control Arrangements," and "Director Compensation" 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 caption "Voting Securities and Principal Holders" in the Proxy Statement is incorporated herein by reference.

## **ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

The information set forth under the caption "Transactions with Officers and Directors" in the Proxy Statement is incorporated herein by reference.

**PART IV**

**ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K**

**(A) DOCUMENTS INCLUDED IN THIS REPORT:**

**1. FINANCIAL STATEMENTS**

	PAGE
	----
Report of independent public accountants.....	F-1
Report of management.....	F-2
Statement of consolidated income for each of the three years in the period ended December 31, 1993.....	F-3
Statement of consolidated cash flows for each of the three years in the period ended December 31, 1993.....	F-4
Consolidated balance sheet as of December 31, 1993 and 1992.....	F-5
Statement of consolidated shareholders' equity for each of the three years in the period ended December 31, 1993.....	F-7
Summary of significant accounting policies.....	F-8
Notes to consolidated financial statements.....	F-10
Supplemental oil and gas disclosures.....	F-21
Supplemental quarterly financial data.....	F-27

**2. FINANCIAL STATEMENT SCHEDULES**

Schedules V, VI and X are included as pages F-28 through F-30 of this Form 10-K. Schedules I, II, III, IV, VII, VIII, IX, XI, XII and XIII 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

EXHIBIT NO.	DESCRIPTION
2.1	-- Stock Purchase Agreement, dated July 1, 1991, between the Registrant and Amoco Production Company (incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K, dated July 1, 1991, Commission File No. 1-4300, filed on July 19, 1991).
2.2	-- Form of Acquisition Agreement between Apache Corporation, HERC Acquisition Corporation and Hadson Energy Resources Corporation, dated August 26, 1993, and amended September 28, 1993 (incorporated by reference to Exhibit 2.1 to Registrant's Registration Statement on Form S-4, Registration No. 33-67954, filed on September 29, 1993).
2.3	-- Purchase and Sale Agreement between Hall-Houston Oil Company, as seller, and Registrant, as buyer, dated as of June 2, 1993 (incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K, dated August 31, 1993, Commission File No. 1-4300, filed on September 7, 1993).
2.4	-- Purchase and Sale Agreement between Hall-Houston Oil Company, as seller, and Registrant, as buyer, dated as of August 13, 1993 (incorporated by reference to Exhibit 10.2 to Registrant's Current Report on Form 8-K, dated August 31, 1993, Commission File No. 1-4300, filed on September 7, 1993).
2.5	-- Matagorda Island 681 Field Purchase and Sale Agreement with Option to Exchange, dated November 24, 1992, between Shell Offshore Inc., SOI Royalties Inc., and Registrant (incorporated by reference to Exhibit 10.7 to Apache Offshore Investment Partnership's Annual Report on Form 10-K for the year ended December 31, 1992, Commission File No. 0-13546, filed March 31, 1993).
*3.1	-- Restated Certificate of Incorporation of the Registrant, dated December 1, 1993, as filed with the Secretary of State of Delaware on December 16, 1993.
3.2	-- Bylaws of the Registrant, dated as of December 9, 1992 (incorporated by reference to Exhibit 3.3 of Registrant's Annual Report on Form 10-K for the year ended December 31, 1992, Commission file 1-4300, filed on March 10, 1993).
4.1	-- Form of common stock certificate (incorporated by reference to the Registrant's Registration Statement on Form S-3, Registration No. 33-5097, filed on April 23, 1986).
4.2	-- Rights Agreement, dated as of January 10, 1986, between the Registrant and First Trust Company, Inc., rights agent, relating to the declaration of Rights to the Registrant's common stockholders of record on January 24, 1986 (incorporated by reference to Exhibit 4.9 to Registrant's Annual Report on Form 10-K for the year ended December 31, 1985, Commission File No. 1-4300, filed on March 31, 1986).
10.1	-- Amended and Restated Credit Agreement, dated April 15, 1992, among Registrant, the lenders named therein and The First National Bank of Chicago and Chemical Bank, as agents (incorporated by reference to Exhibit 10.01 to Registrant's Registration Statement on Form S-3, Registration No. 33-47363, filed on April 21, 1992).
10.2	-- Third Amendment to Amended and Restated Credit Agreement, dated April 30, 1993, among Registrant, the lenders named therein and The First National Bank of Chicago and Chemical Bank, as agents (incorporated by reference to Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1993, Commission File No. 1-4300, filed August 16, 1993).

EXHIBIT NO. -----	DESCRIPTION -----
*10.3	-- Fourth Amendment to Amended and Restated Credit Agreement, dated July 13, 1993, among Registrant, the lenders named therein and The First National Bank of Chicago and Chemical Bank, as agents.
10.4	-- Credit Agreement, dated as of July 24, 1992, between Registrant, the lenders named therein and The First National Bank of Chicago, as agent (incorporated by reference to Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1992, Commission File No. 1-4300, filed on August 14, 1992).
10.5	-- Credit Agreement, dated as of December 18, 1990, by and between Hadson Energy Resources Corporation, the lenders named therein and Bank of Montreal, as agent (incorporated by reference to Exhibit 10.1 to Hadson Energy Resources Corporation's Annual Report on Form 10-K for the year ended December 31, 1990, Commission File No. 0-18236, filed March 11, 1991).
*10.6	-- Second Amendment to Credit Agreement, dated as of December 22, 1993, by and between Hadson Energy Resources Corporation, the lenders named therein and Bank of Montreal, as agent.
10.7	-- Acceptance Agreement, dated as of June 6, 1991, by and between Hadson Energy Limited, the lenders named therein and Bank of Montreal, as agent (incorporated by reference to Hadson Energy Resources Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 1991, Commission File No. 0-18236, filed August 13, 1991).
*10.8	-- Second Amendment to Acceptance Agreement, dated as of December 22, 1993, by and between Hadson Energy Limited, the lenders named therein and Bank of Montreal, as agent.
10.9	-- Stock Purchase Agreement, dated July 1, 1991, between the Registrant and Amoco Production Company (incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K, dated July 1, 1991, Commission File No. 1-4300, filed on July 19, 1991).
10.10	-- Oil and Gas Hedging Agreement, dated as of July 1, 1991, between the Registrant and Amoco Production Company (incorporated by reference to Exhibit 10.4 to Registrant's Current Report on Form 8-K, dated July 1, 1991, Commission File No. 1-4300, filed on July 19, 1991).
10.11	-- Geotechnical Data Agreement and License, dated July 1, 1991, between the Registrant and Amoco Production Company (incorporated by reference to Exhibit 10.5 to Registrant's Current Report on Form 8-K, dated July 1, 1991, Commission File No. 1-4300, filed on July 19, 1991).
+10.12	-- 1982 Employee Stock Option Plan, as updated in January 1987 to conform to the Tax Reform Act of 1986 (incorporated by reference to Exhibit 10.7 to Registrant's Annual Report on Form 10-K for the year ended December 31, 1990, Commission File No. 1-4300, filed on March 27, 1991).
+10.13	-- Apache Corporation Corporate Administrative Group Incentive Plan, effective as of January 1, 1989 (incorporated by reference to Exhibit 10.8 to Registrant's Annual Report on Form 10-K for the year ended December 31, 1990, Commission File No. 1-4300, filed on March 27, 1991).
*+10.14	-- First Amendment, dated October 22, 1990, to the Apache Corporation Corporate Administrative Group Incentive Plan.

## EXHIBIT NO.

## DESCRIPTION

- +10.15 -- Apache Corporation 401(k) Retirement/Savings Plan, dated November 16, 1989, amended July 9, 1992, effective January 1, 1989 (incorporated by reference to Exhibit 10.16 to Registrant's Annual Report on Form 10-K for the year ended December 31, 1992, Commission File No. 1-4300, filed on March 10, 1993).
- \*+10.16 -- Amendment to the Apache Corporation 401(k) Retirement/Savings Plan, dated December 31, 1993.
- +10.17 -- Apache International, Inc. Common Stock Award Plan, dated February 12, 1990 (incorporated by reference to Exhibit 10.13 to Registrant's Annual Report on Form 10-K for the year ended December 31, 1989, Commission File No. 1-4300, filed on April 2, 1990).
- +10.18 -- Apache Corporation 1990 Phantom Stock Appreciation Plan, dated as of September 28, 1990 (incorporated by reference to Exhibit 10.17 to Registrant's Annual Report on Form 10-K for the year ended December 31, 1990, Commission File No. 1-4300, filed on March 27, 1991).
- +10.19 -- Apache Corporation 1990 Stock Incentive Plan, dated as of September 28, 1990 (incorporated by reference to Exhibit 10.18 to Registrant's Annual Report on Form 10-K for the year ended December 31, 1990, Commission File No. 1-4300, filed on March 27, 1991).
- +10.20 -- Amendment No. 1 to the Apache Corporation 1990 Stock Incentive Plan, dated as of July 17, 1992 (incorporated by reference to Exhibit 4.4 to Registrant's Registration Statement on Form S-8, Registration No. 33-53442, filed on October 19, 1992).
- +10.21 -- Apache Corporation Income Continuation Plan, including Amendment Nos. 1 and 2, restated as of February 24, 1988 (incorporated by reference to Exhibit 10.19 to Registrant's Annual Report on Form 10-K for the year ended December 31, 1990, Commission File No. 1-4300, filed on March 27, 1991).
- +10.22 -- Apache Corporation 1986 Phantom Stock Appreciation Plan (incorporated by reference to Exhibit 10.20 to Registrant's Annual Report on Form 10-K for the year ended December 31, 1990, Commission File No. 1-4300, filed on March 27, 1991).
- +10.23 -- Apache Corporation Directors' Deferred Compensation Plan (incorporated by reference to Exhibit 10.21 to Registrant's Annual Report on Form 10-K for the year ended December 31, 1990, Commission File No. 1-4300, filed on March 27, 1991).
- +10.24 -- Apache Corporation Phantom Stock Appreciation Plan for Directors, effective as of May 4, 1989 (incorporated by reference to Exhibit 10.22 to Registrant's Annual Report on Form 10-K for the year ended December 31, 1990, Commission File No. 1-4300, filed on March 27, 1991).
- +10.25 -- Apache Corporation Outside Directors' Retirement Plan, effective December 15, 1992 (incorporated by reference to Exhibit 10.25 to Registrant's Annual Report on Form 10-K for the year ended December 31, 1992, Commission File No. 1-4300, filed on March 10, 1993).
- \*+10.26 -- Apache Corporation Equity Compensation Plan for Non-Employee Directors, adopted February 9, 1994, and form of Restricted Stock Award Agreement.
- +10.27 -- Amended and Restated Employment Agreement, dated December 5, 1990, between the Registrant and Raymond Plank (incorporated by reference to Exhibit 10.9 to Registrant's Annual Report on Form 10-K for the year ended December 31, 1990, Commission File No. 1-4300, filed on March 27, 1991).

EXHIBIT NO. -----	DESCRIPTION -----
+10.28	-- Amended and Restated Employment Agreement, dated December 20, 1990, between the Registrant and John A. Kocur (incorporated by reference to Exhibit 10.10 to Registrant's Annual Report on Form 10-K for the year ended December 31, 1990, Commission File No. 1-4300, filed on March 27, 1991).
+10.29	-- Employment Agreement, dated March 20, 1991, between the Registrant and William J. Johnson (incorporated by reference to Exhibit 10.15 to Registrant's Annual Report on Form 10-K for the year ended December 31, 1992, Commission File No. 1-4300, filed on March 10, 1993).
*+10.30	-- Consulting Agreement, dated November 1, 1993, between the Registrant and John A. Kocur.
*+10.31	-- Consulting Agreement, dated November 10, 1993, between the Registrant and George J. Morgenthaler.
*+10.32	-- Consulting Agreement, dated March 15, 1994, between the Registrant and Bijan Mossavar-Rahmani.
*11.1	-- Statement regarding computation of earnings per share of the Registrant's common stock for the year ended December 31, 1993.
*21.1	-- Subsidiaries of the Registrant.
*23.1	-- Consent of Arthur Andersen & Co.
*23.2	-- Consent of Ryder Scott Company Petroleum Engineers.
*23.3	-- Consent of Intera Information Technologies Inc.

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\* Filed herewith.

+ Management contracts or compensatory plans or arrangements required to be filed herewith pursuant to Item 14 hereof.

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) REPORTS ON FORM 8-K

No reports on Form 8-K were filed during the fiscal quarter ended December 31, 1993.

## 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, thereunto duly authorized.

APACHE CORPORATION

By: /s/ RAYMOND PLANK

-----  
Raymond Plank,  
Chairman and Chief Executive Officer

Date: March 21, 1994

## POWER OF ATTORNEY

The officers and directors of Apache Corporation, whose signatures appear below, hereby constitute and appoint William J. Johnson, Mark A. Jackson and Clyde E. McKenzie, 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 that all 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.\*

SIGNATURE	TITLE	DATE
/s/ RAYMOND PLANK ----- Raymond Plank	Chairman and Chief Executive Officer (Principal Executive Officer)	March 21, 1994
/s/ MARK A. JACKSON ----- Mark A. Jackson	Vice President and Chief Accounting Officer (Principal Accounting Officer)	March 21, 1994
/s/ FREDERICK M. BOHEN ----- Frederick M. Bohlen	Director	March 21, 1994
/s/ VIRGIL B. DAY ----- Virgil B. Day	Director	March 21, 1994
/s/ RANDOLPH M. FERLIC ----- Randolph M. Ferlic	Director	March 21, 1994
/s/ EUGENE C. FIEDOREK ----- Eugene C. Fiedorek	Director	March 21, 1994
/s/ W. BROOKS FIELDS ----- W. Brooks Fields	Director	March 21, 1994
/s/ ROBERT V. GISSELBECK ----- Robert V. Gisselbeck	Director	March 21, 1994
/s/ STANLEY K. HATHAWAY ----- Stanley K. Hathaway	Director	March 21, 1994
/s/ WILLIAM J. JOHNSON ----- William J. Johnson	Director	March 21, 1994
/s/ JOHN A. KOCUR ----- John A. Kocur	Director	March 21, 1994
/s/ JAY A. PRECOURT ----- Jay A. Precourt	Director	March 21, 1994
/s/ JOSEPH A. RICE ----- Joseph A. Rice	Director	March 21, 1994

\* Apache Corporation does not have a Principal Financial Officer.

## REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

### To The Shareholders of Apache Corporation:

We have audited the accompanying consolidated balance sheet of Apache Corporation (a Delaware corporation) and Subsidiaries as of December 31, 1993 and 1992, and the related statements of consolidated income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 1993. These financial statements and schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Apache Corporation and Subsidiaries as of December 31, 1993 and 1992, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1993, in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in Item 14(a)2 are presented for purposes of complying with the Securities and Exchange Commission's rules and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in our audits of the basic consolidated financial statements and, in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

**ARTHUR ANDERSEN & CO.**

Houston, Texas  
February 8, 1994

## REPORT OF MANAGEMENT

The financial statements and related financial information of Apache Corporation and Subsidiaries were prepared by and are the responsibility of management. The statements have been prepared in conformity with generally accepted accounting principles and include amounts that are based on management's best estimates and judgments.

Management maintains and places reliance on systems of internal control designed to provide reasonable assurance, weighing the costs with the benefits sought, that all transactions are properly recorded in the Company's books and records, that policies and procedures are adhered to and that assets are safeguarded. The systems of internal controls are supported by written policies and guidelines, internal audits and the selection and training of qualified personnel.

The consolidated financial statements have been audited by Arthur Andersen & Co., independent public accountants. Their audits included developing an overall understanding of the Company's accounting systems, procedures and internal controls and conducting tests and other auditing procedures sufficient to support their opinion on the fairness of the consolidated financial statements.

The Board of Directors exercises its oversight responsibility for the financial statements through its Audit Committee, composed solely of directors who are not employed by Apache. The Audit Committee meets periodically with management, internal auditors and the independent public accountants to ensure that they are successfully completing designated responsibilities. The internal auditors and independent public accountants have open access to the Audit Committee to discuss auditing and financial reporting issues.

Raymond Plank  
Chairman of the Board  
and Chief Executive Officer

Mark A. Jackson  
Vice President and Chief Accounting Officer

APACHE CORPORATION AND SUBSIDIARIES

STATEMENT OF CONSOLIDATED INCOME

	FOR THE YEAR ENDED DECEMBER 31,		
	1993	1992	1991
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)		
REVENUES:			
Oil and gas production revenues.....	\$437,342	\$394,552	\$316,062
Gathering, processing and marketing revenues.....	25,862	28,594	25,970
Equity in income of affiliates.....	624	2,695	8,642
Gain on sale of investment in affiliate.....	--	28,345	--
Other revenues.....	2,810	114	6,256
	466,638	454,300	356,930
OPERATING EXPENSES:			
Depreciation, depletion and amortization.....	176,335	157,508	132,230
International impairments.....	23,200	12,000	3,600
Operating costs.....	128,113	125,337	91,514
Gathering, processing and marketing costs.....	21,010	21,452	18,909
Administrative, selling and other.....	33,193	35,010	41,207
Financing costs:			
Interest expense.....	28,102	35,314	30,737
Amortization of deferred loan costs.....	3,896	3,888	1,988
Capitalized interest.....	(4,764)	(6,035)	(4,967)
Interest income.....	(352)	(652)	(2,449)
	408,733	383,822	312,769
INCOME BEFORE INCOME TAXES.....	57,905	70,478	44,161
Provision for income taxes.....	20,571	22,702	9,546
NET INCOME.....	\$ 37,334	\$ 47,776	\$ 34,615
NET INCOME PER COMMON SHARE.....	\$ .70	\$ 1.02	\$ .76
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING.....	53,534	46,904	45,777

The accompanying summary of significant accounting policies and notes to consolidated financial statements are integral parts of this statement.

**APACHE CORPORATION AND SUBSIDIARIES**

**STATEMENT OF CONSOLIDATED CASH FLOWS**

	FOR THE YEAR ENDED DECEMBER 31,		
	1993	1992	1991
	(IN THOUSANDS)		
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net income.....	\$ 37,334	\$ 47,776	\$ 34,615
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, depletion and amortization.....	176,335	157,508	132,230
International impairments.....	23,200	12,000	3,600
Amortization of deferred loan costs.....	3,896	3,888	1,988
Provision for deferred income taxes.....	20,571	14,034	4,234
	261,336	235,206	176,667
Gain on sale of investment in affiliate.....	--	(28,345)	--
Cash distributions in excess of (less than) earnings of affiliates.....	(662)	2,650	(2,435)
Changes in operating assets and liabilities, net of effects of acquisitions:			
(Increase) decrease in receivables.....	(9,590)	356	(12,596)
(Increase) decrease in advances to oil and gas ventures and other.....	137	(3,598)	2,881
(Increase) decrease in deferred charges and other...	(3,904)	(1,415)	(710)
Increase (decrease) in payables.....	(4,152)	2,187	(32,328)
Increase (decrease) in accrued operating costs.....	(8,177)	(8,660)	13,370
Increase (decrease) in deferred credits and noncurrent liabilities.....	(9,915)	(3,983)	11,735
Net cash provided by operating activities.....	225,073	194,398	156,584
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Exploration and development expenditures.....	(218,930)	(136,691)	(111,566)
Acquisition of oil and gas properties.....	(190,181)	(62,955)	(568,345)
Noncash portion of net oil and gas property additions.....	7,104	2,434	28,240
MW working capital and accrued acquisition costs.....	--	74	9,068
Purchase of HERC stock, net of cash acquired.....	(70,692)	--	--
Proceeds from sale of oil and gas properties.....	3,255	37,167	157,018
Future operating costs for royalty interest sold.....	--	--	(17,000)
Proceeds from sale of gas gathering system.....	32,201	--	--
Other capital expenditures, net.....	(30,471)	(7,495)	(3,747)
Proceeds from sale of investment in affiliate.....	--	50,700	--
Other, net.....	1,145	(1,247)	2,675
Net cash used by investing activities.....	(466,569)	(118,013)	(503,657)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Long-term borrowings.....	275,424	266,378	468,005
Payments on long-term debt.....	(162,000)	(306,565)	(172,275)
Dividends paid.....	(14,919)	(13,130)	(12,671)
Proceeds from issuance of common stock.....	134,223	630	1,383
Payments to acquire treasury stock.....	(25)	(3)	(15)
Costs of debt and equity transactions.....	(270)	(3,971)	(16,136)
Net cash provided (used) by financing activities.....	232,433	(56,661)	268,291
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....</b>			
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	26,127	6,403	85,185
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 17,064	\$ 26,127	\$ 6,403

The accompanying summary of significant accounting policies and notes to consolidated financial statements are integral parts of this statement.

**APACHE CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEET**

		DECEMBER 31,	
		1993	1992
		( IN THOUSANDS )	
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents.....	\$	17,064	\$ 26,127
Receivables.....		91,840	75,777
Inventories.....		7,152	6,202
Advances to oil and gas ventures and other.....		6,884	5,749
		-----	-----
		122,940	113,855
		-----	-----
PROPERTY AND EQUIPMENT:			
Oil and gas, on the basis of full cost accounting:			
Proved properties.....		2,516,801	1,996,590
Unproved properties and properties under development, not being amortized.....		105,597	85,532
Gas gathering, transmission and processing facilities.....		25,809	23,357
Other.....		36,938	24,045
		-----	-----
		2,685,145	2,129,524
Less: Accumulated depreciation, depletion and amortization.....	(1,248,685)		(1,057,651)
		-----	-----
		1,436,460	1,071,873
OTHER ASSETS:			
Investments in affiliates.....		5,677	5,053
Deferred charges and other.....		27,330	27,923
		-----	-----
		33,007	32,976
		-----	-----
		\$1,592,407	\$1,218,704
		-----	-----
		-----	-----

The accompanying summary of significant accounting policies and notes to consolidated financial statements are integral parts of this statement.

APACHE CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

	DECEMBER 31,	
	1993	1992
	(IN THOUSANDS)	
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt.....	\$ 9,017	\$ 1,103
Current portion of advances on gas contracts.....	--	20,142
Accounts payable.....	118,447	82,064
Accrued operating expense.....	17,371	16,446
Accrued income taxes.....	6,048	5,158
Accrued interest.....	2,010	9,011
Accrued exploration and development.....	15,083	7,979
Accrued compensation and benefits.....	9,170	7,405
Other accrued expenses.....	8,244	8,322
	-----	-----
	185,390	157,630
	-----	-----
LONG-TERM DEBT.....	453,009	454,373
	-----	-----
DEFERRED CREDITS AND OTHER NONCURRENT LIABILITIES:		
Income taxes.....	128,554	83,220
Advances on gas contracts.....	3,914	3,039
Future operating costs for royalty interest sold.....	10,389	13,222
Other.....	25,297	32,011
	-----	-----
	168,154	131,492
	-----	-----
COMMITMENTS AND CONTINGENCIES (Note 8)		
SHAREHOLDERS' EQUITY:		
Common stock, \$1.25 par, 215,000,000 shares authorized, 62,334,241 and 48,304,154 shares issued, respectively.....	77,918	60,380
Paid-in capital.....	540,155	269,296
Retained earnings.....	182,195	160,763
Treasury stock, at cost, 1,248,827 and 1,367,914 shares, respectively.....	(14,414)	(15,230)
	-----	-----
	785,854	475,209
	-----	-----
	\$1,592,407	\$1,218,704
	-----	-----

The accompanying summary of significant accounting policies and notes to consolidated financial statements are integral parts of this statement.

**APACHE CORPORATION AND SUBSIDIARIES**

**STATEMENT OF CONSOLIDATED SHAREHOLDERS' EQUITY**

	COMMON STOCK	PAID-IN CAPITAL	RETAINED EARNINGS	TREASURY STOCK	TOTAL SHAREHOLDERS' EQUITY
	-----	-----	-----	-----	-----
			(IN THOUSANDS)		
BALANCE, DECEMBER 31, 1990.....	\$57,727	\$241,272	\$104,329	\$(16,548)	\$ 386,780
Net income.....	--	--	34,615	--	34,615
Dividends (\$.28 per common share).....	--	--	(12,822)	--	(12,822)
Common shares issued.....	2,576	27,945	--	--	30,521
Treasury shares issued.....	--	(251)	--	1,113	862
Treasury shares purchased.....	--	--	--	(15)	(15)
	-----	-----	-----	-----	-----
BALANCE, DECEMBER 31, 1991.....	60,303	268,966	126,122	(15,450)	439,941
Net income.....	--	--	47,776	--	47,776
Dividends (\$.28 per common share).....	--	--	(13,135)	--	(13,135)
Common shares issued.....	77	382	--	--	459
Treasury shares issued.....	--	(52)	--	223	171
Treasury shares purchased.....	--	--	--	(3)	(3)
	-----	-----	-----	-----	-----
BALANCE, DECEMBER 31, 1992.....	60,380	269,296	160,763	(15,230)	475,209
Net income.....	--	--	37,334	--	37,334
Dividends (\$.28 per common share).....	--	--	(15,902)	--	(15,902)
Common shares issued.....	17,538	270,859	--	--	288,397
Treasury shares issued.....	--	--	--	841	841
Treasury shares purchased.....	--	--	--	(25)	(25)
	-----	-----	-----	-----	-----
BALANCE, DECEMBER 31, 1993.....	\$77,918	\$540,155	\$182,195	\$(14,414)	\$ 785,854
	-----	-----	-----	-----	-----

The accompanying summary of significant accounting policies and notes to consolidated financial statements are integral parts of this statement.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements include the accounts of Apache Corporation (Apache or the Company) and its subsidiaries after elimination of intercompany balances and transactions. The Company's interests in oil and gas ventures and partnerships are proportionately consolidated. Investments in incorporated affiliates in which Apache owns less than a 50-percent interest are accounted for using the equity method.

### INVENTORIES

Inventories consist principally of tubular goods and production equipment stated at the lower of weighted average cost or market.

### PROPERTY AND EQUIPMENT

The Company uses the full cost method of accounting for its investment in oil and gas properties. Under this method, the Company capitalizes all acquisition, exploration and development costs incurred for the purpose of finding oil and gas reserves, including salaries, benefits and other internal costs directly attributable to these activities. Apache capitalized \$25.4 million, \$24 million and \$24.9 million of internal costs in 1993, 1992 and 1991, respectively. Interest costs related to development projects in progress for an extended period are also capitalized to oil and gas properties. Costs associated with production and general corporate activities are expensed in the period incurred. Unless significant reserves are involved, proceeds from the sale of oil and gas properties are accounted for as reductions to capitalized costs and gains or losses are not recognized.

Apache computes the provision for depreciation, depletion and amortization (DD&A) of oil and gas properties on a quarterly basis using the future gross revenue method. The quarterly provision is calculated on a country-by-country basis by multiplying the quarter's oil and gas revenues by an overall rate which is determined by dividing the unamortized cost of proved oil and gas properties by the total estimated future oil and gas revenues from proved reserves. The amortizable base includes estimated dismantlement, restoration and abandonment costs, net of estimated salvage values. These costs are generally estimated by engineers employed by Apache.

