

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, 1997,

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 No

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

Aggregate market value of the voting stock held by non-affiliates of registrant as of February 27, 1998.....	\$3,345,842,930
Number of shares of registrant's common stock outstanding as of February 27, 1998.....	98,407,145

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of registrant's proxy statement relating to registrant's 1998 annual meeting of shareholders have been incorporated by reference into

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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 Poland, offshore The People's Republic of China, offshore the Ivory Coast and in Indonesia. 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 (formerly known as Hadson Energy Limited), Apache International, Inc., Apache Overseas, Inc. and Apache PHN Company, Inc. (Phoenix, formerly known as 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.

1997 RESULTS

In 1997, Apache had record net income of \$154.9 million, or \$1.71 per share, on total revenues of \$1.2 billion. Net cash provided by operating activities during 1997 was \$723.8 million.

The year 1997 was Apache's 20th consecutive year of production growth and 10th consecutive year of oil and gas reserves growth. Apache's average daily production was 68.9 Mbbls of oil and natural gas liquids and 609 MMcf of natural gas for the year. Giving effect to 1997 production, acquisitions, dispositions and drilling activity, the Company's estimated proved reserves increased by 79.6 MMboe in 1997 over the prior year to 585.7 MMboe, of which approximately 53 percent was natural gas. Based on 506.2 MMboe reported at year-end 1996, Apache's reserve growth during the year reflects replacement of 228 percent of the Company's 1997 production, including approximately 183 percent through drilling, revisions, recompletions, workovers and other production enhancement projects. Apache's active drilling and production-enhancement program yielded 321 new producing North American wells out of 399 attempts and involved 675 major North American workover and recompletion projects during the year.

At December 31, 1997, Apache had interests in approximately 4,246 net oil and gas wells and 1,777,225 net developed acres of oil and gas properties. In addition, the Company had approximately 601,258 net undeveloped acres under North American leases and 20,303,930 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, cash flow and earnings through a combination of exploratory drilling, development of its inventory of existing projects and property acquisitions meeting defined financial parameters. The Company's drilling program emphasizes reserve additions through moderate-risk drilling primarily on its North American interests, and exploratory drilling primarily on its international interests. The Company also emphasizes reducing operating costs per unit produced and selling marginal and non-strategic properties in order to enhance its profit margins.

Apache's international investments and exploration activities are an emerging component of its long-term growth strategy. In addition to an active, moderate-risk drilling program in Apache's North American focus areas, higher-risk international exploration offers potential for greater rewards and significant reserve additions. Apache directed its international efforts in 1997 toward development of certain discoveries offshore Western Australia, Egypt and offshore The People's Republic of China, and toward further exploration efforts

in those areas and on its concessions offshore the Ivory Coast of western Africa and in Poland. Apache believes that reserve additions in these international areas are likely to continue 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 78 percent of its production.

1997 ACQUISITIONS AND DISPOSITIONS

On October 8, 1997, the Company entered into three agreements with subsidiaries of Mobil Exploration & Producing Australia Pty Ltd (Mobil) pursuant to which the Company acquired all the capital stock of three companies owning interests in certain oil and gas properties and production facilities offshore Western Australia (the Harriet/East Spar Properties), on November 20, 1997 (the Ampolex Group Transaction). The total cost of the Ampolex Group Transaction was approximately \$300 million, of which \$218 million represented the purchase price for the capital stock of the acquired companies and \$82 million was applied to discharge existing intercompany debt of one of the acquired companies.

On December 9, 1997, the Company entered into an agreement with Hardy Petroleum Limited (Hardy) under which Hardy agreed to purchase a 10 percent interest in the Company's East Spar field and related production facilities. The transaction closed on January 28, 1998, with a total sales price of approximately \$63 million in cash, such amount being more than Apache's allocated cost. The Ampolex Group Transaction was recorded net of these interests.

The Ampolex Group Transaction increased the Company's interest to 47.5 percent from 22.5 percent in the Carnarvon Basin's Harriet area, which includes the Varanus Island pipeline, processing and production complex and eight existing oil and gas fields. The transaction also raised the Company's interest in the East Spar field, which produces through the Varanus Island facilities, to 45 percent from 20 percent net of the sale to Hardy. Apache operates the Harriet/East Spar Properties.

EXPLORATION AND PRODUCTION

The Company's North American exploration and production activities were diversified among five operating regions in 1997, Offshore, Midcontinent, Western, Gulf Coast and Canada. Approximately 72 percent of the Company's proved reserves are located in Apache's North American regions. Egypt and Australia are the Company's most important international regions. The Company's Egyptian operations are headquartered in Cairo, and Apache conducts its Australian and Indonesian exploration and production from Perth, Australia. Information concerning the amount of revenue, operating income and identifiable assets attributable to U.S., Canadian and international operations is set forth in the Supplemental Oil and Gas Disclosures under Item 8 below.

Offshore. The Offshore region included all of Apache's interests in properties offshore Texas and Louisiana. The Offshore region was Apache's leading region for oil and gas revenues in 1997 with \$202 million in revenue from 12.8 MMboe of production for the year. At December 31, 1997, the Offshore region held 319,812 net acres, located in both state and federal waters, and accounted for 45.7 MMboe, or eight percent, of the Company's year-end 1997 total estimated proved reserves. Apache's operations in the Offshore region focused on workovers and recompletions, which totaled 58 in the region for 1997. Apache participated in drilling 27 wells that were drilled in the region during the year, 14 of which were completed as producers. For 1997, Apache's gas production from the Offshore region was approximately 66.6 Bcf. At the start of the 1998 fiscal year, the Offshore region was merged into the Gulf Coast region to take advantage of administrative efficiencies.

Midcontinent. Apache's Midcontinent region operates in Oklahoma, eastern Texas, Arkansas 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 over four decades, developing an extensive database of geologic information and a substantial acreage position. The Midcontinent region was Apache's leading producing region for 1997 with approximately 13.1 MMboe of production generating \$197 million in revenue for the Company.

At December 31, 1997 Apache held an interest in 403,796 net acres in the region, which accounted for approximately 103.1 MMboe, or 18 percent, of Apache's total estimated proved reserves. Apache participated in drilling 124 wells in the Midcontinent region during the year, 108 of which were completed as producing wells. The Company performed 33 workover and recompletion operations in the region during 1997.

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. In 1997, the Western region produced approximately 9.8 MMboe and \$168 million in production revenue. At December 31, 1997, the Company held 449,270 net acres in the region, which accounted for 136.8 MMboe, or 23 percent, of the Company's total estimated proved reserves. Apache participated in drilling 124 wells in the Western region, 108 of which were productive wells. Apache performed 236 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 1997, the Gulf Coast region contributed approximately \$172 million in revenues from production of 9.6 MMboe for the year. The Company performed 215 workover and recompletion operations during 1997 in the Gulf Coast region and participated in drilling 43 wells, 31 of which were completed as producers. As of December 31, 1997, the region encompassed 246,227 net acres, and accounted for 70.9 MMboe, or 12 percent, of the Company's year-end 1997 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 6.5 MMboe, 84 percent of which was natural gas, and generated \$61 million in production revenue, six percent of the Company's production revenues in 1997. Apache participated in drilling 81 wells in this region during the year, 60 of which were completed as producers. The Company performed 133 workovers and recompletions on operated wells during 1997. At December 31, 1997, the region encompassed approximately 317,524 net acres, and accounted for 66 MMboe, or 11 percent, of the Company's year-end 1997 total estimated proved reserves.

Egypt. At year end, Apache held 13,621,304 net acres in Egypt with 78.7 MMboe of estimated proved reserves or 13 percent of Apache's total estimated proved reserves. 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. Future production of gas from Khalda is expected to be delivered for sale to the Egyptian General Petroleum Corporation (EGPC) at a point west of Alexandria, Egypt, via a 34-inch gas pipeline, construction of which commenced in 1997 with completion projected to occur in 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 are 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 interests in the Darag Block in the northern Gulf of Suez, the East Beni Suef and Asyout Blocks to the south of the Qarun Block, and three other blocks in the Western Desert of Egypt, the North East Abu Gharadig Block, the East Bahariya Block, and the West Mediterranean Block No. 1 (partly onshore and partly offshore). The latter three blocks were purchased from Mobil Exploration Egypt, Inc. in January 1997, and Apache's interest in the West Mediterranean Block was increased to 66 percent in an October 1997 transaction with Amoco Egypt West Mediterranean B.V. Apache also acquired interests in the Ras El Hekma and Ras Kanayes concessions from Repsol Exploracion Egipta S.A. in December 1997. Exploratory drilling on the East Beni Suef Block commenced in 1997 with a significant discovery made on the #1 well. Delineation drilling is continuing in 1998. Due to conflicting governmental requirements regarding the placement of drilling rigs on the Darag Block, the Company is presently unable to explore on the block. Negotiations with appropriate authorities are continuing to attempt to resolve the impasse and Apache may ultimately relinquish the Darag concession.

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 1997, natural gas production in the region increased by 88 percent from the prior year to approximately 26 MMcf/d. Apache acts as operator for most of its Western Australia properties through a wholly-owned subsidiary, Apache Energy Limited (AEL). During 1997, Apache's estimated proved reserves in Australia increased by 156 percent to 80 MMboe, or 14 percent of the Company's year-end total estimated proved reserves. The increase reflects, among other matters, the acquisition of three companies with holdings in the East Spar and Harriet fields. As of December 31, 1997, Apache held 159,850 net developed acres and 1,104,440 net undeveloped acres in Western Australia. Through AEL and its subsidiaries, Apache also operates the Harriet Gas Gathering Project, a gas processing and compression facility with a throughput capacity of 175 MMcf/d, and a 60-mile, 12-inch offshore pipeline with a throughput capacity of 175 MMcf/d that connects to a pipeline grid onshore. See "1997 Acquisitions and Dispositions" and "Oil and Natural Gas Marketing."

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

Effective April 16, 1997, Apache entered into an agreement with FX Energy, Inc. (FX Energy) pursuant to which Apache assumed operatorship and a 50 percent interest in over 5.5 million acres in Poland located near Lublin, southeast of Warsaw. The Company has also acquired additional acreage in Poland in which FX Energy does not participate, giving Apache interests in 8,176,065 total gross undeveloped acres and 5,563,542 net undeveloped acres as of December 31, 1997. The concessions in Poland include requirements for Apache to drill at least eleven wells and to shoot at least 1,290 miles of seismic data. In February 1998, Apache entered into an additional agreement with FX Energy, acquiring a 50 percent interest in approximately 3 million acres in the Carpathian area near the southern border of Poland and options to participate at the present interest in a further 2.275 million acres in the Pomeranian area of northwest Poland. Apache's operations in Poland are headquartered in Warsaw.

Apache is also the operator, with a 50 percent interest, of the Zhao Dong Block in 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 involved a commitment to drill two additional exploratory wells. In early 1997, one well tested at rates up to 11,571 b/d of oil and another tested at rates up to 15,359 b/d, and the Company is currently evaluating the discovery areas for commercial potential. An overall development plan for the C and D Fields in the Zhao Dong Block was submitted to Chinese authorities in late 1997 and is awaiting approval.

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 producibility of some oil from the field's lower horizons. Apache is operator of the block, holding a 24 percent interest. In March 1997, Apache and its partners signed a 10 year take or pay contract to supply approximately 168 Bcf of gas to a power plant in Abidjan at 30 MMcf per day initially, rising to 50 MMcf per day in the third year. Gas deliveries are to commence in 1999, upon completion of a pipeline.

In Indonesia, Apache holds a 39 percent interest in the Bentu Segat Block on Central Sumatra, on which an undeveloped gas field is located.

OIL AND NATURAL GAS MARKETING

On October 27, 1995, wholly owned affiliates of each of Apache, Oryx Energy Company and Parker & Parsley Petroleum Company (Parker & Parsley) 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. In December 1997, Parker & Parsley gave notice to the other members that it was withdrawing from ProEnergy effective as of January 1, 1998.

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. So long as there are two or more members, the approval of any action requires the votes of at least two members holding the requisite voting interests. 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, 1997, the Company held an approximate 48 percent interest in ProEnergy.

Apache is also delivering natural gas under several long-term supply agreements with terms greater than one-year. In 1997, Apache delivered an average of 135 MMcf/d under such contracts at an average price of \$2.48 per Mcf.

Apache assumed its own U.S. crude oil marketing operations in 1992. Most of Apache's U.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 worldwide 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-term and short-term contracts. The oil and gas contracts provide for sales at specified prices, or at prices that 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 entered into seven gas sales contracts during 1997 and has a total of 13 contracts for periods of five to 11 years, to deliver 260 Bcf of AEL's gas from its Harriet and East Spar fields for mining, power generation, nickel refining, ammonia production and other industrial and domestic uses. Under these contracts AEL is required to deliver its gas at contract rates of approximately 50 MMcf/day increasing to 80 MMcf/day by the year 2000, with take or pay provisions, net to AEL, of approximately 14 Bcf/year increasing to 20 Bcf/year by the year 2000. Apache operates both the Harriet and the East Spar Joint Ventures, holding a 47.5 percent interest in Harriet and a 45 percent interest in East Spar.

AEL marketed all oil and natural gas liquids produced from its interests in the Harriet and East Spar fields during 1997 through a contract with Glencore International AG (Glencore). Pricing under the contract in 1997 represented a fixed premium to the quoted market prices of Tapis crude oil, with payment made in U.S. dollars. In 1997, the weighted average price based on regional production was \$20.51 per barrel. At the

beginning of January 1998, the Glencore contract was terminated and replaced by a similar contract with Mitsui Oil (Asia) Pty. Ltd.

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 a gas pipeline from the Khalda Block. In late 1997, the same sellers entered into a supplement to the contract with EGPC to sell an additional 50 MMcf/d through a southern gas line to be constructed by the Company and its partners from the Khalda Block to a point near the Qarun Block to tie into an existing gas pipeline.

OIL AND NATURAL GAS PRICES

Natural gas prices remained volatile during 1997, with Apache's realized prices ranging from \$3.38 per MMBtu in January to \$1.78 per MMBtu in April. Fluctuations are largely due to natural gas supply and demand perceptions. Apache's average realized gas price of \$2.28 per Mcf for 1997 increased 13 percent from the prior-year average of \$2.02 per Mcf, and its 1996 average realized natural gas price was 29 percent higher than the 1995 average price of \$1.57 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 1997. Total Australian gas sales in 1997, including long-term contracts and spot sales averaged \$1.78 per Mcf, a nine percent decrease from the 1996 average of \$1.96 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 area and is announced from time to time by EGPC. In 1997, the average price was \$18.65 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.

Oil prices remained subject to unpredictable political and economic forces during 1997 experiencing fluctuations similar to those seen in natural gas prices for 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 worldwide 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.

In 1997, Apache's realized worldwide crude oil price ranged from \$24.17 per barrel in January to \$16.71 per barrel in December. The average crude oil price of \$19.20 per barrel in 1997 was down eight percent from the average price of \$20.84 per barrel in 1996, but 12 percent higher than the average price of \$17.09 per barrel in 1995. The Company's average crude oil price for its Australian production was \$20.51 per barrel in 1997, eight percent less than the average price in 1996.

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. No price sharing payments were required in 1997.

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.

FULL COST 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. The Company had no write-downs due to ceiling test limitations during 1997. Under current pricing there is the potential, while not a certainty, that a write-off may occur. If a write-down is required, the one-time charge to earnings would not impact cash flow from operating activities.

EFFECT OF VOLATILE PRICES

The Company continually analyzes, forecasts and updates its estimates of energy prices for its internal use in planning, budgeting, and valuation and reserve estimates. The Company's future financial condition and results of operations will depend upon the prices received for the Company's oil and natural gas production and the costs of acquiring, finding, developing and producing reserves. Prices for oil and natural gas are subject to fluctuations in response to relatively minor changes in supply, market uncertainty and a variety of additional factors that are beyond the control of the Company. These factors include worldwide political instability (especially in the Middle East and other oil-producing regions), the foreign supply of oil and gas, the price of foreign imports, the level of consumer product demand, government regulations and taxes, the price and availability of alternative fuels and the overall economic environment. A substantial or extended decline in oil and gas prices would have a material adverse effect on the Company's financial position, results of operations, quantities of oil and gas that may be economically produced and access to capital. In addition, the sale of the Company's oil and gas production depends on a number of factors beyond the Company's control, including the availability and capacity of transportation and processing facilities. Oil and natural gas prices have historically been and are likely to continue to be volatile. Such volatility makes it difficult to estimate the value of producing properties in acquisitions and to budget and project the return on exploration and development projects involving the Company's oil and gas properties. In addition, unusually volatile prices often disrupt the market for oil and gas properties, as buyers and sellers have more difficulty agreeing on the purchase price of properties.

RESERVES; RATES OF PRODUCTION; DEVELOPMENT EXPENDITURES; CASH FLOW

There are numerous uncertainties inherent in estimating quantities of oil and natural gas reserves of any category and in projecting future rates of production and timing of development expenditures which underlie such reserve estimates, including many factors beyond the control of the Company. Reserve data represents only estimates. In addition, the estimates of future net cash flows from proved reserves of the Company and the present value thereof are based upon various assumptions about future production levels, prices and costs that may prove to be incorrect over time (see below). Any significant variance from the assumptions could result in the actual quantity of the Company's reserves and future net cash flows therefrom being materially

different from the estimates. In addition, the Company's estimated reserves may be subject to downward or upward revision based upon production history, results of future exploration and development, prevailing oil and gas prices, operating and development costs and other factors. The rate of production from oil and gas properties declines as reserves are depleted. Except to the extent that the Company acquires additional properties containing proved reserves, conducts successful exploration and development activities or, through engineering studies, identifies additional behind-pipe zones or secondary recovery reserves, the proved reserves of the Company will decline materially as reserves are produced. Future oil and gas production is, therefore, highly dependent upon the Company's level of success in acquiring or finding additional reserves.

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, 1997, 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.

HEDGING

To the extent that the Company engages in hedging activities, it may be prevented from realizing the benefits of price increases above the levels of the hedges. In addition, the Company is subject to basis risk when it engages in hedging transactions, particularly where transportation constraints restrict the Company's ability to deliver oil and gas volumes to the delivery point to which the hedging transaction is indexed.

ACQUISITION RISKS

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

GENERAL ECONOMIC CONDITIONS

Virtually all of the Company's operations are subject to the risks and uncertainties of general economic conditions (domestically, in specific regions of the United States and Canada, and internationally), the outcome of pending and/or potential legal or regulatory proceedings, changes in environmental, tax, labor and other laws and regulations to which the Company is subject, and the condition of the capital markets utilized by Company to finance its operations.

RISKS OF NON-U.S. OPERATIONS

The Company's non-U.S. oil and natural gas exploration, development and production activities are subject to political and economic uncertainties (including but not limited to changes, sometimes frequent or marked, in governmental energy policies or the personnel administering them), expropriation of property, cancellation or modification of contract rights, foreign exchange restrictions, currency fluctuations, royalty and tax increases and other risks arising out of foreign governmental sovereignty over the areas in which the Company's operations are conducted, as well as risks of loss due to civil strife, acts of war, guerrilla activities and insurrection. These risks may be higher in the developing countries in which the Company conducts such activities. Consequently, the company's non-U.S. exploration, development and production activities may be substantially affected by factors beyond the Company's control, any of which could materially adversely affect the Company's financial position or results of operations. Furthermore, in the event of a dispute arising from non-U.S. operations, the Company may be subject to the exclusive jurisdiction of courts outside the U.S. or may not be successful in subjecting non-U.S. persons to the jurisdiction of the courts in the U.S., which could adversely affect the outcome of such dispute.

EMPLOYEES

On December 31, 1997, Apache had 1,287 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 1997, the Company maintained regional exploration and production offices in Tulsa, Oklahoma; Houston, Texas; Calgary, Alberta; Cairo, Egypt; Perth, Western Australia; and Warsaw, Poland.

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, 1997, are as follows:

	UNDEVELOPED ACREAGE		DEVELOPED ACREAGE	
	GROSS ACRES	NET ACRES	GROSS ACRES	NET ACRES
OFFSHORE				
Louisiana.....	158,626	88,677	201,884	85,279
Texas.....	109,349	66,955	167,645	78,901
TOTAL.....	267,975	155,632	369,529	164,180
MIDCONTINENT				
Arkansas.....	2,296	1,774	4,625	3,350
Kansas.....	160	--	40	40
Louisiana.....	11,735	10,180	51,199	34,837
Michigan.....	2,693	2,090	--	--
Oklahoma.....	127,874	49,505	484,911	192,394
Pennsylvania.....	--	--	796	38
Texas.....	72,036	41,602	130,502	67,986
TOTAL.....	216,794	105,151	672,073	298,645
WESTERN				
Alaska.....	14,262	--	--	--
Colorado.....	14,200	12,472	13,575	12,870
Illinois.....	140	56	--	--
New Mexico.....	93,888	51,726	98,628	50,746
Ohio.....	21	11	--	--
Texas.....	136,871	69,789	255,948	192,563
Utah.....	3,101	2,462	6,707	6,235
Wyoming.....	58,912	43,065	15,591	7,275
TOTAL.....	321,395	179,581	390,449	269,689
GULF COAST				
Florida.....	162	23	--	--
Louisiana.....	25,669	19,602	88,577	72,977
Mississippi.....	10,515	5,108	5,293	3,316
Texas.....	53,045	27,937	189,778	117,264
TOTAL.....	89,391	52,670	283,648	193,557
TOTAL UNITED STATES.....	895,555	493,034	1,715,699	926,071
INTERNATIONAL				
Canada.....	191,454	108,224	338,527	209,300
Egypt.....	26,857,700	13,149,995	867,400	471,309
Australia.....	3,224,740	1,104,440	425,270	159,850
Poland.....	8,172,605	5,563,542	--	--
China.....	41,580	20,790	7,100	1,740
Ivory Coast.....	157,258	62,903	37,312	8,955
Indonesia.....	1,034,380	402,260	--	--
TOTAL INTERNATIONAL.....	39,679,717	20,412,154	1,675,609	851,154
TOTAL COMPANY.....	40,575,272	20,905,188	3,391,308	1,777,225

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, 1997, is set forth below.

	GAS		OIL	
	GROSS	NET	GROSS	NET
Offshore.....	180	67	66	22
Midcontinent.....	1,630	617	515	152
Western.....	347	127	3,442	1,744
Gulf Coast.....	315	249	980	798
Canada.....	484	314	433	88
Egypt.....	10	4	108	54
Australia.....	7	3	15	7
Total.....	2,973	1,381	5,559	2,865

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, 1997, the Company was participating in 24 wells in the U.S., nine Canadian wells, 21 Egyptian wells and two Australian wells in the process of drilling.

	EXPLORATORY			DEVELOPMENTAL		
	PRODUCTIVE	DRY	TOTAL	PRODUCTIVE	DRY	TOTAL
1997						
United States.....	27	25	52	234	32	266
Canada.....	19	14	33	41	7	48
Egypt.....	7	19	26	23	4	27
Australia.....	3	6	9	6	1	7
Other International.....	1	2	3	1	--	1
Total.....	57	66	123	305	44	349
	==	==	===	===	==	===
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
	==	==	===	===	==	===

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
1997						
United States.....	11.5	11.9	23.4	107.5	19.0	126.5
Canada.....	14.5	10.1	24.6	29.0	6.0	35.0
Egypt.....	3.7	12.3	16.0	14.4	2.0	16.4
Australia.....	1.0	1.0	2.0	1.8	.2	2.0
Other International.....	.5	1.4	1.9	.5	--	.5
Total.....	31.2	36.7	67.9	153.2	27.2	180.4
	====	====	====	=====	====	=====
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
	====	====	====	=====	====	=====

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)
1997.....	24,291	843	222,237	\$3.07	\$19.20	\$14.08	\$2.28
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

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 international properties have been subject to review by Ryder Scott Company Petroleum Engineers. In 1996, the proved reserve quantities of certain of the Company's Egyptian properties were 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, 1997, 1996 and 1995:

	NATURAL GAS (BCF)	OIL, NGLS AND CONDENSATE (MMBBLs)
	-----	-----
1997		
Developed.....	1,554.3	203.1
Undeveloped.....	317.5	70.7
	-----	-----
Total.....	1,871.8	273.8
	=====	=====
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
	=====	=====

The following table sets forth the estimated future value of all the Company's proved reserves, and proved developed reserves, as of December 31, 1997, 1996 and 1995. 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)			
1997.....	\$5,347,892	\$4,301,768	\$3,272,618	\$2,728,747
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

At December 31, 1997, 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)	
1998.....	\$ 540,175	\$ 618,938
1999.....	711,613	623,300
2000.....	665,515	522,793
Thereafter.....	3,430,589	2,536,737
	-----	-----
Total.....	\$5,347,892	\$4,301,768
	=====	=====

The Company believes that no major discovery or other favorable or adverse event has occurred since December 31, 1997, 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, 1997, 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 1997.

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 1997 and 1996. Prices shown are from the New York Stock Exchange Composite Transactions Reporting System.

