

APACHE CORP

FORM 10-K (Annual Report)

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Sector	Energy
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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

For the fiscal year ended December 31, 1996,

OR

TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER 1-4300

APACHE CORPORATION

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
Preferred 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. [X]

Aggregate market value of the voting stock held by
non-affiliates of registrant as of February 28, 1997..... \$2,920,499,216
Number of shares of registrant's common stock outstanding as
of February 28, 1997..... 90,208,470

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of registrant's proxy statement relating to registrant's 1997 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 (b/d) and thousands of cubic feet of gas per day (Mcf/d) or millions of British thermal units per day (MMBtu/d), respectively. Gas sales volumes may be expressed in terms of one million British thermal units (MMBtu), which is approximately equal to one Mcf. 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 and produces natural gas, crude oil and natural gas liquids. In North America, Apache's exploration and production interests are focused on the Gulf of Mexico, the Anadarko Basin, the Permian Basin, the Gulf Coast and the Western Sedimentary Basin of Canada. Outside of North America, Apache has exploration and production interests offshore Western Australia and in Egypt, and exploration interests in Indonesia, offshore The People's Republic of China and offshore the Ivory Coast. Apache common stock, par value \$1.25 per share, has been listed on the New York Stock Exchange since 1969, and on the Chicago Stock Exchange since 1960.

Apache holds interests in many of its U.S., Canadian and international properties through operating subsidiaries, such as MW Petroleum Corporation (MW), Apache Canada Ltd., DEK Energy Company (DEKALB, formerly known as DEKALB Energy Company), Apache Energy Limited (AEL, formerly known as Hadson Energy Limited), Apache International, Inc., Apache Overseas, Inc. and The Phoenix Resource Companies, Inc. Properties referred to in this document may be held by those subsidiaries. Apache treats all operations as one segment of business.

1996 RESULTS

In 1996, Apache had net income of \$121.4 million, or \$1.42 per share, on total revenues of \$977.2 million. Net cash provided by operating activities during 1996 was \$490.5 million.

The year 1996 was Apache's 19th consecutive year of production growth and ninth consecutive year of oil and gas reserves growth. Apache's average daily production was 53.2 Mbbls of oil and 561 MMcf of natural gas for the year. Giving effect to 1996 acquisitions, dispositions and drilling activity, the Company's estimated proved reserves increased by 85.6 MMboe in 1996 over the prior year to 506.2 MMboe, of which approximately 54 percent of total reserves was natural gas. Based on 420.6 MMboe reported at year-end 1995, Apache's reserve growth during the year reflects replacement of 257 percent of the Company's 1996 production, including approximately 179 percent through drilling, revisions, recompletions, workovers and other production enhancement projects. Apache's active drilling and production-enhancement program yielded 279 new producing U.S. and Canadian wells out of 370 attempts and involved 344 major North American workover and recompletion projects during the year.

At December 31, 1996, Apache had interests in approximately 4,564 net oil and gas wells and 1,523,405 net developed acres of oil and gas properties. In addition, the Company had approximately 791,627 net undeveloped acres under U.S. and Canadian leases and 6,881,900 net undeveloped acres under international exploration and production rights.

APACHE'S GROWTH STRATEGY

Apache's growth strategy is to increase oil and gas reserves, production, and cash flow through a combination of exploratory drilling, development of its inventory of existing projects and, principally in North America, tactical acquisitions meeting defined financial parameters. The Company's drilling program emphasizes reserve additions through exploratory drilling primarily on its international interests, and moderate-risk drilling primarily on its North American interests. The Company also emphasizes reducing operating costs per unit produced and selling marginal and non-strategic properties in order to increase its profit margins.

Apache's international investments and exploration activities are an important component of its long-term growth strategy. Although international exploration is recognized as higher-risk than most of Apache's U.S. and Canadian activities, it offers potential for greater rewards and significant reserve additions. Apache directed its international efforts in 1996 toward development of certain discoveries offshore Western Australia

and in Egypt, and toward further exploration efforts on its concessions in Egypt, offshore The People's Republic of China, in Indonesia, and offshore the Ivory Coast of western Africa. Apache believes that reserve additions in these international areas may be made through higher-risk exploration and through improved production practices and recovery techniques.

For Apache, property acquisition is only one phase in a continuing cycle of business growth. Apache's aim is to follow each acquisition with a cycle of reserve enhancement, property consolidation and cash flow acceleration, facilitating asset growth and debt reduction. This approach requires a well-planned and carefully executed property development program and, where appropriate, a selective program of 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; as a result, the Company operates properties accounting for over 75 percent of its production.

1996 ACQUISITIONS AND DISPOSITIONS

The Company entered into the Agreement and Plan of Merger dated March 27, 1996 (the Merger Agreement) with The Phoenix Resource Companies, Inc. (Phoenix), providing for a merger in which Phoenix would become a wholly owned subsidiary of the Company (the Merger). On May 20, 1996, the transaction was approved by the Phoenix shareholders and the Merger was consummated. Pursuant to the Merger Agreement, each of the 16.2 million shares of Phoenix common stock then outstanding was converted into the right to receive .75 shares of Apache common stock, with any fractional shares paid in cash, without interest, and \$4.00 in cash, resulting in a total of 12.2 million shares of Apache common stock being issued and approximately \$65 million being paid in respect of the Phoenix common stock.

Phoenix's principal assets are its interest in the Khalda and Qarun oil and gas concessions located in the Western Desert of Egypt, which in the aggregate contain 18 oil fields and six gas fields. Phoenix's oil and gas operations are currently conducted through Egyptian operating companies owned jointly by the Egyptian General Petroleum Corporation (EGPC), Phoenix and certain other participants, including the Company in the Qarun concession. In conjunction with the Merger, George D. Lawrence Jr., former president and chief executive officer of Phoenix, joined Apache's board of directors.

During 1996, Apache also acquired oil and gas properties and seismic data in North America and Egypt in transactions whose purchase prices totaled approximately \$115 million, the most significant of which was the purchase of interests in offshore blocks in the Gulf of Mexico from Hall-Houston Oil Company (Hall-Houston) and related entities in August for approximately \$46 million. In 1996, Apache also disposed of oil and gas properties and gas plants in transactions whose sales proceeds totaled approximately \$30.1 million. In addition, Apache monetized certain gas properties entitled to Internal Revenue Code Section 29 Tax Credits in two transactions with the Apache Series 1996-A Trust, whose managing trustee is Apache and whose non-managing trustee is FC Energy Finance I, Inc. Total net proceeds from these two transactions were approximately \$23 million.

EXPLORATION AND PRODUCTION

The Company's North American exploration and production activities are divided into five operating regions Offshore, Midcontinent, Western, Gulf Coast and Canadian regions. Approximately 82 percent of the Company's proved reserves are located in the five North American regions. Following the Phoenix Merger, Egypt became an important region for Apache. The Company's Egyptian operations are headquartered in Cairo. Apache conducts its Australian exploration and production and its Indonesian exploration through its Australian region. Information concerning the amount of revenue, operating income and identifiable assets attributable to U.S., Canadian and international operations, respectively, is set forth in the Supplemental Oil and Gas Disclosures under Item 8 below.

Offshore. The Offshore region (referred to as the Gulf of Mexico region in 1995) includes all of Apache's interests in properties offshore Texas, Louisiana and Alabama. In 1996, Offshore produced approximately 11.8 MMboe and \$181 million in production revenue for the year. At December 31, 1996, the

Offshore region held 346,806 net acres, located in both state and federal waters, and accounted for 45.8 MMboe, or nine percent, of the Company's year-end 1996 total estimated proved reserves. Apache's operations in the Offshore region focused on workovers and recompletions, which totaled 33 in the region for 1996. Apache participated in 19 wells which were drilled in the region during the year, 10 of which were completed as producers. For 1996, Apache's gas production from the Offshore region was approximately 61,554 MMcf.

Midcontinent. Apache's Midcontinent region operates in Oklahoma, eastern Texas and northern Louisiana. The region has focused operations on its sizable position in the Anadarko Basin of western Oklahoma. Apache has drilled and operated in the Anadarko Basin for nearly four decades, developing an extensive database of geologic information and a substantial acreage position. The Midcontinent region produced approximately 12 MMboe for the year, creating \$167 million in production revenue for the Company.

At December 31, 1996 Apache held an interest in 409,033 net acres in the region, which accounted for approximately 106.5 MMboe, or 21 percent, of Apache's total estimated proved reserves. Apache participated in drilling 103 wells in the Midcontinent region during the year, 85 of which were completed as producing wells. The Company performed 26 major workover and recompletion operations in the region during 1996.

Western. The Western region includes assets in the Permian Basin of western Texas and New Mexico, the Green River Basin of Colorado and Wyoming and the San Juan Basin of New Mexico. The Western region was Apache's leading region for oil and gas sales for 1996, producing approximately 10.4 MMboe and \$185 million in oil and gas revenue, 22 percent of the Company's production revenues during 1996. At December 31, 1996, the Company held 649,820 net acres in the region, which accounted for 137.4 MMboe, or 27 percent, of the Company's total estimated proved reserves. Apache participated in drilling 128 wells in the Western region, 103 of which were productive wells. Apache performed 30 major workovers and recompletions in the Western region during the year.

Gulf Coast. The Gulf Coast region encompasses the Texas and Louisiana coasts, central Texas and Mississippi. In 1996, the Gulf Coast region contributed approximately \$182 million in revenues from production of 9.9 MMboe for the year. The region was one of the most active in the Company in the number of workover and recompletion projects completed and the number of wells drilled. The Company performed 226 major workover and recompletion operations during 1996 in the Gulf Coast region and participated in drilling 43 wells, 31 of which were completed as producers. As of December 31, 1996, the region encompassed 273,568 net acres, and accounted for 69.5 MMboe, or 14 percent, of the Company's year-end 1996 total estimated proved reserves.

Canada. Exploration and development activity in the Canadian region is concentrated in the Provinces of Alberta and British Columbia. The region produced approximately 5.5 MMboe, 83 percent of which was natural gas, and generated \$48 million in oil, gas and natural gas liquids sales, six percent of the Company's production revenues in 1996. Apache participated in drilling 77 wells in this region during the year, 50 of which were completed as producers. The Company performed 29 workovers and recompletions on operated wells during 1996. At December 31, 1996, the region encompassed approximately 409,120 net acres, and accounted for 57.1 MMboe, or 11 percent, of the Company's year-end 1996 total estimated proved reserves.

Egypt. At year end, Apache held 6,051,867 net acres in Egypt, accounting for 58.6 MMboe of estimated proved reserves or 12 percent of Apache's total estimated proved reserves. As a result of the acquisition of Phoenix in May 1996 (see "1996 Acquisitions and Dispositions"), Apache owns a 75 percent interest in the Qarun Block and a 40 percent interest in the Khalda Block, both in the Western Desert of Egypt. At year end, the Qarun Block, which Apache operates, consisted of approximately 1,927,000 acres, of which approximately 46,500 were classified as developed. Currently, the Qarun Block is producing approximately 27,000 b/d from 13 wells, which is being sold to EGPC. The Khalda Block consists of approximately 2,416,000 acres, of which approximately 318,500 were classified as developed as of year end. The Khalda Block is currently producing approximately 33,000 b/d from 78 wells, which is transported to market by pipeline to a point west of Alexandria, Egypt. Future production of gas from Khalda is expected to be delivered for sale to EGPC at a point west of Alexandria, Egypt, via a 34-inch gas pipeline, construction of which is scheduled to commence in

1997 and to be completed by 1999. The costs of building the pipeline will be borne by Apache, the other Khalda participants and the owners of a neighboring block. Construction costs paid by Apache and the other Khalda participants will be recoverable from oil and gas production from the Khalda Block.

Both the Khalda and Qarun Concession Agreements provide that Apache and its partners in the concessions will pay all of the operating and capital costs for developing the concessions, while the production will be split between EGPC and the partners. Up to 40 percent of the oil and gas produced from each of the concessions is available to the Company and its partners to recover operating and capital costs for the applicable concession. To the extent eligible costs exceed 40 percent of the oil and gas produced and sold from a concession in any given quarter, such excess costs may be carried into future quarters without limit. The remaining 60 percent of all oil and gas produced from the concessions is divided between EGPC and Apache and its partners, with the percentage received by Apache and its partners reducing as the gross daily average of oil and gas produced on a quarterly basis increases. Under the Khalda Agreement, capital costs are amortized over four years, while the Qarun agreement provides for a five year amortization.

In addition to the Qarun and Khalda Blocks, Apache holds a 50 percent interest in 459,600 acres in the Darag Block in the northern Gulf of Suez, and a 50 percent interest in the 6,820,000 acre East Beni Suef Block immediately to the south of the Qarun Block. Both the Darag and East Beni Suef Blocks are in the early stages of evaluation, and exploratory drilling is expected to begin in the latter part of 1997. In January 1997, Apache completed the purchase from Mobil Exploration Egypt, Inc. of interests in three blocks in the Western Desert of Egypt; a 24 percent interest in the 3,212,000-acre North East Abu Gharadig Block, a 50 percent interest in the 1,384,000-acre East Bahariya Block, and a one-third interest in the 3,100,000-acre West Mediterranean Block No. 1 (partly onshore and partly offshore).

Australia. Western Australia became an important region for Apache after the 1993 acquisition of Hadson Energy Resources Corporation (subsequently known as Apache Energy Resources Corporation or AERC). In 1996, the region generated three percent of the Company's revenues for the year. Natural gas production in the region increased by 45 percent from the prior year to approximately 13.9 MMcf/d in 1996. Average daily oil production decreased by 26 percent to approximately 2,318 b/d in 1996, primarily as a result of natural depletion. As of December 31, 1996, Apache held 64,410 net developed acres and 607,878 net undeveloped acres in Western Australia. Apache acts as operator for most of its properties in Western Australia through a wholly owned subsidiary, AEL.

During 1996, Apache's estimated proved reserves in Australia increased by 60 percent to 31.3 MMboe, six percent of the Company's total estimated proved reserves at year end. The increase in Australia reserves was primarily attributable to natural gas reserves booked at the East Spar discovery which were recorded only after the Company had entered into agreements for the sale and delivery of such gas. Through AEL and its subsidiaries, Apache operates the Harriet Gas Gathering Project, a gas processing and compression facility with a throughput capacity of 100 MMcf/d, and a 60-mile, 12-inch offshore pipeline with a throughput capacity of 175 MMcf/d. See "Oil and Natural Gas Marketing."

Other International Operations. Outside of Canada, Egypt and Australia, Apache currently has exploration interests in Indonesia, offshore The People's Republic of China and offshore the Ivory Coast.

In Indonesia, Apache holds a 39 percent interest in and operates the Bentu Segat Block on Central Sumatra, on which an undeveloped gas field is located. Negotiations with potential buyers for the gas are continuing.

Apache is also the operator, with a 50 percent interest, of the Zhao Dong Block in the Bohai Bay, offshore The People's Republic of China. In 1994 and 1995, discovery wells tested at rates between 1,300 and 4,000 b/d of oil. The Company elected to proceed with the second exploration phase, commencing in May 1996, which involves a commitment to drill two additional exploratory wells. In early 1997, a new well tested at rates up to 11,571 b/d of oil, and the Company is currently evaluating the discovery areas for commercial potential. In March 1997, Apache gave XCL-China Ltd., which is the owner of the remaining 50 percent interest in the Zhao Dong Block, default notices of nonpayment totaling approximately \$7.8 million (not including interest) owed on its share of joint account expenses.

In the Ivory Coast, Apache drilled an exploratory well in 1996 on the CI-27 offshore Block, confirming the existence of substantial reserves of gas in the Foxtrot field and the produceability of some oil from the field's lower horizons. Apache is the operator of the block, holding a 40 percent interest. Discussions with potential gas buyers are taking place.

OIL AND NATURAL GAS MARKETING

On October 27, 1995, wholly owned affiliates of each of Apache, Oryx Energy Company and Parker & Parsley Petroleum Company formed Producers Energy Marketing, LLC, a Delaware limited liability company (ProEnergy). ProEnergy became fully operational on April 1, 1996, and markets substantially all of its members' domestic natural gas pursuant to member gas purchase agreements having an initial term of 10 years, subject to early termination following specified events. The price of gas purchased by ProEnergy from its members is based upon agreed to published indexes. ProEnergy also provides its members with certain contract administration and other services.

ProEnergy's limited liability company agreement provides that capital funding obligations, allocations of profit and loss and voting rights are calculated based upon the members' respective throughputs of natural gas sold to ProEnergy. Each member's liability with respect to future capital funding obligations is subject to certain limitations. Natural gas throughputs are calculated, profit distributed, and/or capital called on a quarterly basis. As of December 31, 1996, the Company held an approximate 44 percent interest in ProEnergy.

Apache is delivering natural gas under several long-term supply agreements with terms greater than one-year. In connection with the acquisition of substantially all of the oil and natural gas assets (the Aquila Assets) of Aquila Energy Resources Corporation (Aquila) in September 1995, the Company entered into a five-year, four-month premium-price gas contract under which Aquila Energy Marketing Corporation agreed to purchase 20 to 25 MMcf of gas per day from Apache at a price of \$2.80 per Mcf in 1997, escalating to \$3.20 per Mcf in the year 2000. In December 1994, the Company signed a long-term gas contract under which Apache received an advance payment of \$67.4 million. Apache will supply the purchaser with approximately 43 Bcf of gas over a six-year period which began in January 1995, with volumes averaging 20 MMcf/d.

Apache is also delivering natural gas under several such contracts with various cogeneration facilities. One such agreement provides that Apache will supply a minimum of 51.1 Bcf over 10 years for use in electric power generation from a cogeneration facility located in northeast Texas. Under the agreement, deliveries of approximately 20 MMcf/d began in early 1997. Another such agreement, which expires at the end of September 2005, requires Apache to deliver 20 MMcf/d to a cogeneration facility at a price escalating yearly. In 1996, the price under this agreement was \$3.08 per MMcf. Apache is also a party to an agreement that provides for delivery of up to 9.6 MMcf/d to a cogeneration facility at a price that escalates yearly. As of the end of 1996, the price under this agreement was \$3.10 per MMcf. The final agreement, which will terminate at the end of 2001, calls for Apache to supply up to 12 MMcf/d.

Apache assumed its own U.S. crude oil marketing operations in 1992. 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.

Oil produced from Canadian properties is sold to crude oil purchasers or refiners at market prices which depend on world-wide crude prices adjusted for transportation and crude quality. Natural gas produced from Canadian properties is sold to major aggregators of natural gas, gas marketers and direct users under long and short-term contracts. The oil and gas contracts provide for sales at specified prices, or at prices which are subject to change due to market conditions.

The Company diversifies the markets for its Canadian gas production by selling directly or indirectly to customers through aggregators and brokers in the United States and Canada. Apache transports natural gas via the Company's firm transportation contracts to California (12 MMcf/d) and to the Province of Ontario, Canada (four MMcf/d) through end-users' firm transportation contracts. Pursuant to an agreement entered into in 1994, the Company is also selling five MMcf/d of natural gas to the Hermiston Cogeneration Project,

located in the Pacific Northwest of the United States. In 1996, the Company entered into an agreement with Westcoast Gas Services, Inc. for the sale of 5,000 MMBtu/d for delivery in the United States for a 10 year term. Sales under the contract are contingent on regulatory approval of the required pipeline expansion, and are expected to begin in 1998.

In Australia, the Company has two contracts to deliver 32 Bcf of gas from the East Spar field for industrial uses, including mining operations, a power station and a nickel refinery. The contracts provide for an average daily rate of 15 MMcf/d net to the Company. To provide deliveries under the contracts while the East Spar development is under construction, the Harriet and East Spar joint ventures, in both of which a subsidiary of the Company is a participant, entered into a gas sales agreement under which the Harriet Joint Venture is supplying 42 MMcf of gas per day to East Spar's industrial customers. Apache operates the Harriet Joint Venture and acts as contractor for the East Spar Joint Venture, holding a 22.5 percent interest in Harriet and a 20 percent interest in East Spar.

In 1995, the Harriet Joint Venture entered into a take-or-pay contract to supply natural gas under which AEL has committed 14 Bcf of reserves for delivery over a 10-year period. Approximately 20 Bcf of AEL's proved gas reserves are dedicated to the Gas Corporation of Western Australia, a corporation owned by the government of Western Australia doing business as AlintaGas, under a long-term contract which will expire in 2001. The agreement contains take-or-pay provisions that require AlintaGas to purchase a minimum of 35 MMcf/d (approximately eight MMcf/d net to AEL) through the remainder of the contract term. Payments received under this contract are in Australian dollars.

AEL marketed all oil and natural gas liquids produced from its interests in the Harriet field during 1996 through a contract with Marubeni International Petroleum (Singapore) Pte Limited (Marubeni). Pricing under the contract in 1996 represented a fixed premium to the quoted market prices of Tapis crude oil, with payment made in U.S. dollars. In 1996, production sold under this contract realized an average price of \$22.33 per barrel (exclusive of the impact of hedging activities). At the beginning of January 1997, the Marubeni contract was terminated and replaced by a similar contract with Glencore International AG, which includes East Spar liquids production.

In Egypt, oil from the Qarun Block is delivered by pipeline to tanks owned by the Company and its partners in the Qarun Concession at the Dashour pumping station northeast of the Qarun Block or by truck to the Tebbin refinery south of Alexandria, Egypt. At the discretion of the operator of the pipelines, oil from the Qarun Block is put into the two 42-inch diameter SUMED pipelines, which transport significant quantities of Egyptian and other crude oil from the Gulf of Suez to Sidi Kherir, west of Alexandria, Egypt, on the Mediterranean Coast. All Qarun and Khalda crude oil is currently sold to EGPC. In 1996, the Company and its partners in the Khalda Block entered into a take or pay contract with EGPC, which obligates EGPC to pay for 75 percent of 200 MMcf/d of future production of gas from the Khalda Block. Sales of gas under the contract are expected to begin in 1999 upon completion of the gas pipeline from the Khalda Block.

OIL AND NATURAL GAS PRICES

Natural gas prices remained volatile during 1996 with New York Mercantile Exchange (NYMEX) spot-market prices at the Henry Hub ranging from \$1.89 per MMBtu in October to \$3.61 per MMBtu in December. Fluctuations are largely due to natural gas supply and demand perceptions. Apache's average realized gas price of \$2.02 per Mcf for 1996 increased 29 percent from the prior-year average of \$1.57 per Mcf. Apache's 1995 average realized natural gas price was 12 percent lower than the 1994 average price of \$1.78 per Mcf.

Due to minimum price contracts which escalate at an average of 80 percent of the Australian consumer price index, AEL's natural gas production in Western Australia is not subject to the same degree of price volatility as Apache's U.S. and Canadian gas production; however, natural gas sales under such Australian minimum price contracts represent less than two percent of the Company's total natural gas sales at the end of 1996. Total Australian gas sales in 1996, including long-term contracts and spot sales averaged \$1.96 per Mcf, a five percent increase over the 1995 average of \$1.86 per Mcf.

In Egypt, all oil production from the Khalda and Qarun Blocks is currently sold to EGPC on a spot basis at a "Western Desert" price which is applied to virtually all production from the Western Desert and is announced from time to time by EGPC. On December 31, 1996, that price was \$23.74 per barrel. Discussions with EGPC regarding the possibility of exporting Qarun oil production are continuing. Once gas sales from the Khalda Block commence, the gas is expected to be sold for a price which on a Btu basis is equivalent to 85 percent of the price of Suez Blend crude oil, FOB Mediterranean. Based on this pricing formula, the price of Khalda gas per Mcf (at 1000 Btu per Mcf) would have been roughly \$3.80 at the end of 1996.

Oil prices remained vulnerable to unpredictable political and economic forces during 1996, but did not experience the wide fluctuations seen in natural gas prices during the year. Apache believes that oil prices will continue to fluctuate in response to changes in the policies of the Organization of Petroleum Exporting Countries (OPEC), events in the Middle East and other factors associated with the world political environment. As a result of the many uncertainties associated with levels of production maintained by OPEC and other oil producing countries, the availabilities of world-wide energy supplies and the competitive relationships and consumer perceptions of various energy sources, the Company is unable to predict what changes will occur in crude oil and natural gas prices.

Apache's worldwide crude oil price averaged \$20.84 per barrel in 1996, up 22 percent from the average price of \$17.09 per barrel in 1995, and 33 percent higher than the average price of \$15.65 per barrel in 1994. The Company's average crude oil price for its Australian production, including production sold under the Marubeni contract, was \$22.33 per barrel in 1996, 20 percent higher than the average price in 1995.

Terms of the acquisition of MW from Amoco Production Company (Amoco) included an oil and gas price sharing provision under which certain price sharing payments may be payable to Amoco. Under this provision, to the extent that oil prices exceed specified reference prices that rise to \$33.12 per barrel over the eight-year period ending June 30, 1999, and to the extent that gas prices exceeded specified reference prices that rose to \$2.68 per Mcf over the five-year period ended June 30, 1996, Apache will share the excess price realization with Amoco on a portion of the MW production. Apache was not required to make any price sharing payments to Amoco in 1996.

From time to time, Apache buys or sells contracts to hedge a limited portion of its future oil and gas production against exposure to spot market price changes. See Note 9 to the Company's consolidated financial statements under Item 8 below.

The Company's business has been and will continue to 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 full cost accounting rules of the Securities and Exchange Commission (SEC), 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 income taxes. Application of these rules 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 due to ceiling test limitations during 1996.

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.

At the U.S. federal level, the Federal Energy Regulatory Commission (FERC) regulates interstate transportation of natural gas under the Natural Gas Act. Effective January 1, 1993, the Natural Gas Wellhead Decontrol Act deregulated natural gas prices for all "first sales" of natural gas, which includes all sales by Apache of its own production. As a result, all sales of the Company's natural gas produced in the U.S. may be sold at market prices, unless otherwise committed by contract.

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 believes that these changes have generally improved the Company's access to transportation. To date, Apache has not experienced any material adverse effect on its gas marketing activities 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 activities.

ENVIRONMENTAL MATTERS

Apache, as an owner or lessee and operator of oil and gas properties, is subject to various federal, provincial, state, local and foreign country laws and regulations relating to discharge of materials into, and protection of, the environment. These laws and regulations may, among other things, impose liability on the lessee under an oil and gas lease for the cost of pollution clean-up resulting from operations, subject the lessee to liability for pollution damages, and require suspension or cessation of operations in affected areas.

Apache maintains insurance coverage which it believes is 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, 1996, 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. The Company has established policies for continuing compliance with environmental laws and regulations, including regulations applicable to its operations in Canada, Australia and other countries. Apache also has established operational procedures and training programs designed to minimize 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 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; however, 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.

INSURANCE

Exploration for and production of oil and natural gas can be hazardous, involving unforeseen occurrences such as blowouts, cratering, fires and loss of well control, which can result in damage to or destruction of wells or production facilities, injury to persons, loss of life or damage to property or the environment. The Company maintains insurance against certain losses or liabilities arising from its operations in accordance with customary industry practices and in amounts that management believes to be prudent; however, insurance is not available to the Company against all operational risks.

EMPLOYEES

On December 31, 1996, Apache had 1,256 employees.

OFFICES

Apache's principal executive offices are located at One Post Oak Central, 2000 Post Oak Boulevard, Suite 100, Houston, Texas 77056-4400. At year-end 1996, the Company maintained regional exploration and production offices in Tulsa, Oklahoma; Houston, Texas; Calgary, Alberta; Cairo, Egypt; and Perth, Western Australia.

ITEM 2. PROPERTIES

OIL AND GAS EXPLORATION AND PRODUCTION PROPERTIES AND RESERVES

ACREAGE

The undeveloped and developed acreage including both domestic leases and international production and exploration rights that Apache held as of December 31, 1996, are as follows:

	UNDEVELOPED ACREAGE		DEVELOPED ACREAGE	
	GROSS ACRES	NET ACRES	GROSS ACRES	NET ACRES
OFFSHORE				
Alabama.....	--	--	34,560	9,457
Louisiana.....	135,049	67,230	250,437	117,076
Texas.....	92,775	53,638	224,514	99,405
TOTAL.....	227,824	120,868	509,511	225,938
MIDCONTINENT				
Arkansas.....	1,581	1,051	4,530	4,015
Kansas.....	280	136	--	--
Louisiana.....	7,607	6,024	46,559	34,366
Oklahoma.....	138,074	57,678	508,984	208,986
Pennsylvania.....	--	--	796	38
Texas.....	41,204	25,029	127,325	71,710
TOTAL.....	188,746	89,918	688,194	319,115
WESTERN				
Colorado.....	58,054	48,017	14,859	14,484
Illinois.....	140	56	--	--
Michigan.....	120	16	--	--
New Mexico.....	94,290	52,152	91,306	51,416
Ohio.....	21	11	--	--
Texas.....	112,834	49,360	257,400	196,851
Utah.....	1,400	867	6,647	6,220
Wyoming.....	392,205	218,218	25,589	12,152
TOTAL.....	659,064	368,697	395,801	281,123
GULF COAST				
Alabama.....	7,656	1,136	--	--
Florida.....	162	23	--	--
Louisiana.....	20,618	15,047	93,085	74,244
Mississippi.....	8,349	4,361	5,832	3,293
Texas.....	85,700	43,639	207,700	131,825
TOTAL.....	122,485	64,206	306,617	209,362
TOTAL UNITED STATES.....	1,198,119	643,689	1,900,123	1,035,538
INTERNATIONAL				
Canada.....	225,559	147,938	391,108	261,182
Egypt.....	11,258,320	5,889,592	365,000	162,275
Australia.....	2,796,480	607,878	339,770	64,410
China.....	48,680	24,340	--	--
Indonesia.....	722,290	280,890	--	--
Ivory Coast.....	198,000	79,200	--	--
TOTAL INTERNATIONAL.....	15,249,329	7,029,838	1,095,878	487,867
TOTAL COMPANY.....	16,447,448	7,673,527	2,996,001	1,523,405

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, 1996, is set forth below.

	GAS		OIL	
	GROSS	NET	GROSS	NET
Offshore.....	255	90	70	30
Midcontinent.....	1,810	696	550	169
Western.....	355	116	3,340	1,760
Gulf Coast.....	385	301	1,130	927
Canada.....	470	333	660	89
Egypt.....	10	4	94	43
Australia.....	10	2	21	4
Other International.....	--	--	--	--
Total.....	3,295	1,542	5,865	3,022
	=====	=====	=====	=====

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, 1996, the Company was participating in 52 wells in the U.S., nine Canadian wells, seven Egyptian wells, two wells in China and one Australian well in the process of drilling.

	EXPLORATORY			DEVELOPMENTAL		
	PRODUCTIVE	DRY	TOTAL	PRODUCTIVE	DRY	TOTAL
1996						
United States.....	28	33	61	201	31	232
Canada.....	23	25	48	27	2	29
Egypt.....	7	4	11	12	--	12
Australia.....	4	6	10	1	1	2
Other International.....	--	1	1	--	--	--
Total.....	62	69	131	241	34	275
	==	==	===	===	==	===
1995						
United States.....	9	15	24	129	21	150
Canada.....	16	13	29	14	5	19
Egypt.....	4	2	6	3	--	3
Australia.....	4	6	10	1	1	2
Other International.....	--	4	4	--	1	1
Total.....	33	40	73	147	28	175
	==	==	===	===	==	===
1994						
United States.....	20	17	37	223	39	262
Canada.....	18	12	30	35	3	38
Egypt.....	--	--	--	--	--	--
Australia.....	1	5	6	2	--	2
Other International.....	6	3	9	--	--	--
Total.....	45	37	82	260	42	302
	==	==	===	===	==	===

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.

	EXPLORATORY			DEVELOPMENTAL		
	PRODUCTIVE	DRY	TOTAL	PRODUCTIVE	DRY	TOTAL
1996						
United States.....	17.2	22.8	40.0	77.9	19.1	97.0
Canada.....	18.8	21.5	40.3	24.1	1.4	25.5
Egypt.....	3.2	3.0	6.2	9.0	--	9.0
Australia.....	1.1	1.5	2.6	0.2	0.1	0.3
Other International.....	--	0.4	0.4	--	--	--
Total.....	40.3	49.2	89.5	111.2	20.6	131.8
	====	====	====	=====	====	=====
1995						
United States.....	3.7	6.2	9.9	57.3	14.0	71.3
Canada.....	14.0	9.4	23.4	13.4	3.4	16.8
Egypt.....	1.0	0.5	1.5	0.6	--	0.6
Australia.....	1.4	1.8	3.2	0.2	0.7	0.9
Other International.....	--	0.7	0.7	--	0.7	0.7
Total.....	20.1	18.6	38.7	71.5	18.8	90.3
	====	====	====	=====	====	=====
1994						
United States.....	10.7	10.4	21.1	100.1	27.0	127.1
Canada.....	13.0	7.0	20.0	28.0	2.0	30.0
Egypt.....	--	--	--	--	--	--
Australia.....	0.3	1.9	2.2	0.4	--	0.4
Other International.....	2.0	0.5	2.5	--	--	--
Total.....	26.0	19.8	45.8	128.5	29.0	157.5
	====	====	====	=====	====	=====

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 (excluding severance taxes) and average sales prices.

YEAR ENDED DECEMBER 31,	PRODUCTION			AVERAGE PRODUCTION COST PER BOE	AVERAGE SALES PRICE		
	OIL (MBBLS)	NGLS (MBBLS)	GAS (MMCF)		OIL (PER BBL)	NGLS (PER BBL)	GAS (PER MCF)
1996.....	19,465	713	205,305	\$3.43	\$20.84	\$16.41	\$2.02
1995.....	18,324	763	210,632	3.34	17.09	12.05	1.57
1994.....	13,815	724	176,396	2.85	15.65	11.28	1.78

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 supplemental oil and gas disclosures under Item 8 below. The Company's estimates of proved reserve quantities of its U.S., Canadian and certain international properties have been subject to review by Ryder Scott Company Petroleum Engineers, while the proved reserve quantities of the Company's Egyptian properties are reviewed by Netherland, Sewell & Associates, 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 the 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, 1996, 1995 and 1994:

	NATURAL GAS (BCF)	OIL, NGLS AND CONDENSATE (MMBBLs)
	-----	-----
1996		
Developed.....	1,435.3	183.2
Undeveloped.....	190.0	52.1
	-----	-----
Total.....	1,625.3	235.3
	=====	=====
1995		
Developed.....	1,298.5	137.5
Undeveloped.....	203.4	32.8
	-----	-----
Total.....	1,501.9	170.3
	=====	=====
1994		
Developed.....	1,184.9	100.0
Undeveloped.....	131.3	10.6
	-----	-----
Total.....	1,316.2	110.6
	=====	=====

The following table sets forth the estimated future value of all the Company's proved reserves, and proved developed reserves, as of December 31, 1996, 1995 and 1994. 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)			
1996.....	\$7,936,924	\$6,713,252	\$4,568,475	\$4,041,065
1995.....	4,043,024	3,390,103	2,344,357	2,056,558
1994.....	2,581,459	2,390,126	1,600,927	1,512,305

At December 31, 1996, estimated future net revenues expected to be received from all the Company's proved reserves and proved developed reserves were as follows:

DECEMBER 31, -----	PROVED	PROVED
	-----	DEVELOPED -----
	(IN THOUSANDS)	
1997.....	\$ 860,323	\$ 943,576
1998.....	913,919	873,976
1999.....	823,479	715,934
Thereafter.....	5,339,203	4,179,766
	-----	-----
Total.....	\$7,936,924	\$6,713,252
	=====	=====

The Company believes that no major discovery or other favorable or adverse event has occurred since December 31, 1996, 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 SEC guidelines and do not reflect current prices. Since January 1, 1996, 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 SEC 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 obligations or duties under applicable laws, ordinances, rules, regulations and orders of arbitral or governmental authorities. In addition, the interests may be subject to burdens such as 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 10 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 1996.

PART II

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

MATTERS

Apache's 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 1996 and 1995. Prices shown are from the New York Stock Exchange Composite Transactions Reporting System.

	1996			1995		
	PRICE RANGE		DIVIDENDS PER SHARE	PRICE RANGE		DIVIDENDS PER SHARE
HIGH	LOW	HIGH		LOW		
First Quarter.....	\$29 1/2	\$24 3/8	\$.07	\$27 3/8	\$22 1/4	\$.07
Second Quarter.....	33 1/2	26 3/8	.07	31	25 3/8	.07
Third Quarter.....	34 5/8	27 3/4	.07	30 1/4	25 3/4	.07
Fourth Quarter.....	37 7/8	29 1/2	.07	29 5/8	23 1/8	.07

The closing price per share of Apache common stock, as reported on the New York Stock Exchange Composite Transactions Reporting System for February 28, 1997, was \$32.375. At December 31, 1996, there were 90,058,797 shares of Apache common stock outstanding, held by approximately 11,000 shareholders of record and 38,000 beneficial owners.

Each share of Apache common stock also represents one preferred share purchase right which, when exercisable, would entitle the holder to purchase one ten-thousandth of a share of Series A Junior Participating Preferred Stock for a purchase price of \$100 and, under certain circumstances, would entitle the holder to acquire additional shares of Apache common stock. See Note 7 to the Company's financial statements under Item 8 below.

The Company has paid cash dividends on its common stock for 120 consecutive quarters through December 31, 1996, and expects 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, 1996, which information has been derived from the Company's audited financial statements. Apache's previously reported data for 1994, 1993 and 1992 has been restated to reflect the merger with DEKALB in May 1995 under the pooling of interests method of accounting. This information should be read in connection with and is qualified in its entirety by the more detailed information in the Company's financial statements under Item 8 below.

	AT OR FOR THE YEAR ENDED DECEMBER 31,				
	1996(1)	1995(2)	1994	1993(3)	1992(4)
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)				
INCOME STATEMENT DATA					
Total revenues.....	\$ 977,151	\$ 750,702	\$ 592,626	\$ 512,632	\$ 517,403
Income (loss) from continuing operations.....	121,427	20,207	45,583	41,421	(14,632)
Income (loss) per common share -- continuing operations.....	1.42	.28	.65	.67	(.26)
Cash dividends per common share(5)...	.28	.28	.28	.28	.28
BALANCE SHEET DATA					
Working capital (deficit).....	\$ (41,501)	\$ (22,013)	\$ (3,203)	\$ (55,538)	\$ (32,775)
Total assets.....	3,432,430	2,681,450	2,036,627	1,759,203	1,774,767
Long-term debt.....	1,235,706	1,072,076	719,033	504,334	524,098
Shareholders' equity.....	1,518,516	1,091,805	891,087	868,596	554,524
Common shares outstanding at end of year.....	90,059	77,379	69,666	69,504	55,361

(1) Includes financial data for Phoenix after May 20, 1996.