Apache limits, on a country-by-country basis, the capitalized costs of proved oil and gas properties, net of accumulated DD&A, to the estimated future net cash flows from proved oil and gas reserves, net of related tax effects, discounted at 10 percent. If capitalized costs exceed this limit, the excess is charged to DD&A expense. The Company has not recorded any write downs of capitalized costs in any of the periods presented.

The costs of certain unevaluated domestic and foreign leasehold acreage and wells in the process of being drilled are not being amortized. Costs not being amortized are periodically assessed for possible impairments or reductions in value. If a reduction in value has occurred, costs being amortized are increased or a charge is made against earnings for those international operations where a reserve base is not yet established.

Buildings, equipment, gas gathering, transmission and processing facilities 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 \$17.2 million and \$19.9 million at December 31, 1993 and 1992, respectively.

### ACCOUNTS PAYABLE

Included in accounts payable at December 31, 1993 and 1992, are liabilities of approximately \$38.6 million and \$27.5 million, respectively, representing the amount by which checks issued but not presented to the Company's banks for collection exceeded balances in bank accounts.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- (CONTINUED)

### ADVANCES ON GAS CONTRACTS

Advances represent payments received from purchasers of natural gas under provisions of take-or-pay contracts. Such advances will be recognized as income if gas production, under the terms of the contracts, is applied against the advances. In the event advances are not reduced by gas production, the advances will be repaid under the terms of the contracts.

### REVENUE RECOGNITION

Apache uses the sales method of accounting for natural gas revenues. Under this method, revenues are recognized based on actual volumes of gas sold to purchasers. The volumes of gas sold may differ from the volumes to which Apache is entitled based on its interests in the properties. Differences between volumes sold and volumes based on entitlements create gas imbalances which are generally reflected as adjustments to reported gas reserves and future cash flows. Adjustments for gas imbalances totaled less than three percent of Apache's proved gas reserves at December 31, 1993. Revenue is deferred and a liability is recorded for those properties where the estimated remaining reserves will not be sufficient to enable the underproduced owner to recoup their entitled share through production.

### HEDGING ACTIVITIES

The Company periodically may buy and sell commodity derivative contracts in order to either fix or support oil and gas prices at targeted levels and to minimize the impact of price fluctuations. Gains or losses on these hedging activities are recognized in revenues for the periods production was hedged. Estimates of future liabilities and receivables applicable to oil and gas commodity hedges are reflected in future cash flows from proved reserves with such estimates based on prices in effect as of the date of the reserve report.

The Company also purchases interest rate caps and enters into interest rate swap transactions. Gains or losses on these activities are recognized in interest expense in the period hedged by the agreements.

### INCOME TAXES

The Company provides deferred income taxes for all temporary differences between financial and income tax reporting. Effective January 1, 1993, the Company implemented the provisions of Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes." Under the liability method specified by SFAS No. 109, deferred taxes are determined based on the estimated future tax effect of differences between the financial statement and tax bases of assets and liabilities given the provisions of enacted tax laws. The adoption of SFAS No. 109 did not have a material effect on the accompanying financial statements.

### FOREIGN CURRENCY TRANSLATION

The U.S. dollar is considered the functional currency for each of the Company's international operations. Translation gains or losses are recognized in current net income and were not material in any of the periods presented.

### INCOME PER COMMON SHARE

Income per common share amounts are based on the weighted average number of common shares outstanding. The effects of common equivalent shares, which would include shares from the assumed conversion of the 3.93-percent notes, were immaterial or were not dilutive for all of the periods presented. Furthermore, fully diluted earnings per share, assuming conversion of certain of the convertible debentures, was not significantly different than primary earnings per share for all periods presented.

### STATEMENT OF CONSOLIDATED CASH FLOWS

The Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. These investments are carried at cost which approximates market.

## APACHE CORPORATION AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### 1. ACQUISITIONS AND DIVESTITURES

In 1993, Apache purchased the stock of Hadson Energy Resources Corporation (HERC) for approximately \$98 million through a series of privately negotiated transactions and a merger offer approved by a majority of HERC stockholders. In July 1993, Apache completed the purchase of 4.2 million shares of HERC's outstanding common stock, or approximately 68 percent of the HERC common stock then outstanding, for \$59.2 million. The Company agreed to pay an additional \$1.00 per share (\$4.2 million) to the selling stockholders if the Company increased its ownership in HERC to 80 percent or more. Pursuant to a merger agreement approved by HERC stockholders on November 12, 1993, HERC stockholders other than Apache could elect to receive, for each share of HERC common stock, either \$15 in cash or .574 share of Apache common stock. Through the end of 1993, Apache issued 305,003 shares of Apache common stock valued at \$7.8 million and paid a total of \$76.1 million to former stockholders of HERC as consideration for the merger. At December 31, 1993, Apache reflected a liability of \$13.9 million accrued for HERC shares which had not yet been surrendered to Apache.

Also in 1993, Apache entered into two agreements to purchase 104 Bcfe of proved reserves from Hall-Houston Oil Company (Hall-Houston) for an aggregate consideration of \$113.7 million. In June 1993, Apache closed the first of the two transactions, paying \$29.3 million for Hall-Houston's interest in Mustang Island Blocks 787 and 805. The second transaction, encompassing substantially all of Hall-Houston's producing properties in the Gulf of Mexico for an additional \$84.4 million, was completed in August 1993. The acquisitions included interests in 63 producing fields and 12 fields under development or awaiting pipeline connections.

Effective November 1, 1992, Apache completed the acquisition of Shell Offshore Inc.'s 93-percent working interest in Matagorda Island Blocks 681 and 682 in the Gulf of Mexico. Apache paid \$57.4 million for properties, which included 14 miles of gathering lines and approximately 11,500 net acres of leases.

Effective May 1, 1992, Apache sold its 31.67-percent general partnership interest in Natural Gas Clearinghouse (NGC) for \$50.7 million. The Company recognized a gain on the sale of approximately \$28.3 million or \$18.5 million after tax.

On July 1, 1991, Apache completed its acquisition of MW Petroleum Corporation (MW), a wholly owned subsidiary of Amoco Production Company (Amoco). Apache paid \$511.4 million in cash, assumed net liabilities of approximately \$4.1 million and issued two million shares of Apache common stock valued at \$30 million. At the time of closing, MW had estimated net proved reserves of approximately 63 million barrels of oil and 288 Bcf of natural gas.

As part of a plan to reduce debt from the MW acquisition, Apache sold approximately 1,700 oil and gas properties in 1991 for \$157 million. Apache recorded \$17 million of these proceeds as a deferred credit on its balance sheet for future operating costs associated with gas production relating to the sale of an overriding royalty interest.

All of the above acquisitions have been accounted for using the purchase method of accounting and have been included in the financial statements of Apache since the dates of acquisition. The following unaudited pro forma summary of the Company's consolidated results of operations for 1993 was prepared as if the Hall-Houston and HERC acquisitions occurred as of January 1, 1993. The pro forma data for 1992 assumes that

APACHE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

the Hall-Houston and HERC acquisitions and the NGC sale occurred as of or prior to January 1, 1992. The pro forma data is based on numerous assumptions and is not necessarily indicative of future operations.

(UNAUDITED)	FOR THE YEAR ENDED DECEMBER 31,	
	1993	1992
	(IN THOUSANDS, EXCEPT PER SHARE DATA)	
Oil and gas production revenues.....	\$481,754	\$472,914
Total revenues.....	515,071	507,502
Net income.....	36,970	27,016
Income per share.....	\$ .69	\$ .57
Weighted average shares outstanding.....	53,812	47,212

2. INVESTMENTS IN AFFILIATES

At December 31, 1993, Apache owned approximately 20 percent of the outstanding common stock of Key Production Company (Key). Until May 1, 1992, Apache also owned 31.67 percent of NGC. (See Note 1.) Apache's investments in affiliates at December 31, 1993 and 1992 are presented below.

	DECEMBER 31,	
	1993	1992
	(IN THOUSANDS)	
Investments:		
Key Production Company.....	\$5,677	\$5,053

The Company recorded dividends and distributions totaling \$3.8 million and \$5 million from affiliates in 1992 and 1991, respectively. No dividends were received in 1993. Earnings from affiliates for each of the last three years is presented below.

	FOR THE YEAR ENDED DECEMBER 31,		
	1993	1992	1991
	(IN THOUSANDS)		
Income from affiliates:			
Key Production Company.....	\$624	\$ 4	\$ 486
Natural Gas Clearinghouse.....	--	2,691	8,156
	\$624	\$2,695	\$8,642

APACHE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

3. DEBT

LONG-TERM DEBT

	DECEMBER 31,	
	1993	1992
	(IN THOUSANDS)	
Senior debt:		
Apache bank facility.....	\$240,000	\$115,000
9.25-percent notes due 2002, net of discount.....	99,688	99,665
3.93-percent convertible notes due 1997.....	75,000	75,000
	-----	-----
	414,688	289,665
	-----	-----
Subordinated debt:		
7 1/2-percent convertible debentures due 2000.....	--	150,000
9-percent convertible debentures due 2001, net of discount.....	--	6,431
	-----	-----
	--	156,431
	-----	-----
Other obligations:		
HERC bank facility.....	19,550	--
HEL acceptance facility.....	22,000	--
Share of offshore partnership financing.....	4,636	7,195
1986 limited recourse notes.....	1,115	1,650
Other notes payable.....	37	535
	-----	-----
	47,338	9,380
	-----	-----
Total debt.....	462,026	455,476
Less: Current maturities.....	(9,017)	(1,103)
	-----	-----
Long-term debt.....	\$453,009	\$454,373
	-----	-----

The Company's debt at December 31, 1993, was structured in two parts:

- (1) Senior financing consisting of the Apache bank facility, the 9.25-percent notes and the 3.93-percent convertible notes;
- (2) Credit facilities assumed in the HERC acquisition and other amortizing obligations primarily related to partnership activities.

Apache's senior arrangements are subject to an intercreditor agreement under which each obligation is secured by the MW common stock held by the Company. If the administrative agent under the bank facility elects to access this collateral, lenders under these three obligations would participate prorata in the proceeds of any liquidation. There is no other collateral.

The Apache Bank Facility is a \$400-million revolving agreement funded by a group of banks. The maximum amount available is subject to periodic redetermination of a borrowing base, determined solely at the discretion of the banks, predicated upon the Company's oil and gas reserve values and forecast rate of production. As of December 31, 1993, the borrowing base was \$400 million and the principal amount outstanding was \$240 million. The next redetermination of the borrowing base is scheduled for April 1994. This bank facility matures on April 30, 1996, and the agreement provides for perpetual one-year extensions as requested year-by-year by the Company and subject to the approval of the banks. Interest on amounts borrowed is charged at the First National Bank of Chicago's base rate or at London Interbank Offered Rates (LIBOR) plus .75 percent, at the Company's option. The Company pays a .25-percent fee on the average unused portion of the borrowing base in return for the banks' obligation to maintain the availability of those funds.

## APACHE CORPORATION AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The 9.25-percent Notes were issued in May 1992 and will mature in June 2002. The notes are not redeemable prior to maturity.

The 3.93-percent Convertible Notes were issued in December 1992. They mature in November 1997 and are not redeemable prior to maturity. They are convertible into Apache common stock at \$27 per share, subject to adjustment under certain circumstances.

The indentures for the two note issues impose substantially similar obligations on the Company including limits on the Company's ability to incur debt secured by certain liens and on its ability to enter into certain sale and leaseback transactions. Upon certain changes in control of the Company, both issues are subject to mandatory repurchase (or conversion at the option of the noteholders in the case of the 3.93-percent notes).

In addition, financial covenants of the bank facility and the 3.93-percent notes require the Company to maintain minimum consolidated tangible net worth of \$555 million, as of December 31, 1993, which will be adjusted quarterly for subsequent earnings and securities transactions and to maintain a ratio of (i) earnings before interest expense, state and federal taxes and depreciation to (ii) consolidated interest expense of not less than 3.7:1 for the banks and 3.5:1 for the lenders under the 3.93-percent notes. The banks also require the Company to maintain a ratio of (i) consolidated current assets, plus the unused portion of the facility to (ii) consolidated current liabilities, excluding current maturities of the facility, of not less than 1:1.

In conjunction with the HERC acquisition, Apache assumed two bank credit agreements outstanding at the time it acquired a majority interest in HERC. Recourse under these credit facilities is limited to assets acquired from HERC.

The HERC Bank Facility is a \$60 million revolving credit agreement with Bank of Montreal (BMO). The agreement established a credit facility comprised of a three-year revolving credit loan which matures October 31, 1995, and a term loan equal to the balance outstanding on the revolving credit loan at maturity. The term loan is repayable in five equal quarterly installments commencing January 31, 1996, with any remaining balance due at maturity on January 31, 1997. Amounts available for borrowing are limited based on certain formulas related to oil and gas reserves. Interest is payable at prime or certain other fixed rate options (LIBOR plus one percent or certificate of deposit rate plus 1.25 percent). The interest rate in effect at December 31, 1993, was 4.875 percent. The Company pays a commitment fee of .375 percent per annum on the unused portion of the borrowing base. At December 31, 1993, the amount available for borrowing under the agreement was \$26 million, of which \$19.6 million was outstanding.

The HEL Acceptance Facility is a separate credit facility with BMO which provided funding for the construction of an offshore gas gathering project by Hadson Energy Limited (HEL), a wholly-owned subsidiary of HERC, and the refinancing of an existing HEL credit facility. A total of \$32 million was advanced under the agreement, of which \$22 million was outstanding at December 31, 1993. The loan is repayable in 16 equal quarterly installments which commenced October 12, 1992, and bears interest at the discount rate for U.S. dollar bankers' acceptances plus a 1.3-percent stamping fee. The stamping fee changes to 1.125 percent effective January 1, 1994.

The HERC agreements contain certain covenants which restrict, with respect to HERC, the amount of additional borrowings, the payment of dividends, and the purchase and disposition of assets. The facility is secured by the stock of certain wholly-owned subsidiaries of HERC.

The 7 1/2 percent Convertible Subordinated Debentures, issued in 1990 and scheduled to mature in 2000, were converted to equity in September 1993 with the issuance of approximately 7.8 million shares of Apache common stock at \$19.18 per share.

The 9-percent Convertible Subordinated Debentures, scheduled to mature in 2001, were redeemed by Apache July 15, 1993, for \$7 million.

**APACHE CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)**

In July 1992, the Company arranged a \$35 million banking facility on behalf of the Apache Offshore Investment Partnership. At December 31, 1993, \$17.4 million was outstanding on the facility, of which Apache's share was \$4.6 million. Availability under this facility is reduced quarterly by \$1.5 million.

To finance property acquisitions made during 1986, Apache (through a former partnership) placed certain Limited Recourse Notes due 2031. These notes are secured by interests in the acquired properties and bear interest at eight percent.

The Company has entered into various Interest Rate Swap Agreements. On December 31, 1993, the Company's weighted average interest rate on its total long-term debt was 5.2 percent. When all existing interest rate swaps are factored in, the effective rate at December 31, 1993, was five percent. An open interest rate swap agreement against the \$100 million 9.25-percent notes was terminated in February 1994.

As of December 31, 1993, the Company had approximately \$14 million of unamortized costs associated with its various debt obligations. These costs are reflected as deferred charges and other in the accompanying balance sheet and are being amortized over the life of the related debt.

**AGGREGATE MATURITIES OF DEBT**

	(IN THOUSANDS)
1994.....	\$ 9,017
1995.....	27,653
1996.....	246,243
1997.....	76,602
1998.....	1,602
Thereafter.....	100,909
	-----
	\$462,026
	-----

**4. INCOME TAXES**

As discussed in the Summary of Significant Accounting Policies, effective January 1, 1993, the Company adopted SFAS No. 109 "Accounting for Income Taxes." The cumulative effect of adopting this statement was not material to the accompanying financial statements.

The total provision for income taxes consists of the following:

	FOR THE YEAR ENDED DECEMBER 31,		
	-----	-----	-----
	1993	1992	1991
	-----	-----	-----
	(IN THOUSANDS)		
Current taxes:			
Federal.....	\$ --	\$ 8,949	\$ 9,438
State.....	--	856	85
Foreign.....	--	110	377
Deferred taxes.....	20,571	14,034	4,234
	-----	-----	-----
	\$20,571	\$23,949	\$14,134
	-----	-----	-----

The 1993 provision for income taxes includes a \$3.5 million charge for the change in federal statutory rates from 34 percent to 35 percent enacted under the Omnibus Budget Reconciliation Act of 1993 (OBRA).

The 1992 and 1991 provision for income taxes included approximately \$1.2 million and \$4.6 million, respectively, for Apache's tax provision related to its share of NGC's partnership income. This provision was reflected as a reduction of equity in income of affiliates in the Statement of Consolidated Income.

APACHE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

A reconciliation of the federal statutory income tax rates to the effective rate is as follows:

	FOR THE YEAR ENDED DECEMBER 31,		
	1993	1992	1991
Statutory income tax rate.....	35.0%	34.0%	34.0%
State income tax, less federal benefit.....	1.9	2.0	1.9
Tax benefit of state net operating loss carryforwards not previously recognized.....	--	--	(2.1)
Reversal of prior period timing differences at rates in excess of current statutory rates.....	--	(1.8)	(3.4)
Utilization of federal income tax credits.....	(3.7)	--	--
Increase in corporate income tax rate provided for in OBRA.....	6.0	--	--
All other, net.....	(3.3)	(.8)	(1.4)
	-----	-----	-----
	35.9%	33.4%	29.0%
	-----	-----	-----

Deferred taxes are determined based on the estimated future tax effects of differences between the financial statement and tax bases of assets and liabilities using the provisions of enacted tax laws. The net deferred tax liability as of December 31, 1993, is comprised of the following:

	DECEMBER 31, 1993
	(IN THOUSANDS)
Deferred tax assets:	
Accrued expenses.....	\$ (8,696)
Deferred income.....	(3,287)
Deferred compensation.....	(2,380)
Net operating loss carryforwards.....	(18,392)
Alternative minimum tax credits.....	(20,734)
Other.....	(4,238)
	-----
Total deferred tax assets.....	\$ (57,727)
	-----
Deferred tax liabilities:	
Depreciation, depletion and amortization.....	\$ 181,981
Other.....	4,300
	-----
Total deferred tax liabilities.....	\$ 186,281
	-----
Deferred income tax (asset) liability.....	\$ 128,554
	-----

No valuation allowance has been recorded against deferred tax assets at December 31, 1993.

U.S. deferred taxes have not been provided on foreign earnings totaling \$29 million which are permanently reinvested abroad.

At December 31, 1993, the Company has U.S. federal net operating loss carryforwards of \$30 million and statutory depletion carryforwards of \$6.6 million available to reduce future U.S. federal taxable income. The net operating loss carryforwards will expire unless otherwise utilized, beginning in 1995. The statutory depletion may be carried forward indefinitely. The Company has alternative minimum tax (AMT) credit carryforwards of \$20.7 million. AMT credits can be carried forward indefinitely and may only be used to reduce regular tax liabilities in excess of AMT liabilities. The Company also has foreign net operating loss carryforwards of \$10.7 million and foreign capital loss carryforwards of \$2.4 million which may be carried forward indefinitely. These may be utilized to reduce future foreign taxable income.

APACHE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

5. CAPITAL STOCK

COMMON STOCK OUTSTANDING

	1993	1992	1991
Balance, beginning of year.....	46,936,240	46,854,794	44,694,410
Treasury shares issued (acquired), net.....	119,087	19,791	99,084
Shares issued:			
Acquisition of MW.....	--	--	2,000,000
Public offering.....	5,795,000	--	--
Acquisition of HERC.....	305,003	--	--
Conversion of 7 1/2-percent debentures...	7,816,453	--	--
Stock options.....	113,631	61,655	61,300
Balance, end of year.....	61,085,414	46,936,240	46,854,794

Public Offering -- In March 1993, Apache completed the public offering of approximately 5.8 million shares of Apache common stock for net proceeds of \$131.8 million.

Stock Option Plans -- At December 31, 1993, common shares totaling 2,031,650 were reserved for issuance under stock option plans for officers and key employees. The outstanding options expire at various dates through 2003 and are exercisable at prices ranging from \$7.31 to \$26.62 with an aggregate exercise price of \$17 million. The following table summarizes the changes in stock options for the year and the number of common shares available for grant at year end.

	1993	1992	1991
Outstanding, beginning of year.....	846,550	666,650	507,250
Exercised (\$7.313 to \$19.625).....	(115,200)	(94,050)	(161,300)
Granted (\$13.375 to \$26.625).....	264,600	326,700	361,000
Cancelled or expired (\$13.75 to \$26.625).....	(86,075)	(52,750)	(40,300)
Outstanding, end of year.....	909,875	846,550	666,650
Available for grant, end of year.....	1,121,775	1,300,300	84,050

Rights to Purchase Common Stock -- In 1986, the Company declared a dividend of one right to purchase one share of common stock at \$50 per share (subject to adjustment) on each outstanding share of common stock (the Rights). The Rights are exercisable only if certain persons or groups acquire 20 percent or more of the common stock or commence a tender offer for 30 percent or more of the common stock. If the Company engages in certain business combinations or a 20-percent stockholder engages in certain transactions with the Company, the Rights become exercisable for Apache common stock or common stock of the corporation acquiring the Company (as the case may be) at 50 percent of the then-market price. Any Rights that are or were beneficially owned by a person who has acquired 20 percent or more of the common stock and who engages in certain transactions or realizes the benefits of certain transactions with the Company will become void. The Company may redeem the Rights at a specified price at any time until 10 business days after public announcement that a person has acquired 20 percent or more of the outstanding shares of common stock. The Rights will expire on January 31, 1996, unless earlier redeemed by the Company. Unless the Rights have been previously redeemed, all shares of common stock issued by the Company will include Rights.

Preferred Stock -- The Company has authorized five million shares of no par preferred stock. None are outstanding.

**APACHE CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)**

**6. NONCASH INVESTING AND FINANCING ACTIVITIES**

A summary of noncash investing and financing activities is presented below.

In 1993, Apache purchased HERC for approximately \$98 million in cash and Apache common stock. The accompanying financial statements included the following attributable to the HERC acquisition:

	(IN THOUSANDS)
Value of properties acquired, including gathering facilities.....	\$159,996
Common stock issued (305,003 shares).....	(7,777)
Liability for HERC shares not surrendered as of December 31, 1993.....	(13,906)
Cash paid, net of cash acquired.....	(70,692)
	-----
Net HERC liabilities added through consolidation.....	\$ 67,621
	=====

In September 1993, Apache called for the redemption of its 7 1/2-percent convertible subordinated debentures due 2000. Following receipt of the notice of redemption, nearly all holders of the debentures elected to convert the principal amount of their debentures into shares of Apache common stock. Holders of less than one-tenth of one percent of the debentures elected to receive cash (\$.1 million).

	(IN THOUSANDS)
Long-term debt converted into common stock.....	\$149,900
Unamortized debt issue costs charged to equity.....	(2,686)
	-----
Increase to shareholders' equity (common stock issued, 7.8 million shares).....	\$147,214
	=====

On July 1, 1991, Apache completed the acquisition of MW for cash and Apache common stock. Net liabilities assumed and the value of properties acquired are subject to adjustments as specified in the stock purchase agreement.

	(IN THOUSANDS)
Value of properties acquired.....	\$545,515
Common stock issued (two million shares).....	(30,000)
Cash paid.....	(511,373)
	-----
Net liabilities assumed.....	\$ 4,142
	=====

Cost incurred to complete the MW transaction and capitalized as part of the acquisition totaled \$13.1 million, of which \$8.2 million had been paid in cash and \$4.9 million was accrued at December 31, 1991.

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

	FOR THE YEAR ENDED DECEMBER 31,		
	1993	1992	1991
	-----	-----	-----
	(IN THOUSANDS)		
Cash paid (received) during the year for:			
Interest, net of amounts capitalized.....	\$30,379	\$27,373	\$22,933
Income taxes, net of refunds.....	(780)	19,642	4,216

APACHE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

7. FINANCIAL INSTRUMENTS

In accordance with SFAS No. 107, the table below sets forth the estimated fair value of the Company's significant financial instruments.

	DECEMBER 31, 1993	
	CARRYING AMOUNT	ESTIMATED FAIR VALUE
	(IN THOUSANDS)	
Long-term debt:		
Bank debt.....	\$281,550	\$281,550
9.25-percent notes due 2002.....	99,688	100,311
3.93-percent convertible notes due 1997.....	75,000	87,323

The fair value of the 9.25-percent notes was based on the quoted market price for that issue. The fair value of the 3.93-percent notes was estimated based on quotes obtained from private investment firms. The difference between the carrying amount and the fair value of the Company's other debt obligations was not significant.

The fair value of the Amoco agreement discussed in Note 8 was not readily determinable.

8. COMMITMENTS AND CONTINGENCIES

Investment in Program Operations -- Prior to 1989, the Company organized numerous oil and gas limited partnerships. At December 31, 1993, Apache was contingently liable for \$12.8 million of bank financing arranged by the Company on behalf of the Apache Offshore Investment Partnership (See Note 3).

As compensation for its services as general partner and operator, the Company shares in oil and gas revenues, receives a management fee in accordance with formulas described in each limited partnership agreement, and is reimbursed for administrative, exploration and production expenses incurred on behalf of the partnerships. These reimbursements (\$.6 million, \$4.8 million and \$6 million in the years 1993, 1992 and 1991, respectively) have been netted against operating expenses in the accompanying financial statements.

Litigation -- The Company is involved in litigation and is subject to governmental and regulatory controls arising in the ordinary course of business. It is the opinion of the Company's management that all claims and litigation involving the Company are not likely to have a material adverse effect on its financial position or results of operations.

Environmental -- Apache, as an owner and operator of oil and gas properties, is subject to various federal, state, local and foreign country laws and regulations relating to discharge of materials into 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, require suspension or cessation of operations in affected areas and impose restrictions on the injection of liquids into subsurface aquifers that may contaminate ground water. Apache maintains insurance coverages which it believes are customary in the industry, although it is not fully insured against all environmental risks. The Company is not aware of any environmental claims existing as of December 31, 1993, which would have a material impact on its financial position or results of operations.

Hedging -- In connection with the MW purchase in mid-1991, the Company and Amoco entered into a hedging agreement. Under the terms of this agreement, Apache would receive support payments in the event oil prices fell below specified reference prices for any year during the two-year period ended June 30, 1993, and Amoco will receive payments in the event oil prices rose above specified reference prices for any year during the eight-year period ending June 30, 1999, or in the event gas prices exceeded specified reference prices for any year during the five-year period ending June 30, 1996.

APACHE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Oil price sharing payments due Amoco for the contract years ending June 30, 1994 through June 30, 1999, would be based on per barrel oil prices starting at \$24.75 and increasing to \$33.13, while annual oil volumes would decline from approximately 3.3 million barrels to 1.4 million barrels over the remaining term. Gas price sharing payments would be based on gas volumes starting from approximately 13.4 Bcf for the contract year ended June 30, 1994, and declining to 10.5 Bcf in 1996, while the referenced gas price would increase from \$2.18 per Mcf in 1994 to \$2.68 per Mcf in the final year of the gas agreement. In the event price sharing payments are due to Amoco, the volumes listed above would be doubled until Amoco recovers its net payments to Apache (\$5.8 million through the contract year ended June 30, 1993) plus interest.