	1997			1996		
	PRICE RANGE		DIVIDENDS PER SHARE	PRICE RANGE		DIVIDENDS PER SHARE
HIGH	LOW	HIGH		LOW		
First Quarter.....	\$39 3/8	\$31 1/4	\$.07	\$29 1/2	\$24 3/8	\$.07
Second Quarter.....	35 5/8	30 1/8	\$.07	33 1/2	26 3/8	\$.07
Third Quarter.....	42 7/8	32 1/16	\$.07	34 5/8	27 3/4	\$.07
Fourth Quarter.....	45 1/16	32 11/16	\$.07	37 7/8	29 1/2	\$.07

The closing price per share of Apache common stock, as reported on the New York Stock Exchange Composite Transactions Reporting System for February 27, 1998, was \$34.00. At December 31, 1997, there were 93,304,541 shares of Apache common stock outstanding, held by approximately 10,000 shareholders of record and 46,000 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 124 consecutive quarters through December 31, 1997, 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, 1997, which information has been derived from the Company's audited financial statements. Apache's previously reported data for 1994 and 1993 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,				
	1997(1)	1996(2)	1995(3)	1994	1993(4)
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)				
INCOME STATEMENT DATA					
Total revenues.....	\$1,176,273	\$ 977,151	\$ 750,702	\$ 592,626	\$ 512,632
Income from continuing operations....	154,896	121,427	20,207	45,583	41,421
Income per common share -- continuing operations(5)					
Basic.....	1.71	1.42	.28	.65	.67
Diluted.....	1.65	1.38	.28	.65	.67
Cash dividends per common share(6)...	.28	.28	.28	.28	.28
BALANCE SHEET DATA					
Working capital (deficit).....	\$ 4,546	\$ (41,501)	\$ (22,013)	\$ (3,203)	\$ (55,538)
Total assets.....	4,138,633	3,432,430	2,681,450	2,036,627	1,759,203
Long-term debt.....	1,501,380	1,235,706	1,072,076	719,033	504,334
Shareholders' equity.....	1,729,177	1,518,516	1,091,805	891,087	868,596
Common shares outstanding at end of year.....	93,305	90,059	77,379	69,666	69,504

(1) Includes financial data for the Amplox Group Transaction after November 20, 1997.

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

(3) Includes the results of the acquisitions of certain oil and gas properties from Texaco Exploration and Production, Inc. (Texaco) and Aquila Energy Resources Corporation (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.

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

(5) Income per common share -- continuing operations has been restated in accordance with Statement of Financial Accounting Standards No. 128, "Earnings per Share."

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

For a discussion of significant acquisitions, reference is made to Item 7, "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS" 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 achieved record earnings and cash flow on both an absolute and per share basis during 1997. Higher natural gas prices, while contributing to the year's improvements, were partially offset by lower oil prices. More than product prices, the primary driver behind Apache's 1997 record performance was increased production volumes, characterized by moderate growth in North American gas production and substantial increases in oil volumes abroad.

The year's \$154.9 million of earnings, coupled with a \$75 million conversion of debt to equity in November and \$611 million of cash provided before changes in working capital and other adjustments (cash flow from operations), enabled Apache to end 1997 with a debt-to-capitalization ratio of 46.8 percent, up from 44.9 percent in 1996, despite \$685.4 million invested in exploration and development activities and \$225.9 million of property acquisitions. At year-end, approximately 69 percent of Apache's debt was locked in at fixed rates averaging 7.42 percent.

Other specifics include:

Increased production and higher gas prices -- Higher oil and gas production and natural gas prices contributed to record earnings and cash flow in 1997. Egyptian oil development, a full year of production from Egyptian properties acquired in 1996, and North American gas drilling drove the increased production for 1997. Apache's oil production increased 25 percent from 1996 to 1997, which added \$92.6 million to revenues. Natural gas production increased nine percent from 1996 to 1997, which contributed \$38.5 million to the increase in revenues. Apache's average realized natural gas price for 1997 was up 13 percent over 1996, favorably impacting revenues by \$51.3 million.

Debt refinancing -- In January 1997, the Company established a \$300 million commercial paper program and expanded that program in June 1997 to \$700 million. Apache also replaced its \$1 billion global borrowing-base credit facility with a new \$1 billion global corporate credit facility in June 1997. Apache issued \$150 million of senior unsecured 50 year, 7.375-percent debentures in August 1997. Three of the Company's Egyptian subsidiaries entered into a \$250 million secured, revolving credit facility in October 1997. Apache's Australian finance subsidiary issued, in December 1997, \$170 million of 10 year, 6.5-percent notes guaranteed by Apache. The Company also received a rating upgrade on its senior and subordinated long-term debt from Standard & Poor's in January 1997.

RESULTS OF OPERATIONS

NET INCOME AND REVENUE

Apache reported 1997 net income of \$154.9 million, an increase of 28 percent or \$33.5 million over 1996. The increase is primarily due to higher oil and gas production, higher natural gas prices and lower operating costs per unit of production. Basic net income per common share rose to \$1.71 compared to \$1.42 in 1996; diluted net income per common share increased to \$1.65 in 1997 from \$1.38 in 1996. Net income of \$121.4 million for 1996 rose from \$20.2 million in 1995. Basic net income per common share increased five-fold in 1996 from \$.28 in 1995; diluted net income per common share was also \$.28 in 1995. The increase was attributed to higher oil and gas prices and increased oil production.

Revenues increased 20 percent to \$1.2 billion in 1997. Oil and natural gas production revenues increased 18 percent, primarily due to increased oil and gas production and natural gas prices. Crude oil, including natural gas liquids, and natural gas contributed 49 percent and 51 percent, respectively, of total oil and gas production revenues during 1997. Revenues increased 30 percent in 1996 to \$977.2 million. Revenues for 1995 were \$750.7 million. In 1996, crude oil, including natural gas liquids, contributed 50 percent and natural gas contributed 50 percent of total oil and gas production revenues.

The table below presents, for the years indicated, the revenues, production and average prices received from sales of natural gas, oil and natural gas liquids.

	FOR THE YEAR ENDED DECEMBER 31,		
	1997	1996	1995
Revenues (in thousands):			
Natural gas.....	\$505,604	\$415,736	\$330,737
Oil.....	466,291	405,724	313,214
Natural gas liquids.....	11,878	11,704	9,193
Total.....	\$983,773	\$833,164	\$653,144
Natural Gas Volume -- Mcf per day:			
United States.....	492,594	472,171	500,441
Canada.....	89,699	74,598	67,083
Egypt.....	563	302	--
Australia.....	26,016	13,869	9,551
Total.....	608,872	560,940	577,075
Average Natural Gas price -- Per Mcf:			
United States.....	\$ 2.47	\$ 2.17	\$ 1.64
Canada.....	1.33	1.09	1.00
Egypt.....	2.94	3.21	--
Australia.....	1.78	1.96	1.86
Total.....	2.28	2.02	1.57
Oil Volume -- Barrels per day:			
United States.....	40,638	40,600	45,084
Canada.....	2,120	1,969	1,999
Egypt.....	19,372	8,295	--
Australia.....	4,417	2,318	3,120
Total.....	66,547	53,182	50,203
Average Oil Price -- Per barrel:			
United States.....	\$ 19.31	\$ 20.67	\$ 17.00
Canada.....	19.27	20.84	16.90
Egypt.....	18.65	21.29	--
Australia.....	20.51	22.33	18.56
Total.....	19.20	20.84	17.09
Natural Gas Liquids (NGL) Volume -- Barrels per day:			
United States.....	1,684	1,308	1,521
Canada.....	627	641	569
Total.....	2,311	1,949	2,090
Average NGL Price -- Per barrel:			
United States.....	\$ 14.50	\$ 17.23	\$ 12.83
Canada.....	12.98	14.73	9.96
Total.....	14.08	16.41	12.05

Natural gas revenues increased by 22 percent from 1996 to 1997 due to increased natural gas prices and increased production. The average price received in 1997 was \$.26 per Mcf, or 13 percent, higher than 1996. The Company periodically engages in hedging activities, including fixed-price physical contracts and financial contracts. Apache realized gains from open hedging positions favorably impacting the gas price by \$.06 per Mcf. Losses under long-term fixed-price physical contracts negated the hedging gains reducing the gas price by \$.06 per Mcf. The higher prices in 1997 were the result of favorable North American market conditions. Natural gas prices in Australia declined in 1997 due to the effect of exchange rates on fixed Australian dollar-

denominated gas contracts. Natural gas production for the United States increased four percent from 1996 to 1997 due to drilling results in the Midcontinent and Offshore regions. Canadian natural gas production increased 20 percent due to acquisition and drilling activity. Natural gas production from Australia increased 88 percent from 1996 to 1997. Australian production increases resulted primarily from a full year of production from the Company's East Spar properties, which came on line in November 1996, and properties acquired in the Ampolex Group Transaction.

Natural gas revenues increased 26 percent from 1995 to 1996. Average natural gas prices were \$.45 per Mcf, or 29 percent, higher in 1996 than 1995. The Company's net hedging activity, including fixed-price physical contracts and financial contracts reduced the reported prices by \$.09 per Mcf in 1996, compared to a \$.07 per Mcf gain in 1995. Natural gas production declined three percent from 1995 to 1996, primarily due 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.

Oil revenues increased 15 percent from 1996 to 1997. Egyptian oil production more than doubled from 1997 due to development activity and the first full year of production from the Company's Egyptian properties acquired in 1996. Australian oil production increased 90 percent from 1996 to 1997 due to the Agincourt prospect. These production increases were partially offset by a decrease of eight percent in average oil prices received during 1997 due to poor market conditions.

Oil revenues increased 30 percent from 1995 to 1996, primarily due to properties acquired in connection with the Phoenix merger and new Egyptian production from the Company's Qarun field. Decreases in domestic production due to United States property sales in late 1995, partially offset the impact of Egyptian production. The average oil price increased 22 percent from 1995 to 1996.

NGL revenues were slightly higher in 1997 than in 1996. NGL production increased 19 percent from 1996 to 1997, which was offset by a 14 percent decrease in average prices. NGL revenues increased 27 percent from 1995 to 1996. Average prices in 1996 were 36 percent higher than in 1995 due to improved market conditions. The increase in prices was partially offset by a seven percent decline in production.

OTHER REVENUES AND OPERATING EXPENSES

Gas gathering, processing and marketing revenues increased 38 percent to \$197.0 million in 1997 from 1996. Increased gas volumes and higher gas prices in 1997 drove this increase. Correspondingly, gas gathering, processing and marketing costs increased in 1997 by 40 percent to \$194.3 million. Thus, lower margins were realized in 1997. Lower crude oil trading margins and lower pipeline gathering fees were mitigated by higher gas purchase and resale margins in 1997. During 1996, gas gathering, processing and marketing revenues increased 47 percent to \$142.9 million from \$97.2 million in 1995. Lower margins were also realized in 1996 as compared to 1995.

Equity in income (loss) of affiliates represents Apache's share of ProEnergy losses. Equity in loss of affiliate was \$1.7 million and \$.3 million in 1997 and 1996, respectively.

Other revenue for 1997 was a loss of \$2.8 million. This amount includes \$4.8 million in foreign currency transaction losses on Canadian dollars and \$1.2 million in foreign currency transaction losses on Australian dollars. Canadian royalty credits of \$1.0 million and proceeds received from settlements of \$1.8 million partially mitigated these losses. 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. Currency transaction losses on Canadian dollars of \$.9 million partially offset these revenues. Other revenue for 1995 was \$.4 million. This amount 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. Losses from the decoupling of NYMEX and wellhead gas prices of \$9.3 million offset these revenues.

The Company's depreciation, depletion and amortization (DD&A) expense increased to \$381.4 million in 1997 from \$315.1 million in 1996. On an equivalent barrel basis, full cost DD&A expense increased \$.33 per boe, from \$5.44 per boe in 1996 to \$5.77 per boe in 1997. Reserve revisions due to price declines during the

first part of 1997 and an increased cost environment in North America negatively impacted the 1997 rate. Full cost DD&A expense increased in 1996 from \$288.4 million, or \$5.32 per boe, in 1995.

Apache's operating costs increased three percent to \$231.4 million in 1997 from \$225.5 million in 1996. Lease operating expense (LOE), excluding severance taxes, increased from \$186.4 million in 1996 to \$190.8 million in 1997. LOE increased as a result of Egyptian oil production enhancements and North American gas production gains. On an equivalent barrel basis, LOE for 1997 averaged \$3.07 per boe, a \$.36 decline from \$3.43 per boe in 1996. Production increased with a lower incremental LOE than the 1996 average per unit cost. Specifically, North American gas production and Egyptian oil production carry much lower per unit costs than the 1996 property profile. The divestiture of marginal properties in the U.S. also favorably impacted LOE per boe in 1997. Operating costs increased seven percent in 1996 from \$211.7 million in 1995. LOE, excluding severance taxes, increased three percent in 1996 from \$181.1 million in 1995. LOE per boe increased three percent in 1996 from \$3.34 per boe in 1995. The increase was driven by a flat domestic cost structure with declining production in the Gulf Coast region. The Phoenix acquisition in 1995 also increased LOE per boe. Mitigating these increases was decreased LOE per boe in the Midcontinent region due to incremental production added through the drillbit.

Administrative, selling and other costs increased \$2.3 million, or six percent, from 1996 to 1997. Under a new bonus plan initiated in 1997, Apache provided incentive compensation to all employees based on the achievement of targeted performance, which was the primary reason for the increase. On an equivalent barrel basis, general and administrative (G&A) expense declined from \$.66 per boe in 1996 to \$.62 per boe in 1997. Production increases were not met with rising administrative costs. Administrative, selling and other costs were lower in 1996 than in 1995 due to the Company's continuing efforts to control costs. On an equivalent barrel basis, G&A expense declined two percent in 1996 from \$.67 per boe in 1995.

Net financing costs for 1997 increased \$10.7 million, or 17 percent, over 1996. Gross interest expense increased by \$15.3 million due to higher average aggregate debt outstanding at higher average interest rates, which resulted from the extension of Apache's debt maturities. Average aggregate debt outstanding and average interest rates increased to \$1.4 billion and 7.69 percent, respectively, from \$1.2 billion and 7.40 percent in 1996. In 1997, Apache wrote off \$1.2 million in deferred loan costs related to cancellation of two secured credit facilities with the International Finance Corporation (IFC). Additional capitalized interest of \$5.8 million in 1997 mitigated these increases. Capitalized interest is based on the carrying value of unproved properties. Higher international unevaluated costs caused the increase in 1997. 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 increased \$11.7 million for 1996 due to an increase in the unproved property base resulting from acquisitions made in 1995 and 1996. Gross interest expense increased \$1.8 million for 1996 as compared to 1995. Average outstanding debt increased \$78.8 million compared to 1995. Offsetting this increase was a decline of .36 percent in Apache's weighted average interest rate.

MARKET RISK

COMMODITY RISK

The Company's major market risk exposure is in the pricing applicable to its oil and gas production. Realized pricing is primarily driven by the prevailing worldwide price for crude oil and spot prices applicable to its United States and Canadian natural gas production. Historically, prices received for oil and gas production have been volatile and unpredictable. Pricing volatility is expected to continue. Gas price realizations ranged from a monthly low of \$1.78 per Mcf to a monthly high of \$3.38 per Mcf during 1997. Oil prices ranged from a low of \$16.71 per barrel to a high of \$24.17 per barrel during the same period.

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 may use futures contracts, swaps, options and fixed-price physical contracts to hedge its commodity prices. Realized gains or losses from the Company's price risk management activities are recognized in oil and gas

production revenues when the associated production occurs. Apache does not hold or issue derivative instruments for trading purposes. In 1997, Apache recognized a net gain of \$1.4 million from hedging activities that increased oil and gas production revenues. The net gain in 1997 includes \$14.5 million in derivative income and \$13.1 million in losses on fixed price physical gas contracts. In 1996, Apache recognized a net loss from hedging activities of \$23.8 million. Gains or losses on natural gas derivative contracts are expected to be offset by sales at the spot market price or to preserve the margin on existing physical contracts. A 10 percent improvement in year-end spot market prices would increase the fair value of derivative contracts in effect at December 31, 1997 by \$21 million, while a 10 percent fall in spot prices would decrease the fair value of these instruments by \$21 million.

Hedging activity relative to oil production resulted in a \$.1 million gain in 1997. The Company did not have any open positions with respect to crude oil hedging at December 31, 1997.

INTEREST RATE RISK

The Company considers its interest rate risk exposure minimal as a result of fixing interest rates on over two-thirds of the Company's debt. Total debt at December 31, 1997, included about \$473 million of floating-rate debt. As a result, Apache's annual interest costs in 1998 will fluctuate based on short-term interest rates on approximately 31 percent of its total debt outstanding at December 31, 1997. The impact on annual cash flow of a 10 percent change in the floating rate (approximately 64 basis points) would be \$3 million.

FOREIGN CURRENCY RISK

The Company's cash flow stream relating to certain international operations is based on the U.S. dollar equivalent of cash flows measured in foreign currencies. Australia gas production is sold under fixed-price Australian dollar contracts and substantially all capital expenditures and operating costs are paid in Australian dollars. Revenue and disbursement transactions denominated in Australian dollars are converted to U.S. dollar equivalents based on the exchange rate on the transaction date. Reported cash flow relating to Canadian operations is based on cash flows measured in Canadian dollars converted to the U.S. dollar equivalent based on the average of the Canadian and U.S. dollar exchange rates for the period reported. Substantially all of the Company's international transactions, outside of Canada and Australia, are denominated in U.S. dollars.

The Company's Canadian and Australian subsidiaries have net financial obligations that are denominated in a currency other than the functional reporting currency of the subsidiaries. A decrease in value of 10 percent in the Australian and Canadian dollars relative to the U.S. dollar from the year-end exchange rates would result in a foreign currency loss of approximately \$11 million, based on December 31, 1997 amounts. The Company considers its current risk exposure to exchange rate movements, based on net cash flows, to be immaterial. The Company did not have any open derivative contracts relating to foreign currencies at December 31, 1997.

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 funds its exploration and development activities through internally generated cash flows. Apache budgets its capital expenditures based upon projected cash flows. The Company routinely adjusts its capital expenditures in response to changes in oil and natural gas prices and cash flow. The Company cannot predict future product prices.

Capital Expenditures -- Apache's oil and gas capital expenditures over the last three years are summarized below:

	1997	1996	1995
	-----	-----	-----
	(IN THOUSANDS)		
Exploration and Development:			
United States.....	\$375,015	\$302,494	\$216,430
Canada.....	57,669	58,768	27,788
Egypt.....	152,564	63,597	11,852
Australia.....	70,802	46,838	32,373
Ivory Coast.....	1,077	7,914	1,287
Other International.....	28,293	14,084	22,438
	-----	-----	-----
Total.....	\$685,420	\$493,695	\$312,168
	=====	=====	=====
Acquisitions of Oil and Gas Properties.....	\$225,934	\$446,205	\$820,918
	=====	=====	=====

Expenditures for exploration and development totaled \$685.4 million in 1997 compared to \$493.7 million in 1996. Apache's drilling program in 1997 added

113.5 MMboe of reserves (including revisions) and replaced 183 percent of production. In the United States, Apache completed 261 gross wells as producers out of 318 gross wells drilled during the year, compared with 229 gross producers out of 293 gross wells drilled in 1996. In Canada, Apache completed 60 gross wells as producers out of 81 gross wells drilled during the year, compared with 50 gross producers out of 77 gross wells drilled in 1996.

Internationally, the Company completed 41 gross producers out of 73 gross wells drilled in 1997, compared to 24 gross producers out of 36 gross wells in 1996. The international wells drilled in 1997 included 30 successful wells in Egypt and nine successful wells in Australia.

The total capital expenditures budget for 1998 is \$523.2 million. This includes \$274.0 million for North America. Estimated U.S. exploration and development expenditures for 1998 are \$227.8 million, which includes \$122.6 million in the Gulf region, \$70.0 million in the Midcontinent region and \$35.2 million in the Western region. Apache expects to spend \$46.2 million in Canada in 1998. The Company expects its other international exploration and development expenditures in 1998, exclusive of facilities, to total approximately \$249.2 million.

On November 20, 1997, the Company, acquired all the capital stock of three companies owning interests in certain oil and gas properties (including 31.9 MMboe of proved oil and natural gas reserves) and production facilities offshore Western Australia for approximately \$300 million pursuant to three agreements with subsidiaries of Mobil. Funds for the Ampolex Group Transaction were obtained principally from borrowings under the Company's global credit facility.

The Ampolex Group Transaction, net of the sale of certain properties to Hardy Petroleum Limited (Hardy), increased the Company's interest to 47.5 percent from 22.5 percent in the Carnarvon Basin's Harriet area, which includes the Varanus Island pipeline, processing and production complex and eight existing oil and gas fields. In addition, the Company's interest in the East Spar field, which produces through the Varanus Island facilities, increased to 45 percent from 20 percent. Apache operates the Harriet/East Spar Properties.

In conjunction with the closing of the Ampolex Group Transaction on December 9, 1997, the Company entered into an agreement with Hardy under which Hardy agreed to purchase a 10 percent interest in the Company's East Spar gas field and related production facilities in Western Australia. The transaction closed on January 28, 1998 with a total sales price of approximately \$63 million in cash.

In 1997, the Company also completed 45 tactical regional acquisitions for cash consideration totaling \$33.6 million. These acquisitions added approximately 6.6 MMboe to the Company's reserves.

Cash expenditures for acquisitions of proved oil and gas properties during 1996 totaled \$446.2 million compared to \$820.9 million in 1995. The Company added 52 MMboe of proved oil and gas reserves through

purchases in 1996. The most significant transaction completed in 1996 was the merger with Phoenix. Apache acquired oil and gas properties totaling \$331.2 million from Phoenix. Apache also acquired \$115.0 million of other oil and gas properties located primarily in the Company's existing focus areas. This amount included 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 facility.

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 substantially all of the oil and natural gas assets of Aquila 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.

Debt and Interest Commitments -- At December 31, 1997, Apache had outstanding debt of \$255 million under its global credit facility and an aggregate of \$1,263.6 million of other debt. This other debt included notes and debentures maturing in the years 2000 through 2096. Debt outstanding at December 31, 1997 of \$1.5 billion was up 23 percent over the \$1.2 billion outstanding at December 31, 1996. The increase reflects the Ampolex Group Transaction and other 1997 property acquisitions. The Company's debt-to-capitalization ratio increased from 44.9 percent at December 31, 1996 to 46.8 percent at December 31, 1997. Apache's debt-to-capitalization ratio for January 1998 fell below 42 percent due in part to the conversion of 90 percent of the \$172.5 million 6-percent debentures into approximately 5.1 million shares of Apache common stock. Interest payments on the Company's debt for 1998 are projected to be \$116.2 million (using weighted average balances for floating rate obligations). Scheduled principal payments for 1998 total \$17.2 million.

Dividend Payments -- Dividends paid during 1997 totaled \$25.3 million, up eight percent from 1996, due to the increased number of shares outstanding. The Company has paid cash dividends on its common stock for 124 consecutive quarters through December 31, 1997, and expects to continue payment of dividends at current levels. 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 1997 totaled \$723.8 million, an increase of 48 percent from the \$490.5 million provided in 1996. This increase was due primarily to higher oil and gas production and higher gas prices in 1997. The receipt of \$115.2 million from a purchaser as an advance also impacted 1997 net cash provided by operating activities. This advance was for future natural gas deliveries of 20,000 MMBtu per day over a ten-year period commencing September 1997. Net cash provided by operating activities in 1996 rose \$158.4 million from 1995 primarily due to higher product prices.

Long-Term Borrowings -- In January 1997, the Company established a \$300 million commercial paper program that allows Apache to borrow funds for up to 270 days at competitive interest rates. The commercial paper program is supported by availability under the U.S. portion of Apache's global credit facility. In June 1997, the Company expanded its commercial paper program to \$700 million from \$300 million to provide access to additional low-cost, short-term funds. Since its inception in January 1997, the commercial paper program has been rated A-2, Prime-2 and D-1- (D-One-Minus) by Standard & Poor's (S&P), Moody's and Duff and Phelps, respectively.

Also in January 1997, S&P upgraded the Company's senior long-term debt rating from BBB to BBB+ and subordinated long-term debt rating from BBB- to BBB. Apache was also named to the S&P 500 in 1997.

In June 1997, the Company replaced its \$1 billion global borrowing-base credit facility with a new \$1 billion global credit facility that provides Apache with greater borrowing capacity, increased financial flexibility and less restrictive covenants, while lowering its all-in borrowing cost by 7 1/2 basis points.

The global credit facility consists of three separate bank facilities: a \$700 million facility in the U.S.; a \$175 million facility in Australia; and a \$125 million facility in Canada. The global credit facility enables Apache to draw on the entire \$1 billion facility without restrictions tied to periodic revaluation of the Company's oil and gas reserves.

In August 1997, Apache issued \$150 million principal amount, \$148 million net of discount, of senior unsecured 7.375-percent debentures maturing on August 15, 2047. The proceeds from this issuance were used to reduce the Company's outstanding commercial paper obligations and for general corporate purposes.

The Company terminated two secured credit facilities with the IFC in October 1997. This financing was replaced with a secured, revolving credit facility that provides total commitments of \$250 million and an initial borrowing base of \$150 million. This borrowing base will be redetermined semi-annually. The total amount of commitments under the facility is currently scheduled to be reduced by set increments every six months, beginning two and one-half years after the effective date of the facility. The facility is scheduled to mature on January 3, 2003.

In December 1997, Apache Finance Pty Ltd, an Australian finance subsidiary, issued \$170 million principal amount, \$168.7 million net of discount, of 6.5 percent notes due on December 15, 2007. Apache irrevocably and unconditionally guaranteed the notes, and has the right to redeem the notes prior to maturity, subject to certain conditions. The proceeds from this issuance were used to repay funds borrowed for the Ampolex Group Transaction and general corporate purposes.

In February 1998, Apache issued \$150 million principal amount, \$148.2 million net of discount, of senior unsecured 7-percent notes maturing on February 1, 2018. The notes are not redeemable prior to maturity. Net proceeds from the sale were used to reduce existing short-term obligations and for general corporate purposes.