(2) Includes the results of the acquisitions of certain oil and gas properties from Texaco Exploration and Production, Inc. (Texaco) and Aquila after March 1, 1995 and September 1995, respectively, and the sale of a substantial portion of the Company's Rocky Mountain properties in September 1995.

(3) Includes financial data for AERC after June 30, 1993, and the results of the acquisition of certain oil and gas properties from Hall-Houston after July 31, 1993.

(4) The net loss in 1992 resulted from the sale of substantially all of DEKALB's United States assets for a loss of \$25.6 million after-tax. DEKALB also reported Canadian ceiling test write-downs of \$15.9 million after-tax and United States ceiling test write-downs of \$24.7 million after-tax.

(5) No cash dividends were paid on outstanding DEKALB common stock in 1995, 1994, 1993 and 1992.

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 Note 2 to the Company's consolidated financial statements under Item 8 below.

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

OVERVIEW

Apache's results of operations and financial position during 1996 were significantly impacted by the following factors:

Commodity Prices -- Higher oil and natural gas prices contributed to record earnings and cash flow in 1996. Apache's average realized natural gas price for 1996 was up 29 percent over 1995, favorably impacting revenues by \$93.4 million. The Company's average realized oil price for 1996 increased 22 percent from 1995, contributing \$73.0 million to the increase in revenues.

Phoenix Acquisition -- On May 20, 1996, Apache acquired Phoenix, through a merger which resulted in Phoenix becoming a wholly owned subsidiary of Apache. The assets acquired in the Phoenix acquisition contributed 6,260 b/d of oil production during 1996.

Debt Refinancing -- During 1996, Apache offered three issues of senior unsecured notes and debentures with principal amounts of \$100 million in February, \$180 million in April and \$150 million in November. In October 1996, Apache replaced its existing \$1 billion revolving bank credit facility with a global credit arrangement (global credit facility) that provides Apache with greater borrowing availability, increased tax efficiency and a lower cost of bank debt. Additionally, in September and October 1996, Apache received rating upgrades on its long-term debt from Moody's Investors Service and Duff and Phelps.

RESULTS OF OPERATIONS

NET INCOME AND REVENUE

Apache reported 1996 net income of \$121.4 million, up from \$20.2 million in 1995. Net income per common share rose to \$1.42, a five-fold increase from \$.28 a year earlier, despite additional shares outstanding. Higher oil and gas prices and increased oil production drove the increase in earnings but were partially offset by lower natural gas production and higher lease operating expenses. Additionally, 1995 results were negatively impacted by a one-time after-tax charge of \$8.7 million, or \$.12 per share, associated with merger costs.

Revenues increased 30 percent in 1996 to \$977.2 million as compared to \$750.7 million for the same period in 1995. Crude oil and natural gas production revenue increased 28 percent compared to 1995 with crude oil contributing 49 percent and natural gas contributing 50 percent of total oil and gas production revenue.

Volume and price information concerning the Company's oil and gas production is summarized below:

	FOR THE YEAR ENDED DECEMBER 31,		
	1996	1995	1994
Natural Gas Volume -- Mcf per day:			
United States.....	472,171	500,441	419,161
Canada.....	74,598	67,083	56,142
Egypt.....	302	--	--
Australia.....	13,869	9,551	7,975
Total.....	560,940	577,075	483,278
Average Natural Gas Price -- Per Mcf:			
United States.....	\$ 2.17	\$ 1.64	\$ 1.81
Canada.....	1.09	1.00	1.54
Egypt.....	3.21	--	--
Australia.....	1.96	1.86	1.90
Total.....	2.02	1.57	1.78
Oil Volume -- Barrels per day:			
United States.....	40,600	45,084	32,669
Canada.....	1,969	1,999	2,003
Egypt.....	8,295	--	--
Australia.....	2,318	3,120	3,177
Total.....	53,182	50,203	37,849
Average Oil Price -- Per barrel:			
United States.....	\$ 20.67	\$ 17.00	\$ 15.44
Canada.....	20.84	16.90	15.51
Egypt.....	21.29	--	--
Australia.....	22.33	18.56	17.95
Total.....	20.84	17.09	15.65
Natural Gas Liquids (NGL) -- Barrels per day:			
United States.....	1,308	1,521	1,352
Canada.....	641	569	633
Total.....	1,949	2,090	1,985
Average NGL Price -- Per barrel:			
United States.....	\$ 17.23	\$ 12.83	\$ 12.39
Canada.....	14.73	9.96	8.88
Total.....	16.41	12.05	11.28

Natural gas sales for 1996 of \$415.7 million increased \$85.0 million, or 26 percent, when compared to 1995, as the impact of favorable natural gas prices more than offset production declines. A \$.53 per Mcf increase in realized price attributable to United States natural gas production, which comprised 84 percent of the Company's worldwide gas production, contributed \$92.0 million to the increase in sales. Offsetting this increase was a \$16.2 million reduction in sales due to a decline in United States production compared to the same period in 1995, due primarily to the natural decline of older properties in the Company's Offshore and Gulf Coast regions and the sale of producing properties in late 1995. Canadian and Australian gas sales contributed \$5.3 million and \$3.5 million, respectively, to the increase in revenue as a result of higher realized prices and increased production in both countries. The Company's net hedging activity, including fixed-price physical contracts and financial contracts, reduced realized prices by \$.09 per Mcf during the year ended December 31, 1996, compared to a \$.07 per Mcf gain during 1995. The 1995 gain was driven substantially by higher margins on the Company's premium-price gas contracts, given low spot market prices during 1995.

For the year ended December 31, 1996, oil sales increased 30 percent to \$405.7 million due primarily to the assets acquired in the Phoenix Merger. Egyptian oil sales contributed \$64.6 million, or 70 percent, of the increase in oil sales compared to 1995, and comprised 16 percent of total oil production. United States oil sales were favorably impacted by a 22 percent increase in realized prices, which contributed \$54.5 million to the increase in revenue compared to 1995. Partially offsetting the impact due to higher realized domestic prices was a 10 percent decline in domestic oil production resulting from property sales in late 1995, which reduced revenues by \$27.1 million. Canadian oil sales contributed \$2.7 million of the increase in oil sales compared to 1995 due primarily to higher realized prices. Australian oil sales were impacted by a 26 percent decline in production compared to 1995, partially offset by higher realized prices, resulting in a net decrease in revenue of \$2.2 million.

For 1996, natural gas liquid revenues increased 27 percent to \$11.7 million. Compared to the prior year, realized prices increased 36 percent, contributing \$3.1 million to the increase in revenues, while production declined seven percent, decreasing revenues \$.6 million.

OTHER REVENUES AND OPERATING EXPENSES

During 1996, Apache's gas gathering, processing and marketing revenues increased 47 percent to \$142.9 million driven primarily by increased product prices. Although revenues have increased with respect to these activities, lower margins were realized for the year ended December 31, 1996 compared to the same period in 1995.

For 1996, other revenue of \$1.4 million included a gain on the sale of stock held for investment of \$.8 million and Canadian royalty credits of \$1.2 million. Offsetting these revenues was the impact of \$.9 million of currency transaction loss related to Canadian exchange rate fluctuations. Prior year other revenue was \$1 million lower than 1996 and included \$4.3 million in proceeds received from settlements, \$2.2 million in gains from the sales of non-oil and gas assets, \$1.1 million of Canadian royalty credits and \$2.1 million of other income, offset by \$9.3 million in losses from the decoupling of NYMEX and wellhead prices.

The Company's depreciation, depletion and amortization (DD&A) expense for 1996 totaled \$315.1 million up from \$297.5 million in 1995. On an equivalent barrel basis, full cost DD&A expense increased \$.12 per boe, from \$5.32 per boe in 1995 to \$5.44 per boe in 1996.

Operating costs totaled \$225.5 million in 1996, an increase of \$13.8 million, or seven percent, from 1995. Lease operating expense (LOE), excluding severance taxes, totaled \$186.4 million, a 2.9 percent increase from 1995. On an equivalent barrel basis, LOE for the year ended December 31, 1996, averaged \$3.43 per boe, a three percent increase from \$3.34 per boe in 1995. The increase was driven by a flat cost structure with declining production in the Gulf Coast region and the impact of the Phoenix acquisition, partially offset by decreasing LOE per boe in the Midcontinent region resulting from incremental production added through the drillbit.

Administrative, selling and other costs in 1996 decreased \$.6 million, or two percent. The decline is a result of the Company's continuing efforts to control costs and its ability to integrate the assets and operations acquired in 1995 and 1996 with a minimal increase in administrative staff. On an equivalent barrel basis, general and administrative expense declined two percent from 1995 to \$.66 per boe in 1996.

Net financing costs for 1996 decreased \$9.0 million, or 13 percent, from the prior year due to higher amounts of capitalized interest, partially offset by higher gross interest costs. Capitalized interest, which is based on the carrying value of unproved properties, increased \$11.7 million for 1996 due to the acquisitions made in 1995 and 1996 and the resulting increase in the unproved property base. Gross interest incurred increased \$1.8 million for 1996 as compared to 1995. Average corporate debt increased \$78.8 million compared to 1995, increasing interest expense by \$6.1 million. Offsetting this increase was a decline of .36 percent in Apache's weighted average interest rate, resulting in a decrease in interest expense of \$4.3 million.

HEDGING ACTIVITY

The Company periodically enters into hedging activities with respect to a portion of its projected oil and natural gas production through a variety of financial and physical arrangements intended to support oil and natural gas prices at targeted levels and to manage its exposure to oil and gas price fluctuations. Apache uses futures contracts, swaps, options and fixed-price physical contracts to hedge its commodity prices. Realized gains or losses from the Company's price risk management activities are recognized in oil and gas production revenues when the associated production occurs.

In 1996, Apache recognized net losses from hedging activities, including both financial and fixed price physical gas contracts, which decreased oil and gas production revenues by approximately \$5.1 million and \$18.7 million, respectively. These losses decreased the Company's average realized oil and natural gas prices in 1996 by \$.26 per barrel and \$.09 per Mcf, respectively.

PRIOR-YEAR COMPARATIVE INFORMATION

Apache reported net income for 1995 of \$20.2 million, or \$.28 per share, compared with \$45.6 million, or \$.65 per share in 1994. The decline was due to lower natural gas realizations and non-recurring charges. Absent one-time after-tax charges for merger costs of \$8.7 million and losses recognized in connection with the decoupling of NYMEX and wellhead prices of \$5.9 million (\$9.3 million before tax), 1995 earnings would have totaled \$.48 per share.

Revenues increased 27 percent in 1995 to \$750.7 million as compared to \$592.6 million in 1994. Crude oil and natural gas production revenue increased 21 percent compared to 1994, with crude oil contributing 48 percent and natural gas contributing 51 percent of total oil and gas production revenues.

Natural gas sales for 1995 of \$330.7 million increased five percent from 1994 as production gains from acquisitions and drilling more than offset the impact of a \$.21 per Mcf decline in the Company's average realized gas price. Acquisitions boosted Apache's 1995 gas production by 92 MMcf/d, while drilling additions outpaced the impact of property divestitures and natural depletion. Apache realized production gains in each of its three operating areas: the United States, Canada and Australia. In addition to production gains from drilling, the Australian sales benefited from new markets for its natural gas. The Company's average realized natural gas price declined 12 percent from 1994, decreasing sales by approximately \$44 million.

Reflecting an increase in both production and prices, oil sales increased 45 percent in 1995 to \$313.2 million. Apache's oil production rose 12.4 Mb/d, or 33 percent, from 1994 as property divestitures and natural depletion partially offset the 17 Mb/d of production added through acquisitions. The Company's average realized oil price increased nine percent in 1995 to \$17.09 per barrel.

Revenues from the sale of natural gas liquids totaled \$9.2 million in 1995, up 13 percent from 1994 due to higher prices and a slight increase in volumes.

During 1995, Apache's gas gathering, processing and marketing revenues more than doubled from 1994 to \$97.2 million. Revenues increased in 1995 with respect to these activities due to increased volumes; however, margins were lower due to the sale of the Company's interest in the Little Knife gas plant as part of Apache's divestiture of Rocky Mountain properties in September 1995.

Other revenues in 1995 of \$.4 million reflects \$4.3 million of settlement income, \$2.2 million in gains from the sale of non-oil and gas assets, \$1.1 million of Canadian royalty credits and \$2.1 million of other income, offset by a \$9.3 million loss from the decoupling of NYMEX futures and wellhead prices.

The Company's DD&A expense for 1995 totaled \$297.5 million compared to \$257.8 million in 1994. On an equivalent barrel basis, full cost DD&A declined six percent to \$5.32 per boe, due to the favorable impact of reserve additions and revisions.

Operating costs totaled \$211.7 million in 1995, an increase of \$62.3 million or 42 percent from 1994. LOE, excluding severance taxes, totaled \$181.1 million, an increase of \$55.8 million from 1994. On an equivalent unit of production basis, LOE for the year ended December 31, 1995, averaged \$3.34 per boe, a

17 percent increase from \$2.85 per boe in 1994. The increase in unit cost reflects the high percentage of oil properties comprising the Texaco acquisition, as oil properties typically have a higher per-unit cost than gas properties.

Administrative, selling and other costs in 1995 decreased \$2.2 million, or six percent, due primarily to the elimination of duplicate administrative functions following the merger of DEKALB into Apache. On an equivalent unit of production basis, general and administrative expenses declined 24 percent from 1994 to \$.67 per boe.

Net financing costs of \$70.6 million were more than double the 1994 amount due to increased debt levels from acquisitions and higher interest rates. Apache's average interest rate increased from 6.3 percent in 1994 to 7.4 percent in 1995 due to higher market rates and Apache's higher debt to total capitalization rate following the acquisition of properties from Texaco.

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, payment of dividends, and capital obligations for affiliated ventures. The Company generally funds its exploration and development activities through internally generated cash flows. Apache budgets its capital expenditures based upon projected cash flows and routinely adjusts its capital expenditures in response to changes in oil and natural gas prices and corresponding changes in cash flow. The Company is not in a position to predict future product prices.

Capital Expenditures -- A summary of oil and gas capital expenditures over the last three years is presented below:

	1996	1995	1994
	-----	-----	-----
	(IN THOUSANDS)		
Exploration and Development:			
United States.....	\$302,494	\$216,430	\$270,588
Canada.....	58,768	27,788	41,595
Egypt.....	63,597	11,852	1,226
Australia.....	46,838	32,373	16,493
Other International.....	21,998	23,725	14,223
	-----	-----	-----
Total.....	\$493,695	\$312,168	\$344,125
	=====	=====	=====
Acquisitions of Oil and Gas Properties...	\$446,205	\$820,918	\$180,742
	=====	=====	=====

Expenditures for exploration and development totaled \$493.7 million in 1996 compared to \$312.2 million in 1995. Apache's drilling program in 1996 added 98 MMboe of reserves (including revisions), replacing 179 percent of production. In the United States, Apache completed 229 gross wells as producers out of 293 gross wells drilled during the year, compared with 138 gross producers out of 174 gross wells drilled in 1995. In Canada, Apache completed 50 gross wells as producers out of 77 gross wells drilled during the year, compared with 30 gross producers out of 48 gross wells drilled in 1995.

Internationally, the Company completed 24 gross producers of 36 gross wells drilled in 1996, compared to 12 gross producers out of 26 gross wells in 1995. The international wells drilled in 1996 included 19 successful wells in Egypt and five successful wells in Australia.

United States and Canadian expenditures for exploration and development in 1997 operations, are expected to exceed the 1996 expenditures by approximately \$60 million. The Company expects its other international exploration and development expenditures in 1997, exclusive of facilities, to total approximately \$220 million.

Acquisition costs of oil and gas properties, including the value assigned to shares issued and issuable and liabilities assumed in the Phoenix merger, totaled \$446.2 million in 1996 compared to \$820.9 million in 1995.

Property acquired in the Phoenix merger totaled \$386.2 million of which \$331.2 million related to oil and gas properties and \$55.0 million to facilities. Apache also acquired \$115.0 million of other oil and gas properties during 1996, primarily representing tactical acquisitions of properties in the Company's existing focus areas, including the purchase of certain oil and gas properties from Hall-Houston for \$46 million in cash. Funds for the acquisitions were obtained principally from borrowings under the Company's revolving bank credit facilities.

Cash expenditures for acquisitions of oil and gas properties during 1995 totaled \$820.9 million as the Company added 156 MMboe of oil and gas reserves through purchases. The most significant of the 59 transactions Apache completed during 1995 were the Company's acquisitions of properties from Texaco and Aquila.

On March 1, 1995, Apache purchased certain United States oil and gas properties from Texaco for approximately \$567 million in cash, subject to adjustment. Funds for the Texaco transaction were obtained from several sources, including increased borrowing capacity under the Company's revolving bank credit facility and proceeds of Apache's \$172.5 million 6 percent Convertible Subordinated Debentures due 2002 (6 percent debentures), which were issued on January 4, 1995.

In September 1995, Apache acquired the Aquila Assets for approximately \$210 million. The oil and gas properties included approximately 107,000 developed and 49,000 undeveloped net acres located primarily in Apache's Anadarko Basin and Gulf of Mexico core areas. Also included in the transaction was the purchase of a five-year, four-month premium-price gas contract and interests in four gas processing plants.

Cash expenditures for 1994 acquisitions, excluding AERC, totaled \$180.7 million. The most significant acquisition that Apache closed during 1994 was the purchase of substantially all of the United States oil and gas properties of Crystal Oil Company for \$95.8 million. Apache also acquired approximately \$84.9 million of other oil and gas properties through a number of separate transactions during 1994. Funds for the 1994 acquisitions were obtained principally from borrowings under the Company's revolving bank credit facility.

Debt and Interest Commitments -- At December 31, 1996, Apache had outstanding debt of \$376.5 million under its global credit facility and an aggregate of \$861.2 million of other debt, comprised principally of notes and debentures maturing in the years 1997 through 2096. Debt outstanding at December 31, 1996 of \$1.2 billion was up 15 percent over the \$1.1 billion outstanding at December 31, 1995. The increase reflects the Phoenix Merger and other 1996 property acquisitions. Although debt increased, the Company's debt-to-capitalization ratio decreased from 49.6 percent at December 31, 1995 to 44.9 percent at December 31, 1996.

During 1996, the Company significantly extended maturity dates of its long-term debt with long-term offerings and reduced outstanding balances of its shorter-term, variable-rate debt. In February, Apache issued \$100 million principal amount of 7.7 percent notes due 2026. In April, \$180 million principal amount of 7.95 percent notes due 2026 was issued and, in November, Apache completed the issuance of 7.625 percent debentures due 2096 for a principal amount of \$150 million. Interest payments on the Company's outstanding debt obligations during 1997 are projected (using weighted average balances for floating rate obligations) to be approximately \$99.5 million, while scheduled principal payments for 1997 total \$77 million. However, the \$75 million principal amount of 3.93 percent convertible notes due in November 1997 is not reflected as current maturities in the Company's consolidated balance sheet, as such notes are expected to be refinanced with long-term debt if not converted into Apache common stock.

Dividend Payments -- Dividends paid during 1996 totaled \$23.4 million, up 24 percent from 1995, primarily due to the issuance of 12.2 million shares of Apache common stock in connection with the May 1996 acquisition of Phoenix. The Company has paid cash dividends on its common stock for 120 consecutive quarters through December 31, 1996, and expects to continue payment of dividends at current levels, although future dividend payments will depend on the Company's level of earnings, financial requirements and other relevant factors.

CAPITAL RESOURCES AND LIQUIDITY

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 -- Apache's net cash provided by operating activities during 1996 totaled \$490.5 million, an increase of 48 percent from the \$332.1 million provided in 1995. This increase was due primarily to higher product prices during 1996. Net cash provided by operating activities in 1995 was down \$25.6 million from 1994 primarily due to the prior-year amounts including a \$67.4 million advance of future gas deliveries.

Long-Term Borrowings -- During February 1996, Apache completed the issuance of \$100 million principal amount, \$99.6 million after discount, of senior unsecured 7.7 percent notes due March 15, 2026. In April 1996, the Company issued \$180 million principal amount, \$178.5 million net of discount, of senior unsecured 7.95 percent notes due on April 15, 2026. In November 1996, Apache completed the issuance of \$150 million, \$149.2 million after discount, of senior unsecured 7.625 percent debentures due November 1, 2096. The proceeds from these issuances were used to repay a portion of the Company's revolving bank credit facility and for general corporate purposes.

The offerings of the two 30-year notes and the 100-year debentures were placed during periods when 30-year interest rates on Treasury bonds were near historic 20-year lows. Further, the 100-year debentures were issued following recent upgrades of the Company's long-term debt ratings which resulted in a significant narrowing in the spread over the Treasury bond yields. In addition to the benefits of securing longer-term financing at favorable interest rates and reducing Apache's exposure to future adverse interest rate fluctuations, the issuance of the 30-year notes improved the Company's liquidity as the borrowing base under the Company's global credit facility was reduced by an amount less than the net proceeds received from issuing the notes.

On October 31, 1996, Apache replaced its existing \$1 billion revolving bank credit facility with a global credit facility that provides Apache with greater borrowing availability, increased tax efficiency and a lower cost of bank debt. Consisting of three separate bank facilities tied together by an intercreditor agreement, the new global credit facility adds Apache's oil and gas reserve values in Australia and Canada to those in the United States in determining the Company's borrowing capacity. The facilities consist of \$125 million of credit commitments each in Australia and Canada, and a \$750 million credit commitment in the United States. In connection with securing the global credit facility, the Company repaid certain of its subsidiary debt, including DEKALB's 10 percent notes, the Apache Canada Ltd. facility (the Bank of Montreal facility) and the AEL acceptance facility, all of which had higher interest rates than those under the global credit facility. As of December 31, 1996, Apache's borrowing base under the global credit facility was \$947 million, of which defined borrowing base debt was \$733 million, leaving \$214 million available for additional borrowings.

During September 1996, Moody's Investor's Service upgraded the Company's senior long-term debt rating from Baa3 to Baa1. Historically, such a two-notch rating improvement for an existing investment grade company is uncommon. In addition, Apache's subordinated debt rating was raised three levels, to Baa2 from Ba2. According to Moody's, the upgrade was the result of several recent developments, including the Company's lower debt-to-equity ratio, higher earnings and cash flow, lower interest expense, successful expansion in Egypt and Western Australia, and a shift in the Company's strategy toward growing reserves and production primarily through drilling. Also in September 1996, Standard & Poor's revised its outlook to "positive" from "stable" on Apache's long-term debt. Standard & Poor's subsequently upgraded the Company's senior long-term debt from BBB to BBB+ and subordinated debt from BBB- to BBB in January 1997.

In October 1996, Duff & Phelps Credit Rating Co. upgraded the Company's senior long-term debt from BBB+ to A-, its 6 percent subordinated debentures from BBB to BBB+, and its commercial paper from D-2 to D-1-(D-One-Minus).

In January 1997, the Company established a \$300 million commercial paper program. The program allows Apache to borrow funds for up to 270 days at attractive interest rates. The commercial paper program is supported by availability under the \$750 million United States portion of the global credit facility.

Stock Transactions -- On May 20, 1996, Apache acquired Phoenix. Pursuant to the Merger Agreement, each share of Phoenix common stock then outstanding, and outstanding Phoenix stock options (which were assumed by Apache) were converted into the right to receive (a) .75 shares of Apache common stock with any fractional shares paid in cash, without interest, and (b) \$4.00 in cash. As a result, 12.2 million shares of Apache common stock, valued at \$26.00 per share, were issued in exchange for outstanding Phoenix stock with an additional .8 million shares issuable under options assumed.

On September 27, 1995, Apache closed an equity offering of 7.45 million shares of Apache common stock. Net proceeds of approximately \$195.5 million were used to repay existing indebtedness under the Company's revolving bank credit facility, to finance the Aquila transaction and for general corporate purposes.

Asset Sales -- During 1996, Apache received \$30.1 million from the sale of non-strategic oil and gas properties in a number of separate transactions. In early 1995, Apache announced plans to accelerate the disposition of lower-margin and non-strategic properties, including the sale of a substantial portion of its Rocky Mountain properties. During 1995, Apache received \$271.9 million from the sale of such properties, utilizing the proceeds to reduce bank debt. Apache received \$19.5 million from the sale of non-strategic oil and gas properties during 1994.

Liquidity -- The Company had \$13.2 million in cash and cash equivalents on hand at December 31, 1996, down slightly from the \$13.6 million at December 31, 1995. Apache's ratio of current assets to current liabilities decreased slightly from .90:1 at December 31, 1995, to .87:1 at December 31, 1996.

Management believes that cash on hand, net cash generated from operations and unused committed borrowing capacity under its global credit facility will be adequate to satisfy the Company's financial obligations to meet future liquidity needs for at least the next two fiscal years.

FUTURE TRENDS

Apache's growth strategy is to increase oil and gas reserves, production, and cash flow through a combination of exploratory drilling, development of its inventory of existing projects and, principally in North America, tactical acquisitions meeting defined financial parameters. The Company's drilling program emphasizes reserve additions through exploratory drilling primarily on its international interests, and moderate-risk drilling primarily on its North American interests. The Company also emphasizes reducing operating costs per unit produced and selling marginal and non-strategic properties in order to increase its profit margins.

Apache's international investments and exploration activities are an important component of its long-term growth strategy. Although international exploration is recognized as higher-risk than most of Apache's U.S. and Canadian activities, it offers potential for greater rewards and significant reserve additions. Apache directed its international efforts in 1996 toward development of certain discoveries offshore Western Australia and in Egypt, and toward further exploration efforts on its concessions in Egypt, offshore The People's Republic of China, in Indonesia and offshore the Ivory Coast of western Africa. Apache believes that reserve additions in these international areas may be made through higher-risk exploration and through improved production practices and recovery techniques.

For Apache, property acquisition is only one phase in a continuing cycle of business growth. Apache's aim is to follow each acquisition with a cycle of reserve enhancement, property consolidation and cash flow acceleration, facilitating asset growth and debt reduction. This approach requires a well-planned and carefully executed property development program and, where appropriate, a selective program of 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; as a result, the Company operates properties accounting for over 75 percent of its production.

In 1997, Apache expects North American exploration and development outlays to increase from 1996 levels as the Company focuses on increasing reserves, production and cash flow through exploratory drilling and development of its existing inventory. Internationally, the Company projects capital expenditures to nearly double from 1996 as Apache continues to exploit its concessions in Egypt, Western Australia, China and Indonesia. Proposed exploration and development expenditures in 1997 will be reviewed at least every quarter in light of fluctuating product prices and Apache's objective to fund operations through internally generated cash flow.

On October 31, 1996, subject to shareholder approval, Apache's Board of Directors adopted the 1996 Share Price Appreciation Plan for officers and certain key employees. The plan provides for awards denominated in shares of Apache common stock to become payable upon attainment of share price goals of \$50 and \$60 per share, respectively, before January 1, 2000. Between 30 and 50 percent of the number of shares awarded will be paid in cash at the market value of the stock on the date of payments, and the balance (up to a total of 2,000,000 shares in the aggregate) will be issued in Apache common stock. Generally, any payments will be made in three installments over 36 months. When and if payments are made, the Company will recognize compensation expense over the 36 month vesting period equal to the value of the stock issued on the date the share price goal is attained (i.e., \$50 or \$60, as appropriate) and the actual amount of cash paid.

PRIVATE SECURITIES LITIGATION REFORM ACT DISCLOSURE

Certain forward-looking information contained in this report is being provided in reliance upon the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, as set forth in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such information includes, without limitation, discussions as to estimates, expectations, beliefs, plans and objectives concerning the Company's future financial and operating performance. Such forward-looking information is subject to assumptions and beliefs based on current information known to the Company and factors that could yield actual results differing materially from those anticipated. Such factors include, without limitation, the prices received for the Company's oil and natural gas production, the costs of acquiring, finding, developing and producing reserves, the rates of production of the Company's hydrocarbon reserves, the Company's success in acquiring or finding additional reserves, unforeseen operational hazards, significant changes in tax or regulatory environments, and the political and economic uncertainties of foreign 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-32 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," "Information About Continuing Directors," "Executive Officers of the Company," and "Voting Securities and Principal Holders" in the Company's proxy statement relating to Apache's 1997 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," "Option/SAR Exercises and Year-End Value Table," "Long-Term Incentive Plans -- Awards in Last Fiscal Year," "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 "Certain Business Relationships and Transactions" 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

Report of independent public accountants.....	F-1
Auditors' report.....	F-2
Report of management.....	F-3
Statement of consolidated income for each of the three years in the period ended December 31, 1996.....	F-4
Statement of consolidated cash flows for each of the three years in the period ended December 31, 1996.....	F-5
Consolidated balance sheet as of December 31, 1996 and 1995.....	F-6
Statement of consolidated shareholders' equity for each of the three years in the period ended December 31, 1996.....	F-7
Notes to consolidated financial statements.....	F-8
Supplemental oil and gas disclosures.....	F-26
Supplemental quarterly financial data.....	F-32

2. Financial Statement Schedules

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

3. Exhibits

EXHIBIT NO.	DESCRIPTION
2.1	-- Stock Purchase Agreement, dated July 1, 1991, between 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, SEC File No. 1-4300).
2.2	-- Form of Acquisition Agreement between Registrant, 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 September 29, 1993).
2.3	-- Purchase and Sale Agreement by and between Texaco Exploration and Production Inc., as seller, and Registrant, as buyer, dated December 22, 1994 (incorporated by reference to Exhibit 99.3 to Registrant's Current Report on Form 8-K, dated November 29, 1994, SEC File No. 1-4300).
2.4	-- Amended and Restated Agreement and Plan of Merger among Registrant, XPX Acquisitions, Inc. and DEKALB Energy Company, dated December 21, 1994 (incorporated by reference to Exhibit 2.1 to Amendment No. 3 to Registrant's Registration Statement on Form S-4, Registration No. 33-57321, filed April 14, 1995).
2.5	-- Agreement and Plan of Merger among Registrant, YPY Acquisitions, Inc. and The Phoenix Resource Companies, Inc., dated March 27, 1996 (incorporated by reference to Exhibit 2.1 to Registrant's Registration Statement on Form S-4, Registration No. 333-02305, filed April 5, 1996).
3.1	-- Restated Certificate of Incorporation of Registrant, dated December 1, 1993, as filed with the Secretary of State of Delaware on December 16, 1993 (incorporated by reference to Exhibit 3.1 to Registrant's Annual Report on Form 10-K for year ended December 31, 1993, SEC File No. 1-4300).
3.2	-- Certificate of Ownership and Merger Merging Apache Energy Resources Corporation into Registrant, effective December 31, 1995, as filed with the Secretary of State of Delaware on December 21, 1995 (incorporated by reference to Exhibit 3.2 to Registrant's Annual Report on Form 10-K for year ended December 31, 1995, SEC File No. 1-4300).
3.3	-- Certificate of Designations, Preferences and Rights of Series A Junior Participating Preferred Stock of Registrant, effective January 31, 1996, as filed with the Secretary of State of Delaware on January 22, 1996 (incorporated by reference to Exhibit 3.3 to Registrant's Annual Report on Form 10-K for year ended December 31, 1995, SEC File No. 1-4300).
3.4	-- Bylaws of Registrant, as amended July 11, 1996, effective May 2, 1996 (incorporated by reference to Exhibit 3.1 to Amendment No. 1 on Form 8-K/A to Registrant's Current Report on Form 8-K, dated May 20, 1996, SEC File No. 1-4300).
4.1	-- Form of Registrant's common stock certificate (incorporated by reference to Exhibit 4.1 to Registrant's Annual Report on Form 10-K for year ended December 31, 1995, SEC File No. 1-4300).
4.2	-- Rights Agreement, dated January 31, 1996, between Registrant and Norwest Bank Minnesota, N.A., rights agent, relating to the declaration of a rights dividend to Registrant's common shareholders of record on January 31, 1996 (incorporated by reference to Exhibit (a) to Registrant's Registration Statement on Form 8-A, dated January 24, 1996, SEC File No. 1-4300).

EXHIBIT NO.

DESCRIPTION

- 10.1 -- Third Amended and Restated Credit Agreement, dated March 1, 1995, among Registrant, the lenders named therein, and The First National Bank of Chicago, as Administrative Agent and Arranger, and Chemical Bank, as Co-Agent and Arranger (incorporated by reference to Exhibit 10.2 to Registrant's Annual Report on Form 10-K for year ended December 31, 1994, SEC File No. 1-4300).
- 10.2 -- First Amendment to Third Amended and Restated Credit Agreement, dated April 14, 1995, among Registrant, the lenders named therein, and The First National Bank of Chicago, as Administrative Agent and Arranger, and Chemical Bank, as Co-Agent and Arranger (incorporated by reference to Exhibit 99.3 to Registrant's Registration Statement on Form S-3, Registration No. 33-63923, filed November 2, 1995).
- 10.3 -- Second Amendment to Third Amended and Restated Credit Agreement, dated October 23, 1995, among Registrant, the lenders named therein, and The First National Bank of Chicago, as Administrative Agent and Arranger, and Chemical Bank, as Co-Agent and Arranger (incorporated by reference to Exhibit 99.4 to Registrant's Registration Statement on Form S-3, Registration No. 33-63923, filed November 2, 1995).
- 10.4 -- Third Amendment to Third Amended and Restated Credit Agreement, dated December 18, 1995, among Registrant, the lenders named therein, and The First National Bank of Chicago, as Administrative Agent and Arranger, and Chemical Bank, as Co-Agent and Arranger (incorporated by reference to Exhibit 10.5 to Registrant's Annual Report on Form 10-K for year ended December 31, 1995, SEC File No. 1-4300).
- 10.5 -- Fourth Amendment to Third Amended and Restated Credit Agreement, dated December 22, 1995, among Registrant, the lenders named therein, and The First National Bank of Chicago, as Administrative Agent and Arranger, and Chemical Bank, as Co-Agent and Arranger (incorporated by reference to Exhibit 10.6 to Registrant's Annual Report on Form 10-K for year ended December 31, 1995, SEC File No. 1-4300).
- 10.6 -- Fifth Amendment to Third Amended and Restated Credit Agreement, dated January 22, 1996, among Registrant, the lenders named therein, and The First National Bank of Chicago, as Administrative Agent and Arranger, and Chemical Bank, as Co-Agent and Arranger (incorporated by reference to Exhibit 10.7 to Registrant's Annual Report on Form 10-K for year ended December 31, 1995, SEC File No. 1-4300).
- 10.7 -- Sixth Amendment to Third Amended and Restated Credit Agreement, dated April 18, 1996, among Registrant, the lenders named therein, and The First National Bank of Chicago, as Administrative Agent and Arranger, and Chemical Bank, as Co-Agent and Arranger (incorporated by reference to Exhibit 99.1 to Registrant's Current Report on Form 8-K, dated April 22, 1996, SEC File No. 1-4300).
- 10.8 -- Seventh Amendment to Third Amended and Restated Credit Agreement, dated May 8, 1996, among Registrant, the lenders named therein, and The First National Bank of Chicago, as Administrative Agent and Arranger, and Chemical Bank, as Co-Agent and Arranger (incorporated by reference to Exhibit 99.3 to Amendment No. 1 on Form 8-K/A to Registrant's Current Report on Form 8-K, dated May 20, 1996, SEC File No. 1-4300).

EXHIBIT NO.

DESCRIPTION

- 10.9 -- Fourth Amended and Restated Credit Agreement, dated October 31, 1996, among Registrant, the lenders named therein, and The First National Bank of Chicago, as Global Administrative Agent, The Chase Manhattan Bank, as Co-Agent, First Chicago Capital Markets, Inc., as Arranger, and Chase Securities Inc., as Arranger (incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K, dated October 31, 1996, SEC File No. 1-4300).
- 10.10 -- Credit Agreement dated October 31, 1996, among Apache Canada Ltd., a wholly-owned subsidiary of Registrant, the lenders named therein, and Bank of Montreal, as Canadian Administrative Agent, The First National Bank of Chicago, as Global Administrative Agent, First Chicago Capital Markets, Inc., as Arranger, and Chase Securities Inc., as Arranger (incorporated by reference to Exhibit 10.2 to Registrant's Current Report on Form 8-K, dated October 31, 1996, SEC File No. 1-4300).
- 10.11 -- Credit Agreement dated October 31, 1996, among Apache Energy Limited and Apache Oil Australia Pty. Limited, wholly-owned subsidiaries of Registrant, the lenders named therein, and Chase Securities Australia Limited, as Australian Administrative Agent, The First National Bank of Chicago, as Global Administrative Agent, First Chicago Capital Markets, Inc., as Arranger, and Chase Securities Inc., as Arranger (incorporated by reference to Exhibit 10.3 to Registrant's Current Report on Form 8-K, dated October 31, 1996, SEC File No. 1-4300).
- 10.12 -- Fiscal Agency Agreement, dated January 4, 1995, between Registrant and Chemical Bank, as fiscal agent, relating to Registrant's 6% Convertible Subordinated Debentures due 2002 (incorporated by reference to Exhibit 99.2 to Registrant's Current Report on Form 8-K, dated December 6, 1994, SEC File No. 1-4300).
- 10.13 -- Concession Agreement for Petroleum Exploration and Exploitation in Khalda Area in Western Desert of Egypt by and among Arab Republic of Egypt, the Egyptian General Petroleum Corporation and Phoenix Resources Company of Egypt, dated April 6, 1981 (incorporated by reference to Exhibit 19(g) to Phoenix's Annual Report on Form 10-K for year ended December 31, 1984, SEC File No. 1-547).
- 10.14 -- Amendment, dated July 10, 1989, to Concession Agreement for Petroleum Exploration and Exploitation in Khalda Area in Western Desert of Egypt by and among Arab Republic of Egypt, the Egyptian General Petroleum Corporation and Phoenix Resources Company of Egypt (incorporated by reference to Exhibit 10(d)(4) to Phoenix's Quarterly Report on Form 10-Q for quarter ended June 30, 1989, SEC File No. 1-547).
- 10.15 -- Farmout Agreement, dated September 13, 1985 and relating to Khalda Area Concession, by and between Phoenix Resources Company of Egypt and Conoco Khalda Inc. (incorporated by reference to Exhibit 10.1 to Phoenix's Registration Statement on Form S-1, Registration No. 33-1069, filed October 23, 1985).
- 10.16 -- Amendment, dated March 30, 1989, to Farmout Agreement relating to Khalda Area Concession, by and between Phoenix Resources Company of Egypt and Conoco Khalda Inc. (incorporated by reference to Exhibit 10(d)(5) to Phoenix's Quarterly Report on Form 10-Q for quarter ended June 30, 1989, SEC File No. 1-547).