International Commitments -- The Company, through its subsidiaries, has acquired or has been conditionally or unconditionally granted exploration rights in Australia, The Congo, Egypt and Indonesia. In order to comply with the contracts and agreements granting these rights, the Company, through Apache International, Inc., expects to expend approximately \$15.8 million through 1997.

Concentration of Credit Risk -- The proved gas reserves in the Carnarvon Basin of Western Australia acquired in the HERC acquisition are dedicated for sale to the State Energy Commission of Western Australia (SECWA) pursuant to a long-term, take-or-pay contract. If for some reason the SECWA contract were terminated, the Company might not be able to find other markets for the gas produced from these fields. Although the Company considers such an occurrence highly unlikely, the loss of the SECWA contract might force the Company to write-down the value of these fields.

Retirement and Deferred Compensation Plans -- The Company provides a 401(k) retirement/savings plan and a non-qualified retirement/savings plan for employees. These plans allow participating employees to elect to contribute up to 10 percent of their salaries, with Apache making matching contributions up to a maximum of six percent of each employee's salary. In addition, the Company annually contributes a percentage of each participating employee's compensation, as defined, to the plan. Vesting in the Company's contributions occurs at the rate of 20 percent per year. Total expenses under these plans were \$5 million, \$4.2 million and \$3.8 million for 1993, 1992 and 1991, respectively.

Gas Settlement Contracts -- In March 1991, Apache agreed to modify the terms of certain contracts for the sale of natural gas and repay interest-free advances earlier than contractually obligated in exchange for a non-refundable cash payment, of which Apache's share was \$5.6 million. Under the terms of the contract settlement, the Company repaid \$20.1 million of advances in January 1993. Advances received from purchasers under provisions of take-or-pay contracts, if not recouped from production, are scheduled to be repaid in 1995. Apache's share of outstanding take-or-pay advances totaled \$3.9 million at December 31, 1993.

Lease Commitments -- The Company has leases for office space with varying expiration dates through 2007. Net rental expense was \$4.6 million, \$5.7 million and \$4.1 million for 1993, 1992 and 1991, respectively.

As of December 31, 1993, minimum rental commitments under long-term operating leases are as follows:

	RENTAL COMMITMENTS	SUBLEASE RENTALS	NET MINIMUM RENTAL COMMITMENTS
	( IN THOUSANDS )		
1994.....	\$ 8,024	\$ (2,090)	\$ 5,934
1995.....	6,138	(1,311)	4,827
1996.....	5,907	(1,156)	4,751
1997.....	4,009	(482)	3,527
1998.....	3,705	--	3,705
Thereafter.....	37,635	--	37,635
	-----	-----	-----
	\$65,418	\$ (5,039)	\$60,379
	-----	-----	-----

**APACHE CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)**

**9. CUSTOMER INFORMATION**

NGC has been the sole purchaser of Apache's spot market gas production since April 1990. Sales to NGC accounted for 36 percent, 27 percent and 36 percent of the Company's oil and gas revenues in 1993, 1992 and 1991, respectively. Sales to Amoco represented 11 percent, 27 percent and 17 percent of the Company's 1993, 1992 and 1991 oil and gas revenues, respectively.

The Company's revenues are derived principally from uncollateralized sales to customers in the oil and gas industry; therefore, customers may be similarly affected by changes in economic and other conditions within the industry. Apache has not experienced significant credit losses on such sales.

**APACHE CORPORATION AND SUBSIDIARIES**

**SUPPLEMENTAL OIL AND GAS DISCLOSURES**  
(UNAUDITED)

Oil and Gas Operations -- 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 supply or purchase agreements with governments or authorities under which it acts as producer.

	FOR THE YEAR ENDED DECEMBER 31,		
	1993	1992	1991
	( IN THOUSANDS )		
<b>UNITED STATES</b>			
Oil and gas revenues.....	\$421,845	\$386,533	\$311,487
Operating costs:			
Depreciation, depletion and amortization.....	163,285	149,909	127,156
Lease operating.....	102,830	99,934	73,163
Production taxes.....	21,218	23,803	17,652
Income tax.....	50,035	39,045	30,312
	337,368	312,691	248,283
Results of operations.....	\$ 84,477	\$ 73,842	\$ 63,204
Amortization rate.....	38.7%	38.8%	40.8%
<b>FOREIGN</b>			
Oil and gas revenues.....	\$ 15,497	\$ 8,019	\$ 4,575
Operating costs:			
Depreciation, depletion and amortization.....	7,214	3,883	1,992
Impairments.....	23,200	12,000	3,600
Lease operating.....	3,456	1,600	699
Production taxes.....	609	--	--
Income tax (benefit).....	(6,264)	(3,181)	(446)
	28,215	14,302	5,845
Results of operations.....	\$(12,718)	\$ (6,283)	\$ (1,270)
Amortization rate-recurring.....	46.6%	48.7%	43.1%
<b>TOTAL</b>			
Oil and gas revenues.....	\$437,342	\$394,552	\$316,062
Operating costs:			
Depreciation, depletion and amortization.....	170,499	153,792	129,148
Impairments.....	23,200	12,000	3,600
Lease operating.....	106,286	101,534	73,862
Production taxes.....	21,827	23,803	17,652
Income tax.....	43,771	35,864	29,866
	365,583	326,993	254,128
Results of operations.....	\$ 71,759	\$ 67,559	\$ 61,934

APACHE CORPORATION AND SUBSIDIARIES

SUPPLEMENTAL OIL AND GAS DISCLOSURES -- (CONTINUED)  
(UNAUDITED)

Costs Not Being Amortized -- The following table sets forth a summary of oil and gas property costs not being amortized at December 31, 1993, by the year in which such costs were incurred.

	TOTAL	1993	1992	1991	1990 AND PRIOR
	-----	-----	-----	-----	-----
		( IN THOUSANDS )			
Leasehold and seismic.....	\$ 82,358	\$34,472	\$3,739	\$37,935	\$6,212
Exploration and development.....	4,634	4,634	--	--	--
International.....	18,605	18,593	12	--	--
	-----	-----	-----	-----	-----
Total.....	\$105,597	\$57,699	\$3,751	\$37,935	\$6,212
	-----	-----	-----	-----	-----

Capitalized Costs Incurred -- The following table sets forth the capitalized costs incurred in oil and gas producing activities.

	FOR THE YEAR ENDED DECEMBER 31,		
	1993	1992	1991
	-----	-----	-----
		( IN THOUSANDS )	
UNITED STATES			
Acquisition of proved properties.....	\$242,659	\$ 62,955	\$ 561,780
Acquisition of unproved properties.....	14,342	8,226	6,294
Exploration.....	16,979	17,074	17,523
Development.....	164,839	93,277	74,469
Capitalized interest.....	4,764	6,035	4,967
Property sales.....	(3,255)	(37,167)	(157,018)
Future operating costs for royalty interest sold.....	--	--	17,000
	-----	-----	-----
	\$440,328	\$150,400	\$ 525,015
	-----	-----	-----
FOREIGN			
Acquisition of proved properties.....	\$ 81,942	\$ --	\$ 6,565
Acquisition of unproved properties.....	--	--	--
Exploration.....	18,006	10,091	6,907
Development.....	--	1,988	1,406
	-----	-----	-----
	\$ 99,948	\$ 12,079	\$ 14,878
	-----	-----	-----
TOTAL			
Acquisition of proved properties.....	\$324,601	\$ 62,955	\$ 568,345
Acquisition of unproved properties.....	14,342	8,226	6,294
Exploration.....	34,985	27,165	24,430
Development.....	164,839	95,265	75,875
Capitalized interest.....	4,764	6,035	4,967
Property sales.....	(3,255)	(37,167)	(157,018)
Future operating costs for royalty interest sold.....	--	--	17,000
	-----	-----	-----
	\$540,276	\$162,479	\$ 539,893
	-----	-----	-----

Foreign acquisitions in 1993 included \$16.8 million of unevaluated costs added through the merger of HERC.

APACHE CORPORATION AND SUBSIDIARIES

SUPPLEMENTAL OIL AND GAS DISCLOSURES -- (CONTINUED)  
(UNAUDITED)

Capitalized Costs -- The following table sets forth the capitalized costs and related accumulated depreciation, depletion and amortization, including impairments, relating to the Company's oil and gas production, exploration and development activities.

	DECEMBER 31,	
	1993	1992
	(IN THOUSANDS)	
UNITED STATES		
Proved properties.....	\$ 2,390,644	\$ 1,962,896
Unproved properties.....	86,992	74,413
	2,477,636	2,037,309
Accumulated depreciation, depletion and amortization.....	(1,171,227)	(1,007,942)
	\$ 1,306,409	\$ 1,029,367
FOREIGN		
Proved properties.....	\$ 126,157	\$ 33,694
Unproved properties.....	18,605	11,119
	144,762	44,813
Accumulated depreciation, depletion and amortization.....	(60,216)	(29,802)
	\$ 84,546	\$ 15,011
TOTAL		
Proved properties.....	\$ 2,516,801	\$ 1,996,590
Unproved properties.....	105,597	85,532
	2,622,398	2,082,122
Accumulated depreciation, depletion and amortization.....	(1,231,443)	(1,037,744)
	\$ 1,390,955	\$ 1,044,378

APACHE CORPORATION AND SUBSIDIARIES

SUPPLEMENTAL OIL AND GAS DISCLOSURES -- (CONTINUED)  
(UNAUDITED)

Oil and Gas Reserve Information -- Proved oil and gas reserve quantities are based on estimates prepared by the Company's engineers in accordance with guidelines established by the Securities and Exchange Commission (SEC). The Company's estimates of proved reserve quantities of its domestic properties and certain international properties are subject to review by Ryder Scott Company Petroleum Engineers, independent petroleum engineers. The Company's estimates of proved reserve quantities of its Western Australia properties held through Hadson Energy Limited are subject to review by Intera Information Technologies Inc., independent petroleum engineers.

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 represents estimates only and should not be construed as being exact.

OIL, CONDENSATE AND NATURAL GAS LIQUIDS	1993			1992			1991		
	UNITED STATES	FOREIGN	TOTAL	UNITED STATES	FOREIGN	TOTAL	UNITED STATES	FOREIGN	TOTAL
	(THOUSANDS OF BARRELS)								
Total proved reserves:									
Beginning of year.....	80,195	464	80,659	79,166	648	79,814	22,740	--	22,740
Extensions, discoveries and other additions.....	10,885	--	10,885	7,112	--	7,112	3,463	--	3,463
Purchases of minerals in-place.....	9,871	5,095	14,966	226	--	226	62,722	858	63,580
Revisions of previous estimates.....	(3,215)	1,125	(2,090)	7,796	206	8,002	9,032	--	9,032
Production.....	(12,096)	(684)	(12,780)	(12,199)	(390)	(12,589)	(8,184)	(210)	(8,394)
Sales of properties.....	(1,917)	--	(1,917)	(1,906)	--	(1,906)	(10,607)	--	(10,607)
End of year.....	83,723	6,000	89,723	80,195	464	80,659	79,166	648	79,814
Proved developed reserves:									
Beginning of year.....	72,596	464	73,060	68,573	648	69,221	19,387	--	19,387
End of year.....	74,288	5,113	79,401	72,596	464	73,060	68,573	648	69,221

NATURAL GAS	1993			1992	1991
	UNITED STATES	FOREIGN	TOTAL	TOTAL	TOTAL
	(MILLION CUBIC FEET)				
Total proved reserves:					
Beginning of year.....	643,299	--	643,299	602,048	500,336
Extensions, discoveries and other additions.....	119,210	--	119,210	68,650	47,878
Purchases of minerals-in-place.....	174,115	33,343	207,458	68,685	289,760
Revisions of previous estimates.....	(7,335)	1,327	(6,008)	34,042	(20,163)
Production.....	(109,312)	(1,310)	(110,622)	(95,982)	(104,621)
Sales of properties.....	(5,118)	--	(5,118)	(34,144)	(111,142)
End of year.....	814,859	33,360	848,219	643,299	602,048
Proved developed reserves:					
Beginning of year.....	585,424	--	585,424	549,742	472,777
End of year.....	696,421	24,251	720,672	585,424	549,742

Prior to 1993, all of Apache's natural gas reserves were located in the United States.

APACHE CORPORATION AND SUBSIDIARIES

SUPPLEMENTAL OIL AND GAS DISCLOSURES -- (CONTINUED)  
(UNAUDITED)

Future Net Cash Flows -- Future revenues are based on year-end prices except in those instances where the sale of natural gas is covered by contract terms providing for determinable escalations. 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 permanent differences and credits which, under current laws, 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.

	DECEMBER 31,		
	1993	1992	1991
	(IN THOUSANDS)		
UNITED STATES			
Cash inflows.....	\$3,062,525	\$2,789,334	\$2,573,631
Production and development costs.....	(1,085,205)	(1,045,549)	(969,928)
Income tax expense.....	(362,353)	(338,177)	(302,331)
Net cash flows.....	1,614,967	1,405,608	1,301,372
10-percent annual discount rate.....	(550,887)	(542,118)	(488,495)
Discounted future net cash flows.....	1,064,080	863,490	812,877
FOREIGN			
Cash inflows.....	154,466	9,231	13,656
Production and development costs.....	(57,281)	(5,903)	(6,315)
Income tax expense.....	(24,680)	(588)	(754)
Net cash flows.....	72,505	2,740	6,587
10-percent annual discount rate.....	(21,209)	(26)	(261)
Discounted future net cash flows.....	51,296	2,714	6,326
TOTAL			
Cash inflows.....	3,216,991	2,798,565	2,587,287
Production and development costs.....	(1,142,486)	(1,051,452)	(976,243)
Income tax expense.....	(387,033)	(338,765)	(303,085)
Net cash flows.....	1,687,472	1,408,348	1,307,959
10-percent annual discount rate.....	(572,096)	(542,144)	(488,756)
Discounted future net cash flows*.....	\$1,115,376	\$ 866,204	\$ 819,203

\* Estimated future net cash flows before income tax expense, discounted 10 percent, totaled approximately \$1.36 billion, \$1.06 billion and \$1.0 billion as of December 31, 1993, 1992 and 1991, respectively.

APACHE CORPORATION AND SUBSIDIARIES

SUPPLEMENTAL OIL AND GAS DISCLOSURES -- (CONTINUED)  
(UNAUDITED)

The following table sets forth the principal sources of change in the discounted future net cash flows:

	FOR THE YEAR ENDED DECEMBER 31,		
	1993	1992	1991
	(IN THOUSANDS)		
Sales, net of production costs.....	\$ (309,229)	\$ (269,215)	\$ (224,548)
Net change in prices and production costs.....	(78,162)	(23,318)	(189,346)
Discoveries and improved recovery, net of related costs.....	205,255	113,467	73,107
Change in future development costs.....	450	16,913	6,329
Revision of quantities.....	(29,360)	78,020	43,183
Purchases.....	347,860	99,228	528,204
Accretion of discount.....	106,256	99,797	83,245
Change in income taxes.....	(47,387)	(17,609)	15,825
Sales of properties.....	(3,500)	(40,413)	(132,123)
Change in production rates and other.....	56,989	(9,869)	(22,526)
	\$ 249,172	\$ 47,001	\$ 181,350

Impact of Pricing -- The estimates of cash flows and reserve quantities shown above are based on year-end oil and gas prices, except in those cases where future gas sales are covered by contracts at specified prices. Estimates of future liabilities and receivables applicable to oil and gas commodity hedges are reflected in future cash flows from proved reserves with such estimates based on prices in effect as of the date of the reserve report. Fluctuations are largely due to the seasonal pricing nature of natural gas, supply perceptions for natural gas and significant worldwide volatility in oil prices.

Under SEC rules, companies that follow full cost accounting methods are required to make quarterly "ceiling test" calculations. Under this test, capitalized costs of oil and gas properties may not exceed the present value of estimated future net revenues from proved reserves, discounted at 10 percent, plus the lower of cost or fair market value of unproved properties, as adjusted for related tax effects and deferred tax reserves. Application of these rules during periods of relatively low oil and gas prices, even if of short-term duration, may result in write-downs.

**APACHE CORPORATION AND SUBSIDIARIES**

**SUPPLEMENTAL QUARTERLY FINANCIAL DATA  
(UNAUDITED)**

	FIRST	SECOND	THIRD	FOURTH	TOTAL
	-----	-----	-----	-----	-----
	( IN THOUSANDS, EXCEPT PER SHARE AMOUNTS )				
1993					
Revenues.....	\$108,592	\$111,270	\$122,013	\$124,763	\$466,638
Expenses, net.....	97,000	99,775	120,932	111,597	429,304
	-----	-----	-----	-----	-----
Net income.....	\$ 11,592	\$ 11,495	\$ 1,081	\$ 13,166	\$ 37,334
	-----	-----	-----	-----	-----
Net income per common share.....	\$ .24	\$ .22	\$ .02	\$ .22	\$ .70
	-----	-----	-----	-----	-----
1992					
Revenues.....	\$ 92,195	\$131,230	\$111,305	\$119,570	\$454,300
Expenses, net.....	88,146	107,203	102,829	108,346	406,524
	-----	-----	-----	-----	-----
Net income.....	\$ 4,049	\$ 24,027	\$ 8,476	\$ 8,476	\$ 47,776
	-----	-----	-----	-----	-----
Net income per common share.....	\$ .09	\$ .51	\$ .18	\$ .24	\$ 1.02
	-----	-----	-----	-----	-----

**SCHEDULE V**

**APACHE CORPORATION AND SUBSIDIARIES**

**PROPERTY AND EQUIPMENT  
FOR THE YEARS ENDED DECEMBER 31, 1993, 1992 AND 1991**

	OIL AND GAS PROPERTIES	OTHER PROPERTY	TOTAL PROPERTY
	-----	-----	-----
	(IN THOUSANDS)		
BALANCE, DECEMBER 31, 1990.....	\$1,379,750	\$36,408	\$1,416,158
Additions, at cost.....	679,911	6,190	686,101
Deduct sales or retirements, at cost.....	(140,018)	(2,558)	(142,576)
	-----	-----	-----
BALANCE, DECEMBER 31, 1991.....	1,919,643	40,040	1,959,683
Additions, at cost.....	199,646	7,386	207,032
Deduct sales or retirements, at cost.....	(37,167)	(24)	(37,191)
	-----	-----	-----
BALANCE, DECEMBER 31, 1992.....	2,082,122	47,402	2,129,524
Additions, at cost.....	543,531	39,171	582,702
Deduct sales or retirements, at cost.....	(3,255)	(23,826)	(27,081)
	-----	-----	-----
BALANCE, DECEMBER 31, 1993.....	\$2,622,398	\$62,747	\$2,685,145
	-----	-----	-----

SCHEDULE VI

APACHE CORPORATION AND SUBSIDIARIES

**ACCUMULATED DEPRECIATION, DEPLETION AND AMORTIZATION  
PROPERTY AND EQUIPMENT  
FOR THE YEARS ENDED DECEMBER 31, 1993, 1992 AND 1991**

	OIL AND GAS PROPERTIES -- DEPLETION -----	OTHER PROPERTY -- DEPRECIATION -----	TOTAL ACCUMULATED DEPRECIATION AND DEPLETION -----
		(IN THOUSANDS)	
BALANCE, DECEMBER 31, 1990.....	\$ 739,204	\$ 13,598	\$ 752,802
Additions charged to income as depreciation and depletion.....	132,748	2,830	135,578
Deduct retirements, renewals and replacements.....	--	(73)	(73)
	-----	-----	-----
BALANCE, DECEMBER 31, 1991.....	871,952	16,355	888,307
Additions charged to income as depreciation and depletion.....	165,792	3,576	169,368
Deduct retirements, renewals and replacements.....	--	(24)	(24)
	-----	-----	-----
BALANCE, DECEMBER 31, 1992.....	1,037,744	19,907	1,057,651
Additions charged to income as depreciation and depletion.....	193,699	5,596	199,295
Deduct retirements, renewals and replacements.....	--	(8,261)	(8,261)
	-----	-----	-----
BALANCE, DECEMBER 31, 1993.....	\$1,231,443	\$ 17,242	\$1,248,685
	-----	-----	-----

**SCHEDULE X**

**APACHE CORPORATION AND SUBSIDIARIES**

**SUPPLEMENTARY INCOME STATEMENT INFORMATION  
FOR THE YEARS ENDED DECEMBER 31, 1993, 1992 AND 1991**

	1993	1992	1991
	-----	-----	-----
		(IN THOUSANDS)	
Repairs and maintenance.....	\$ 3,937	\$ 2,890	\$ 3,525
Taxes other than payroll and income taxes:			
Production taxes.....	21,827	23,803	17,652
Ad valorem taxes.....	7,716	10,042	3,631

The amounts of repairs and maintenance to oil and gas operations are included in operating expenses and are not readily available nor are they considered material in amount. Other repairs and maintenance are summarized above. Advertising and royalty expenses and personal property taxes are each less than one percent of total revenues as reported in the related income statement.

**Exhibit 3.1**

**RESTATED**

**CERTIFICATE OF INCORPORATION  
OF  
APACHE CORPORATION**

APACHE CORPORATION, a corporation organized and existing under the laws of the State of Delaware, hereby certifies as follows:

1. The name of the corporation is Apache Corporation and the name under which the corporation was originally incorporated was Apache Oil Corporation. The date of filing of its original Certificate of Incorporation with the Secretary of State was the 6th day of December, 1954.
2. This Restated Certificate of Incorporation only restates and integrates and does not further amend the provisions of the Certificate of Incorporation of this corporation as heretofore amended or supplemented, and there is no discrepancy between those provisions and the provisions of this Restated Certificate of Incorporation.
3. The text of the Certificate of Incorporation, as amended or supplemented heretofore, is hereby restated without further amendments or changes to read as herein set forth in full:

FIRST. The name of the corporation is APACHE CORPORATION.

SECOND. The Registered Office in the state of Delaware is located at the Corporation Trust Center, 1209 Orange Street, in the county of New Castle, Wilmington, Delaware 19801. The Registered Agent at that address is The Corporation Trust Company.

THIRD. The nature of the business, or objects or purposes to be transacted, promoted or carried on are: To engage in the leasing as principal, trustee, agent and/or nominee of lands believed to contain petroleum, oils, and gas; the improving, mortgaging, leasing, assigning, and otherwise disposing of the same; the prospecting, drilling, pumping, piping, storing, refining, and selling, both at wholesale and retail, of oils and gas; the buying, otherwise acquiring, selling, and otherwise disposing of any and all real estate and personal property for use in the business of the company; the construction of any and all buildings, pipe lines, pumping stations, and storage tanks, and any and all other buildings required in carrying on the business of the company; the acting as trustee or agent for holders of oil lands in the receiving and disbursement of funds to be used in drilling for the common benefit of the land holders.

To buy, acquire, sell, retain, deal in, or otherwise dispose of absolutely or contingently, petroleum and/or gas properties and interests (whether like or different), and any right, title, or interest therein.

To purchase, sell and own royalties in oil and gas lands and leases; to pay mortgages, notes, taxes, assessments, and other charges that are or may become a lien or charge against any lands or leases in which this company may have a royalty interest.

To engage in the purchasing, leasing or otherwise acquiring, owning, holding, operating, developing, mortgaging, pledging, exchanging, selling, transferring, or otherwise disposing of, and investing, trading or dealing in real and personal property of every kind and description or any interest therein; the acting as trustee or agent for holders of interests in such real and personal property in the receiving and disbursement of funds to be used in connection therewith.

To act as agent for others in purchasing, selling, renting and managing real estate and leasehold or other interests therein; in negotiating loans on real estate and leasehold or other interests therein, in lending money secured by bonds or notes secured by mortgages or trust deeds on such real estate or leasehold or other interest therein, or on the mortgage bonds of industrial or railroad companies or of any public service corporation, or on any state, municipal or quasi-municipal bonds, or in the buying, selling, pledging, mortgaging or otherwise dealing in any such securities, and to act as trustee in connection with any of the foregoing securities.

To carry on the business of a telephone, telegraph, radio, television, electrical light, heat and power, natural gas heat and power, and/or water supply company, and in establishing, working, managing, controlling and regulating exchanges and works for the supply and transmission of telephone, telegraph, radio and television impulses, and for the supply of electric light, heat and power, natural gas heat and power, and/or water for public or private purposes, use and consumption.

To engage in the underwriting, buying, selling and rediscounting of notes, drafts, bills of exchange, stocks, bonds, securities and chooses in action as a broker and dealer in securities.

To acquire, and pay for in cash, stock or bonds of this Corporation or otherwise, the good will, rights, assets and property, and to undertake or assume the whole or any part of the obligations or liabilities of any person, firm, association or corporation.

To acquire, hold, use, sell, assign, lease, grant licenses in respect of, mortgage or otherwise dispose of letters patent of the United States or any foreign country, patent rights, licenses, franchises and privileges, inventions, improvements and processes, copyrights, trademarks and trade names, relating to or useful in connection with any business of this corporation.

To acquire by purchase subscription, participation, or otherwise, and to receive, hold, own, guarantee, sell, assign, exchange, transfer, mortgage, pledge or otherwise dispose of or deal in and with any of the shares of the capital stock, or any voting trust certificates in respect of the shares of capital stock, script, warrants, rights, bonds, debentures, notes, trust receipts, and other securities, obligations, chooses in action and evidences of indebtedness or interest issued or created by any corporations, joint stock companies, partnerships, limited partnerships, syndicates, associations, firms, trusts or persons, public or private, or by the government of the United States of America, or by any foreign government, or by any state, territory, province, municipality or other political subdivision or by any governmental agency, and as owner thereof

to possess and exercise all the rights, powers and privileges of ownership, including the right to execute consents and vote thereon and to do any and all acts and things necessary or advisable for the preservation, protection, improvement and enhancement in value thereof.

To enter into, make and perform contracts of every kind and description with any person, firm, association, corporation, municipality, county, state, body politic or government or colony or dependency thereof.

To borrow or raise monies for any of the purposes of the Corporation and, from time to time to draw, make, accept, endorse, execute and issue promissory notes, drafts, bills of exchange, warrants, bonds, debentures and other negotiable or non-negotiable instruments and evidences of indebtedness, and to secure the payment of any thereof and of the interest thereon by mortgage upon or pledge, conveyance or assignment in trust of the whole or any part of the property of the Corporation, whether at the time owned or thereafter acquired, and to sell, pledge or otherwise dispose of such bonds or other obligations of the Corporation for its corporate purposes.

To purchase, hold, sell and transfer the shares of its own capital stock; provided it shall not use its funds or property for the purchase of its own shares of capital stock when such use would cause any impairment of its capital except as otherwise permitted by law, and provided further that shares of its own capital stock belonging to it shall not be voted upon directly or indirectly.

To have one or more offices, to carry on all or any of its operations and business and to purchase or otherwise acquire, hold, own, mortgage, sell, convey or otherwise dispose of, real and personal property of every class and description in any of the states, districts, territories or colonies of the United States, and in any and all foreign countries, subject to the laws of such state, district, territory, colony or country.