Stock Transactions -- In November 1997, all the Company's 3.93-percent convertible notes were converted into approximately 2.8 million shares of Apache common stock. The notes were converted at a rate of 37.04 shares of common stock per \$1,000 principal amount.

In January 1998, approximately 90 percent, or \$155.6 million, of the Company's 6 percent debentures were converted into 5.1 million shares of Apache common stock at a conversion rate of approximately 32.59 shares of common stock per \$1,000 principal amount. The remaining \$16.9 million principal amount was redeemed for \$17.4 million in cash, plus accrued and unpaid interest.

Asset Sales -- Apache received \$30.1 million in both 1997 and 1996 from the sale of non-strategic oil and gas properties in a number of separate transactions.

In January 1998, Apache closed the sale of a 10 percent interest in Apache's East Spar gas field and related production facilities in Western Australia for approximately \$63 million in cash. Apache used the proceeds to reduce outstanding loans under the Australian portion of the global credit facility.

Liquidity -- The Company had \$9.7 million in cash and cash equivalents on hand at December 31, 1997, down from \$13.2 million at December 31, 1996. Apache's ratio of current assets to current liabilities increased from .87:1 at December 31, 1996, to 1.01:1 at December 31, 1997.

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. As of December 31, 1997, Apache's available borrowing capacity under its global credit facility was \$694.2 million.

IMPACT OF THE YEAR 2000 ISSUE

The "Year 2000 Issue" is the result of computer software being written using two digits rather than four to define the applicable year. Any of the Company's computer programs that have date-sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000. If left unremediated, this could result in a system failure or miscalculations causing disruptions of operations, including, among other things, a temporary inability to process transactions, send oil and gas revenue disbursement checks, or engage in similar normal business activities.

The Company is in the process of replacing significant portions of its software to more effectively and efficiently meet its business needs. Replacement computer systems selected by the Company will properly recognize dates beyond December 31, 1999. The Company presently believes that with conversions to new software, the Year 2000 Issue will be eliminated. However, if such conversions are not made, or are not completed timely, the Year 2000 Issue could have a material impact on the operations of the Company. The Company plans to replace substantially all of its existing systems within 15 months or not later than March 31, 1999.

The date on which the Company plans to complete installation of its new system is based on management's best estimates, which were derived using numerous assumptions of future events including the continued availability of certain resources. However, there can be no guarantee that these estimates will be achieved and actual results could differ materially from those plans. Specific factors that might cause such material differences include, but are not limited to, the availability and cost of personnel trained in this area, and similar uncertainties.

FUTURE TRENDS

Apache's strategy is to increase its oil and gas reserves, production and cash flow by continuing to explore on and develop its inventory of existing projects and making carefully targeted acquisitions of new assets. Robust oil and gas prices early in 1997 gave way to weaker prices later in the year and on into 1998. Crude oil prices have fallen near their lowest level of the 1990's. While lower prices are expected to negatively impact Apache's 1998 earnings and cash from operations (see, "Market Risk-Commodity Risk" above and "Item 1. Business -- Oil and Natural Gas Prices," "Full Cost Center Ceiling Test," "Reserves; Rates of Production; Development Expenditures; Cash Flow," and "Effect of Volatile Prices"), Apache has taken steps to improve its financial liquidity for the purpose of better positioning the company to fund potential opportunities that might result from industry adversity. Specific actions that may be or have been taken which should impact the Company's activities in 1998 and beyond include:

- (1) Selling and trading non-strategic properties to upgrade the Company's property portfolio and reduce debt.
- (2) Curtailing projected exploration and development expenditures to remain within cash from operations.
- (3) Calling for redemption of \$175 million of debentures of which 90 percent or \$156 million were converted to equity in January 1998.

The above steps should strengthen Apache's financial position and add liquidity. Should property acquisition prices fall from the premium price commanded in 1997 to what management believes to be more reasonable levels, Apache may seek to undertake a significant acquisition. Alternatively, if drilling costs retreat further from the levels to which they rose in 1997, Apache may expand its drilling activity. In either event, Apache expects to review the level of its capital expenditures quarterly in light of financial results, product prices, drilling costs and prevailing industry conditions. Even at a reduced capital expenditure level, Apache expects to remain an active operator in North America drilling moderate-risk wells.

Apache's international properties should continue to grow in importance with respect to Apache's financial results and future growth prospects. Apache's international efforts in the coming year will be focused on development of its discoveries in Egypt, offshore Western Australia, offshore The People's Republic of China and offshore the Ivory Coast, and exploration efforts on the Company's concessions in Egypt and its new properties in Poland. While international exploration is recognized as higher risk than Apache's North

American activities, the Company believes it offers potential for greater rewards and significant reserve additions. Apache also believes that reserve additions in these international areas may be made through higher risk exploration and through improved production practices and recovery techniques.

FORWARD-LOOKING STATEMENTS AND RISK

Certain statements in this report, including statements of the future plans, objectives, and expected performance of the Company, are forward-looking statements that are dependent on certain events, risks and uncertainties that may be outside the Company's control which could cause actual results to differ materially from those anticipated. Some of these include, but are not limited to, economic and competitive conditions, inflation rates, legislative and regulatory changes, financial market conditions, political and economic uncertainties of foreign governments, future business decisions, and other uncertainties, all of which are difficult to predict.

There are numerous uncertainties inherent in estimating quantities of proved oil and gas reserves and in projecting future rates of production and timing of development expenditures. The total amount or timing of actual future production may vary significantly from reserves and production estimates. The drilling of exploratory wells can involve significant risks including those related to timing, success rates and cost overruns. Lease and rig availability, complex geology and other factors can affect these risks. Future oil and gas prices also could affect results of operations and cash flows. Although Apache makes use of futures contracts, swaps, options and fixed-price physical contracts to mitigate risk, fluctuations in oil and gas prices may affect the Company's financial position and results of operations.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements and supplementary financial information required to be filed under this item are presented on pages F-1 through F-34 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 proxy statement relating to the Company's 1998 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," "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
Report of management.....	F-2
Statement of consolidated income for each of the three years in the period ended December 31, 1997.....	F-3
Statement of consolidated cash flows for each of the three years in the period ended December 31, 1997.....	F-4
Consolidated balance sheet as of December 31, 1997 and 1996.....	F-5
Statement of consolidated shareholders' equity for each of the three years in the period ended December 31, 1997.....	F-6
Notes to consolidated financial statements.....	F-7
Supplemental oil and gas disclosures.....	F-28
Supplemental quarterly financial data.....	F-34

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).

EXHIBIT NO. -----	DESCRIPTION -----
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 17, 1997 (incorporated by reference to Exhibit 4.4 to Registrant's Registration Statement on Form S-8, Registration No. 333-32557, filed July 31, 1997).
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	-- 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).
10.2	-- 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).
10.3	-- 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).

EXHIBIT NO. -----	DESCRIPTION -----
10.4	-- Credit Agreement, dated June 12, 1997, among the Registrant, the lenders named therein, Morgan Guaranty Trust Company, as Global Documentation Agent and U.S. Syndication Agent, The First National Bank of Chicago, as U.S. Documentation Agent, NationsBank of Texas, N.A., as Co-Agent, Union Bank of Switzerland, Houston Agency, as Co-Agent, and The Chase Manhattan Bank, as Global Administrative Agent (incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K, dated June 13, 1997, SEC File No. 1-4300).
10.5	-- Credit Agreement, dated June 12, 1997, among Apache Canada Ltd., a wholly-owned subsidiary of the Registrant, the lenders named therein, Morgan Guaranty Trust Company, as Global Documentation Agent, Royal Bank of Canada, as Canadian Documentation Agent, The Chase Manhattan Bank of Canada, as Canadian Syndication Agent, Bank of Montreal, as Canadian Administrative Agent, and The Chase Manhattan Bank, as Global Administrative Agent (incorporated by reference to Exhibit 10.2 to Registrant's Current Report on Form 8-K, dated June 13, 1997, SEC File No. 1-4300).
10.6	-- Credit Agreement, dated June 12, 1997, among Apache Energy Limited and Apache Oil Australia Pty. Limited, wholly-owned subsidiaries of the Registrant, the lenders named therein, Morgan Guaranty Trust Company, as Global Documentation Agent, Bank of America National Trust and Savings Association, Sydney Branch, as Australian Documentation Agent, The Chase Manhattan Bank, as Australian Syndication Agent, Citisecurities Limited, as Australian Administrative Agent, and The Chase Manhattan Bank, as Global Administrative Agent (incorporated by reference to Exhibit 10.3 to Registrant's Current Report on Form 8-K, dated June 13, 1997, SEC File No. 1-4300).
10.7	-- 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).
10.8	-- Concession Agreement for Petroleum Exploration and Exploitation in the Khalda Area in Western Desert of Egypt by and among Arab Republic of Egypt, the Egyptian General Petroleum Corporation and Phoenix Resources Company of Egypt, dated April 6, 1981 (incorporated by reference to Exhibit 19(g) to Phoenix's Annual Report on Form 10-K for year ended December 31, 1984, SEC File No. 1-547).
10.9	-- Amendment, dated July 10, 1989, to Concession Agreement for Petroleum Exploration and Exploitation in the Khalda Area in Western Desert of Egypt by and among Arab Republic of Egypt, the Egyptian General Petroleum Corporation and Phoenix Resources Company of Egypt (incorporated by reference to Exhibit 10(d)(4) to Phoenix's Quarterly Report on Form 10-Q for quarter ended June 30, 1989, SEC File No. 1-547).
10.10	-- Farmout Agreement, dated September 13, 1985 and relating to the Khalda Area Concession, by and between Phoenix Resources Company of Egypt and Conoco Khalda Inc. (incorporated by reference to Exhibit 10.1 to Phoenix's Registration Statement on Form S-1, Registration No. 33-1069, filed October 23, 1985).

EXHIBIT NO. -----	DESCRIPTION -----
10.11	-- Amendment, dated March 30, 1989, to Farmout Agreement relating to the 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).
*10.12	-- Amendment, dated May 21, 1995, to Concession Agreement for Petroleum Exploration and Exploitation in the Khalda Area in Western Desert of Egypt between Arab Republic of Egypt, the Egyptian General Petroleum Corporation, Repsol Exploracion Egipto S.A., Phoenix Resources Company of Egypt and Samsung Corporation.
10.13	-- 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).
10.14	-- Agreement for Amending the Gas Pricing Provisions under the Concession Agreement for Petroleum Exploration and Exploitation in the Qarun Area, effective June 16, 1994 (incorporated by reference to Exhibit 10.18 to Registrant's Annual Report on Form 10-K for year ended December 31, 1996, SEC File No. 1-4300).
+10.15	-- 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).
+10.16	-- 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).
+10.17	-- 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).
+10.18	-- Apache Corporation 401(k) Savings Plan, dated August 1, 1997, effective January 1, 1997 (incorporated by reference to Exhibit 10.1 to Registrant's current Report on Form 8-K, dated August 8, 1997, SEC File No. 1-4300).
+*10.19	-- Apache Corporation Money Purchase Retirement Plan, dated December 31, 1997, effective January 1, 1997.
+10.20	-- Non-Qualified Retirement/Savings Plan of Apache Corporation, as restated January 1, 1997 (incorporated by reference to Exhibit 10.26 to Registrant's Annual Report on Form 10-K for year ended December 31, 1996, SEC File No. 1-4300).
+10.21	-- 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).
+10.22	-- 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 -----
+10.23	-- 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).
+10.24	-- 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).
+10.25	-- Apache Corporation 1996 Performance Stock Option Plan, as amended and restated January 14, 1997 (incorporated by reference to Exhibit 10.32 to Registrant's Annual Report on Form 10-K for year ended December 31, 1996, SEC File No. 1-4300).
+10.26	-- Apache Corporation 1998 Stock Option Plan (incorporated by reference to Appendix A to Registrant's definitive 14A Proxy Statement relating to Registrant's 1998 annual meeting of shareholders, SEC File No. 1-4300).
+10.27	-- 1990 Employee Stock Option Plan of The Phoenix Resource Companies, Inc., as amended through September 29, 1995, effective April 9, 1990 (incorporated by reference to Exhibit 10.33 to Registrant's Annual Report on Form 10-K for year ended December 31, 1996, SEC File No. 1-4300).
+10.28	-- 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).
+*10.29	-- Apache Corporation Non-Employee Directors' Compensation Plan, as amended and restated December 12, 1997.
+10.30	-- 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).
+*10.31	-- Apache Corporation Outside Directors' Retirement Plan, as amended and restated September 11, 1997.
+10.32	-- 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).
+10.33	-- Amended and Restated Employment Agreement, dated December 5, 1990, between Registrant and Raymond Plank (incorporated by reference to Exhibit 10.39 to Registrant's Annual Report on Form 10-K for year ended December 31, 1996, SEC File No. 1-4300).
+10.34	-- First Amendment, dated April 4, 1996, to Restated Employment Agreement between Registrant and Raymond Plank (incorporated by reference to Exhibit 10.40 to Registrant's Annual Report on Form 10-K for year ended December 31, 1996, SEC File No. 1-4300).
+10.35	-- 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).
+10.36	-- 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).

EXHIBIT NO. -----	DESCRIPTION -----
10.37	-- 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).
*21.1	-- Subsidiaries of Registrant
*23.1	-- Consent of Arthur Andersen LLP
*23.2	-- Consent of Ryder Scott Company Petroleum Engineers
*23.3	-- 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, 1997:

October 8, 1997 -- Item 2. Acquisition or Disposition of Assets -- Apache, either directly or indirectly through its wholly-owned subsidiary, Apache Energy Limited, entered into three share sale agreements with subsidiaries of Mobil Exploration & Producing Australia Pty Limited for the purchase of all of the capital stock of three companies that own interests in certain oil and gas properties and production facilities offshore Western Australia for approximately U.S. \$310 million (subject to adjustments), effective as of July 1, 1997.

December 5, 1997 -- Item 5. Other Events -- Offering to the public by Apache Finance Pty Ltd of \$170 million principal amount of 6 1/2% global notes due 2007, guaranteed by Apache, issuable under an indenture dated December 9, 1997, and registered pursuant to a registration statement on Form S-3 (Registration Nos. 333-39973 and 333-39973-01).

December 16, 1997 -- Item 5. Other Events -- Apache called for redemption all of its 6% Convertible Subordinated Debentures due 2002, aggregate amount outstanding \$172.5 million. Holders are entitled to convert the Debentures into shares of Apache common stock at a conversion price of \$30.68 per share. Any Debentures that remain outstanding (not converted) will be redeemed on January 15, 1998, with holders entitled to receive 103 percent of principal amount.

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

/s/ RAYMOND PLANK

Raymond Plank
Chairman and Chief Executive Officer

Dated: March 20, 1998

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 Roger B. Plank, 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 20, 1998
/s/ ROGER B. PLANK ----- Roger B. Plank	Vice President and Chief Financial Officer (Principal Financial Officer)	March 20, 1998
/s/ THOMAS L. MITCHELL ----- Thomas L. Mitchell	Vice President and Controller (Principal Accounting Officer)	March 20, 1998

NAME ----	TITLE -----	DATE ----
/s/ FREDERICK M. BOHEN ----- Frederick M. Bohlen	Director	March 20, 1998
/s/ G. STEVEN FARRIS ----- G. Steven Farris	Director	March 20, 1998
/s/ RANDOLPH M. FERLIC ----- Randolph M. Ferlic	Director	March 20, 1998
/s/ EUGENE C. FIEDOREK ----- Eugene C. Fiedorek	Director	March 20, 1998
/s/ W. BROOKS FIELDS ----- W. Brooks Fields	Director	March 20, 1998
/s/ A. D. FRAZIER, JR. ----- A. D. Frazier, Jr.	Director	March 20, 1998
/s/ STANLEY K. HATHAWAY ----- Stanley K. Hathaway	Director	March 20, 1998
/s/ JOHN A. KOCUR ----- John A. Kocur	Director	March 20, 1998
/s/ GEORGE D. LAWRENCE JR. ----- George D. Lawrence Jr.	Director	March 20, 1998
/s/ MARY RALPH LOWE ----- Mary Ralph Lowe	Director	March 20, 1998
/s/ F. H. MERELLI ----- F. H. Merelli	Director	March 20, 1998
/s/ JOSEPH A. RICE ----- Joseph A. Rice	Director	March 20, 1998

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, 1997 and 1996, and the related statements of consolidated income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Apache Corporation and Subsidiaries as of December 31, 1997 and 1996, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1997, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Houston, Texas
February 27, 1998

REPORT OF MANAGEMENT

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

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

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

The 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.

Houston, Texas
February 27, 1998

Raymond Plank Chairman of the Board and Chief Executive Officer

Roger B. Plank Vice President and Chief Financial Officer

Thomas L. Mitchell Vice President and Chief Accounting Officer

APACHE CORPORATION AND SUBSIDIARIES

STATEMENT OF CONSOLIDATED INCOME

	FOR THE YEAR ENDED DECEMBER 31,		
	1997	1996	1995
	(IN THOUSANDS, EXCEPT PER COMMON SHARE DATA)		
REVENUES:			
Oil and gas production revenues.....	\$ 983,773	\$833,164	\$653,144
Gathering, processing and marketing revenues.....	196,951	142,868	97,207
Equity in income (loss) of affiliates.....	(1,683)	(281)	--
Other revenues.....	(2,768)	1,400	351
	-----	-----	-----
	1,176,273	977,151	750,702
	-----	-----	-----
OPERATING EXPENSES:			
Depreciation, depletion and amortization.....	381,416	315,144	297,485
Operating costs.....	231,370	225,527	211,742
Gathering, processing and marketing costs.....	194,279	138,768	91,243
Administrative, selling and other.....	38,243	35,911	36,552
Merger costs.....	--	--	9,977
Financing costs:			
Interest expense.....	105,148	89,829	88,057
Amortization of deferred loan costs.....	6,438	5,118	4,665
Capitalized interest.....	(36,493)	(30,712)	(19,041)
Interest income.....	(2,768)	(2,629)	(3,121)
	-----	-----	-----
	917,633	776,956	717,559
	-----	-----	-----
INCOME BEFORE INCOME TAXES.....	258,640	200,195	33,143
Provision for income taxes.....	103,744	78,768	12,936
	-----	-----	-----
NET INCOME.....	\$ 154,896	\$121,427	\$ 20,207
	=====	=====	=====
NET INCOME PER COMMON SHARE:			
Basic.....	\$ 1.71	\$ 1.42	\$.28
	=====	=====	=====
Diluted.....	\$ 1.65	\$ 1.38	\$.28
	=====	=====	=====

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,		
	1997	1996	1995
	(IN THOUSANDS)		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income.....	\$ 154,896	\$ 121,427	\$ 20,207
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, depletion and amortization.....	381,416	315,144	297,485
Amortization of deferred loan costs.....	6,438	5,118	4,665
Provision for deferred income taxes.....	68,280	61,336	29,382
Other deferred credits.....	--	--	4,584
Cash distributions in excess of (less than) earnings of affiliates.....	1,768	(163)	--
Gain on sale of stock held for investment and other.....	(13)	(770)	(906)
Changes in operating assets and liabilities, net of effects of acquisitions:			
(Increase) decrease in receivables.....	12,556	(55,645)	(64,399)
(Increase) decrease in advances to oil and gas ventures and other.....	(7,728)	5,737	(189)
Increase in product inventory.....	(800)	(1,487)	--
(Increase) decrease in deferred charges and other.....	1,247	(1,834)	(1,294)
Increase in payables.....	1,920	35,998	37,254
Increase (decrease) in accrued expenses.....	9,579	(3,433)	15,236
Increase (decrease) in advance from gas purchaser.....	102,748	(8,540)	(7,038)
Increase (decrease) in deferred credits and noncurrent liabilities.....	(8,499)	17,616	(2,864)
NET CASH PROVIDED BY OPERATING ACTIVITIES.....	723,808	490,504	332,123
CASH FLOWS FROM INVESTING ACTIVITIES:			
Exploration and development expenditures.....	(685,420)	(493,695)	(312,168)
Acquisition of oil and gas properties.....	(33,562)	(114,971)	(820,918)
Non-cash portion of net oil and gas property additions....	6,208	46,268	5,092
Acquisition of Ampolex, net of cash acquired.....	(299,852)	--	--
Acquisition of Phoenix, net of cash acquired.....	--	(43,294)	--
Gathering, transmission and processing expenditures.....	(52,437)	(33,355)	(6,700)
Proceeds from sale of oil and gas properties.....	30,134	30,144	271,937
Purchase of premium gas contract.....	--	--	(28,700)
Prepaid acquisition cost.....	--	--	25,377
Purchase of stock held for investment.....	(1,170)	--	(307)
Proceeds from sale of stock held for investment.....	1,183	7,193	2,835
Other capital expenditures, net.....	(12,955)	(9,375)	(9,859)
Change in equipment inventory and other, net.....	(17,064)	(2,712)	3,307
Investment in ProEnergy.....	(1,290)	(4,430)	--
NET CASH USED IN INVESTING ACTIVITIES.....	(1,066,225)	(618,227)	(870,104)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Long-term borrowings.....	1,168,201	765,895	856,159
Payments on long-term debt.....	(812,327)	(615,765)	(500,579)
Dividends paid.....	(25,275)	(23,420)	(18,915)
Proceeds from issuance of common stock.....	11,623	8,145	197,006
Payments to acquire treasury stock.....	(386)	(1,698)	(26)
Cost of debt and equity transactions.....	(2,894)	(5,906)	(12,074)
NET CASH PROVIDED BY FINANCING ACTIVITIES.....	338,942	127,251	521,571
NET DECREASE IN CASH AND CASH EQUIVALENTS.....	(3,475)	(472)	(16,410)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	13,161	13,633	30,043
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 9,686	\$ 13,161	\$ 13,633
	=====	=====	=====

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

APACHE CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

	DECEMBER 31,	
	1997	1996
	(IN THOUSANDS)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents.....	\$ 9,686	\$ 13,161
Receivables.....	224,025	234,646
Inventories.....	36,041	13,963
Advances to oil and gas ventures and other.....	15,579	6,386
Assets held for resale.....	62,998	--
	-----	-----
	348,329	268,156
	-----	-----
PROPERTY AND EQUIPMENT:		
Oil and gas, on the basis of full cost accounting:		
Proved properties.....	5,530,991	4,713,113
Unproved properties and properties under development, not being amortized.....	453,556	388,872
International concession rights, not being amortized...	79,000	99,000
Gas gathering, transmission and processing facilities....	246,049	121,446
Other.....	71,067	58,882
	-----	-----
	6,380,663	5,381,313
	-----	-----
Less: Accumulated depreciation, depletion and amortization.....	(2,647,478)	(2,281,252)
	-----	-----
	3,733,185	3,100,061
	-----	-----
OTHER ASSETS:		
Deferred charges and other.....	57,119	64,213
	-----	-----
	\$ 4,138,633	\$ 3,432,430
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt.....	\$ 17,200	\$ 2,000
Accounts payable.....	178,361	174,941
Accrued operating expense.....	20,153	17,263
Accrued exploration and development.....	82,392	76,465
Accrued compensation and benefits.....	17,600	12,262
Accrued interest.....	20,598	15,576
Other accrued expenses.....	7,479	11,150
	-----	-----
	343,783	309,657
	-----	-----
LONG-TERM DEBT.....	1,501,380	1,235,706
	-----	-----
DEFERRED CREDITS AND OTHER NONCURRENT LIABILITIES:		
Income taxes.....	355,619	254,789
Advances from gas purchaser.....	154,546	51,798
Other.....	54,128	61,964
	-----	-----
	564,293	368,551
	-----	-----
COMMITMENTS AND CONTINGENCIES (Note 10)		
SHAREHOLDERS' EQUITY:		
Common stock, \$1.25 par, 215,000,000 shares authorized, 94,478,788 and 91,224,028 shares issued, respectively.....	118,098	114,030
Paid-in capital.....	1,085,063	1,002,540
Retained earnings.....	561,981	432,588
Treasury stock, at cost, 1,174,247 and 1,165,231 shares, respectively.....	(15,506)	(15,152)
Currency translation adjustments.....	(20,459)	(15,490)
	-----	-----
	1,729,177	1,518,516
	-----	-----
	\$ 4,138,633	\$ 3,432,430
	=====	=====

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, 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
Net income.....	--	--	154,896	--	--	154,896
Dividends (\$.28 per common share).....	--	--	(25,503)	--	--	(25,503)
Common shares issued.....	4,068	82,523	--	--	--	86,591
Treasury shares issued.....	--	--	--	32	--	32
Treasury shares purchased.....	--	--	--	(386)	--	(386)
Currency translation adjustments...	--	--	--	--	(4,969)	(4,969)
BALANCE, DECEMBER 31, 1997.....	\$118,098	\$1,085,063	\$561,981	\$(15,506)	\$(20,459)	\$1,729,177

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 72 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 in Poland, offshore The People's Republic of China, offshore the Ivory Coast and in Indonesia. 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 60 percent of Apache's 1997 production on an energy equivalent basis, the Company is 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. Apache's investment in Producers Energy Marketing LLC (ProEnergy), a jointly-owned natural gas 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 \$11.9 million, \$12.1 million and \$12.5 million of internal costs in 1997, 1996 and 1995, 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 \$22.5 million, \$17.0 million and \$16.3 million in 1997, 1996, and 1995, 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 and 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 amortization base until the properties associated with these costs are evaluated. The amortizable base includes

APACHE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

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 oil and gas properties, net of accumulated DD&A and deferred income taxes, to the estimated future net cash flows from proved oil and gas reserves discounted at 10 percent, net of related tax effects, plus the lower of cost or fair value of unproved properties included in the costs being amortized. If capitalized costs exceed this limit, the excess is charged to nonrecurring 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 15 years. Accumulated depreciation for these assets totaled \$51.8 million and \$36.6 million at December 31, 1997 and 1996, respectively.