EXHIBIT NO. -----	DESCRIPTION -----
10.17	-- Concession Agreement for Petroleum Exploration and Exploitation in the Qarun Area in Western Desert of Egypt, between Arab Republic of Egypt, the Egyptian General Petroleum Corporation, Phoenix Resources Company of Qarun and Apache Oil Egypt, Inc., dated May 17, 1993, (incorporated by reference to Exhibit 10(b) to Phoenix's Annual Report on Form 10-K for year ended December 31, 1993, SEC File No. 1-547).
*10.18	-- Agreement for Amending the Gas Pricing Provisions under the Concession Agreement for Petroleum Exploration and Exploitation in the Qarun Area, effective June 16, 1994.
+10.19	-- 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 year ended December 31, 1990, SEC File No. 1-4300).
+10.20	-- 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 year ended December 31, 1990, SEC File No. 1-4300).
+10.21	-- First Amendment to Apache Corporation Corporate Administrative Group Incentive Plan, effective January 1, 1990 (incorporated by reference to Exhibit 10.14 to Registrant's Annual Report on Form 10-K for year ended December 31, 1993, SEC File No. 1-4300).
+10.22	-- Apache Corporation Retirement/401(k) Savings Plan, dated December 22, 1994, effective January 1, 1995 (incorporated by reference to Exhibit 10.7 to Registrant's Annual Report on Form 10-K for year ended December 31, 1994, SEC File No 1-4300).
+10.23	-- Amendments to the Apache Corporation Retirement/401(k) Savings Plan (Appendices D and E), each dated April 19, 1995 (incorporated by reference to Exhibit 4.6 to Registrant's Registration Statement on Form S-8, Registration No. 33-63817, filed October 31, 1995).
+10.24	-- Amendments to the Apache Corporation Retirement/401(k) Savings Plan (Appendices A and F), effective May 4, 1995 and May 17, 1995 (incorporated by reference to Exhibit 10.14 to Registrant's Annual Report on Form 10-K for year ended December 31, 1995, SEC File No. 1-4300).
+*10.25	-- Amendments to the Apache Corporation Retirement/401(k) Savings Plan (Appendices G and H), dated July 25, 1996, effective January 1, 1996.
+*10.26	-- Non-Qualified Retirement/Savings Plan of Apache Corporation, as restated January 1, 1997.
+10.27	-- 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 year ended December 31, 1989, SEC File No. 1-4300).
+10.28	-- 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 year ended December 31, 1990, SEC File No. 1-4300).
+10.29	-- Apache Corporation 1990 Stock Incentive Plan, as amended and restated February 9, 1996 (incorporated by reference to Exhibit 10.19 to Registrant's Annual Report on Form 10-K for year ended December 31, 1995, SEC File No. 1-4300).

EXHIBIT NO. -----	DESCRIPTION -----
+10.30	-- Apache Corporation 1995 Stock Option Plan, as amended and restated February 9, 1996 (incorporated by reference to Exhibit 10.20 to Registrant's Annual Report on Form 10-K for year ended December 31, 1995, SEC File No. 1-4300).
+10.31	-- Apache Corporation 1996 Share Price Appreciation Plan, as amended and restated January 14, 1997 (incorporated by reference to Appendix A to Registrant's definitive 14A Proxy Statement, SEC File No. 1-4300, filed March 28, 1997).
+*10.32	-- Apache Corporation 1996 Performance Stock Option Plan, as amended and restated January 14, 1997.
+*10.33	-- 1990 Employee Stock Option Plan of The Phoenix Resource Companies, Inc., as amended through September 29, 1995, effective April 9, 1990.
+*10.34	-- 1990 Nonemployee Director Stock Option Plan of The Phoenix Resource Companies, Inc., as amended through September 29, 1995, effective April 9, 1990.
+10.35	-- Apache Corporation Income Continuance Plan, as amended and restated February 24, 1988 (incorporated by reference to Exhibit 10.19 to Registrant's Annual Report on Form 10-K for year ended December 31, 1990, SEC File No. 1-4300).
+10.36	-- Apache Corporation Directors' Deferred Compensation Plan, as amended and restated September 14, 1994 (incorporated by reference to Exhibit 10.15 to Registrant's Annual Report on Form 10-K for year ended December 31, 1994, SEC File No. 1-4300).
+10.37	-- 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 year ended December 31, 1992, SEC File No. 1-4300).
+10.38	-- Apache Corporation Equity Compensation Plan for Non-Employee Directors, adopted February 9, 1994, and form of Restricted Stock Award Agreement (incorporated by reference to Exhibit 10.26 to Registrant's Annual Report on Form 10-K for year ended December 31, 1993, SEC File No. 1-4300).
+*10.39	-- Amended and Restated Employment Agreement, dated December 5, 1990, between Registrant and Raymond Plank.
+*10.40	-- First Amendment, dated April 4, 1996, to Restated Employment Agreement between Registrant and Raymond Plank.
+10.41	-- Amended and Restated Employment Agreement, dated December 20, 1990, between Registrant and John A. Kocur (incorporated by reference to Exhibit 10.10 to Registrant's Annual Report on Form 10-K for year ended December 31, 1990, SEC File No. 1-4300).
+10.42	-- Employment Agreement, dated June 6, 1988, between Registrant and G. Steven Farris (incorporated by reference to Exhibit 10.6 to Registrant's Annual Report on Form 10-K for year ended December 31, 1989, SEC File No. 1-4300).
10.43	-- Member Gas Purchase Agreement, dated March 1, 1996, by and among Apache Gathering Company, Apache Corporation, MW Petroleum Corporation, DEK Energy Company, Apache Transmission Corporation-Texas and Apache Marketing, Inc., as Seller, and Producers Energy Marketing, LLC, as Buyer (incorporated by reference to Exhibit 10.28 to Registrant's Annual Report on Form 10-K for year ended December 31, 1995, SEC File No. 1-4300).

EXHIBIT NO. -----	DESCRIPTION -----
*11.1	-- Statement regarding computation of earnings per share of Registrant's common stock for the year ended December 31, 1996.
*21.1	-- Subsidiaries of Registrant
*23.1	-- Consent of Arthur Andersen LLP
*23.2	-- Consent of Coopers & Lybrand, Chartered Accountants
*23.3	-- Consent of Ryder Scott Company Petroleum Engineers
*23.4	-- Consent of Netherland, Sewell & Associates, Inc.
*24.1	-- Power of Attorney (included as a part of the signature pages to this report)
*27.1	-- Financial Data Schedule

* 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

The following reports on Form 8-K were filed by Apache during the fiscal quarter ended December 31, 1996:

October 31, 1996 -- Item 5. Other Events -- Apache amended and restated its main revolving credit facility on October 31, 1996, to provide for a new global credit facility consisting of three principal agreements, with an aggregate credit commitment, subject to borrowing base availability, of \$1 billion. The global credit facility adds Apache's oil and gas reserve values in Canada and Australia to those in the United States in determining Apache's global borrowing base. Also, on October 25, 1996, Apache announced a purchase/sale program for odd-lot shareholders.

October 31, 1996 -- Item 5. Other Events -- Offering to the public of \$150 million principal amount of Apache's 7.625% Debentures due 2096, issuable under an indenture, dated February 15, 1996 and supplemented November 5, 1996, and registered pursuant to Apache's Registration Statement on Form S-3 (File No. 333-12669).

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

Dated: March 28, 1977

By /s/ RAYMOND PLANK

RAYMOND PLANK
CHAIRMAN AND CHIEF EXECUTIVE
OFFICER

POWER OF ATTORNEY

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

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES EXCHANGE ACT OF 1934, THIS REPORT HAS BEEN SIGNED BELOW BY THE FOLLOWING PERSONS ON BEHALF OF THE REGISTRANT AND IN THE CAPACITIES AND ON THE DATES INDICATED.

NAME	TITLE	DATE
/s/ RAYMOND PLANK ----- RAYMOND PLANK	Chairman and Chief Executive Officer (Principal Executive Officer)	March 28, 1997
/s/ MARK A. JACKSON ----- MARK A. JACKSON	Vice President and Chief Financial Officer (Principal Financial Officer)	March 28, 1997
/s/ THOMAS L. MITCHELL ----- THOMAS L. MITCHELL	Controller and Chief Accounting Officer (Principal Accounting Officer)	March 28, 1997

NAME	TITLE	DATE
/s/ FREDERICK M. BOHEN ----- FREDERICK M. BOHEN	Director	March 28, 1997
/s/ VIRGIL B. DAY ----- VIRGIL B. DAY	Director	March 28, 1997
/s/ G. STEVEN FARRIS ----- G. STEVEN FARRIS	Director	March 28, 1997
/s/ RANDOLPH M. FERLIC ----- RANDOLPH M. FERLIC	Director	March 28, 1997
/s/ EUGENE C. FIEDOREK ----- EUGENE C. FIEDOREK	Director	March 28, 1997
/s/ W. BROOKS FIELDS ----- W. BROOKS FIELDS	Director	March 28, 1997
/s/ ROBERT V. GISSELBECK ----- ROBERT V. GISSELBECK	Director	March 28, 1997
/s/ STANLEY K. HATHAWAY ----- STANLEY K. HATHAWAY	Director	March 28, 1997
/s/ JOHN A. KOCUR ----- JOHN A. KOCUR	Director	March 28, 1997
/s/ GEORGE D. LAWRENCE JR. ----- GEORGE D. LAWRENCE JR.	Director	March 28, 1997
/s/ MARY RALPH LOWE ----- MARY RALPH LOWE	Director	March 28, 1997
/s/ JOSEPH A. RICE ----- JOSEPH A. RICE	Director	March 28, 1997

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, 1996 and 1995, and the related statements of consolidated income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of DEKALB Energy Company, a company acquired during 1995 in a transaction accounted for as a pooling of interests, for the year ended December 31, 1994, as discussed in Note 2. Such financial statements are included in the consolidated financial statements of Apache Corporation and Subsidiaries and reflect total revenues of eight percent of the related consolidated total for the year ended December 31, 1994, after restatement to reflect certain adjustments as set forth in Note 2. The financial statements of DEKALB Energy Company, prior to those adjustments, were audited by other auditors whose report has been furnished to us and our opinion, insofar as it relates to 1994 amounts included for DEKALB Energy Company, is based solely upon the report of the other auditors.

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, and the report of other auditors, provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, 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, 1996 and 1995, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1996, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Houston, Texas
February 28, 1997

AUDITORS' REPORT

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF DEKALB ENERGY COMPANY:

We have audited the consolidated balance sheet of DEKALB Energy Company as at December 31, 1994 and the consolidated statements of operations, shareholders' equity and cash flows for the year ended December 31, 1994. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance 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.

In our opinion, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of DEKALB Energy Company as at December 31, 1994 and the consolidated results of its operations and its cash flows for the year ended December 31, 1994, in accordance with United States generally accepted accounting principles.

*/s/ COOPERS & LYBRAND
Coopers & Lybrand*

*Calgary, Alberta
February 13, 1995*

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 financial statements of Apache Corporation and Subsidiaries, except for DEKALB Energy Company prior to 1995, have been audited by Arthur Andersen LLP, independent public accountants. The financial statements of DEKALB Energy Company and its subsidiaries for 1994 were audited by Coopers & Lybrand. Their audits included developing an overall understanding of each Company's accounting systems, procedures and internal controls and conducting tests and other auditing procedures sufficient to support their opinions on the fairness of the respective consolidated financial statements.

The Apache Corporation Board of Directors exercises its oversight responsibility for the financial statements through its Audit Committee, composed solely of directors who are not current or former employees of 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 Financial Officer

Thomas L. Mitchell
Controller and Chief Accounting Officer

APACHE CORPORATION AND SUBSIDIARIES

STATEMENT OF CONSOLIDATED INCOME

	FOR THE YEAR ENDED DECEMBER 31,		
	1996	1995	1994
	(IN THOUSANDS, EXCEPT PER COMMON SHARE DATA)		
REVENUES:			
Oil and gas production revenues.....	\$ 833,164	\$ 653,144	\$ 538,389
Gathering, processing and marketing revenues.....	142,868	97,207	44,287
Equity in income (loss) of affiliates.....	(281)	--	459
Other revenues.....	1,400	351	9,491
	977,151	750,702	592,626
OPERATING EXPENSES:			
Depreciation, depletion and amortization.....	315,144	297,485	257,821
Impairments.....	--	--	7,300
Operating costs.....	225,527	211,742	149,474
Gathering, processing and marketing costs.....	138,768	91,243	37,866
Administrative, selling and other.....	35,911	36,552	38,729
Merger costs.....	--	9,977	--
Financing costs:			
Interest expense.....	89,829	88,057	37,838
Amortization of deferred loan costs.....	5,118	4,665	3,987
Capitalized interest.....	(30,712)	(19,041)	(6,034)
Interest income.....	(2,629)	(3,121)	(1,048)
	776,956	717,559	525,933
INCOME BEFORE INCOME TAXES.....	200,195	33,143	66,693
Provision for income taxes.....	78,768	12,936	21,110
NET INCOME.....	\$ 121,427	\$ 20,207	\$ 45,583
NET INCOME PER COMMON SHARE.....	\$ 1.42	\$.28	\$.65
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING.....	85,777	71,792	69,715

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

APACHE CORPORATION AND SUBSIDIARIES

STATEMENT OF CONSOLIDATED CASH FLOWS

	FOR THE YEAR ENDED DECEMBER 31,		
	1996	1995	1994
	(IN THOUSANDS)		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income.....	\$ 121,427	\$ 20,207	\$ 45,583
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, depletion and amortization.....	315,144	297,485	257,821
Impairments.....	--	--	7,300
Amortization of deferred loan costs.....	5,118	4,665	3,987
Provision for deferred income taxes.....	61,336	29,382	24,385
Other deferred credits.....	--	4,584	--
Other.....	--	--	46
Cash distributions less than earnings of affiliates.....	(163)	--	(459)
Gain on sale of stock held for investment and other.....	(770)	(906)	(2,108)
Changes in operating assets and liabilities, net of effects of acquisitions:			
Increase in receivables.....	(55,645)	(64,399)	(12,128)
(Increase) decrease in advances to oil and gas ventures and other.....	5,737	(189)	(2,281)
Increase in product inventory.....	(1,487)	--	--
Increase in deferred charges and other.....	(1,834)	(1,294)	(3,238)
Increase (decrease) in payables.....	35,998	37,254	(17,288)
Increase (decrease) in accrued operating expenses.....	(3,433)	15,236	541
Increase (decrease) in advance from gas purchaser.....	(8,540)	(7,038)	67,376
Increase (decrease) in deferred credits and noncurrent liabilities.....	17,616	(2,864)	(11,768)
NET CASH PROVIDED BY OPERATING ACTIVITIES.....	490,504	332,123	357,769
CASH FLOWS FROM INVESTING ACTIVITIES:			
Exploration and development expenditures.....	(493,695)	(312,168)	(344,125)
Acquisition of oil and gas properties.....	(114,971)	(820,918)	(180,742)
Purchase of premium gas contract.....	--	(28,700)	--
Gathering, transmission and processing expenditures.....	(33,355)	(6,700)	--
Non-cash portion of net oil and gas property additions....	46,268	5,092	5,480
Investment in ProEnergy.....	(4,430)	--	--
Acquisition of Phoenix, net of cash acquired.....	(43,294)	--	--
Purchase of AERC stock, net of cash acquired.....	--	--	(13,885)
Purchase of stock held for investment.....	--	(307)	(5,051)
Proceeds from sale of oil and gas properties.....	30,144	271,937	19,525
Prepaid acquisition cost.....	--	25,377	(25,377)
Proceeds from sale of stock held for investment.....	7,193	2,835	6,640
Other capital expenditures, net.....	(9,375)	(9,859)	(11,968)
Other, net.....	(2,712)	3,307	(1,716)
NET CASH USED IN INVESTING ACTIVITIES.....	(618,227)	(870,104)	(551,219)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Long-term borrowings.....	765,895	856,159	244,058
Payments on long-term debt.....	(615,765)	(500,579)	(38,019)
Net decrease in short-term borrowings.....	--	--	(5,478)
Dividends paid.....	(23,420)	(18,915)	(17,131)
Proceeds from issuance of common stock.....	8,145	197,006	4,599
Payments to acquire treasury stock.....	(1,698)	(26)	(3,389)
Cost of debt and equity transactions.....	(5,906)	(12,074)	(875)
NET CASH PROVIDED BY FINANCING ACTIVITIES.....	127,251	521,571	183,765
NET DECREASE IN CASH AND CASH EQUIVALENTS.....	(472)	(16,410)	(9,685)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	13,633	30,043	39,728
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 13,161	\$ 13,633	\$ 30,043
	=====	=====	=====

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

APACHE CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

	DECEMBER 31,	
	1996	1995
	(IN THOUSANDS)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents.....	\$ 13,161	\$ 13,633
Receivables.....	234,646	175,949
Inventories.....	13,963	9,764
Advances to oil and gas ventures and other.....	6,386	8,990
	-----	-----
	268,156	208,336
	-----	-----
PROPERTY AND EQUIPMENT:		
Oil and gas, on the basis of full cost accounting:		
Proved properties.....	4,713,113	3,956,833
Unproved properties and properties under development, not being amortized.....	388,872	335,842
International concession rights, not being amortized...	99,000	--
Gas gathering, transmission and processing facilities.....	121,446	33,088
Other.....	58,882	51,341
	-----	-----
	5,381,313	4,377,104
	-----	-----
Less: Accumulated depreciation, depletion and amortization.....	(2,281,252)	(1,975,543)
	-----	-----
	3,100,061	2,401,561
	-----	-----
OTHER ASSETS:		
Deferred charges and other.....	64,213	71,553
	-----	-----
	\$ 3,432,430	\$ 2,681,450
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt.....	\$ 2,000	\$ 3,000
Accounts payable.....	174,941	138,269
Accrued operating expense.....	17,263	26,863
Accrued exploration and development.....	76,465	30,251
Accrued compensation and benefits.....	12,262	9,733
Other accrued expenses.....	26,726	22,233
	-----	-----
	309,657	230,349
	-----	-----
LONG-TERM DEBT.....	1,235,706	1,072,076
	-----	-----
DEFERRED CREDITS AND OTHER NONCURRENT LIABILITIES:		
Income taxes.....	254,789	181,575
Advance from gas purchaser.....	51,798	60,338
Other.....	61,964	45,307
	-----	-----
	368,551	287,220
	-----	-----
COMMITMENTS AND CONTINGENCIES (Note 10)		
SHAREHOLDERS' EQUITY:		
Common stock, \$1.25 par, 215,000,000 shares authorized, 91,224,028 and 78,498,892 shares issued, respectively.....	114,030	98,124
Paid-in capital.....	1,002,540	687,465
Retained earnings.....	432,588	335,470
Treasury stock, at cost, 1,165,231 and 1,119,934 shares, respectively.....	(15,152)	(13,478)
Currency translation adjustments.....	(15,490)	(15,776)
	-----	-----
	1,518,516	1,091,805
	-----	-----
	\$ 3,432,430	\$ 2,681,450
	=====	=====

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

APACHE CORPORATION AND SUBSIDIARIES

STATEMENT OF CONSOLIDATED SHAREHOLDERS' EQUITY

	COMMON STOCK -----	PAID-IN CAPITAL -----	RETAINED EARNINGS -----	TREASURY STOCK -----	CURRENCY TRANSLATION ADJUSTMENT -----	TOTAL SHAREHOLDERS' EQUITY -----
	(IN THOUSANDS)					
BALANCE, DECEMBER 31, 1993.....	\$88,442	\$ 499,817	\$306,892	\$(14,414)	\$(12,141)	\$ 868,596
Net income.....	--	--	45,583	--	--	45,583
Dividends (\$.28 per common share).....	--	--	(17,182)	--	--	(17,182)
Common shares issued.....	281	3,428	--	--	--	3,709
Treasury shares issued.....	--	--	--	966	--	966
Treasury shares purchased.....	--	--	--	(3,389)	--	(3,389)
Treasury shares retired.....	(241)	(3,144)	--	3,385	--	--
Currency translation adjustments.....	--	--	--	--	(7,196)	(7,196)
	-----	-----	-----	-----	-----	-----
BALANCE, DECEMBER 31, 1994.....	88,482	500,101	335,293	(13,452)	(19,337)	891,087
Net income.....	--	--	20,207	--	--	20,207
Dividends (\$.28 per common share).....	--	--	(20,030)	--	--	(20,030)
Common shares issued.....	9,642	187,364	--	--	--	197,006
Treasury shares purchased.....	--	--	--	(26)	--	(26)
Currency translation adjustments.....	--	--	--	--	3,561	3,561
	-----	-----	-----	-----	-----	-----
BALANCE, DECEMBER 31, 1995.....	98,124	687,465	335,470	(13,478)	(15,776)	1,091,805
Net income.....	--	--	121,427	--	--	121,427
Dividends (\$.28 per common share).....	--	--	(24,309)	--	--	(24,309)
Common shares issued.....	15,906	315,075	--	--	--	330,981
Treasury shares issued.....	--	--	--	24	--	24
Treasury shares purchased.....	--	--	--	(1,698)	--	(1,698)
Currency translation adjustments.....	--	--	--	--	286	286
	-----	-----	-----	-----	-----	-----
BALANCE, DECEMBER 31, 1996.....	\$114,030	\$1,002,540	\$432,588	\$(15,152)	\$(15,490)	\$1,518,516
	=====	=====	=====	=====	=====	=====

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

APACHE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations -- Apache Corporation (Apache or the Company) is an independent energy company that explores for, develops and produces natural gas, crude oil and natural gas liquids. The Company's North American exploration and production activities are divided into four U.S. operating regions (Offshore, Midcontinent, Gulf Coast and Western), plus a Canadian region. Approximately 82 percent of the Company's proved reserves are located in North America. Internationally, Apache has exploration and production interests offshore Western Australia and in Egypt, and exploration interests offshore The People's Republic of China, in Indonesia and offshore the Ivory Coast. Apache treats all operations as one segment of business.

The Company's future financial condition and results of operations will depend upon prices received for its oil and natural gas production and the costs of finding, acquiring, developing and producing reserves. A substantial portion of the Company's production is sold under market-sensitive contracts. Prices for oil and natural gas are subject to fluctuations in response to changes in supply, market uncertainty and a variety of other factors beyond the Company's control. These factors include worldwide political instability (especially in the Middle East), the foreign supply of oil and natural gas, the price of foreign imports, the level of consumer demand, and the price and availability of alternative fuels. With natural gas accounting for 63 percent of Apache's 1996 production on an energy equivalent basis, the Company was affected more by fluctuations in natural gas prices than in oil prices.

Principles of Consolidation -- The accompanying consolidated financial statements include the accounts of Apache and its subsidiaries after elimination of intercompany balances and transactions. The Company's interests in oil and gas ventures and partnerships are proportionately consolidated. Certain reclassifications have been made to the Consolidated Financial Statements for prior years to conform with the current presentation. Apache's investment in Producers Energy Marketing LLC (ProEnergy), a jointly-owned marketing company, is accounted for using the equity method.

Cash Equivalents -- 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.

Inventories -- Inventories consist principally of tubular goods and production equipment, stated at the lower of weighted average cost or market, and oil produced but not sold, stated at current market value net of costs to sell.

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. Exclusive of field-level costs, Apache capitalized \$12.8 million, \$12.5 million and \$14.6 million of internal costs in 1996, 1995 and 1994, respectively. Costs associated with production and general corporate activities are expensed in the period incurred. Internal costs attributable to the management of the Company's producing properties, before recoveries from industry partners, totaled \$17.0 million, \$16.3 million and \$13.2 million in 1996, 1995, and 1994, respectively, and are included in operating costs in the Company's Statement of Consolidated Income. Interest costs related to unproved properties and properties under development are also capitalized to oil and gas properties. Unless a significant portion of the Company's reserve volumes are sold (greater than 25 percent), 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 unit-of-production method based upon production and estimates of proved reserve quantities. Unevaluated costs and related capitalized interest costs are excluded from the

APACHE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

amortization base until the properties associated with these costs are evaluated. The amortizable base includes estimated future development costs and dismantlement, restoration and abandonment costs, net of estimated salvage values. These future 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. Included in the estimated future net cash flows are Canadian provincial tax credits expected to be realized beyond the date at which the legislation, under its provisions, could be repealed. To date, the Canadian provincial government has not indicated an intention to repeal this legislation.

The costs of certain unevaluated leasehold acreage, wells being drilled and international concession rights 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 and gas gathering, transmission and processing facilities are depreciated on a straight-line basis over the estimated useful lives of the assets, which range from two to 20 years. Accumulated depreciation for these assets totaled \$36.6 million and \$26.3 million at December 31, 1996 and 1995, respectively.

Accounts Payable -- Included in accounts payable at December 31, 1996 and 1995, are liabilities of approximately \$36.5 million and \$48 million, respectively, representing the amount by which checks issued, but not presented to the Company's banks for collection, exceeded balances in applicable bank accounts.

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 in the Company's supplemental oil and gas disclosures. Adjustments for gas imbalances totaled less than one percent of Apache's proved gas reserves at December 31, 1996. 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 its entitled share through production.

Hedging Activities -- Apache periodically enters into commodity derivatives contracts and fixed-price physical contracts to manage its exposure to oil and gas price volatility. Commodity derivatives contracts, which are usually placed with major financial institutions that the Company believes are minimal credit risks, may take the form of futures contracts, swaps or options. Realized gains and losses from the Company's price risk management activities are recognized in oil and gas production revenues when the associated production occurs. Estimates of future cash flows related to derivatives contracts, based upon year-end prices, and fixed-price physical contracts are reflected in future cash inflows from proved reserves in the Company's supplemental oil and gas disclosures.

The Company enters into various interest rate cap and swap agreements from time to time with major financial institutions to manage its exposure to fluctuations in market interest rates. Gains and losses on these activities are recognized in interest expense in the period hedged by the agreements.

Income Taxes -- The Company follows the liability method of accounting for income taxes under which deferred tax assets and liabilities are recognized for the future tax consequences of (i) temporary differences between the tax bases of assets and liabilities and their reported amounts in the financial statements and (ii) operating loss and tax credit carryforwards for tax purposes. Deferred tax assets are reduced by a valuation

APACHE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

allowance when, based upon management's estimates, it is more likely than not that a portion of the deferred tax assets will not be realized in a future period.

Foreign Currency Translation -- The U.S. dollar is considered the functional currency for each of the Company's international operations, except for the Canadian subsidiary whose functional currency is the Canadian dollar. Translation adjustments resulting from translating the Canadian subsidiary's foreign currency financial statements into U.S. dollar equivalents are reported separately and accumulated in a separate component of shareholders' equity. For other international operations, transaction gains or losses are recognized in current net income and were not material in any of the periods presented.

Net Income Per Common Share -- Amounts are based on the weighted average number of shares of common stock outstanding. The effects of common stock equivalents, which would include shares from the assumed conversion of the 3.93 percent notes, were either immaterial or not dilutive for each of the periods presented. Furthermore, fully diluted net income per share, assuming conversion of certain of the convertible debentures, was not significantly different than primary net income per share for all periods presented.

Stock-Based Compensation -- The Company accounts for employee stock-based compensation using the intrinsic value method prescribed by Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees" and related Interpretations. Accordingly, the issuance by the Financial Accounting Standards Board of Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation" in 1996 had no effect on the Company's results of operations.

Use of Estimates -- The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates with regard to these financial statements include the estimate of proved oil and gas reserve volumes and the related present value of estimated future net revenues therefrom (see supplemental oil and gas disclosures).

2. ACQUISITIONS AND DIVESTITURES

ACQUISITIONS

On May 20, 1996, Apache acquired, for approximately \$396.3 million, The Phoenix Resource Companies, Inc. (Phoenix), an oil and gas company operating primarily in the Arab Republic of Egypt, through a merger (Merger) which resulted in Phoenix becoming a wholly-owned subsidiary of Apache. Pursuant to the Merger Agreement, shares of Phoenix common stock then outstanding and outstanding Phoenix stock options (which were assumed by Apache) were converted into the right to receive (a) .75 shares of Apache common stock with any fractional shares paid in cash, without interest, and (b) \$4.00 in cash. As a result, 12.2 million shares of Apache common stock, valued at \$26 per share, were issued and approximately \$65 million was paid to former Phoenix shareholders.

In 1996, the Company also completed 62 tactical regional acquisitions for cash consideration totaling \$115.0 million. These acquisitions added approximately 18.9 MMboe to the Company's reserves.

In September 1995, Apache acquired substantially all of the oil and gas assets of Aquila Energy Resources Corporation (Aquila) for approximately \$210 million. The acquired assets included proved reserves totaling an estimated 157 Bcf of gas equivalent, approximately 107,000 developed and 49,000 undeveloped net acres located primarily in Apache's Anadarko Basin and Gulf of Mexico core areas, a five-year, four-month premium-price gas contract effective September 1, 1995, and non-operated interests in four gas processing plants. The gas contract calls for Aquila Energy Marketing Corporation, a wholly owned subsidiary of

APACHE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

UtiliCorp United Inc., to purchase 20 to 25 MMcf of gas per day from Apache at a price of \$2.70 per Mcf in 1996, escalating to \$3.20 per Mcf in the year 2000.

On May 17, 1995, Apache acquired DEKALB Energy Company (DEKALB, now known as DEK Energy Company), an oil and gas company engaged in the exploration for, and the development of, crude oil and natural gas in Canada, through a merger which resulted in DEKALB becoming a wholly owned subsidiary of Apache. Pursuant to the merger agreement, 8.4 million shares of Apache common stock were exchanged for the outstanding DEKALB stock and DEKALB employee stock options. Merger costs of approximately \$10 million were charged to expense in the second quarter of 1995. The merger was accounted for as a "pooling of interests" and, as a result, the Company's consolidated financial statements for periods prior to the merger have been restated to include combined results with DEKALB.

In connection with the DEKALB merger, the methods used by Apache and DEKALB in computing DD&A expense of proved oil and gas properties were conformed to the units-of-production method using physical units. This method was previously used by DEKALB and in conforming the methods used, Apache adopted the units-of-production method in lieu of the future gross revenue method. The conforming adjustments for DD&A expense have been reflected retroactively in the accompanying consolidated financial statements along with an adjustment to DEKALB's previously recorded deferred tax valuation allowance for U.S. operating loss carryforwards expected to be utilized by Apache in future periods. All other adjustments are reclassifications to conform financial statement presentation. Apache and DEKALB had no significant intercompany transactions prior to the merger.

A reconciliation of the previously separate results of Apache and DEKALB to the restated combined results for 1994 is as follows:

	REVENUES	NET INCOME
	-----	-----
	(IN THOUSANDS)	
Apache.....	\$545,621	\$42,837
DEKALB.....	46,290	6,813
Reclassifications to conform presentation.....	715	--
Conforming adjustments:		
DD&A expense.....	--	(6,682)
Income taxes.....	--	2,615
	-----	-----
	\$592,626	\$45,583
	=====	=====

On March 1, 1995, Apache completed the acquisition of 315 oil and gas fields from Texaco Exploration and Production Inc. (Texaco) for an adjusted purchase price of \$567 million. The Texaco properties included estimated proved reserves at the effective date, after adjustment for the exercise of preferential rights and properties excluded following due diligence, of approximately 105 MMboe.

In December 1994, Apache purchased substantially all of the U.S. oil and gas properties of Crystal Oil Company (Crystal) for approximately \$95.8 million. The producing oil and gas properties acquired from Crystal are located primarily along the Arkansas-Louisiana border and southern Louisiana. The acquisition also included approximately 32,000 net undeveloped mineral acres in southern Louisiana.

Except for the DEKALB transaction, each transaction described above has been accounted for using the purchase method of accounting and has been included in the financial statements of Apache since the dates of acquisition.

APACHE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The following unaudited pro forma financial information shows the effect on the Company's consolidated results of operations as if the Phoenix Merger occurred on January 1 of each year presented and as if the Texaco acquisition occurred on January 1, 1995. The pro forma data is based on numerous assumptions and is not necessarily indicative of future results of operations.

(UNAUDITED)	FOR THE YEAR ENDED DECEMBER 31, 1996		FOR THE YEAR ENDED DECEMBER 31, 1995	
	AS REPORTED	PRO FORMA	AS REPORTED	PRO FORMA
	-----	-----	-----	-----
	(IN THOUSANDS, EXCEPT PER COMMON SHARE DATA)			
Revenues.....	\$977,151	\$992,077	\$750,702	\$801,397
Net income.....	\$121,427	\$125,040	\$ 20,207	\$ 25,111
Net income per common share.....	\$ 1.42	\$ 1.39	\$.28	\$.30
Weighted average common shares outstanding.....	85,777	89,807	71,792	83,982

DIVESTITURES

In 1996, Apache received \$30.1 million from the sale of non-strategic oil and gas properties in a number of separate transactions.

In September 1995, Apache closed the sale of non-strategic oil and gas properties in its Rocky Mountain region for approximately \$140 million net to Apache. The assets included Apache's interests in 138 fields with approximately 1,600 active wells in Colorado, Montana, North and South Dakota, Utah and Wyoming. The Company retained its interests in the Green River Basin of Colorado and Wyoming and in the San Juan Basin of Colorado and New Mexico. Proceeds from the sale of all oil and gas properties sold during 1995 totaled \$271.9 million.

3. INVESTMENTS IN EQUITY SECURITIES

At December 31, 1996, Apache had no investments in equity securities.

The Company realized gross gains totaling \$.8 million, \$.9 million and \$2.2 million from the sale of equity securities during 1996, 1995 and 1994, respectively. Apache utilizes the average cost method in computing realized gains or losses, which are included in other revenues in the accompanying statement of consolidated income.

APACHE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

4. DEBT

LONG-TERM DEBT

	DECEMBER 31,	
	1996	1995
	(IN THOUSANDS)	
Apache debt:		
Global credit facility -- U.S.....	\$ 220,000	\$ --
Revolving bank credit facility.....	--	620,000
7.625 percent debentures due 2096, net of discount.....	149,175	--
7.95 percent notes due 2026, net of discount.....	178,518	--
7.7 percent notes due 2026, net of discount.....	99,634	--
6 percent convertible subordinated debentures due 2002....	172,500	172,500
9.25 percent notes due 2002, net of discount.....	99,772	99,742
3.93 percent convertible notes due 1997.....	75,000	75,000
Money market lines.....	2,000	3,000
	-----	-----
	996,599	970,242
	-----	-----
Subsidiary and other obligations:		
Global credit facility -- Canada.....	83,000	--
Bank of Montreal facility.....	--	27,000
DEKALB 9.875 percent notes due 2000.....	29,225	29,225
DEKALB 10 percent notes due 1998.....	--	22,100
Global credit facility -- Australia.....	73,500	--
AEL acceptance facility.....	--	24,200
Egypt -- Qarun credit facilities.....	54,750	--
Share of offshore partnership financing.....	632	2,309
	-----	-----
	241,107	104,834
	-----	-----
Total debt.....	1,237,706	1,075,076
Less: Current maturities.....	(2,000)	(3,000)
	-----	-----
Long-term debt.....	\$1,235,706	\$1,072,076
	=====	=====

On October 31, 1996, Apache replaced its existing \$1 billion revolving bank credit facility with a global credit arrangement (global credit facility) that provides Apache with greater borrowing availability, increased tax efficiency and a lower cost of bank debt. Consisting of three separate bank facilities tied together by an intercreditor agreement, the new global credit facility adds Apache's oil and gas reserve values in Australia and Canada to those in the U.S. in determining the Company's borrowing capacity. The facilities consist of a \$125 million facility in each of Australia and Canada, and a \$750 million facility in the United States. In connection with securing the global credit facility, the Company terminated the AEL acceptance facility and the Bank of Montreal facility using funds available under the new facility. 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, 1996, the borrowing base was \$947 million and, adjusted for certain specified debt balances totaling \$733 million, the available borrowing capacity under its global credit facility totaled \$214 million. Under the terms of the global credit facility as of December 31, 1996, the Company must (i) maintain a minimum tangible net worth of \$880 million, which is adjusted quarterly for subsequent earnings and securities transactions, and (ii) maintain a ratio of (a) earnings before interest, taxes, depreciation, depletion and

APACHE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

amortization to (b) consolidated interest expense of not less than 3.7:1. The Company was in compliance with all financial covenants at December 31, 1996.

The global credit facility is scheduled to mature on October 31, 2001, and the agreement provides for perpetual one-year extensions as requested by the Company, subject to the approval of the lenders. At the Company's option, the interest rate is based on (i) the First National Bank of Chicago's base rate, (ii) the London Interbank Offered Rate (LIBOR) plus a margin determined by the Company's senior debt rating and its ratio of debt to total capitalization, or (iii) the LIBOR rate plus a margin that is determined by competitive bids from the participating banks. At December 31, 1996, the margin for committed loans was .25 percent. The Company also pays an annual facility fee of .10 percent on the total amount of each of the three facilities, which varies based upon the Company's public senior debt rating.

In November 1996, Apache issued \$150 million principal amount, \$149.2 million net of discount, of senior unsecured 7.625 percent debentures maturing on November 1, 2096. The debentures are not redeemable prior to maturity. However, Apache has the right to advance maturity, under certain conditions. These debentures are governed by the same indenture that governs the Company's two issues of 30 year notes.

During February 1996, Apache issued \$100 million principal amount, \$99.6 million net of discount, of senior unsecured 7.7 percent notes due March 15, 2026. During April 1996, Apache issued an additional \$180 million principal amount, \$178.5 million net of discount, of senior unsecured 7.95 percent notes maturing on April 15, 2026. Neither issue of notes is redeemable prior to maturity. The indenture governing the notes imposes certain restrictions on the Company, including limits on Apache's ability to incur debt secured by certain liens and its ability to enter into certain sale and leaseback transactions.