In general, to carry on any other business in connection with the foregoing, and to have and exercise all the powers conferred by the laws of Delaware upon corporations formed under the General Corporation Law of the State of Delaware, and to do any or all things hereinbefore set forth to the same extent as natural persons might or could do.

The objects and purposes specified in the foregoing clauses shall, except where otherwise expressed, be in no wise limited or restricted by reference from, the terms of any other clause in this Certificate of Incorporation, but the objects and purposes specified in each of the foregoing clauses of this article shall be regarded as independent objects and purposes.

FOURTH. The total number of shares of all classes of stock which this corporation shall have authority to issue is 220,000,000 which shall be divided into (a) 215,000,000 shares of common stock having a par value of \$1.25 per share and (b) 5,000,000 shares of no par value preferred stock.

A description of the different classes of stock of the Corporation, a statement of the relative rights of the holders of stock of such classes, and a statement of the voting powers and the designations, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof, of the various classes of stock are as follows:

A. Shares of the Preferred Stock may be issued by the Board of Directors of the Corporation with such voting powers, full or limited or without voting powers and in such classes and series and with such designations, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof, as shall be stated and expressed in the resolution or resolutions providing for the issue of such stock adopted by the Board of Directors of the Corporation.

B. A holder of the Common Stock of the Corporation shall be entitled to one vote for each and every share of Common Stock standing in his name at any and all meetings of stockholders of the Corporation.

C. Shares of the voting stock of the Corporation shall not be voted cumulatively.

D. Except as provided in Paragraph A of this Article FOURTH, shares of stock of the Corporation do not carry pre-emptive rights.

E. There shall be set forth on the face or back of each certificate for shares of stock of the Corporation a statement that the Corporation will furnish without charge to each stockholder who so requests, the designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights, provided, however, that there shall be no lien in favor of the Corporation upon the shares represented by any such certificate and there shall be no restriction upon the transfer of shares so represented by virtue of any by-law of the Corporation unless such lien or restriction is stated upon the certificate.

FIFTH. The minimum amount of capital with which the Corporation will commence business is One thousand Dollars (\$1,000.00).

SIXTH. The names and places of residence of the original incorporators were as follows:

NAMES	RESIDENCES
H. K. Webb	Wilmington, Delaware
H. C. Broadt	Wilmington, Delaware
A. D. Atwell	Townsend, Delaware

SEVENTH. The Corporation is to have perpetual existence.

EIGHTH. The private property of the stockholders shall not be subject to the payment of corporate debts to any extent whatever.

NINTH. The number of directors shall be fixed from time to time exclusively by the Board of Directors pursuant to a resolution adopted by a majority of the directors then in office.

At each annual meeting of shareholders commencing in 1986, the terms of office for which candidates are nominated and elected shall be divided so that as nearly as numerically possible the terms of office of one-third of the total number of directors elected and serving upon completion of such election will expire at the annual meeting of shareholders next following the date of such election, and one-third each at each of the two next ensuing annual meetings of shareholders.

A majority of the directors then in office, in their sole discretion and whether or not constituting less than a quorum, may elect a replacement director to serve during the unexpired term of any director previously elected whose office is vacant as a result of death, resignation, retirement, disqualification, removal or otherwise, and may elect directors to fill any newly created directorships created by the Board. At any election of directors by the Board of Directors to fill any vacancy caused by an increase in the number of directors, the terms of office for which candidates are nominated and elected shall be divided as set forth in the immediately preceding paragraph.

Each director shall be elected and serve until his successor shall have been duly elected and qualified unless he shall have resigned, become disqualified, deceased or disabled, or shall otherwise have been removed from office.

In furtherance and not in limitations of the powers conferred by statute, the Board of Directors is expressly authorized:

To make, alter or repeal the by-laws of the Corporation.

To authorize and cause to be executed mortgages and liens upon the real and personal property of the Corporation.

To set apart out of any of the funds of the Corporation available for dividends, a reserve or reserves for any proper purpose and to abolish any such reserve in the manner in which it was created.

By resolution passed by a majority of the whole Board, to designate one or more committees, each committee to consist of two or more of the directors of the Corporation, which, to the extent provided in the resolution or in the by-laws of the Corporation, shall have and may exercise the powers of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it. Such committee or committees shall have such name or names as may be stated in the by-laws of the Corporation or as may be determined from time to time by resolution adopted by the Board of Directors.

When and as authorized by the affirmative vote of the holders of a majority of the stock issued and outstanding having voting power given at a stockholders' meeting duly called for that purpose, to sell, lease or exchange all of the property and assets of the Corporation, including its good will and its corporate franchises, upon such terms and conditions and for such consideration which may be in whole or in part shares of stock in, and/or other securities of, any other corporation or corporations, as its Board of Directors shall deem expedient and for the best interest of the Corporation.

Notwithstanding anything contained in this Certificate of Incorporation to the contrary, the affirmative vote of the holders of four-fifths of all classes of stock of the Corporation entitled to vote in the election of directors, considered as one class, shall be required to alter, amend, or adopt any provision inconsistent with or repeal this Article NINTH.

In the absence of fraud no contract or other transaction between this Corporation and any other corporation shall be affected by the fact that any director of this Corporation is interested in, or is a director or officer of, such other corporation, and any director, individually or jointly, may be a party to, or may be interested in, any contract or transaction of this Corporation or in which this Corporation is interested; and no contract, or other transaction of this Corporation with any person, firm, or corporation, shall be affected by the fact that any director of this Corporation is a party to, or is interested in, such contract, act, or transaction, or in any way connected with such person, firm, or corporation, and every person who may become a director of this Corporation is hereby relieved from any liability that might otherwise exist from contracting with the Corporation for the benefit of himself or any firm, association, or corporation in which he may be in any way interested.

TENTH. Whenever a compromise or arrangement is proposed between this Corporation and its creditors or any class of them and/or between this Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of this Corporation or of any creditor or stockholder thereof, or on the application of any receiver or receivers appointed for this Corporation under the provisions of Section 291 of Title 8 of the Delaware Code, or on the application of trustees in dissolution or of any receiver or receivers appointed for this Corporation under the provisions of Section 279 of Title 8 of the Delaware Code, order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of this Corporation as consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of this Corporation, as the case may be, and also on this Corporation.

ELEVENTH. Meetings of stockholders may be held outside the state of Delaware, if the by-laws so provide. The books of the Corporation may be kept (subject to any provision contained in the statutes) outside of the state of Delaware at such place or places as may be designated from time to time by the Board of Directors or in the by-laws of the Corporation. Election of directors need not be by ballot unless the by-laws of the Corporation shall so provide.

TWELFTH. A. Except as set forth in this article, the affirmative vote or consent of the holders of four-fifths of all classes of stock of the Corporation entitled to vote in elections of directors, considered for the purposes of this article as one class, shall be required (a) for the adoption of any agreement for the merger or consolidation of the Corporation with or into any other corporation, or (b) to authorize any sale or lease of all or any substantial part of the assets

of the Corporation to, or any sale or lease to the Corporation or any subsidiary thereof in exchange for securities of the Corporation of any assets

(except assets having an aggregate fair market value of less than \$5,000,000)

of, any other corporation, person or other entity if, in either case, as of the record date for the determination of stockholders entitled to vote thereon or consent thereto, such other corporation, person or entity is the beneficial owner, directly or indirectly, of more than 5% of the outstanding shares of stock of the Corporation entitled to vote in elections of directors considered for the purposes of this article as one class. Such affirmative vote or consent shall be in addition to the vote or consent of the holders of the stock of the Corporation otherwise required by law or any agreement between the Corporation and any national securities exchange.

B. For the purpose of this article, (a) any corporation, person or other entity shall be deemed to be the beneficial owner of any shares of stock of the Corporation (i) which it has the right to acquire pursuant to any agreement or upon exercise of conversion rights, warrants or options or otherwise, or (ii) which are beneficially owned directly or indirectly (including shares deemed owned through application of clause (i) above), by any other corporation, person or entity with which it or its "affiliate" or "associate" (as defined below) has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of stock of the Corporation or which is its "affiliate" or "associate" as those terms are defined in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934 as in effect at the date of adoption of this article by the shareholders of the Corporation, and (b) the outstanding shares of any class of stock of the Corporation shall include shares deemed owned through application of clauses (i) and (ii) above but shall not include any other shares which may be issuable pursuant to any agreement, or upon exercise of conversion rights, warrants or options or otherwise.

C. The Board of Directors shall have the power and duty to determine for the purposes of this article, on the basis of information known to the Corporation, whether (a) such other corporation, person or entity beneficially owns more than 5% of the outstanding shares of stock of the Corporation entitled to vote in elections of directors, (b) a corporation, person or entity is an "affiliate" or "associate" (as defined above) of another, (c) the assets being acquired by the Corporation or any subsidiary thereof have the aggregate fair market value of less than \$5,000,000, and (d) the memorandum of understanding referred to below is substantially consistent with the transaction covered thereby. Any such determination shall be conclusive and binding for all purposes of this article.

D. The provisions of this article shall not be applicable to (a) any merger or consolidation of the Corporation with or into any other corporation, or any sale or lease of all or any substantial part of the assets of the Corporation or any subsidiary thereof in exchange for securities of the Corporation or of any assets of, any corporation, if the Board of Directors of the Corporation shall by resolution have approved a memorandum of understanding with such other corporation with respect to and substantially consistent with such transaction prior to the time that such other corporation shall have become a holder of more than 5% of the outstanding shares of stock of the Corporation entitled to vote in elections of directors; (b) any merger or consolidation of the Corporation with, or any sale or lease to the Corporation or any subsidiary thereof of any of the assets of, any corporation of which a majority of the outstanding shares of all classes of stock entitled to vote in elections of the directors is owned of record or beneficially by the Corporation and its subsidiaries.

E. No amendment to the Certificate of Incorporation of the Corporation shall amend, alter, change or repeal any of the provisions of this article, unless the amendment effecting such amendment, alteration, change or repeal shall receive the affirmative vote or consent of the holders of four-fifths of all classes of stock of the Corporation entitled to vote in elections of directors, considered for the purposes of this article as one class.

THIRTEENTH. The Corporation reserves the right, except as herein provided, to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation.

FOURTEENTH: A. Any resolution adopted by the Board of Directors in connection with a Second Tier Transaction shall include provisions assuring that each holder of Common Stock (other than a Related Person) shall have the right (which right may be an alternative to other options offered to such holder) to receive not less than the highest price paid by, and to receive terms not less favorable than the most favorable terms granted by, any Related Person in connection with the acquisition of Common Stock pursuant to a Tender Offer.

B. The term "Related Person" means any corporation, person or other entity that has Beneficial Ownership, directly or indirectly, of more than 5% of the outstanding Voting Stock. In determining the outstanding Voting Stock, there shall be included Voting Stock as to which a Related Person has Beneficial Ownership, but there shall not be included any other Voting Stock which may be issuable pursuant to any agreement, or upon exercise of conversion rights, warrants or options or otherwise. The Board of Directors shall have the power and duty to determine for the purposes of this article, on the basis of information known to the Corporation, whether (a) such other corporation, person or entity has Beneficial Ownership of more than 5% of the outstanding Voting Stock, or (b) a corporation, person or entity is an "affiliate" or "associate" (as defined below) of another for purposes of determining Beneficial Ownership. Any such determination shall be conclusive and binding for all purposes of this article.

The term "Beneficial Ownership" shall include without limitation: (i) all Voting Stock directly or indirectly owned by a person or entity, by an "affiliate" or "associate" of a person or entity, (as those terms are defined in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended, as in effect at the date of adoption of this article); (ii) all Voting Stock which such person or entity, affiliate or associate has the right to acquire (a) through the exercise of any option, warrant or right (whether or not currently exercisable), (b) through the conversion of a security, (c) pursuant to the power to revoke a trust, discretionary account, or similar arrangement; and (iii) all Voting Stock as to which such person or entity, affiliate or associate, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise (including without limitation any written or unwritten agreement to act in concert) has or shares voting power (which includes the power to vote or to direct the voting of such Voting Stock) or investment power (which includes the power to dispose or to direct the disposition of such Voting Stock) or both.

The term "Second Tier Transaction" means, at such time that there is a Related Person which has acquired Voting Stock by means of a Tender Offer, (a) the adoption, or submission to the shareholders of the Corporation for approval, or any agreement or plan for the merger,

consolidation or reorganization of the Corporation with or into any other corporation or entity, or (b) the authorization of any sale or lease of all or substantially all of the assets of the Corporation or (c) the issuance or sale by the Corporation of any equity security (as that term is defined in the Securities Exchange Act of 1934, as amended) to a Related Person or any affiliate or associate of a Related Person under circumstances that holders of Voting Stock do not have the opportunity to purchase such equity on a pro rata basis.

The term "Tender Offer" means any tender offer for, or request or invitation for tenders of, Voting Stock, within the meaning of Section 14(d) (1) of the Securities Exchange Act of 1934, as amended, and any purchase or series of purchases of Voting Stock at or above then prevailing market prices for such Voting Stock pursuant to which more than 5% of the outstanding Voting Stock is acquired in any two-year period.

The term "Voting Stock" means securities of the Corporation entitled under ordinary circumstances to vote in elections of directors, considered for the purposes of this article as one class.

C. No amendment to the Certificate of Incorporation shall amend, alter, change or repeal any of the provisions of this article, unless the amendment effecting such amendment, alteration, change or repeal shall receive the affirmative vote or consent of the holders of four-fifths of the Voting Stock and shall receive the affirmative vote or consent of a majority of all Voting Stock other than Voting Stock of which a Related Person has Beneficial Ownership.

FIFTEENTH. A. Subject to Paragraph B below, the Corporation shall not acquire, directly or indirectly, any Voting Stock, by purchase, exchange or otherwise from any Related Person.

B. This article shall not be applicable to any acquisition of Voting Stock (1) pursuant to a Tender Offer made to all holders of any class of Voting Stock on the same price, terms and conditions and, if for less than all of the Voting Stock, subject to pro rata acceptance (except as to holders of fewer than 100 shares), (2) in compliance with Rule 10b-18 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended, as in effect at the date of adoption of this article, or (3) for a total consideration per share, including payment for legal fees, investment banking fees, brokerage fees and related costs and expenses of the holder in acquiring such Voting Stock, not in excess of the Market Value Per Share.

C. The term "Related Person" means any corporation, person or entity that has Beneficial Ownership, directly or indirectly, of more than 5% of the outstanding Voting Stock. In determining the outstanding Voting Stock of the Corporation, there shall be included Voting Stock as to which a Related Person has Beneficial Ownership, but there shall not be included any other Voting Stock which may be issuable pursuant to any agreement, or upon exercise of conversion rights, warrants or options or otherwise. The Board of Directors shall have the power and duty to determine for the purposes of this article, on the basis of information known to the Corporation, whether (a) such other corporation, person or entity has Beneficial Ownership of more than 5% of the outstanding Voting Stock, or (b) a corporation, person or entity is an "affiliate" or "associate" (as defined below) of another for purposes of determining Beneficial Ownership. Any such determination shall be conclusive and binding for all purposes of this article.

The term "Beneficial Ownership" shall include without limitation: (i) all Voting Stock directly or indirectly owned by a person or entity, by an "affiliate" or "associate" of a person or entity, (as those terms are defined in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act, as amended, as in effect at the date of adoption of this article); (ii) all Voting Stock which such person or entity, affiliate or associate has the right to acquire (a) through the exercise of any option, warrant or right (whether or not currently exercisable), (b) through the conversion of a security, (c) pursuant to the power to revoke a trust, discretionary account, or similar arrangement; and (iii) all Voting Stock as to which such person or entity, affiliate or associate, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise (including without limitation any written or unwritten agreement to act in concert) has or shares voting power (which includes the power to vote or to direct the voting of such Voting Stock) or investment power (which includes the power to dispose or to direct the disposition of such Voting Stock) or both.

The term "Market Value Per Share" means for the 30-day period immediately preceding the date on which Voting Stock is acquired (i) the average closing price on the Composite Tape for New York Stock Exchange Issues, (ii) if the Voting Stock is not quoted on the Composite Tape or is not listed on such Exchange, the average closing price on the principal United States securities exchange registered under the Securities Exchange Act of 1934, on which such stock is listed, (iii) if such stock is not listed on any such exchange, the average closing bid quotation on the National Association of Securities Dealers, Inc., Automated Quotations System or any comparable system then in use, or (iv) if no such quotations are available, the fair market value as determined by the Board of Directors in its discretion.

The term "Voting Stock" means securities of the Corporation entitled under ordinary circumstances to vote in elections of directors, considered for the purposes of this article as one class.

SIXTEENTH. Except as otherwise expressly provided in this Certificate of Incorporation, any action required or permitted to be taken by the shareholders of the Corporation must be effected at a duly called annual or special meeting of the shareholders and may not be effected by any consent in writing by shareholders, and the affirmative vote of the holders of four-fifths of all classes of stock of the Corporation entitled to vote in elections of directors, considered as one class, shall be required to alter, amend, or adopt any provision inconsistent with, or to repeal, this Article SIXTEENTH.

SEVENTEENTH. No director shall be personally liable to the Corporation or any stockholder for monetary damages for breach of fiduciary duty as a director, except for any matter in respect to which such director shall be liable under Section 174 of Title 8 of the Delaware Code (relating to the Delaware General Corporation Law) or any amendment thereto or successor provision thereto or shall be liable by reason that, in addition to any and all other requirements for such liability, he (i) shall have breached his duty of loyalty to the Corporation or its stockholders, (ii) shall not have acted in good faith, or in failing to act, shall not have acted in good faith, (iii) shall have acted in a manner involving intentional misconduct or a knowing violation of law or, in failing to act, shall have acted in a manner involving intentional misconduct or a knowing violation of law or (iv) shall have derived an improper personal benefit. Neither the amendment nor repeal of this Article SEVENTEENTH, nor the adoption

of any provision of the Certificate of Incorporation inconsistent with this Article SEVENTEENTH, shall eliminate or reduce the effect of this Article SEVENTEENTH, in respect to any matter occurring, or any cause of action, suit or claim that, but for this Article SEVENTEENTH would accrue or arise, prior to such amendment, repeal or adoption of an inconsistent provision.

4. This Restated Certificate of Incorporation was duly adopted by the Board of Directors in accordance with Section 245 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, said Apache Corporation has caused this Restated Certificate of Incorporation to be signed by William J. Johnson, its President, and attested by Cheri L. Peper, its Assistant Secretary, this 1st day of December, 1993.

**APACHE CORPORATION**

By:            /s/ WILLIAM J. JOHNSON  
                  William J. Johnson, President

ATTEST:

By:            /s/ CHERI L. PEPER  
                  Cheri L. Peper  
                  Assistant Secretary

**Exhibit 10.3**

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**FOURTH AMENDMENT TO AMENDED  
AND RESTATED CREDIT AGREEMENT**

dated as of July 13, 1993

among

**APACHE CORPORATION**

and

**VARIOUS COMMERCIAL LENDING INSTITUTIONS,**

and

**THE FIRST NATIONAL BANK OF CHICAGO,  
as Administrative Agent and Collateral Agent**

and

**CHEMICAL BANK,  
as Co-Agent**

---

**FOURTH AMENDMENT TO AMENDED  
AND RESTATED CREDIT AGREEMENT**

THIS FOURTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT, dated as of July 13, 1993, (the Fourth Amendment"), is among APACHE CORPORATION, a Delaware corporation (the "Company"), the various commercial lending institutions as are or may become parties hereto (the "Lenders"), THE FIRST NATIONAL BANK OF CHICAGO, as Administrative Agent (in such capacity, the "Administrative Agent") and Collateral Agent (in such capacity, the "Collateral Agent"), and CHEMICAL BANK, as Co-Agent (the "Co-Agent").

**W I T N E S S E T H:**

1. The Company, the Lenders, the Administrative Agent, the Collateral Agent and the Co-Agent are parties to that certain Amended and Restated Credit Agreement, dated as of April 15, 1992 (the "Original Amended and Restated Credit Agreement").
2. The Original Amended and Restated Credit Agreement has been amended prior to the date hereof (the Original Amended and Restated Credit Agreement, as so amended, herein called the "Amended and Restated Credit Agreement").
3. The Company has acquired capital stock in HERC (as hereinafter defined).
4. As a result of the acquisition by the Company of stock in HERC, the Company, the Lenders, the Administrative Agent, the Collateral Agent and the Co-Agent wish to amend the Amended and Restated Credit Agreement as follows:

**I. AMENDMENTS TO AMENDED AND RESTATED CREDIT AGREEMENT.**

A. Section 1.1 of the Amended and Restated Credit Agreement is hereby amended by inserting the following definitions in proper alphabetical order:

"HEL" means Hadson Energy Limited, a Western Australia corporation.

"HERC" means Hadson Energy Resources Corporation, a Delaware corporation.

B. The first sentence of the definition of "Affiliate" appearing in Section 1.1 of the Amended and Restated Credit Agreement is hereby amended in its entirety as follows:

"Affiliate" of any Person means any Person directly or indirectly controlling, controlled by, or under direct or indirect common control of such Person and in the case of the Company or any Subsidiary shall include Key, APCOP, and NGC, but shall not include (except for the purposes of Sections 11.9 and 15.9) HERC or HEL.

C. The definition of "Subsidiary" appearing in Section 1.1 of the Amended and Restated Credit Agreement is hereby amended in its entirety as follows:

"Subsidiary" means MW Petroleum, MWJR, each Drilling Partnership and any other person more than 50% of the outstanding voting securities of which shall at the time be owned or controlled, directly or indirectly, by the Company or by one or more subsidiaries or by the Company and one or more Subsidiaries; provided, that notwithstanding the foregoing, the term Subsidiary shall not include APCOP or, for the purposes of Article VIII (except for Sections 8.10, 8.15, and 8.16), Article IX, Article XI (except for Sections 11.2 and 11.9) and Article XII (except for Section 12.1 insofar as the representation or warranty which is breached or shall be false was made pursuant to Section 8.10, Section 8.15 or Section 8.16), HERC or HEL.

D. Clause (b) of Section 9.1 of the Amended and Restated Credit Agreement is hereby amended in its entirety as follows:

"(b) as soon as available and in any event within 45 days after the close of the first three quarterly periods of each fiscal year, for itself, consolidated unaudited balance sheets as of the close of each such period and consolidated profit and loss and reconciliation of surplus statements and a statement of cash flows for the period from the beginning of such fiscal year to the end of such quarter."

II. EFFECTIVENESS. This Fourth Amendment shall become effective as of the date hereof when the Administrative Agent shall have received (a) counterparts hereof duly executed by the Company, the Lenders, the Administrative Agent, the Collateral Agent and the Co-Agent (or, in the case of any party as to which an executed counterpart shall not have been received, telegraphic, telex, or other written confirmation from such party of execution of a counterpart hereof by such party) and (b) the consent and acknowledgement (herein called the "Consent"), substantially in the form of Exhibit A hereto, of MW Petroleum Corporation, a Colorado corporation ("MW Petroleum").

III. REAFFIRMATION OF REPRESENTATIONS AND WARRANTIES. To induce the Lenders, the Administrative Agent, the Collateral Agent and the Co-Agent to enter into this Fourth Amendment, the Company hereby reaffirms, as of the date hereof, its representations and warranties in their entirety contained in Article VIII of the Amended and Restated Credit Agreement (except with respect to HERC and HEL except for the representations and warranties contained in

Sections 8.10, 8.15, and 8.16) and in all other documents executed pursuant thereto (except to the extent such representations and warranties relate solely to an earlier date) and additionally represents and warrants as follows:

(i) The Company is a corporation, and MW Petroleum, MWJR Petroleum Corporation, a Delaware corporation ("MWJR"), and each other Subsidiary (except for HERC and HEL) is a corporation or other legal entity, in either case duly incorporated or otherwise properly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation or organization and has all requisite authority, permits and approvals, and is in good standing to conduct its business in each jurisdiction in which its business is conducted.

(ii) The Company has the corporate power and authority and legal right to execute and deliver this Fourth Amendment and to perform its obligations hereunder. MW Petroleum has the corporate power and authority and legal right to execute and deliver its Consent and to perform its obligations thereunder. The execution and delivery by the Company of this Fourth Amendment, and the execution and delivery by MW Petroleum of its Consent, and the performance of their obligations hereunder and thereunder have been duly authorized by proper corporate proceedings, and this Fourth Amendment and the Amended and Restated Credit Agreement as amended hereby, with respect to the Company, and its Consent, with respect to MW Petroleum, constitute legal, valid and binding obligations of the Company and MW Petroleum, enforceable against the Company and MW Petroleum in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally.

(iii) No Default or Unmatured Default has occurred and is continuing as of the date hereof.

(iv) There has been no material adverse change (a) in the businesses, assets, properties, operations, condition (financial or otherwise) or results of operations or prospects of the Company and its Subsidiaries (except for HERC and HEL) or MW Petroleum and its Subsidiaries from April 15, 1992, (b) affecting the rights and remedies of the Lenders under and in connection with this Fourth Amendment, the Amended and Restated Credit Agreement as amended by this Fourth Amendment, the Notes and the Collateral Documents or (c) in the ability of the Company to perform its obligations under this Fourth Amendment, the Amended and Restated Credit Agreement as amended by this Fourth Amendment, the Notes or the Collateral Documents to which it is a party, or the obligation of MW Petroleum to perform its obligations pursuant to its Guaranty and the Collateral Documents to which it is a party.

(v) There is no litigation, arbitration, governmental investigation, proceeding or inquiry pending or, to the knowledge of any of their officers threatened against or affecting the Company or its Subsidiaries (except for HERC and HEL) or MW Petroleum or its Subsidiaries which is or could have a Material Adverse Effect.

IV. DEFINED TERMS. Except as amended hereby, terms used herein when defined in the Amended and Restated Credit Agreement shall have the same meanings herein unless the context otherwise requires.

V. REAFFIRMATION OF CREDIT AGREEMENT. This Fourth Amendment shall be deemed to be an amendment to the Amended and Restated Credit Agreement, and the Amended and Restated Credit Agreement, as amended hereby, is hereby ratified, approved and confirmed in each and every respect. All references to the Amended and Restated Credit Agreement herein and in any other document, instrument, agreement or writing shall hereafter be deemed to refer to the Amended and Restated Credit Agreement as amended hereby.

VI. GOVERNING LAW. THIS FOURTH AMENDMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS (AND NOT THE LAW OF CONFLICTS) OF THE STATE OF ILLINOIS, BUT GIVING EFFECT TO FEDERAL LAWS APPLICABLE TO NATIONAL LENDERS. All obligations of the Company and rights of the Lenders, the Administrative Agent, the Collateral Agent and the Co-Agent and any other holders of the Notes expressed herein shall be in addition to and not in limitation of those provided by applicable law.

VII. SEVERABILITY OF PROVISIONS. Any provision in this Fourth Amendment that is held to be inoperative, unenforceable, or invalid in any jurisdiction shall, as to that jurisdiction, be inoperative, unenforceable, or invalid without affecting the remaining provisions in that jurisdiction or the operation, enforceability, or validity of that provision in any other jurisdiction, and to this end the provisions of this Fourth Amendment are declared to be severable.

VIII. COUNTERPARTS. This Fourth Amendment may be executed in any number of counterparts, all of which taken together shall constitute one agreement, and any of the parties hereto may execute this Agreement by signing any such counterpart.