Accounts Payable -- Included in accounts payable at December 31, 1997 and 1996, are liabilities of approximately \$36.3 million and \$36.5 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 entitled volumes 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 approximately one percent of Apache's proved gas reserves at December 31, 1997. 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. The oil and gas reference prices upon which these commodity derivatives contracts are based reflect various market indices that have a high degree of historical correlation with actual prices received by the Company. The Company accounts for its commodity derivatives contracts using the hedge (or deferral) method of accounting. Under this method, 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 and the resulting cash flows are reported as cash flows from operating activities. Gains and losses on commodity derivatives contracts that are closed before the hedged production occurs are deferred until the production month originally hedged. In the event of a loss of correlation between changes in oil and gas reference prices under a commodity derivatives contract and actual oil and gas prices, a gain or loss is recognized currently to the extent the commodity derivatives contract has not offset changes in actual oil and gas prices.

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

APACHE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

(ii) operating loss and tax credit carryforwards for tax purposes. Deferred tax assets are reduced by a valuation 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 its 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 net income.

Net Income Per Common Share -- Basic and diluted net income per common share have been computed in accordance with Statement of Financial Accounting Standards (SFAS) No. 128, "Earnings per Share," which the Company adopted at year-end 1997. Net income per share amounts for prior periods have been restated to conform with the provisions of the new standard. Basic net income per common share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted net income per common share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. Calculations of basic and diluted net income per common share are illustrated in Note 7.

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. Nonemployee stock-based compensation is accounted for using the fair value method in accordance with SFAS No. 123, "Accounting for Stock-Based Compensation."

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 cash flows therefrom (see supplemental oil and gas disclosures).

2. ACQUISITIONS AND DIVESTITURES

ACQUISITIONS

On November 20, 1997, the Company acquired all the capital stock of three companies owning interests in certain oil and gas properties (including 31.9 MMboe of proved oil and natural gas reserves) and production facilities offshore Western Australia for approximately \$300 million from subsidiaries of Mobil Exploration & Producing Australia Pty Ltd (Ampolex Group Transaction). The Ampolex Group Transaction, net of the sale of certain properties to Hardy Petroleum Limited (Hardy), increased the Company's interest to 47.5 percent from 22.5 percent in the Carnarvon Basin's Harriet area, which includes the Varanus Island pipeline, processing and production complex and eight existing oil and gas fields. The transaction also increased the Company's interest in the East Spar field, which produces through the Varanus Island facilities, to 45 percent from 20 percent. Apache operates the Harriet and East Spar properties.

APACHE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The purchase price has been allocated to the assets purchased and the liabilities assumed based upon the fair values on the date of acquisition, as follows:

	(IN THOUSANDS)
Value of properties acquired, including gathering and transportation facilities.....	\$264,539
Assets held for resale.....	63,058
Working capital acquired, net.....	6,692
Deferred income tax liability.....	(34,437)

Cash paid, net of cash acquired.....	\$299,852
	=====

In conjunction with the closing of the Ampolex Group Transaction, the Company entered into an agreement with Hardy on December 9, 1997, under which Hardy agreed to purchase a 10 percent interest in the Company's East Spar field and related production facilities. The transaction closed on January 28, 1998, with a total sales price of approximately \$63 million in cash. The assets sold to Hardy are reported as assets held for resale in the accompanying consolidated balance sheet.

In 1997, the Company also completed 45 tactical regional acquisitions for cash consideration totaling \$33.6 million. These acquisitions added approximately 6.6 MMboe to the Company's reserves.

On May 20, 1996, Apache acquired, for approximately \$396.3 million, The Phoenix Resource Companies, Inc. (Phoenix, now known as Apache PHN Company, Inc.), 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 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 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 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.

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 approximately \$567 million. The Texaco

APACHE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

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.

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 date of acquisition.

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, 1996. The pro forma data is based on numerous assumptions and is not necessarily indicative of future results of operations.

	FOR THE YEAR ENDED DECEMBER 31, 1996	
(UNAUDITED)	AS REPORTED	PRO FORMA
	(IN THOUSANDS, EXCEPT PER COMMON SHARE DATA)	
Revenues.....	\$977,151	\$992,077
Net income.....	121,427	125,040
Net income per common share:		
Basic.....	\$ 1.42	\$ 1.39
Diluted.....	1.38	1.36

DIVESTITURES

Apache received \$30.1 million in each of 1997 and 1996 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, 1997 and 1996, Apache had no investments in equity securities.

The Company realized gains totaling approximately \$13,000, \$770,000 and \$906,000 from the sale of equity securities during 1997, 1996 and 1995, 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,	
	1997	1996
	(IN THOUSANDS)	
Apache:		
Global credit facility -- U.S.....	\$ --	\$ 220,000
Commercial paper, expected to be refinanced.....	50,800	--
7.95-percent notes due 2026, net of discount.....	178,531	178,518
6-percent convertible subordinated debentures due 2002....	172,500	172,500
7.625-percent debentures due 2096, net of discount.....	149,175	149,175
7.375-percent debentures due 2047, net of discount.....	147,984	--
9.25-percent notes due 2002, net of discount.....	99,805	99,772
7.7-percent notes due 2026, net of discount.....	99,638	99,634
3.93-percent convertible notes due 1997.....	--	75,000
Money market lines of credit.....	17,200	2,000
	-----	-----
	915,633	996,599
	-----	-----
Subsidiary and other obligations:		
Global credit facility -- Australia.....	139,000	73,500
Global credit facility -- Canada.....	116,000	83,000
Apache Finance 6.5-percent notes due 2007, net of discount.....	168,722	--
Revolving credit facility -- Egypt.....	150,000	--
IFC credit facilities -- Egypt.....	--	54,750
DEKALB 9.875-percent notes due 2000.....	29,225	29,225
Other.....	--	632
	-----	-----
	602,947	241,107
	-----	-----
Total debt.....	1,518,580	1,237,706
Less: current maturities.....	(17,200)	(2,000)
	-----	-----
Long-term debt.....	\$1,501,380	\$1,235,706
	=====	=====

On June 12, 1997, Apache replaced its \$1 billion global borrowing-base credit facility with a new \$1 billion global corporate credit facility (global credit facility). The global credit facility consists of three separate bank facilities: a \$700 million facility in the United States; a \$175 million facility in Australia; and a \$125 million facility in Canada. The global credit facility enables Apache to draw on the entire \$1 billion facility without restrictions tied to periodic revaluation of the Company's oil and gas reserves. As of December 31, 1997, Apache's available borrowing capacity under the global credit facility was \$694.2 million. Under the financial covenants of the global credit facility, the Company must (i) maintain a consolidated tangible net worth, as defined, of at least \$1.051 billion as of December 31, 1997, which is adjusted for subsequent earnings, and (ii) maintain a ratio of debt to capitalization of not greater than 60 percent at the end of any fiscal quarter. The Company was in compliance with all financial covenants at December 31, 1997.

The global credit facility is scheduled to mature on June 12, 2002, 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 greater of (a) The Chase Manhattan Bank's prime rate or (b) the federal funds rate plus one-half of one percent, (ii) the London Interbank Offered Rate (LIBOR) plus a margin determined by the Company's senior long-term debt rating, or (iii) a margin that is determined by competitive bids from the participating banks. At December 31, 1997, the margin over LIBOR for committed loans was .185 percent. The Company also pays a quarterly facility fee of .09 percent on the total

APACHE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

amount of each of the three facilities, which fee varies based upon the Company's senior long-term debt rating.

In January 1997, Standard & Poor's upgraded the Company's senior long-term debt rating from BBB to BBB+ and subordinated long-term debt rating from BBB- to BBB.

In January 1997, the Company established a \$300 million commercial paper program which allows Apache to borrow funds for up to 270 days at competitive interest rates. In June 1997, the Company expanded its commercial paper program to \$700 million from \$300 million to provide access to additional low-cost, short-term funds. Since its inception in January 1997, the commercial paper program has been rated A-2, Prime-2 and D-1- (D-One-Minus) by Standard & Poor's, Moody's and Duff and Phelps, respectively. As of December 31, 1997, \$50.8 million was outstanding under Apache's commercial paper program. The commercial paper is classified as long-term debt in the accompanying consolidated balance sheet as the Company has the ability and intent to refinance such amounts on a long-term basis through either the rollover of commercial paper or available borrowing capacity under the global credit facility.

In 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. In April 1996, the Company issued \$180 million principal amount, \$178.5 million net of discount, of senior unsecured 7.95-percent notes maturing on April 15, 2026. Additionally, 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. None of these instruments are redeemable prior to maturity; however, under certain conditions, Apache has the right to advance maturity of the above-referenced debentures.

In August 1997, Apache issued \$150 million principal amount, \$148.0 million net of discount, of senior unsecured 7.375-percent debentures maturing on August 15, 2047. The debentures are not redeemable prior to maturity; however, Apache has the right to advance maturity, under certain conditions.

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. Upon certain changes in control of the Company, these notes are subject to mandatory repurchase.

In November 1997, the Company's 3.93-percent convertible notes were converted into approximately 2.8 million shares of Apache common stock at a conversion price of \$27 per share.

At December 31, 1997, 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, 1997, an aggregate of \$17.2 million was outstanding under such credit lines.

In December 1997, Apache Finance Pty Ltd, (Apache Finance), an Australian finance subsidiary of the Company, issued \$170 million principal amount, \$168.7 million net of discount, of senior unsecured 6.5-percent notes due December 15, 2007. The notes are irrevocably and unconditionally guaranteed by Apache. The Company has the right to redeem the notes prior to maturity, under certain conditions.

On October 30, 1997, three of the Company's Egyptian subsidiaries entered into a secured, revolving credit facility with a group of banks. The facility provides for total commitments of \$250 million, with availability determined by a borrowing base formula. The initial borrowing base was set at \$150 million and will be redetermined semi-annually. The total amount of commitments under the facility is currently scheduled to be reduced by set increments every six months, beginning two and one-half years after the effective date of the facility. The facility is presently secured solely by assets associated with the Company's Qarun and Khalda concessions and shares of stock of the Company's subsidiaries holding said concessions, with provisions that will permit the inclusion of other of the Company's Egyptian subsidiaries as borrowers with security interests on such subsidiaries' assets and shares of stock. Interest is assessed at LIBOR plus a margin of .375 percent, which is scheduled to increase to .625 percent on the third anniversary of the facility;

APACHE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

however, if the facility is extended the rate increase would occur two years from the end of the facility's extended term. A quarterly fee of .375 percent is payable on the available portion of the commitments, while a quarterly fee of .1875 percent is payable on the difference between the borrowing base and the total amount of commitments under the facility. The facility is scheduled to mature on January 3, 2003.

In October 1997, the Company provided funds to two of its Egyptian subsidiaries to repay all amounts outstanding under two secured credit facilities with the International Finance Corporation (IFC), which were terminated.

The DEKALB 9.875-percent notes mature on July 15, 2000 and are not redeemable prior to their maturity.

As of December 31, 1997 and 1996, the Company had approximately \$18.2 million and \$20.3 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 1998, approximately 90 percent, or \$155.6 million, of the Company's 6-percent convertible subordinated debentures was converted into approximately 5.1 million shares of Apache common stock at a conversion price of \$30.68 per share. The remaining \$16.9 million of principal amount was redeemed for \$17.4 million in cash, plus accrued and unpaid interest. The Company recorded a \$.8 million loss on the early extinguishment of debt in January 1998.

In February 1998, Apache issued \$150 million principal amount, \$148.2 million net of discount, of senior unsecured 7-percent notes maturing on February 1, 2018. The notes are not redeemable prior to maturity.

The indentures for the notes and debentures described above place certain restrictions on the Company, including limits on Apache's ability to incur debt secured by certain liens and its ability to enter into certain sale and leaseback transactions.

AGGREGATE MATURITIES OF DEBT

	DECEMBER 31, 1997
	(IN THOUSANDS)
1998.....	\$ 17,200
1999.....	--
2000.....	29,225
2001.....	25,000
2002.....	703,105
Thereafter.....	744,050
	\$1,518,580
	=====

5. INCOME TAXES

Income before income taxes is composed of the following:

	FOR THE YEAR ENDED DECEMBER 31,		
	1997	1996	1995
	(IN THOUSANDS)		
United States.....	\$171,304	\$154,759	\$28,155
International.....	87,336	45,436	4,988
	\$258,640	\$200,195	\$33,143
	=====	=====	=====

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,		
	1997	1996	1995

	(IN THOUSANDS)		
Current taxes:			
Federal.....	\$ 300	\$ --	\$(16,776)
Foreign.....	35,164	17,432	330
Deferred taxes.....	68,280	61,336	29,382
	-----	-----	-----
	\$103,744	\$78,768	\$ 12,936
	=====	=====	=====

A reconciliation of the federal statutory income tax amounts to the effective amounts is shown below:

	FOR THE YEAR ENDED DECEMBER 31,		
	1997	1996	1995

	(IN THOUSANDS)		
Statutory income tax.....	\$ 90,524	\$70,068	\$11,600
State income tax, less federal benefit.....	3,987	4,558	1,282
Taxation of foreign operations.....	10,842	5,226	135
Increase in foreign corporate income tax rates.....	--	--	1,757
All other, net.....	(1,609)	(1,084)	(1,838)
	-----	-----	-----
	\$103,744	\$78,768	\$12,936
	=====	=====	=====

The net deferred tax liability is comprised of the following:

	DECEMBER 31,	
	1997	1996

	(IN THOUSANDS)	
Deferred tax assets:		
Deferred income.....	\$ (2,259)	\$ (443)
Federal net operating loss carryforwards.....	(79,009)	(65,018)
State net operating loss carryforwards.....	(12,562)	(10,363)
Statutory depletion carryforwards.....	(3,316)	(5,469)
Alternative minimum tax credits.....	(9,141)	(9,130)
Accrued expenses and liabilities.....	(5,452)	(4,805)
Other.....	(12,090)	(5,301)
	-----	-----
Total deferred tax assets.....	(123,829)	(100,529)
Valuation allowance.....	1,704	942
	-----	-----
Net deferred tax assets.....	(122,125)	(99,587)

Deferred tax liabilities:		
Depreciation, depletion and amortization.....	471,403	319,226
Foreign loss recapture.....	--	18,963
Other.....	6,341	16,187
	-----	-----
Total deferred tax liabilities.....	477,744	354,376

Deferred income tax liability.....	\$ 355,619	\$ 254,789
	=====	=====

APACHE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

U.S. deferred taxes have not been provided on foreign earnings totaling \$151.4 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, 1997, the Company had U.S. federal net operating loss carryforwards of \$170.4 million that will expire beginning in 1998, foreign net operating loss carryforwards of \$53.7 million that can be carried forward indefinitely, and U.S. and foreign statutory depletion carryforwards totaling \$8.8 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 \$1.7 million that will expire beginning in 1998, which have been fully reserved through the valuation allowance.

6. ADVANCES FROM GAS PURCHASER

In August 1997, Apache received \$115.2 million from a purchaser as an advance payment for future natural gas deliveries of 20,000 MMBtu per day over a ten-year period commencing September 1997. As a condition of the arrangement with the purchaser, Apache entered into two gas price swap contracts with a third party under which Apache became a fixed price payor for identical volumes at average prices starting at \$2.19 per MMBtu in 1997 and escalating to \$2.59 per MMBtu in 2007. In addition, the purchaser pays Apache a monthly fee of \$.07 per MMBtu on the contracted volumes. The net result of these related transactions is that gas delivered to the purchaser is reported as revenue at prevailing spot prices with Apache realizing a premium associated with the monthly fee paid by the 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 for identical volumes 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 is reported as revenue at prevailing spot prices with Apache realizing a \$.05 per MMBtu premium associated with a monthly fee paid by the purchaser.

The Company, through its marketing subsidiaries, may purchase gas from third parties to satisfy gas delivery requirements under these arrangements. Contracted volumes relating to these arrangements are included in the Company's supplemental oil and gas disclosures.

These advance payments have been classified as advances on the balance sheet and are being reduced as gas is delivered to the purchasers under the terms of the contracts. At December 31, 1997 and 1996, advances of \$154.5 million and \$51.8 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 agreements. Interest expense is recorded based on a rate of 8 percent and 9.5 percent on the 1997 and 1994 advances, respectively.

APACHE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

7. CAPITAL STOCK

COMMON STOCK OUTSTANDING

	1997	1996	1995
Balance, beginning of year.....	90,058,797	77,378,958	69,666,092
Treasury shares acquired, net.....	(9,016)	(45,297)	(959)
Shares issued for:			
Conversion of 3.93-percent notes.....	2,777,777	--	--
Phoenix merger.....	--	12,189,918	--
DEKALB merger.....	--	--	153,229
Public equity offering.....	--	--	7,450,000
Dividend reinvestment plan.....	34,249	25,148	26,809
Retirement/401(k) savings plan.....	182,742	183,059	--
Stock option plans.....	259,992	317,775	83,787
Other.....	--	9,236	--
Balance, end of year.....	93,304,541	90,058,797	77,378,958

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.

Net Income Per Common Share -- A reconciliation of the components of basic and diluted net income per common share for the years ended December 31, 1997, 1996 and 1995 is presented in the table below:

	1997			1996			1995		
	INCOME	SHARES	PER SHARE	INCOME	SHARES	PER SHARE	INCOME	SHARES	PER SHARE
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)								
BASIC:									
Net income.....	\$154,896	90,677	\$1.71	\$121,427	85,777	\$1.42	\$20,207	71,792	\$.28
EFFECT OF DILUTIVE SECURITIES:									
Stock option plans.....	--	519		--	374		--	80	
3.93%-convertible notes.....	1,859	2,435		2,114	2,778		--	--	
6%-convertible subordinated debentures.....	6,919	5,623		6,916	5,623		--	--	
DILUTED:									
Net income including assumed conversions.....	\$163,674	99,254	\$1.65	\$130,457	94,552	\$1.38	\$20,207	71,872	\$.28

The 3.93-percent convertible notes and 6-percent convertible subordinated debentures were not included in the computation of diluted net income per common share during 1995, because to do so would have been antidilutive.

Stock Option Plans -- At December 31, 1997, 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 10 years. The Company may issue up to 4,007,006 shares of common stock under the Stock Option Plans, of which options to acquire 411,775 shares of common stock remained available for grant at December 31, 1997.

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,

APACHE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

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 191,216 shares of common stock remained available for grant at December 31, 1997.

A summary of the status of the plans described above as of December 31, 1997, 1996, and 1995, and changes during the years then ended, is presented in the table and narrative below (shares in thousands):

	1997		1996		1995	
	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.....	2,885	\$30.82	1,218	\$23.91	1,340	\$20.42
Granted.....	1,228	34.59	2,032	33.26	397	26.90
Exercised.....	(145)	23.02	(224)	17.58	(131)	16.96
Forfeited.....	(339)	33.08	(141)	27.30	(388)	17.25
Outstanding, end of year(1).....	3,629	32.20	2,885	30.82	1,218	23.91
Exercisable, end of year.....	729	26.96	467	23.88	465	20.16
Available for grant, end of year.....	603		1,503		2,158	
Weighted average fair value of options granted during the year(2).....	\$11.73		\$ 9.80		\$10.46	

The following table summarizes information about stock options covered by the plans described above that are outstanding at December 31, 1997 (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.....	69	3.50	\$16.71	69	\$16.71
21.00 - 29.88.....	943	7.17	27.30	519	26.90
30.25 - 36.00.....	2,458	9.02	33.98	141	32.26
37.88 - 42.44.....	159	9.64	40.64	--	--
	3,629			729	

(1) Excludes 496,900 and 644,100 shares as of December 31, 1997 and 1996, respectively, issuable under stock options assumed by Apache 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 1997, 1996 and 1995, respectively: (i) risk-free interest rates of 6.33, 6.19 and 6.47 percent; (ii) expected lives of five years for the Stock Option Plans, and 2.5 years for the Performance Plan; (iii) expected volatility of 31.21, 30.50 and 35.75 percent, and (iv) expected dividend yields of .82, .85 and 1.04 percent.

APACHE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

In May 1997, Apache's shareholders approved the 1996 Share Price Appreciation Plan (the Appreciation Plan) for officers and certain key employees. The Appreciation Plan provides for conditional grants denominated in shares of Apache common stock that vest upon attainment of share price goals of \$50 and \$60 per share, respectively, before January 1, 2000. Between 30 and 50 percent of the conditional grants 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 vested amounts will be distributed in three installments over the 36-month period following attainment of the share price goals. When and if the share price goals are achieved, the Company will recognize compensation expense over the 36-month period equal to the value of the stock as of the date the share price goal is achieved (i.e., \$50 or \$60 per share, as appropriate) and the actual amount of cash paid. 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 are achieved.

A summary of the status of the Appreciation Plan as of December 31, 1997, and changes during the year then ended, is presented in the table and narrative below (shares in thousands):

	SHARES SUBJECT TO CONDITIONAL GRANTS

Outstanding, beginning of year.....	--
Granted.....	1,965
Forfeited.....	(246)

Outstanding, end of year.....	1,719
	=====
Exercisable, end of year.....	--
	=====
Available for grant, end of year.....	281
	=====
Weighted average fair value of conditional grants(1).....	\$13.50
	=====

(1) The fair value of each conditional grant is estimated as of the date of grant using a Monte Carlo simulation with the following weighted-average assumptions used for grants in 1997: (i) risk-free interest rate of 6.45 percent; (ii) expected volatility of 28.63 percent, and (iii) expected dividend yield of .84 percent.

APACHE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

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, the Performance Plan, or the Appreciation 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:

	1997	1996	1995
	-----	-----	-----
	(IN THOUSANDS)		
Net Income:			
As reported.....	\$154,896	\$121,427	\$20,207
Pro forma.....	147,152	119,536	19,968
Net Income per Common Share:			
Basic:			
As reported.....	\$ 1.71	\$ 1.42	\$.28
Pro forma.....	1.62	1.39	.28
Diluted:			
As reported.....	\$ 1.65	\$ 1.38	\$.28
Pro forma.....	1.55	1.36	.28

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

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 outstanding. 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.

Rights to Purchase Preferred Stock -- In December 1995, the Company declared a dividend of one right (a Right) for each share of Apache common stock outstanding 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 have acquired 20 percent or more of the outstanding shares of Apache common stock or 10 business days following commencement of an offer for 30 percent or more of the outstanding shares of Apache common stock. In addition, 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 percent of the then-market price. Any Rights that are or were beneficially owned by a person who has acquired 20 percent or more of the 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 after January 31, 1996 will include Rights. Unless and until the Rights become exercisable, they will be transferred with and only with the shares of Apache common stock.

APACHE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

8. NON-CASH INVESTING AND FINANCING ACTIVITIES

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

In November 1997, Apache acquired certain assets through the Ampolex Group Transaction for cash and the assumption of certain liabilities. See Note 2.

In November 1997, the Company's \$75 million principal amount of 3.93-percent convertible notes were converted into approximately 2.8 million shares of Apache common stock at a conversion price of \$27 per share.

In May 1996, Apache acquired Phoenix for cash and shares of 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,		
	1997	1996	1995
	(IN THOUSANDS)		
Cash paid (received) during the year for:			
Interest, net of amounts capitalized.....	\$63,633	\$53,228	\$ 64,365
Income and other taxes, net of refunds.....	35,464	6,241	(15,225)

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, 1997 and 1996.

	1997		1996	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
	(IN THOUSANDS)			
Cash and cash equivalents.....	\$ 9,686	\$ 9,686	\$ 13,161	\$ 13,161
Long-term debt:				
Bank debt.....	405,000	405,000	431,250	431,250
Commercial paper.....	50,800	50,800	--	--
7.95-percent notes.....	178,531	203,868	178,518	186,354
6-percent convertible subordinated debentures.....	172,500	197,944	172,500	216,488
7.625-percent debentures.....	149,175	159,510	149,175	150,045
7.375-percent debentures.....	147,984	159,825	--	--
9.25-percent notes.....	99,805	111,210	99,772	111,020
7.7-percent notes.....	99,638	110,140	99,634	102,348
3.93-percent convertible notes.....	--	--	75,000	99,750
Money market lines and other debt.....	17,200	17,200	2,632	2,632
Apache Finance 6.5-percent notes.....	168,722	169,881	--	--
DEKALB 9.875-percent notes.....	29,225	31,598	29,225	32,203
Hedging financial instruments:				
Commodity price swaps				
-- Natural gas(1).....	--	3,319	--	10,690
-- Oil.....	--	--	--	(444)

(1) The fair value of natural gas price swaps at December 31, 1997 and 1996 reflects fixed-to-floating price swaps where there is an offsetting position with a physical contract. See Commodity Price Hedges.

APACHE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

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, 1997 and 1996.

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

Long-Term Debt -- The fair values of the 7.95-percent, 7.7-percent, 9.25-percent, 9.875-percent and 6.5-percent notes and the 7.375-percent debentures are based on the quoted market prices for those issues. The fair values of the 7.625-percent debentures, the 6-percent convertible subordinated debentures and the 3.93-percent convertible notes are based upon estimates provided to the Company by independent investment banking firms. The carrying amount of the bank debt, commercial paper and money market lines of credit approximates fair value because the interest rates are variable and reflective of market rates.