The 6 percent convertible subordinated debentures due 2002 totaling \$172.5 million were issued by Apache in January 1995 and are convertible at the option of the holder into Apache common stock at a price of \$30.68 per share, subject to adjustment under certain circumstances.

The 9.25 percent notes totaling \$100 million were issued by Apache in May 1992 and are not redeemable prior to their maturity in June 2002. In December 1992, Apache issued the 3.93 percent convertible notes. The 3.93 percent notes mature in November 1997, and are not redeemable prior to maturity; however, they are convertible into Apache common stock at \$27 per share, subject to adjustment under certain circumstances. The 3.93 percent notes are classified as long-term debt in the accompanying consolidated balance sheet, as the Company has the ability and intent to replace them with additional long-term debt if they are not converted into Apache common stock.

The indentures for the 9.25 percent and 3.93 percent notes impose substantially similar restrictions 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).

At December 31, 1996, the Company also had certain uncommitted money market lines of credit which are used from time to time for working capital purposes. As of December 31, 1996, an aggregate of \$2 million was outstanding under such credit lines.

The DEKALB 9.875 percent notes mature on July 15, 2000. On October 25, 1996, Apache redeemed, at par, \$22.1 million principal amount of DEKALB 10 percent notes. Such notes were due in 1998 and were redeemed using borrowings under the Company's revolving bank credit facility.

In 1996, the Company, acting through two of its Egyptian subsidiaries, established \$75 million of secured credit facilities with the International Finance Corporation to finance development of its Qarun Concession in Egypt. During the pre-completion phase of development operations, the Company guarantees the credit facilities; following completion, the facilities are secured only by assets associated with the Qarun Concession.

APACHE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Interest is assessed at LIBOR plus a margin determined by several factors, including the Company's public senior debt ratings, the Company's debt-to-capitalization ratio, and whether or not development operations are in the pre-completion phase. At December 31, 1996, outstanding borrowings under these facilities totaled \$54.75 million and the applicable margin over LIBOR was .875 percent. A commitment fee equal to one-half of one percent per annum is payable on the unused portion of the facilities. Repayment of amounts outstanding under the facilities is contractually scheduled to commence on June 15, 1998, with semi-annual installments thereafter ending on December 15, 2002.

In 1992, Apache established a \$35 million banking facility on behalf of Apache Offshore Investment Partnership. At December 31, 1996, the amount outstanding under such facility was \$2.35 million, of which Apache's share was \$.6 million. On January 31, 1997, the loan was repaid by the Partnership and the facility terminated.

As of December 31, 1996 and 1995, the Company had approximately \$20.3 million and \$19.3 million, respectively, of unamortized costs associated with its various debt obligations. These costs are reflected as deferred charges in the accompanying consolidated balance sheet and are being amortized over the life of the related debt.

In January 1997, the Company established a \$300 million commercial paper program. The program allows Apache to borrow funds for up to 270 days at attractive interest rates. The commercial paper program is supported by availability under the \$750 million U.S. portion of the global credit facility.

AGGREGATE MATURITIES OF DEBT

	DECEMBER 31, 1996

	(IN THOUSANDS)
1997.....	\$ 2,000 (1)
1998.....	13,224
1999.....	12,593
2000.....	41,818
2001.....	464,092
Thereafter.....	703,979

	\$1,237,706
	=====

(1) Excludes \$75 million related to the 3.93 percent convertible notes expected to be refinanced with long-term debt if not converted into common stock.

5. INCOME TAXES

Income before income taxes is composed of the following:

	FOR THE YEAR ENDED DECEMBER 31,		
	1996	1995	1994
	-----	-----	-----
	(IN THOUSANDS)		
United States.....	\$154,759	\$28,155	\$59,948
International.....	45,436	4,988	6,745
	-----	-----	-----
Total.....	\$200,195	\$33,143	\$66,693
	=====	=====	=====

APACHE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The total provision for income taxes consists of the following:

	FOR THE YEAR ENDED DECEMBER 31,		
	1996	1995	1994
	(IN THOUSANDS)		
Current taxes:			
Federal.....	\$ --	\$(16,776)	\$(3,890)
State.....	--	--	100
Foreign.....	17,432	330	515
Deferred taxes.....	61,336	29,382	24,385
	\$78,768	\$ 12,936	\$21,110
	=====	=====	=====

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

	FOR THE YEAR ENDED DECEMBER 31,		
	1996	1995	1994
	(IN THOUSANDS)		
Statutory income tax.....	\$70,068	\$11,600	\$23,343
State income tax, less federal benefit.....	4,558	1,282	1,013
Taxation of foreign operations.....	5,226	135	1,486
Utilization of federal income tax credits	--	--	(1,545)
Increase in foreign corporate income tax rates.....	--	1,757	--
DEKALB income tax benefit limitation recorded (reversed).....	--	--	(2,499)
All other, net.....	(1,084)	(1,838)	(688)
	\$78,768	\$12,936	\$21,110
	=====	=====	=====

The net deferred tax liability is comprised of the following:

	DECEMBER 31,	
	1996	1995
	(IN THOUSANDS)	
Deferred tax assets:		
Deferred income.....	\$ (443)	\$(2,410)
Federal net operating loss carryforwards.....	(65,018)	(57,642)
State net operating loss carryforwards.....	(10,363)	(10,126)
Statutory depletion carryforwards.....	(5,469)	(5,138)
Alternative minimum tax credits.....	(9,130)	(6,239)
Accrued expenses and liabilities.....	(4,805)	(9,136)
Other.....	(5,301)	(6,910)
Total deferred tax assets.....	(100,529)	(97,601)
Valuation allowance.....	942	1,374
Net deferred tax assets.....	(99,587)	(96,227)
Deferred tax liabilities:		
Depreciation, depletion and amortization.....	319,226	271,020
Foreign loss recapture.....	18,963	--
Other.....	16,187	6,782
Total deferred tax liabilities.....	354,376	277,802
Deferred income tax liability.....	\$ 254,789	\$181,575
	=====	=====

APACHE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

U.S. deferred taxes have not been provided on foreign earnings totaling \$104 million, which are permanently reinvested abroad. Presently, limited foreign tax credits are available to reduce the U.S. taxes on such amounts if repatriated.

At December 31, 1996, the Company had U.S. Federal net operating loss carryforwards of \$179.1 million that will expire beginning in 1997, foreign net operating loss carryforwards of \$6.5 million that can be carried forward indefinitely, and U.S. and foreign statutory depletion carryforwards totaling \$13.4 million that can be carried forward indefinitely. The Company has alternative minimum tax (AMT) credit carryforwards of \$9.1 million that can be carried forward indefinitely but which can be used only to reduce regular tax liabilities in excess of AMT liabilities. The Company has investment and other tax credit carryforwards of \$.9 million that will expire beginning in 1997, which have been fully reserved through the valuation allowance.

6. ADVANCE FROM GAS PURCHASER

In December 1994, Apache received \$67.4 million from a purchaser as an advance payment for future natural gas deliveries of 20,000 MMBtu per day over a six-year period commencing January 1995. As a condition of the arrangement with the purchaser, Apache entered into a gas price swap contract with a third party under which Apache became a fixed price payor at identical volumes and at prices starting at \$1.81 per MMBtu in 1995 and escalating at \$.10 per MMBtu per year through the year 2000. The net result of these related transactions is that gas delivered to the purchaser will be reported as revenue at prevailing spot prices in the future with Apache realizing a \$.05 per MMBtu premium associated with a monthly fee to be paid by the purchaser. The Company, through its marketing subsidiaries, may purchase gas from third parties to satisfy gas delivery requirements of this arrangement. Contracted volumes relating to this arrangement are included in the Company's supplemental oil and gas disclosures.

This payment has been classified as an advance on the balance sheet and is being reduced as gas is delivered to the purchaser under the terms of the contract. At December 31, 1996 and 1995, \$51.8 million and \$60.3 million, respectively, were still outstanding. Gas volumes delivered to the purchaser are reported as revenue at prices used to calculate the amount advanced, before imputed interest, minus or plus amounts paid or received by Apache applicable to the price swap agreement. Interest expense is recorded based on a rate of 9 1/2 percent.

7. CAPITAL STOCK

COMMON STOCK OUTSTANDING

	1996	1995	1994
	-----	-----	-----
Balance, beginning of year.....	77,378,958	69,666,092	69,504,310
Treasury shares issued (acquired), net.....	(45,297)	(959)	129,852
Treasury shares acquired and retired.....	--	--	(192,808)
Shares issued for:			
Phoenix merger.....	12,189,918	--	--
DEKALB merger.....	--	153,229	--
Public equity offering.....	--	7,450,000	--
Acquisition of AERC.....	--	--	2,974
Dividend reinvestment plan.....	25,148	26,809	13,789
Retirement/401(k) savings plan.....	183,059	--	--
Stock option plans.....	317,775	83,787	207,975
Other.....	9,236	--	--
	-----	-----	-----
Balance, end of year.....	90,058,797	77,378,958	69,666,092
	=====	=====	=====

APACHE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Public Equity Offering -- In September 1995, Apache completed a public offering of approximately 7.5 million shares of Apache common stock for net proceeds of \$195.5 million.

Stock Option Plans -- At December 31, 1996, officers and certain key employees have been granted options to purchase the Company's common stock under employee stock option plans adopted in 1990 and 1995 and under certain predecessor plans (collectively, the Stock Option Plans). Under the Stock Option Plans, the exercise price of each option equals the market price of Apache's common stock on the date of grant. Options generally become exercisable ratably over a four-year period and expire after ten years. The Company may issue up to 4,119,163 shares of common stock under the Stock Option Plans, of which options to acquire 1,231,050 shares of common stock remained available for grant at December 31, 1996.

On October 31, 1996, the Company established the 1996 Performance Stock Option Plan (the Performance Plan) for substantially all full-time employees, excluding officers and certain key employees. Under the Performance Plan, the exercise price of each option equals the market price of Apache common stock on the date of grant. All options become exercisable after nine and one-half years and expire ten years from the date of grant; however, exercisability will be accelerated if share price goals of \$50 and \$60 per share, respectively, are attained before January 1, 2000. The Company may issue up to 1,300,000 shares of common stock under the Performance Plan, of which options to acquire 272,190 shares of common stock remained available for grant at December 31, 1996.

A summary of the status of the plans described above as of December 31, 1996, 1995, and 1994 and changes during the years then ended is presented in the table and narrative below (shares in thousands):

	1996		1995		1994	
	SHS. UNDER OPTION	WTD. AVG. EXER. PRICE	SHS. UNDER OPTION	WTD. AVG. EXER. PRICE	SHS. UNDER OPTION	WTD. AVG. EXER. PRICE
Outstanding, beginning of year.....	1,218	\$23.91	1,340	\$20.42	1,179	\$17.47
Granted.....	2,032	33.26	397	26.90	547	24.23
Exercised.....	(224)	17.58	(131)	16.96	(208)	14.96
Forfeited.....	(141)	27.30	(388)	17.25	(178)	18.94
	-----		-----		-----	
Outstanding, end of year(1).....	2,885	30.82	1,218	23.91	1,340	20.42
	=====		=====		=====	
Exercisable, end of year...	467	23.88	465	20.16	704	16.66
	=====		=====		=====	
Available for grant, end of year.....	1,503		2,158		815	
	=====		=====		=====	
Weighted average fair value of options granted during the year(2).....	\$ 9.80		\$10.46			

(1) Excludes 644,100 shares, as of December 31, 1996, issuable under stock options assumed in connection with the Phoenix Merger.

(2) The fair value of each option is estimated as of the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions used for grants in 1996 and 1995, respectively: (i) risk-free interest rates of 6.19 and 6.47 percent; (ii) expected lives of five years for the Stock Option Plans in both 1996 and 1995, and 2.5 years for the Performance Plan in 1996, (iii) expected volatility of 30.50 and 35.75 percent, and (iv) expected dividend yields of 0.85 and 1.04 percent.

APACHE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The following table summarizes information about stock options outstanding at December 31, 1996 (shares in thousands):

RANGE OF EXERCISE PRICES	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
	NO. OF SHS. UNDER OUTSTANDING OPTIONS	WTD. AVG. REMAINING CONTRACTUAL LIFE	WTD. AVG. EXERCISE PRICE	NO. OF SHS. UNDER EXERCISABLE OPTIONS	WTD. AVG. EXERCISE PRICE
\$ 2.39 - \$19.63.....	124	4.60	\$16.40	124	\$16.40
\$21.00 - \$29.88.....	1,104	8.17	27.29	343	26.59
\$30.25 - \$36.00.....	1,657	9.75	34.26	--	--
	-----			----	
	2,885			467	
	=====			====	

The Company accounts for its stock-based compensation plans under APB Opinion No. 25 and related Interpretations, under which no compensation cost has been recognized for the Stock Option Plans or the Performance Plan. If compensation costs for these plans had been determined in accordance with SFAS No. 123, the Company's net income and net income per common share would approximate the following pro forma amounts:

	1996	1995
	-----	-----
	(IN THOUSANDS)	
Net Income:		
As Reported.....	\$121,427	\$20,207
Pro Forma.....	119,536	19,968
Net Income per Common Share:		
As Reported.....	\$ 1.42	\$.28
Pro Forma.....	1.39	.28

The pro forma amounts shown above may not be representative of future results because the SFAS No. 123 method of accounting has not been applied to options granted prior to January 1, 1995.

On October 31, 1996, subject to shareholder approval, the Company adopted the 1996 Share Price Appreciation Plan (the Appreciation Plan) for officers and certain key employees. The Appreciation Plan provides for awards denominated in shares of Apache common stock to become payable upon attainment of share price goals of \$50 and \$60 per share, respectively, before January 1, 2000. Between 30 and 50 percent of the award will be paid in cash at the market value of the stock on the date of payment, and the balance (up to a total of 2,000,000 shares in the aggregate) will be issued in Apache common stock. Generally, any payments will be made in three installments over 36 months. When and if payments are made, the Company will recognize compensation expense over the 36 month vesting period equal to the value of the stock issued on the date the share price goal is attained (i.e., \$50 or \$60 per share, as appropriate) and the actual amount of cash paid. No compensation expense related to the Appreciation Plan has been included in the pro forma amounts shown above. Additionally, the shares of Apache common stock contingently issuable under the Appreciation Plan will be excluded from the computation of net income per common share until the stated share price goals of \$50 and \$60 per share, respectively, are attained.

Preferred Stock -- The Company has five million shares of no par preferred stock authorized, of which 25,000 shares have been "designated" Series A Junior Participating Preferred Stock and authorized for issuance pursuant to certain rights that trade with Apache common stock. There are no shares of preferred stock issued and outstanding; however, shares of preferred stock are reserved for issuance upon the exercise of the preferred stock purchase rights discussed below.

APACHE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Rights to Purchase Preferred Stock -- In December 1995, the Company declared a dividend of one right (a Right) for each outstanding share of Apache common stock effective on January 31, 1996. Each Right entitles the registered holder to purchase from the Company one ten-thousandth (1/10,000) of a share of Series A Junior Participating Preferred Stock at a price of \$100 per one ten-thousandth of a share, subject to adjustment. The Rights are exercisable 10 calendar days following a public announcement that certain persons or groups acquired 20 percent or more of the outstanding shares of Apache common stock or 10 business days following commencement of an offer for 30 percent or more of the outstanding shares of Apache common stock. Unless and until the Rights become exercisable, they will be transferred with and only with the shares of Apache common stock. If the Company engages in certain business combinations or a 20 percent shareholder 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 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 outstanding shares of Apache common stock and who engages in certain transactions or realizes the benefits of certain transactions with the Company will become void. The Company may redeem the Rights at \$.01 per Right at any time until 10 business days after public announcement that a person has acquired 20 percent or more of the outstanding shares of Apache common stock. The Rights will expire on January 31, 2006, unless earlier redeemed by the Company. Unless the Rights have been previously redeemed, all shares of Apache common stock issued by the Company will include Rights.

8. NON-CASH INVESTING AND FINANCING ACTIVITIES

A summary of non-cash investing and financing activities is presented below.

In May 1996, Apache acquired Phoenix for cash and Apache common stock, and assumed certain outstanding Phoenix stock options. The accompanying financial statements include the following attributable to the Phoenix Merger:

	(IN THOUSANDS)
Value of properties acquired, including gathering facilities.....	\$ 386,237
Other non-cash assets acquired.....	7,901
Common stock issued and options to purchase common stock assumed (12.2 million and .8 million shares, respectively).....	(322,860)
Liabilities assumed.....	(27,984)

Cash paid, net of cash acquired.....	\$ 43,294
	=====

Supplemental Disclosure of Cash Flow Information

	FOR THE YEAR ENDED DECEMBER 31,		
	1996	1995	1994
	(IN THOUSANDS)		
Cash paid (received) during the year for:			
Interest, net of amounts capitalized.....	\$53,228	\$ 64,365	\$30,909
Income and other taxes, net of refunds.....	6,241	(15,225)	6,874

APACHE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

9. FINANCIAL INSTRUMENTS AND OFF-BALANCE-SHEET RISK

The following table presents the carrying amounts and estimated fair values of the Company's financial instruments at December 31, 1996 and 1995.

	1996		1995	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
	(IN THOUSANDS)			
Cash and cash equivalents.....	\$ 13,161	13,161	\$ 13,633	13,633
Investment securities.....	--	--	5,620	6,084
Long-term debt:				
Bank debt.....	431,250	431,250	671,200	671,200
7.625 percent debentures due 2096.....	149,175	150,045	--	--
7.95 percent notes due 2026.....	178,518	186,354	--	--
7.7 percent notes due 2026.....	99,634	102,348	--	--
6 percent convertible subordinated debentures due 2002.....	172,500	216,488	172,500	198,375
9.25 percent notes due 2002.....	99,772	111,020	99,742	113,750
3.93 percent convertible notes due 1997.....	75,000	99,750	75,000	88,733
9.875 percent notes due 2000.....	29,225	32,203	29,225	33,217
10 percent notes due 1998.....	--	--	22,100	22,199
Other debt.....	2,632	2,632	5,309	5,309
Hedging financial instruments:				
Interest rate swap.....	--	--	--	(40)
Foreign currency rate contracts.....	--	--	--	81
Commodity price swaps(1).....	--	10,246	(9,326)	(30,631)

(1) Includes \$10.7 million and \$(7.9) million at December 31, 1996 and 1995, respectively, for fixed-to-floating price swaps where there is an offsetting position with a physical contract. See Commodity Price Hedges below.

The following methods and assumptions were used to estimate the fair value of the financial instruments summarized in the table above. The carrying values of trade receivables and trade payables included in the accompanying Consolidated Balance Sheet approximated market value at December 31, 1996 and 1995.

Cash and Cash Equivalents -- The carrying amounts approximated fair value due to the short maturity of these instruments.

Investment Securities -- The fair value of investments is based on quoted market prices at year end.

Long-Term Debt -- The fair values of the 9.25 percent, 9.875 percent and 7.95 percent notes and the 7.625 percent debentures are based on the quoted market prices for those issues. The fair values of the 3.93 percent convertible notes and the 7.7 percent notes are estimated based on quotes obtained from private investment firms. The fair value of the six percent convertible subordinated debentures is based upon estimates provided to the Company by independent sources. The carrying amount of the bank debt approximates fair value because the interest rates are variable and reflective of market rates.

Interest Rate Instruments -- The Company periodically enters into various financial instruments to manage its interest rate exposure. At December 31, 1996, the Company did not have any outstanding interest rate swap agreements.

APACHE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Foreign Currency Rate Contracts -- The Company periodically enters into forward foreign currency exchange contracts to reduce the impact of foreign currency fluctuations on operating results. At December 31, 1996, Apache did not have any open forward foreign currency exchange contracts.

Commodity Price Hedges -- Apache periodically enters into commodity derivative contracts and fixed-price physical contracts to manage its exposure to oil and gas price volatility. Commodity derivatives contracts, which are usually placed with major financial institutions that the Company believes are minimal credit risks, may take the form of futures contracts, swaps or options. The derivative contracts call for Apache to receive, or make, payments based upon the differential between a fixed and a variable commodity price as specified in the contract. As a result of these activities, Apache recognized hedging losses in 1996 and 1995 of \$23.0 and \$4.3 million, respectively, while recognizing a gain of \$5.7 million in 1994. The 1995 loss reflected a \$9.3 million pre-tax charge to earnings resulting from the loss of correlation of New York Mercantile Exchange (NYMEX) prices from actual wellhead prices for certain positions in January through March 1996 production, reported as a reduction of other revenues, offset by \$5 million of commodity pricing gains which increased 1995 oil and gas production revenues. The 1996 hedging loss and the 1994 hedging gain were recognized in oil and gas production revenues during each of the respective years.

Apache's consolidated balance sheet includes deferred credits totaling \$3.2 million and \$4.8 million at December 31, 1996 and 1995, respectively, for gains realized on the early termination of commodity derivative contracts in 1996 and prior years. These gains will be recognized as oil and gas production revenues over periods ranging from one to 48 months as the hedged production occurs.

The following table and notes thereto cover the Company's pricing and notional volumes on open natural gas commodity derivative contracts as of December 31, 1996:

	PRODUCTION PERIODS			
	1997	1998	1999	2000
NYMEX Based Swap Positions:				
Pay fixed price (thousand MMBtu/d)(1).....	46.4	40.0	40.0	40.0
Average swap price, per MMBtu(1).....	\$1.92	\$2.02	\$2.11	\$2.21

(1) The Company has various contracts to supply gas at fixed prices. In order to lock in a margin on a portion of the volumes, the Company is a fixed price payor on swap transactions. The average physical contract price ranges from \$2.34 in 1997 to \$2.78 in 2000. The fair value of these hedges was \$10.7 million at December 31, 1996, with \$1.7 million of this value relating to the arrangement discussed in Note 6.

The Company had, as of December 31, 1996, entered into price swaps on oil production under which the Company will receive a NYMEX fixed price, averaging \$21.09 per barrel, on 800 barrels of daily crude oil production over a twelve-month period ending December 31, 1997. The fair value of oil hedges was a \$.4 million loss at December 31, 1996.

In connection with the purchase of MW Petroleum Corporation in mid-1991, the Company and Amoco Production Company (Amoco) entered into a hedging agreement. Under the terms of this agreement, Amoco receives payments in the event oil prices rise 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. In the event price sharing payments are due to Amoco, the volumes listed below would be doubled until Amoco recovers its net payments previously made to Apache (\$5.8 million through the contract year ended June 30, 1996) plus interest.

APACHE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The notional oil volumes and the reference prices specified in the Amoco price support agreement are summarized below:

YEAR ENDED JUNE 30:	MMBLS	PRICE
1997.....	2.0	\$29.48
1998.....	1.7	31.25
1999.....	1.4	33.12

Apache was not required to make any price sharing payments in 1996, and does not expect to be liable to Amoco for future price sharing payments.

10. COMMITMENTS AND CONTINGENCIES

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, and protection of, the environment. These laws and regulations may, among other things, impose liability on the lessee under an oil and gas lease for the cost of pollution clean-up resulting from operations, subject the lessee to liability for pollution damages and impose restrictions on the injection of liquids into subsurface strata. Apache maintains insurance coverage which it believes is customary in the industry, although it is not fully insured against all environmental risks.

As part of the Company's due diligence review for acquisitions, Apache conducts an extensive environmental evaluation of purchased properties. Depending on the extent of an identified environmental problem, the Company may exclude a property from the acquisition, or agree to assume liability for remediation of the property. As of December 31, 1996, Apache had a reserve for environmental remediation of approximately \$6.6 million. The Company is not aware of any environmental claims existing as of December 31, 1996, which have not been provided for or would otherwise have a material impact on its financial position or results of operations. There can be no assurance, however, that current regulatory requirements will not change, or past non-compliance with environmental laws will not be discovered on the Company's properties.

International Commitments -- The Company, through its subsidiaries, has acquired or has been conditionally or unconditionally granted exploration rights in Australia, Egypt, The People's Republic of China, Indonesia and the Ivory Coast. In order to comply with the contracts and agreements granting these rights, the Company, through various wholly owned subsidiaries, is committed to expend approximately \$306.0 million through 2000.

Retirement and Deferred Compensation Plans -- The Company provides a retirement/401(k) 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. Additionally, DEKALB maintains a separate retirement plan. Total expenses under all plans were \$6.3 million, \$7 million and \$5.8 million for 1996, 1995 and 1994, respectively. The unfunded liability for all plans has been accrued in the consolidated balance sheet.

APACHE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Lease Commitments -- The Company has leases for office space and equipment with varying expiration dates through 2007. Net rental expense was \$6.5 million, \$5.2 million and \$4.4 million for 1996, 1995 and 1994, respectively.

ProEnergy -- ProEnergy's limited liability company agreement provides that capital funding obligations, allocations of profit and loss and voting rights are calculated based upon the members' respective throughputs of natural gas sold to ProEnergy. Each member's liability with respect to future capital funding obligations is subject to certain limitations. Natural gas throughputs are calculated, profit distributed, and/or capital called on a quarterly basis. As of December 31, 1996, the Company held an approximate 44 percent interest in ProEnergy.

As of December 31, 1996, minimum rental commitments under long-term operating leases and long-term pipeline transportation commitments, ranging from 15 to 27 years, are as follows:

	RENTAL COMMITMENTS	SUBLEASE RENTALS	NET MINIMUM RENTAL COMMITMENTS	PIPELINE TRANSPORTATION COMMITMENTS	NET MINIMUM COMMITMENTS
	-----	-----	-----	-----	-----
	(IN THOUSANDS)				
1997.....	\$ 8,570	\$(1,637)	\$ 6,933	\$ 2,684	\$ 9,617
1998.....	7,890	(1,062)	6,828	2,265	9,093
1999.....	7,475	(935)	6,540	2,263	8,803
2000.....	7,208	(935)	6,273	2,253	8,526
2001.....	6,547	(770)	5,777	2,239	8,016
Thereafter.....	30,471	(949)	29,522	36,819	66,341
	-----	-----	-----	-----	-----
	\$68,161	\$(6,288)	\$61,873	\$48,523	\$110,396
	=====	=====	=====	=====	=====

11. CUSTOMER INFORMATION

Major Purchasers -- ProEnergy purchases accounted for 35 percent of the Company's oil and gas revenues in 1996. Beginning with April 1996 production, ProEnergy was the principal purchaser of Apache's domestic natural gas production.

Natural Gas Clearinghouse (NGC) was the principal purchaser of Apache's spot market gas production from April 1990 through September 30, 1995. Sales to NGC accounted for 27 percent and 37 percent of the Company's oil and gas revenues in 1995 and 1994, respectively.

Concentration of Credit Risk -- 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.

Sales of natural gas by Apache to ProEnergy are similarly uncollateralized. Apache and the other members of ProEnergy have agreed to fund the reasonably anticipated future capital needs of ProEnergy. In addition, effective January 31, 1996, ProEnergy entered into a \$150 million, three-year revolving credit facility with a syndicate of banks to finance its operations. ProEnergy is, however, subject to the risks inherent in the natural gas marketing industry.

APACHE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

12. BUSINESS SEGMENT INFORMATION

The Company's operations are primarily related to natural gas and crude oil exploration and production. Accordingly, such operations are classified as one business segment. Financial information by geographic area is presented below:

	1996	1995	1994
	-----	-----	-----
	(IN THOUSANDS)		
Gross Operating Revenues:			
United States.....	\$ 834,983	\$ 682,432	\$ 518,735
Canada.....	48,364	40,508	47,005
Egypt.....	65,040	--	--
Australia.....	29,045	27,762	26,427
Equity in income (loss) of affiliates.....	(281)	--	459
	-----	-----	-----
Total revenues.....	\$ 977,151	\$ 750,702	\$ 592,626
	=====	=====	=====
Operating Income (Loss):			
United States.....	\$ 242,201	\$ 131,888	\$ 119,764
Canada.....	10,247	11,077	20,748
Egypt.....	35,262	--	--
Australia.....	10,283	7,342	6,494
Other International.....	--	(75)	(7,300)
	-----	-----	-----
Operating income.....	297,993	150,232	139,706
Equity in income (loss) of affiliates.....	(281)	--	459
Administrative, selling and other.....	(35,911)	(36,552)	(38,729)
Merger costs.....	--	(9,977)	--
Net financing costs.....	(61,606)	(70,560)	(34,743)
	-----	-----	-----
Income before income taxes.....	\$ 200,195	\$ 33,143	\$ 66,693
	=====	=====	=====
Identifiable Assets:			
United States.....	\$2,410,180	\$2,295,966	\$1,717,058
Canada.....	260,818	216,216	196,589
Egypt.....	512,213	13,956	2,073
Australia.....	190,867	117,921	94,221
Other International.....	58,352	37,391	26,686
	-----	-----	-----
Total.....	\$3,432,430	\$2,681,450	\$2,036,627
	=====	=====	=====

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 agreements to purchase oil or gas production from foreign governments or authorities.

	UNITED STATES	CANADA	EGYPT	AUSTRALIA	OTHER INTERNATIONAL	TOTAL
	-----	-----	-----	-----	-----	-----
	(IN THOUSANDS)					
1996						
Oil and gas revenues.....	\$691,065	\$48,204	\$64,990	\$28,905	\$ --	\$833,164
	-----	-----	-----	-----	-----	-----
Operating costs:						
Depreciation, depletion and amortization.....	256,243	20,511	17,930	9,146	--	303,830
Lease operating expenses...	152,187	16,439	11,665	6,108	--	186,399
Production taxes.....	33,571	--	--	2,153	--	35,724
Income tax.....	94,644	5,022	16,990	4,139	--	120,795
	-----	-----	-----	-----	-----	-----
	536,645	41,972	46,585	21,546	--	646,748
	-----	-----	-----	-----	-----	-----
Results of operations.....	\$154,420	\$ 6,232	\$18,405	\$ 7,359	\$ --	\$186,416
	=====	=====	=====	=====	=====	=====
Amortization rate per boe(1).....	\$ 5.68	\$ 3.73	\$ 5.17	\$ 5.40	\$ --	\$ 5.44
	=====	=====	=====	=====	=====	=====
1995						
Oil and gas revenues.....	\$586,711	\$38,831	\$ --	\$27,602	\$ --	\$653,144
	-----	-----	-----	-----	-----	-----
Operating costs:						
Depreciation, depletion and amortization.....	262,689	15,475	--	10,225	--	288,389
Lease operating expenses...	161,631	12,911	--	6,534	--	181,076
Production taxes.....	26,936	--	--	1,957	--	28,893
Income tax.....	50,118	4,658	--	3,199	--	57,975
	-----	-----	-----	-----	-----	-----
	501,374	33,044	--	21,915	--	556,333
	-----	-----	-----	-----	-----	-----
Results of operations.....	\$ 85,337	\$ 5,787	\$ --	\$ 5,687	\$ --	\$ 96,811
	=====	=====	=====	=====	=====	=====
Amortization rate per boe(1).....	\$ 5.54	\$ 3.08	\$ --	\$ 5.94	\$ --	\$ 5.32
	=====	=====	=====	=====	=====	=====
1994						
Oil and gas revenues.....	\$467,161	\$44,889	\$ --	\$26,339	\$ --	\$538,389
	-----	-----	-----	-----	-----	-----
Operating costs:						
Depreciation, depletion and amortization.....	222,935	14,603	--	11,754	--	249,292
Impairments.....	--	--	--	--	7,300	7,300
Lease operating expenses...	107,361	11,654	--	6,257	--	125,272
Production taxes.....	22,280	--	--	1,922	--	24,202
Income tax (benefit).....	44,821	8,833	--	(295)	--	53,359
	-----	-----	-----	-----	-----	-----
	397,397	35,090	--	19,638	7,300	459,425
	-----	-----	-----	-----	-----	-----
Results of operations.....	\$ 69,764	\$ 9,799	\$ --	\$ 6,701	\$(7,300)	\$ 78,964
	=====	=====	=====	=====	=====	=====
Amortization rate per boe(1).....	\$ 5.88	\$ 3.34	\$ --	\$ 7.15	\$ --	\$ 5.67
	=====	=====	=====	=====	=====	=====

(1) Amortization rate per boe reflects depreciation, depletion and amortization of only capitalized costs of proved oil and gas properties.

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, 1996, by the year in which such costs were incurred:

	TOTAL	1996	1995	1994	1993 AND PRIOR
	-----	-----	-----	-----	-----
			(IN THOUSANDS)		
Property acquisition costs.....	\$390,419	\$214,816	\$134,376	\$19,191	\$22,036
Exploration and development.....	97,453	56,564	20,932	11,768	8,189
	-----	-----	-----	-----	-----
Total.....	\$487,872	\$271,380	\$155,308	\$30,959	\$30,225
	=====	=====	=====	=====	=====

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

	UNITED STATES	CANADA	EGYPT	AUSTRALIA	OTHER INTERNATIONAL	TOTAL
	-----	-----	-----	-----	-----	-----
			(IN THOUSANDS)			
1996						
Acquisition of proved properties(1).....	\$ 109,872	\$ 2,499	\$333,834	\$ --	\$ --	\$ 446,205
Acquisition of unproved properties.....	26,055	5,385	--	--	--	31,440
Exploration.....	48,578	30,153	31,805	11,012	19,361	140,909
Development.....	211,658	21,970	23,056	33,950	--	290,634
Capitalized interest.....	16,203	1,260	8,736	1,876	2,637	30,712
Property sales.....	(29,459)	(685)	--	--	--	(30,144)
	-----	-----	-----	-----	-----	-----
	\$ 382,907	\$ 60,582	\$397,431	\$46,838	\$21,998	\$ 909,756
	=====	=====	=====	=====	=====	=====
1995						
Acquisition of proved properties(1).....	\$ 818,682	\$ 2,236	\$ --	\$ --	\$ --	\$ 820,918
Acquisition of unproved properties.....	21,446	3,511	--	--	--	24,957
Exploration.....	23,520	7,857	11,415	22,227	22,255	87,274
Development.....	156,845	15,105	--	8,946	--	180,896
Capitalized interest.....	14,619	1,315	437	1,200	1,470	19,041
Property sales.....	(271,937)	--	--	--	--	(271,937)
	-----	-----	-----	-----	-----	-----
	\$ 763,175	\$ 30,024	\$ 11,852	\$32,373	\$23,725	\$ 861,149
	=====	=====	=====	=====	=====	=====
1994						
Acquisition of proved properties(1).....	\$ 179,972	\$ 770	\$ --	\$ --	\$ --	\$ 180,742
Acquisition of unproved properties.....	32,526	7,337	--	--	--	39,863
Exploration.....	16,722	13,399	1,226	14,640	14,223	60,210
Development.....	216,451	19,714	--	1,853	--	238,018
Capitalized interest.....	4,889	1,145	--	--	--	6,034
Property sales.....	(5,854)	(13,671)	--	--	--	(19,525)
	-----	-----	-----	-----	-----	-----
	\$ 444,706	\$ 28,694	\$ 1,226	\$16,493	\$14,223	\$ 505,342
	=====	=====	=====	=====	=====	=====

(1) Acquisition of proved properties includes unevaluated costs of \$203.6 million (including \$99.0 million associated with international concession rights), \$162.2 million and \$12 million for transactions completed in 1996, 1995 and 1994, respectively.

APACHE CORPORATION AND SUBSIDIARIES
SUPPLEMENTAL OIL AND GAS DISCLOSURES -- (CONTINUED)
(UNAUDITED)

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

	UNITED STATES	CANADA	EGYPT	AUSTRALIA	OTHER INTERNATIONAL	TOTAL
	-----	-----	-----	-----	-----	-----
	(IN THOUSANDS)					
1996						
Proved properties.....	\$3,846,256	\$ 400,113	\$251,619	\$165,454	\$ 49,671	\$4,713,113
Unproved properties...	222,168	21,526	60,913	28,133	56,132	388,872
International concession rights...	--	--	99,000	--	--	99,000
	-----	-----	-----	-----	-----	-----
	4,068,424	421,639	411,532	193,587	105,803	5,200,985
Accumulated DD&A.....	(1,950,760)	(179,448)	(15,873)	(48,895)	(49,671)	(2,244,647)
	-----	-----	-----	-----	-----	-----
	\$2,117,664	\$ 242,191	\$395,659	\$144,692	\$ 56,132	\$2,956,338
	=====	=====	=====	=====	=====	=====
1995						
Proved properties.....	\$3,434,170	\$ 346,547	\$ --	\$126,445	\$ 49,671	\$3,956,833
Unproved properties...	251,347	15,957	14,101	20,320	34,117	335,842
	-----	-----	-----	-----	-----	-----
	3,685,517	362,504	14,101	146,765	83,788	4,292,675
Accumulated DD&A.....	(1,700,228)	(159,533)	--	(39,824)	(49,671)	(1,949,256)
	-----	-----	-----	-----	-----	-----
	\$1,985,289	\$ 202,971	\$ 14,101	\$106,941	\$ 34,117	\$2,343,419
	=====	=====	=====	=====	=====	=====

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 U.S., Canadian and certain international properties are subject to review by Ryder Scott Company Petroleum Engineers, independent petroleum engineers, while the proved reserve quantities of the Company's Egyptian properties are reviewed by Netherland, Sewell & Associates, 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.