IX. HEADINGS. Article and section headings in this Fourth Amendment are for convenience of reference only, and shall not govern the interpretation of any of the provisions of this Fourth Amendment.

X. SUCCESSORS AND ASSIGNS. This Fourth Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

XI. NOTICE. THIS WRITTEN FOURTH AMENDMENT TOGETHER WITH THE AMENDED AND RESTATED CREDIT AGREEMENT AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

IN WITNESS WHEREOF, the Company, the Lenders, the Administrative Agent, the Collateral Agent and the Co-Agent have executed this Fourth Amendment as of the date first above written.

**APACHE CORPORATION**

*By: /s/ CLYDE E. MCKENZIE  
Name: Clyde E. McKenzie  
Title: Vice President and Treasurer*

**THE FIRST NATIONAL BANK OF CHICAGO,**  
Individually and as Administrative Agent  
and Collateral Agent

*By: /s/ T. THOMAS CHENG*  
*Title: Vice President*

**CHEMICAL BANK, as Co-Agent**

*By: /s/ R. POTTER*  
*Title: Managing Director*

BANK OF MONTREAL, Individually and as Lead Manager

*By: /s/ ROBERT ROBERTS*  
*Title: Director*

**NATIONSBANK, Individually and as Lead Manager**

*By: /s/ JO A. TAMALIS*  
*Title: Senior Vice President*

**TEXAS COMMERCE BANK, N.A.**

*By: /s/ LORI VETTERS*  
*Title: Vice President*

**CHRISTIANIA BANK OF KREDITKASSE**

*By:/s/ DEBRA DICKAHUTH  
Title: Vice President*

*By:/s/ JAHN O. ROISING  
Title: Vice President*

**THE BANK OF NOVA SCOTIA**

*By:/s/ M. VANOTTERLOO  
Title: Vice President*

**THE CHASE MANHATTAN BANK, N.A.**

*By:/s/ BETTYLOU J. ROBERT  
Title: Vice President*

**MIDLAND BANK PLC, NEW YORK BRANCH**

*By:/s/ PETER G. R. DODDS  
Title: Executive Director*

**ROYAL BANK OF CANADA  
GRAND CAYMAN (NORTH AMERICAN #2) BRANCH**

*By:/s/ MICHAEL A. COLE  
Title: Manager*

**NBD BANK, N.A.**

*By:/s/ DOUGLAS R. LIFTMAN  
Title: 2nd Vice President*

**BANQUE INDOSUEZ**

*By:/s/ N. M. GAETZ  
Title: Senior Vice President*

*By:/s/ EDWARD J. GILLIARD  
Title: Vice President*

**BANQUE PARIBAS**

*By:/s/ D. W. MALEY, JR.  
Title: Senior Vice President*

*By:/s/ KARIM RASHID  
Title: Assistant Treasurer*

**CIBC, INC.**

*By:/s/ JULIA COLLINS  
Title: Vice President*

**CENTRAL BANK DENVER**

*By:/s/ MONTE E. DECKERD  
Title: Vice President*

**THE FIRST NATIONAL BANK OF BOSTON**

*By:/s/ MICHAEL KANE  
Title: Director*

**THE FUJI BANK, LIMITED - HOUSTON AGENCY**

*By:/s/ SOICHI YOSHIDA  
Title: Vice President & Manager*

**BANK OF AMERICA NATIONAL TRUST  
AND SAVINGS ASSOCIATION  
as successor by merger to Security  
Pacific National Bank**

*By:/s/ JOHN ROBINSON  
Title: Vice President*

**SOCIETE GENERALE, SOUTHWEST AGENCY**

*By:/s/ RICHARD A. ERBERT  
Title: Vice President*

**UNION BANK**

*By:/s/ RICHARD P. DEGREY  
Title: Vice President*

**UNITED BANK OF DENVER NATIONAL ASSOCIATION**

*By:/s/ TOM FONCANNON  
Title: Vice President*

**ABN-AMRO BANK N.V. - HOUSTON AGENCY**

*By:/s/ MICHAEL N. OAKES  
Title: Vice President*

*By:/s/ M. TRIBOLET  
Title: Vice President*

**MORGAN GUARANTY TRUST COMPANY OF NEW YORK**

*By:/s/ STEVEN A. TULIP  
Title: Vice President*

**J.P. MORGAN DELAWARE**

*By:/s/ PHILIP S. DETJENS  
Title: Vice President*

**CITIBANK, N.A.**

*By:/s/ CAROLYN R. BODMER  
Title: Vice President*

**EXHIBIT A TO FOURTH AMENDMENT  
TO AMENDED AND RESTATED CREDIT AGREEMENT**

**CONSENT AND ACKNOWLEDGMENT**

The undersigned, by its signature hereto, acknowledges and agrees to the terms and conditions of that certain Fourth Amendment to Amended and Restated Credit Agreement dated as of July 13, 1993 (the "Amendment"). The undersigned acknowledges and reaffirms its obligations owing to the Lenders, the Administrative Agent, the Collateral Agent and the Co-Agent under its Guaranty and agrees that such Guaranty shall remain in full force and effect. Although the undersigned has been informed by the Company of the matters set forth in the Amendment, and the undersigned has acknowledged and agreed to same, the undersigned understands that the Lenders have no duty to notify the undersigned or to seek the undersigned's acknowledgment or agreement, and nothing contained herein shall create such a duty as to any transactions hereafter.

Capitalized terms not otherwise defined herein shall have the meanings assigned to such terms in the Amended and Restated Credit Agreement, dated as of April 15, 1992, by and among Apache Corporation, the various commercial lending institutions parties thereto, The First National Bank of Chicago, as Administrative Agent and Collateral Agent, and Chemical Bank, as Co-Agent, as amended.

**MW PETROLEUM CORPORATION**

*By: /s/ CLYDE E. MCKENZIE  
Name: Clyde E. McKenzie  
Title: Vice President and Treasurer*

**Exhibit 10.6**

**HADSON ENERGY RESOURCES CORPORATION**

**SECOND AGREEMENT TO CREDIT AGREEMENT**

Bank of Montreal  
Chicago, Illinois

Gentlemen:

We refer to the Credit Agreement dated as of December 18, 1990 as amended and currently in effect between us (the "Credit Agreement"), capitalized terms used without definition below to have the same meanings herein as they have in the Credit Agreement. Upon your acceptance hereof in the space provided for that purpose below and as of the dates provided for below, the Credit Agreement and the Revolving Credit Note shall be amended as follows:

1. Section 1.2 (the Term Credit). The third sentence of Section 1.2 of the Credit Agreement shall be amended by striking the word "nine" appearing therein and by substituting the word "five" therefor.
2. Section 3.1 (Commitment Fee). Section 3.1 of the Credit Agreement shall be amended by striking the fraction "1/2" appearing therein and substituting the fraction "3/8" therefor.
3. Section 8.5(a) (Financial Reports). Section 8.5(a) of the Credit Agreement shall be amended and as so amended shall be restated in its entirety to read as follows:

"(a) as soon as available, and in any event within 60 days after the close of each quarterly fiscal period of the Company, a copy of the balance sheet, statement of earnings and statement of changes in cash flow of the Company and its Subsidiaries as of the last day of such period (in the case of the balance sheet) and for the fiscal year to date ending as of the last day of such period (in the case of the other statements) prepared on a consolidated basis and certified to by the president, chief financial officer, chief accounting officer or vice president and treasurer thereof with such certificate to also (i) state that the signer thereof has reexamined the provisions of this Agreement and that no Default or Event of Default has occurred or is continuing or if any of such has occurred or is continuing stating the nature thereof and the action, if any, which the Company proposes to take with respect thereto, (ii) set forth a computation in reasonable detail of compliance with the proviso to Section 8.8 hereto, Section 8.10(h) hereof and Sections 8.9, 8.13 and 8.14 hereof, (iii) include a statement of the current adjusted valuation of the principal balance of the Petroleum Notes and (iv) include a statement of all sales of Borrowing Base Assets during the fiscal year to date ending as of the last day of such period;"

4. Section 8.5(c) (Financial Reports). Section 8.5(c) of the Credit Agreement shall be amended by deleting the phrase "on a month by month basis" appearing in line 2 thereof and by deleting the phrase "by month and" in the parenthetical clause at the end thereof.

5. Section 10 (Definition of the term "Applicable Base Rate Margin"). The definition of the term "Applicable Base Rate Margin" appearing in Section 10 of the Credit Agreement shall be amended and as so amended shall be restated in its entirety to read as follows:

"The term "Applicable Base Rate Margin" shall mean 0% per annum when applied to the indebtedness evidenced by the Revolving Credit Notes and 1/4 of 1% per annum when applied to the indebtedness evidenced by the Term Credit Notes, provided however that from and after the occurrence of an Event of Default, the term "Applicable Base Rate Margin" shall mean 2% per annum when applied to the indebtedness evidenced by the Revolving Credit Notes and 2-1/4% per annum when applied to the indebtedness evidenced by the Term Credit Notes."

6. Section 10 (Definition of the term "Applicable CD Rate Margin"). The definition of the term "Applicable CD Rate Margin" appearing in Section 10 of the Credit Agreement shall be amended and as so amended shall be restated in its entirety to read as follows:

"The term "Applicable Base Rate Margin" shall mean for each Interest Period applicable to an Adjusted CD Rate Portion (i) 1-1/8% per annum if as of the first day of such Interest Period the Outstandings are equal to or less than 50% of the Borrowing Base as most recently determined by the Banks, (ii) 1-1/4% per annum if as of the first day of such Interest Period the Outstandings exceed 50% but are less than 75% of the Borrowing Base as most recently determined by the Banks and (iii) 1-3/8% per annum if as of the first day of such Interest Period the Outstandings equal or exceed 75% of the Borrowing Base as most recently determined by the Banks; provided, however, that (aa) the Applicable CD Rate Margin for any CD Rate Portion evidenced by the Term Credit Notes shall be the rate per annum determined pursuant to the foregoing plus 1/4 of 1% per annum, (ab) from and after the occurrence of an Event of Default the Applicable CD Rate Margin shall be the rate per annum determined pursuant to all of the foregoing (including the foregoing proviso) plus the rate of 2% per annum and (ac) through December 31, 1994 (but not thereafter) the Applicable CD Rate Margin shall be reduced by 1/8 of 1% per annum from such margin as computed pursuant to the applicable foregoing provisions of this definition."

7. Section 10 (Definition of the term "Applicable LIBOR Rate Margin"). The definition of the term "Applicable LIBOR Rate Margin" appearing in Section 10 of the Credit Agreement shall be amended and as so amended shall be restated in its entirety to read as follows:

"The term "Applicable LIBOR Rate Margin" shall mean for each Interest Period applicable to a LIBOR Portion (i) 7/8 of 1% per annum if as of the first day of such Interest Period the Outstandings are equal to or less than 50% of the Borrowing Base as most recently computed by the Banks, (ii) 1% per annum if as of the first day of such Interest Period the Outstandings exceed 50% but are less than 75% of the Borrowing Base as most recently determined by the Banks and (iii) 1-1/8% per annum if as of the first day of such Interest Period the Outstandings equal or exceed 75% of the Borrowing Base as most recently determined by the Banks; provided, however that (aa) the Applicable LIBOR Rate Margin for any LIBOR Portion evidenced by the Term Credit Notes shall be the rate per annum determined pursuant to the foregoing plus 1/4 of 1% per annum, (ab) from and after the occurrence of an Event of Default, the Applicable LIBOR Rate Margin shall be the rate per annum determined pursuant to all of the foregoing (including the foregoing proviso) plus the rate of 2% per annum and (ac) through December 31, 1994 (but not thereafter) the Applicable LIBOR Rate Margin shall be reduced by 1/8 of 1% per annum from such margin as computed pursuant to the applicable foregoing provisions of this definition."

8. Section 10 (Definition of the term "Termination Date"). The definition of the term "Termination Date" appearing in Section 10 of the Credit Agreement shall be amended by striking the date "October 31, 1994" appearing therein and by substituting the date "October 31, 1995" therefor.

9. Section 10 (new definition). Section 10 of the Credit Agreement shall be amended by adding the following additional definition thereto:

"The term "Outstandings" shall mean as of any time the same is to be determined the sum of the then outstanding principal balance of the Notes and the amount of all outstanding Letters of Credit."

10. The Revolving Credit Note. The first paragraph of the Revolving Credit Note heretofore issued to Bank of Montreal shall be amended by striking the date "October 31, 1994" appearing therein and by substituting the date "October 31, 1995" therefor. If at any time Bank of Montreal requests the issuance of a new revolving credit note to it in substitution for the Revolving Credit Note currently outstanding, the Company agrees to issue such revolving credit note to Bank of Montreal in the same form as the Revolving Credit Note presently outstanding but with the foregoing amendment embodied therein upon surrender of the presently outstanding Revolving Credit Note marked "Superseded".

11. Exhibit B. The first paragraph of Exhibit B to the Credit Agreement is hereby amended by striking the word "nine" appearing therein and by substituting the word "five" therefor.

12. Section 12.7 (Notices). Section 12.7 of the Credit Agreement shall be amended by striking the phrase "101 Park Avenue, Suite 1400, Oklahoma City, Oklahoma 73126,

Attention: William C. Rankin" and by substituting the following therefor "2000 Post Oak Boulevard, Suite 100, Houston, Texas 77056-4400, Attention: Daniel D. Hawk".

Except as specifically amended hereby all of the terms, conditions and provisions of the Credit Agreement and Revolving Credit Note shall stand and remain unchanged and in full force and effect. No reference to this Second Amendment to Credit Amendment need be made in any instrument or document at any time referring to the Credit Agreement or Revolving Credit Note, a reference to the Credit Agreement or Revolving Credit Note in any of such to be deemed to be a reference to the Credit Agreement or Revolving Credit Note as amended hereby. This amendment shall be effective as of the date appearing immediately above the signature of the Company hereon except that the amendment to Section 3.1 hereof shall be effective for all computations of the commitment fee accruing from and after December 1, 1993, the amendment to the definition of the term "Applicable Base Rate Margin" shall be effective from and after December 1, 1993 and the amendments to definition of the terms "Applicable CD Rate Margin" and "Applicable LIBOR Rate Margin" shall become effective for all LIBOR Portions and Adjusted CD Rate Portions created or continued through a new Interest Period subsequent to the date hereof. This Second Amendment to Credit Agreement shall be construed in accordance with and governed by the laws of the State of Illinois.

**Dated as of this 22nd day of December, 1993.**

**HADSON ENERGY RESOURCES CORPORATION**

By: /s/ Clyde E. McKenzie

\_\_\_\_\_  
Its Vice President

Accepted and agreed to as of the date last above written.

**BANK OF MONTREAL**

By: /s/ Robert Roberts

\_\_\_\_\_  
Its Director

The undersigned confirms that it is aware of the terms and conditions of this Second Amendment to Credit Amendment while it acknowledges that its consent thereto is not required, it further acknowledges that it has no objection to the terms and conditions thereof and that its Guaranty dated as of December 18, 1990 of the indebtedness, obligations and liabilities of the Company continues in full force and effect.

**HADSON ENERGY LIMITED**

By: /s/ David Nevis Hayes

\_\_\_\_\_  
Its Managing Director

**HADSON ENERGY LIMITED**

**SECOND AMENDMENT TO ACCEPTANCE AGREEMENT**

Bank of Montreal  
Chicago, Illinois

Gentlemen:

We refer to the Acceptance Agreement dated as of June 6, 1991 as amended and currently in effect between us (the "Acceptance Agreement"), capitalized terms used without definition below to have the same meanings herein as they have in the Acceptance Agreement. Upon your acceptance hereof in the space provided for that purpose below, the Acceptance Agreement shall be amended as follows:

1. Section 7.5(a) (Financial Reports). Section 7.5(a) of the Acceptance Agreement shall be amended and as so amended shall be restated in its entirety to read as follows:

"(a) as soon as available, and in any event within 60 days after the close of each quarterly fiscal period of the Company, a copy of the balance sheet, statement of earnings and statement of changes in cash flow of the Company and its Subsidiaries as of the last day of such period (in the case of the balance sheet) and for the fiscal year to date ending on the last day of such period (in the case of the other statements) prepared on a consolidated basis and certified to by the president, chief financial officer, chief accounting officer or vice president and treasurer thereof with such certificate to also (i) state that the signer thereof has reexamined the provisions of this Agreement and that no Default or Event of Default has occurred or is continuing or if any of such has occurred or is continuing stating the nature thereto and the action, if any, which the Company proposes to take with respect thereto and (ii) include a statement of all sales of Borrowing Base Assets during the preceding twelve months;"

2. Section 7.5(d) (Financial Reports). Section 7.5(d) of the Acceptance Agreement shall be amended and as so amended shall be restated in its entirety to read as follows:

"(d) On or before the 15th day of each September and March a report showing the gross proceeds received by the Company and the Pledged Subsidiaries during the six-month period ending on the last day of the preceding June (in the case of reports due on or before September 15) or December (in the case of reports due on or before March 15) from the sale of oil and gas from the wells included in the Borrowing Base Assets and the quantities thereof sold (broken down (in the case of quantities only) by well and computed as to the aggregate interest of the Company and the Pledged Subsidiaries) from each well, together with the gross amount of royalties and taxes paid or payable on all of such and a statement of operating expenses for all of such for the applicable six-month period."

3. Section 9 (Definitions).

"The term "Stamping Fee" shall mean 1.30% per annum computed on the face amount of each Acceptance for the period from the date of Acceptance to its maturity date; provided, however, that for Drafts with an Acceptance Date falling after December 31, 1993, the Stamping Fee shall be computed at the rate of (i) 7/8 of 1% per annum if on the Acceptance Date for the Draft in question the outstanding face amount of the Acceptances is 50% or less of the Borrowing Base as most recently determined by the Banks, (ii) 1% per annum if on the Acceptance Date for the Draft in question the outstanding face amount of the Acceptances is greater than 50% but less than 75% of the Borrowing Base as most recently determined by the Banks and (iii) 1-1/8% per annum if on the Acceptance Date for the Draft in question the outstanding face amount of the Acceptances is equal to or greater than 75% of the Borrowing Base as then most recently determined by the Banks."

4. Section 11.7 (Notices). Section 11.7 of the Acceptance Agreement shall be amended by striking the phrase "at 101 Park Avenue, Suite 1400, Oklahoma City, Oklahoma 73126, Attention: William C. Rankin" and by substituting the following therefor: "2000 Post Oak Boulevard, Suite 100, Houston, Texas 77056-4400, Attention: Daniel D. Hawk".

Except as specifically amended hereby all of the terms, conditions and provisions of the Acceptance Agreement shall stand and remain unchanged and in full force and effect. No reference to this Second Amendment to Acceptance Agreement need be made in any instrument or document at any time referring to the Acceptance Agreement, a reference to the Acceptance Agreement in any of such to be deemed to be a reference to the Acceptance Agreement as amended hereby. This Second Amendment to Acceptance Agreement shall be construed in accordance with and governed by the laws of the State of Illinois.

Dated and to become effective as of this 22nd day of December, 1993.

**HADSON ENERGY LIMITED**

By: /s/ David Nevis Hayes

\_\_\_\_\_  
*Its Managing Director*

Accepted and agreed to as of the date last above written.

**BANK OF MONTREAL**

By: /s/ Robert Roberts

\_\_\_\_\_  
*Its Director*

The undersigned confirms that it is aware of the terms and conditions of the Second Amendment to Acceptance Agreement and while it acknowledges that its consent thereto is not required, it further acknowledges that it has no objection to the terms and conditions thereof and that their Guaranty is each dated as of June 6, 1991 of the indebtedness, obligations and liabilities of the Company continue in full force and effect.

**HADSON ENERGY RESOURCES CORPORATION**

By: /s/ Clyde E. McKenzie

\_\_\_\_\_  
*Its Vice President*

**HADSON AUSTRALIA DEVELOPMENT PTY., LIMITED**

By: /s/ David Nevis Hayes

\_\_\_\_\_  
*Its Director*

**PETRO ENERGY LIMITED**

By: /s/ David Nevis Hayes

\_\_\_\_\_  
*Its Director*

**Exhibit 10.14**

**FIRST AMENDMENT TO APACHE CORPORATION  
CORPORATE ADMINISTRATIVE GROUP INCENTIVE PLAN**

On January 1, 1990, Apache Corporation (the "Company") enacted the Corporate Administrative Group Incentive Plan (the "Plan"). Pursuant to Section 8 of the Plan, the Company reserved the right and power to amend the Plan at any time. Pursuant to that right and power, the Plan is hereby amended, effective as of April 10, 1990, as set forth below.

**AMENDMENTS**

1. Paragraph number one is hereby amended in its entirety to provide as follows:

Apache Corporation (the "Company") adopts this Corporate Administrative Group Incentive Plan (the "Plan") to provide incentives to administrative officers, directors and managers of the Company and its Affiliates to increase shareholder equity and maximize return on investment while increasing after-tax profits. "Affiliate" is defined as any and all entities in which the Company has at least a 75% ownership interest of the shares having voting power for the election of directors.

IN WITNESS WHEREOF, this first amendment has been executed this 22nd day of October, 1990.

**APACHE CORPORATION**

**ATTEST:**

*/s/ ROBERT A. SEAVY  
Assistant Secretary*

*By: /s/ C. EUGENE DANIELS  
C. Eugene Daniels, Vice President*

**Exhibit 10.16**

**AMENDMENTS  
TO THE  
APACHE CORPORATION 401(K) RETIREMENT/SAVINGS PLAN**

THIS AMENDMENT is made this 31st day of December 1993 by Apache Corporation, a Delaware corporation, to be effective as set forth below.

**RECITALS**

1. Apache Corporation maintains the Apache Corporation 401(k) Retirement/Savings Plan (the "Plan").
2. Section 10.4 of the Plan provides that Apache Corporation may modify or amend the Plan at any time in any respect. Pursuant to that right and power the Plan is hereby amended as set forth below, effective as of the dates set forth below.

**AMENDMENT**

**I. AMENDMENTS RELATING TO ERISA Section 404(C) COMPLIANCE**

- A. Effective January 1, 1994, the following definition shall be added to Article I.

"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.

- B. Effective February 1, 1994, Section 2.3 shall be replaced in its entirety by the following.

**2.3 Enrollment Procedure.**

Notwithstanding Sections 2.1 and 2.2, 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 a voice-response telephone enrollment. The Covered Employee shall provide 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 initial rate of the Participant Before-Tax Contributions, and any other information requested by the Committee. An election to make Participant Before Tax Contributions shall not be effective until after the Covered Employee has properly completed the enrollment procedures. The Committee may require that the enrollment procedure be completed a certain number of

days prior to the date that a Covered Employee actually begins to participate.

C. Effective February 1, 1994, Article IX shall be replaced in its entirety by the following.

## **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 Expenses of Trust.

(a) Except as provided in Subsection (b) below, all taxes upon or in respect of the Trust shall be paid by the Trustee out of the Trust assets, and all expenses of administering the Trust shall be paid by the Trustee out of the Trust assets, to the extent such taxes and expenses are not paid by the Company or the Account Owner. 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.

(b) All expenses of individually directed transactions in Trust assets, 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) Section 404(c) Plan. The Plan is intended to be a plan described in ERISA section 404(c). To the extent that an Account Owner exercises control over the investment of his or her 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 written or telephone voice-response

direction of each Account Owner, in any one or more of a series of investment funds designated by the Committee from time to time. One or more such funds may, at the sole discretion of the Committee, consist of shares of Company Stock. If so directed by Account Owners, up to 100% of the Accounts under the Plan may be invested in Company Stock. 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 or her 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 or her 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 investment of new contributions and with respect to the investment of existing amounts allocated to Accounts, every three months unless the Committee determines that more frequent changes in investment directions shall be made available with respect to one or more of the investment funds. Such changes shall be effective, prospectively, as of the time established by the Committee. The Committee shall establish procedures for giving investment directions, which shall be in writing and communicated to Account Owners. For example, the procedures could permit an Account Owner to change the investment direction of new contributions as of the first day of every calendar quarter, provided that the Committee receives at least two weeks prior written notice; the procedures could also permit an Account Owner to change the investment direction of existing Account balances once in a calendar quarter, on any business day, by giving telephone voice-response instructions to the Trustee.

D. Effective February 1, 1994, Article XIV shall be added to the end of the Plan.

## 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 or her 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 or her 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 or her 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 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 or her 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 or her Accounts to exercise the stock rights. Notwithstanding any other provision of the Plan, each Account Owner who has stock rights allocated to his or her Accounts shall have a period of five business days following the exercise date in which he or she may give instructions to the Committee to liquidate any of the assets held in his or her Accounts (except shares of Company Stock or assets

such as guaranteed investment contracts or similar investments), but only if he or she does not have sufficient cash or other liquid assets in his or her 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 or her 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), as amended.
- (c) An instruction form prepared by Apache and approved by the Trustee or the Independent Fiduciary, to be used by any 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.
- (d) Such additional material or information as the Trustee or the Independent Fiduciary may consider necessary to assist the Account Owner in making an informed decision and in completing or delivering the instruction form (and any amendments thereto) to the Trustee or the Fiduciary on a timely basis.

#### 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 section 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 section 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.

(b) 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.

(c) 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.

(d) 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.

(e) 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.

#### 14.14 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.

#### 14.15 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.

#### II. AMENDMENT TO CHANGE THE MATCHING FORMULA

A. The first four sentences of Section 3.1(b) shall remain unchanged. Effective February 1, 1994, the remainder of Section 3.1(b) shall be replaced by the following.

As of the last day of each pay period, the Committee shall allocate Company Matching Contributions (including such forfeitures occurring during the pay period that are treated as Company Matching Contributions pursuant to Section 5.5) to each Participant who made Participant Before-Tax Contributions during the pay period as follows. The Company Matching Contribution allocated to a Participant shall equal a "matching percentage" multiplied by that portion of the Participant Before-Tax Contributions for the pay period that do not exceed 6% of the Participant's Compensation for the pay period. The matching percentage equals 100% unless one or more of the following conditions applies, in which case the matching percentage equals 50%.

(i) The Participant is younger than age 59-1/2 on the first day of the pay period and the Participant has, in the six months preceding the pay period, sold Company Stock from any of his or her Accounts. Sales prior to January 1, 1994 shall be ignored.

(ii) The Participant has elected to invest any portion of the pay period's Company Matching Contribution in an investment option other than Company Stock. The matching percentage is 50% only to the extent that this condition applies.

(iii) The Participant has elected to invest any portion of the pay period's Participant Before-Tax Contribution in an investment other than Company Stock. The matching percentage is 50% only to the extent that this condition applies. The matching percentage shall be applied first to the Participant Before-Tax Contributions that are invested in Company Stock. For example, if Paragraphs (i) and (ii) do not apply, and if a Participant contributes 10% of Compensation as a Participant Before-Tax Contribution in the pay period and he or she elects to invest half the contribution in Company Stock and half in another investment option, then the Participant's allocation of Company Matching Contributions for the pay period will equal 100% of 5% of the pay period's Compensation plus 50% of 1% of the pay period's Compensation, for a total match of 5-1/2% of Compensation; the remaining Participant Before-Tax Contribution (of 4% of the Participant's Compensation) will not be matched.