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 gains of \$14.5 million in 1997 and hedging losses in 1996 and 1995 of \$23.0 million and \$4.3 million, respectively. The 1997 hedging gain and the 1996 and 1995 hedging losses are included in oil and gas production revenues in the statement of consolidated income.

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.

Apache's consolidated balance sheet includes deferred credits totaling \$2.2 million and \$3.2 million at December 31, 1997 and 1996, respectively, for gains realized on the early termination of commodity derivative contracts in 1997 and prior years. These gains will be recognized as oil and gas production revenues over periods ranging from one to 24 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, 1997:

	1998	1999	2000	2001	2002	THEREAFTER
	-----	-----	-----	-----	-----	-----
NYMEX Based Swap Positions:						
Pay fixed price (thousand MMBtu/d)(1)....	60	60	60	20	20	20
Average swap price, per MMBtu(1).....	\$2.07	\$2.12	\$2.21	\$2.25	\$2.30	\$2.47

(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 \$2.43 in 1998 to \$2.66 in 2007. The fair value of these hedges was \$3.3 million at December 31, 1997, with \$(1.4) million of this value relating to the arrangements discussed in Note 6.

APACHE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

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, Apache received support payments when oil fell below specified reference prices during the two-year period ended June 30, 1993, and Amoco will receive payments in the event oil prices rise above specified reference prices for any year during the eight-year period ending June 30, 1999. If 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, 1997) plus interest.

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

	YEAR ENDED JUNE 30:	MMBBLs	PRICE
1998.....	-----	1.7	\$31.25
1999.....	-----	1.4	33.12

Apache was not required to make any price sharing payments in 1997, 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 and subject the lessee to liability for pollution damages. 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, require the seller to remediate the property to Apache's satisfaction, or agree to assume liability for remediation of the property. As of December 31, 1997, Apache had a reserve for environmental remediation of approximately \$6.4 million. The Company is not aware of any environmental claims existing as of December 31, 1997, 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, Poland, the Ivory Coast and Indonesia. In order to comply with the contracts and agreements granting these rights, the Company, through various wholly-owned subsidiaries, is committed to expend approximately \$200 million through 2001.

APACHE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Retirement and Deferred Compensation Plans -- The Company provides a 401(k) savings plan for employees which allows 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 six percent of each participating employee's compensation, as defined, to a money purchase retirement plan. The 401(k) plan and the money purchase retirement plan are subject to certain annually-adjusted, government-mandated restrictions which limit the amount of each employee's contributions.

For certain eligible employees, the Company also provides a non-qualified retirement/savings plan which allows the deferral of up to 50 percent of each such employee's salary, and which accepts employee contributions and the Company's matching contributions in excess of the above-referenced restrictions on the 401(k) savings plan and money purchase retirement plan. Additionally, Apache Energy Limited and Apache Canada Ltd. maintain separate retirement plans, as required under the laws of Australia and Canada, respectively.

Vesting in the Company's contributions to the 401(k) savings plan, the money purchase retirement plan and the nonqualified retirement/savings plan occurs at the rate of 20 percent per year. Total expenses under all plans were \$6.3 million, \$6.5 million and \$7.2 million for 1997, 1996 and 1995, respectively. The unfunded liability for all plans has been accrued in the consolidated balance sheet.

Lease Commitments -- The Company has leases for office space and equipment with varying expiration dates through 2007. Net rental expense was \$5.8 million, \$6.5 million and \$5.2 million for 1997, 1996 and 1995, respectively.

As of December 31, 1997, minimum rental commitments under long-term operating leases and long-term pipeline transportation commitments, ranging from one to 26 years, are as follows:

	RENTAL COMMITMENTS	SUBLEASE RENTALS	NET MINIMUM RENTAL COMMITMENTS	PIPELINE TRANSPORTATION COMMITMENTS	NET MINIMUM COMMITMENTS
	-----	-----	-----	-----	-----
			(IN THOUSANDS)		
1998.....	\$ 8,449	\$(1,228)	\$ 7,221	\$ 2,162	\$ 9,383
1999.....	8,261	(900)	7,361	2,262	9,623
2000.....	7,283	(912)	6,371	2,234	8,605
2001.....	6,406	(735)	5,671	2,216	7,887
2002.....	6,063	(506)	5,557	2,114	7,671
Thereafter.....	25,015	(337)	24,678	33,060	57,738
	-----	-----	-----	-----	-----
	\$61,477	\$(4,618)	\$56,859	\$44,048	\$100,907
	=====	=====	=====	=====	=====

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. With respect to members' votes, if there are two or more members, the approval of any decision requires the votes of at least two members holding the requisite voting interests. 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, 1997, the Company held an approximate 48 percent interest in ProEnergy.

APACHE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

11. TRANSACTIONS WITH RELATED PARTIES AND MAJOR CUSTOMERS

Related Parties -- F.H. Merelli, a member of the Company's board of directors since July 1997, is chairman, president and chief executive officer of Key Production Company, Inc. (Key). In the normal course of business, Key paid to Apache during 1997 approximately \$6.5 million for Key's proportionate share of drilling and workover costs and routine expenses relating to 360 oil and gas wells in which Key owns interests and for which Apache is the operator. Key received approximately \$14.3 million in 1997 for its proportionate share of revenues from such interests, of which approximately \$6.1 million was paid directly to Key by Apache or related entities.

Major Purchasers -- In 1997, purchases by ProEnergy and the Egyptian General Petroleum Corporation accounted for 40 percent and 13 percent of the Company's oil and gas revenues, respectively. Beginning with April 1996 production, ProEnergy was the principal purchaser of Apache's domestic natural gas production. In 1996, purchases by ProEnergy accounted for 35 percent of the Company's oil and gas revenues.

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 of the Company's oil and gas revenues in 1995.

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. However, ProEnergy remains 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:

	1997	1996	1995
	-----	-----	-----
	(IN THOUSANDS)		
Gross Operating Revenues:			
United States.....	\$ 938,789	\$ 834,983	\$ 682,432
Canada.....	57,549	48,364	40,508
Egypt.....	132,616	65,040	--
Australia.....	49,017	29,045	27,762
Other International.....	(15)	--	--
Equity in income (loss) of affiliates.....	(1,683)	(281)	--
	-----	-----	-----
Total revenues.....	\$1,176,273	\$ 977,151	\$ 750,702
	=====	=====	=====
Operating Income (Loss):			
United States.....	\$ 264,226	\$ 242,201	\$ 131,888
Canada.....	14,833	10,247	11,077
Egypt.....	72,459	35,262	--
Australia.....	19,388	10,283	7,342
Other International.....	(15)	--	(75)
	-----	-----	-----
Operating income.....	370,891	297,993	150,232
Equity in income (loss) of affiliates.....	(1,683)	(281)	--
Administrative, selling and other.....	(38,243)	(35,911)	(36,552)
Merger costs.....	--	--	(9,977)
Net financing costs.....	(72,325)	(61,606)	(70,560)
	-----	-----	-----
Income before income taxes.....	\$ 258,640	\$ 200,195	\$ 33,143
	=====	=====	=====
Identifiable Assets:			
United States.....	\$2,492,233	\$2,410,180	\$2,295,966
Canada.....	285,214	260,818	216,216
Egypt.....	687,784	512,213	13,956
Australia.....	582,487	190,867	117,921
Ivory Coast.....	10,658	9,456	1,811
Other International.....	80,257	48,896	35,580
	-----	-----	-----
Total.....	\$4,138,633	\$3,432,430	\$2,681,450
	=====	=====	=====

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	TOTAL
	-----	-----	-----	-----	-----
	(IN THOUSANDS)				
1997					
Oil and gas revenues.....	\$740,037	\$61,328	\$132,493	\$49,915	\$983,773
	-----	-----	-----	-----	-----
Operating costs:					
Depreciation, depletion and amortization.....	283,866	25,592	43,945	18,210	371,613
Lease operating expenses.....	151,236	16,122	16,212	7,226	190,796
Production taxes.....	33,539	--	--	3,492	37,031
Income tax.....	101,774	8,748	34,721	7,555	152,798
	-----	-----	-----	-----	-----
	570,415	50,462	94,878	36,483	752,238
	-----	-----	-----	-----	-----
Results of operations.....	\$169,622	\$10,866	\$ 37,615	\$13,432	\$231,535
	=====	=====	=====	=====	=====
Amortization rate per boe(1).....	\$ 6.12	\$ 3.96	\$ 5.47	\$ 5.23	\$ 5.77
	=====	=====	=====	=====	=====
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
	=====	=====	=====	=====	=====

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

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	IVORY COAST	OTHER INTERNATIONAL	TOTAL
	(IN THOUSANDS)						
1997							
Proved properties.....	\$ 4,279,089	\$ 445,314	\$379,552	\$375,037	\$ 2,328	\$ 49,671	\$ 5,530,991
Unproved properties.....	161,671	21,443	105,544	81,723	7,951	75,224	453,556
International concession rights.....	--	--	79,000	--	--	--	79,000
	4,440,760	466,757	564,096	456,760	10,279	124,895	6,063,547
Accumulated DD&A.....	(2,228,575)	(197,067)	(54,789)	(65,605)	--	(49,671)	(2,595,707)
	\$ 2,212,185	\$ 269,690	\$509,307	\$391,155	\$10,279	\$ 75,224	\$ 3,467,840
	=====	=====	=====	=====	=====	=====	=====
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	9,201	46,931	388,872
International concession rights.....	--	--	99,000	--	--	--	99,000
	4,068,424	421,639	411,532	193,587	9,201	96,602	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	\$ 9,201	\$ 46,931	\$ 2,956,338
	=====	=====	=====	=====	=====	=====	=====

APACHE CORPORATION AND SUBSIDIARIES

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

Oil and Gas Reserve Information -- Proved oil and gas reserve quantities are based on estimates prepared by the Company's engineers in accordance with guidelines established by the Securities and Exchange Commission (SEC). The Company's estimates of proved reserve quantities of its U.S., Canadian and international properties are subject to review by Ryder Scott Company Petroleum Engineers, independent petroleum engineers. In 1996, the proved reserve quantities of certain of the Company's Egyptian properties were subject to review 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.

	CRUDE OIL, CONDENSATE AND NATURAL GAS LIQUIDS					
	(THOUSANDS OF BARRELS)					
	UNITED STATES	CANADA	EGYPT	AUSTRALIA	IVORY COAST	TOTAL
TOTAL PROVED RESERVES:						
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
Extensions, discoveries and other additions.....	32,530	2,677	10,492	12,814	393	58,906
Purchases of minerals in-place.....	1,818	278	--	9,116	--	11,212
Revisions of previous estimates.....	(7,283)	(379)	4,696	--	--	(2,966)
Production.....	(15,448)	(1,003)	(7,071)	(1,612)	--	(25,134)
Sales of properties.....	(2,923)	(611)	--	--	--	(3,534)
Balance December 31, 1997.....	167,617	11,328	54,696	39,744	393	273,778
PROVED DEVELOPED RESERVES:						
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
December 31, 1997.....	133,035	11,313	42,714	15,690	393	203,145

	NATURAL GAS					
	(MILLIONS OF CUBIC FEET)					
	UNITED STATES	CANADA	EGYPT	AUSTRALIA	IVORY COAST	TOTAL
TOTAL PROVED RESERVES:						
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
Extensions, discoveries and						
other additions.....	187,270	68,877	58,685	42,936	26,208	383,976
Purchases of minerals						
in-place.....	13,295	13,897	--	136,817	--	164,009
Revisions of previous						
estimates.....	(56,632)	4,257	13,584	--	--	(38,791)
Production.....	(179,796)	(32,740)	(205)	(9,496)	--	(222,237)
Sales of properties.....	(33,940)	(6,500)	--	--	--	(40,440)
	-----	-----	-----	-----	-----	-----
Balance December 31, 1997.....	1,131,749	328,208	144,246	241,410	26,208	1,871,821
	=====	=====	=====	=====	=====	=====
PROVED DEVELOPED RESERVES:						
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
December 31, 1997.....	1,009,080	326,237	8,825	183,962	26,208	1,554,312

APACHE CORPORATION AND SUBSIDIARIES

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

Future Net Cash Flows -- Future cash inflows are based on year-end oil and gas prices except in those instances where future natural gas or oil sales are covered by physical 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	IVORY COAST	TOTAL
	-----	-----	-----	-----	-----	-----
	(IN THOUSANDS)					
1997						
Cash inflows.....	\$ 5,585,925	\$ 610,359	\$1,196,054	\$1,108,969	\$ 58,589	\$ 8,559,896
Production and development costs.....	(2,151,076)	(186,328)	(427,608)	(415,282)	(31,710)	(3,212,004)
Income tax expense.....	(776,649)	(89,852)	(235,560)	(131,017)	--	(1,233,078)
Net cash flows.....	2,658,200	334,179	532,886	562,670	26,879	4,114,814
10 percent discount rate.....	(1,049,380)	(145,899)	(179,290)	(157,385)	(19,598)	(1,551,552)
Discounted future net cash flows(2).....	\$ 1,608,820	\$ 188,280	\$ 353,596	\$ 405,285	\$ 7,281	\$ 2,563,262
	=====	=====	=====	=====	=====	=====
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 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 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
	=====	=====	=====	=====	=====	=====

(1) Included in cash inflows is approximately \$27.3 million, \$16.2 million and \$25.3 million (\$9.3 million, \$5.3 million and \$9.8 million after discount at 10 percent per annum) for 1997, 1996 and 1995, 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 \$3.3 billion, \$4.6 billion and \$2.3 billion as of December 31, 1997, 1996 and 1995, 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,		
	1997	1996	1995
	(IN THOUSANDS)		
Sales, net of production costs.....	\$ (755,946)	\$ (611,041)	\$ (443,175)
Net change in prices and production costs.....	(1,904,236)	1,336,340	201,723
Discoveries and improved recovery, net of related costs.....	644,652	775,136	210,151
Change in future development costs.....	120,462	54,236	74,047
Revision of quantities.....	(40,121)	113,819	127,939
Purchases.....	242,958	522,123	726,240
Accretion of discount.....	456,848	234,436	160,093
Change in income taxes.....	545,424	(779,980)	(186,415)
Sales of properties.....	(48,353)	(46,056)	(232,629)
Change in production rates and other.....	(17,943)	(149,055)	(80,960)
	\$ (756,255)	\$1,449,958	\$ 557,014

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 natural gas or oil 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 the full cost method of accounting are required to perform country-by-country quarterly "ceiling test" calculations. Under this test, capitalized costs of oil and gas properties, net of accumulated DD&A and deferred income taxes, may not exceed the present value of estimated future net cash flows from proved oil and gas reserves discounted at 10 percent, net of related tax effects, plus the lower of cost or fair value of unproved properties included in the costs being amortized. Application of these rules during periods of relatively low oil and gas prices, even if of short-term duration, may result in writedowns.

Many full cost companies, including Apache, are concerned about the impact of prolonged unfavorable oil 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.

APACHE CORPORATION AND SUBSIDIARIES

SUPPLEMENTAL QUARTERLY FINANCIAL DATA
(UNAUDITED)

	FIRST	SECOND	THIRD	FOURTH	TOTAL
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)				
1997					
Revenues.....	\$321,828	\$258,841	\$276,748	\$318,856	\$1,176,273
Expenses, net.....	268,951	233,095	245,963	273,368	1,021,377
Net income.....	\$ 52,877	\$ 25,746	\$ 30,785	\$ 45,488	\$ 154,896
Net income per common share(1)					
Basic.....	\$.59	\$.29	\$.34	\$.50	\$ 1.71
Diluted.....	\$.56	\$.28	\$.33	\$.48	\$ 1.65
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(1)					
Basic.....	\$.20	\$.29	\$.34	\$.57	\$ 1.42
Diluted.....	\$.20	\$.28	\$.33	\$.54	\$ 1.38

(1) Net income per common share has been restated in accordance with SFAS No. 128, as discussed in Note 1. The sum of the individual quarterly net income per common share amounts may not agree with year-to-date net income per common share as each quarterly computation is based on the weighted average number of common shares outstanding during that period. In addition, certain potentially dilutive securities were not included in certain of the quarterly computations of diluted net income per common share because to do so would have been antidilutive.

EXHIBIT INDEX

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 17, 1997 (incorporated by reference to Exhibit 4.4 to Registrant's Registration Statement on Form S-8, Registration No. 333-32557, filed July 31, 1997).
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

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- 10.1 -- 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).
- 10.2 -- 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).
- 10.3 -- 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).
- 10.4 -- Credit Agreement, dated June 12, 1997, among the Registrant, the lenders named therein, Morgan Guaranty Trust Company, as Global Documentation Agent and U.S. Syndication Agent, The First National Bank of Chicago, as U.S. Documentation Agent, NationsBank of Texas, N.A., as Co-Agent, Union Bank of Switzerland, Houston Agency, as Co-Agent, and The Chase Manhattan Bank, as Global Administrative Agent (incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K, dated June 13, 1997, SEC File No. 1-4300).
- 10.5 -- Credit Agreement, dated June 12, 1997, among Apache Canada Ltd., a wholly-owned subsidiary of the Registrant, the lenders named therein, Morgan Guaranty Trust Company, as Global Documentation Agent, Royal Bank of Canada, as Canadian Documentation Agent, The Chase Manhattan Bank of Canada, as Canadian Syndication Agent, Bank of Montreal, as Canadian Administrative Agent, and The Chase Manhattan Bank, as Global Administrative Agent (incorporated by reference to Exhibit 10.2 to Registrant's Current Report on Form 8-K, dated June 13, 1997, SEC File No. 1-4300).
- 10.6 -- Credit Agreement, dated June 12, 1997, among Apache Energy Limited and Apache Oil Australia Pty. Limited, wholly-owned subsidiaries of the Registrant, the lenders named therein, Morgan Guaranty Trust Company, as Global Documentation Agent, Bank of America National Trust and Savings Association, Sydney Branch, as Australian Documentation Agent, The Chase Manhattan Bank, as Australian Syndication Agent, Citisecurities Limited, as Australian Administrative Agent, and The Chase Manhattan Bank, as Global Administrative Agent (incorporated by reference to Exhibit 10.3 to Registrant's Current Report on Form 8-K, dated June 13, 1997, SEC File No. 1-4300).

EXHIBIT NO.

DESCRIPTION

- 10.7 -- 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).
- 10.8 -- Concession Agreement for Petroleum Exploration and Exploitation in the Khalda Area in Western Desert of Egypt by and among Arab Republic of Egypt, the Egyptian General Petroleum Corporation and Phoenix Resources Company of Egypt, dated April 6, 1981 (incorporated by reference to Exhibit 19(g) to Phoenix's Annual Report on Form 10-K for year ended December 31, 1984, SEC File No. 1-547).
- 10.9 -- Amendment, dated July 10, 1989, to Concession Agreement for Petroleum Exploration and Exploitation in the Khalda Area in Western Desert of Egypt by and among Arab Republic of Egypt, the Egyptian General Petroleum Corporation and Phoenix Resources Company of Egypt (incorporated by reference to Exhibit 10(d)(4) to Phoenix's Quarterly Report on Form 10-Q for quarter ended June 30, 1989, SEC File No. 1-547).
- 10.10 -- Farmout Agreement, dated September 13, 1985 and relating to the Khalda Area Concession, by and between Phoenix Resources Company of Egypt and Conoco Khalda Inc. (incorporated by reference to Exhibit 10.1 to Phoenix's Registration Statement on Form S-1, Registration No. 33-1069, filed October 23, 1985).
- 10.11 -- Amendment, dated March 30, 1989, to Farmout Agreement relating to the 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).
- *10.12 -- Amendment, dated May 21, 1995, to Concession Agreement for Petroleum Exploration and Exploitation in the Khalda Area in Western Desert of Egypt between Arab Republic of Egypt, the Egyptian General Petroleum Corporation, Repsol Exploracion Egipto S.A., Phoenix Resources Company of Egypt and Samsung Corporation.
- 10.13 -- 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).
- 10.14 -- Agreement for Amending the Gas Pricing Provisions under the Concession Agreement for Petroleum Exploration and Exploitation in the Qarun Area, effective June 16, 1994 (incorporated by reference to Exhibit 10.18 to Registrant's Annual Report on Form 10-K for year ended December 31, 1996, SEC File No. 1-4300).
- +10.15 -- 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).

EXHIBIT NO. -----	DESCRIPTION -----
+10.16	-- 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).
+10.17	-- 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).
+10.18	-- Apache Corporation 401(k) Savings Plan, dated August 1, 1997, effective January 1, 1997 (incorporated by reference to Exhibit 10.1 to Registrant's current Report on Form 8-K, dated August 8, 1997, SEC File No. 1-4300).
+*10.19	-- Apache Corporation Money Purchase Retirement Plan, dated December 31, 1997, effective January 1, 1997.
+10.20	-- Non-Qualified Retirement/Savings Plan of Apache Corporation, as restated January 1, 1997 (incorporated by reference to Exhibit 10.26 to Registrant's Annual Report on Form 10-K for year ended December 31, 1996, SEC File No. 1-4300).
+10.21	-- 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).
+10.22	-- 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).
+10.23	-- 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).
+10.24	-- 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).
+10.25	-- Apache Corporation 1996 Performance Stock Option Plan, as amended and restated January 14, 1997 (incorporated by reference to Exhibit 10.32 to Registrant's Annual Report on Form 10-K for year ended December 31, 1996, SEC File No. 1-4300).
+10.26	-- Apache Corporation 1998 Stock Option Plan (incorporated by reference to Appendix A to Registrant's definitive 14A Proxy Statement relating to Registrant's 1998 annual meeting of shareholders, SEC File No. 1-4300).
+10.27	-- 1990 Employee Stock Option Plan of The Phoenix Resource Companies, Inc., as amended through September 29, 1995, effective April 9, 1990 (incorporated by reference to Exhibit 10.33 to Registrant's Annual Report on Form 10-K for year ended December 31, 1996, SEC File No. 1-4300).
+10.28	-- 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).
+*10.29	-- Apache Corporation Non-Employee Directors' Compensation Plan, as amended and restated December 12, 1997.

EXHIBIT NO. -----	DESCRIPTION -----
+10.30	-- 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).
+*10.31	-- Apache Corporation Outside Directors' Retirement Plan, as amended and restated September 11, 1997.
+10.32	-- 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).
+10.33	-- Amended and Restated Employment Agreement, dated December 5, 1990, between Registrant and Raymond Plank (incorporated by reference to Exhibit 10.39 to Registrant's Annual Report on Form 10-K for year ended December 31, 1996, SEC File No. 1-4300).
+10.34	-- First Amendment, dated April 4, 1996, to Restated Employment Agreement between Registrant and Raymond Plank (incorporated by reference to Exhibit 10.40 to Registrant's Annual Report on Form 10-K for year ended December 31, 1996, SEC File No. 1-4300).
+10.35	-- 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).
+10.36	-- 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).
10.37	-- 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).
*21.1	-- Subsidiaries of Registrant
*23.1	-- Consent of Arthur Andersen LLP
*23.2	-- Consent of Ryder Scott Company Petroleum Engineers
*23.3	-- 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 10.12

AMENDMENT OF CONCESSION AGREEMENT

SIGNED BY VIRTUE OF LAW NO. 9 OF 1981

AS AMENDED BY LAW NO. 222 OF 1989

FOR PETROLEUM EXPLORATION AND EXPLOITATION

IN KHALDA AREA

WESTERN DESERT OF EGYPT

BETWEEN

THE ARAB REPUBLIC OF EGYPT

AND

THE EGYPTIAN GENERAL PETROLEUM CORPORATION

AND

REPSOL EXPLORACION EGIPTO S.A.

AND

PHOENIX RESOURCES COMPANY OF EGYPT

AND

SAMSUNG CORPORATION

THIS AMENDMENT is made and entered on this 21 day of May, 1995 by and between the ARAB REPUBLIC OF EGYPT (hereinafter referred to as the "A.R.E." or "GOVERNMENT"), the EGYPTIAN GENERAL PETROLEUM CORPORATION, a legal entity created by Law No. 167 of 1958 as amended (hereinafter referred to as "EGPC"), and REPSOL EXPLORACION EGIPTO S.A., a company organized and existing under the laws of Spain (hereinafter referred to as "REPSOL"), PHOENIX RESOURCES COMPANY OF EGYPT, a company organized and existing under the laws of the State of Delaware, U.S.A. (hereinafter referred to as "PHOENIX"), and SAMSUNG CORPORATION, a company organized and existing under the laws of Korea (hereinafter referred to as "SAMSUNG"); REPSOL, PHOENIX and SAMSUNG being hereinafter collectively referred to as "CONTRACTOR".

WITNESSETH:

WHEREAS, by the Concession Agreement for Petroleum Exploration and Exploitation, signed by virtue of Law No. 9 of 1981, and effective the

sixth day of April 1981 and which is amended by virtue of Law No. 222 for 1989 to incorporate new clauses to grant rights respecting natural gas, the GOVERNMENT granted to EGPC and other CONTRACTOR parties the right to explore for and produce petroleum from the "Khalda Area" in the Western Desert of the A.R.E. The Concession Agreement and its amendment shall be hereinafter referred to as "Concession Agreement"; and

WHEREAS, it is believed that exploratory prospects exist on the offset area to the development leases located in the Khalda Area subject of the Concession Agreement; and

WHEREAS, the Offset Area is needed so that the prospects may be tested and adequately developed if Petroleum is discovered in sufficient quantities; and

WHEREAS, in accordance with good international petroleum field practices and accepted international petroleum engineering principles, EGPC and CONTRACTOR agree to further amend the Concession Agreement in order to incorporate the aforementioned Offset Area and to provide for its development and exploitation under such Concession Agreement and this amendment.