APACHE CORPORATION AND SUBSIDIARIES
SUPPLEMENTAL OIL AND GAS DISCLOSURES -- (CONTINUED)
(UNAUDITED)

CRUDE OIL, CONDENSATE AND NATURAL GAS LIQUIDS

	(THOUSANDS OF BARRELS)				
	UNITED STATES	CANADA	EGYPT	AUSTRALIA	TOTAL
Total proved reserves:					
Balance December 31, 1993.....	83,723	13,234	--	6,000	102,957
Extensions, discoveries and other additions.....	9,669	690	--	349	10,708
Purchases of minerals in-place...	9,232	83	--	--	9,315
Revisions of previous estimates	5,347	(2,239)	--	273	3,381
Production.....	(12,418)	(962)	--	(1,159)	(14,539)
Sales of properties.....	(1,108)	(90)	--	--	(1,198)
Balance December 31, 1994.....	94,445	10,716	--	5,463	110,624
Extensions, discoveries and other additions.....	6,685	306	--	3,058	10,049
Purchases of minerals in-place...	99,148	119	--	--	99,267
Revisions of previous estimates	12,172	(388)	--	10	11,794
Production.....	(17,011)	(937)	--	(1,139)	(19,087)
Sales of properties.....	(42,318)	--	--	--	(42,318)
Balance December 31, 1995.....	153,121	9,816	--	7,392	170,329
Extensions, discoveries and other additions.....	9,065	1,123	18,909	14,562	43,659
Purchases of minerals in-place...	3,547	128	30,706	--	34,381
Revisions of previous estimates	12,547	320	--	(1,679)	11,188
Production.....	(15,338)	(955)	(3,036)	(849)	(20,178)
Sales of properties.....	(4,019)	(66)	--	--	(4,085)
Balance December 31, 1996.....	158,923	10,366	46,579	19,426	235,294
Proved developed reserves:					
December 31, 1993.....	74,288	13,221	--	5,113	92,622
December 31, 1994.....	84,085	10,612	--	5,322	100,019
December 31, 1995.....	123,726	9,597	--	4,141	137,464
December 31, 1996.....	129,551	10,351	38,213	5,106	183,221

NATURAL GAS

	(MILLIONS OF CUBIC FEET)				
	UNITED STATES	CANADA	EGYPT	AUSTRALIA	TOTAL
Total proved reserves:					
Balance December 31, 1993.....	814,859	277,411	--	33,360	1,125,630
Extensions, discoveries and other additions.....	190,386	44,912	--	408	235,706
Purchases of minerals in-place...	158,309	2,710	--	--	161,019
Revisions of previous estimates	(21,937)	6,880	--	1,114	(13,943)
Production.....	(152,994)	(20,491)	--	(2,911)	(176,396)
Sales of properties.....	(4,335)	(11,526)	--	--	(15,861)
Balance December 31, 1994.....	984,288	299,896	--	31,971	1,316,155
Extensions, discoveries and other additions.....	85,032	26,488	--	42,332	153,852
Purchases of minerals in-place...	335,865	4,662	--	--	340,527
Revisions of previous estimates	56,281	(18,141)	--	2,342	40,482
Production.....	(182,661)	(24,485)	--	(3,486)	(210,632)
Sales of properties.....	(138,464)	--	--	--	(138,464)
Balance December 31, 1995.....	1,140,341	288,420	--	73,159	1,501,920
Extensions, discoveries and other additions.....	140,208	44,584	59,329	8,346	252,467
Purchases of minerals in-place...	88,023	3,039	12,964	--	104,026
Revisions of previous estimates	35,026	(25,747)	--	(5,276)	4,003
Production.....	(172,815)	(27,303)	(111)	(5,076)	(205,305)

Sales of properties.....	(29,231)	(2,576)	--	--	(31,807)
	-----	-----	-----	-----	-----
Balance December 31, 1996.....	1,201,552	280,417	72,182	71,153	1,625,304
	=====	=====	=====	=====	=====
Proved developed reserves:					
December 31, 1993.....	696,421	263,070	--	24,251	983,742
December 31, 1994.....	888,039	274,611	--	22,265	1,184,915
December 31, 1995.....	1,003,853	274,306	--	20,308	1,298,467
December 31, 1996.....	1,087,694	274,498	6,977	66,174	1,435,343

APACHE CORPORATION AND SUBSIDIARIES
SUPPLEMENTAL OIL AND GAS DISCLOSURES -- (CONTINUED)
(UNAUDITED)

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

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

	UNITED STATES	CANADA(1)	EGYPT	AUSTRALIA	TOTAL
	-----	-----	-----	-----	-----
	(IN THOUSANDS)				
1996					
Cash inflows.....	\$ 8,839,819	\$ 761,657	\$1,272,104	\$553,781	\$11,427,361
Production and development costs.....	(2,542,757)	(204,610)	(484,143)	(240,451)	(3,471,961)
Income tax expense.....	(1,751,611)	(148,745)	(260,598)	(83,593)	(2,244,547)
Net cash flows.....	4,545,451	408,302	527,363	229,737	5,710,853
10 percent annual discount rate.....	(1,928,723)	(182,645)	(208,272)	(71,696)	(2,391,336)
Discounted future net cash flows(2).....	\$ 2,616,728	\$ 225,657	\$ 319,091	\$158,041	\$ 3,319,517
	=====	=====	=====	=====	=====
1995					
Cash inflows.....	\$ 5,617,297	\$ 550,627	\$ --	\$287,817	\$ 6,455,741
Production and development costs.....	(2,126,984)	(186,388)	--	(99,345)	(2,412,717)
Income tax expense.....	(753,425)	(82,124)	--	(53,520)	(889,069)
Net cash flows.....	2,736,888	282,115	--	134,952	3,153,955
10 percent annual discount rate.....	(1,105,629)	(124,835)	--	(53,932)	(1,284,396)
Discounted future net cash flows (2)	\$ 1,631,259	\$ 157,280	\$ --	\$ 81,020	\$ 1,869,559
	=====	=====	=====	=====	=====
1994					
Cash inflows.....	\$ 3,401,300	\$ 536,463	\$ --	\$163,303	\$ 4,101,066
Production and development costs.....	(1,294,801)	(156,589)	--	(68,217)	(1,519,607)
Income tax expense.....	(376,932)	(91,740)	--	(27,910)	(496,582)
Net cash flows.....	1,729,567	288,134	--	67,176	2,084,877
10 percent annual discount rate.....	(628,408)	(128,558)	--	(15,366)	(772,332)
Discounted future net cash flows(2).....	\$ 1,101,159	\$ 159,576	\$ --	\$ 51,810	\$ 1,312,545
	=====	=====	=====	=====	=====

(1) Included in cash inflows is approximately \$16.2 million, \$25.3 million and \$25.7 million (\$5.3 million, \$9.8 million and \$9.8 million after discount at 10 percent per annum) for 1996, 1995 and 1994, respectively, of Canadian provincial tax credits expected to be realized beyond the date at which the legislation, under its provisions, could be repealed.

(2) Estimated future net cash flows before income tax expense, discounted at 10 percent per annum, totaled approximately \$4.6 billion, \$2.3 billion and \$1.6 billion as of December 31, 1996, 1995 and 1994, 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,		
	1996	1995	1994

	(IN THOUSANDS)		
Sales, net of production costs.....	\$ (611,041)	\$ (443,175)	\$ (388,915)
Net change in prices and production costs.....	1,336,340	201,723	(173,059)
Discoveries and improved recovery, net of related costs.....	775,136	210,151	211,358
Change in future development costs.....	54,236	74,047	24,065
Revision of quantities.....	113,819	127,939	13,167
Purchases.....	522,123	726,240	165,273
Accretion of discount.....	234,436	160,093	159,302
Change in income taxes.....	(779,980)	(186,415)	16,517
Sales of properties.....	(46,056)	(232,629)	(21,497)
Change in production rates and other.....	(149,055)	(80,960)	(11,462)
	-----	-----	-----
	\$1,449,958	\$ 557,014	\$ (5,251)
	=====	=====	=====

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 supply and demand perceptions for natural gas and 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 income taxes. Application of these rules generally requires future production to be priced at the unescalated oil and gas prices in effect at the end of each fiscal quarter and requires a writedown if the "ceiling" is exceeded, even if prices declined for only a short period of time.

Many full cost companies, including Apache, are concerned about the impact of prolonged unfavorable gas prices on their ceiling test calculations. A deterioration of gas or oil prices from year-end levels could result in the Company recording a non-cash charge to earnings related to its oil and gas properties. The SEC may permit the exclusion of capitalized costs and present value of recently acquired properties in performing ceiling test calculations. Pursuant thereto, Apache, in 1995, requested waivers and the SEC granted two separate one-year waivers with respect to the properties acquired from Texaco and Aquila. Such waivers expired in 1996.

APACHE CORPORATION AND SUBSIDIARIES

SUPPLEMENTAL QUARTERLY FINANCIAL DATA

(UNAUDITED)

	FIRST	SECOND	THIRD	FOURTH	TOTAL
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)				
1996					
Revenues.....	\$206,470	\$223,656	\$242,384	\$304,641	\$977,151
Expenses, net.....	190,815	199,219	212,247	253,443	855,724
Net income.....	\$ 15,655	\$ 24,437	\$ 30,137	\$ 51,198	\$121,427
Net income per common share.....	\$.20	\$.29	\$.34	\$.57	\$ 1.42
1995					
Revenues.....	\$167,718	\$206,052	\$181,247	\$195,685	\$750,702
Expenses, net.....	163,635	205,515	174,205	187,140	730,495
Net income.....	\$ 4,083	\$ 537	\$ 7,042	\$ 8,545	\$ 20,207
Net income per common share.....	\$.06	\$.01	\$.10	\$.11	\$.28

The sum of the individual quarterly net income per common share may not agree with year-to-date net income per common share as each period's computation is based on the weighted average number of common shares outstanding during that period.

BOARD OF DIRECTORS

FREDERICK M. BOHEN(3)(5)

Executive Vice President and Chief Operating Officer The Rockefeller University

VIRGIL B. DAY(3)

Senior Partner

Vedder, Price, Kaufman, Kammholz & Day

G. STEVEN FARRIS

President and Chief Operating Officer

Apache Corporation

RANDOLPH M. FERLIC, M.D.(1)(2)(4)

Founder and Former President

Surgical Services of the Great Plains, P.C.

EUGENE C. FIEDOREK(2)

Managing Director

EnCap Investments L.C.

W. BROOKS FIELDS(1)(2)(4)

Former President and Chief Executive Officer Minnesota Racetrack, Inc.

ROBERT V. GISSELBECK(2)

President

Gisselbeck & Associates

STANLEY K. HATHAWAY(2)

Senior Partner

Hathaway, Speight, Kunz & Trautwein

JOHN A. KOCUR(1)(3)(4)

Attorney at Law

Former Vice Chairman of the Board

Apache Corporation

GEORGE D. LAWRENCE JR.(1)(4)

Private Investor

Former Chief Executive Officer

The Phoenix Resource Companies, Inc.

MARY RALPH LOWE(2)(4)

President and Chief Executive Officer

Maralo, Inc.

RAYMOND PLANK(1)(4)

Chairman of the Board and Chief Executive Officer Apache Corporation

JOSEPH A. RICE(3)(5)

Former Chairman of the Board and

Chief Executive Officer

Irving Bank Corporation and Irving Trust Company

OFFICERS

RAYMOND PLANK

Chairman of the Board and Chief Executive Officer

G. STEVEN FARRIS

President and Chief Operating Officer

H. CRAIG CLARK

Vice President -- North American Exploration and Production

LISA A. FLOYD

Vice President -- Technical Services

MARK A. JACKSON

Vice President and Chief Financial Officer

ZURAB S. KOBIASHVILI

Vice President and General Counsel

ANTHONY R. LENTINI, JR.

Vice President -- Public and International Affairs

ROGER B. PLANK

Vice President -- Planning and Corporate Development

FLOYD R. PRICE

Vice President -- International Exploration and Production

THOMAS L. MITCHELL

Controller and Chief Accounting Officer

CHERI L. PEPER

Corporate Secretary

MATTHEW W. DUNDREA

Treasurer

-
- (1) Executive Committee
 - (2) Audit Committee
 - (3) Management Development & Compensation Committee
 - (4) Nominating Committee
 - (5) Stock Option Plan Committee

SHAREHOLDER INFORMATION

STOCK DATA

	HIGH	LOW	DIVIDENDS PER SHARE
	----	---	-----
1996			
First Quarter	\$29 1/2	\$24 3/8	\$0.07
Second Quarter	33 1/2	26 3/8	0.07
Third Quarter	34 5/8	27 3/4	0.07
Fourth Quarter	37 7/8	29 1/2	0.07
1995			
First Quarter	\$27 3/8	\$22 1/4	\$0.07
Second Quarter	31	25 3/8	0.07
Third Quarter	30 1/4	25 3/4	0.07
Fourth Quarter	29 5/8	23 1/8	0.07

Absent significant events, the Company expects the current dividend level to be maintained. Apache common stock is listed on the New York and Chicago Stock Exchanges (symbol APA). At December 31, 1996, outstanding shares of the Company's common stock were held by approximately 11,000 shareholders of record and 38,000 beneficial owners.

The Company's 9.25 percent notes, due in 2002 (symbol APA 02), are listed on the New York Stock Exchange.

CORPORATE OFFICES

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

INDEPENDENT PUBLIC ACCOUNTANTS

Arthur Andersen LLP
711 Louisiana, Suite 1300
Houston, Texas 77002

STOCK TRANSFER AGENT AND REGISTRAR

Norwest Bank Minnesota, N.A.
161 North Concord Exchange
P. O. Box 738
South St. Paul, Minnesota 55075
(612) 450-4064
(800) 468-9716

Communications concerning the transfer of shares, lost certificates, dividend checks, duplicate mailings or change of address should be directed to the stock transfer agent.

DIVIDEND REINVESTMENT PLAN

Shareholders of record may invest their dividends automatically in additional shares of Apache common stock at the market price. Participants may also invest up to an additional \$5,000 in Apache shares each quarter through this service. All bank service fees and brokerage commissions on purchases are paid by Apache. A prospectus describing terms of the Plan and an authorization form may be obtained from the Company's stock transfer agent, Norwest Bank Minnesota, N.A.

ANNUAL MEETING

Apache will hold its annual meeting of shareholders on Thursday, May 1, 1997, at 10 a.m. in the Ballroom, Doubletree Hotel at Post Oak, 2001 Post Oak Boulevard, Houston, Texas.

STOCK HELD IN "STREET NAME"

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

FORM 10-K REQUEST

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

INVESTOR RELATIONS

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

Members of the news media and others seeking information about the Company should contact Apache's Public and International Affairs Department at (713) 296-6107.

Web site: <http://www.apachecorp.com>

INDEX TO EXHIBITS

EXHIBIT NO.	DESCRIPTION
2.1	-- Stock Purchase Agreement, dated July 1, 1991, between 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, SEC File No. 1-4300).
2.2	-- Form of Acquisition Agreement between Registrant, 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 September 29, 1993).
2.3	-- Purchase and Sale Agreement by and between Texaco Exploration and Production Inc., as seller, and Registrant, as buyer, dated December 22, 1994 (incorporated by reference to Exhibit 99.3 to Registrant's Current Report on Form 8-K, dated November 29, 1994, SEC File No. 1-4300).
2.4	-- Amended and Restated Agreement and Plan of Merger among Registrant, XPX Acquisitions, Inc. and DEKALB Energy Company, dated December 21, 1994 (incorporated by reference to Exhibit 2.1 to Amendment No. 3 to Registrant's Registration Statement on Form S-4, Registration No. 33-57321, filed April 14, 1995).
2.5	-- Agreement and Plan of Merger among Registrant, YPY Acquisitions, Inc. and The Phoenix Resource Companies, Inc., dated March 27, 1996 (incorporated by reference to Exhibit 2.1 to Registrant's Registration Statement on Form S-4, Registration No. 333-02305, filed April 5, 1996).
3.1	-- Restated Certificate of Incorporation of Registrant, dated December 1, 1993, as filed with the Secretary of State of Delaware on December 16, 1993 (incorporated by reference to Exhibit 3.1 to Registrant's Annual Report on Form 10-K for year ended December 31, 1993, SEC File No. 1-4300).
3.2	-- Certificate of Ownership and Merger Merging Apache Energy Resources Corporation into Registrant, effective December 31, 1995, as filed with the Secretary of State of Delaware on December 21, 1995 (incorporated by reference to Exhibit 3.2 to Registrant's Annual Report on Form 10-K for year ended December 31, 1995, SEC File No. 1-4300).
3.3	-- Certificate of Designations, Preferences and Rights of Series A Junior Participating Preferred Stock of Registrant, effective January 31, 1996, as filed with the Secretary of State of Delaware on January 22, 1996 (incorporated by reference to Exhibit 3.3 to Registrant's Annual Report on Form 10-K for year ended December 31, 1995, SEC File No. 1-4300).
3.4	-- Bylaws of Registrant, as amended July 11, 1996, effective May 2, 1996 (incorporated by reference to Exhibit 3.1 to Amendment No. 1 on Form 8-K/A to Registrant's Current Report on Form 8-K, dated May 20, 1996, SEC File No. 1-4300).
4.1	-- Form of Registrant's common stock certificate (incorporated by reference to Exhibit 4.1 to Registrant's Annual Report on Form 10-K for year ended December 31, 1995, SEC File No. 1-4300).
4.2	-- Rights Agreement, dated January 31, 1996, between Registrant and Norwest Bank Minnesota, N.A., rights agent, relating to the declaration of a rights dividend to Registrant's common shareholders of record on January 31, 1996 (incorporated by reference to Exhibit (a) to Registrant's Registration Statement on Form 8-A, dated January 24, 1996, SEC File No. 1-4300).

- 10.1 -- Third Amended and Restated Credit Agreement, dated March 1, 1995, among Registrant, the lenders named therein, and The First National Bank of Chicago, as Administrative Agent and Arranger, and Chemical Bank, as Co-Agent and Arranger (incorporated by reference to Exhibit 10.2 to Registrant's Annual Report on Form 10-K for year ended December 31, 1994, SEC File No. 1-4300).
- 10.2 -- First Amendment to Third Amended and Restated Credit Agreement, dated April 14, 1995, among Registrant, the lenders named therein, and The First National Bank of Chicago, as Administrative Agent and Arranger, and Chemical Bank, as Co-Agent and Arranger (incorporated by reference to Exhibit 99.3 to Registrant's Registration Statement on Form S-3, Registration No. 33-63923, filed November 2, 1995).
- 10.3 -- Second Amendment to Third Amended and Restated Credit Agreement, dated October 23, 1995, among Registrant, the lenders named therein, and The First National Bank of Chicago, as Administrative Agent and Arranger, and Chemical Bank, as Co-Agent and Arranger (incorporated by reference to Exhibit 99.4 to Registrant's Registration Statement on Form S-3, Registration No. 33-63923, filed November 2, 1995).
- 10.4 -- Third Amendment to Third Amended and Restated Credit Agreement, dated December 18, 1995, among Registrant, the lenders named therein, and The First National Bank of Chicago, as Administrative Agent and Arranger, and Chemical Bank, as Co-Agent and Arranger (incorporated by reference to Exhibit 10.5 to Registrant's Annual Report on Form 10-K for year ended December 31, 1995, SEC File No. 1-4300).
- 10.5 -- Fourth Amendment to Third Amended and Restated Credit Agreement, dated December 22, 1995, among Registrant, the lenders named therein, and The First National Bank of Chicago, as Administrative Agent and Arranger, and Chemical Bank, as Co-Agent and Arranger (incorporated by reference to Exhibit 10.6 to Registrant's Annual Report on Form 10-K for year ended December 31, 1995, SEC File No. 1-4300).
- 10.6 -- Fifth Amendment to Third Amended and Restated Credit Agreement, dated January 22, 1996, among Registrant, the lenders named therein, and The First National Bank of Chicago, as Administrative Agent and Arranger, and Chemical Bank, as Co-Agent and Arranger (incorporated by reference to Exhibit 10.7 to Registrant's Annual Report on Form 10-K for year ended December 31, 1995, SEC File No. 1-4300).
- 10.7 -- Sixth Amendment to Third Amended and Restated Credit Agreement, dated April 18, 1996, among Registrant, the lenders named therein, and The First National Bank of Chicago, as Administrative Agent and Arranger, and Chemical Bank, as Co-Agent and Arranger (incorporated by reference to Exhibit 99.1 to Registrant's Current Report on Form 8-K, dated April 22, 1996, SEC File No. 1-4300).
- 10.8 -- Seventh Amendment to Third Amended and Restated Credit Agreement, dated May 8, 1996, among Registrant, the lenders named therein, and The First National Bank of Chicago, as Administrative Agent and Arranger, and Chemical Bank, as Co-Agent and Arranger (incorporated by reference to Exhibit 99.3 to Amendment No. 1 on Form 8-K/A to Registrant's Current Report on Form 8-K, dated May 20, 1996, SEC File No. 1-4300).

- 10.9 -- Fourth Amended and Restated Credit Agreement, dated October 31, 1996, among Registrant, the lenders named therein, and The First National Bank of Chicago, as Global Administrative Agent, The Chase Manhattan Bank, as Co-Agent, First Chicago Capital Markets, Inc., as Arranger, and Chase Securities Inc., as Arranger (incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K, dated October 31, 1996, SEC File No. 1-4300).
- 10.10 -- Credit Agreement dated October 31, 1996, among Apache Canada Ltd., a wholly-owned subsidiary of Registrant, the lenders named therein, and Bank of Montreal, as Canadian Administrative Agent, The First National Bank of Chicago, as Global Administrative Agent, First Chicago Capital Markets, Inc., as Arranger, and Chase Securities Inc., as Arranger (incorporated by reference to Exhibit 10.2 to Registrant's Current Report on Form 8-K, dated October 31, 1996, SEC File No. 1-4300).
- 10.11 -- Credit Agreement dated October 31, 1996, among Apache Energy Limited and Apache Oil Australia Pty. Limited, wholly-owned subsidiaries of Registrant, the lenders named therein, and Chase Securities Australia Limited, as Australian Administrative Agent, The First National Bank of Chicago, as Global Administrative Agent, First Chicago Capital Markets, Inc., as Arranger, and Chase Securities Inc., as Arranger (incorporated by reference to Exhibit 10.3 to Registrant's Current Report on Form 8-K, dated October 31, 1996, SEC File No. 1-4300).
- 10.12 -- Fiscal Agency Agreement, dated January 4, 1995, between Registrant and Chemical Bank, as fiscal agent, relating to Registrant's 6% Convertible Subordinated Debentures due 2002 (incorporated by reference to Exhibit 99.2 to Registrant's Current Report on Form 8-K, dated December 6, 1994, SEC File No. 1-4300).
- 10.13 -- Concession Agreement for Petroleum Exploration and Exploitation in Khalda Area in Western Desert of Egypt by and among Arab Republic of Egypt, the Egyptian General Petroleum Corporation and Phoenix Resources Company of Egypt, dated April 6, 1981 (incorporated by reference to Exhibit 19(g) to Phoenix's Annual Report on Form 10-K for year ended December 31, 1984, SEC File No. 1-547).
- 10.14 -- Amendment, dated July 10, 1989, to Concession Agreement for Petroleum Exploration and Exploitation in Khalda Area in Western Desert of Egypt by and among Arab Republic of Egypt, the Egyptian General Petroleum Corporation and Phoenix Resources Company of Egypt (incorporated by reference to Exhibit 10(d)(4) to Phoenix's Quarterly Report on Form 10-Q for quarter ended June 30, 1989, SEC File No. 1-547).
- 10.15 -- Farmout Agreement, dated September 13, 1985 and relating to Khalda Area Concession, by and between Phoenix Resources Company of Egypt and Conoco Khalda Inc. (incorporated by reference to Exhibit 10.1 to Phoenix's Registration Statement on Form S-1, Registration No. 33-1069, filed October 23, 1985).
- 10.16 -- Amendment, dated March 30, 1989, to Farmout Agreement relating to Khalda Area Concession, by and between Phoenix Resources Company of Egypt and Conoco Khalda Inc. (incorporated by reference to Exhibit 10(d)(5) to Phoenix's Quarterly Report on Form 10-Q for quarter ended June 30, 1989, SEC File No. 1-547).

- 10.17 -- Concession Agreement for Petroleum Exploration and Exploitation in the Qarun Area in Western Desert of Egypt, between Arab Republic of Egypt, the Egyptian General Petroleum Corporation, Phoenix Resources Company of Qarun and Apache Oil Egypt, Inc., dated May 17, 1993, (incorporated by reference to Exhibit 10(b) to Phoenix's Annual Report on Form 10-K for year ended December 31, 1993, SEC File No. 1-547).
- *10.18 -- Agreement for Amending the Gas Pricing Provisions under the Concession Agreement for Petroleum Exploration and Exploitation in the Qarun Area, effective June 16, 1994.
- +10.19 -- 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 year ended December 31, 1990, SEC File No. 1-4300).
- +10.20 -- 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 year ended December 31, 1990, SEC File No. 1-4300).
- +10.21 -- First Amendment to Apache Corporation Corporate Administrative Group Incentive Plan, effective January 1, 1990 (incorporated by reference to Exhibit 10.14 to Registrant's Annual Report on Form 10-K for year ended December 31, 1993, SEC File No. 1-4300).
- +10.22 -- Apache Corporation Retirement/401(k) Savings Plan, dated December 22, 1994, effective January 1, 1995 (incorporated by reference to Exhibit 10.7 to Registrant's Annual Report on Form 10-K for year ended December 31, 1994, SEC File No. 1-4300).
- +10.23 -- Amendments to the Apache Corporation Retirement/401(k) Savings Plan (Appendices D and E), each dated April 19, 1995 (incorporated by reference to Exhibit 4.6 to Registrant's Registration Statement on Form S-8, Registration No. 33-63817, filed October 31, 1995).
- +10.24 -- Amendments to the Apache Corporation Retirement/401(k) Savings Plan (Appendices A and F), effective May 4, 1995 and May 17, 1995 (incorporated by reference to Exhibit 10.14 to Registrant's Annual Report on Form 10-K for year ended December 31, 1995, SEC File No. 1-4300).
- +*10.25 -- Amendments to the Apache Corporation Retirement/401(k) Savings Plan (Appendices G and H), dated July 25, 1996, effective January 1, 1996.
- +*10.26 -- Non-Qualified Retirement/Savings Plan of Apache Corporation, as restated January 1, 1997.
- +10.27 -- 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 year ended December 31, 1989, SEC File No. 1-4300).
- +10.28 -- 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 year ended December 31, 1990, SEC File No. 1-4300).
- +10.29 -- Apache Corporation 1990 Stock Incentive Plan, as amended and restated February 9, 1996 (incorporated by reference to Exhibit 10.19 to Registrant's Annual Report on Form 10-K for year ended December 31, 1995, SEC File No. 1-4300).

+10.30 -- Apache Corporation 1995 Stock Option Plan, as amended and restated February 9, 1996 (incorporated by reference to Exhibit 10.20 to Registrant's Annual Report on Form 10-K for year ended December 31, 1995, SEC File No. 1-4300).

+10.31 -- Apache Corporation 1996 Share Price Appreciation Plan, as amended and restated January 14, 1997 (incorporated by reference to Appendix A to Registrant's definitive 14A Proxy Statement, SEC File No. 1-4300, filed March 28, 1997).

+*10.32 -- Apache Corporation 1996 Performance Stock Option Plan, as amended and restated January 14, 1997.

+*10.33 -- 1990 Employee Stock Option Plan of The Phoenix Resource Companies, Inc., as amended through September 29, 1995, effective April 9, 1990.

+*10.34 -- 1990 Nonemployee Director Stock Option Plan of The Phoenix Resource Companies, Inc., as amended through September 29, 1995, effective April 9, 1990.

+10.35 -- Apache Corporation Income Continuance Plan, as amended and restated February 24, 1988 (incorporated by reference to Exhibit 10.19 to Registrant's Annual Report on Form 10-K for year ended December 31, 1990, SEC File No. 1-4300).

+10.36 -- Apache Corporation Directors' Deferred Compensation Plan, as amended and restated September 14, 1994 (incorporated by reference to Exhibit 10.15 to Registrant's Annual Report on Form 10-K for year ended December 31, 1994, SEC File No. 1-4300).

+10.37 -- 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 year ended December 31, 1992, SEC File No. 1-4300).

+10.38 -- Apache Corporation Equity Compensation Plan for Non-Employee Directors, adopted February 9, 1994, and form of Restricted Stock Award Agreement (incorporated by reference to Exhibit 10.26 to Registrant's Annual Report on Form 10-K for year ended December 31, 1993, SEC File No. 1-4300).

+*10.39 -- Amended and Restated Employment Agreement, dated December 5, 1990, between Registrant and Raymond Plank.

+*10.40 -- First Amendment, dated April 4, 1996, to Restated Employment Agreement between Registrant and Raymond Plank.

+10.41 -- Amended and Restated Employment Agreement, dated December 20, 1990, between Registrant and John A. Kocur (incorporated by reference to Exhibit 10.10 to Registrant's Annual Report on Form 10-K for year ended December 31, 1990, SEC File No. 1-4300).

+10.42 -- Employment Agreement, dated June 6, 1988, between Registrant and G. Steven Farris (incorporated by reference to Exhibit 10.6 to Registrant's Annual Report on Form 10-K for year ended December 31, 1989, SEC File No. 1-4300).

10.43 -- Member Gas Purchase Agreement, dated March 1, 1996, by and among Apache Gathering Company, Apache Corporation, MW Petroleum Corporation, DEK Energy Company, Apache Transmission Corporation-Texas and Apache Marketing, Inc., as Seller, and Producers Energy Marketing, LLC, as Buyer (incorporated by reference to Exhibit 10.28 to Registrant's Annual Report on Form 10-K for year ended December 31, 1995, SEC File No. 1-4300).

*11.1 -- Statement regarding computation of earnings per share of Registrant's common stock for the year ended December 31, 1996.

*21.1 -- Subsidiaries of Registrant

*23.1 -- Consent of Arthur Andersen LLP
*23.2 -- Consent of Coopers & Lybrand, Chartered Accountants
*23.3 -- Consent of Ryder Scott Company Petroleum Engineers
*23.4 -- Consent of Netherland, Sewell & Associates, Inc.
*24.1 -- Power of Attorney (included as a part of the signature pages to this report)
*27.1 -- Financial Data Schedule

* Filed herewith.

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

EXHIBIT 10.18

**AGREEMENT
FOR AMENDING THE GAS PRICING
PROVISIONS
UNDER THE CONCESSION AGREEMENT
SIGNED BY VIRTUE OF LAW NO. 113 OF 1993
FOR PETROLEUM EXPLORATION AND
EXPLOITATION IN THE QARUN AREA
WESTERN DESERT
BETWEEN
THE ARAB REPUBLIC OF EGYPT
AND
THE EGYPTIAN GENERAL PETROLEUM
CORPORATION
AND
PHOENIX RESOURCES COMPANY OF QARUN
AND APACHE OIL EGYPT, INC.**

**AGREEMENT
FOR AMENDING THE GAS PRICING
PROVISIONS
UNDER THE CONCESSION AGREEMENT
SIGNED BY VIRTUE OF LAW No. 113 OF 1993
FOR PETROLEUM EXPLORATION AND
EXPLOITATION IN THE QARUN AREA
WESTERN DESERT
BETWEEN
THE ARAB REPUBLIC OF EGYPT
AND
THE EGYPTIAN GENERAL PETROLEUM
CORPORATION
AND
PHOENIX RESOURCES COMPANY OF QARUN
AND APACHE OIL EGYPT, INC.**

This Agreement is made this ____ day of _____, 1993, by and between the Arab Republic of Egypt (hereinafter referred to as "A.R.E.") or as the "GOVERNMENT"), THE EGYPTIAN GENERAL PETROLEUM CORPORATION, a legal entity created by law No. 167 of 1958 as amended (hereinafter referred to as "E.G.P.C.") and PHOENIX RESOURCES COMPANY OF QARUN, a company organized and existing under the laws of the State of Delaware, U.S.A. and APACHE OIL EGYPT, INC. a company organized and existing under the laws of the State of Delaware, U.S.A. (both companies hereinafter referred to collectively as "CONTRACTOR").

WITNESSETH

WHEREAS, the Arab Republic of Egypt, the Egyptian General Petroleum Corporation and Phoenix Resources Company of Qarun and Apache Oil Egypt, Inc. have entered into a Concession Agreement

signed by virtue of law No. 113 of 1993 for Petroleum Exploration and Exploitation in the Qarun Area, Western Desert.

WHEREAS, Contractor has applied for an amendment of the natural gas and LPG Pricing provisions under such Concession agreement; and

WHEREAS, the Board of Directors of E.G.P.C., has approved such amendment, and agreed to take the legal procedures required therefor.

Now, therefore, the parties hereto agree as follows:

ARTICLE I

Article VII (c) (2) of the Concession Agreement signed by virtue of Law No. 113 of 1993 for Petroleum Exploration and Exploitation in the Qarun Area, Western Desert, shall be deleted in its entirety, and shall be replaced by the following:

2- Gas and LPG

(i) The Cost Recovery and Profit Shares of Gas subject to a Gas Sales Agreement between E.G.P.C. and CONTRACTOR (as sellers) and E.G.P.C. (as buyer) entered into pursuant to Article VII

(e) shall be valued, delivered to and purchased by E.G.P.C. at a price determined monthly according to the following formula:

$$PG = 0.85 \times \frac{F}{42.96 \times 10^6} \times H$$

Where:

PG = the value of the Gas in U.S. Dollars per thousand cubic feet (MCF).

F = a value in U.S. Dollars per metric ton of the Crude of Gulf of Suez blend "FOB Ras Shukheir" calculated

by referring to "Platt's Oilgram Price Report" during a month under the heading "Spot Crude Price Assessment for Suez Blend." This value reflects the total averages of the published high and low values for a barrel during such month divided by the number of days in such month for which such values were quoted. The value per metric ton shall be calculated on the basis of a conversion factor to be agreed upon annually between E.G.P.C. and CONTRACTOR.

H = the number of British Thermal Units (BTUs) per thousand cubic feet (MCF) of Gas.

In the event that the value of F cannot be determined because Platt's Oilgram Price Report is not published at all during a month, the Parties shall meet and agree the value of F by reference to other published sources. In the event that there are no such published sources or if the value of F cannot be determined pursuant to the foregoing for any other reason, the Parties shall meet and agree a value of F.

Such evaluation of Gas under a formula providing for a fifteen

(15) percent discount is based upon delivery at the delivery point specified in Article VII (e) 2(ii) below, and is to enable E.G.P.C. to finance and maintain the portions of the pipeline distribution system to be provided by E.G.P.C.

(ii) The Cost Recovery and Profit Shares of LPG produced from a plant constructed and operated by or on behalf of E.G.P.C. and CONTRACTOR shall be separately valued for Propane and Butane at the outlet of such LPG plant according to the following formula (unless otherwise agreed between E.G.P.C. and CONTRACTOR):

$$\text{PLPG} = 0.95 \text{ PR} - (\text{J} \times 0.85 \text{ F})$$

$$42.96 \times 10^6$$

Where:

- PLPG = LPG price (separately determined for Propane and Butane) in U.S. Dollars per metric ton.
- PR = the average over a period of a month of the figures representing the mid-point between the high and low prices in U.S. Dollars per metric ton quoted in "Platt's LPGaswire" during such month for Propane and Butane FOB Ex-Ref/Stor. West Mediterranean.
- J = BTU's removed from the Gas Stream by the LPG plant per metric ton of LPG produced.
- F = the same value as F under sub-paragraph (i) above.

In the event that Platt's LPGaswire is issued on certain days during a month but not on others, the value of PR shall be calculated using only those issued which are published during such month. In the event that the value of PR cannot be determined because Platt's LPGaswire is not published at all during a month, the Parties shall meet and agree the value of PR by reference to other published sources. In the event that there are no other such published sources or if the value of PR cannot be determined pursuant to the foregoing for any other reason, the Parties shall meet and agree the value of PR by reference to the value of LPG (Propane and Butane) delivered FOB from the Mediterranean Area.

Such value of LPG is based upon delivery at the delivery point specified in Article VII (e)(2)(iii) below.

(iii) The Prices of Gas and LPG so calculated shall apply during the same month.

(iv) The Cost Recovery and Profit Shares of Gas and LPG disposed of by E.G.P.C. and CONTRACTOR other than to E.G.P.C. pursuant to Article VII(e) shall be valued at their actual realized price.

ARTICLE II

Except as amended by this Agreement, the Concession Agreement signed by virtue of Law No. 113 of 1993, shall continue in full force and effect in accordance with its terms.

PHOENIX RESOURCES COMPANY OF QARUN

BY: /s/ John E. Bruno

DATE:

APACHE OIL EGYPT, INC.

BY: /s/ John E. Bruno

DATE:

EGYPTIAN GENERAL PETROLEUM CORPORATION

BY: /s/ Egyptian General Petroleum Corporation

DATE:

ARAB REPUBLIC OF EGYPT

BY: /s/ Arab Republic of Egypt

DATE:

EXHIBIT 10.25

AMENDMENT TO APACHE CORPORATION RETIREMENT/401(k) SAVINGS PLAN

Apache Corporation ("Apache") maintains the Apache Corporation Retirement/401(k) Savings Plan (the "Plan"). Pursuant to section 10.4 of the Plan, Apache has retained the right to amend the Plan. Apache hereby exercises that right by substituting the following Appendix G for the existing Appendix G to the Plan, effective as of January 1, 1996.

Appendix G

Citation Oil & Gas

Introduction

Apache Corporation, MW Petroleum Corporation, and Apache Energy Resources Corporation (collectively, "Apache Companies") and Citation 1994 Investment Limited Partnership ("Citation 1994 Limited") entered into a certain purchase and sale agreement entitled "Purchase and Sale Agreement by and between Apache Corporation, MW Petroleum Corporation, and Apache Energy Resources Corporation (Sellers) and Citation 1994 Investment Limited Partnership (Buyer)" whereby Apache Companies sold certain properties to Citation 1994 Limited. In connection with this transaction, Citation 1994 Limited, through its general partner, Citation Oil & Gas Corporation ("Citation"), hired certain employees of Apache effective September 1, 1995 ("Transferred Employees"). In connection with this transaction, certain Apache employees were terminated by Apache, but were not hired by Citation ("Terminated Employees").

This Appendix contains special provisions that apply to the Transferred Employees and the Terminated Employees. Capitalized terms in this Appendix have the same meanings as those given them in the Plan.

Vesting

The Accounts of the Transferred Employees and the Terminated Employees shall be fully vested as of September 1, 1995.

Participation

Notwithstanding section 2.1, if a Transferred Employee is rehired by Apache or any Affiliated Entity, the Transferred 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 the date he or she again becomes a Covered Employee. Notwithstanding paragraph 3.1(b)(i), a sale of Company Stock from a Transferred Employee's Accounts before he or she is rehired shall not, by itself, cause the Transferred Employee's matching percentage to be less than 100%.

Distributions

While a Transferred Employee is employed by Citation or by any business then treated as a single employer with Citation pursuant to Code section 414(b), 414(c), 414(m), or 414(o) (a "Current Citation Employee"), the Current Citation Employee shall be treated as a Participant who has terminated employment with Apache and Affiliated Entities for purposes of determining his or her withdrawal options from his or her Company Contributions Account. A Current Citation Employee shall be treated as an Employee for purposes of determining his or her withdrawal options from his or her Participant Before- Tax Contributions Account.

Loans

A Current Citation Employee may borrow from the Plan pursuant to section 7.2 only if he or she is a party in interest (within the meaning of ERISA section 3(14)) with respect to the Plan.