### III. AMENDMENT TO ACCOMMODATE THE CAFETERIA PLAN.

A. Effective January 1, 1994, the first sentence of Section 3.4(b) shall be replaced by the following.

If, as a result of a reasonable error in estimating Compensation, or as a result of the allocation of forfeitures, or as a result of other facts and circumstances as provided in the regulations under Code section 415, the Annual Additions to a Participant's Account(s) would, but for this Subsection, exceed the foregoing limits, the Annual Additions shall be reduced, to the extent necessary, in the following order: unmatched Participant Before-Tax Contributions, then matched Participant Before-Tax Contributions and the corresponding Company Matching Contributions, and then Company Mandatory Contributions.

### IV. AMENDMENTS DEALING WITH CHANGES IN THE LAW.

A. Effective January 1, 1993, the references to Code section 402(a)(8) (in Sections 1.12(d) and 1.36 of the Plan) shall be changed to Code section 402(e)(3).

B. Effective January 1, 1993, the following new section shall be added to the Plan.

#### 6.6 Direct Rollover Election.

This Section is effective January 1, 1993. A Participant, an Alternate Payee who is the Spouse or former Spouse of the Participant, or a surviving Spouse of a deceased Participant (collectively, the

"distributee") may direct the Trustee to pay all or any portion of his or her "eligible rollover distribution" to an "eligible retirement plan" in a "direct rollover." 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 section 402(f).

An "eligible rollover distribution" is any distribution or in-service withdrawal other than (a) distributions required under Code section 401(a)(9), (b) distributions of amounts that have already been subject to federal income tax (such as defaulted loans or after-tax voluntary contributions), (c) installment payments in a series of substantially equal payments made at least annually and (i) made over a specified period of ten or more years, (ii) made for the life or life expectancy of the distributee, or (iii) made for the joint life or joint life expectancy of the distributee and his or her designated beneficiary, (d) a distribution to satisfy the limits of Code section 415 or 402(g), (e) a distribution to satisfy the ADP, ACP, or multiple use tests, or (f) any other actual or deemed distribution specified in the regulations issued under Code section 402(c).

For a Participant or an Alternate Payee who is the Spouse or former Spouse of the Participant, an "eligible retirement plan" is an individual retirement account or annuity described in Code section 408(a) or 408(b), an annuity plan described in Code section 403(a), or the qualified trust of a defined contribution plan that accepts eligible rollover distributions. For a surviving Spouse of a deceased Participant, an "eligible retirement plan" is an individual retirement account or annuity.

A "direct rollover" is a payment by the Trustee to the eligible retirement plan specified by the distributee.

C. Effective January 1, 1989, the following paragraph shall be added to the end of Subsection 3.6(c).

(iv) Those vested Company Matching Contributions and those Participant Before-Tax 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 or her

Spouse, subject to the rules of Subsection (d). Any such return of Participant Before-Tax Contributions or vested Company Matching Contributions shall be made within two and one-half months after the close of the Plan Year if possible, and in no event later than 12 months after the close of the Plan Year.

D. Effective January 1, 1989, the phrase "Section 3.5 or 3.7" in the fourth sentence of Subsection 3.2(b) shall be replaced by the phrase "Section 3.4, 3.5, or 3.7."

E. Effective January 1, 1989, subsection 3.8(d) shall be deleted.

F. Effective January 1, 1989, the following sentence shall be added to the end of Paragraph 6.5(a)(iv).

However, distribution from a Participant Before-Tax Contribution Account shall not occur pursuant to this Paragraph until either the Participant has separated from service within the meaning of Code section 401(k)(2)(B)(i)(I) or the Participant has been affected by a corporate transaction described in Code section 401(k)(10)(A)(ii) or Code section 401(k)(10)(A)(iii).

#### V. AMENDMENTS FOR QDROS.

A. Effective January 1, 1993, Sections 6.1 and 6.2 shall be replaced in their entirety by the following.

##### 6.1 Beneficiaries.

(a) 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 6.3) shall be paid in the event of his or her 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 or her 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.

(b) A beneficiary designation may be changed by the Account Owner at any time and without the consent of any previously designated beneficiary. However, if the Account Owner is a married Participant, his or her Spouse shall be his or her beneficiary unless his or her 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 such election shall be effective only as to the Spouse who signed the election. Effective as of July 23, 1992, if a Participant has designated his or her Spouse as his or her beneficiary, and the Participant and that Spouse subsequently divorce, then the beneficiary designation shall be void and of no effect on the day such divorce is final.

## 6.2 Consent.

(a) 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 shall be made only with the Participant's consent to the manner of distribution and the time of distribution. Distributions to a beneficiary of a deceased Participant shall be made only with the beneficiary's consent to the manner of distribution and the time of distribution. Distributions to an Alternate Payee or his or her beneficiary shall be made as specified in the QDRO. To be effective, the consent must be in writing, signed by the distributee, and filed with the Committee within 90 days before the distribution is to commence. A consent once given shall be irrevocable after distribution has begun. Nevertheless, if a distributee has elected to receive his or her distribution in the form of installments, he or she may elect to accelerate any or all remaining installments.

(b) 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 sections 415(c)(1), 415(e), 402(g), 401(k)(3), 401(m)(2), or 401(m)(9);

(ii) Distributions that are required to comply with Code section 401(a)(9);

(iii) Immediate cashouts of less than \$3,500, if the aggregate value of the nonforfeitable portion of a Participant's Accounts is \$3,500 or less (calculated in accordance with the applicable Treasury regulations) on the earliest date the Participant (or his or her beneficiary if the Participant has not received

any distributions) may elect to receive a distribution under Section 6.5 after the Participant has terminated employment;

(iv) Distributions pursuant to Code section 401(a)(14); and

(v) Distributions after the later of the Participant's Normal Retirement Age or age 62, provided that the Participant has terminated employment before the distribution is made.

B. Effective January 1, 1993, the phrase "Paragraphs (f)(ii) and (f)(iii)" in Subsection 13.9(c) shall be replaced with the phrase "Subsection (f)."

C. Effective January 1, 1993, Subsection 13.9(d) shall be replaced in its entirety with the following.

(d) 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.

D. Effective January 1, 1993, Subsection 13.9(f) shall be replaced in its entirety with the following.

(f) The Alternate Payee shall have the following rights under the Plan:

(i) An Alternate Payee shall receive a lump sum distribution of his or her Plan assets as soon as administratively practicable after the Committee determines that the Domestic Relations Order is a QDRO.

(ii) If the Alternate Payee cannot receive an immediate distribution of his or her entire interest in the Plan (which could occur if the Alternate Payee is awarded more than the distributable amount in Section 6.3), then the Alternate Payee shall receive an immediate lump sum distribution of the distributable amount. The

Alternate Payee's remaining interest in the Plan shall be distributed as soon as administratively practicable, in annual lump sums of the distributable amount on the first day of the year. Upon the Alternate Payee's death, his or her interest in the Plan shall be distributed in a lump sum as soon as practicable.

(iii) Distribution to an Alternate Payee must occur on or before the Participant's Required Beginning Date.

(iv) The Alternate Payee may bring claims against the Plan in the same manner as a Participant pursuant to Section 13.2.

## VI. AMENDMENTS DEALING WITH HERC.

A. Effective January 1, 1994, the following paragraph shall be added to the end of the Preamble to the Plan.

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 corporate transaction, and (4) describe any special distribution rules that apply to directly transferred benefits from other plans.

B. Effective January 1, 1994, the following Appendix A shall be added to the end of the Plan.

## APPENDIX A

### PARTICIPATING COMPANIES

The following Affiliated Entities were actively participating in the Plan as of the following dates:

Business -----	Participation Began As Of -----	Participation Ended As Of -----
Apache International, Inc.	September 22, 1987	N/A
Hadson Energy Resources Corporation	January 1, 1994	N/A
Hadson Energy Limited	January 1, 1994	N/A

-- END OF APPENDIX A --

C. Effective January 1, 1994, the following Appendix B shall be added to the end of the Plan.

## APPENDIX B

### HADSON ENERGY RESOURCES CORPORATION

#### Introduction

Through a merger effective November 12, 1993, Apache now holds 100% of the capital stock of Hadson Energy Resources Corporation ("HERC"). 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. Amounts will be transferred from the HERC Plan to this Plan as soon as administratively feasible after the Internal Revenue Service issues a favorable ruling with respect to the termination of the HERC Plan. The transferred amounts will be accounted for separately, and different distributional options will apply to them, as described below. In addition, HERC and HEL have adopted this Plan, and Apache has approved their adoption, as of January 1, 1994 for HERC's and HEL's eligible employees. The employees will be given credit in this Plan, for vesting and eligibility purposes, for their prior service with HERC and HEL.

This Appendix is intended to encompass all the protected benefits and optional forms of benefit, as

required by Code section 411(d)(6), with respect to amounts transferred from the HERC Plan and shall be interpreted consistently with that intent.

Capitalized terms in this Appendix have the same meanings as those given to them in the Plan.

### **Service**

This Appendix applies to all individuals who are common-law employees of HERC or HEL ("Current HERC Employees") as of January 1, 1994. A Period of Service for a Current HERC Employee shall include any periods of employment with HERC, HEL, and any of HERC's subsidiaries.

### **Participation**

Notwithstanding Sections 2.1 and 3.1, a Current HERC Employee who is a Covered Employee shall be eligible to begin to make Participant Before-Tax Contributions, and shall be eligible to participate in the Plan with respect to the 6% Company Mandatory Contribution, on January 1, 1994.

### **Transfer of Accounts**

The Trustee is authorized to accept the direct transfer of all assets from the trustee of the HERC Plan. The assets may be transferred in kind or in cash, as determined by the Committee. The Trustee shall accept a direct transfer of any participant loan from the HERC Plan; such loan shall continue to be administered according to the terms of its promissory note. The Committee shall establish such procedures, rules, and regulations as it deems necessary or appropriate to accommodate the transfer of assets. The Trustee shall separately account for all assets directly transferred to this Plan. The Trustee shall establish the following accounts for each individual whose account(s) are transferred to this Plan: a Voluntary Contribution Account (containing participant after-tax contributions and the investment earnings thereon); a Salary Deferral Account (containing participant before-tax contributions and the investment earnings thereon); a QNEC/QMAC Account (containing qualified non-elective contributions, qualified matching contributions, and the investment earnings thereon); and a HERC Contributions Account (containing the employer's matching contributions, the employer's discretionary contributions, and the

investment earnings thereon) (collectively, the "HERC Accounts").

### **Distributions**

Unless waived in writing by the Participant or other beneficiary after such person becomes entitled to a distribution from the Plan by reason of a Participant's death, Disability, retirement, or other termination of employment with the Company, or a termination or partial termination of the Plan, then in addition to and notwithstanding any other provisions of the Plan, the Participant or other beneficiary shall have the right to receive his or her vested interest in the balance of his or her HERC Accounts in the following optional forms and at the following times. The annuity requirements, below, however, are automatic with respect to the HERC Account balances unless waived as provided for therein.

To the extent that this Appendix does not provide for an alternative or contrary requirement or procedure for distribution of a Participant's HERC Account, the provisions of the Plan shall control. For example, all of the consent and beneficiary designation provisions of the Plan govern the distribution of HERC Accounts to the extent not inconsistent with the annuity requirements below, and all distributions are subject to the direct rollover rules of Section 6.6.

Whether or not specifically stated hereinafter, the following provisions apply only to the HERC Account balances.

#### 1. Death or Disability.

Distributions pursuant to the Plan provisions control in the case of distributions as a result of death or Disability, except to the extent that the annuity requirements below are applicable, and except that installment payments are not available.

#### 2. Other than Death or Disability.

Distributions for reasons other than the Participant's death or Disability shall be made in accordance with the following:

A Participant who has attained age 59-1/2 may withdraw any vested amount from his or her HERC Accounts at any time, regardless of whether the Participant has terminated employment with HERC.

A Participant may elect to withdraw any vested amount from his or her HERC Accounts at any time after separating from service (within the meaning of Code section 401(k)(2)(B)(i)(I)) with Apache, HERC, and all Affiliated Entities.

A Participant may elect to withdraw any amount from his or her Voluntary Contributions Account at any time, regardless of whether the Participant has terminated employment with HERC.

A Participant younger than 59-1/2 who has not separated from service with Apache, HERC, and Affiliated Entities, may make a hardship withdrawal from his or her Salary Deferral Account under the same terms and conditions described in Section 7.1(b) of the Plan.

Notwithstanding any of the foregoing early distribution options, a Participant whose vested interest in his or her HERC Account balances are distributed pursuant to one of the options contained in this Paragraph 2 shall forfeit his or her nonvested interest in his or her HERC Account balances only as of the last day of the Plan Year in which the Participant incurs a one-year Lapse in Apache Employment.

All distributions made pursuant to this Paragraph 2 shall be made in a manner that is consistent with, and satisfies the provisions of, Paragraph 4 below, including, but not limited to, all notice and consent requirements of Code sections 417 and 411(a)(11) and the Treasury Regulations thereunder.

### 3. Qualified Single Life or Joint and Survivor Annuity.

(a) Eligibility and Conditions. Unless the Participant elects, as provided in 3(c), not to receive benefits in the form of a qualified joint and survivor annuity, benefits attributable to HERC Account balances will be paid in a form having the effect of a qualified joint and survivor annuity (as defined in 3(b)(2)) with respect to any Participant who (1) is entitled to a distribution, and (2) satisfies the marriage requirements provided in 3(d)(2). In a similar fashion, if a Participant does not meet the marriage requirements, such benefits will be paid in a form having the effect of a single life annuity unless the Participant elects, similar to the election pursuant to 3(c) but without the spousal consent requirement, to waive the life annuity.

(b) Definitions. As used in this Paragraph

(1) Life Annuity. The term "life annuity" means an annuity that provides retirement payments and requires the survival of the Participant or the Participant's spouse as one of the conditions for any payment or possible payment under the annuity.

(2) Qualified Joint and Survivor Annuity. The term "qualified joint and survivor annuity" means an annuity for the life of the Participant with a survivor annuity for the life of the Participant's spouse which is one-half of the amount of the annuity payable during the joint lives of the Participant and his or her spouse. A qualified joint and survivor annuity shall be the actuarial equivalent of a life annuity for the life of the Participant. The Committee shall direct the Trustee to apply the entire vested amount in all of the Participant's HERC Accounts (whether vested before or upon death, including the proceeds of insurance contracts) to the purchase of an annuity contract that satisfies all of the requirements of this Paragraph 3 and to distribute the contract to the Participant. Payments to the spouse of a deceased Participant shall not be terminated or reduced because of such spouse's remarriage.

(3) Normal Retirement Age. The term "normal retirement age" means the Participant's 65th birthday.

(4) Annuity Starting Date. The term "annuity starting date" means (i) the first day of the first period for which an amount is payable as an annuity, whether by reason of retirement or by reason of Disability, or (ii) in the case of a benefit not payable in the form of an annuity, the first day on which all events have occurred which entitled the Participant to such benefit.

(5) Day. The term "day" means a calendar day.

(c) Election Not to Take Joint and Survivor Annuity.

(1) In General. Each Participant may elect, at any time during the election period described in 3(c)(3), not to receive a qualified joint and survivor annuity. The election shall be in writing and clearly indicate that the Participant is electing to receive all of his or her benefits under the Plan in a form other than that of a qualified joint and survivor annuity.

(2) Consent of Spouse. An election under 3(c)(1) above shall not be effective unless (i) the Participant's spouse consents in writing to the election, (ii) the election designates a beneficiary (or a form of benefits) which may not be changed without spousal consent (or the consent of the spouse expressly permits designations by the Participant without any requirement of further consent by the spouse) and (iii) the spouse's consent acknowledges the effect of the election and the consent is witnessed by a Committee member or a notary public. The spouse's consent shall be filed with the Committee at the same time that the Participant's election under 3(c)(1) is filed with the Committee. If a spousal consent is not filed together with the Participant's election, the election shall take effect nevertheless if it is established to the satisfaction of the Committee that the Participant is not married, the Participant's spouse cannot be located, or that other circumstances prescribed in the Treasury Regulations exist. Any spousal consent or establishment that spousal consent cannot be obtained shall be effective only with respect to such spouse.

(3) Election period. The Participant shall have an election period which shall be a 90-day period ending on the annuity starting date. If a Participant makes a request for additional information as provided in 3(c)(4) below on or before the last day of the election period, the election period shall be extended to the extent necessary to include the 90 calendar days immediately following the day the requested additional information is personally delivered or mailed to the Participant.

(4) Information to be Provided by Plan Administrator.

(i) The Plan Administrator shall provide to the Participants, at the time and in the manner specified in 3(c)(4)(ii), the following information, as applicable to the HERC Account balances under the Plan, written in nontechnical language:

(A) A general explanation of the terms and conditions of the qualified joint and survivor annuity; the Participant's right to make, and the effect of, an election to waive the joint and survivor annuity form of benefit; the right of the Participant's spouse to consent to any election to waive the joint and survivor annuity; the right

to revoke an election to waive; and the effect of such a revocation; and

(B) A general explanation of the relative financial effect on a Participant's annuity of the election. Various methods may be used to explain such relative financial effect, including information as to the benefits the Participant would receive under the qualified joint and survivor annuity stated as an arithmetic or percentage reduction from a single life annuity; a table showing the difference between a straight life annuity and a qualified joint and survivor annuity in terms of a reduction in dollar amounts or a table showing a percentage reduction from the straight life annuity. The notice and explanation required by this 3(c)(4)(i) must also inform the Participant of the availability of the additional information specified in 3(c)(4)(iii) and how such information may be obtained.

(ii) The method or methods used to provide the information may vary. If mail or personal delivery is used, then, whether or not the information has been previously provided, there must be a mailing or personal delivery of the information by such time as to reasonably assure that it will be received on a date that is no less than 30 days and no more than 90 days before the annuity starting date. If a method other than mail or personal delivery is used to provide Participants with some or all of such information, it must be a method that is reasonably calculated to reach the attention of a Participant on or about the date prescribed in the immediately preceding sentence and to continue to reach the attention of such Participant during the election period applicable to the Participant for which the information is being provided (as, for example, by permanent posting, repeated publication, etc.).

(iii) The Plan Administrator must furnish to a particular Participant, upon a timely written request, a written explanation in nontechnical language of the terms and conditions of the qualified joint and survivor annuity and the financial effect upon the particular Participant's annuity of making any election under this Paragraph. Such financial effect shall be given in terms of dollars per annuity payment. The Plan Administrator need not comply with more than one

such request made by a particular Participant. This explanation must be personally delivered or mailed (first class mail, postage prepaid) to the Participant within 30 days from the date of the Participant's written request.

(5) Election is Revocable. Any election made under this 3(c) may be revoked in writing at any time during the specified election period, and after such election has been revoked, another election under this Paragraph may be made at any time during the specified election period.

(6) Election by Surviving Spouse. The spouse of a deceased Participant may elect to have the benefits attributable to HERC Account balances paid in a form other than a survivor annuity. The Plan Administrator must furnish to the spouse, within a reasonable amount of time after a written request has been made by the spouse, a written explanation in nontechnical language of the survivor annuity and any other form of payment which may be selected. This explanation must state the financial effect (in terms of dollars) of each form of payment. The Plan Administrator need not respond to more than one such request.

(d) Additional Plan Provisions.

(1) Claim for Benefits. As a condition precedent to the payment of benefits, a Participant must express in writing to the Plan Administrator the form in which he or she prefers benefits to be paid and provide all the information reasonably necessary for the payment of such benefits. However, if a Participant files a claim for benefits with the Plan Administrator and provides the Plan Administrator with all the information necessary for the payment of benefits but does not indicate a preference as to the form for the payment of benefits, benefits attributable to HERC Account balances must be paid in the form of a qualified joint and survivor annuity if the Participant has attained normal retirement age unless such Participant has made an effective election not to receive benefits in such form.

(2) Marriage Requirements.

(i) In General. A joint and survivor annuity will be paid only if

(A) the Participant and his or her spouse have been married to each other throughout a

period of one year ending on the annuity starting date; and

(B) the Participant shall notify the Plan Administrator of his or her marital status within 30 days after request is made for such information.

(ii) Special Rule. If a Participant marries within one year before his or her annuity starting date and if the Participant and such spouse have been married for at least a one year period that ends on or before the Participant's date of death, the Participant and such spouse shall be treated as having been married throughout the one-year period ending on the Participant's annuity starting date.

(3) Effect of Participant's Death on an Election or Revocation of Election. The effect of an election or a revocation of an election timely made under 3(c) shall not be altered by the death of the Participant within any particular time period after such election or revocation shall be made effective.

(e) Amount of Benefits. The amount of benefits shall be as provided in 3(b).

(f) Commencement and Duration. The monthly surviving spouse's benefit shall be payable to the spouse for life, beginning as of the first day of the calendar month coincident with or next following the Participant's death.

#### 4. Qualified Preretirement Survivor Annuity.

(a) Eligibility and Conditions. Unless the Participant elects, as provided in 4(c), to waive death benefits in the form of a qualified preretirement survivor annuity, death benefits attributable to HERC Account balances will be paid in a form having the effect of a qualified preretirement survivor annuity (as defined in Paragraph 4(b)(2)) with respect to any Participant who (1) dies prior to the annuity starting date, and (2) satisfies the marriage requirement of 4(d).

(b) Definitions. As used in this Paragraph

(1) Life Annuity. The term "life annuity" means an annuity that provides retirement payments and requires the survival of the Participant or the Participant's spouse as one of the conditions for any payment or possible payment under the annuity.

(2) Qualified Preretirement Survivor Annuity. The term "qualified preretirement survivor annuity" means an annuity for the life of the surviving spouse of the Participant, which is the actuarial equivalent of 100% of the Participant's HERC Account balance as of his or her date of death. The Committee shall direct the Trustee to purchase an annuity contract that satisfies all of the requirements of this Paragraph 4 (provided that the present value of the annuity contract is not less than 50% of the Participant's vested amount in all of his or her HERC Accounts at his or her date of death, whether vested before or upon death, including the proceeds of insurance contracts) and to distribute the annuity contract to the surviving spouse.

(3) Normal Retirement Age. The term "normal retirement age" means the Participant's 65th birthday.

(4) Annuity Starting Date. The term "annuity starting date" means (i) the first day of the first period for which an amount is payable as an annuity, whether by reason of retirement or by reason of Disability or (ii) in the case of a benefit not payable in the form of an annuity, the first day on which all events have occurred which entitled the Participant to such benefit.

(5) Day. The term "day" means a calendar day.

(c) Election to Waive Qualified Preretirement Survivor Annuity.

(1) In General.

(i) Each Participant may elect, during the election period described in 4(c)(3), to waive the payment of death benefits in the form of a qualified preretirement survivor annuity.

(ii) The election shall be in writing and clearly indicate that the Participant is electing to waive the payment of death benefits in the form of a qualified preretirement survivor annuity.

(2) Consent of Spouse. An election under 4(c)(1) shall not be effective unless (i) the Participant's spouse consents in writing to the election, (ii) the election designates a beneficiary (or a form of benefits) which may not be changed without spousal consent (or the consent of the spouse expressly permits the designations by the Participant without any requirement of further consent by the spouse) and (iii) the spouse's consent acknowledges the effect of the election and the consent is witnessed by a Committee member or a notary public.

The spouse's consent shall be filed with the Committee at the same time that the Participant's election under 4(c)(1) is filed with the Committee. If a spousal consent is not filed together with the Participant's selection, the election shall take effect nevertheless if it is established to the satisfaction of the Committee that the Participant is not married, the Participant's spouse cannot be located, or that other circumstances prescribed in the Treasury Regulations exist. Any spousal consent or establishment that spousal consent cannot be obtained shall be effective only with respect to such spouse.

(3) Election period. The Participant shall have an election period which shall be a period that ends the later of (i) the period beginning with the first day of the Plan Year in which the Participant attains age 32 and ending with the close of the Plan Year preceding the Plan Year in which the Participant attains age 35, (ii) a reasonable time after the individual becomes a Participant, (iii) a reasonable time after the preretirement survivor annuity ceases to be a fully subsidized benefit, (iv) a reasonable time after the joint and survivor rules become effective to the Participant or (v) a reasonable time after the Participant separates from service before attaining age 35.

(4) Information to be Provided by Plan Administrator.

(i) The Plan Administrator shall provide to the Participants, at the time and in the manner specified in 4(c)(4), the following information, as applicable to the Plan, written in nontechnical language:

(A) A general explanation of the qualified preretirement survivor annuity; the Participant's right to make, and the effect of, an election to waive the preretirement survivor annuity form of death benefit; the right of the Participant's spouse to consent to the election to waive the preretirement survivor annuity; the right to revoke an election to waive; and the effect of such a revocation.

(B) A general explanation of the relative financial effect on a Participant's death benefits of the election. Various methods may be used to explain such relative financial effect.

(ii) The method or methods used to provide the information may vary. If mail or personal delivery is used, then, whether or not the information has been previously provided, there must be a mailing or personal delivery of the information by such time as to reasonably assure that it will be received within the period commencing with the first day of the Plan Year in which the Participant attains age 32 and ending with the last day of the Plan Year preceding the Plan Year in which the Participant attains age 35. If a method other than mail or personal delivery is used to provide Participants with some or all of such information, it must be a method that is reasonably calculated to reach the attention of a Participant on or about the date prescribed in the immediately preceding sentence and to continue to reach the attention of such Participant during the election period applicable to the Participant for which the information is being provided (as, for example, by permanent posting, repeated publication, etc.).

(4) Election is Revocable. Any election made under this Paragraph 4 may be revoked in writing at any time during the specified election period, and after such election has been revoked, another election under this Paragraph may be made at any time during the specified election period.

(5) Election by Surviving Spouse. The surviving spouse may elect to have benefits paid in a form other than a preretirement survivor annuity. The Plan Administrator must furnish to the spouse, within a reasonable amount of time after a written request has been made by the spouse, a written explanation in nontechnical language of the preretirement survivor annuity and any other form of payment that may be selected. The explanation must state the financial effect (in terms of dollars) of each form of payment. The Plan Administrator need not respond to more than one such request.

(d) Marriage Requirement. A preretirement survivor annuity will be paid only if the Participant and his or her spouse have been married to each other throughout a period of one year ending on the date of the Participant's death.

(e) Amount of Benefits. The amount shall be as provided in 4(b).

(f) Commencement and Duration. The monthly surviving spouse's benefit shall be payable to the spouse for life, beginning as of the first day of the calendar month coincident with or next following the Participant's death.

**-- END OF APPENDIX B --**

IN WITNESS WHEREOF, this Amendment has been executed the date and year first set forth above.