NOW, THEREFORE, the Parties hereto agree as follows:

The Concession Agreement is hereby further amended in the following respects only:

a) By inserting the following at the end of the text of Annex "A" of which it shall be considered a part:

"In addition to the Area as described elsewhere in this Annex, the Area covered and affected by this Agreement includes the Offset Area described here-below. The Offset Area consists of Sub-Area "A" and Sub-Area "B". Both Sub-Areas shall be considered as a part of the Concession Agreement.

Both Sub Area "A" and Sub-Area "B" consist of 73 full Exploration blocks 6' x 6' and 12 parts of Exploration blocks, and excluding the Khepri/Sethos Development Lease. The total of the Offset Area is approximately 8490 Km(2). The coordinates of the corner points of the offset area are as follows:

SUB-AREA "A":

	Latitude ----- NORTH -----	Longitude ----- EAST -----	Due to -----	
1.	30 degrees 54'	27 degrees 36'	South to point	2
2.	30 degrees 30'	27 degrees 36'	West to point	3
3.	30 degrees 30'	27 degrees 06'	South to point	4
4.	30 degrees 12'	27 degrees 06'	West to point	5
5.	30 degrees 12'	26 degrees 00'	North to point	6
6.	30 degrees 30'	26 degrees 00'	East to point	7
7.	30 degrees 30'	26 degrees 12'	North to point	8
8.	30 degrees 35'	26 degrees 12'	West to point	9
9.	30 degrees 35'	26 degrees 00'	North to point	10
10.	31 degrees 00'	26 degrees 00'	East to point	11
11.	31 degrees 00'	26 degrees 24'	South to point	12
12.	30 degrees 48'	26 degrees 24'	East to point	13
13.	30 degrees 48'	26 degrees 36'	South to point	14
14.	30 degrees 42'	26 degrees 36'	East to point	15
15.	30 degrees 42'	26 degrees 48'	South to point	16
16.	30 degrees 30'	26 degrees 48'	East to point	17
17.	30 degrees 30'	27 degrees 00'	North to point	18
18.	30 degrees 36'	27 degrees 00'	East to point	19
19.	30 degrees 36'	27 degrees 12'	North to point	20
20.	30 degrees 42'	27 degrees 12'	East to point	21
21.	30 degrees 42'	27 degrees 18'	North to point	22
22.	30 degrees 48'	27 degrees 18'	West to point	23
23.	30 degrees 48'	27 degrees 12'	North to point	24
24.	30 degrees 54'	27 degrees 12'	East to point 1 (starting point)	

The Khepri/Sethos Development Lease lies within Sub-Area A, and is excluded from the additional acreage to be added to the Khalda Concession Agreement. The following are the coordinates of the corner points of this excluded area:

Khepri/Sethos Development Lease excluded area:

	Latitude ----- NORTH -----	Longitude ----- EAST -----	Due to -----	
1.	30 degrees 45'	26 degrees 25'	South to point	2
2.	30 degrees 39'	26 degrees 25'	West to point	3
3.	30 degrees 39'	26 degrees 24'	South to point	4
4.	30 degrees 38'	26 degrees 24'	West to point	5
5.	30 degrees 38'	26 degrees 13'	North to point	6
6.	30 degrees 45'	26 degrees 13'	East to point 1 (starting point)	

SUB-AREA "B":

	Latitude ----- NORTH -----	Longitude ----- EAST -----	Due to -----	
1.	31 degrees 00'	27 degrees 00'	South to point	2
2.	30 degrees 54'	27 degrees 00'	West to point	3
3.	30 degrees 54'	26 degrees 51'	South to point	4
4.	30 degrees 51'	26 degrees 51'	West to point	5
5.	30 degrees 51'	26 degrees 42'	North to point	6
6.	30 degrees 54'	26 degrees 42'	East to point	7
7.	30 degrees 54'	26 degrees 45'	North to point	8
8.	30 degrees 57'	26 degrees 45'	East to point	9
9.	30 degrees 57'	26 degrees 51'	North to point	10
10.	31 degrees 00'	26 degrees 51'	East to point 1 (starting point)	

b) By inserting map "B1" and the text attached as Exhibit (I) to this Amendment at the end of Annex "B" of which they shall be considered as an integral part.

"B1" is a map of the Offset Area to the Khalda Development Leases at a scale of 1:1,100,000. It should be noted that the delineation lines of the individual Exploration Blocks in the map "B1" are intended to be only illustrative and provisional and may not show accurately their true position in relation to existing monuments and geographical features.

c) The following provisions shall apply to this Amendment:

ARTICLE I
WORK PROGRAM AND EXPENDITURES DURING
EXPLORATION PERIOD

(i) CONTRACTOR shall commence Exploration Operations in the Offset Area hereunder not later than six (6) months after the Effective Date of this Amendment. Not later than the end of the eighteenth (18th) month after the Effective Date of this Amendment, CONTRACTOR shall start exploration drilling in the Offset Area with a commitment of drilling seven (7) wells and acquiring 100 KM(2) of seismic survey during the initial Exploration Period. EGPC shall make available for CONTRACTOR's use all seismic, wells and other exploration data in EGPC's possession with respect to the Offset Area, as EGPC is entitled to so do.

(ii) The initial Exploration period shall be four (4) years starting from the Effective Date of this Amendment. CONTRACTOR may extend this initial Exploration period for two (2) additional periods of three (3) years and two (2) years respectively, each upon at least a thirty (30) days prior written notice to EGPC subject to its fulfillment of the expenditure of its minimum Exploration obligations, and the drilling obligations hereunder for the then current period.

CONTRACTOR shall spend a minimum of Eight Million (8,000,000) U.S. Dollars on Exploration operations and activities related thereto during the initial four

(4) year Exploration period; during such initial period CONTRACTOR shall drill seven (7) wells and acquire 1000 Km of new seismic. For the first three (3) year extension period CONTRACTOR shall spend a minimum of Seven Million (7,000,000) U.S. Dollars and shall drill five (5) wells and acquire 1000 Km of new seismic, and for the second two (2) year extension period CONTRACTOR shall spend a minimum of Six Million (6,000,000) U.S. Dollars and shall drill four

(4) wells and acquire 300 Km of new seismic.

Should CONTRACTOR spend more than the minimum amount required to be expended or drill more wells than the minimum required to be drilled or conduct more seismic than the minimum required to be acquired during the initial four (4) year Exploration period, or during any period thereafter, the excess may be subtracted from the minimum amount of money required to be expended by CONTRACTOR or the minimum number of wells required to be drilled or the minimum kilometers of seismic to be acquired during any succeeding Exploration period or periods, as the case may be.

In case CONTRACTOR surrenders its Exploration rights under this Amendment before or at the end of the fourth (4th) year of the initial Exploration period, having expended less than the total sum of Eight Million (8,000,000) U.S. Dollars on Exploration, or in the event at the end of the initial four (4) year Exploration period CONTRACTOR has expended less than said sum in the Offset Area, an amount equal to the difference between the said Eight Million (8,000,000) U.S. Dollars and the amount actually spent on Exploration activities shall be paid by CONTRACTOR to EGPC at the time of surrendering or within three (3) months from the end of the fourth (4th) year of the initial Exploration period, as the case may be. Any

expenditure deficiency by CONTRACTOR at the end of any additional period for the reasons above-noted shall similarly result in a payment by CONTRACTOR to EGPC of such deficiency. Provided this Amendment is still in force as to CONTRACTOR, CONTRACTOR shall be entitled to recover any such payments as Exploration expenditures in the manner provided for under Article VII of the "Concession Agreement" according to Article IV hereunder.

In case no Commercial Discovery is established by the end of the ninth (9th) year, or in case CONTRACTOR surrenders the Offset Area under this Amendment prior to such time, EGPC shall not bear any of the aforesaid expenses spent by CONTRACTOR.

This Amendment shall be terminated only with respect to the Offset Area if no Commercial Discovery is established in the Offset Area by the end of the ninth (9th) year of the Exploration period. In the event at the end of the initial Exploration period or at the end of the first extension Exploration period a well is actually drilling or testing, CONTRACTOR shall be allowed up to a six (6) month period to enable the completion of drilling and testing of any well actually drilling or testing at the end of such period and to establish a Commercial Discovery. Such additional Six (6) month period shall be credited to the next succeeding Exploration period and consequently shall be subtracted from such succeeding Exploration period.

ARTICLE II RELINQUISHMENTS

With respect to the Offset Area, at the end of the fourth (4th) year after the Effective Date of this Amendment, CONTRACTOR shall relinquish to the GOVERNMENT a total of twenty five (25) percent of

the original Offset Area not then converted to a Development Lease or Leases. Such relinquishment shall be in units of whole Exploration Blocks or parts of Exploration Blocks not converted to Development Leases so as to enable the relinquishment requirements to be precisely fulfilled.

At the end of the seventh (7th) year after the Effective Date of this Amendment; CONTRACTOR shall relinquish to the GOVERNMENT an additional twenty five (25) percent of the Offset Area not then converted to a Development Lease or Leases. Such relinquishment shall be in units of whole Exploration Blocks or parts of Exploration Blocks not converted to Development Leases so as to enable the relinquishment requirements to be precisely fulfilled.

At the end of the ninth (9th) year of the Exploration period, CONTRACTOR shall relinquish the remainder of the Offset Area not then converted to a Development Lease or Leases.

It is understood that at the time of any relinquishment the areas to be converted into Development Leases and which are submitted to the Minister of Petroleum for his approval, according to Article (III) (d) of Law No. 222 of 1989 shall, subject to such approval, be deemed to be converted to Development Leases.

ARTICLE III OPERATIONS AFTER COMMERCIAL DISCOVERY

On Commercial Discovery, EGPC and CONTRACTOR agree that the Khalda Petroleum Company (KHALDA) shall be designated to carry out all further Exploration and Development activities in the Offset Area.

**ARTICLE IV
RECOVERY OF COSTS & EXPENSES**

The costs associated with operations in the Offset Area shall be recovered from the Petroleum produced from the Area under the Concession Agreement and according to its provisions. Notwithstanding anything to the contrary in this Amendment, recovery of such costs shall not be made until, with respect to Crude Oil, commercial production from the Offset Area (whether directly or through drainage) commences on regular basis or, with respect to Gas, a Commercial Discovery occurs from the Offset Area and a gas sales agreement can be applied as approved by EGPC, no costs associated with operations within the Offset Area shall be recovered in the event the Offset Area is surrendered pursuant to the provisions of Article II hereinabove.

**ARTICLE V
GAS AND LPG PRICING**

The Concession Agreement signed by virtue of Law No. 9 of 1981 for petroleum Exploration and Exploitation in Khalda Area as amended by the Agreement signed by virtue of Law No. 222 of 1989 shall remain in effect and shall continue to apply only as to Gas produced from Khalda, Khalda West and Salem Development leases.

However, for any new Gas production through new Development operations; the following Article VII(c)(3) shall be added after Article VII(c)(2) of the Concession Agreement signed by virtue of Law No. 9 of 1981 as amended by Law no. 222 of 1989 and shall apply:

(3) Gas and LPG

(i) The Cost Recovery and Profit Shares of Gas subject to a Gas Sales Agreement between EGPC and CONTRACTOR (as sellers) and EGPC (as buyer) entered into pursuant to

Article VII (e) of the Concession Agreement shall be valued, delivered to and purchased by EGPC at a price determined monthly according to the following formula:

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

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 EGPC 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) of the Concession

Agreement, and is to enable EGPC to finance and maintain the portions of the pipeline distribution system to be provided by EGPC.

(ii) The Cost Recovery and Profit Shares of LPG produced from a plant constructed and operated by or on behalf of EGPC 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 EGPC and CONTRACTOR):

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

42.96x10(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 issues 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 valuation of LPG is based upon delivery at the delivery point specified in Article VII (e) (2) (iii) of the Concession Agreement.

(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 EGPC and CONTRACTOR other than to EGPC pursuant to Article VII (e) of the Concession Agreement shall be valued at their actual realized price.

ARTICLE VI BONUSES

CONTRACTOR shall pay to EGPC a non-recoverable signature bonus of One Million (1,000,000) U.S. Dollars on the Effective Date of this Amendment.

ARTICLE VII MISCELLANEOUS

(a) The word "petroleum" is substituted for the words "crude oil" where they appear on three separate occasions in Article III(g)(1) and Article III(g)(2)(i) of the Concession Agreement.

(b) Article III(g)(2)(i)(b) of the Concession Agreement is amended to read as follows:

The value, as determined in paragraph (c) of Article VII of the EGPC share of the Excess Cost Recovery Petroleum taken and

separately disposed of by CONTRACTOR pursuant to Article VII, paragraph (a)(2);

PLUS

(c) Article III (g) of the Concession Agreement is hereby renumbered as Article III (h). This Article III (h) shall read as follows:

In calculating its A.R.E. Income Taxes, EGPC shall be entitled to deduct all royalties paid by EGPC to the GOVERNMENT and CONTRACTOR's Egyptian income tax paid by EGPC on CONTRACTOR's behalf.

(d) The last paragraph of Article IV of Annex "D" of the Concession Agreement which states: "Operating Company shall not engage in any business or undertake any activity beyond the performance of said operations.", shall be deleted and replaced by the following: "Operating company shall not engage in any business or undertake any activity beyond the performance of said operations unless otherwise agreed upon by EGPC and CONTRACTOR".

ARTICLE VIII

CONCESSION AGREEMENT FORCE

Except as may be amended by this Amendment, the Concession Agreement and its amendment shall continue in full force and effect in accordance with their terms.

ARTICLE IX

EFFECTIVE DATE AND A.R.E. GOVERNMENT APPROVAL

The effective date of this Amendment shall be the date this Amendment is signed by the Parties after the law is issued by the

competent authorities of the A.R.E., authorizing the Minister of Petroleum to sign this Amendment, and giving to this Amendment full force and effect of law notwithstanding any countervailing governmental enactment.

REPSOL EXPLORACION EGIPTO S.A.

By: /s/ REPSOL EXPLORACION EGIPTO S.A.

Date: May 21, 1995

PHOENIX RESOURCES COMPANY OF EGYPT

By: /s/ JOHN E. BRUNO

Date: May 21, 1995

SAMSUNG CORPORATION

By: /s/ SAMSUNG CORPORATION

Date: May 21, 1995

EGYPTIAN GENERAL PETROLEUM CORPORATION

By: /s/ EGYPTIAN GENERAL PETROLEUM CORPORATION

Date: May 21, 1995

ARAB REPUBLIC OF EGYPT

By: /s/ ARAB REPUBLIC OF EGYPT

Date: May 21, 1995

[MAP]

MAP "B1"

AMENDMENT OF CONCESSION AGREEMENT SIGNED BY VIRTUE OF LAW No. 9

OF 1981 AS AMENDED

[EGYPTIAN TRANSLATION]

BETWEEN

THE ARAB REPUBLIC OF EGYPT

AND

THE GENERAL PETROLEUM CORPORATION

AND

REPSOL EXPLORACION EGIPTO S.A.

AND

PHOENIX RESOURCES COMPANY OF EGYPT

AND

SAMSUNG CORPORATION

IN 8490 KM2 APPROXIMATELY

SCALE 1:1,100,000

EXHIBIT 10.19

APACHE CORPORATION

MONEY PURCHASE RETIREMENT PLAN

JANUARY 1, 1997

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Appendix A -- Participating Companies
Appendix B -- DEKALB Energy Company

**APACHE CORPORATION
MONEY PURCHASE RETIREMENT PLAN**

PREAMBLE

Apache Corporation, a Delaware corporation ("Apache"), hereby establishes this money purchase pension plan (the "Plan"), which is intended to be qualified under Code section 401(a). The Plan is effective as of January 1, 1997.

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

**ARTICLE I
DEFINITIONS**

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

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

1.2 "Account" means the account established pursuant to section 4.1.

1.3 "Affiliated Entity" means:

(a) For all purposes of the Plan except those listed in subsection

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

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

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

1.5 "Annual Addition" means the allocations to a Participant's Account for any Limitation Year, as described in detail below.

(a) Annual Additions shall include: (i) Company Contributions (except as provided in paragraphs (b)(iii) and (b)(v)) to this Plan and Company contributions to any other defined contribution plan maintained by the Company or any Affiliated Entity, (ii) after-tax contributions to any other defined contribution plan maintained by the Company or an Affiliated Entity; (iii) elective deferrals by the Participant, pursuant to Code section 401(k), to any other defined contribution plan maintained by the Company or an Affiliated Entity; (iv) forfeitures allocated to a Participant's Account in this Plan and any other defined contribution plan maintained by the Company or any Affiliated Entity (except as provided in paragraphs (b)(iii) and (b)(v) below); (v) all amounts paid or accrued to a welfare benefit fund as defined in Code section 419(e) and allocated to the separate account (under the welfare

benefit fund) of a Key Employee to provide post-retirement medical benefits; and (vi) contributions allocated on the Participant's behalf to any individual medical account as defined in Code section 415(1)(2).

(b) Annual Additions shall not include: (i) rollover contributions made pursuant to Code section 402(c), 403(a)(4), 403(b)(8), 405(d)(3), 408(d)(3), or 409(b)(3)(C) to any defined contribution plan maintained by the Company or an Affiliated Entity; (ii) repayments of loans made to a Participant from a qualified plan maintained by the Company or any Affiliated Entity; (iii) repayments of forfeitures for rehired Participants, as described in Code sections 411(a)(7)(B) and 411(a)(3)(D); (iv) direct transfers of funds from one qualified plan to any qualified plan maintained by the Company or any Affiliated Entity; or (v) repayments of forfeitures of missing individuals pursuant to section 12.12.

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

1.7 "Committee" means the administrative committee provided for in section 7.4.

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

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

1.10 "Company Mandatory Contributions" means all contributions to the Plan made by the Company pursuant to subsection 3.1(a) for the Plan Year.

1.11 "Compensation" means:

(a) Code Section 415 Compensation.

(i) 1997. This paragraph applies for 1997 only. For purposes of determining the limitation on Annual Additions under section 3.4 and the minimum contribution under section 11.4 when the Plan is top-heavy, Compensation shall mean those amounts reported as "wages, tips, other compensation" on Form W-2 by the Company or an Affiliated Entity. For purposes of section 3.4, Compensation shall be measured over a Limitation Year. For purposes of section 11.4, Compensation shall be measured over a Plan Year.

(ii) 1998 and Thereafter. This paragraph applies after 1997. For purposes of determining the limitation on Annual Additions under section 3.4 and the minimum contribution under section 11.4 when the Plan is top-heavy, Compensation shall mean those amounts reported as "wages, tips, other compensation" on Form W-2 by the Company or an Affiliated Entity and elective contributions that are not includable in the Employee's income pursuant to Code sections 125, 402(e)(3), 402(h), 403(b), 408(p), or 457. For purposes of section 3.4, Compensation shall be measured over a Limitation Year. For purposes of section 11.4, Compensation shall be measured over a Plan Year.

(b) Code Section 414(q) Compensation.

(i) 1997. This paragraph applies for 1997 only. For purposes of identifying Highly Compensated Employees and Key Employees, Compensation shall mean those amounts reported as "wages, tips, other compensation" on Form W-2 by the Company or an Affiliated Entity; Compensation shall also include elective contributions that are not includable in the Employee's income pursuant to Code sections 125, 402(e)(3), 402(h)(1)(B), or 403(b). Compensation shall be measured over a Plan Year. Compensation shall include only amounts paid to the Employee, and shall not include any additional amounts accrued by the Employee.

(ii) 1998 and Thereafter. This paragraph applies after 1997. For purposes of identifying Highly Compensated Employees and Key Employees, Compensation shall mean those amounts reported as "wages, tips, other compensation" on Form W-2 by the Company or an Affiliated Entity, and elective contributions that are not includable in the Employee's income pursuant to Code sections 125, 402(e)(3), 402(h), 403(b), 408(p), or 457. Compensation shall be measured over a Plan Year. Compensation shall include only amounts paid to the Employee, and shall not include any additional amounts accrued by the Employee.

(c) Benefit Compensation. For purposes of determining and allocating Company Mandatory Contributions under subsection 3.1(a), Compensation shall generally mean regular compensation paid by the Company.

(i) Specifically, Compensation shall include:

(A) Regular salary or wages,

(B) Overtime pay,

(C) Bonuses,

(D) Salary reductions pursuant to the Apache Corporation 401(k) Savings Plan,

(E) Salary reductions that are excludable from an Employee's gross income pursuant to Code section 125, and

(F) Amounts contributed as salary deferrals to the Company's Nonqualified Retirement/Savings Plan.

(ii) Compensation shall exclude:

(A) Commissions,

(B) Severance pay,

(C) Moving expenses,

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

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

(F) Credits or benefits under this Plan and credits or benefits under the Apache Corporation 401(k) Savings Plan (except as provided in subparagraph (i)(D)),

(G) Other contingent compensation,

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

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

(J) Bonuses paid as an inducement to enter the employment of the Company, and

(K) Any amount paid pursuant to the Apache Corporation 1996 Share Price Appreciation Plan.

Compensation shall be measured over that portion of a Plan Year while the Employee is a Covered Employee. Compensation shall include only amounts paid to the Employee during the Plan Year, and shall not include any amounts accrued by but not paid to the Employee during the Plan Year.

(d) Limit on Compensation. For purposes of calculating the minimum contribution required in top-heavy years under subsection (a) and for all purposes of subsection (c), the Compensation taken into account for the Plan Year shall not exceed the dollar limit specified in Code section 401(a)(17) in effect for the Plan Year.

1.12 "Covered Employee" means any Employee of the Company, with the following exceptions. A leased employee within the meaning of Code section 414(n)(2) shall not be a Covered Employee. A non-resident alien shall not be a Covered Employee. An Employee included in a unit of Employees covered by a collective bargaining agreement shall not be a Covered Employee unless the collective bargaining agreement specifically provides for such Employee's participation in the Plan. An Employee whose job is classified as "temporary" shall be a Covered Employee only after he or she has worked for the Company and Affiliated Entities for six consecutive months. An Employee shall not be a Covered Employee while he or she is classified as an "intern," a "consultant," or an "independent contractor."

1.13 "Determination Date" means, with respect to each Plan Year, the last day of the preceding Plan Year; provided however, that in the case of the first Plan Year of the Plan, the Determination Date shall be the last day of the first Plan Year.

1.14 "Disability" means a disability due to sickness or injury which renders an Employee incapable of performing any services for the Company or an Affiliated Entity for which the Employee is qualified by education, training, or experience. Evidence of disability satisfactory to Apache shall be required.

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

1.16 "Employee" means each individual who performs services for the Company or an Affiliated Entity and whose wages are subject to withholding by the Company or an Affiliated Entity. The term "Employee" shall include only individuals currently performing services for the Company or an Affiliated Entity, and shall exclude former Employees who are still being paid by the Company or an Affiliated Entity (whether through the payroll system, through overriding royalty payments, through exploration-related payments, or otherwise). The term "Employee" shall also include leased employees within the meaning of Code section 414(n)(2); however, if leased employees constitute 20% or less of the Non-Highly Compensated Employees of the Company and any Affiliated Entities, the term "Employee" shall not include any leased employee covered by a qualified plan described in Code section 414(n)(5)(B) that is maintained by the leased employee's employer.

1.17 "Employment Commencement Date" means the date on which an Employee first performs an Hour of Service.

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

1.19 "Five-Percent Owner" means:

- (a) With respect to a corporation, any individual who owns (either directly or indirectly according to the rules of Code section 318) more than 5% of the value of the outstanding stock of the corporation or stock processing more than 5% of the total combined voting power of all stock of the corporation.
- (b) With respect to a non-corporate entity, any individual who owns (either directly or indirectly according to rules similar to those of Code section 318) more than 5% of the capital or profits interest in the entity.

An individual shall be a Five-Percent Owner for a particular year if such individual is a Five-Percent Owner at any time during such year.

1.20 "Highly Compensated Employee" means, for each Plan Year:

- (a) An Employee with Compensation of \$80,000 (as adjusted by the Secretary of the Treasury) or more during the immediately preceding Plan Year, and
- (b) An Employee who is a Five-Percent Owner during the current Plan Year or who was a Five-Percent Owner during the immediately preceding Plan Year.

1.21 "Hour of Service" means each hour for which an Employee is paid or entitled to payment by the Company or an Affiliated Entity for the performance of duties for the Company or an Affiliated Entity during the applicable computation period. Hours of Service shall be credited to the Employee for the computation period or periods in which the duties are performed, regardless of when the Employee is paid for those duties.

1.22 "Key Employee" means an individual described in Code section 416(i)(1) and the regulations promulgated thereunder.

1.23 "Lapse in Apache Employment" means the period commencing on the Termination from Service Date and ending on the Reemployment Commencement Date. A Participant shall incur a one-year Lapse in Apache Employment if the Participant does not perform an Hour of Service in the 12-month period beginning on any anniversary of his or her Termination from Service Date.

1.24 "Limitation Year" means the calendar year.

1.25 "Non-Highly Compensated Employee" means an Employee who is not a Highly Compensated Employee.

1.26 "Non-Key Employee" means an Employee who is not a Key Employee.

1.27 "Normal Retirement Age" means age 65.

1.28 "Participant" means any individual with an Account balance under the

Plan except beneficiaries and Alternate Payees. The term "Participant" shall also include any individual who has accrued a benefit pursuant to subsection 3.1(a), but who does not yet have an Account balance.

1.29 "Period of Service" means the following.