-- END OF APPENDIX G --

IN WITNESS WHEREOF, this Amendment has been executed the date set forth below.

APACHE CORPORATION

Date: July 25, 1996

By: /s/ Roger B. Rice

Its: Vice President

**AMENDMENT
TO
APACHE CORPORATION RETIREMENT/401(k) SAVINGS PLAN**

Apache Corporation ("Apache") maintains the Apache Corporation Retirement/401(k) Savings Plan (the "Plan"). Pursuant to section 10.4 of the Plan, Apache has retained the right to amend the Plan. Apache hereby exercises that right by amending the Plan, by adding the following Appendix H to the Plan, effective as of January 1, 1996.

Appendix H

Producers Energy Marketing

Introduction

Producers Energy Marketing LLC ("ProEnergy") was formed in 1995 to market the production of Apache and other independent oil companies. Initially, Apache owned approximately 57% of ProEnergy. Several employees of Apache were transferred to ProEnergy between January 1, 1996 and March 31, 1996 ("Transferred Employees").

This Appendix contains special provisions that apply only to the Transferred Employees. Capitalized terms in this Appendix have the same meanings as those given them in the Plan.

Vesting

The Accounts of each Transferred Employee shall be fully vested as of the date he or she was transferred to ProEnergy. If a Transferred Employee is rehired by Apache or an Affiliated Entity, a new Company Contributions Account shall be established for all Company Matching Contributions (other than QMACs) and all Company Mandatory Contributions (other than QNECs) that are made on behalf of the Participant as of any date after his or her rehire by Apache or an Affiliated Entity. Whenever any Participant becomes fully vested in two separate Company Contributions Accounts, those Accounts shall be merged into one Company Contributions Account.

Participation

Notwithstanding section 2.1, if a Transferred Employee is rehired by Apache or any Affiliated Entity, the Transferred 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 the date he or she again becomes a Covered Employee. Notwithstanding paragraph 3.1(b)(i), a sale of Company Stock from a Transferred Employee's Accounts before he or she is rehired shall not, by itself, cause the Transferred Employee's matching percentage to be less than 100%.

Transfer of Accounts

The Committee is authorized to transfer the Accounts of any or all Transferred Employees, without the consent of any Transferred Employee, directly to a plan sponsored by ProEnergy that is designed to satisfy the requirements of Code section 401(a). The Committee is also authorized to transfer the Accounts of any Participant who becomes employed by ProEnergy or by any business then treated as a single employer with ProEnergy pursuant to Code section 414(b), 414(c), 414(m), or 414(o). The following provisions regarding loans and distributions from this Plan apply only until a Participant's Accounts are transferred to ProEnergy's plan.

Distributions

While a Transferred Employee is employed by ProEnergy or by any business then treated as a single employer with ProEnergy pursuant to Code section 414(b), 414(c), 414(m), or 414(o) (a "Current ProEnergy Employee"), the Current ProEnergy Employee shall be treated as a Participant who has terminated employment with Apache and Affiliated Entities for purposes of determining his or her withdrawal options from his or her Company Contributions Account. A Current ProEnergy Employee shall be treated as an Employee for purposes of determining his or her withdrawal options from his or her Participant Before-Tax Contributions Account.

Loans

A Current ProEnergy Employee may borrow from the Plan pursuant to section 7.2 only if he or she is a party in interest (within the meaning of ERISA section 3(14)) with respect to the Plan. (Note: a Current ProEnergy Employee is a party-in-interest with respect to the Plan while Apache and Affiliated Entities own, directly or indirectly, 50% or more of ProEnergy.) Notwithstanding subsection 7.2(e), the loan repayments shall be not accelerated, and the loan shall not be payable in full on the date the Borrower ceases to be a party-in-interest, if the reason that the Borrower ceases to be a party-in-interest is because Apache and Affiliated Entities decrease their ownership of ProEnergy and its affiliated entities.

-- END OF APPENDIX H --

IN WITNESS WHEREOF, this Amendment has been executed the date set forth below.

APACHE CORPORATION

Date: July 25, 1996

By: /s/ Roger B. Rice

Its: Vice President

EXHIBIT 10.26

**NON-QUALIFIED RETIREMENT/SAVINGS PLAN
OF
APACHE CORPORATION**

As restated January 1, 1997

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**NON-QUALIFIED RETIREMENT/SAVINGS PLAN
OF
APACHE CORPORATION**

Apache Corporation ("Apache") established the Non-Qualified Retirement/Savings Plan of Apache Corporation (the "Plan") effective as of November 16, 1989. Apache is now restating the Plan in its entirety as of January 1, 1997.

Apache has also established the Apache Corporation Retirement/401(k) Savings Plan, (the "Retirement/Savings Plan"), a profit sharing plan that satisfies the qualification requirements of section 401(a) of the Internal Revenue Code of 1986, as amended (the "Code"), and which contains a cash or deferred arrangement that satisfies the requirements of Code section 401(k).

Apache intends for this Plan to provide a select group of management or highly compensated employees of the Company (as that term is defined in Article I) with deferred retirement benefits, in addition to the retirement benefits provided under the Retirement/Savings Plan, in consideration of the valuable services provided by such employees to the Company and to induce such employees to remain in the employ of the Company. The Company intends that the Plan shall not be treated as a "funded" plan for purposes of either the Code or the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

**ARTICLE I
DEFINITIONS**

Defined terms used in this Plan shall have the meanings set forth below or the same meanings as in the Retirement/Savings Plan, as the case may be:

1.01 Account

"Account" means the account maintained for each Participant to which shall be credited all Deferred Contributions made by a Participant, all Company Deferrals on behalf of a Participant, and all adjustments thereto.

1.02 Affiliated Entity

"Affiliated Entity" means any legal entity that is treated as a single employer with Apache pursuant to Code section 414(b), 414(c), 414(m), or 414(o).

1.03 Committee

"Committee" means the administrative committee provided for in Section 6.01.

- 1.04 Company
- "Company" means (i) Apache, and (ii) any Affiliated Entity that, with approval of the Board of Directors of Apache, has adopted the Plan.
- 1.05 Company Deferrals
- "Company Deferrals" means the allocations to a Participant's Account made pursuant to Section 3.02.
- 1.06 Compensation
- "Compensation" shall generally mean regular compensation paid by the Company.

(a) Specifically, Compensation shall include:

- (i) regular salary or wages,
- (ii) overtime pay,
- (iii) bonuses,
- (iv) salary reductions pursuant to the Retirement/Savings Plan,
- (v) salary reductions that are excludable from an Employee's gross income pursuant to Code section 125, and
- (vi) amounts contributed as salary deferrals to this Plan.

(b) Compensation shall exclude:

- (i) commissions,
- (ii) severance pay,
- (iii) moving expenses,
- (iv) any gross-up of moving expenses to account for increased income taxes,
- (v) foreign service premiums paid as an inducement to work outside of the United States,
- (vi) Company contributions under the Retirement/Savings Plan,

(vii) other contingent compensation,

(viii) contributions to any other fringe benefit plan

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

- (ix) any amounts relating to the granting of a stock option by the Company or an Affiliated Entity, the exercise of such a stock option, or the sale or deemed sale of any shares thereby acquired, and
- (x) bonuses paid as an inducement to enter the employment of the Company.

Compensation shall include only those amounts paid while the employee is a Participant in the Plan, except for the purpose of determining the size of the Participant's retirement-6 allocation under Section 3.02(b), in which case Compensation shall include all amounts paid to the Participant during the entire Plan Year.

1.07 Deferred Contributions

"Deferred Contributions" means the amounts of a Participant's Compensation which he elects to defer and have allocated to his Account pursuant to Section 3.01.

1.08 Enrollment Agreement

"Enrollment Agreement" means an application for participation in the Plan, execution of which by an eligible employee is required under Article II for the employee to make Deferred Contributions.

1.09 Participant

"Participant" means any eligible employee selected to participate in this Plan.

1.10 Plan Year

"Plan Year" means the period during which the Plan records are kept. The Plan Year shall be the calendar year.

1.11 Trust

"Trust" means the trust or trusts, if any, created by the Company to provide funding for the distribution of benefits in accordance with the provisions of the Plan. The assets of any such Trust shall remain subject to the claims of the Company's general creditors in the event of the Company's insolvency.

1.12 Trust Agreement

"Trust Agreement" means the written instrument pursuant to which each separate Trust is created.

1.13 Trustee

"Trustee" means one or more banks, trust companies or insurance companies designated by the Company to hold and invest the Trust Fund and to pay benefits and expenses as authorized by the Committee in accordance with the terms and provisions of the Trust Agreement.

1.14 Valuation Date

"Valuation Date," means the last day of the Plan Year or any other date specified by the Committee for the valuation of the Participants' Accounts.

**ARTICLE II
ELIGIBILITY AND PARTICIPATION**

2.01 Eligibility and Participation

The Committee shall from time to time in its sole discretion select those employees of the Company who are eligible to participate in the Plan from those employees who are among a select group of management or highly compensated employees.

2.02 Enrollment

Employees who have been selected by the Committee to participate in the Plan shall complete the enrollment procedure specified by the Committee. The enrollment procedure may include form(s) for the employee to (a) designate his beneficiary (pursuant to Section 5.03), (b) provide instructions regarding the investment of his Account (pursuant to Section 4.01), (c) make Deferred Contributions by entering into an Enrollment Agreement with the Company (pursuant to Section 3.01), (d) select a payment option for the eventual distribution of his Account (pursuant to Section 5.02), and (e) provide such other information as the Committee may reasonably require.

2.03 Failure of Eligibility

The Committee shall have the authority to determine that a Participant is no longer eligible to participate in the Plan. No Company Deferrals shall be accrued, nor any Deferred Contributions withheld from an employee's Compensation after the Participant ceases to be eligible to participate in the Plan. The determination of the Committee with respect to the termination of participation in the Plan shall be final and binding on all

parties affected thereby. Any benefits accrued hereunder, however, at the time the Participant becomes ineligible to continue participation, shall be distributable in accordance with the provisions of the Plan.

ARTICLE III CONTRIBUTION DEFERRALS

3.01 Participant Deferrals

(a) General. A Participant may elect to defer a portion of his Compensation by filing the appropriate Enrollment Agreement with the Committee. Deferred Contributions shall be deducted through payroll withholding from the Participant's cash Compensation payable by the Company. Deferred Contributions shall be credited to the Participant's Account on or about the date the amount is withheld from the Participant's Compensation.

(b) Initial Enrollment. When an employee first becomes eligible to participate in the Plan, pursuant to Section 2.01, the Committee shall provide him with an enrollment form, which, when properly completed and timely returned to the Committee shall constitute an Enrollment Agreement. To be effective, the Enrollment Agreement must be completed and returned to the Committee before the 31st day after the employee becomes eligible to participate in the Plan. The employee may elect to defer up to 50% of each pay period's Compensation (excluding bonuses) to this Plan (in addition to his contributions to the Retirement/Savings Plan). The Enrollment Agreement shall be effective on the first day of the payroll period after the Committee receives the completed Enrollment Agreement. The Enrollment Agreement shall be irrevocable for the remainder of the Plan Year, except as provided in Subsections 3.01(e) through 3.01(g).

(c) Continuing Enrollment. An eligible employee may enter into a new Enrollment Agreement for each Plan Year. To be effective, the Enrollment Agreement must be completed and returned to the Committee by the deadline established by the Committee. The deadline must be before the first day of the Plan Year. The employee may elect to defer up to 50% of each pay period's Compensation (excluding bonuses) to this Plan (in addition to his contributions to the Retirement/Savings Plan). The Participant may also elect to defer an additional amount equal to any corrective distribution made to him during the Plan Year by the Retirement/Savings Plan, pursuant to the terms of Article III of that plan. The Enrollment Agreement shall be irrevocable for the Plan Year, except as provided in Subsections 3.01(e) through 3.01(g). If a Participant fails to timely complete a new Enrollment Agreement for the following Plan Year, the Participant's old Enrollment Agreement shall be extended for another Plan Year.

- (d) Deferrals from Bonuses. In addition to the Deferred Contributions that are provided for in Subsections 3.01(b) and 3.01(c) above, a Participant may also elect to defer up to 75% of any performance bonus by filing an Enrollment Agreement with the Committee. The Committee must receive the Participant's signed Agreement by the date specified by the Committee, which date shall be no later than the day before the size of the bonus is determined.
- (e) Suspension of Deferred Contributions Following a Hardship Withdrawal. A Participant's Deferred Contributions shall be suspended as specified in Section 5.04 following a hardship withdrawal from this Plan and shall also be suspended, for the number of months required by Section 7.1 of the Retirement/Savings Plan, following a hardship withdrawal from that plan. If the suspension extends beyond the end of the Plan Year, the Participant may enter into an Enrollment Agreement for the remainder of the following Plan Year, provided that he completes the Enrollment Agreement and returns it to the Committee before his suspension has ended. If he does not timely complete a new Enrollment Agreement, his prior Enrollment Agreement shall be reinstated for the remainder of the new Plan Year.
- (f) Participant Becomes Ineligible. A Participant's Enrollment Agreement shall be canceled immediately when he becomes ineligible to participate in the Plan.
- (g) Committee-Initiated Changes in Enrollment Agreement. The Committee may adjust any Participant's Enrollment Agreement for the remainder of any Plan Year by reducing the amount of the Participant's future Deferred Contributions, provided that the Committee believes that such reduction will assist the Retirement/Savings Plan in satisfying any legal requirement.

3.02 Company Deferrals

The Company shall credit to a Participant's Account a matching contribution for each payroll period and a retirement-6 contribution for the Plan Year. The matching contributions shall be credited on the last day of each pay period. The retirement-6 contribution shall be credited on the last day of the Plan Year. Company Deferrals shall begin to share in the investment earnings (or losses) at the time specified in Article IV.

- (a) Matching Contribution. The matching contribution for this Plan shall be calculated each pay period, after the Retirement/Savings Plan's matching contribution is calculated. The "total match" each pay period shall be equal to the "applicable percentage" multiplied by the Participant's "total deferrals" for the pay period; the maximum total match for a pay period is 6% of the pay period's Compensation.

The "total match" is equal to the matching contribution to the Participant's Account in this Plan plus the Company Matching Contribution allocated to the Participant's accounts in the Retirement/Savings Plan.

The "applicable percentage" is equal to that pay period's matching percentage in the Retirement/Savings Plan, as determined under paragraph 3.1(b)(i) of that plan.

The "total deferrals" for a pay period are equal to (i) the Participant's Deferred Contributions for the pay period, including any Deferred Contributions from a bonus paid during the pay period, plus (ii) the Participant's salary deferrals to the Retirement/Savings Plan for the pay period.

(b) Retirement-6. In order to receive an allocation of the retirement-6 contribution, an employee must be eligible to participate in the Plan on the last day of the Plan Year. The retirement-6 contribution shall be calculated each Plan Year after the Company Mandatory Contribution is calculated in the Retirement/Savings Plan for the Plan Year. The sum of the Participant's retirement-6 contribution in this Plan and his Company Mandatory Contribution in the Retirement Savings Plan shall be equal to 6% of the Participant's Compensation for the Plan Year.

ARTICLE IV INVESTMENT OF DEFERRALS AND ACCOUNTING

4.01 Investments

All amounts credited to a Participant's Account, together with the earnings thereon, shall be credited with income and loss as if invested in one or more investment alternatives selected by the Committee. At such times and under such procedures as the Committee shall designate, each Participant shall have the right to elect among investment alternatives made available by the Committee, including without limitation the right to transfer all or a portion of the funds in the Participant's Account among such available investment alternatives. The Committee shall give written notice to the Participants of the investment alternatives, if any, available to them for election. The Committee may change, add to or subtract from the investment alternatives available at any time. Nothing contained in this Section shall be construed to give any Participant any power or control to make investment directions or otherwise influence in any manner the investment and reinvestment of assets contained within any investment alternative, such control being at all times retained in the full discretion of the Committee. Nothing contained in this Section shall be construed to require the Committee to make investment choices available to Participants, and in lieu thereof the investment alternative may be selected by the Committee. Company Deferrals and Deferred Contributions may be deemed to remain uninvested for a reasonable period of time following payroll withdrawal, as determined from time to time by the Committee, without interest. Nothing contained in this Section shall be construed to require the Company or the Committee to fund any Participant's Account, and the investment alternatives discussed herein may be used solely as a means to establish income and loss without the actual funding of the Participants' Accounts.

**ARTICLE V
DISTRIBUTIONS**

5.01 Vesting

- (a) A Participant shall be fully vested in the portion of his Plan Account that is attributable to his Deferred Contributions.
- (b) A Participant shall vest in the portion of his Plan Account that is attributable to Company Deferrals according to the following schedule, unless Subsection 5.01(c) provides for

faster vesting:

Years of Completed Service	Vested Portion
-----	-----
Less than 1	0%
1	20%
2	40%
3	60%
4	80%
5 or more	100%

(c) A Participant shall be fully vested in the portion of his Plan Account that is attributable to Company Deferrals in the following circumstances.

(i) The Participant shall be fully vested if he attains age 65 while employed by the Company or an Affiliated Entity.

(ii) The Participant shall be fully vested if he is hired by the Company after attaining age 65.

(iii) The Participant shall be fully vested if he incurs a Disability while employed by the Company or an Affiliated Entity.

(iv) The Participant shall be fully vested if he dies while employed by the Company or an Affiliated Entity.

(v) All Participants shall be fully vested if a "Change in Control" occurs. A "Change of Control" occurs when an individual or legal entity, together with all individuals and legal entities acting in concert with such individual or legal entity, or any or all of them, acquires more than 20% of Apache's outstanding voting securities; except that a Change of Control does not occur if, prior to the acquisition of more than 20% of the voting securities, Apache's Board of Directors by majority vote designates the individual or legal entity as an approved

acquiror and resolves that a Change of Control will not have occurred for purposes of this Plan.

(vi) All Participants in the Plan who were employed by the Company on July 1, 1992 became 100% vested with respect to all Company Deferrals made to the Plan prior to or as of July 1, 1992. If a Participant was not previously 100% vested, then the amount that becomes 100% vested pursuant to this paragraph shall be allocated to a special account and a new account shall be established for all Company Deferrals made with respect to such Participant subsequent to July 1, 1992. Once any Participant becomes 100% vested in both such accounts, the two separate accounts shall be merged into one account.

(vii) All Participants who were transferred to Producers

Energy Marketing LLC prior to April 1, 1996 became fully vested. This special vesting rule applies only to the Participant's Account at the time of his transfer. If such a Participant was not previously fully vested, returns to employment with the Company, and recommences participation in the Plan, then the amount that became 100% vested pursuant to this paragraph shall be allocated to a special account and a new account shall be established for all Company Deferrals made with respect to such Participant after his reemployment. Once a Participant becomes 100% vested in both such accounts, the two separate accounts shall be merged into one account.

(d) When a Participant terminates employment, the portion of his Account that is not then vested shall be forfeited immediately.

5.02 Distribution After Termination of Employment

While a Participant is employed by the Company or an Affiliated Entity, the only available distribution is a hardship withdrawal pursuant to Section 5.04. Distributions after the Participant's death are discussed in Section 5.03. All other distributions are discussed in this Section.

(a) Timing. The Participant's vested Account shall be distributed after the Participant terminates employment with the Company and all Affiliated Entities. If the Participant terminates employment before July 1, distribution shall commence in the Plan Year of employment termination, as soon as administratively convenient after the termination of employment. If the Participant terminates employment on or after July 1, distribution shall commence in the Plan Year after the termination of employment, as soon as administratively convenient.

(b) Form of Distribution. The Participant's entire vested Account shall be paid in one payment if (i) the vested Account is less than \$100,000 when the Participant terminated employment, or (ii) the Participant terminates employment in 1996 or 1997. Otherwise, the distribution shall be paid in one to ten annual installments, as elected by the Participant subject to the following restrictions. The Participant shall make his distribution election when he initially enrolls in the Plan, except that Participants prior to January 1, 1997 shall make their election no later than December 31, 1996. Regardless of the Participant's election, the minimum annual installment payment shall be \$100,000, or, if less, the Participant's remaining Account balance. Each installment will be equal to the greater of (i) the minimum installment, or (ii) the vested Account balance at the beginning of the Plan Year divided by the number of remaining annual installments, except for the final installment, which will be equal to the remaining Account balance. Installments will be paid as soon as administratively convenient during the Plan Year.

For example, if the Participant had chosen 5 annual installments, and terminates employment in February of 1999, the unvested account balance shall be forfeited immediately; his 1999 installment will be one-fifth of his January 1, 1999 vested Account balance; his 2000 installment will be one-fourth of his January 1, 2000 Account balance; his 2001 installment will be one-third of his January 1, 2001 Account balance; his 2002 installment will be one-half of his January 1, 2002 Account balance; and his final installment in 2003 will be the remainder of his Account balance.

(c) Reemployment. If a Participant is reemployed by the Company or an Affiliated Entity before he is paid his entire vested Account balance, his payments from the Plan shall be suspended. Payments will resume after he again terminates employment. The number of remaining payments shall be the number of annual payments originally chosen, less the number of payments received before he was reemployed. If the Participant dies before receiving all installments, Section 5.03 shall apply.

5.03 Distributions After Participant's Death

(a) Each Participant shall designate one or more persons, trusts or other entities as his beneficiary (the "Beneficiary") to receive any amounts distributable hereunder at the time of the Participant's death. In the absence of an effective beneficiary designation as to part or all of a Participant's interest in the Plan, such amount shall be distributed to the Participant's surviving spouse, if any, otherwise to the personal representative of the Participant's estate.

(b) A beneficiary designation may be changed by the Participant at any time and without the consent of any previously designated Beneficiary. However, if the Participant is married, his spouse shall be his Beneficiary unless such spouse has

consented to the designation of a different beneficiary. To be effective, the spouse's consent must be in writing, witnessed by a notary public, and filed with the Committee. If a Participant has designated his spouse as a Beneficiary or as a contingent beneficiary, and the Participant and that spouse subsequently divorce, then the beneficiary designation shall be void and of no effect with respect to such spouse on the day such divorce is final.

- (c) When a Participant dies, his remaining vested Account balance shall be distributed to his Beneficiary as soon as administratively possible after his death, regardless of the payment schedule the Participant elected, and regardless of whether installment payments had begun.

5.04 Hardship Distributions

A Participant may request, and the Committee may approve or disapprove in its sole discretion, a withdrawal of part or all of the vested portion of the Participant's Account, subject to the following:

- (a) The Participant must file a written request for withdrawal with the Committee, along with such information as the Committee may request for this purpose. The Committee shall review the information filed as soon as practicable after it is received and shall promptly inform the Participant of the results of the Committee's determination.
- (b) Such withdrawal may be made only for the purpose of meeting an unforeseeable emergency, which shall be defined as a severe financial hardship to the Participant resulting from a sudden and unexpected illness or accident of the Participant or of a dependent (as defined in Section 152 of the Code) of the Participant, loss of the Participant's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant, and only if and to the extent other resources which could alleviate such need are not reasonably available to the Participant.
- (c) An unforeseeable emergency shall be determined to exist by the Committee based on all relevant facts and circumstances.
- (d) If the Committee determines that a hardship exists, the Participant must represent to the Committee by written certification that the need cannot be relieved through reimbursement or compensation by insurance or otherwise; by liquidation of the Participant's assets, to the extent that liquidation of such assets would not itself cause severe financial hardship; or by cessation of deferrals under the Plan and any other plans maintained by the Company.
- (e) If the Committee is satisfied that the foregoing requirements are satisfied and determines, in its sole discretion, to permit a hardship withdrawal, it will

determine the amount of hardship withdrawal necessary to satisfy the need of the Participant and will distribute such amount to the Participant.

- (f) The Participant's Deferred Contributions shall be suspended for six months following the date of his hardship withdrawal from this Plan. If a Participant makes a hardship withdrawal from this Plan and also makes a hardship withdrawal from the Retirement/Savings Plan, the suspension period under this Plan shall run concurrently with the suspension period under the Retirement/Savings Plan, if any, and the suspension period under this Plan shall be the longer of the suspension period provided under the Retirement/Savings Plan or the six-month suspension provided by this Plan.

5.05 Withholding

The Plan shall withhold any taxes or other amounts that it is required to withhold pursuant to any applicable law. The Committee may direct the Plan to withhold additional amounts from any payment, either because the Participant so requested or to repay the Participant's debt or obligation to the Company or Affiliated Entities.

ARTICLE VI ADMINISTRATION

6.01 The Committee -- Plan Administrator

The Committee members for the Plan shall be the same committee members as for the Retirement/Savings Plan.

6.02 Committee to Administer and Interpret Plan

The Committee shall administer the Plan and shall have all discretion and powers necessary for that purpose, including, but not by way of limitation, full discretion and power to interpret the Plan, to determine the eligibility, status and rights of all persons under the Plan and, in general, to decide any dispute. The Committee shall direct the Company, the Trustee, or both, as the case may be, concerning distributions in accordance with the provisions of the Plan. The Committee shall maintain all Plan records except records of any Trust.

6.03 Organization of Committee

The Committee shall adopt such rules as it deems desirable for the conduct of its affairs and for the administration of the Plan. It may appoint agents (who need not be members of the Committee) to whom it may delegate such powers as it deems appropriate, except that any dispute shall be determined by the Committee. The Committee may make its determinations with or without meetings. It may authorize one or more of its members or

agents to sign instructions, notices and determinations on its behalf. The action of a majority of the Committee shall constitute the action of the Committee.

6.04 Indemnification

The Committee and all of the agents and representatives of the Committee shall be indemnified and saved harmless by the Company against any claims, and the expenses of defending against such claims, resulting from any action or conduct relating to the administration of the Plan, except claims judicially determined to be attributable to gross negligence or willful misconduct.

6.05 Agent for Process

The Committee shall appoint an agent of the Plan for service of all process.

6.06 Determination of Committee Final

The decisions made by the Committee shall be final and conclusive on all persons.

ARTICLE VII TRUST

7.01 Trust Agreement

The Company may, but shall not be required to, adopt a separate Trust Agreement for the holding, investment and administration of the funds contributed to Accounts under the Plan. The Trustee shall maintain and allocate assets to a separate account for each Participant under the Plan. The assets of any such Trust shall remain subject to the claims of the Company's general creditors in the event of the Company's insolvency.

7.02 Expenses of Trust

The parties expect that any Trust created pursuant to Section 7.01 will be treated as a "grantor" trust for federal and state income tax purposes and that, as a consequence, such Trust will not be subject to income tax with respect to its income. However, if the Trust should be taxable, the Trustee shall pay all such taxes out of the Trust. All expenses of administering any such Trust shall be a charge against and shall be paid from the assets of such Trust.

**ARTICLE VIII
AMENDMENT AND TERMINATION**

8.01 Termination of Plan

The Company expects to continue the Plan indefinitely, but each Company may terminate its participation in the Plan at any time, and Apache may terminate the entire Plan at any time.

8.02 Amendment

Apache may amend the Plan at any time and from time to time, retroactively or otherwise, on behalf of all Companies, but no amendment shall reduce any vested benefit that has accrued on the effective date of the amendment.

Each amendment shall be in writing. Each amendment shall be approved by Apache's Board of Directors or by an officer of Apache Corporation who is authorized by Apache's Board of Directors to amend the Plan. Each amendment shall be executed by an officer of Apache to whom Apache's Board of Directors has delegated the authority to execute the amendment.

**ARTICLE IX
MISCELLANEOUS**

9.01 Funding of Benefits -- No Fiduciary Relationship

All benefits payable under the Plan shall be distributed in cash or in kind, in the discretion of the Committee. Benefits shall be paid either out of the Trust or, if no Trust is in existence or if the assets in the Trust are insufficient to provide fully for such benefits, then such benefits shall be distributed by the Company out of its general assets. Nothing contained in the Plan shall be deemed to create any fiduciary relationship between the Company and the Participants. Notwithstanding anything herein to the contrary, to the extent that any person acquires a right to receive benefits under the Plan, such right shall be no greater than the right of any unsecured general creditor of the Company, except to the extent provided in the Trust Agreement, if any.

9.02 Right to Terminate Employment

The Company may terminate the employment of any Participant as freely and with the same effect as if the Plan were not in existence.

9.03 Inalienability of Benefits

No Participant shall have the right to assign, transfer, hypothecate, encumber or anticipate his interest in any benefits under the Plan, nor shall the benefits under the Plan be subject to any legal process to levy upon or attach the benefits for payment for any claim against the Participant or his spouse. If, notwithstanding the foregoing provision, any Participant's benefits are garnished or attached by the order of any court, the Company may bring an action for declaratory judgment in a court of competent jurisdiction to determine the proper recipient of the benefits to be distributed pursuant to the Plan. During the pendency of the action, any benefits that become distributable shall be paid into the court as they become distributable, to be distributed by the court to the recipient it deems proper at the conclusion of the action.

9.04 Claims Procedure

- (a) All claims shall be filed in writing by the Participant, his spouse or the authorized representative of the claimant, by completing such procedures as the Committee shall require. Such procedures shall be reasonable and may include the completion of forms and the submission of documents and additional information.
- (b) If a claim is denied, notice of denial shall be furnished by the Committee to the claimant within 90 days after the receipt of the claim by the Committee, unless special circumstances require an extension of time for processing the claim, in which event notification of the extension shall be provided to the Participant or beneficiary and the extension shall not exceed 90 days.
- (c) The Committee shall provide adequate notice, in writing, to any claimant whose claim has been denied, setting forth the specific reasons for such denial, specific reference to pertinent Plan provisions, a description of any additional material or information necessary for the claimant to perfect his claims and an explanation of why such material or information is necessary, all written in a manner calculated to be understood by the claimant. Such notice shall include appropriate information as to the steps to be taken if the claimant wishes to submit his claim for review. The claimant or the claimant's authorized representative may request such review within the reasonable period of time prescribed by the Committee. In no event shall such a period of time be less than 60 days. A decision on review shall be made not later than 60 days after the Committee's receipt of the request for review. If special circumstances require a further extension of time for processing, a decision shall be rendered not later than 120 days following the Committee's receipt of the request for review. If such an extension of time for review is required, written notice of the extension shall be furnished to the claimant prior to the commencement of the extension. The decision on review shall be furnished to the claimant. Such decision shall be in writing and shall include specific reasons for the decision, written in a manner calculated to be

understood by the claimant, as well as specific references to the pertinent Plan provisions on which the decision is based.

9.05 Disposition of Unclaimed Distributions

Each Participant must file with the Company from time to time in writing his post office address and each change of post office address. Any communication, statement or notice addressed to a Participant at his last post office address on file with the Company, or if no address is filed with the Company, then at his last post office address as shown on the Company's records, will be binding on the Participant and his spouse for all purposes of the Plan. The Company shall not be required to search for or locate a Participant or his spouse.

9.06 Distributions Due Infants or Incompetents

If any person entitled to a distribution under the Plan is an infant, or if the Committee determines that any such person is incompetent by reason of physical or mental disability, whether or not legally adjudicated an incompetent, the Committee shall have the power to cause the distributions becoming due to such person to be made to another for his or her benefit, without responsibility of the Committee to see to the application of such distributions. Distributions made pursuant to such power shall operate as a complete discharge of the Company, the Trustee, if any, and the Committee.

9.07 Use and Form of Words

When any words are used herein in the masculine gender, they shall be construed as though they were also used in the feminine gender in all cases where they would so apply, and vice versa. Whenever any words are used herein in the singular form, they shall be construed as though they were also used in the plural form in all cases where they would so apply, and vice versa.

9.08 Headings

Headings of Articles and Sections are inserted solely for convenience and reference, and constitute no part of the Plan.

The Plan shall be construed in accordance with ERISA, the Code, and, to the extent applicable, the laws of the State of Texas excluding any conflicts-of-law provisions.

APACHE CORPORATION

By: /s/ G. STEVEN FARRIS

Title: *President and Chief Operating Officer*

Date: *March 14, 1997*

EXHIBIT 10.32

APACHE CORPORATION

1996 PERFORMANCE STOCK OPTION PLAN

**AS AMENDED AND RESTATED JANUARY 14, 1997
EFFECTIVE AS OF OCTOBER 31, 1996**

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APACHE CORPORATION

1996 PERFORMANCE STOCK OPTION PLAN

SECTION 1

INTRODUCTION

1.1 Establishment. Apache Corporation, a Delaware corporation (hereinafter referred to, together with its Affiliated Corporations (as defined in Section 2.1 hereof) as the "Company" except where the context otherwise requires), hereby establishes the Apache Corporation 1996 Performance Stock Option Plan (the "Plan") for certain employees of the Company.

1.2 Purposes. The primary purpose of this Plan is to provide the participating employees of the Company with added incentives to focus their energies on achieving significant stock price appreciation for the balance of the decade by providing a meaningful stock based performance plan which provides accelerated vesting incentives to attain the prices of \$50 and \$60 per share of Apache Corporation common stock, respectively, before January 1, 2000. Additional purposes of this Plan include the retention of existing valued employees and as an additional inducement in the recruitment of talented personnel in a competitive environment.

1.3 Effective Date. The Effective Date of the Plan (the "Effective Date") shall be October 31, 1996.

SECTION 2

DEFINITIONS

2.1 Definitions. The following terms shall have the meanings set forth below:

"Affiliated Corporation" means any corporation or other entity (including but not limited to a partnership) which is affiliated with Apache Corporation through stock ownership or otherwise and is treated as a common employer under the provisions of Sections 414(b) and (c) or any successor section(s) of the Internal Revenue Code.

"Base Salary" means, with regard to any Participant, such Participant's base compensation as an employee of the Company at the date of grant of an Option, without regard to any bonus, pension, profit sharing, stock option, life insurance or salary continuation plan which the Participant either receives or is otherwise entitled to have paid on his behalf.

"Board" means the Board of Directors of the Company.

"Committee" means the Stock Option Plan Committee of the Board.

"Eligible Employees" means any full-time employee of the Company or any division thereof who is not a participant under the Apache Corporation 1996 Share Price Appreciation Plan.

"Exercise Date" has the meaning set forth in Section 7.3(i).

"Fair Market Value" means the closing price of the Stock as reported on The New York Stock Exchange, Inc. Composite Transactions Reporting System for a particular date. If there are no Stock transactions on such date, the Fair Market Value shall be determined as of the immediately preceding date on which there were Stock transactions.

"Final Amount" has the meaning set forth in Section 7.2.

"Final Price Threshold Date" means the last of any 10 trading days (which need not be consecutive) during any period of 30 consecutive trading days occurring prior to January 1, 2000, but not thereafter, on each of which 10 days the closing price of the Stock as reported on The New York Stock Exchange, Inc. Composite Transactions Reporting System has equaled or exceeded \$60 per share. If the above trading criteria is met more than once, the first occurrence shall be deemed to be the Final Price Threshold Date.

"First Category" has the meaning set forth in Section 7.2.

"Initial Amount" has the meaning set forth in Section 7.2.

"Initial Price Threshold Date" means the last of any 10 trading days (which need not be consecutive) during any period of 30 consecutive trading days occurring prior to January 1, 2000, but not thereafter, on each of which 10 days the closing price of the Stock as reported on The New York Stock Exchange, Inc. Composite Transactions Reporting System has equaled or exceeded \$50 per share. If the above trading criteria is met more than once, the first occurrence shall be deemed to be the Initial Price Threshold Date.

"Internal Revenue Code" means the Internal Revenue Code of 1986, as it may be amended from time to time.

"Option" means a right to purchase Stock at a stated price for a specified period of time. All Options granted under the Plan shall be Options which are not "incentive stock options" as described in Section 422 or any successor section(s) of the Internal Revenue Code.

"Option Agreement" has the meaning set forth in Section 7.1.

"Option Period" has the meaning set forth in Section 7.3(c).

"Option Price" means the price at which shares of Stock subject to an Option may be purchased, determined in accordance with Section 7.3(b) hereof.

"Participant" means an Eligible Employee designated by the Committee from time to time during the term of the Plan to receive an Option under the Plan.

"Price Threshold Date" means either the Initial Price Threshold Date or the Final Price Threshold Date, as the context may require.

"Second Category" has the meaning set forth in Section 7.2.

"Stock" means the \$1.25 par value Common Stock of the Company.

2.2 Headings; Gender and Number. The headings contained in the Plan are for reference purposes only and shall not affect in any way the meaning or interpretation of the Plan. Except when otherwise indicated by the context, the masculine gender shall also include the feminine gender, and the definition of any term herein in the singular shall also include the plural.

SECTION 3

PLAN ADMINISTRATION

The Plan shall be administered by the Committee. In accordance with the provisions of the Plan, the Committee shall, in its sole discretion, select the Participants from among the Eligible Employees, determine the Options to be granted pursuant to the Plan, the time at which such Options are to be granted, and establish such other terms and requirements as the Committee may deem necessary or desirable and consistent with the

terms of the Plan. The Committee shall determine the form or forms of the Option Agreements with Participants which shall evidence the particular provisions, terms, conditions, rights and duties of the Company and the Participants with respect to Options granted pursuant to the Plan, which provisions need not be identical except as may be provided herein. The Committee may from time to time adopt such rules and regulations for carrying out the purposes of the Plan as it may deem proper and in the best interests of the Company. The Committee may correct any defect, supply any omission or reconcile any inconsistency in the Plan, or in any agreement entered into hereunder, in the manner and to the extent it shall deem expedient and it shall be the sole and final judge of such expediency. No member of the Committee shall be liable for any action or determination made in good faith. The determinations, interpretations and other actions of the Committee pursuant to the provisions of the Plan shall be binding and conclusive for all purposes and on all persons.

SECTION 4

STOCK SUBJECT TO THE PLAN

4.1 Number of Shares. Subject to Section 7.1 and Section 4.3, one million three hundred thousand (1,300,000) shares of Stock are authorized for issuance under the Plan in accordance with its terms and subject to such restrictions or other provisions as the Committee may from time to time deem necessary. This authorization may be increased from time to time by approval of the Board and the stockholders of the Company if, in the opinion of counsel for the Company, such stockholder approval is required. Shares of Stock which may be issued pursuant to the terms of the Options granted hereunder shall be applied to reduce the maximum number of shares of Stock remaining available for use under the Plan. The Company shall at all times during the term of the Plan and while any Options are outstanding retain as authorized and unissued Stock and/or Stock in the Company's treasury, at least the number of shares from time to time required under the provisions of the Plan, or otherwise assure itself of its ability to perform its obligations hereunder.