**APACHE CORPORATION**

**Attest:**

*/s/ JAMES E. SLOAN*  
*Assistant Secretary*

*By: /s/ WILLIAM J. JOHNSON*  
*President*

**APACHE CORPORATION  
EQUITY COMPENSATION PLAN FOR  
NON-EMPLOYEE DIRECTORS**

Apache Corporation, a Delaware corporation (the "Company"), hereby establishes the Apache Corporation Equity Compensation Plan for Non-Employee Directors (the "Plan") for those directors of the Company who are neither officers nor employees of the Company (the "Directors") and hereby authorizes a maximum of 50,000 shares of the Company's common stock, par value \$1.25 per share (the "Common Stock") for issuance thereunder during the term of the Plan, which shares shall consist entirely of treasury stock. Each Director shall receive automatic and non-discretionary grants of restricted stock ("Restricted Stock Awards") on the terms and conditions set forth under the Plan. Each Director receiving a Restricted Stock Award shall enter into an agreement (a "Restricted Stock Agreement") in such form as the Board of Directors of the Company (the "Board") or a duly authorized committee of the Board (the "Committee") shall determine to be consistent with the provisions of the Plan and which may contain additional terms and conditions relating to the Restricted Stock Awards. In the event of any inconsistency between the provisions of the Plan and any Restricted Stock Agreement, the provisions of the Plan shall govern.

The Committee shall be responsible for the administration of the Plan. However, the Committee shall have no authority, discretion or power to (i) select the Directors who will receive Restricted Stock Awards, (ii) determine the terms of the Restricted Stock Awards to be granted pursuant to the Plan, the number of shares of Common Stock to be issued thereunder or the time at which such Restricted Stock Awards are to be granted, (iii) establish the duration and nature of Restricted Stock Awards, or (iv) alter any other terms or conditions specified in the Plan, except to administer the Plan in accordance with its terms. Subject to the foregoing limitations, the Committee is authorized to (A) interpret the Plan, (B) prescribe, amend and rescind rules and regulations relating to the Plan, (C) provide for conditions and assurances deemed necessary or advisable to protect the interests of the Company, and (D) make all other determinations necessary or advisable for the administration of the Plan, but only to the extent not contrary to the express provisions of the Plan. The Committee's authority shall include, but not be limited to, the right to make equitable adjustments in the number or kind of shares subject to outstanding Restricted Stock Awards, or which have been reserved for issuance pursuant to the Plan but are not then subject to Restricted Stock Awards, to reflect changes in the number or kind of outstanding shares of Common Stock due to any stock dividend, stock split, merger, recapitalization or other extraordinary or unusual event.

Beginning on July 1, 1994, and on July 1 of each fifth year thereafter through and including July 1, 2009 (each, an "Award Date"), each Director shall receive a Restricted Stock Award of 1,000 shares of Common Stock. Any Director elected to the Board of Directors subsequent to an Award Date shall receive a Restricted Stock Award of 1,000 shares of Common Stock on the next July 1 following the date of such election (a "Special Award Date"); provided, however, that if such July 1 is an Award Date, such Award Date will constitute such Director's Special Award Date. No Restricted Stock Awards shall be granted to any Director subsequent to July 1, 2009.

Restricted Stock Awards shall vest at the rate of 20 percent per year on each of the first through the fifth anniversaries of each Award Date or Special Award Date, as the case may be. Restricted Stock Awards, whether vested or unvested, may not be sold, assigned, pledged, hypothecated, transferred or otherwise disposed of as long as a Director is serving as a member of the Board. All restrictions on Restricted Stock Awards shall lapse on the first business day following the date on which a Director ceases to be a member of the Board; provided, however, that the unvested portion of any Restricted Stock Award shall be automatically forfeited at such time.

Certificates issued pursuant to Restricted Stock Awards shall be registered in the name of the recipient Director and shall bear an appropriate restrictive legend referring to the terms, conditions and restrictions applicable to such award. Certificates issued pursuant to Restricted Stock Awards shall be held by the Corporate Secretary of the Company until the award, or portion thereof, has vested and all applicable restrictions thereon shall have lapsed. As a condition of any Restricted Stock Award, each Director shall have delivered to the Corporate Secretary of the Company a stock power, endorsed in blank, relating to the Common Stock issued pursuant to a Restricted Stock Award. A Director shall have all voting, dividend, liquidation and other rights of a stockholder of the Company with respect to the shares of Common Stock issued pursuant to any Restricted Stock Award, notwithstanding that all or a portion of such award shall be unvested, subject to the restrictions described in the preceding paragraph.

The Board may at any time terminate, and from time to time may amend or modify the Plan; provided, however, that no amendment or modification may become effective without approval of such amendment or modification by the stockholders of the Company, if stockholder approval is required to enable the Plan to satisfy any applicable statutory or regulatory requirements, or if the Company, on the advice of counsel, determines that stockholder approval is otherwise necessary or desirable. Notwithstanding the foregoing, the Plan shall not be amended or modified more than once every six months, other than to comport with changes in the Internal Revenue Code, the Employment Retirement Income Security Act, or the rules and regulations promulgated thereunder. The Plan is expressly intended to comport with Rule 16b-3(c)(2)(ii) (or any successor provision) as promulgated under the Securities Exchange Act of 1934, as amended, and any ambiguities in the construction of the Plan or any Restricted Stock Agreement shall be resolved so as to effectuate such intent.

**APACHE CORPORATION  
EQUITY COMPENSATION PLAN FOR  
NON-EMPLOYEE DIRECTORS**

**RESTRICTED STOCK AWARD AGREEMENT**

This Agreement is made as of the 1st day of July, 1994, between Apache Corporation, a Delaware corporation (the "Company"), and \_\_\_\_\_ ("Director").

1. Grant of Restricted Stock. Pursuant to the Apache Corporation Equity Compensation Plan for Non-Employee Directors (the "Plan"), the Company hereby grants to Director, as of the grant date specified above, a restricted stock award (a "Restricted Stock Award") of 1,000 shares of the Company's common stock, par value \$1.25 per share (the "Common Stock"), which number of shares may be adjusted pursuant to Paragraph 6 below, subject to the terms and conditions set forth in this Agreement and in the Plan.

2. Director Bound by Plan. Attached is a copy of the Plan which is incorporated herein by reference and made a part hereof. Director acknowledges receipt of a copy of the Plan and agrees to be bound by all the terms and provisions thereof. Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Plan.

3. Restrictions. This Restricted Stock Award shall be subject to the following restrictions:

(a) Shares of Common Stock issued pursuant to this Restricted Stock Award may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of by Director until the first business day following the date on which Director ceases to be a member of the Board. The Common Stock will only be transferable to the extent such shares are vested and not forfeited in accordance with Paragraphs 3(b) and 3(c) below.

(b) This Restricted Stock Award shall vest in accordance with the following schedule as long as Director shall continue to serve as a member of the Board:

Date ----	Cumulative Shares Vested -----
Prior to July 1, 1995	0
After July 1, 1995 and prior to July 1, 1996	200
After July 1, 1996 and prior to July 1, 1997	400
After July 1, 1997 and prior to July 1, 1998	600
After July 1, 1998 and prior to July 1, 1999	800
After July 1, 1999	1,000

(c) Any unvested portion of this Restricted Stock Award shall be forfeited automatically when Director ceases to be a member of the Board.

#### 4. Enforcement of Restrictions.

(a) Each stock certificate issued in the name of Director pursuant to this Restricted Stock Award shall bear the following restrictive legend:

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO THE RESTRICTIONS CONTAINED IN A RESTRICTED STOCK AGREEMENT DATED AS OF JULY 1, 1994 BY AND BETWEEN APACHE CORPORATION AND \_\_\_\_\_, A COPY OF WHICH IS ON FILE AT THE OFFICE OF THE CORPORATE SECRETARY OF THE COMPANY.

(b) Director shall not be entitled to delivery of the stock certificate which shall be held by the Corporate Secretary of the Company until all restrictions thereon have lapsed.

(c) Director hereby agrees to execute a blank stock power with respect to the stock certificate representing the shares of Common Stock issued pursuant to this Restricted Stock Award, and to deliver such stock power to the Corporate Secretary of the Company.

5. Privileges of a Stockholder. Director shall have all voting, dividend, liquidation and other rights of a stockholder of the Company with respect to the Common Stock issued pursuant to this Restricted Stock Award, notwithstanding that all or a portion of such award shall be unvested, subject to the restrictions set forth in Paragraph 3(a) above.

6. Adjustments. If the Company shall at any time increase or decrease the number of outstanding shares of Common 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 Common Stock, or through a stock split, subdivision, consolidation, combination, reclassification or recapitalization involving the Common Stock, then in relation to the Common Stock that is affected by one or more of the above events, the numbers, rights and privileges of the shares of the Common Stock issued pursuant to this Restricted Stock Award 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. In the event there shall be any other change in the number or kind of outstanding shares of Common Stock, or of any stock or other securities into which the Common 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 issued pursuant to this Restricted Stock Award, then such adjustments shall be made by the Committee and shall be effective for all purposes of the Plan and this Restricted Stock Award. Adjustments under this Section 6 shall be made by the Committee, whose determinations with regard thereto shall be final and binding upon Director.

7. Withholding of Tax. To the extent required by applicable law and regulation, each Director must arrange with the Company for the payment of any federal, state or local income or other tax applicable to the shares of Common Stock issued pursuant to this Restricted Stock Award before the Company shall be required to deliver to Director a certificate for such Common Stock free and clear of all restrictions under the Plan.

8. Plan Amendment, Modification and Termination. The Board may at any time terminate, and from time to time may amend or modify the Plan; provided however, that no amendment or modification may become effective without approval of the amendment or modification by the stockholders of the Company, if stockholder approval is required to enable the Plan to satisfy any applicable statutory or regulatory requirements, or if the Company, on the advice of counsel, determines that stockholder approval is otherwise necessary or desirable. Notwithstanding the foregoing, the Plan shall not be amended or modified more than once every six months, other than to comport with changes in the Internal Revenue Code, the Employment Retirement Income Security Act, or the rules and regulations promulgated thereunder. No amendment, modification or termination of the Plan shall in any manner materially adversely affect the Restricted Stock Award granted pursuant to this Agreement without the consent of Director.

9. Administration. Any action taken or decision made by the Company, the Board, or the Committee or its delegates arising out of or in connection with the construction, interpretation or effect of the Plan or this Agreement shall lie within its sole and absolute discretion, as the case may be, and shall be final, conclusive and binding on Director and all persons claiming under or through Director. By accepting this Restricted Stock Award, Director and all persons claiming under or through Director shall be conclusively deemed to have indicated acceptance and ratification of, and consent to, any action taken under the Plan by the Company, the Board, or the Committee or its delegates.

10. Investment Representation. Director hereby acknowledges that the shares of Common Stock issued pursuant to this Restricted Stock Award shall be acquired for investment without a view to distribution, within the meaning of the Securities Act of 1933, as amended (the "Act"), and shall not be sold, transferred, assigned, pledged or hypothecated in the absence of an effective registration statement under the Act or an applicable exemption from the registration requirements of the Act and any applicable state securities laws.

11. Listing and Registration of Common Stock. This Restricted Stock Award shall be subject to the requirement that, if at any time counsel to the Company shall determine that the listing, registration or qualification of the shares of Common Stock issued pursuant to this Restricted Stock Award upon any securities exchange or under any state or federal law, or the consent or approval of any governmental or regulatory body, is necessary as a condition of, or in connection with, the issuance of shares of Common Stock thereunder, this Restricted Stock Award may not be accepted in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained on conditions acceptable to the Committee. Nothing herein shall be deemed to require the Company to apply for or to obtain such listing, registration or qualification.

12. No Right to Continue as Director. Nothing contained in the Plan or in this Agreement shall interfere with or limit in any way the right of the stockholders of the Company to remove Director from the Board pursuant to the Bylaws or the Certificate of Incorporation of the Company, nor confers upon Director any right to continue in the service of the Company.

13. Designation of Beneficiary. Director may name a beneficiary or beneficiaries to receive any vested portion of this Restricted Stock Award, which he would be otherwise entitled to receive pursuant to this Agreement in the event of his death while serving as a member of the Board, on a written form to be provided by and filed with the Corporate Secretary of the Company, and in a manner determined by the Committee in its discretion. The Committee reserves the right to review and approve beneficiary designations. Director may change his beneficiary or beneficiaries from time to time in the same manner, unless he has made an irrevocable designation. Any designation of beneficiary under the Plan and this Agreement (to the extent it is valid and enforceable under applicable law) shall be controlling over any other disposition, testamentary or otherwise, as determined by the Committee in its discretion. If no designated beneficiary survives Director and is living on the date on which any vested part of this Restricted Stock Award becomes payable to Director's beneficiary, such award will be made to the legal representatives of the Director's estate, and the term "beneficiary" shall be deemed to include such person or persons.

14. Notices. Any notice hereunder to the Company shall be addressed to: Apache Corporation, One Post Oak Central, 2000 Post Oak Boulevard, Suite 100, Houston, Texas 77056-4400, Attention: Corporate Secretary, and any notice to Director shall be addressed to Director at Director's last address on the records of the Company, subject to the right of either party to designate at any time hereafter in writing some other address. Any notice shall be deemed to have been duly given when delivered personally or enclosed in a properly sealed envelope, addressed as set forth above, and deposited (with first class postage prepaid) with the United States Postal Service.

15. Counterparts. This Agreement may be executed in one or several counterparts, each of which shall constitute one and the same instrument.

16. Binding Effect. This Agreement shall be binding upon and inure to the benefit of any successors to the Company and all persons lawfully claiming under or through Director.

17. Governing Law. The validity, construction, interpretation, administration and effect of the Plan, and of its rules and regulations, and rights relating to the Plan and to this Agreement, shall be governed by the substantive laws, but not the choice of law rules, of the State of Texas.

IN WITNESS WHEREOF, the Company and Director have executed this Agreement as of the 1st day of July, 1994.

**APACHE CORPORATION**

By: \_\_\_\_\_

Its: \_\_\_\_\_

**DIRECTOR**

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**Signature**

---

**Printed Name**

---

**Social Security Number**

**Exhibit 10.30**

**CONSULTING AGREEMENT**

THIS AGREEMENT is between APACHE CORPORATION ("Apache") and JOHN A. KOCUR ("Consultant"). The Effective Date of this Agreement is November 1, 1993.

**RECITALS**

1. Consultant is engaged in an independent occupation, profession, and/or business related to services to be performed for Apache; and
2. The parties wish to enter into a service relationship to be governed by the terms and conditions set forth herein;

**TERMS AND CONDITIONS**

THEREFORE, in consideration of the mutual promises set forth herein, the sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Term. The term of this Agreement shall last from the Effective Date until terminated by either party upon written notice.
2. Services to be Provided. Consultant shall provide Apache with professional legal services, as requested by Apache.
3. Termination. Consultant's inability or failure to perform, or its gross negligence in the performance of services under this Agreement shall constitute a breach of this Agreement and allow for immediate termination without notice.
4. Payment. Apache shall pay Consultant at the rate of \$25,000 per month or partial month worked.
5. Expenses. Apache shall reimburse Consultant for all the approved actual and reasonable expenses (such as travel, lodging and meals when out-of-town) incurred in the course of performing services hereunder.
6. Contractual Relationship. Consultant shall be considered at all times an independent contractor.
7. CONSULTANT IS AND SHALL BE SOLELY LIABLE FOR ANY FEDERAL AND STATE INCOME AND WITHHOLDING TAXES, FICA TAXES APPLICABLE TO THIS AGREEMENT OR ANY SERVICES PROVIDED HEREUNDER.
8. Applicable Law. This Agreement shall be interpreted in accordance with the laws of the State of Texas.

9. Severability of Terms. If any provision of this Agreement shall be deemed void or unenforceable, the remainder of this Agreement shall remain in full force and effect.

10. Entire Agreement. This Agreement represents the entire agreement between the parties related to the services of Consultant, and no representation, warranties, or other statements or promises have been made by any party in connection with this Agreement.

11. Amendment. This Agreement can be modified or amended only by written agreement signed by both parties.

*APACHE CORPORATION*

*CONSULTANT*

By: */s/ ROGER B. RICE*  
*Roger B. Rice*  
*Vice President-Human Resources*

*/s/ JOHN A. KOCUR*  
*John A. Kocur*

**Exhibit 10.31**

**CONSULTING AGREEMENT**

This agreement is entered into between Apache Corporation ("Apache"), a Delaware corporation, and George J. Morgenthaler ("Morgenthaler") effective as of 6:00 p.m. CST on November 10, 1993.

**RECITALS**

Since February 23, 1987, Morgenthaler has served Apache with diligence and integrity as an officer and employee.

Apache and Morgenthaler wish to provide for the termination of Morgenthaler's tenure as an officer and employee of Apache.

Apache wishes to provide for continued service by Morgenthaler as a consultant to Apache.

Apache and Morgenthaler wish to establish standards of confidentiality and conduct between them.

Apache and Morgenthaler wish to fully and finally settle all other rights, matters and claims that may exist between them.

**AGREEMENT**

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Apache and Morgenthaler agree as follows:

- (1) Resignation. Effective 6:00 p.m. CST, November 10, 1993, Morgenthaler's employment with Apache terminated and, as a result, Morgenthaler resigns all positions as a director, officer and committee member of Apache, its subsidiaries and affiliated entities.
- (2) Temporary Employment. From 7:00 a.m. CST, November 11, 1993, through 6:00 p.m. CST, December 15, 1993 (the "Temporary Employment Period"), Apache employs Morgenthaler as a temporary employee at the pay rate of \$17,083.33 per month (pro-rated by the day).
- (3) Consulting. Apache engages Morgenthaler to render consulting services to Apache and its subsidiaries for a period commencing December 16, 1993, and continuing through December 15, 1995 (subject to early termination as stated in the next sentence, the "Consulting Period"). If Apache does not pay 1993 incentive compensation bonuses to its executives or provide for other additional compensation recognizing 1993 executive performance, then the Consulting Period shall terminate on August 15, 1995.

(4) Services. During the Temporary Employment Period and the Consulting Period, Morgenthaler shall perform such consulting services as are reasonably requested by the Chief Executive Officer of Apache (the "CEO") and as are not inconsistent with Morgenthaler's prior duties and responsibilities as an officer of Apache. Morgenthaler shall not be required to maintain any office hours, nor shall Morgenthaler be present at the offices of Apache except upon request of the CEO.

(5) Other Activities. Morgenthaler's obligation to render consulting services shall be subordinate to, and shall be rendered only to the extent there is no interference with, his other business, employment and personal activities. Morgenthaler shall be free to accept full-time or part-time employment with any organization, and to engage in any business enterprise on his own behalf during the Consulting Period or thereafter, whether or not the organization or enterprise competes with Apache, so long as Morgenthaler complies with paragraphs

(6) and (7) of this agreement. If Morgenthaler desires to accept employment with another organization, and if that employment creates a professional conflict of interest for Morgenthaler, then Morgenthaler shall promptly inform Apache's CEO of that employment and Morgenthaler shall be automatically released from all obligations under paragraphs

(3) and (4) of this agreement, but all other terms of this agreement, including those relating to payments and benefits to Morgenthaler, shall remain in effect.

(6) Goodwill. Morgenthaler shall generally foster, maintain and promote the goodwill of Apache, its subsidiaries, affiliates, and their respective directors, officers, employees and/or representatives, past and present. Apache shall generally foster, maintain and promote the reputation and image of Morgenthaler. Apache shall not hinder or discourage the future employment of Morgenthaler.

(7) Confidentiality. In addition to his fiduciary responsibilities and his responsibilities as an Officer and General Counsel of Apache and his responsibilities under the Texas Disciplinary rules of Professional Conduct not to disclose certain information of or relating to Apache, Morgenthaler shall maintain the confidentiality of, and shall not disclose, Apache's business dealings, trade secrets, supplier lists, customer lists, properties, geographic or financial areas of interest, exploration plans or techniques or any other confidential information of or relating to Apache, its subsidiaries, affiliates and their directors, officers, employees and/or representatives, past and present, and Morgenthaler shall not use such information in any manner, whether for his own benefit or for the benefit of any other person or entity, or to the detriment of Apache, its subsidiaries, affiliates and their directors, officers, employees and/or representatives, past and present or otherwise.

(8) Monthly Payments. On or before the 16th day of each calendar month during the Consulting Period (commencing with December 16, 1993), Morgenthaler shall invoice Apache for services in the amount of \$17,083.33, and Apache shall pay Morgenthaler the invoiced amount on or before the first day of the next calendar month. The invoiced amounts shall continue to be paid without regard to Morgenthaler's employment by another organization, his participation in a partnership, or his engagement in business for his own account. The invoiced amounts shall continue to be paid if Morgenthaler is disabled, and shall continue to be paid to Morgenthaler's estate, heirs, and successors in the event of his death. The invoiced amounts shall continue to be paid if Morgenthaler is released from his obligations under paragraphs (3) and (4) of this agreement. Failure or tardiness by Morgenthaler in invoicing Apache shall not waive or release Morgenthaler's right to payment, but amounts invoiced more than five business days late by Morgenthaler shall not be due until ten business days after invoice. Morgenthaler may invoice Apache for the initial monthly payment prior to inception of the Consulting Period.

(9) Expense Reimbursement. Subject to Apache's travel policies governing its executives, Apache shall reimburse Morgenthaler for all travel, airline, room, entertainment, meal, beverage, car rental and other out-of-pocket expenses incurred by Morgenthaler in the course of performing his consulting obligations under this agreement, provided that such consulting expenses are approved in advance by Apache.

(10) Benefits. During the Temporary Employment Period, Morgenthaler shall receive the same benefits as Apache provides its executive officers. During the Consulting Period, Apache shall:

(a) provide medical, dental and vision benefits to Morgenthaler and his dependents to the same extent, and subject to the same premium co-payments, as are extended to Apache executives; and

(b) provide life insurance and disability benefits (including supplemental group life insurance) to Morgenthaler to the same extent as extended to Apache executives;

but the foregoing benefits shall terminate to the extent that replacement benefits are offered by an employer with which Morgenthaler accepts employment. Apache shall not impair the cash value of any life insurance currently maintained by Apache for Morgenthaler, and that cash value shall remain the property of Morgenthaler. Apache shall cause its employees, insurance carriers and agents to cooperate fully with Morgenthaler in managing and maintaining Morgenthaler's insurance coverage, in responding to Morgenthaler's insurance claims and in responding to Morgenthaler's inquiries concerning insurance coverages.

(11) Plan Balances. Apache shall cooperate in the prompt rollover of Morgenthaler's 401(k) account balances to an IRA account or other account designated by Morgenthaler. On January 3, 1994, Apache shall disburse to Morgenthaler, or direct the disbursement to Morgenthaler of, the balance in Morgenthaler's non-qualified retirement plan account.

(12) Options and Phantoms. Except as provided in this paragraph, Morgenthaler's outstanding stock options and phantom stock units shall be governed by the terms of the Apache Corporation 1990 Stock Incentive Plan and the 1990 Phantom Stock Appreciation Plan (the "Phantom Plan") and the stock option agreements entered into between Morgenthaler and Apache. On January 3, 1994, Apache shall pay Morgenthaler the sums due him under the Phantom Plan as a result of his November 10, 1993, Termination of Employment without Disqualification (as defined in the Phantom Plan). Morgenthaler waives his right to payment on or before December 10, 1993, under the Phantom Plan.

(13) Databases. During the Consulting Period, Morgenthaler shall continue to have free access to and reasonable use of the business and legal databases now maintained by Apache and used by Morgenthaler as an executive of Apache.

(14) Office Equipment. Apache shall, on December 16, 1993, and in exchange for the payment of \$2,000.00 to Apache by Morgenthaler, sell and convey to Morgenthaler the office equipment now in Morgenthaler's possession, being one cellular telephone, one telefax, one personal computer, software and one printer.

(15) Consulting Payment. On January 3, 1994, Apache shall pay Morgenthaler \$352,000.00 as a non-refundable consulting payment.

(16) Financing Planning. Apache shall pay or reimburse Morgenthaler for personal tax and financial planning by Arthur Andersen & Co. during the Consulting Period as required to evaluate and plan the financial and tax impact of this agreement and termination of his employment and as required to prepare tax returns for 1993 and 1994.

(17) Independent Contractor and Taxes. Morgenthaler acknowledges that his engagement under this agreement is as an independent contractor and not as an employee of Apache or its subsidiaries or affiliates. Accordingly, Morgenthaler will be responsible for the payment of all income tax and other taxes on cash amounts payable to Morgenthaler, and Apache will not withhold any amounts from payments made under this agreement. If the Internal Revenue Service asserts that Apache should have withheld federal income taxes and/or Morgenthaler's share of FICA taxes from such payments, Morgenthaler will reimburse Apache for any monies paid by Apache to the U.S. Government in compliance with such assertion, except for payments of interest or penalties.

(18) Releases. Morgenthaler releases Apache and each of its subsidiaries, affiliates and their respective directors, officers, employees and/or representatives, past and present (hereafter the "Company"), and the Company releases Morgenthaler, from any and all rights and claims arising in any way out of Morgenthaler's employment or the acts or omissions of the Company or Morgenthaler which occurred during the term of Morgenthaler's employment, or arose out of the termination of Morgenthaler's employment. The Company and Morgenthaler further release and hold harmless each other from and against any and all claims against the other that they may have based on any negligent or intentional acts or omissions of any character whatsoever, whether related to Morgenthaler's employment or otherwise, including without limitation statements made by, to or about Morgenthaler or the Company, which occurred prior to the effective date of this agreement, whether known or unknown by the Company or Morgenthaler. The foregoing release includes without limitation any rights and claims under state, federal, or local laws, including without limitation, the Age Discrimination in Employment Act, the Texas Commission on Human Rights Act and the common law of the states of Texas, Colorado and any other jurisdiction. Morgenthaler and the Company further agree that they will not institute any charge, complaint or litigation against the other based on such released rights and/or claims. Apache indemnifies and holds harmless, and agrees to indemnify and hold harmless, Morgenthaler against any liability or expense, including attorneys' fees and costs, incurred by Morgenthaler in evaluating, defending, compromising, settling or satisfying any claim (excluding those actions determined to be violative of applicable criminal laws) brought by any person or organization that is included within the definition of Company but that is not a signatory to this agreement. Notwithstanding the foregoing, the releases contained herein shall not apply to any rights that Morgenthaler may have under:

- (a) Apache's 1990 Stock Incentive Plan and the Phantom Plan and the option agreements issued under those plans to which Morgenthaler is a party;
- (b) Apache's 401(k) plan and non-qualified retirement plan;
- (c) this agreement; or
- (d) COBRA to receive continued medical insurance benefits.

(19) Non-Assignability. Neither this agreement nor any right or interest herein may be assigned or transferred by Apache or Morgenthaler without the other's written consent, except as to:

- (a) the rights of Morgenthaler's estate, heirs and devisees to certain benefits under this agreement; and

(b) the sale of all or substantially all of Apache's assets, or the merger or combination of Apache with another organization, if the asset purchaser or surviving organization assumes the full performance of Apache's obligations under this agreement, but Apache shall not be relieved of its obligations under this agreement by that assumption.

(20) No Attachment. Except as required by law, Morgenthaler's right to receive payments under this agreement shall not be subject to anticipation, commutation, alienation, sale, encumbrance, pledge, hypothecation, execution, attachment, levy, offset, deduction, setoff, condition, or assignment by operation of law, and any attempt, voluntary or involuntary, to effect such action shall be null and void.

(21) Binding Effect. This agreement shall bind and inure to the benefit of Morgenthaler, Apache and its subsidiaries and affiliates and their permitted successors and assigns.