- (a) General Rule. A period commencing on an Employee's Employment Commencement Date or Reemployment Commencement Date, whichever is applicable, and ending on his or her Termination from Service Date. A Period of Service shall also include the period between an Employee's Termination from Service Date and his or her Reemployment Commencement Date if the Employee does not incur a one-year Lapse in Apache Employment between such dates; however, the period between the first and second anniversaries of an Employee's absence from work because of parental leave (as explained in paragraph 1.37(b)(i)) shall not be included in the Employee's Period of Service. Periods of Service shall not include any period following a Participant's

Termination from Service Date solely because of a severance payment of payments made to an individual with respect to his or her termination of employment.

(b) Service Before January 1, 1997. A Period of Service shall include the Employee's service with Apache and its Affiliated Entities before January 1, 1997.

(c) Service with Acquired Businesses. A Period of Service shall also include the Employee's service with the following companies. For purposes of this subsection, a company's "controlled group" means the company and any business treated as a single employer with such company pursuant to Code sections 414(b), 414(c), 414(m), or 414(o).

(i) Amoco Production Company's controlled group, for an Employee who was employed by the Amoco Production Company's controlled group and who became an Employee of the Company pursuant to the provisions of that certain Stock Purchase Agreement effective June 30, 1991, between Amoco Production Company, Apache, and others.

(ii) Hadson Energy Resources Corporation's controlled group, for an Employee who was a common-law employee of Hadson Energy Resources Corporation or Hadson Energy Limited on January 1, 1994 (which companies became part of Apache's controlled group on November 12, 1993).

(iii) Crystal Oil Company's controlled group, for an Employee who was employed by the Crystal Oil Company's controlled group at the time he or she was hired by Apache, provided that he or she was hired by Apache within a week of December 30, 1994.

(iv) Texaco Exploration & Production, Inc.'s controlled group, for an Employee who was employed by the Texaco Exploration & Production, Inc.'s controlled group at the time he or she was hired by Apache, provided that he or she was hired by Apache in late February or early March of 1995.

(v) The Phoenix Resource Companies, Inc.'s controlled group, for an Employee who was employed by The Phoenix Resource Companies, Inc.'s controlled group at the time he or she was hired by Apache, provided that he or she was hired by the Company on May 20, 1996.

1.30 "Plan Year" means the 12-month period on which the records of the Plan are kept, which shall be the calendar year.

1.31 "Qualified Domestic Relations Order ('QDRO')" means a Domestic Relations Order that creates or recognizes the existence of an Alternate Payee's right to, or assigns to an Alternate Payee the right to, receive all or a portion of the benefits payable with respect to a Participant under the Plan and with respect to which the requirements of Code section 414(p) and ERISA section 206(d)(3) are met.

1.32 "Qualified Joint and Survivor Annuity ('QJSA')" means:

(a) For a married Participant, a QJSA is an annuity that will provide equal monthly payments to the Participant for life, and if the Participant dies before his or her Spouse, the surviving Spouse shall receive monthly payments for his or her life, with each monthly payment equal to 50% of the monthly payment that the Participant received before his or her death.

(b) For an unmarried Participant, a QJSA is an annuity that will provide equal monthly payments to the Participant for life.

1.33 "Qualified Pre-Retirement Survivor Annuity ('QPSA')" means an annuity that will provide equal monthly payments to the surviving Spouse of a Participant, for the life of the surviving Spouse.

1.34 "Reemployment Commencement Date" means the first date following a Lapse in Apache Employment on which the Employee performs an Hour of Service.

1.35 "Required Beginning Date" means:

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

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

(c) If a Participant is rehired after his or her Required Beginning Date, and he or she is not a Five- Percent Owner, he or she shall be treated upon rehire as if he or she has not yet had a Required Beginning Date, with the result that his or her minimum required distributions under subsection 6.4(c) will be zero until his or her new Required Beginning Date. His or her new Required Beginning Date shall be determined pursuant to subsections (a) and (b).

1.36 "Spouse" means the individual of the opposite sex to whom a Participant is lawfully married according to the laws of the state of the Participant's domicile.

1.37 "Termination from Service Date" means the earlier of the following dates:

(a) The last day an Employee performs services for the Company or an Affiliated Entity if the Employee quits (except as provided in paragraph

(b)(iii)), is discharged, retires, or dies; or

(b) The first anniversary of the day a former Employee is absent from the Company or Affiliated Entity for any reason other than resignation, discharge, retirement, or death (such as vacation, holiday, sickness, disability, leave of absence, or temporary lay-off), with the following exceptions:

(i) If the former Employee is absent from the Company or Affiliated Entity because of parental leave (which includes only the pregnancy of the former Employee, the birth of the former Employee's child, the placement of a child with the former Employee in connection with adoption of such child by the former Employee, or the caring for such child immediately following birth or placement) on the first anniversary of the day the former Employee was first absent, the Termination from Service Date shall be the second anniversary of the day he or she was first absent.

(ii) If the former Employee is absent from the Company or Affiliated Entity for more than one year because of an approved leave of absence (either with or without pay) for any reason (including, but not limited to, jury duty) and the former Employee returns to work at or prior to the expiration of his or her leave of absence, no Termination from Service Date shall occur.

(iii) If a former Employee is absent from the Company or an Affiliated Entity because of a Disability incurred while employed by the Company or an Affiliated Entity, a Termination from Service Date shall not occur until the later of the first anniversary of his or her absence or the date he or she recovers from the Disability, regardless of whether the former Employee quits during the Disability.

1.38 "Valuation Date" means the last day of each Plan Year and any other dates as specified in section 4.2 as of which the assets of the Trust Fund are valued at fair market value and as of which the increase or decrease in the net worth of the Trust Fund is allocated among the Participants' Accounts.

1.39 "Year of Service" means all of a Participant's Periods of Service, expressed in years, and rounded down to the next whole number.

ARTICLE II PARTICIPATION

2.1 Participation.

Each Covered Employee shall be eligible to participate in the Plan on the later of January 1, 1997, or the day the Employee first becomes a Covered Employee. A Covered Employee shall cease to accrue benefits in the Plan on the day he or she ceases to be a Covered Employee.

2.2 Reemployment.

A rehired Employee shall become eligible to participate in the Plan as of the later of his or her Reemployment Commencement Date or the date he or she again becomes a Covered Employee.

2.3 Enrollment Procedure.

Notwithstanding sections 2.1 and 2.2, a Covered Employee shall not be eligible to participate in the Plan until after completing the enrollment procedures specified by the Committee. Such enrollment procedures may, for example, require the Covered Employee to complete and sign an enrollment form or to complete a voice-response telephone enrollment. The Covered Employee shall provide the initial investment direction, the address and date of birth of the Employee, and the name, address, and date of birth of each beneficiary of the Employee, and any other information requested by the Committee. The Committee may require that the enrollment procedure be completed a certain number of days prior to the date any Company Contribution is allocated to the Covered Employee's Account.

ARTICLE III CONTRIBUTIONS

3.1 Company Contributions.

(a) Company Mandatory Contributions. For each Plan Year, the Company shall contribute to the Trust Fund such amount of Company Mandatory Contributions as are necessary to fund the allocations described in this subsection. The Company may elect to treat any portion of forfeitures occurring during the Plan Year as Company Mandatory Contributions, pursuant to section 5.5. Each "eligible Participant" shall receive an allocation of Company Mandatory Contributions equal to 6% of the eligible Participant's Compensation. For purposes of this subsection, an "eligible Participant" is a Participant who received credit for one Hour of Service as a Covered Employee during the Plan Year and who is employed by the Company or an Affiliated Entity on the last day of the Plan Year.

(b) Miscellaneous Contributions.

(i) The Company may make additional contributions to the Plan to restore amounts forfeited from the Accounts of certain rehired Participants, pursuant to section 5.4. This additional contribution shall be required only when the forfeitures occurring during the Plan Year are insufficient to restore such forfeited amounts, as described in section 5.5.

(ii) The Company may make additional contributions to the Plan to satisfy the minimum contribution required by section 11.4. The Company may elect to use any portion of forfeitures occurring during the Plan Year for this purpose, pursuant to section 5.5.

(iii) The Company may make additional contributions to the Plan to restore the forfeited benefit of any missing individual, pursuant to section 12.12. This additional contribution shall be required only when the forfeitures occurring during the Plan Year are insufficient to restore such forfeited amounts, as described in section 5.5.

(iv) The Company may make additional contributions to the Plan to provide make-up contributions for returning servicemen, pursuant to section 13.4.

(c) Contributions Contingent on Deductibility. The Company Contributions for a Plan Year (excluding forfeitures and contributions pursuant to paragraph 3.1(b)(iv)) shall not exceed the amount allowable as a deduction for Apache's taxable year ending with or within the Plan Year pursuant to Code section 404. Company Contributions (excluding contributions pursuant to paragraph 3.1(b)(iv)) shall be paid to the Trustee no later than the due date (including any extensions) for filing the Company's federal income tax return for such year. Company Contributions shall be made without regard to current or accumulated earnings and profits. The appropriate contribution of the Company to the Trust Fund shall be paid by the Company in the form of cash.

3.2 Participant Contributions.

Participants may not contribute to this Plan. The Plan does not accept rollovers or direct transfers.

3.3 Return of Contributions.

(a) Upon the request of the Company, the Trustee shall return to the Company, any Company Contribution made under a mistake of fact. The Trustee may not return any such contribution later than one year after the Trustee received the contribution. The amount returned shall not exceed the excess of the amount contributed (reduced to reflect any decrease in the net worth of the appropriate Accounts attributable thereto) over the amount that would have been contributed without the mistake of fact. Appropriate reductions shall be made in the Accounts of Participants to reflect the return of any contributions previously credited to such Accounts.

(b) Upon the request of the Company, the Trustee shall return to the Company, any Company Contribution that is not deductible under Code section 404. All contributions under the Plan are expressly conditioned upon their deductibility for federal income tax purposes. The amount that shall be returned shall be the excess of the amount contributed (reduced to reflect any decrease in the net worth of the appropriate Accounts attributable thereto) over the amount that would have been contributed if there had not been a mistake in determining the deduction. Appropriate reductions shall be made in the Accounts of Participants to reflect the return of any contributions previously credited to such Accounts. Any contribution conditioned on its deductibility shall be returned only if it is returned within one year after it is disallowed as a deduction.

(c) A contribution shall be returned under subsection (a) or (b) only to the extent that its return will not reduce the Account of a Participant to an amount less than the balance that would have been credited to the Participant's Account had the contribution not been made.

(d) All Company Contributions are conditioned on the Plan's initial qualification under Code section 401. The Trustee shall return to the Company all Company Contributions to the Plan if (i) the Company files the Plan with the IRS by the end of the time period, including extensions, for filing Apache's federal income tax return for the year in which the Plan was adopted (or the Company files the Plan by such later date as the Secretary of the Treasury may prescribe), and (ii) the Plan receives an adverse determination with respect to its initial qualification. The Trustee shall return the Company Contributions within one year of the date of the adverse determination.

3.4 Limitation on Annual Additions.

(a) Limit. The Annual Additions to a Participant's Account in this Plan and his or her accounts in any other qualified defined contribution plan maintained by the Company or an Affiliated Entity for any Limitation Year shall not exceed in the aggregate the lesser of (i) 25% of such Employee's Compensation or (ii) \$30,000 (as adjusted by the Secretary of the Treasury).

(b) Corrective Mechanism.

(i) Reduction in Annual Additions. A Participant's Annual Additions shall be reduced, to the extent necessary to satisfy the foregoing limits, if the Annual Additions arose as a result of a reasonable error in estimating Compensation, as a result of the allocation of forfeitures, or as a result of other facts and circumstances as provided in the regulations under Code section 415.

(ii) Order of Reduction, Multiple Plans. Apache also maintains the Apache Corporation 401(k) Savings Plan, a profit sharing plan containing a cash or deferred arrangement. Apache may own more than 50% of Producers Energy Marketing LLC ("ProEnergy"). When Apache's ownership of ProEnergy is above 50%, the annual additions to any qualified defined contribution plan maintained by ProEnergy will be considered Annual Additions subject to the limitation in subsection

(a). The Participant's Annual Additions shall be reduced, to the extent necessary, in the following order. First, to the extent that the Annual Additions in a single plan exceed the limits of subsection

(a), the Annual Additions in that plan shall be reduced, in the order specified in that plan, to the extent necessary to satisfy the limits of subsection (a). Then, if the Participant has Annual Additions in more than one plan and in the aggregate they exceed the limits of subsection (a), the Annual Additions will be reduced in the following order: the Annual Additions to the Apache Corporation 401(k) Savings Plan, in the order specified in that plan; then the Annual Additions to ProEnergy's plans, in the order specified in those plans; then the Annual Additions to this Plan.

(iii) Disposition of Excess Annual Additions. Any reduction of Company Contributions shall be placed in a suspense account in the Trust Fund and used to reduce future Company Contributions to the Plan. The following rules shall apply to such suspense account: (A) no further Company Contributions may be made if the allocation thereof would be precluded by Code section 415; (B) any increase or decrease in the net value of the Trust Fund attributable to the suspense account shall not be allocated to the suspense account, but shall be allocated to the Accounts; and (C) all amounts held in the suspense account shall be allocated as of each succeeding allocation date on which forfeitures may be allocated pursuant to section 5.5 (and may be allocated more frequently if the Committee so directs), until the suspense account is exhausted.

ARTICLE IV INTERESTS IN THE TRUST FUND

4.1 Participants' Accounts.

The Committee shall establish and maintain a separate Account in the name of each Participant, but the maintenance of such Accounts shall not require any segregation of assets of the Trust Fund. Each Account shall contain the Company Contributions allocated to the Participant and the increase or decrease in the net worth of the Trust Fund attributable to such contributions.

4.2 Valuation of Trust Fund.

(a) General. The Trustee shall value the assets of the Trust Fund at least annually as of the last day of the Plan Year, and as of any other dates determined by the Committee, at their current fair market value and determine the net worth of the Trust Fund. In addition, the Committee may direct the Trustee to have a special valuation of the assets of the Trust Fund when the Committee determines, in its sole discretion, that such valuation is necessary or appropriate or in the event of unusual market fluctuations of such assets. Such special valuation shall not include any contributions made by Participants since the preceding Valuation Date, any Company Contributions for the current Plan Year, or any unallocated forfeitures. The Trustee shall allocate the expenses of the Trust Fund occurring since the preceding Valuation Date, pursuant to section 8.2, and then determine the increase or decrease in the net worth of the Trust Fund that has occurred since the preceding Valuation Date. The Trustee shall determine the share of the increase or decrease that is attributable to the non-separately accounted for portion of the Trust Fund and to any amount separately accounted for, as described in subsections (b) and (c).

(b) Mandatory Separate Accounting. The Trustee shall separately account for (i) any individually directed investments permitted under section 8.3, and (ii) amounts subject to a Domestic Relations Order, to provide a more equitable allocation of any increase or decrease in the net worth of the Accounts.

(c) Permissible Separate Accounting. The Trustee may separately account for the following amounts to provide a more equitable allocation of any increase or decrease in the net worth of the Trust Fund:

(i) the distributable amount of a Participant, including any amount distributable to an Alternate Payee or to a beneficiary of a deceased Participant; and

(ii) Company Contributions made since the preceding Valuation Date;

(iii) Any other amounts for which separate accounting will provide a more equitable allocation of the increase or decrease in the net worth of the Trust Fund.

4.3 Allocation of Increase or Decrease in Net Worth.

(a) The Committee shall, as of each Valuation Date, allocate the increase or decrease in the net worth of the Trust Fund that has occurred since the preceding Valuation Date between the non-separately accounted for portion of the Trust Fund and the amounts separately accounted for that are identified in subsections 4.2(b) and 4.2(c).

(b) The increase or decrease attributable to the non-separately accounted for portion of the Trust Fund shall be allocated among the appropriate Accounts in the ratio that the dollar value of each such Account bore to the aggregate dollar value of all such Accounts on the preceding Valuation Date after all allocations and credits made as of such date had been completed.

(c) After the allocation in subsection (b) is completed, the Committee shall allocate any amounts separately accounted for (including the increase or decrease in the net worth of the Trust Fund attributable to such amounts) to the appropriate Account.

ARTICLE V AMOUNT OF BENEFITS

5.1 Vesting Schedule.

(a) General Rule. Unless subsections (b) or (c) provide for faster vesting, a Participant's interest in his Account shall become vested in accordance with the following schedule:

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

(b) Full Vesting in Certain Circumstances. A Participant shall have a fully vested and nonforfeitable interest in his or her Account (i) upon his or her Normal Retirement Age if he or she is an Employee on such date, (ii) upon his or her death while an Employee or while on an approved leave of absence from the Company or an Affiliated Entity, or (iii) upon his or her termination of employment with the Company or an Affiliated Entity because of a Disability.

(c) Change of Control. The Accounts of all Participants shall be fully vested as of the effective date of a "change in control." For purposes of this subsection, a "change of control" shall mean the event occurring when a person, partnership, corporation, or other legal entity, together with all persons, partnerships, corporations, and other legal entities acting in concert with such person, partnership, corporation, or other legal entity, or any or all of them, acquires more than 20% of Apache's outstanding voting securities; provided that a change of control shall not occur if, prior to the acquisition of more than 20% of Apache's voting securities, Apache's Board of Directors by majority vote designates the person, partnership, corporation, or other legal entity as an approved acquiror and resolves that a change of control will not occur for purposes of this Plan.

5.2 Forfeitures.

(a) Notwithstanding the vesting rules of section 5.1, Annual Additions to a Participant's Accounts and any increase or decrease in the net worth of the Participant's Accounts attributable to such Annual Additions may be reduced to satisfy the limits described in section 3.4. Any reduction shall be allocated as specified in section 3.4.

(b) Notwithstanding the vesting rules of section 5.1, a missing individual's vested Accounts may be forfeited as of the last day of any Plan Year, as provided in section 12.12. Any such forfeiture shall be allocated as specified in section 5.5.

(c) A Participant's non-vested interest in his or her Account shall be forfeited at the end of the Plan Year in which the Participant terminates employment. Any such forfeiture shall be allocated as specified in section 5.5.

5.3 Restoration of Forfeitures.

(a) The forfeiture of a missing individual's Account, as described in section 12.12, shall be restored to such individual if the individual makes a claim for such amount.

(b) If a Participant is rehired before incurring five-consecutive one-year Lapses in Apache Employment, and the Participant has received a distribution of his or her entire vested interest in his or her Account (with the result that the Participant forfeited his or her non-vested interest in such Account), then the exact amount of the forfeiture shall be restored to the Participant's Account. All the rights, benefits, and features available to the Participant when the forfeiture occurred shall be available with respect to the restored forfeiture.

(c) If a Participant who is rehired before incurring five consecutive one-year Lapses in Apache Employment has his or her Accounts restored as above provided, and again terminates employment prior to becoming fully vested in his or her Account, the vested portion of his or her Account shall be determined by applying the vested percentage determined under section 5.1 to the sum of (A) and (B), then subtracting (B) from

such sum, where: (A) is the value of the Participant's Account as of the Valuation Date immediately following his or her most recent termination of employment; and (B) is the amount previously distributed to the Participant on account of the prior termination of employment.

(d) If a Participant is rehired after having incurred five consecutive one-year Lapses in Apache Employment, then no amount forfeited from his or her Account shall be restored to that Account.

5.4 Method of Forfeiture Restoration.

Forfeitures that are restored pursuant to section 5.3 shall be accomplished by an allocation of the forfeitures occurring during the Plan Year, pursuant to section 5.5, or if such forfeitures are insufficient, by a special Company Contribution, pursuant to paragraph 3.1(b)(i).

5.5 Allocation of Forfeitures.

The forfeitures that occur during a Plan Year shall be allocated first to restore the forfeited portions of the Accounts of reemployed Participants described in section 5.3. Any remaining forfeitures shall be used to pay those expenses of the Plan that are properly payable from the Trust Fund or to reduce any type(s) of Company Contributions for the Plan Year in which the forfeiture occurred. Apache shall decide, on behalf of each employer, the amount and type(s) of Company Contributions or Plan expenses the forfeitures shall reduce.

5.6 Credits for Pre-Lapse Service.

(a) Company Contributions Made After Reemployment.

(i) A Participant who is vested in any portion of his or her Account, who incurs a one-year Lapse in Apache Employment, and who is thereafter reemployed, shall receive credit for vesting purposes for Years of Service prior to a one-year Lapse in Apache Employment upon completing a Year of Service after such one-year Lapse in Apache Employment.

(ii) A Participant who is not vested in any portion of his or her Account, who incurs a one-year Lapse in Apache Employment, and who is thereafter reemployed, shall receive credit for vesting purposes for Years of Service prior to a one-year Lapse in Apache Employment only if (A) the Participant completes a Year of Service after such Lapse in Apache Employment, and (B) the number of consecutive one-year Lapses in Apache Employment is less than the greater of five or the aggregate number of Years of Service before such lapse.

(b) Company Contributions Made Prior to Termination. Years of Service after a Participant has incurred five consecutive one-year Lapses in Apache Employment shall be disregarded in determining the vested percentage in a Participant's Account at the time of the lapse.

5.7 Transfers - Portability.

If any other employer adopts this or a similar money purchase pension plan and enters into a reciprocal agreement with the Company that provides that

(a) the transfer of a Participant from such employer to the Company (or vice versa) shall not be deemed a termination of employment for purposes of the plans, and (b) service with either or both employers shall be credited for purposes of vesting under both plans, then the transferred Participant's Account shall be unaffected by the transfer, except, if deemed advisable by the Committee, it may be transferred to the trustee of the other plan.

5.8 Reemployment - Separate Account.

If a Participant who is not fully vested terminates employment and then returns to employment with the Company or an Affiliated Entity before receiving the entire vested portion of his or her Account, the vested portion

that has not been distributed shall be held in a separate Account for such Participant. The Participant shall be fully vested in such Account and no further Company Contributions shall be allocated to that Account. In all other respects, such Account shall be treated as a regular Account. A new Account shall be established to which all appropriate Company Contributions made after the date of reemployment shall be allocated. If a Participant becomes fully vested in two or more Accounts, all such amounts shall be merged into one Account.

ARTICLE VI DISTRIBUTION OF BENEFITS

6.1 Beneficiaries.

(a) Designating Beneficiaries. Each Account Owner shall file with the Committee a designation of the beneficiaries and contingent beneficiaries to whom the distributable amount (determined pursuant to section 6.2) shall be paid in the event of the Account Owner's death. In the absence of an effective beneficiary designation as to any portion of the distributable amount after a Participant dies, such amount shall be paid to the Participant's surviving Spouse, or, if none, to his or her estate. In the absence of an effective beneficiary designation as to any portion of the distributable amount after any non-Participant Account Owner dies, such amount shall be paid to the Account Owner's estate. A beneficiary designation may be changed by the Account Owner at any time and without the consent of any previously designated beneficiary.

(b) Special Rule for Married Participants. If the Account Owner is a married Participant, his or her Spouse shall be the sole beneficiary unless the Spouse has consented to the designation of a different beneficiary. To be effective, the Spouse's consent must be in writing, witnessed by a notary public, and filed with the Committee. The Spouse must also consent to waive the QPSA with respect to the benefits payable to another beneficiary, as described in subsection (c). The Spouse cannot revoke his or her consent to waive the QPSA. Any spousal consent shall be effective only as to the Spouse who signed the consent.

(c) Waiver of QPSA. In order for the QPSA to be waived, the Participant must elect to waive the QPSA (which the Participant may do by naming a beneficiary other than his or her Spouse) and the Spouse must consent to the Participant's election. The Committee shall provide the Participant with a written explanation that describes the terms and conditions of the QPSA, the Participant's right to choose another beneficiary, the rights of the Participant's Spouse to insist upon a QPSA, and the Participant's right to revoke his or her election. The Participant may revoke the QPSA waiver at any time. The written explanation must be provided within the following time limits. If the Participant terminates employment prior to age 35, the explanation must be provided within the period beginning one year before and ending one year after the termination of employment. If the Participant terminates employment on or after age 35, the explanation must be provided within the one of the following periods (whichever period ends last): (i) the period beginning on the first day of the Plan Year in which the Participant attains age 32 and ending on the last day of the Plan Year in which the Participant attains age 34; (ii) the period beginning one year before, and ending one year after, the Participant first becomes eligible to participate in the Plan; and (iii) the period beginning one year before, and ending one year after, a married Participant is fully or partially vested in his or her Account (which will normally occur either when the Participant gets married or when the Participant completes one Year of Service). If the Participant elects to waive the QPSA, with the consent of his or her Spouse, before the first day of the Plan Year in which the Participant attains age 35, the waiver shall become invalid on the first day of the Plan Year in which the Participant attains age 35.

(d) Special Rule for Divorces. If a Participant has designated his or her Spouse as his or her beneficiary, and the Participant and that Spouse subsequently divorce, then the beneficiary designation shall be void and of no effect on the day such divorce is final.

6.2 Distributable Amount.

The distributable amount of a Participant's Account is the vested portion of the Account, reduced by any amount that is payable to an Alternate Payee pursuant to section 12.9. Furthermore, the Committee shall temporarily suspend or limit distributions (by reducing the distributable amount), as explained in subsections

12.9(e) and 12.9(h), (a) when the Committee is informed that a QDRO affecting the Participant's Accounts is in process or may be in process, or (b) while the Committee believes that the Plan may have a cause of action against the Participant.

6.3 Manner of Distribution.

(a) Participants. This subsection shall apply to distributions to Participants.

(i) Form of Distribution. The distributable amount shall be paid in the form of either a single payment or a QJSA, except that a distribution of a small account under subsection 6.4(d) shall be paid in the form of a single payment. The distribution to a Participant shall be in the form of a QJSA unless the Participant elects a single payment and, if the Participant is married, his or her Spouse consents to the single payment.