4.2 Other Shares of Stock. Any shares of Stock that are subject to an Option which expires, is forfeited, is canceled, or for any reason is terminated, and any shares of Stock that for any other reason are not issued to a Participant or are forfeited shall automatically become available for use under the Plan.

4.3 Adjustments for Stock Split, Stock Dividend, etc. If the Company shall at any time increase or decrease the number of its outstanding shares of Stock or change in any way the rights and privileges of such shares by means of the payment of a Stock dividend or any other distribution upon such shares payable in Stock, or through a Stock split,

subdivision, consolidation, combination, reclassification or recapitalization involving the Stock, then in relation to the Stock that is affected by one or more of the above events, the numbers, rights and privileges of the following shall be increased, decreased or changed in like manner as if they had been issued and outstanding, fully paid and nonassessable at the time of such occurrence: (i) the shares of Stock as to which Options may be granted under the Plan; and (ii) the shares of the Stock then included in each outstanding Option granted hereunder.

4.4 Dividend Payable in Stock of Another Corporation. If the Company shall at any time pay or make any dividend or other distribution upon the Stock payable in securities or other property (except money or Stock), a proportionate part of such securities or other property shall be set aside and delivered to any Participant then holding an Option for the particular type of Stock for which the dividend or other distribution was made, upon exercise thereof. Prior to the time that any such securities or other property are delivered to a Participant in accordance with the foregoing, the Company shall be the owner of such securities or other property, and in all other respects shall be treated as the owner. If securities or other property which have been set aside by the Company in accordance with this Section are not delivered to a Participant because an Option is not exercised, then such securities or other property shall remain the property of the Company and shall be dealt with by the Company as it shall determine in its sole discretion.

4.5 Other Changes in Stock. In the event there shall be any change, other than as specified in Sections 4.3 and 4.4 hereof, in the number or kind of outstanding shares of Stock or of any stock or other securities into which the Stock shall be changed or for which it shall have been exchanged, and if the Committee shall in its discretion determine that such change equitably requires an adjustment in the number or kind of shares subject to outstanding Options or which have been reserved for issuance pursuant to the Plan but are not then subject to an Option, then such adjustments shall be made by the Committee and shall be effective for all purposes of the Plan and on each outstanding Option that involves that particular type of stock for which a change was effected.

4.6 Rights to Subscribe. If the Company shall at any time grant to the holders of its Stock rights to subscribe pro rata for additional shares thereof or for any other securities of the Company or of any other corporation, there shall be reserved with respect to the shares then under Option to any Participant of the particular class of Stock involved the Stock or other securities which the Participant would have been entitled to subscribe for if immediately prior to such grant the Participant had exercised his entire Option. If, upon exercise of any such Option, the Participant subscribes for the additional shares or other securities, the Option Price shall be increased by the amount of the price that is payable by the Participant for such additional shares or other securities.

4.7 General Adjustment Rules. No adjustment or substitution provided for in this Section 4 shall require the Company to sell a fractional share of Stock under any Option, or otherwise issue a fractional share of Stock, and the total substitution or adjustment with respect to each Option shall be limited by deleting any fractional share. In the case of any such substitution or adjustment, the total Option Price for the shares of Stock then subject to the Option shall remain unchanged but the Option Price per share under each such Option shall be equitably adjusted by the Committee to reflect the greater or lesser number of shares of Stock or other securities into which the Stock subject to the Option may have been changed.

4.8 Determination by the Committee, etc. Adjustments under this Section 4 shall be made by the Committee, whose determinations with regard thereto shall be final and binding upon all parties thereto.

SECTION 5

REORGANIZATION OR LIQUIDATION

In the event that the Company is merged or consolidated with another corporation and the Company is not the surviving corporation, or if all or substantially all of the assets or more than 20 percent of the outstanding voting stock of the Company is acquired by any other corporation, business entity or person, or in case of a reorganization (other than a reorganization under the United States Bankruptcy Code) or liquidation of the Company, and if the provisions of Section 8 hereof do not apply, the Committee, or the board of directors of any corporation assuming the obligations of the Company, shall, as to the Plan and outstanding Options either (i) make appropriate provision for the adoption and continuation of the Plan by the acquiring or successor corporation and for the protection of any such outstanding Options by the substitution on an equitable basis of appropriate stock of the Company or of the merged, consolidated or otherwise reorganized corporation which will be issuable with respect to the Stock, provided that no additional benefits shall be conferred upon the Participants holding such Options as a result of such substitution, and the excess of the aggregate Fair Market Value of the shares subject to such Options immediately after such substitution over the Option Price thereof is not more than the excess of the aggregate Fair Market Value of the shares subject to such Options immediately before such substitution over the Option Price thereof, or (ii) upon written notice to the Participants, provide that all unexercised Options shall be exercised within a specified number of days of the date of such notice or such Options will be terminated. In the latter event, the Committee shall accelerate the exercise dates of outstanding Options so that all Options become fully vested prior to any such event.

SECTION 6

PARTICIPATION

Participants in the Plan receiving First Category Options may be any Eligible Employee in the discretion of the Committee. Participants in the Plan receiving Second Category Options shall be those Eligible Employees who, in the judgment of the Committee, are performing, or during the term of their incentive arrangement are expected to perform, important services in the management, operation and development of the Company or an Affiliated Corporation, and contribute, or are expected to contribute, to the achievement of the Company's long-term corporate economic objectives. Upon determination by the Committee that an Option is to be granted to a Participant, written notice shall be given to such person, specifying the terms, conditions, rights and duties related thereto. Options shall be deemed to be granted as of the date specified in the granting resolution of the Committee, which date also shall be the date of the Option Agreement with the Participant. In the event of any inconsistency between the provisions of the Plan and any Option Agreement, the provisions of the Plan shall govern.

SECTION 7

OPTIONS

7.1 Grants. Each Participant may be granted only one Option under this Plan. Each Option granted by the Committee shall be evidenced by a written agreement entered into by the Company and the Participant to whom the Option is granted (the "Option Agreement"), which shall contain the terms and conditions set out in this Section 7, as well as such other terms and conditions, not inconsistent therewith, as the Committee may consider appropriate.

7.2 Option Agreements. There shall be two categories of Options issued under this Plan as follows:

(a) The first category of Option ("First Category") shall have a total of two hundred (200) shares of Stock issuable to a Participant upon exercise; and

(b) The second category of Option ("Second Category") shall vary by Participant and, as to any Participant, shall have a total number of shares of Stock issuable upon exercise which equals the sum of the Initial Amount and the Final Amount.

For purposes of this Plan, the term "Initial Amount" means such number of shares (rounded to the nearest full share) which equals not more than one (1) times such

Participant's Base Salary divided by the difference between \$50 and the Option Price. The term "Final Amount" means such number of shares (rounded to the nearest full share) which equals not more than one and one-half (1.5) times such Participant's Base Salary divided by the difference between \$60 and the Option Price.

7.3 Common Terms. Subject to Section 7.2 and Section 7.5, each Option Agreement entered into by the Company and the Participants shall contain at least the following terms and conditions:

(a) Number of Shares. Each Option Agreement shall set forth a specified number of shares of Stock issuable upon exercise of the Option, as determined by the Committee pursuant to Section 7.2 hereof.

(b) Price. The exercise price (the "Option Price") at which each share of Stock covered by an Option may be purchased shall be the price specified in the granting resolution of the Committee.

(c) Duration. Each Option Agreement shall state the period of time, determined by the Committee, within which the Option may be exercised (the "Option Period"), which in no event may be greater than ten (10) years.

(d) Vesting. Subject to the provisions of Section 7.3(e) and Section 7.3(f), each Option shall become exercisable in full on the date occurring nine years and six months from the date of grant or such earlier date as the Committee may determine.

(e) Acceleration. Each Option may become exercisable earlier, in increments, upon the occurrence of a Price Threshold Date as follows:

(i) If the Initial Price Threshold Date occurs prior to January 1, 2000:

(A) One-half of the shares of Stock subject to the First Category Options become immediately exercisable as of such date, and

(B) The Initial Amount of shares of Stock subject to each Second Category Option become immediately exercisable as of such date.

(ii) If the Final Price Threshold Date occurs prior to January 1, 2000, the remaining portion of shares of Stock under each category of Option becomes immediately exercisable as of such date.

(f) Termination of Employment, Death, Disability, etc. Subject to the following provisions, each Option Agreement shall state that each Option and the right to

acquire stock thereunder shall be subject to the condition that the Participant has remained a full-time employee of the Company from the date of grant of an Option until the applicable exercise date:

(i) If the employment of the Participant by the Company is terminated (which for this purpose means that the Participant is no longer employed by the Company or by an Affiliated Corporation) within the Option Period for any reason other than cause, the Participant's retirement on or after attaining age 60, or the Participant's disability or death, the Option may be exercised by the Participant within three months following the date of such termination (provided that such exercise must occur within the Option Period), but not thereafter. In any such case, the Option may be exercised only as to the shares as to which the Option had become exercisable on or before the date of termination of the Participant's employment. If the employment of the Participant is terminated within the Option Period for cause, as determined by the Company, any portion of any Option not previously exercised in accordance with this Section 7 shall thereafter be void for all purposes. As used in this subsection, "cause" shall mean a gross violation, as determined by the Company, of the Company's established policies and procedures, provided that the effect of this subsection 7.3(f) shall be limited to determining the consequences of a termination and that nothing in this subsection shall restrict or otherwise interfere with the Company's discretion with respect to the termination of any employee.

(ii) If the Participant retires from employment by the Company on or after attaining age 60, the Option may be exercised by the Participant within 36 months following his or her retirement (provided that such exercise must occur within the Option Period), but not thereafter. In the event of the Participant's death during such 36-month period, each Option may be exercised by those entitled to do so in the manner referred to in (iv) below. In any such case:

(A) If the Participant is holding a First Category Option and the Participant's retirement occurs on or after January 1, 2000, the Option may be exercised as to all shares of Stock which are subject to the Option, including an increment of the Option, if any, which had not otherwise become exercisable on or before the date of the Participant's retirement, or

(B) If the Participant is holding a First Category Option and the Participant's retirement occurs prior to January 1, 2000, the Option may be exercised only as to the shares of Stock as to which the Option had become exercisable on or before the date of the Participant's retirement, or

(C) If the Participant is holding a Second Category Option, the Option may be exercised only as to the shares of Stock as to which the Option had become exercisable on or before the date of the Participant's retirement.

(iii) If the Participant becomes disabled (as determined pursuant to the Company's Long-Term Disability Plan or any successor plan), during the Option Period while still employed, or within the 36-month period referred to in (ii) above, the Option may be exercised by the Participant or by his or her guardian or legal representative, within twelve months following the Participant's disability, or within the 36-month period referred to in (ii) if applicable and if longer (provided that such exercise must occur within the Option Period), but not thereafter. In the event of the Participant's death during such twelve-month period, each Option may be exercised by those entitled to do so in the manner referred to in (iv) below. In any such case, the Option may be exercised only as to the shares of Stock as to which the Option had become exercisable on or before the date of the Participant's disability.

(iv) In the event of the Participant's death while still employed by the Company, each Option of the deceased Participant may be exercised by those entitled to do so under the Participant's will or under the laws of descent and distribution within twelve months following the Participant's death (provided that in any event such exercise must occur within the Option Period), but not thereafter, as to all shares of Stock which are subject to such Option, including any increment of the Option, if any, which has not yet become exercisable at the time of the Participant's death. In the event of the Participant's death within the 36-month period referred to in (ii) above or within the twelve-month period referred to (iii) above, each Option of the deceased Participant that is exercisable at the time of death may be exercised by those entitled to do so under the Participant's will or under the laws of descent and distribution within twelve months following the Participant's death or within the 36-month period referred to in (ii), if applicable and if longer (provided that in any event such exercise must occur within the Option Period).

(g) Transferability. Each Option Agreement shall state that the Option granted thereunder is not transferable by the Participant, except by will or pursuant to the laws of descent and distribution, and that such Option is exercisable during the Participant's lifetime only by him or her, or in the event of the Participant's disability or incapacity, by his or her guardian or legal representative.

(h) Exercise, Payments, etc.

(i) Each Option Agreement shall provide that the method for exercising the Option granted therein shall be by delivery to the Office of the Secretary of the Company of written notice specifying the number of shares of Stock with respect to

which such Option is exercised and payment of the Option Price. Such notice shall be in a form satisfactory to the Committee and shall specify the particular Option (or portion thereof) which is being exercised and the number of shares of Stock with respect to which the Option is being exercised. The exercise of the Option shall be deemed effective on the date such notice is received by the Office of the Secretary and payment is made to the Company of the Option Price (the "Exercise Date"). If requested by the Company, such notice shall contain the Participant's representation that he or she is purchasing the Stock for investment purposes only and his or her agreement not to sell or otherwise distribute any Stock so purchased in any manner that is in violation of the Securities Act of 1933, as amended, or any applicable state law. Such restriction, or notice thereof, shall be placed on the certificates representing the Stock so purchased. The purchase of such Stock shall take place at the principal offices of the Company upon delivery of such notice, at which time the Option Price shall be paid in full by any of the methods or any combination of the methods set forth in (ii) below. A properly executed certificate or certificates representing the Stock shall be issued by the Company and delivered to the Participant. If certificates representing the Stock are used to pay all or part of the Option Price, separate certificates for the same number of shares of Stock shall be issued by the Company and delivered to the Participant representing each certificate used to pay the Option Price, and an additional certificate shall be issued by the Company and delivered to the Participant representing the additional shares of Stock, in excess of the Option Price, to which the Participant is entitled as a result of the exercise of the Option.

(ii) the Option Price shall be paid by any of the following methods or any combination of the following methods:

(A) in cash;

(B) by personal, certified or cashier's check payable to the order of the Company;

(C) by delivery to the Company of certificates representing a number of shares of Stock then owned by the Participant, the Fair Market Value of which equals the Option Price of the Stock purchased pursuant to the Option, properly endorsed for transfer to the Company; provided, however, that shares of Stock used for this purpose must have been held by the Participant for such minimum period of time as may be established from time to time by the Committee; for purposes of this Plan, the Fair Market Value of any shares of Stock delivered in payment of the Option Price upon exercise of the Option shall be the Fair Market Value as of the Exercise Date; or

(D) by delivery to the Company of a properly executed notice of exercise together with irrevocable instructions to a broker to deliver to the Company

promptly the amount of the proceeds of the sale of all or a portion of the Stock or of a loan from the broker to the Participant necessary to pay the Option Price.

7.4 Tax Withholding. Each Option Agreement shall provide that, upon exercise of the Option, the Participant shall make appropriate arrangements with the Company to provide for the amount of additional tax withholding required by Sections 3102 and 3402 or any successor section(s) of the Internal Revenue Code and applicable state income tax laws.

7.5 Subsequent Option Agreements. Following the initial grant of Options in 1996, additional Participants may be designated by the Committee for grant of Options substantially in accordance with the above terms and conditions, subject to such changes and modifications to reflect the circumstances of any subsequent grant as the Committee, in its discretion, deems appropriate.

7.6 Stockholder Privileges. No Participant shall have any rights as a stockholder with respect to any shares of Stock covered by an Option until the Participant becomes the holder of record of such Stock. No adjustments shall be made for dividends or other distributions or other rights as to which there is a record date preceding the date on which such Participant becomes the holder of record of such Stock.

SECTION 8

CHANGE IN CONTROL

8.1 In General. In the event of a change in control of the Company as defined in Section 8.3 hereof, then the Committee may, in its sole discretion, without obtaining stockholder approval, to the extent permitted in Section 12 hereof, take any or all of the following actions:

- (a) accelerate the dates on which any outstanding Options become exercisable or make all such Options fully vested and exercisable;
- (b) grant a cash bonus award to any Participant in an amount necessary to pay the Option Price of all or any portion of the Options then held by such Participant;
- (c) pay cash to any or all Participants in exchange for the cancellation of their outstanding Options in an amount equal to the difference between the Option Price of such Options and the greater of the tender offer price for the underlying Stock or the Fair Market Value of the Stock on the date of the cancellation of the Options; and
- (d) make any other adjustments to the outstanding Options.

8.2 Limitation on Payments. If the provisions of this Section 8 would result in the receipt by any Participant of a payment within the meaning of Section 280G or any successor section(s) of the Internal Revenue Code, and the regulations promulgated thereunder, and if the receipt of such payment by any Participant would, in the opinion of independent tax counsel of recognized standing selected by the Company, result in the payment by such Participant of any excise tax provided for in Sections 280G and 4999 or any successor section(s) of the Internal Revenue Code, then the amount of such payment shall be reduced to the extent required, in the opinion of independent tax counsel, to prevent the imposition of such excise tax; provided, however, that the Committee, in its sole discretion, may authorize the payment of all or any portion of the amount of such reduction to the Participant.

8.3 Definition. For purposes of the Plan, a "change in control" shall mean any of the events specified in the Company's Income Continuance Plan or any successor plan which constitute a change in control within the meaning of such plan.

SECTION 9

RIGHTS OF EMPLOYEES, PARTICIPANTS

9.1 Employment. Nothing contained in the Plan or in any Option granted under the Plan shall confer upon any Participant any right with respect to the continuation of his or her employment by the Company or any Affiliated Corporation, or interfere in any way with the right of the Company or any Affiliated Corporation, subject to the terms of any separate employment agreement to the contrary, at any time to terminate such employment or to increase or decrease the level of the Participant's compensation from the level in existence at the time of the grant of an Option. Whether an authorized leave of absence, or absence in military or government service, shall constitute a termination of employment shall be determined by the Committee at the time.

9.2 Nontransferability. No right or interest of any Participant in an Option granted pursuant to the Plan shall be assignable or transferable during the lifetime of the Participant, either voluntarily or involuntarily, or subjected to any lien, directly or indirectly, by operation of law, or otherwise, including execution, levy, garnishment, attachment, pledge or bankruptcy. In the event of a Participant's death, a Participant's rights and interests in Options shall, to the extent provided in Section 7 hereof, be transferable by testamentary will or the laws of descent and distribution, and payment of any amounts due under the Plan shall be made to, and exercise of any Options may be made by, the Participant's legal representatives, heirs or legatees. If in the opinion of the Committee a person entitled to payments or to exercise rights with respect to the Plan is

disabled from caring for his or her affairs because of mental condition, physical condition or age, payment due such person may be made to, and such rights shall be exercised by, such person's guardian, conservator or other legal personal representative upon furnishing the Committee with evidence satisfactory to the Committee of such status.

SECTION 10

GENERAL RESTRICTIONS

10.1 Investment Representations. The Company may require a Participant, as a condition of exercising an Option, to give written assurances in substance and form satisfactory to the Company and its counsel to the effect that such person is acquiring the Stock subject to the Option for his own account for investment and not with any present intention of selling or otherwise distributing the same, and to such other effects as the Company deems necessary or appropriate in order to comply with federal and applicable state securities laws.

10.2 Compliance with Securities Laws. Each Option 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 Stock subject to such Option 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 or purchase of shares of Stock thereunder, such Option may not be accepted or exercised 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, qualification, consent or approval.

SECTION 11

OTHER EMPLOYEE BENEFITS

The amount of any compensation deemed to be received by a Participant as a result of the exercise of an Option shall not constitute "earnings" with respect to which any other employee benefits of such Participant are determined, including without limitation benefits under any pension, profit sharing, life insurance or salary continuation plan.

SECTION 12

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 Company's stockholders 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.

No amendment, modification or termination of the Plan shall in any manner adversely affect any Option theretofore granted under the Plan, without the consent of the Participant holding such Option.

SECTION 13

WITHHOLDING

13.1 Withholding Requirement. The Company's obligations to deliver shares of Stock upon the exercise of an Option shall be subject to the Participant's satisfaction of all applicable federal, state and local income and other tax withholding requirements.

13.2 Withholding with Stock. At the time the Committee grants an Option, it may, in its sole discretion, grant the Participant an election to pay all such amounts of tax withholding, or any part thereof, by the transfer to the Company, or to have the Company withhold from shares of Stock otherwise issuable to the Participant upon the exercise of an Option, shares of Stock having a value equal to the amount required to be withheld or such lesser amount as may be elected by the Participant. All such elections shall be subject to the approval or disapproval of the Committee. The value of shares of Stock to be withheld shall be based on the Fair Market Value of the Stock on the Exercise Date. Any such elections by Participants to have shares of Stock withheld for this purpose will be subject to the following restrictions:

(a) All elections shall be made on or prior to the Exercise Date.

(b) All elections shall be irrevocable.

(c) If, subsequent to the date of grant, the Participant becomes an officer or director of the Company within the meaning of Section 16 or any successor section(s) ("Section 16") of the Securities Exchange Act of 1934, as amended (the "1934 Act"), the

Participant must satisfy the requirements of such Section 16 and any applicable rules and regulations thereunder with respect to the use of Stock to satisfy such tax withholding obligation.

SECTION 14

REQUIREMENTS OF LAW

14.1 Requirements of Law. The issuance of Stock and the payment of cash pursuant to the Plan shall be subject to all applicable laws, rules and regulations.

14.2 Federal Securities Laws Requirements. If, subsequent to the date of grant, a Participant becomes an officer or director of the Company within the meaning of Section 16, Options granted hereunder shall be subject to all conditions required under Rule 16b-3, or any successor rule (s) promulgated under the 1934 Act, to qualify the Option for any exemptions from the provisions of Section 16 available under such Rule. Such conditions are hereby incorporated herein by reference and shall be set forth in the agreement with the Participant which describes the Option.

14.3 Governing Law. The Plan and all Option Agreements hereunder shall be construed in accordance with and governed by the laws of the State of Texas.

SECTION 15

DURATION OF THE PLAN

The Plan shall terminate at such time as may be determined by the Board, and no Option shall be granted after such termination. If not sooner terminated under the preceding sentence, the Plan shall fully cease and expire at midnight on December 31, 1998. Options outstanding at the time of the Plan termination shall continue to be exercisable in accordance with the Option Agreement pertaining to such Option.

Dated: January 14, 1997, effective as of October 31, 1996

ATTEST:

APACHE CORPORATION

/s/ Cheri L. Peper

By: /s/ G. Steven Farris

Cheri L. Peper
Corporate Secretary

G. Steven Farris
President and Chief Operating Officer

EXHIBIT 10.33

1990 EMPLOYEE STOCK OPTION PLAN

OF

THE PHOENIX RESOURCE COMPANIES, INC.

(EFFECTIVE APRIL 9, 1990)

AS AMENDED THROUGH SEPTEMBER 29, 1995

(AMENDED TO REFLECT JANUARY 1995 & SEPTEMBER 1995 TWO-FOR-ONE SPLITS)

1. Purpose of the Plan.

This 1990 Employee Stock Option Plan (the "Plan") is intended as an employment incentive, to retain in the employ of The Phoenix Resource Companies, Inc., a Delaware corporation (the "Company"), and any Parent or Subsidiary of the Company (within the meaning of Section 425 (e) or (f) of the Internal Revenue Code of 1986, as amended ("Code")), persons of training, experience and ability, to attract new employees, to encourage the sense of proprietorship of such persons and to stimulate the active interest of such persons in the development and financial success of the Company. It is further intended that the options granted under the Plan will not be incentive stock options as that term is defined in Section 422A of the Code.

2. Administration of the Plan.

The Plan shall be administered by the Board of Directors, which shall serve as the Stock Option Committee (the "Committee"); provided, however, that any member of the Board of Directors who is eligible to receive options under the Plan, or any member of the Board of Directors who has, during the year preceding, been eligible to receive options under the Plan, shall not be a member of the Committee. A majority of the Committee and a majority of the directors acting on any matter related to the Plan shall not have been eligible to participate in the Plan or any other plan of the Company or its affiliates which entitles participants to acquire stock, stock appreciation rights or stock options of the Company or its affiliates, other than the Company's 1990 Nonemployee Director Stock Option Plan (the "Director Plan"), at any time within the preceding twelve (12) months. A majority of the Committee and a majority of the directors acting on any matter relating to the Plan shall not be eligible to receive stock options under this Plan ("Options") or any other plan of the Company or its affiliates which entitles participants to acquire stock, stock appreciation rights or stock options of the Company or its affiliates, other than the Director Plan, while serving on the Committee. No director who is eligible to participate in the Plan shall take part in any Committee deliberations or action respecting the Plan related to such director. The Committee shall have full power and authority to designate participants, to determine the terms and provisions of respective option agreements (which need not be identical) and to interpret the provisions and supervise the administration of the Plan. All decisions and selections made by the Committee pursuant to the provisions of this Plan shall be made by a majority of its members. Any decision reduced to writing and signed by all the members shall be fully effective as if it had been made by a majority at a meeting duly held. The Committee shall have the authority to grant in its discretion to the holder of an outstanding Option in exchange for the surrender and cancellation of such Option, a new Option having a purchase price per share lower than provided in the Option so

surrendered and cancelled and containing such other terms and conditions as the Committee may prescribe in accordance with the provisions of the Plan. All Options granted under this Plan are subject to, and may not be exercised before, the approval of the Plan by the stockholders of the Company pursuant to Rule 16b-3 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). For purposes of compliance with such rule, the entry of an order of confirmation of the bankruptcy plan of reorganization respecting the Company will constitute such stockholder approval.

3. Designation of Participants.

The persons eligible for participation in the Plan as recipients of Options shall include only employees of the Company or of any Parent or wholly-owned subsidiary of the Company. Directors of the Company shall not be eligible to participate in the Plan as directors, but Directors otherwise qualified shall be eligible to participate. An employee who has been granted an Option hereunder ("Optionee") may be granted an additional Option or Options, if the Committee shall so determine.

4. Stock Reserved for the Plan.

Subject to adjustment as provided in Paragraph 9 hereof, a total of one million, six hundred thousand (1,600,000) shares of Common Stock, par value \$.01 per share ("Stock"), of the Company shall be subject to this Plan. Pursuant to Amendment Number One of the Plan, approved by the stockholders at its 1995 Annual Meeting, an additional 600,000 shares of Common Stock, par value \$.01 per share, of the Company shall be subject to this Plan, subject to adjustment as provided in Paragraph 9 hereof. The Shares subject to this Plan shall consist of unissued shares or previously issued shares reacquired and held by the Company, or any Parent or wholly-owned subsidiary of the Company, and such amount of shares shall be and is hereby reserved for such purpose. Any of such shares which may remain unsold and which are not subject to outstanding Options at the termination of this Plan shall cease to be reserved for the purpose of this Plan, but until termination of this Plan the Company shall at all times reserve a sufficient number of shares to meet the requirements of this Plan. Should any Option expire or be cancelled prior to its exercise or relinquishment in full, the shares theretofore subject to such Option, to the extent it had not been exercised, may again be subjected to an Option under the Plan.

5. Option Price.

(a) The purchase price of each share of Stock subject to an Option shall be determined by the Committee prior to granting the Option and shall not be less than the fair market value per share of Stock on the date of the grant.

(b) The fair market value of a share on a particular date shall be deemed to be (i) in the event the Stock is not listed on a stock exchange or traded in the over-the-counter market, the value determined in good faith by the Board of Directors of the Company, which determination shall be conclusive, (ii) in the event the Stock is listed on a national or regional stock exchange, the closing sales price per share of the Stock on such exchange on the date, or, if there shall have been no sale on that date, on the last preceding date on which such a sale or sales were so reported (the "Sale Date") or (iii) if the Stock is traded in the over-the-counter market, the mean between the highest closing bid and lowest

closing asked price for the Stock as reported by the National Association of Securities Dealers Automated Quotation System on the Sale Date, or if not reported by such system, the mean between the closing bid and asked price on the Sale Date as quoted by such quotation source as shall be designated by the Committee.

6. Option Period.

Any Option granted under this Plan shall terminate and be of no force and effect with respect to any securities not previously taken up by the Optionee thereunder upon the expiration of the term of such Option as specified in the option agreement relating thereto, which term shall not exceed ten (10) years from the date of grant of such Option.

7. Exercise of Options.

(a) The Committee, in granting Options hereunder, shall have discretion to determine the terms upon which such Options shall be exercisable, subject to the applicable provisions of the Plan. The Committee may determine to permit any Option granted hereunder to be exercisable at any time after six (6) months from the date of grant of such Option.

(b) Options may be exercised solely by the Optionee during his lifetime or after his death by the personal representative of the Optionee's estate or the person or persons entitled thereto under his will or under the laws of descent and distribution.

(c) The purchase price of the shares as to which an Option is exercised shall be paid in full at the time of the exercise. Such purchase price shall be payable in cash, or at the option of the holder of such Option, in Stock theretofore owned by such holder (or any combination of cash and such Stock). For purposes of determining the amount, if any, of the purchase price satisfied by payment in Stock, such Stock shall be valued at its fair market value on the date of exercise in accordance with Paragraph 5(b) hereof. Any Stock delivered in satisfaction of all or a portion of the purchase price shall be appropriately endorsed for transfer and assignment to the Company. No holder of an Option shall be, or have any of the rights or privileges of, a stockholder of the Company in respect of any shares purchasable upon the exercise of any part of an Option unless and until certificates representing such shares shall have been issued by the Company to such holders. The Company may make loans to the Optionees the proceeds of which will be used to exercise the Options granted pursuant to the Plan. Although the terms of any such loans will be determined on an individual basis, such loans will be secured by a lien on the Stock to be purchased by the Optionee and will bear interest at an interest rate to be determined on the date the loan is made that is sufficient to avoid the classification of the loan as a below-market loan under Section 7872 of the Code.

8. Relinquishment of Options; Assignability.

(a) The Committee, in granting Options hereunder, shall have discretion to determine whether or not Options shall include a right of relinquishment as hereinafter provided by this Paragraph 8. The Committee shall also have discretion to determine whether an option agreement evidencing an Option granted by the Committee shall be amended or supplemented to include such a right of relinquishment. Neither the Committee nor the Company shall be under any obligation or incur any liability to any person by reason of

the Committee's refusing to grant or include a right of relinquishment in any Option granted hereunder or in any option agreement evidencing the same. Subject to the Committee's determining in any case that the grant by it of a right of relinquishment is consistent with Paragraph 1 hereof, any Option granted under the Plan, and the option agreement evidencing such Option, may provide:

(i) That the Optionee, or his heirs or other legal representatives to the extent entitled to exercise the Option under the terms thereof, in lieu of purchasing the entire number of shares subject to purchase thereunder, shall have the right to relinquish all or any part of the then unexercised portion of the Option (to the extent exercisable as provided in (iv) hereinbelow) for a number of shares of Stock, for an amount of cash or for a combination of Stock and cash, to be determined as follows:

(A) The written notice of exercise of such right of relinquishment, provided for in clause

(ii) of this subparagraph (a), shall state the percentage, if any, of the Appreciated Value (as defined below), that such Optionee elects to receive in cash (which percentage is called the "Cash Percentage"), such Cash Percentage to be in increments of 10% of such Appreciated Value up to 100% thereof;

(B) The number of shares of Stock of the Company, if any, issuable pursuant to such relinquishment shall be the number of such shares, rounded to the next greater number of full shares, as shall be equal to: 100% of the Appreciated Value less the Cash Percentage, multiplied by the excess of (1) the aggregate current market value of the shares of Stock covered by the Option or the portion thereof so relinquished over (2) the aggregate purchase price for such shares specified in such Option (which excess is called the "Appreciated Value"), divided by the then-current market value per share of such Stock; and

(C) The amount of cash payable pursuant to such relinquishment shall be an amount equal to the Appreciated Value less the aggregate current market value of the Stock issued pursuant to such relinquishment, if any, which cash shall be paid by the Company subject to such conditions as are deemed advisable by the Committee to permit compliance by the Company with the withholding provisions applicable to employers under the Code (and under any applicable State income tax law);

(ii) That such right of relinquishment may be exercised only upon receipt by the Company of a written notice of such relinquishment which shall be dated the date of election to make such relinquishment; and that, for the purposes of the Plan, such date of election shall be deemed to be the date when such notice is sent by registered or certified mail, or when receipt is acknowledged by the Company, if mailed by other than registered or certified mail or if delivered by hand or by any telegraphic communications equipment of the sender or otherwise delivered, provided that, in the event the method described above for determining such date of election shall not be or remain consistent with provisions of Section 16(b) of the Exchange Act or the rules and regulations adopted by the Securities and

Exchange Commission thereunder, as presently existing or as may be hereafter amended, which exempt from the operation of said Section 16 (b) in whole or in part any such relinquishment transaction, then such date of election shall be determined by such other method consistent with said Section 16(b) or rules or regulations as the Committee shall in its discretion select and apply;

(iii) That the "current market value" of a share on a particular date shall be deemed to be its fair market value on that date as determined in accordance with Paragraph 5(b) hereof; and

(iv) That the Option, or any portion thereof, may be relinquished only to the extent that (A) it is exercisable on the date written notice of relinquishment is received by the Company and (B) the Committee, subject to the provisions of Paragraph 8(b) hereof, shall consent to the election of the holder of such Option to relinquish such Option as set forth in such written notice of relinquishment, and (C) the holder of such Option pays, or makes provision satisfactory to the Company for the payment of, any taxes which the Company is obligated to collect with respect to such relinquishment.

(b) The Committee shall have sole discretion to consent to or disapprove any election of a holder of an Option to relinquish such Option for Stock and cash as provided in Paragraph 8(a) hereof. Neither the Committee nor the Company shall be under any liability to any person by reason of the Committee's disapproval of any election pursuant to this subparagraph (b).

(c) The Committee, in granting Options hereunder, shall have discretion to determine the terms upon which such Options shall be relinquishable, subject to the applicable provisions of the Plan, and including such provisions as are deemed advisable to permit the exemption from the operation from Section 16(b) of the Exchange Act in whole or in part of any such transaction involving such relinquishment, and Options outstanding, and option agreements evidencing such Options, may be amended, if necessary, to permit such exemption. If an Option is relinquished, such Option shall be deemed to have been exercised to the extent of the number of shares of Stock covered by the Option or part thereof which is relinquished, and no further Options may be granted covering such shares of Stock.

(d) Neither any Option nor any right to relinquish the same to the Company as contemplated by this Paragraph 8 shall be assignable or otherwise transferable except by will or the laws of descent and distribution.

(e) No right of relinquishment may be exercised within the first six months of the date of grant of such right; provided, however, that this limitation shall not apply in the event of death or disability.

9. Capital Change of the Company; Certain Corporate Transactions.

(a) The existence of this Plan and Options granted hereunder shall not affect in any way the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in the Company's capital

structure or its business, or any merger or consolidation of the Company, or any issue of bonds, debentures, preferred or prior preference stocks ahead of or affecting the Company's Stock or the rights thereof, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

(b) The shares with respect to which Options may be granted hereunder are shares of the Stock of the Company as presently constituted. If, and whenever, prior to the delivery by the Company of all of the shares of the Stock that are subject to Options granted hereunder, the Company shall effect a subdivision or consolidation of shares or other capital readjustment, the payment of a stock dividend, a stock split, combination of shares or recapitalization or other increase or reduction of the number of shares of the Stock outstanding without receiving compensation therefor in money, services or property, the number of shares of Stock available under the Plan and the number of shares of Stock with respect to which Options granted hereunder may thereafter be exercised shall

(i) in the event of an increase in the number of outstanding shares, be proportionately increased, and the cash consideration payable per share with respect to Options then issued and outstanding shall be proportionately reduced; and

(ii) in the event of a reduction in the number of outstanding shares, be proportionately reduced, and the cash consideration payable per share with respect to Options then issued and outstanding shall be proportionately increased.

(c) Except as expressly provided herein, the issue by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, for cash or property, or for labor or services, either upon direct sale or upon the exercise of rights or warrants to subscribe therefor, or upon conversion of shares or obligations of the Company convertible into such shares or other securities, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number of shares of Stock subject to Options granted hereunder.

(d) If the Company is reorganized, or merged or consolidated or party to a plan of exchange with another corporation pursuant to which reorganization, merger, consolidation, or plan of exchange stockholders of the Company receive any shares of Stock or other securities or if the Company shall distribute ("Spin Off") securities of another corporation to its stockholders, there shall be substituted for the shares subject to the unexercised portions of outstanding Options an appropriate number of shares of (i) each class of stock or other securities which were distributed to the stockholders of the Company in respect of such shares in the case of a reorganization, merger, consolidation, or plan of exchange, or

(ii) in the case of a Spin Off, the securities distributed to stockholders of the Company together with shares of Stock, such number of shares or securities to be determined in accordance with the provisions of Section 425 of the Code (or other applicable provisions of the Code or regulations issued thereunder which may from time to time govern the treatment of incentive stock options in such a transaction).

Notwithstanding the foregoing, any unmatured installments of the Options shall be accelerated and the Option shall thereupon be exercisable in full without regard to any installment exercise provision in the event of a Change of Control (as defined below).

(i) For purposes of this Plan, a Change of Control will occur when

(A) any "person," including a "group" as determined in accordance with Section 13(d)(3) of the Exchange Act is, or becomes the beneficial owner, directly or indirectly, of securities of the Company representing a Control Percentage (as defined below) of the combined voting power of the then outstanding securities of the Company;

(B) as a result of, or in connection with, any tender offer or exchange offer, merger or other business combination, sale of assets or contested election, or any combination of the foregoing transactions (a "Transaction"), the persons who were Directors of the Company before the Transaction shall cease to constitute a majority of the Board of Directors of the Company, or any successor to the Company¹;

(C) the Company is merged or consolidated with another corporation and as a result of such merger or consolidation a Control Percentage of the outstanding voting securities of the surviving or resulting corporation shall no longer be owned in the aggregate by the stockholders of the Company on April 9, 1990, or their respective affiliates within the meaning of the Exchange Act;

(D) the Company transfers substantially all of its assets to another corporation that is not an affiliate of the Company.

(ii) The term "Control Percentage" shall mean at least 25% in the event the applicable securities are registered under the Exchange Act or at least 40% in the event the applicable securities are not registered under the Exchange Act.

10. Purchase for Investment.

Unless the Options and shares covered by the Plan have been registered under the Securities Act of 1933, as amended, or the Company has determined that such registration is unnecessary, each person exercising an Option under the Plan may be required by the Company to give a representation in writing that he is acquiring such shares for his own account for investment and not with a view to, or for sale in connection with, the distribution of any part thereof.