(22) Amendment, Modification, Waiver. This agreement shall not be amended or modified except by an instrument in writing signed by the parties hereto. No term of this agreement shall be deemed to have been waived, nor shall there be an estoppel against enforcement of any provision of this agreement, except by written instrument of the party charged with such waiver or estoppel. No person or organization, including those within the definition of Company, not a party to this agreement or a permitted successor to a party to this agreement, shall be a third-party beneficiary of this agreement or entitled to enforce its terms. Morgenthaler acknowledges that he has had at least 21 days to consider this agreement and has had legal advice with respect thereto.

(23) Remedies. Upon any material breach of this agreement by a party, the other party shall be entitled to seek damages for the breach, and/or shall be entitled to seek specific performance of this agreement. Morgenthaler and Apache acknowledge and confess that there is no adequate remedy at law for breach of obligations in this agreement other than obligations for the payment of money. The prevailing party in any litigation shall be entitled to an award of attorneys' fees by the court. Interest on sums due from one party to another shall bear interest at 18 percent per annum until paid.

(24) No Other Benefits. Except as provided in this agreement, Morgenthaler shall not be entitled to any pension, profit-sharing, bonus, disability, life insurance or similar plan or program of Apache, whether now existing or hereafter adopted for the benefit of Apache's employees or consultants.

(25) Headings and Meanings. The headings of paragraphs in this agreement are for convenience only, and should not be considered in construing or interpreting this agreement.

(26) Governing Law. This agreement has been executed and delivered in the State of Texas, and its validity, interpretation, performance and enforcement shall be governed by the laws of that State.

(27) Notices. Any notice contemplated or permitted by this agreement shall be delivered as follows:

To Apache or the Company Raymond Plank  
Chairman and Chief Executive Officer Apache Corporation  
2000 Post Oak Boulevard, Suite 100 Houston, Texas 77056

The above addresses for notice may be changed by written notice from the changing party to the other party.

(28) Revocation. Morgenthaler may rescind this agreement by written notice to Apache delivered on or before 5:00 p.m. on the seventh day after its execution by Apache and Morgenthaler and delivery to Morgenthaler. If no such notice of rescission is timely received by Apache, the effective time of this agreement shall be as stated above. Upon rescission of this agreement, Morgenthaler shall repay to Apache all sums paid pursuant to this agreement except salary for services rendered by Morgenthaler prior to the effective time.

*/S/ GEORGE J. MORGENTHALER*  
*George J. Morgenthaler*

*Dated: 12/15/93*

**Apache Corporation**

*By: /S/ R. B. RICE*  
*Name: Roger B. Rice*

*Dated: 12/15/93*

Its: Vice President

**EXHIBIT 10.32**

**CONSULTING AGREEMENT**

THIS AGREEMENT is entered into between APACHE CORPORATION ("Apache"), a Delaware corporation and Bijan Mossavar-Rahmani ("BM-R") effective March 15, 1994.

**RECITALS**

Since January 1, 1988, BM-R has served Apache with diligence and integrity as an officer and employee.

Apache and BM-R wish to provide for the termination of BM-R's tenure as an officer and employee of Apache.

Apache wishes to provide for continued service by BM-R as a consultant to Apache.

Apache and BM-R wish to establish standards of confidentiality and conduct between them.

Apache and BM-R wish to fully and finally settle all other rights, matters and claims that may exist between them.

**AGREEMENT**

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Apache and BM-R agree as follows:

1. Resignation. Effective 6 P.M. Central Standard Time, March 15, 1994, BM-R's employment with Apache shall terminate and, as a result, BM-R resigns all positions as director, officer and committee member of Apache, its subsidiaries and affiliated companies except as set out in this agreement. To facilitate the intent of this agreement, BM-R shall be entitled to use the title President of Apache International, Inc. but shall have no management responsibilities or authority subsequent to the effective date of this agreement. BM-R shall also retain his position as a director of Compagnie des Energies Nouvelles de Cote d'Ivoire and as president of Apache Cote d'Ivoire, Inc.
2. Consulting. Apache engages BM-R to render consulting services to Apache and its subsidiaries for the period commencing March 16, 1994 and continuing through September 16, 1995 ("consulting period"). This period may be extended by agreement of both parties in writing.

3. Services. During the consulting period, BM-R shall perform such consulting services as are reasonably requested by the Chief Operating Officer of Apache ("the COO"). BM-R shall not be required to maintain any office hours. BM-R shall provide consulting services in an attempt to commercialize Apache International, Inc.'s Australian gas via export and to continue to represent Apache International, Inc. in negotiations towards realization of the Foxtrot project in Cote d'Ivoire. In carrying out his duties hereunder, BM-R shall not enter into any new binding commitment on behalf of Apache International, Inc. that is substantial or financially material without the prior written consent of the COO. The parties anticipate that BM-R's performance of requested services hereunder will consume no more than half of his available working time in any given month. Apache will provide office support services to BM-R in its Houston headquarters.

4. Other Activities. BM-R shall be free to accept employment with any organization and to engage in any business enterprise on his own behalf during the consulting period or thereafter, whether or not the organization or enterprise competes with Apache, so long as BM-R complies with Section 2, 3, 5, and 6 of this agreement. If BM-R desires to accept employment with or provide services to another organization, and if that employment creates a conflict of interest with the services to be provided by BM-R in Section 3 or with any ongoing fiduciary obligations to Apache, then BM-R shall promptly inform the COO of that opportunity and obtain consent of the COO before accepting conflicting employment, which consent will not be unreasonably withheld. Nothing contained in this agreement shall be construed to prohibit BM-R from practicing his profession in the future so long as BM-R honors the continuing obligations of this agreement.

5. Goodwill. During the period of this agreement, BM-R shall generally foster, maintain and promote the reputation and image of Apache, its subsidiaries and affiliates. Apache shall generally foster, maintain and promote the reputation and image of BM-R. Apache shall not hinder or discourage the future employment of BM-R.

6. Confidentiality. In addition to his fiduciary responsibilities and his responsibilities as an officer not to disclose certain information of or relating to Apache, BM-R shall not disclose information of a nonpublic nature relating to Apache's business or the business of Apache's subsidiaries and affiliates. Notwithstanding the foregoing, BM-R shall be permitted to disclose such nonpublic information relating to Apache as is in good faith necessary to allow BM-R to effectively provide the services called for in Section 3 above. In cases where it is reasonable and appropriate, BM-R shall first obtain consent to a confidentiality agreement prepared by the General Counsel of Apache from parties requesting nonpublic information from or relating to Apache. Nothing in this confidentiality provision shall be construed to prohibit BM-R from investing or participating in his individual capacity in, or from assisting or advising other clients interested in pursuing, such deals, projects, prospects or business opportunities that Apache, its subsidiaries and affiliates have abandoned, rejected, sold, or have no continuing commitment, obligation, financial or property interest, whether currently vested or contingent.

7. Monthly Payment. On or before the 16th day of each calendar month during the consulting period commencing March 1994, BM-R shall invoice Apache for services in the amount of \$13,333.33 and Apache shall pay BM-R the invoiced amount on or before the first day of the next calendar month. The invoiced amount shall continue to be paid without regard to BM-R's employment by another organization in accordance with Section 4 above, his participation in a partnership, or his engagement in business for his own account. Failure or tardiness by BM-R in invoicing Apache shall not waive or release BM-R's right to payment, but amounts invoiced more than 5 business days late by BM-R shall not be due until 10 business days after invoice. BM-R may invoice Apache for the initial monthly payment prior to inception of the consulting period.

8. Expense Reimbursement. Subject to Apache's travel policies governing its executives, Apache shall promptly, but in no event more than 30 days after invoicing, reimburse BM-R for all travel, airline, room, entertainment, meals, beverages, car rental, communications and other out-of-pocket expenses incurred by BM-R in the course of performing his consulting obligations under this agreement, provided that the general purpose for such consulting expenses is approved in advance by Apache and when reasonable and practical, airline ticketing and hotel accommodations are arranged for through Apache's travel department. In the event BM-R incurs travel expenses for another client while traveling for Apache, Apache shall pay only its proportionate share of the expenses incurred based on a formula agreed upon in advance by BM-R and Apache.

9. Benefits. During the consulting period (including any period of disability or following death), Apache shall:

o a) provide medical, dental and vision benefits to BM-R and his spouse and dependents to the same extent, and subject to the same premium co-payments, as are extended to Apache executives;

o b) provide life insurance and disability benefits (including supplemental group life insurance) to BM-R to the same extent as extended to Apache executives;

o c) provide SOS, Control Risk (including kidnapping and political risk protection coverage) and supplemental travel insurance normally provided to Apache executives; and

o d) maintain coverage of BM-R under Apache's director and officer liability insurance for activities undertaken by BM-R pursuant to this agreement.

In addition to terminating at the conclusion of the consulting period, the foregoing benefits shall terminate to the extent that comparable replacement benefits are offered by an employer with which BM-R accepts employment. Apache shall not impair the cash value of any life insurance currently maintained by Apache for BM-R, and that cash value shall remain the

property of BM-R. Apache shall cause its employees, insurance carriers and agents to cooperate fully with BM-R in managing and maintaining BM-R's insurance coverage, in responding to BM-R's insurance claims and in responding to BM-R's inquiries concerning insurance coverages. Eligibility of BM-R for continuation of coverage under COBRA shall not commence until the termination of this agreement.

10. Plan Balances. Upon his request, Apache shall cooperate in the prompt rollover of BM-R's 401(k) account balances to an IRA account or other account designated by BM-R. Apache shall disburse to BM-R, or direct the disbursement to BM-R of, the balance in BM-R's Non-qualified Retirement Plan account pursuant to the terms of the Non-qualified Retirement Plan.

11. Apache International, Inc. Participant Stock. Apache and BM-R acknowledge that BM-R has certain rights pursuant to the Apache International, Inc. Common Stock Award Plan ("the Plan"). BM-R and Apache agree that the plan is modified as set forth in this agreement. If both parties agree on price and other terms, appraisal and purchase of BM-R's rights pursuant to the plan shall occur on September 16, 1995, or on such other date and on such other terms as to which Apache and BM-R may hereafter agree. If no appraisal and purchase can be mutually agreed to at the end of the consulting period or such later date as agreed to by Apache and BM-R, or if BM-R dies prior to appraisal and purchase of BM-R's rights, BM-R's Apache International, Inc. Participant Stock will be converted to an economic interest in all Apache International, Inc. properties existing as of December 31, 1993, taking into account only such liabilities as are incurred in connection with the exploration and exploitation of these properties (a listing of which is attached hereto as "exhibit A" and incorporated herein by reference), reflecting the same benefits, obligations, and terms of the Plan as modified by this agreement, subject to the following:

If Apache directly or through its participation in a joint venture signs a letter of intent to supply gas from any Apache International, Inc. Australian property to an existing or prospective LNG project, then the value of BM-R's Apache International, Inc. Participant Stock (or converted economic interest) shall be adjusted by reducing intercompany payables due to Apache by Apache International, Inc. by \$25,000,000 in a manner that is tax-neutral to BM-R. Apache shall provide BM-R with semiannual balance sheets, operating reports and income statements for Apache International, Inc. and its subsidiaries that reflect the activities and value of Apache International, Inc. and its subsidiaries. Exhibit B provides a schedule of intercompany payables due to Apache by Apache International, Inc. as of December 31, 1993. Future intercompany payables due to Apache by Apache International, Inc. will be adjusted to reflect only direct overheads allocable to Apache International, Inc. properties existing as of December 31, 1993, excluding any allocation of general and administrative Apache corporate overhead charges.

In the event that BM-R's Apache International, Inc. Participant Stock is converted to an economic interest, the economic interest shall be freely assignable except that BM-R or his heirs must first offer to sell the economic interest to Apache, provided, however, that if Apache and BM-R or his heirs are unable to agree upon the price and other terms of such sale, BM-R or his heirs shall be free to sell such economic interest to a third party at any price and other terms, notwithstanding this provision.

12. Consulting Payment. On March 16, 1994, Apache shall pay BM-R \$565,833 as a nonrefundable consulting payment. Apache shall pay BM-R \$5,842.40 for any accrued but unused vacation on March 16, 1994.

13. Relocation. Apache agrees to provide interm storage and move, at Apache's expense, BM-R's personal goods to any reasonable destinations in the 48 contiguous United States. To receive this benefit, BM-R must contact the Apache purchasing department.

14. Office Furniture. BM-R shall be permitted to keep his office furniture.

15. Credit Cards. While providing services pursuant to this agreement BM-R shall be permitted to retain and use his corporate AT&T calling card. This card must be returned to the company immediately upon the termination of this agreement.

16. Independent Contractor and Taxes. BM-R acknowledges that his engagement under this agreement is as an independent contractor and not as an employee of Apache or its subsidiaries or affiliates. Accordingly, BM-R will be responsible for the payment of all income tax and other taxes on cash amounts payable to BM-R, and Apache will not withhold any amounts from payments made under this agreement. If the Internal Revenue Service makes a final determination that Apache should have withheld federal income taxes and/or BM-R's share of FICA taxes from such payments, BM-R will reimburse Apache for any monies paid by Apache to the U.S. Government in compliance with such determination, except for payments of interest or penalties or Apache's share of FICA taxes.

17. Releases. (a) BM-R releases Apache and each of its subsidiaries and affiliates ("the Company"), from any and all rights or claims, known or unknown, arising in any way out of BM-R's employment or the termination thereof, regardless of whether such right or claim is based on any alleged negligent or intentional act or omission. BM-R agrees that he will not institute any charge, complaint, or litigation against the Company based on such released rights and/or claims. The foregoing release includes without limitation any rights and claims under federal, state, or local laws, including but not limited to the Age Discrimination in Employment Act, the Texas Commission on Human Rights Act, and the common law of the states of Texas, Colorado, and any other jurisdiction.

(b) The Company releases BM-R from any and all rights or claims, known or unknown, arising in any way out of BM-R's employment or the acts or omissions of BM-R that occurred during the term of BM-R's employment or the termination thereof, regardless of whether such right or claim is based on any alleged negligent or intentional act or omission. The Company agrees that it will not institute any charge, complaint, or litigation against BM-R based on such released rights and/or claims. The Company indemnifies and holds harmless, and agrees to indemnify and hold harmless, BM-R against any liability or expense, including attorneys' fees and costs, incurred by BM-R in evaluating, defending, compromising, settling, or satisfying any claim, except claims for breach of this agreement.

(c) Notwithstanding the releases and indemnities contained in Section 17(b), Apache shall not be obligated to release or indemnify BM-R for any actions undertaken by BM-R during his employment without the knowledge of the Company that a court of competent jurisdiction determines to have been violative of applicable criminal laws, including the criminal provisions of the U.S. Foreign Corrupt Practices Act of 1977.

NOTWITHSTANDING the foregoing, the releases contained herein shall not apply to any rights BM-R shall have under:

- o a) Apache's 401(k) Plan and Non-qualified Retirement Plan;
- o b) this agreement;
- o c) COBRA to receive continued medical benefits; or
- o d) the Apache International, Inc. Common Stock Award Plan as modified by this agreement.

18. Non-Assignability. Neither this agreement nor any right or interest herein may be assigned or transferred by Apache or BM-R without the other's written consent, except as to:

- o a) the rights of BM-R's estate, heirs and devisees to certain benefits under this agreement;
- o b) the sale of all or substantially all of Apache's assets, or the merger or combination of Apache with another organization, if the asset purchaser or surviving organization assumes the full performance of Apache's obligations under this agreement, but Apache shall not be relieved of its obligations under this agreement by that assumption.
- o c) BM-R may assign this contract to a corporation controlled by BM-R so long as BM-R personally provides services required by this agreement.

19. No Attachment Except as Required by Law. Except for economic interests in Apache International, Inc. properties described in Section 11 of this agreement, BM-R's right to receive payment under this agreement shall not be subject to anticipation, commutation, alienation, sale, encumbrance, pledge, hypothecation, execution, attachment, levy, offset, deduction, set off, condition, or assignment by operation of law, and any attempt, voluntary or involuntary, to effect such action shall be null and void.

20. Binding Effect. This agreement shall bind and inure to the benefit of BM-R, Apache and its subsidiaries and affiliates and their authorized successors and assigns.

21. Amendment, Modification, Waiver. This agreement shall not be amended or modified except by an instrument in writing signed by the parties hereto. No term of this agreement shall be deemed to have been waived, nor shall there be an estoppel against enforcement of any provision of this agreement, except by written instrument of the party charged with such waiver or estoppel. No person or organization, including those within the definition of company, not a party to this agreement or permitted successor to a party to this agreement, shall be a third party beneficiary of this agreement or entitled to enforce its terms. BM-R acknowledges that he has had at least 21 days to consider this agreement and has had legal advice with respect thereto or has conscientiously determined not to consult with an attorney.

22. Arbitration. In the event of any dispute between Apache and BM-R arising under or relating to this agreement, the aggrieved party's sole and exclusive remedy shall be to demand the arbitration of such dispute pursuant to the Commercial Arbitration Rules of the American Arbitration Association. All claims, disputes, or other matters arising out of or relating to this agreement shall be decided by a single arbitrator selected in accordance with such Commercial Arbitration rules of the American Arbitration Association. The cost of arbitration shall be borne equally by Apache and BM-R unless the arbitrator determines that equity and fairness require that such costs be allocated in some other way. The opinion and award of the arbitrator shall be made in writing and shall be final and binding upon all parties. The arbitrator shall have full authority to decide the issue(s) in dispute but shall have no authority to amend, alter, modify, add to or subtract from the provisions of this agreement. As to matters of business judgment, the arbitrator shall not have the power or right to substitute his judgment for that of Apache or BM-R so long as the party whose action is in question has not violated the express terms of this agreement.

23. No Other Benefits. Except as provided in this agreement, BM-R shall not be entitled to any pension, profit-sharing, bonus, disability, life insurance or similar plan or program of Apache, whether now existing or hereafter adopted for the benefit of Apache's employees or consultants. This section shall not impair the rights of BM-R described in Section 9 of this agreement.

24. Headings and Meanings. The headings of sections in this agreement are for convenience only, and should not be considered in construing or interpreting this agreement.

25. Governing Law. This agreement has been executed and delivered in the State of Texas, and its validity, interpretation, performance and enforcement shall be governed by the laws of that state. Any arbitrator shall be bound to apply Texas law.

26. Notices. Any notice contemplated or permitted by this agreement shall be delivered as follows: to Apache or the company: William J. Johnson, Chief Operating Officer, Apache Corporation, 2000 Post Oak Blvd., Suite 100, Houston, Texas 77056. The above addresses for notice may be changed by written notice from the changing party to the other party.

27. Revocation. BM-R may rescind this agreement by written notice to Apache delivered on or before 5 P.M. on the 7th day after its execution by Apache and BM-R and delivery to BM-R. If no such notice of rescision is timely received by Apache, the effective time of this agreement shall be as stated above. Upon rescision of this agreement BM-R shall repay to Apache all sums paid pursuant to this agreement except salary for services rendered by BM-R prior to the effective time.

**CONSULTANT**

*March 11, 1994*

*/s/ B. Mossavar-Rahmani*

\_\_\_\_\_  
*Date*

\_\_\_\_\_  
*Bijan Mossavar-Rahmani*

**APACHE CORPORATION**

*3/11/94*

*/s/ William J. Johnson*

\_\_\_\_\_  
*Date*

\_\_\_\_\_  
*William J. Johnson  
President and Chief Operating Officer*

**EXHIBIT A**

**APACHE INTERNATIONAL, INC.**

**ASSETS AS OF DECEMBER 31, 1993**

**CONTRACT RIGHTS**

PROPERTY -----	INTEREST -----	SUBSIDIARY -----
Padang Panjang Block Onshore Sumatra, Indonesia (2,219,946 gross acres)	90% *	Apache Oil Sumatra, Inc.
Java Sea Block IV Offshore Indonesia (2,178,162 gross acres)	43.48%	Apache Oil Java Sea, Inc.
Qarun Block, Western Desert Egypt (1,927,380 gross acres)	50%	Apache Oil Egypt, Inc.
Angola Offshore Block 6 (1,217,739 gross acres)	2.5% *	Apache International, Inc.
Congo Marine III Block (236,228 gross acres)	20% **	Apache Oil Congo, Inc.
Australia: Producing Area TL-2 (98,570 gross acres)	11.834%	Apache Oil Australia Pty Ltd.
Australia Exploration Permits -----		
WA-237 (3,580,000 gross acres)	50%	Apache Oil Australia Pty Ltd.
WA-214 (330,000 gross acres)	14.76%	Apache Oil Australia Pty Ltd.
TP-7 (308,220 gross acres)	14.76%	Apache Oil Australia Pty Ltd.
EP-365 (19,650 gross acres)	14.76%	Apache Oil Australia Pty Ltd.
WA-149-P (R-1) (198,670 gross acres)	14.76%	Apache Oil Australia Pty Ltd.
Cote d'Ivoire - Stock Ownership in Compagnie des Energies Nouvelles de Cote d'Ivoire (CENCI) which holds certain unperfected rights in Foxtrot Field, Offshore	15%	Apache Cote d'Ivoire, Inc.
Angola, Cameroon, Congo, Gabon, Namibia, Trinidad-Tobago, Aruba, Ecuador, Vietnam. Right to participate with Citizens Energy in future ventures.		Apache International, Inc.

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\* Option to participate on commerciality \*\* Paying interest, revenue interest will be less

**EXHIBIT B**

**APACHE INTERNATIONAL, INC.**

**ANALYSIS OF INTERCOMPANY BALANCE AT DECEMBER 31, 1993**

Balance in the intercompany account at 12/31/93 (per audited financial statements)			\$56,120,035
LESS:	Corporate overhead charged to Apache International for the years ended:		
	1988	\$	738,883
	1989		574,602
	1990		1,102,579
	1991		2,127,666
	1992		851,947
	1993		2,033,487
			7,429,164
LESS:	Direct Argentina costs		2,100,494
			-----
Net balance to recover at 12/31/93			\$46,590,377

**EXHIBIT 11.1**

**APACHE CORPORATION AND SUBSIDIARIES**

**COMPUTATION OF EARNINGS PER SHARE**

(In thousands, except per share data)

	For the Year Ended December 31, 1993 -----	
	Primary -----	Fully Diluted -----
Net income	\$37,334	\$37,334
Assumed reduction of interest expense upon conversion of \$75 million 3.93% convertible notes, net of tax	-	2,145
	-----	-----
Net income, as adjusted	\$37,334	\$39,479
	=====	=====
Weighted average common shares outstanding	53,534	53,534
Stock options; common stock equivalents outstanding using the treasury stock method	-	242
Common shares issuable upon assumed conversion of 3.93% notes	-	2,778
	-----	-----
Common shares used for calculation of earnings per share	53,534	56,554
	=====	=====
Earnings per share	\$ .70	\$ .70
	=====	=====

Exhibit 21.1

APACHE CORPORATION

LISTING OF SUBSIDIARIES

EXACT NAME OF SUBSIDIARY AND NAME UNDER WHICH SUBSIDIARY DOES BUSINESS	JURISDICTION OF INCORPORATION OR ORGANIZATION
Apache China Corporation LDC	Cayman Islands
Apache Foundation	Minnesota
Apache Gathering Company	Delaware
Apache International Finance N.V.	Netherland Antilles
Apache International, Inc.	Delaware
Apache Cote d'Ivoire, Inc.	Delaware
Apache France Investment Management, Inc.	Delaware
Apache Oil Angola, Inc.	Delaware
Apache Oil Australia PTY Limited	New South Wales, Australia
Apache Oil Azerbaijan, Inc.	Delaware
Apache Oil Congo, Inc.	Delaware
Apache Oil Egypt, Inc.	Delaware
Apache Oil France, Inc.	Delaware
Apache Oil Gabon, Inc.	Delaware
Apache Oil Java Sea, Inc.	Delaware
Apache Oil Myanmar, Inc.	Delaware
Apache Oil Sumatra, Inc.	Delaware
Societe Petroliere Apache France S.N.C.	France
MW Petroleum Corporation	Colorado
MWJR Petroleum Corporation	Delaware
Ucross Land Company	Delaware
Nagasco, Inc.	Delaware
Apache NGC, Inc.	Delaware
Apache Marketing, Inc.	Delaware
Apache Transmission Corporation - Texas	Texas
Apache Crude Oil Marketing, Inc.	Delaware
Nagasco Marketing, Inc.	Delaware
Apache Corporation (New Jersey)	New Jersey
Apache-Beals Corporation	New York
Apache Oil Corporation	Texas
Burns Manufacturing Company	Minnesota
Hadson Energy Resources Corporation	Delaware
Hadson Bentu Limited	Oklahoma
Hadson Bunyu Limited	Oklahoma
Hadson Energy Limited	Western Australia
Hadson Australia Development Pty Ltd.	Western Australia
Petro Energy Limited	New South Wales, Australia
Hadson Beagle Pty Ltd.	Western Australia
Hadson Carnarvon Pty Ltd.	Western Australia
Hadson Dampier Pty Ltd.	Western Australia
Hadson Pacific Pty Ltd.	Western Australia
Hadson Timor Sea Pty Ltd.	Western Australia
Hadson WA-225 Pty Ltd.	Western Australia
Mid Equipment, Incorporated	Delaware

**EXHIBIT 23.1**

**CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS**

As independent public accountants, we hereby consent to the incorporation of our report included in this Form 10-K into Apache Corporation's previously filed Registration Statements on Form S-3 (No. 33-51253) and Form S-8 (Nos. 33-53442, 33-37402 and 33-31407).

**ARTHUR ANDERSEN & CO.**

Houston, Texas  
March 21, 1994

**EXHIBIT 23.2**

**{RYDER SCOTT COMPANY PETROLEUM ENGINEERS LETTERHEAD}**

**CONSENT OF PETROLEUM ENGINEERS**

As independent petroleum engineers, we hereby consent to the reference to our Firm's review of Apache's proved oil and gas reserve quantities as of January 1, 1994 included in the Company's Annual Report on Form 10-K for the fiscal year ending December 31, 1993, and incorporated by reference into the Company's Registration Statements on Form S-3 (No. 33-51253) and Form S-8 (Nos. 33-53442, 33-37402 and 33-31407).

**RYDER SCOTT COMPANY  
PETROLEUM ENGINEERS**

Houston, Texas  
March 21, 1994

**EXHIBIT 23.3**

**{INTERA INFORMATION TECHNOLOGIES INC. LETTERHEAD}**

**CONSENT OF PETROLEUM ENGINEERS**

As independent petroleum engineers, we hereby consent to the reference to our Firm's review of Apache's proved oil and gas reserve quantities as of January 1, 1994 included in the Company's Annual Report on Form 10-K for the fiscal year ending December 31, 1993, and incorporated by reference into the Company's Registration Statements on Form S-3 (No. 33-51253) and Form S-8 (Nos. 33-53442, 33-37402 and 33-31407).

*/s/ OMER GURPINAR*

*Omer Gurpinar, Vice President  
Reservoir Simulation  
INTERA Information Technologies Inc.  
Petroleum Services Division*

*Houston, Texas  
March 17, 1994*

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**End of Filing**

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