11. Taxes.

The Company may make such provisions as it may deem appropriate for the withholding of any taxes which it determines is required in connection with any Options or rights of relinquishment granted under the Plan. However, the holder of an Option may pay all or any portion of the taxes required to be withheld by the Company or paid by the holder of the Option in connection with the exercise of all or any portion of this Option (including an exercise through relinquishment) by

¹ Pursuant to resolution of the Board of Directors on May 23, 1990, in determining whether a person is the beneficial owner of a Control Percentage, the Stock originally received by a person pursuant to the plan of reorganization of Texas International Company in exchange for securities of Texas International Company shall not be included in the numerator of such computation.

electing to have the Company withhold shares of Stock, or by delivering previously owned shares of Stock, having a fair market value determined in accordance with Paragraph 5(b) hereof, equal to the amount required to be withheld or paid. The holder of the Option must make the foregoing election on or before the date that the amount of tax to be withheld is determined ("Tax Date"). Any such election is irrevocable and subject to disapproval by the Committee. If the holder of the Option is subject to the short-swing profits recapture provisions of Section 16(b) of the Exchange Act, in the event the method described above for determining such date of election shall not be or remain consistent with provisions of Section 16(b) of the Exchange Act or the rules and regulations adopted by the Securities and Exchange Commission thereunder, as now existing or as may be hereafter amended, then such date of election shall be determined by such other method consistent with the provisions of Section 16(b) of the Exchange Act or rules and regulations as the Committee in its discretion shall select and apply.

12. Other Rights of Optionees and the Company.

(a) The Committee, in granting any Option hereunder, shall have the discretion to afford the grantee of such Option any one or more of the following rights, on such terms and subject to such conditions (which may vary from Option to Option) as the Committee shall prescribe in the option agreement relating to such Option: (i) the right to have the shares underlying such Option, to the extent purchasable ("Vested Shares") sold in an underwritten public offering; and (ii) the right to have his Vested Shares purchased or repurchased on the occurrence of such events as may be specified in the option agreement relating to such Option.

(b) The Committee, in granting any Option hereunder, shall have the discretion to afford the Company the right, on the terms and subject to such conditions (which may vary from Option to Option) as the Committee shall prescribe in the option agreement relating to such Option, to repurchase or cause the purchase of the Vested Shares underlying such Option on the occurrence of such events as may be specified in such option agreement.

13. Effective Date of Plan.

The Plan shall be effective as of April 9, 1990.

14. Amendments or Termination.

The Board of Directors may amend, alter or discontinue the Plan, except that no amendment or alteration shall be made which would impair the rights of any Optionee under any Option theretofore granted, without his consent, and except that no amendment or alteration shall be made which, without the approval of the stockholders, would:

(a) Increase the total number of shares reserved for the purposes of the Plan, except as is provided in Paragraph 9 of the Plan; or

(b) Alter the class of employees eligible to participate in the Plan, as described in Paragraph 3 hereof.

15. Government Regulations.

The Plan, and the granting and exercise of Options thereunder, and the obligation of the Company to sell and deliver shares under such Options, shall be subject to all applicable laws, rules and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

THE PHOENIX RESOURCE COMPANIES, INC.

EXHIBIT 10.34

1990 NONEMPLOYEE DIRECTOR STOCK OPTION PLAN

OF

THE PHOENIX RESOURCE COMPANIES, INC.

(EFFECTIVE APRIL 9, 1990)

AS AMENDED THROUGH SEPTEMBER 29, 1995

(AMENDED TO REFLECT JANUARY 1995 & SEPTEMBER 1995 TWO-FOR-ONE SPLITS)

1. Purpose of the Plan.

This 1990 Nonemployee Director Stock Option Plan (the "Plan") is intended as an incentive to retain as independent directors on the Board of Directors of The Phoenix Resource Companies, Inc., a Delaware corporation (the "Company"), persons of training, experience and ability, to attract new directors whose services are considered unusually valuable, to encourage the sense of proprietorship of such persons and to stimulate the active interest of such persons in the development and financial success of the Company. It is further intended that the options issued pursuant to this Plan will not be incentive stock options as that term is defined in Section 422A of the Internal Revenue Code.

2. Administration of the Plan.

The Plan shall be administered by the Board of Directors, which shall serve as the Stock Option Committee (the "Committee"). No member of the Committee shall have been eligible to participate in any plan of the Company or its affiliates other than this Plan which entitles participants to acquire stock, stock appreciation rights or stock options of the Company or its affiliates at any time within the preceding twelve (12) months. No member of the Committee shall be eligible to receive stock options under any other plan of the Company or its affiliates which entitles participants to acquire stock, stock appreciation rights or stock options of the Company or its affiliates while serving on the Committee, other than the options received under this Plan ("Options"). The Committee, exclusive of the Optionee (as defined below) with respect to such grant, shall have power, subject to the provisions of the Plan, to grant options under this Plan, determine the terms and provisions of respective option agreements (which need not be identical) and interpret the provisions and supervise the administration of the Plan. All decisions and selections made by the Company pursuant to the provisions of the Plan shall be made by a majority of its members. Any decision reduced to writing and signed by all of the members shall be fully effective as if it had been made by a majority at a meeting duly held. The Committee shall have the authority to grant to all the holders of an outstanding Option in exchange for the surrender and cancellation of such Option, a new Option having a purchase price lower than provided in the Option so surrendered and cancelled and containing such other terms and conditions as the Committee may prescribe in accordance with the provisions of this Plan. All Options granted under this Plan are subject to, and may not be exercised before, the approval of the Plan by the stockholders of the Company pursuant to Rule 16b-3 of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

3. Designation of Participants; Grant of Options.

- (a) Each director of the Company who is not otherwise an employee of the Company or of any Parent or Subsidiary ("Optionees") shall be granted Options as described in this Plan.
- (b) Each Optionee serving as a director of the Company immediately following the 1994 Annual Meeting of Stockholders shall automatically be granted Options to purchase 16,000 shares of Stock.
- (c) Each Optionee elected as a new member of the Board of Directors of the Company subsequent to the 1994 Annual Meeting of Stockholders shall automatically be granted Options to purchase 12,000 shares of Stock.
- (d) If at any time any Optionee owns Options to purchase less than 12,000 shares of Stock, then such Optionee shall automatically be granted Options covering a sufficient number of shares of Stock so that after such grant such Optionee would hold in the aggregate, including all Options previously granted to such Optionee that remain outstanding, Options covering 12,000 shares of Stock.

4. Stock Reserved for the Plan.

Subject to adjustment as provided in Paragraph 9 hereof, shares of Common Stock, par value \$.001 per share ("Stock"), of the Company shall be subject to this Plan. The Stock subject to this Plan shall consist of unissued shares or previously issued shares reacquired and held by the Company, or any Parent or wholly-owned subsidiary of the Company. Initially, Three Hundred Thousand (300,000) shares of Stock shall be and are hereby reserved for such purpose. Any of such shares that may remain unsold and that are not subject to outstanding Options at the termination of this Plan shall cease to be reserved for the purpose of the Plan, but until termination of the Plan the Company shall at all times reserve a sufficient number of shares to meet the requirements of the Plan. Should any Option expire or be cancelled prior to its exercise or relinquishment in full, the shares theretofore subject to such Option may again be subjected to an Option under the Plan.

5. Option Price.

- (a) The purchase price of each share subject to a nonqualified stock option under this Plan shall be the fair market value of each share on the date the Option is granted.
- (b) The fair market value of a share on a particular date shall be deemed to be (i) in the event the Stock is not listed on a stock exchange or traded in the over-the-counter market, the value determined in good faith by the Board of Directors of the Company, which determination shall be conclusive, (ii) in the event the Stock is listed on a national or regional stock exchange, the closing sales price per share of the Stock on such exchange on the date, or, if there shall have been no sale on that date, on the last preceding date on which such a sale or sales were so reported (the "Sale Date") or (iii) if the Stock is traded in the over-the-counter market, the mean between the highest closing bid and lowest closing asked price for the Stock as reported by the National Association of Securities Dealers Automated Quotation System on the Sale Date, or if not reported by such system,

the mean between the closing bid and asked price on the Sale Date as quoted by such quotation source as shall be designated by the Committee.

6. Option Period.

Options granted under this Plan shall terminate and be of no force and effect with respect to any shares not previously taken up by the Optionee upon the earliest to occur of the following: (a) the expiration of ten (10) years from the date of granting of each Option; (b) one year after the Optionee ceases to be a Director of the Company by reason of death or Disability (as hereinafter defined) of the Optionee; or (c) three (3) months after the Optionee ceases to be a Director of the Company for any reason other than death or Disability. For purposes of this Plan, Disability shall mean the inability of the Optionee for a period of six (6) months, or the expected inability of the Optionee for a period of six (6) months, substantially to perform his duties to the Company.

7. Exercise of Options.

(a) The Options granted hereunder shall not be exercisable by the Optionee until the completion of one year of service as a director of the Company following the date of grant of such Option, and at that time shall be exercisable as follows:

(i) Options to purchase 8,000 shares of Stock granted pursuant to the provisions of Paragraph 3(b) shall become exercisable one year following the date of grant thereof; Options to purchase 4,000 shares of Stock granted pursuant to the provisions of Paragraph 3(b) shall become exercisable two years following the date of grant thereof; and Options to purchase 4,000 shares of Stock granted pursuant to the provisions of Paragraph 3(b) shall become exercisable three years following the date of grant thereof.

(ii) One-third of the shares covered by Options to purchase Stock granted pursuant to the provisions of Paragraph 3(c) shall become exercisable one year following the date of grant thereof; an additional one-third of the shares covered by Options to purchase Stock granted pursuant to the provisions of Paragraph 3(c) shall become exercisable two years following the date of grant thereof; and the final one-third of the shares covered by Options to purchase Stock granted pursuant to the provisions of Paragraph 3(c) shall become exercisable three years following the date of grant thereof.

(iii) Options to purchase Stock pursuant to the provisions of Paragraph 3(d) shall become exercisable three years following the date of grant thereof.

(b) Options may be exercised solely by the Optionee during his lifetime or after his death by the person or persons entitled thereto under his will or the laws of descent and distribution.

(c) In the event of cessation of service as a Director of the Company for any reason other than death, Disability or Retirement (as hereinafter defined), Options may be exercised only with respect to the number of shares purchasable at the time of such cessation.

(d) In the event of the death or Disability of the Optionee following the date of grant and while in service as a Director of the Company, and while Options granted hereunder are still in force and unexpired under the terms of Paragraph 6 hereof, any unmatured installments of the Options shall be accelerated. Such acceleration shall be effective as of the date of death or Disability. The Options outstanding in the name of a deceased Optionee shall thereupon be exercisable in full without regard to any installment exercise provisions.

(e) In the event the Optionee ceases his service as a Director of the Company because of his attainment of age seventy (70) or completion of ten (10) years of service as a Director ("Retirement") while Options granted hereunder are still in force and unexpired under the terms of Paragraph 6 hereof, any unmatured installments of the Options shall be accelerated as of the date of Retirement and the Option shall thereupon be exercisable in full without regard to any installment exercise provision.

(f) The purchase price of the shares as to which an Option is exercised shall be paid in full at the time of the exercise. Such purchase price shall be payable in cash, or at the option of the holder of such Option, in Stock theretofore owned by such holder (or any combination of cash and such Stock). For purposes of determining the amount, if any, of the purchase price satisfied by payment in Stock, such Stock shall be valued at its fair market value on the date of exercise in accordance with Paragraph 5(b) hereof. Any Stock delivered in satisfaction of all or a portion of the purchase price shall be appropriately endorsed for transfer and assignment to the Company. No holder of an Option shall be, or have any of the rights or privileges of, a stockholder of the Company in respect of any shares purchasable upon the exercise of any part of an Option unless and until certificates representing such shares shall have been issued by the Company to such holders. The Company may make loans to the Optionees the proceeds of which will be used to exercise the Options granted pursuant to the Plan. Although the terms of any such loans will be determined on an individual basis, such loans will be secured by a lien on the Stock to be purchased by the Optionee and will bear interest at an interest rate to be determined on the date the loan is made that is sufficient to avoid the classification of the loan as a below-market loan under Section 7872 of the Internal Revenue Code of 1986, as amended (the "Code").

8. Relinquishment of Options; Assignability.

(a) Options granted hereunder shall include a right of relinquishment as hereinafter provided by this Paragraph 8. Any Option granted under the Plan, and the option agreement evidencing such Option, shall provide:

(i) That the Optionee, or his heirs or other legal representatives to the extent entitled to exercise the Option under the terms thereof, in lieu of purchasing the entire number of shares subject to purchase thereunder, shall have the right to relinquish all or any part of the then unexercised portion of the Option (to the extent exercisable as provided in (iv) hereinbelow) for a number of shares of Stock, to be determined as follows: The number of shares of Stock of the Company, if any, issuable pursuant to such relinquishment shall be the number of such shares, rounded to the next greater number of full shares, as shall be equal to: the Appreciated Value, multiplied by the excess of (A) the aggregate current market

value of the shares of Stock covered by the Option or the portion thereof so relinquished over (B) the aggregate purchase price for such shares specified in such Option (which excess is called the "Appreciated Value"), divided by the then-current market value per share of such Stock; and

(ii) That such right of relinquishment may be exercised only upon receipt by the Company of a written notice of such relinquishment which shall be dated the date of election to make such relinquishment; and that, for the purposes of the Plan, such date of election shall be deemed to be the date when such notice is sent by registered or certified mail, or when receipt is acknowledged by the Company, if mailed by other than registered or certified mail or if delivered by hand or by any telegraphic communications equipment of the sender or otherwise delivered, provided that, in the event the method described above for determining such date of election shall not be or remain consistent with provisions of Section 16(b) of the Exchange Act or the rules and regulations adopted by the Securities and Exchange Commission thereunder, as presently existing or as may be hereafter amended, which exempt from the operation of said Section 16(b) in whole or in part any election shall be determined by such other method consistent with said Section 16(b) or rules or regulations as the Committee shall in its discretion select and apply;

(iii) That the "current market value" of a share on a particular date shall be deemed to be its fair market value on that date as determined in accordance with Paragraph 5(b) hereof; and

(iv) That the Option, or any portion thereof, may be relinquished only to the extent that (A) it is exercisable on the date written notice of relinquishment is received by the Company and (B) the holder of such Option pays, or makes provision satisfactory to the Company for the payment of, any taxes which the Company is obligated to collect with respect to such relinquishment.

(b) The Committee, in granting Options hereunder, shall have the power to amend any Options outstanding and option agreements evidencing such Options to include such provisions as are deemed advisable to permit the exemption from the operation from Section 16(b) of the Exchange Act in whole or in part of any such transaction involving such relinquishment. If an Option is relinquished, such Option shall be deemed to have been exercised to the extent of the number of shares of Stock covered by the Option or part thereof which is relinquished, and no further Options may be granted covering such shares of Stock.

(c) Neither any Option nor any right to relinquish the same to the Company as contemplated by this Paragraph 8 shall be assignable or otherwise transferable except by will or the laws of descent and distribution.

9. Capital Change of the Company; Certain Corporate Transactions.

(a) The existence of this Plan and Options granted hereunder shall not affect in any way the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issue of

bonds, debentures, preferred or prior preference stocks ahead of or affecting the Company's Stock or the rights thereof, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

(b) The shares with respect to which Options may be granted hereunder are shares of the Stock of the Company as presently constituted. If, and whenever, prior to the delivery by the Company of all of the shares of the Stock that are subject to Options granted hereunder, the Company shall effect a subdivision or consolidation of shares or other capital readjustment, the payment of a stock dividend, a stock split, combination of shares or recapitalization or other increase or reduction of the number of shares of the Stock outstanding without receiving compensation therefor in money, services or property, the number of shares of Stock available under the Plan and the number of shares of Stock with respect to which Options granted hereunder may thereafter be exercised shall

(i) in the event of an increase in the number of outstanding shares, be proportionately increased, and the cash consideration payable per share with respect to Options then issued and outstanding shall be proportionately reduced; and

(ii) in the event of a reduction in the number of outstanding shares, be proportionately reduced, and the cash consideration payable per share with respect to Options then issued and outstanding shall be proportionately increased.

(c) Except as expressly provided herein, the issue by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, for cash or property, or for labor or services, either upon direct sale or upon the exercise of rights or warrants to subscribe therefor, or upon conversion of shares or obligations of the Company convertible into such shares or other securities, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number of shares of Stock subject to Options granted hereunder.

(d) If the Company is reorganized, or merged or consolidated or party to a plan of exchange with another corporation pursuant to which reorganization, merger, consolidation, or plan of exchange stockholders of the Company receive any shares of Stock or other securities or if the Company shall distribute ("Spin Off") securities of another corporation to its stockholders, there shall be substituted for the shares subject to the unexercised portions of outstanding Options an appropriate number of shares of (i) each class of stock or other securities which were distributed to the stockholders of the Company in respect of such shares in the case of a reorganization, merger, consolidation, or plan of exchange, or

(ii) in the case of a Spin Off, the securities distributed to stockholders of the Company together with shares of Stock, such number of shares or securities to be determined in accordance with the provisions of Section 425 of the Code (or other applicable provisions of the Code or regulations issued thereunder which may from time to time govern the treatment of incentive stock options in such a transaction).

Notwithstanding the foregoing, any unmatured installments of the Options shall be accelerated and the Option shall be exercisable in full without regard to any installment exercise provision in the event of a Change of Control (as defined below).

(i) For purposes of this Plan, a Change of Control will occur when

(A) any "person," including a "group" as determined in accordance with Section 13(d)(3) of the Exchange Act is, or becomes the beneficial owner, directly or indirectly, of securities of the Company representing a Control Percentage (as defined below) of the combined voting power of the then outstanding securities of the Company;

(B) as a result of, or in connection with, any tender offer or exchange offer, merger or other business combination, sale of assets or contested election, or any combination of the foregoing transactions (a "Transaction"), the persons who were Directors of the Company before the Transaction shall cease to constitute a majority of the Board of Directors of the Company, or any successor to the Company;

(C) the Company is merged or consolidated with another corporation and as a result of such merger or consolidation a Control Percentage of the outstanding voting securities of the surviving or resulting corporation shall no longer be owned in the aggregate by the stockholders of the Company on April 9, 1990, or their respective affiliates within the meaning of the Exchange Act;

(D) the Company transfers substantially all of its assets to another corporation that is not an affiliate of the Company.

(ii) The term "Control Percentage" shall mean at least 25% in the event the applicable securities are registered under the Exchange Act or at least 40% in the event the applicable securities are not registered under the Exchange Act.

10. Purchase for Investment.

Unless the Options and shares covered by the Plan have been registered under the Securities Act of 1933, as amended, or the Company has determined that such registration is unnecessary, each person exercising an Option under the Plan may be required by the Company to give a representation in writing that he is acquiring such shares for his own account for investment and not with a view to, or for sale in connection with, the distribution of any part thereof.

11. Taxes.

The Company may make such provisions as it may deem appropriate for the withholding of any taxes which it determines is required in connection with any Options granted under the Plan. In the event such provisions for withholding shall not be or remain consistent with provisions of Section 16(b) of the Exchange Act or the rules and regulations adopted by the Securities and Exchange Commission thereunder, as now existing or as may be hereafter amended, then provisions for withholding shall be determined by such other method consistent with the provisions of Section 16(b) or rules or regulations as the Committee shall select and apply.

12. Effective Date of Plan.

The Plan shall be effective as of April 9, 1990.

13. Amendments or Termination.

The Board of Directors may amend, alter or discontinue the Plan, except that no amendment or alteration shall be made which would impair the rights of any Optionee under any Option theretofore granted, without his consent, and except that no amendment or alteration shall be made which, without the approval of the stockholders, would:

- (a) Increase or decrease the number of shares subject to Option or the schedule of grants provided for in Paragraph 3; or
- (b) Extend the option period provided for in Paragraph 6; or
- (c) Materially increase the benefits accruing to Optionees under the Plan; or
- (d) Materially modify the requirements as to eligibility for participation in the Plan.

14. Government Regulations.

The Plan, and the granting and exercise of Options thereunder, and the obligation of the Company to sell and deliver shares under such Options, shall be subject to all applicable laws, rules and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

THE PHOENIX RESOURCE COMPANIES, INC.

EXHIBIT 10.39

**RAYMOND PLANK
DECEMBER 1990
RESTATED EMPLOYMENT AGREEMENT**

This Agreement made this 5th day of December, 1990, by and between Apache Corporation, a Delaware corporation with its principal office at 1700 Lincoln Street, Suite 1900, Denver, Colorado, 80203 (hereinafter called the "Company") and Raymond Plank (hereinafter called the "Executive").

WITNESSETH:

WHEREAS, the Executive is a founder of the company and is presently Chairman of the Board of Directors and Chief Executive Officer of the Company and has served the Company continuously for more than 35 years since its formation as its principal executive; and

WHEREAS, the leadership of the Executive has constituted a major factor in the growth and development of the Company and the Company desires Executive's continued leadership so that the progress of the Company will be assured; and

WHEREAS, the Company desires to employ, retain and make secure for itself the experience, abilities and services of the Executive for the period herein set forth and to prevent any other competitive business from securing the services of said Executive and utilizing his experience, background and know-how; and

WHEREAS, the Company and the Executive entered into an employment agreement dated December 3, 1975, which was amended by the terms of an agreement dated May 1, 1988; and

WHEREAS, the parties desire to restate the terms and conditions of employment of the Executive and to this Agreement; and

WHEREAS, all of the terms, conditions and undertakings of this Agreement and the execution of this Agreement were duly fixed, stated, approved, authorized and directed for and on behalf of the Company;

NOW THEREFORE, it is mutually agreed by and between the parties hereto as follows:

1. Executive Employment Period--Duties--Effective Date. The Company agrees to and does hereby, employ the Executive to act in an executive capacity and to perform such duties, commensurate with any such executive position, as shall be assigned by the Board of Directors. Such period, being hereinafter called the "Executive Employment Period," commenced on

December 3, 1975, and shall continue until terminated by the Board of Directors or as otherwise provided in this Agreement.

2. Advisory Employment Term and Duties. The Company agrees to, and does hereby, employ the Executive and he agrees to serve the Company, for the period commencing with the termination of the Executive Employment Period and continuing for life (hereinafter called the "Advisory Employment Term"), as an advisor and consultant to the Company with such duties of an advisory or consultative nature as may reasonably be requested by its Board of Directors.

3. Compensation. The company shall pay to the Executive, and the Executive shall accept from the Company for his services during the Executive Employment Period, compensation at a per annum rate of not less than \$450,000 payable in semi-monthly installments, all in accordance with normal pay practices of the Company, and for his services during the Advisory Employment Term, compensation at an annual rate equal to 50% of the annual rate of compensation being paid to Executive during and under the Executive Employment Period immediately preceding the commencement of the Advisory Employment Term.

4. Expenses--Advisory Employment Term. During the Advisory Employment Term, the company will reimburse the Executive for any and all proper expenses of any kind incident to the rendition of the advisory and consultative services to be rendered hereunder.

5. Services. The Executive agrees to devote his full time and efforts during the Executive Employment Period to the business of the Company and its subsidiaries and to serve as Chairman and Chief Executive Officer of the Company, if elected as such. The Executive shall perform his duties faithfully, diligently, and to the best of his ability during the Executive Employment Period and the Advisory Employment Term.

6. Right to Terminate. The Executive shall have the right, at his option, to terminate the Executive Employment Period specified herein by giving at least 120 days prior written notice to the Company in the event that he is not elected as the Chief Executive Officer thereof. In the event of termination of the Executive Employment Period as hereinbefore provided, the Advisory Employment Term described herein shall commence on the first day of the month following the date when the Executive Employment Period shall so terminate and the Executive shall thereupon begin rendering advisory and consultative services to the Company as provided for herein and shall thereupon receive the compensation provided for herein for such services.

7. Restrictive Covenant. The Executive agrees that so long as this Agreement is in full force and effect, he will not, directly or indirectly, either as principal, agent, stockholder, or in any other capacity, engage in or have a financial interest in, any business which is competitive to the business of the Company and its subsidiaries, except that nothing contained herein shall preclude the Executive from purchasing or owning stock in any such business, providing that his holdings do not exceed one percent of the issued and outstanding capital stock. For the purposes hereof, a business will be deemed competitive if it involves the production, manufacture or distribution of any product similar to those produced, manufactured or distributed by the company or any of its subsidiaries, or the rendering of any services similar to those offered or rendered by the Company or any of its subsidiaries to members of the public. The Executive expressly agrees that upon a breach or violation of the foregoing provision of this Agreement, the Company in addition to all other remedies shall be entitled, as a matter of right, to injunctive relief in any court of competent jurisdiction.

8. Secret Processes. The Executive will not divulge, furnish or make accessible to anyone (otherwise than in the regular course of the business of the Company or any of its subsidiaries) any knowledge or information with respect to confidential or secret processes, formula, machinery, plans, devices or material of the Company or any of its subsidiaries, with respect to any confidential or secret engineering, development or research work of the Company or any of its subsidiaries, or with respect to any other confidential or secret aspect of the business of the Company or any of its subsidiaries

9. Death. In the event of the death of the Executive the Company shall pay to his surviving spouse an amount equal to two years' compensation calculated on the basis of the compensation payable to the Executive under this Agreement at the date of his death. Such payments shall be made in equal monthly installments over a period of five years from the date of the death of the Executive. If the Executive has no surviving spouse, then such amount shall be paid to the Executive's estate in a lump sum. If the Executive's spouse survives him but dies before all of the aforementioned monthly payments have been made, then the balance of such payments shall be paid to such spouse's estate in a lump sum.

10. Annuity. The Company has obtained and shall maintain a 20-year certain annuity payable to Executive on a monthly basis commencing on May 1, 1988. Executive shall have the right to designate a successor beneficiary for the annuity.

11. Disability. In the event that during the Executive Employment Period the Executive shall be disabled from rendering services hereunder to the Company for three consecutive months, the Board of Directors of the Company may terminate the Executive Employment Period after 60 days' written notice, and in such event, the Advisory Employment Term shall begin on the first day following such 60 day period. In such event, said Executive shall commence rendering advisory and consultative services as herein provided and shall receive the compensation herein provided for services to be rendered hereunder during the Advisory Employment Term.

12. Benefits. During the Executive Employment Period, the Executive shall receive such benefits and perquisites as are extended to other executives of the Company, and as offered, amended or terminated by the Board of Directors of the Company from time to time. During the Advisory Employment Term, the Company shall provide health, dental and vision insurance for the Executive and his spouse and eligible dependents to the same extent, and offering the same benefits, as the Company provides its executives, except that the insurance shall be supplemental and secondary to the benefits, if any, available to the Executive or his spouse under Medicare, Medicaid, or any other form of public insurance or benefit plan available to the Executive without payment of premiums.

13. Successors. etc., of the Company. This Agreement shall inure to the benefit of and be binding upon the Company, its successors, and assigns, including without limitation any person, partnership or corporation which may acquire all or substantially all of the Company's assets and business, or with or into which the Company may be consolidated or merged, and this provision shall apply in the event of any subsequent merger, consolidation or transfer, and the Executive, his heirs, assigns, executors and person representatives.

14. Entire Agreement. The parties hereto agree that this Agreement contains the entire understanding and agreement between the parties and cannot be amended, modified or supplemented in any respect, except by a subsequent written agreement entered into by both parties hereto.

15. Replacement. This Agreement replaces and supersedes the agreement dated December 3, 1975, between the Company and the Executive regarding employment, the amendment to that agreement dated May 1, 1988, and all other agreements between the parties regarding employment or compensation.

16. Notices. All notices hereunder shall be deemed effective when delivered in person or 24 hours after deposit thereof in the mails, by registered mail, addressed or delivered to, in the case of:

Company:	Apache Corporation Suite 1900 1700 Lincoln Street Denver, Colorado 80203 Attn: Vice President--Human Resources
Executive:	Raymond Plank 21 Apache Road Ucross, Wyoming 82831

17. Applicable Law. This Agreement, and all amendments shall be governed in all respects by the laws of the state of Colorado, without regard to the conflict of law provisions thereof.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by its duly authorized officers and Executive has hereunto set his hand and seal, all as of the day and year first above written.

ATTEST: APACHE CORPORATION

/s/ G. J. Morgenthaler

Secretary

By: */s/ C. Eugene Daniels*

Vice President

/s/ Raymond Plank

Raymond Plank

EXHIBIT 10.40

**FIRST AMENDMENT TO
RESTATED EMPLOYMENT AGREEMENT
OF
RAYMOND PLANK**

This First Amendment to that certain Restated Employment Agreement dated December 5, 1990 (the "Restated Agreement"), by and between APACHE CORPORATION, a Delaware corporation, with its principal offices located at 2000 Post Oak Boulevard, Suite 100, Houston, Texas 77056-4400 (hereinafter called "Company"), and RAYMOND PLANK (hereinafter called the "Executive"), is made this 4th day of April, 1996.

WITNESSETH:

WHEREAS, the Company and the Executive entered into a Restated Agreement dated December 5, 1990; and

WHEREAS, the parties desire to amend the terms and conditions of that Restated Agreement;

NOW, THEREFORE, it is mutually agreed by and between the parties hereto that paragraph 9 of the Restated Agreement shall be deleted and replaced in its entirety as follows:

9. Death. In the event of the death of the Executive, the Company shall pay to his designee, if any, or to his estate, the amount of \$750,000.00 in equal monthly installments over 10 years (\$6,250.00 per month), commencing the first day of the first month following the death of the Executive. The Executive may designate the recipient of these payments by delivering to the Company, his written designation prior to his death. Such designation may be changed by the Executive at any time prior to his death by executing and delivering to the Company a subsequent written designation of recipient. If the Executive has made no designation, then such amount shall be paid to the Executive's estate in a lump sum. If the Executive's designee survives him, but dies before the entire balance of monthly payments have been made, then the balance shall be paid to such designee's estate in a lump sum.

IN WITNESS HEREOF, the Company has caused this Amendment to be executed by its duly authorized officers and the Executive has hereunto set his hand, as of the day and year first written above.

ATTEST:

APACHE CORPORATION

/S/ JAMES E. SLOAN

ASSISTANT SECRETARY

/S/ ROGER B. RICE

ROGER B. RICE
VICE PRESIDENT, HUMAN RESOURCES
AND ADMINISTRATION

EXECUTIVE

/S/ RAYMOND PLANK

RAYMOND PLANK

EXHIBIT 11.1

APACHE CORPORATION AND SUBSIDIARIES

**COMPUTATION OF EARNINGS PER SHARE
(IN THOUSANDS, EXCEPT PER SHARE DATA)**

	1996	1995	1994
	-----	-----	-----
Weighted Average Calculation:			

Net income	\$ 121,427 =====	\$ 20,207 =====	\$ 45,583 =====
Weighted average common shares outstanding	85,777 =====	71,792 =====	69,715 =====
Net income per common share, based on weighted average shares outstanding	\$ 1.42 =====	\$.28 =====	\$.65 =====
Primary Calculation:			

Net income	\$ 121,427	\$ 20,207	\$ 45,583
Assumed conversion of 3.93 percent debentures	2,114 -----	2,162 -----	2,121 -----
Net income, as adjusted	\$ 123,541 =====	\$ 22,369 =====	\$ 47,704 =====
Common stock equivalents:			
Weighted average common shares outstanding	85,777	71,792	69,715
Stock options, using the treasury stock method	478	106	115
Common stock equivalents, assuming conversion of 3.93 percent debentures	2,778 -----	2,778 -----	2,778 -----
	89,033 =====	74,676 =====	72,608 =====
Net income per common share -- primary	\$ 1.39 =====	\$.28 =====	\$.65 =====

The assumed conversion of other convertible debt would be insignificant or
antidilutive for each of the periods presented above.

EXHIBIT 21.1

PAGE 1 OF 2

APACHE CORPORATION - LISTING OF SUBSIDIARIES
AS OF FEBRUARY 28, 1997

EXACT NAME OF SUBSIDIARY AND NAME UNDER WHICH SUBSIDIARY DOES BUSINESS -----	JURISDICTION OF INCORPORATION OR ORGANIZATION -----
Apache Foundation	Minnesota
Apache Gathering Company	Delaware
Apache Holdings, Inc.	Delaware
Apache International, Inc.	Delaware
Apache Cote d'Ivoire, Inc.	Delaware
Apache Oil Australia Pty Limited	New South Wales, Australia
Apache Oil Congo, Inc.	Delaware
Apache Oil Java Sea, Inc.	Delaware
Apache Oil Sumatra, Inc.	Delaware
Apache Qarun Corporation LDC	Cayman Islands
Apache Overseas, Inc.	Delaware
Apache Abu Gharadig Corporation LDC	Cayman Islands
Apache Asyout Corporation LDC	Cayman Islands
Apache China Corporation LDC	Cayman Islands
Apache Cote d'Ivoire Petroleum LDC	Cayman Islands
Apache Darag Corporation LDC	Cayman Islands
Apache East Bahariya Corporation LDC	Cayman Islands
Apache Faiyum Corporation LDC	Cayman Islands
Apache Korinci Baru LDC	Cayman Islands
Apache Mediterranean Corporation LDC	Cayman Islands
MW Petroleum Corporation	Colorado
MWJR Petroleum Corporation	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
Apache Bentu Limited	Oklahoma
Apache Energy Bentu LDC	Cayman Islands
Apache Energy Limited	Western Australia
Apache Northwest Pty Ltd.	Western Australia
Apache Beagle Pty Ltd.	Western Australia
Apache Carnarvon Pty Ltd.	Western Australia
Apache Dampier Pty Ltd.	Western Australia
Apache (WA 225) Pty Ltd.	Western Australia

EXHIBIT 21.1

PAGE 2 OF 2

APACHE CORPORATION - LISTING OF SUBSIDIARIES
AS OF FEBRUARY 28, 1997

EXACT NAME OF SUBSIDIARY AND NAME UNDER WHICH SUBSIDIARY DOES BUSINESS -----	JURISDICTION OF INCORPORATION OR ORGANIZATION -----
Mid Equipment, Incorporated	Delaware
DEK Energy Company	Delaware
DEK Energy Texas, Inc.	Delaware
DEK Exploration Inc.	Delaware
DEK Petroleum Corporation	Illinois
Apache Canada Ltd.	Alberta, Canada
DEPCO, Inc.	Texas
Heinold Holdings, Inc.	Delaware
The Phoenix Resource Companies, Inc.	Delaware
Phoenix Exploration Resources, Ltd.	Delaware
TEI Arctic Petroleum (1984) Ltd.	Alberta, Canada
Texas International Company	Delaware
Phoenix Resources Company International	Delaware
Apache Khalda, Inc.	Delaware
Phoenix Resources Company of Qarun	Delaware
Phoenix Resources Company of North America	Delaware

EXHIBIT 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference of our report included in this Form 10-K into Apache Corporation's previously filed Registration Statements on Form S-3 (Nos. 33-51253, 33-53129, 33-62753 and 333-12669), Form S-4 (No. 33-61669) and Form S-8 (Nos. 33-31407, 33-37402, 33-53442, 33-59721, 33-59723, 33-63817 and 333-04059).

ARTHUR ANDERSEN LLP

Houston, Texas

March 24, 1997

EXHIBIT 23.2

CONSENT OF COOPERS & LYBRAND

We hereby consent to the incorporation by reference in this Form 10-K of Apache Corporation of our report dated February 13, 1995 on our audits of the consolidated financial statements of DEKALB Energy Company for the year ended December 31, 1994, and the incorporation by reference of such report into Apache Corporation's previously filed Registration Statements on Form S-3 (Nos. 33-51253, 33-53129, 33-62753 and 333-12669), Form S-4 (No. 33-61669) and Form S-8 (Nos. 33- 31407, 33-37402, 33-53442, 33-59721, 33-59723, 33-63817 and 333-04059).

Coopers & Lybrand Chartered Accountants

Calgary, Alberta, Canada

March 24, 1997

EXHIBIT 23.3

[Letterhead of Ryder Scott Company]

As independent petroleum engineers, we hereby consent to the reference in this Form 10-K of Apache Corporation to our Firm's name and our Firm's review of the proved oil and gas reserve quantities of Apache Corporation as of January 1, 1997, and to the incorporation by reference of our Firm's name and review into Apache Corporation's previously filed Registration Statements on Form S-3 (Nos. 33-51253, 33-53129, 33-62753 and 333-12669), Form S-4 (No. 33-61669) and Form S-8 (Nos. 33-31407, 33-37402, 33-53442, 33-59721, 33-59723, 33-63817 and 333-04059).

Ryder Scott Company Petroleum Engineers

Houston, Texas

March 24, 1997

EXHIBIT 23.4

[Letterhead of Netherland, Sewell & Associates, Inc.]

CONSENT OF INDEPENDENT PETROLEUM ENGINEERS AND GEOLOGISTS

As independent petroleum engineers and geologists, we hereby consent to the reference in this Form 10-K of Apache Corporation to our Firm's name and our Firm's review of the proved oil and gas reserve quantities as of January 1, 1997 for certain of Apache Corporation's interests located in The Arab Republic of Egypt, and to the incorporation by reference of our Firm's name and review into Apache Corporation's previously filed Registration Statements on Form S-3 (Nos. 33-51253, 33-53129, 33-62753 and 333-12669), Form S-4 (No. 33-61669) and Form S-8 (Nos. 33-31407, 33-37402, 33-53442, 33-59721, 33-59723, 33-63817 and 333-04059).

Netherland, Sewell & Associates, Inc.

By: /s/ FREDERICK D. SEWELL

Frederick D. Sewell
President

Dallas, Texas

March 24, 1997

ARTICLE 5

MULTIPLIER: 1,000

PERIOD TYPE	12 MOS
FISCAL YEAR END	DEC 31 1996
PERIOD END	DEC 31 1996
CASH	13,161
SECURITIES	0
RECEIVABLES	234,646
ALLOWANCES	0
INVENTORY	13,963
CURRENT ASSETS	268,156
PP&E	5,381,313
DEPRECIATION	2,281,252
TOTAL ASSETS	3,432,430
CURRENT LIABILITIES	309,657
BONDS	1,235,706
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	114,030
OTHER SE	1,404,486
TOTAL LIABILITY AND EQUITY	3,432,430
SALES	976,032
TOTAL REVENUES	977,151
CGS	679,439
TOTAL COSTS	679,439
OTHER EXPENSES	35,911
LOSS PROVISION	0
INTEREST EXPENSE	61,606
INCOME PRETAX	200,195
INCOME TAX	78,768
INCOME CONTINUING	121,427
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	121,427
EPS PRIMARY	1.42
EPS DILUTED	1.42

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