(ii) Consent of Participant and Spouse.

(A) General. Except as provided in subparagraph (B), a distribution shall not be made unless the Participant consents to the timing of the distribution. If the Participant is married and chooses a single payment, the Participant's Spouse must consent to both the form of payment and the time of the payment, except as provided in subparagraph (B).

(B) Exceptions to General Rule. The consent of the Participant is not required, nor is the consent of a married Participant's Spouse required, for distributions of small amounts pursuant to subsection 6.4(d) or for the distribution of an annuity upon the Participant's Required Beginning Date, as described in subsection 6.4(c).

(iii) Method of Spouse's Consent. The consent of a Participant's Spouse must be in writing. The consent is not valid unless the Committee has provided the written explanation described in paragraph (iv). The Spouse must acknowledge the affect of his or her consent. The Spouse's consent must be witnessed by a Committee member or by a notary public.

(iv) Distribution Procedure. The Committee shall provide the Participant with a written explanation that contains the information required by the Code and Treasury Regulations. The information shall include, at a minimum, the terms and conditions of the QJSA, the Participant's right to elect a single payment in lieu of a QJSA, the effect of the Participant electing a single payment in lieu of a QJSA, the right of the Participant's Spouse to insist upon a QJSA, and the Participant's right to revoke his or her distribution election. After the Participant receives this information, the Participant may elect in writing at any time to receive a single payment or a QJSA. The Committee may process the Participant's distribution at any time between 8 and 90 days after the Committee provides the information. The Participant may revoke his or her election at any time before his or her distribution is processed. If the distribution is in the form of a QJSA, the first payment shall be made as soon as administratively practicable.

(b) Beneficiaries. The distributable amount that is left to a beneficiary shall be paid in the form of a single payment, unless the beneficiary is the Participant's Spouse and the Participant's Account balance is greater than \$3,500 (\$5,000 effective January 1, 1998), in which case the distributable amount shall be paid, at the election of the surviving Spouse, in the form of either a single payment or a QPSA.

(c) Alternate Payees. If the Alternate Payee is not the Participant's Spouse or former spouse, the amount assigned to the Alternate Payee shall be paid in the form of a single payment. If the Alternate Payee is the Participant's Spouse or former spouse, then unless the next sentence applies, the amount assigned to an Alternate

Payee shall be paid, at the election of the Alternate Payee or as specified in the QDRO, in the form of either a single payment or an annuity for the life of the Alternate Payee. If the amount assigned to the Alternate Payee is \$3,500 (\$5,000 effective January 1, 1998) or less (calculated in accordance with the applicable Treasury regulations), then the Alternate Payee shall receive a single sum distribution.

(d) Annuities. If the distribution is to be in the form of an annuity, the Plan shall purchase an annuity contract that satisfies the requirements specified in the Plan and in Code sections 401(a)(11) and 417, and shall distribute such contract to the distributee. The payments under an annuity shall begin as soon as administratively practicable after the annuity contract is distributed. The payments shall remain constant for the duration of the annuity, except for a QJSA where the Spouse outlives the Participant, in which case the payments are halved when the Participant dies.

6.4 Time of Distribution.

(a) Earliest Date of Distribution. Unless an earlier distribution is permitted by subsection (b) or required by subsection (c), the earliest date that a Participant may elect to receive a distribution is as follows.

(i) Termination of Employment or Disability. A Participant may elect to receive a distribution as soon as practicable after he or she terminates employment or incurs a Disability.

(ii) During Employment. A Participant may obtain a distribution while an Employee only if he or she has attained Normal Retirement Age. After Normal Retirement Age, and while an Employee, the Participant may withdraw all or any portion of his or her Account. The minimum withdrawal shall be \$1,000 or, if less, the balance of the Account. Only two withdrawals are permitted each Plan Year under this paragraph. After an Employee's Required Beginning Date, subsection (c) shall apply instead of this paragraph.

(b) Alternate Earliest Date of Distribution. Notwithstanding subsection (a), unless a Participant elects otherwise, his or her distribution shall commence no later than 60 days after the close of the latest of: (i) the Plan Year in which the Participant attains Normal Retirement Age; (ii) the Plan Year in which occurs the tenth anniversary of the year in which the Participant commenced participation in the Plan; and (iii) the Plan Year in which the Participant terminates employment with the Company and Affiliated Entities. If a Participant does not affirmatively elect a distribution, he or she shall be deemed to have elected to defer the distribution to a date later than that specified in the preceding sentence.

(c) Latest Date of Distribution. The entire distributable amount shall be distributed (i) in a single payment not later than the Required Beginning Date, or (ii) in the form of an annuity with payments beginning no later than the Required Beginning Date. The terms of the annuity shall comply with the applicable Treasury Regulations. The payment will be in the form of an annuity unless the Participant elects a single payment and, if the Participant is married, his or her Spouse consents to the single payment.

(d) Small Amounts. If the aggregate value of the nonforfeitable portion of a Participant's Account is \$3,500 (\$5,000 effective January 1, 1998) or less (calculated in accordance with the applicable Treasury regulations) upon the Participant's termination of employment, then the Participant shall receive a single sum distribution as soon as practicable in the calendar year after the calendar year in which the Participant terminated employment.

(e) Distribution Upon Participant's Death. If the aggregate cash value of the nonforfeitable portion of the Participant's Account is \$3,500 (\$5,000 effective January 1, 1998) or less (calculated in accordance with applicable Treasury regulations), each beneficiary shall receive a single payment as soon as administratively practicable after the Participant's death. Otherwise, the beneficiary may elect to have the distributable amount distributed at any time before the end of the calendar year containing the fifth anniversary of the Participant's death, unless the beneficiary is the Participant's Spouse, in which case the surviving Spouse may elect to defer distribution until the end of the calendar year in which the Participant would have attained age 70-1/2, or, if later,

the end of the calendar year containing the first anniversary of the Participant's death. If the surviving Spouse makes such an election but dies before receiving the entire distributable amount, then the remaining amount shall be paid to the beneficiary of the surviving Spouse in a single payment as soon as administratively practicable after the surviving Spouse's death.

(f) Alternate Payee. Distributions to Alternate Payees and their beneficiaries shall be made as specified in section 12.9.

6.5 Direct Rollover Election.

(a) General Rule. A Participant, an Alternate Payee who is the Spouse or former Spouse of the Participant, or a surviving Spouse of a deceased Participant (collectively, the "distributee") may direct the Trustee to pay all or any portion of his or her "eligible rollover distribution" to an "eligible retirement plan" in a "direct rollover." Within a reasonable period of time before an eligible rollover distribution, the Committee shall inform the distributee of this direct rollover option, the appropriate withholding rules, other rollover options, the options regarding income taxation, and any other information required by Code section 402(f).

(b) Definition of Eligible Rollover Distribution. For purposes of this section only, an "eligible rollover distribution" is any distribution or in-service withdrawal other than (i) distributions required under Code section 401(a)(9), (ii) distributions of amounts that have already been subject to federal income tax (such as defaulted loans or after-tax voluntary contributions), (iii) installment payments in a series of substantially equal payments made at least annually and (A) made over a specified period of ten or more years, (B) made for the life or life expectancy of the distributee, or (C) made for the joint life or joint life expectancy of the distributee and his or her designated beneficiary, (iv) a distribution to satisfy the limits of Code section 415 or 402(g), or (v) any other actual or deemed distribution specified in the regulations issued under Code section 402(c).

(c) Definition of Eligible Retirement Plan. For purposes of this section only, (i) for a Participant or an Alternate Payee who is the Spouse or former Spouse of the Participant, an "eligible retirement plan" is an individual retirement account or annuity described in Code section 408(a) or 408(b), an annuity plan described in Code section 403(a), or the qualified trust of a defined contribution plan that accepts eligible rollover distributions, and (ii) for a surviving Spouse of a deceased Participant, an "eligible retirement plan" is an individual retirement account or annuity.

(d) Definition of Direct Rollover. For purposes of this section only, a "direct rollover" is a payment by the Trustee to the eligible retirement plan specified by the distributee.

ARTICLE VII ALLOCATION OF RESPONSIBILITIES - NAMED FIDUCIARIES

7.1 No Joint Fiduciary Responsibilities.

The Trustee(s) and the Committee shall be the named fiduciaries under the Plan and Trust agreement and shall be the only named fiduciaries thereunder. The fiduciaries shall have only the responsibilities specifically allocated to them herein or in the Trust agreement. Such allocations are intended to be mutually exclusive and there shall be no sharing of fiduciary responsibilities. Whenever one named fiduciary is required by the Plan or Trust agreement to follow the directions of another named fiduciary, the two named fiduciaries shall not be deemed to have been assigned a shared responsibility, but the responsibility of the named fiduciary giving the directions shall be deemed his or her sole responsibility, and the responsibility of the named fiduciary receiving those directions shall be to follow them insofar as the instructions are on their face proper under applicable law.

7.2 The Company.

The Company shall be responsible for: (a) making Company Contributions; (b) certifying to the Trustee the names and specimen signatures of the members of the Committee acting from time to time; (c) keeping

accurate books and records with respect to its Employees and the appropriate components of each Employee's Compensation and furnishing such data to the Committee; (d) selecting agents and fiduciaries to operate and administer the Plan and Trust; (e) appointing an investment manager if it determines that one should be appointed; and (f) reviewing periodically the performance of such agents, managers, and fiduciaries.

7.3 The Trustee.

The Trustee shall be responsible for: (a) the investment of the Trust Fund to the extent and in the manner provided in the Trust agreement; (b) the custody and preservation of Trust assets delivered to it; and (c) the payment of such amounts from the Trust Fund as the Committee shall direct.

7.4 The Committee - Plan Administrator.

The Board of Directors of Apache (the "Board") shall appoint an administrative Committee consisting of no fewer than three individuals who may be, but need not be, Participants, officers, directors, or Employees of the Company. If the Board does not appoint a Committee, Apache shall act as the Committee under the Plan. The members of the Committee shall hold office at the pleasure of the Board and shall service without compensation. The Committee shall be the "Plan administrator" as defined in section 3(16)(A) of ERISA. It shall be responsible for establishing and implementing a funding policy consistent with the objectives of the Plan and with the requirements of ERISA. This responsibility shall include establishing (and revising as necessary) short-term and long-term goals and requirements pertaining to the financial condition of the Plan, communicating such goals and requirements to the persons responsible for the various aspects of the Plan operations, and monitoring periodically the implementation of such goals and requirements.

7.5 Committee to Construe Plan.

(a) The Committee shall administer the Plan and shall have all discretion, power, and authority necessary for that purpose, including, but not by way of limitation, the full and absolute discretion and power to interpret the Plan, to determine the eligibility, status, and rights of all individuals under the Plan, and in general to decide any dispute and all questions arising in connection with the Plan. The Committee shall direct the Trustee concerning all distributions from the Trust Fund, including the purchase of annuity contracts, in accordance with the provisions of the Plan, and shall have such other powers in the administration of the Trust Fund as may be conferred upon it by the Trust agreement. The Committee shall maintain all Plan records except records of the Trust Fund.

(b) The Committee may adjust the Account of any Participant, in order to correct errors and rectify omissions, in such manner as the Committee believes will best result in the equitable and nondiscriminatory administration of the Plan.

7.6 Organization of Committee.

The Committee shall adopt such rules as it deems desirable for the conduct of its affairs and for the administration of the Plan. It may appoint agents (who need not be members of the Committee) to whom it may delegate such powers as it deems appropriate, except that 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.

7.7 Interested Committee Members.

If a Committee decision or action affects a small number of Participants including a Committee member, then such Committee member shall not participate in the Committee decision or action. The action of a majority of the disinterested Committee members shall constitute the action of the Committee.

7.8 Agent for Process.

Apache's Vice President, General Counsel, and Secretary shall be the agents of the Plan for service of all process.

7.9 Indemnification of Committee Members.

The Company shall indemnify and hold the members of the Committee, and each of them, harmless from the effects and consequences of their acts, omissions, and conduct in their official capacities, except to the extent that the effects and consequences thereof shall result from their own willful misconduct, breach of good faith, or gross negligence in the performance of their duties. The foregoing right of indemnification shall not be exclusive of the rights to which each such member may be entitled as a matter of law.

7.10 Conclusiveness of Action.

Any action taken by the Committee on matters within the discretion of the Committee shall be conclusive, final and binding upon all participants in the Plan and upon all persons claiming any rights hereunder, including Alternate Payees and beneficiaries.

7.11 Payment of Expenses.

The members of the Committee shall serve without compensation but their reasonable expenses shall be paid by the Company. The compensation or fees of accountants, counsel, and other specialists and any other costs of administering the Plan or Trust Fund may be charged to the Trust Fund, to the extent permissible under the provisions of ERISA.

ARTICLE VIII TRUST AGREEMENT - INVESTMENTS

8.1 Trust Agreement.

Apache has entered into a Trust agreement to provide for the holding, investment, and administration of the funds of the Plan. The Trust agreement shall be part of the Plan, and the rights and duties of any individual under the Plan shall be subject to all terms and provisions of the Trust agreement.

8.2 Expenses of Trust.

(a) Except as provided in subsection (b) below, all taxes upon or in respect of the Trust shall be paid by the Trustee out of the Trust assets, and all expenses of administering the Trust shall be paid by the Trustee out of the Trust assets, to the extent such taxes and expenses are not paid by the Company or the Account Owner. No fiduciary shall receive any compensation for services rendered to the Plan if the fiduciary is being compensated on a full-time basis by the Company.

(b) To the extent not paid by the Company, all expenses of individually directed transactions in Trust assets, including without limitation the Trustee's transaction fee, brokerage commissions, transfer taxes, interest on insurance policy loans, and any taxes and penalties that may be imposed as a result of an individual's investment direction, shall be assessed against the Account of the Account Owner directing such transactions.

8.3 Investments.

(a) Section 404(c) Plan. The Plan is intended to be a plan described in ERISA section 404(c). To the extent that an Account Owner exercises control over the investment of his or her Accounts, no person who is a

fiduciary shall be liable for any loss, or by reason of any breach, that is the direct and necessary result of the Account Owner's exercise of control.

(b) Directed Investments. Accounts shall be invested, upon the written or telephone voice-response direction of each Account Owner, in any one or more of a series of investment funds designated by the Committee from time to time. The funds available for investment and the principal features thereof, including a general description of the investment objectives, the risk and return characteristics, and the type and diversification of the investment portfolio of each fund, shall be communicated to the Account Owners in the Plan from time to time. Any changes in such funds shall be immediately communicated to all Account Owners.

(c) Absence of Directions. To the extent that an Account Owner fails to affirmatively direct the investment of his or her Accounts, the Committee shall direct the Trustee in writing concerning the investment of such Accounts. The Committee shall act by majority vote. Any dissenting member of the Committee shall, having registered his or her dissent in writing, thereafter cooperate to the extent necessary to implement the decision of the Committee.

(d) Change in Investment Directions. Account Owners may change their investment directions, with respect to the investment of new contributions and with respect to the investment of existing amounts allocated to Accounts, on any business day. The Committee shall establish procedures for giving investment directions, which shall be in writing and communicated to Account Owners.

ARTICLE IX TERMINATION AND AMENDMENT

9.1 Termination of Plan or Discontinuance of Contributions.

Apache expects to continue the Plan indefinitely, but the continuance of the Plan and the payment of contributions are not assumed as contractual obligations. Apache may terminate the Plan or discontinue contributions at any time. Upon the termination of the Plan, each Participant's Account shall become fully vested. Upon the partial termination of the Plan, the Accounts of all affected Participants shall become fully vested. The only Participants who are affected by a partial termination are those whose employment with the Company or Affiliated Entity is terminated as a result of the corporate event causing the partial termination; Employees terminated for cause are not affected by a partial termination.

9.2 Allocations upon Termination.

Upon the termination or partial termination of the Plan, the Committee shall promptly notify the Trustee of such termination. The Trustee shall promptly determine, in the manner prescribed in section 4.2, the net worth of the Trust Fund. The Trustee shall advise the Committee of any increase or decrease in such net worth that has occurred since the preceding Valuation Date. The Committee shall allocate, in the manner described in section 4.3, among the remaining Plan Accounts, in the manner described in Articles III, IV, and V, any Company Contributions or forfeitures occurring since the preceding Valuation Date.

9.3 Procedure Upon Termination of Plan.

If the Plan has been terminated or partially terminated, then, after the allocations required under section 9.2 have been completed, the Trustee shall distribute or transfer the Accounts of affected Employees as follows.

(a) If the affected Employee's Account has an aggregate value of \$3,500 (\$5,000 effective January 1, 1998) or less (calculated in accordance with applicable Treasury regulations), then the Trustee shall distribute the Employee's Account to the Employee in a single payment.

(b) If the affected Employee's Account has a value of more than \$3,500 (\$5,000 effective January 1, 1998) (calculated in accordance with applicable Treasury regulations), then the Trustee shall distribute the Employee's Account to the Employee in either a single payment or a QJSA.

(c) In lieu of distributing Accounts under subsections (a) or (b), the Company may direct the Trustee to transfer the Employee's Account to another qualified defined contribution plan maintained by the Company or an Affiliated Entity.

Any distribution or transfer made pursuant to this section shall be in cash. After all such distributions or transfers have been made, the Trustee shall be discharged from all obligation under the Trust; no Participant, Spouse, Alternate Payee, or beneficiary who has received any such distribution, or for whom any such transfer has been made, shall have any further right or claim under the Plan or Trust.

9.4 Amendment by Apache.

Apache may at any time amend the Plan in any respect, without prior notice, subject to the following limitations. No amendment shall be made that would have the effect of vesting in the Company any part of the Trust Fund or of diverting any part of the Trust Fund to purposes other than for the exclusive benefit of Account Owners. The rights of any Account Owner with respect to contributions previously made shall not be adversely affected by any amendment. No amendment shall reduce or restrict, either directly or indirectly, the accrued benefit (within the meaning of Code section 411(d)(6)) of any Account Owner before the amendment, except as permitted by the Internal Revenue Service.

If the vesting schedule is amended, each Participant with at least three Years of Service may elect, within the period specified in the following sentence after the adoption of the amendment, to have his or her nonforfeitable percentage computed under the Plan without regard to such amendment. The period during which the election may be made shall commence with the date the amendment is adopted and shall end on the latest of: (a) 60 days after the amendment is adopted; (b) 60 days after the amendment becomes effective; or (c) 60 days after the Participant is issued written notice of the amendment by the Company or Committee. Furthermore, no amendment shall decrease the nonforfeitable percentage, measured as of the later of the date the amendment is adopted or effective, of any Account Owner's Account.

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

ARTICLE X PLAN ADOPTION BY AFFILIATED ENTITIES

10.1 Adoption of Plan.

Apache may permit any Affiliated Entity to adopt the Plan and Trust for its Employees. Thereafter, such Affiliated Entity shall deliver to the Trustee a certified copy of the resolutions or other documents evidencing its adoption of the Plan and Trust.

10.2 Agent of Affiliated Entity.

By becoming a party to the Plan, each Affiliated Entity appoints Apache as its agent with authority to act for the Affiliated Entity in all transactions in which Apache believes such agency will facilitate the administration of the Plan. Apache shall have the sole authority to amend and terminate the Plan.

10.3 Disaffiliation and Withdrawal from Plan.

(a) Disaffiliation. Any Affiliated Entity that has adopted the Plan and thereafter ceases for any reason to be an Affiliated Entity shall forthwith cease to be a party to the Plan.

(b) Withdrawal. Any Affiliated Entity may, by appropriate action and written notice thereof to Apache, provide for the discontinuance of its participation in the Plan. Such withdrawal from the Plan shall not be effective until the end of the Plan Year.

10.4 Effect of Disaffiliation or Withdrawal.

If at the time of disaffiliation or withdrawal, the disaffiliating or withdrawing entity, by appropriate action, adopts a substantially identical plan that provides for direct transfers from this Plan, then, as to employees of such entity, no plan termination shall have occurred; the new plan shall be deemed a continuation of this Plan for such employees. In such case, the Trustee shall transfer to the trustee of the new plan all of the assets held for the benefit of employees of the disaffiliating or withdrawing entity, and no forfeitures or acceleration of vesting shall occur solely by reason of such action. Such payment shall operate as a complete discharge of the Trustee, and of all organizations except the disaffiliating or withdrawing entity, of all obligations under this Plan to employees of the disaffiliating or withdrawing entity and to their beneficiaries. A new plan shall not be deemed substantially identical to this Plan if it provides slower vesting than this Plan. Nothing in this section shall authorize the divesting of any vested portion of a Participant's Account.

10.5 Distribution Upon Disaffiliation or Withdrawal.

(a) Disaffiliation. If an entity disaffiliates from Apache and the provisions of section 10.4 are not followed, then the following rules apply to the Account of employees of the disaffiliating entity. If the disaffiliating entity maintains a defined contribution plan, and that plan will accept a direct transfer from this Plan, the Company may direct the Trustee to transfer the employee's Account to the other plan. Otherwise, the employee's Account shall remain in this Plan, and Article VI will govern the distribution of such Account.

(b) Withdrawal. If an Affiliated Entity withdraws from the Plan and the provisions of section 10.4 are not followed, then the following rules apply to the Accounts of Employees of the withdrawing entity. If the withdrawing entity maintains a defined contribution plan, and that plan will accept a direct transfer from this Plan, the Company may direct the Trustee to transfer the Employee's Account to the other plan. Otherwise, the Employee's Account shall remain in this Plan, and Article VI will govern the distribution of such Account.

ARTICLE XI TOP-HEAVY PROVISIONS

11.1 Application of Top-Heavy Provisions.

The provisions of this Article XII shall be applicable only if the Plan becomes "top-heavy" as defined below for any Plan Year. If the Plan becomes "top-heavy" as of the Determination Date for a Plan Year, the provisions of this Article XII shall apply to the Plan effective as of the first day of such Plan Year and shall continue to apply to the Plan until the Plan ceases to be "top-heavy" or until the Plan is terminated or otherwise amended.

11.2 Determination of Top-Heavy Status.

The Plan shall be considered "top-heavy" for a Plan Year if, as of the Determination Date for that Plan Year, the aggregate of the Account balances (as calculated according to the regulations under Code section 416) of Key Employees under this Plan (and under all other plans required or permitted to be aggregated with this Plan) exceeds 60% of the aggregate of the Account balances (as calculated according to the regulations under Code section 416) in this Plan (and under all other plans required or permitted to be aggregated with this Plan) of all

current Employees and all former Employees who terminated employment within five years of the Determination Date. This ratio shall be referred to as the "top-heavy ratio". For purposes of determining the Account balance of any Participant, distributions made with respect to such individual within a five-year period ending on the Determination Date shall be included. This shall also apply to distributions under a terminated plan that, if it had not been terminated, would have been required to be included in an aggregation group. The Account balances of a Participant who had once been a Key Employee, but who is not a Key Employee during the Plan Year, shall not be taken into account. The following plans must be aggregated with this Plan for the top-heavy test: (a) a qualified plan maintained by the Company or an Affiliated Entity in which a Key Employee participated during this Plan Year or during the previous four Plan Years and (b) any other qualified plan maintained by the Company or an Affiliated Entity that enables this Plan or any plan described in clause (a) to meet the requirements of Code sections 401(a)(4) or

410. The following plans may be aggregated with this Plan for the top-heavy test: any qualified plan maintained by the Company or an Affiliated Entity that, in combination with the Plan or any plan required to be aggregated with this Plan when testing this Plan for top-heaviness, would satisfy the requirements of Code sections 401(a)(4) and 410. If one or more of the plans required or permitted to be aggregated with this Plan is a defined benefit plan, a Participant's "account balance" shall equal the present value of his or her accrued benefit, including any distributions within five years of the Determination Date. If the aggregation group includes more than one defined benefit plan, the same actuarial assumptions shall be used with respect to each such defined benefit plan. The foregoing top-heavy ratio shall be computed in accordance with the provisions of Code section 416(g), together with the regulations and rulings thereunder.

11.3 Special Vesting Rule.

Unless section 5.1 provides for faster vesting, the amount credited to the Participant's Account shall vest in accordance with the following schedule during any top-heavy Plan Year:

Completed Years of Service -----	Vested Percentage -----
fewer than 2	0%
2	20%
3	40%
4	60%
5	80%
6 or more	100%

11.4 Special Minimum Contribution.

Notwithstanding the provisions of section 3.1 and Article IV to the contrary, in every top-heavy Plan Year, a minimum allocation is required for each Non-Key Employee who both (a) performed one or more Hours of Service during the Plan Year as a Covered Employee after satisfying any eligibility requirement of section 2.1, and (b) was an Employee on the last day of the Plan Year. The minimum allocation shall be a percentage of each Non-Key Employee's Compensation. The percentage shall be the lesser of 3% or the largest percentage obtained for any Key Employee by dividing his or her Annual Additions (to this Plan and any other plan aggregated with this Plan) for the Plan Year by his or her Compensation for the Plan Year. If the Participant participates in both this Plan and the Apache Corporation 401(k) Savings Plan, then the Participant's minimum allocation to this Plan shall be reduced by any allocation of "Company Discretionary Contributions" or forfeitures treated as Company Discretionary Contributions that he or she receives in that plan for the Plan Year.

11.5 Change in Top-Heavy Status.

If the Plan ceases to be a "top-heavy" plan as defined in this Article XII, and if any change in the benefit structure, vesting schedule, or other component of a Participant's accrued benefit occurs as a result of such change in top-heavy status, the nonforfeitable portion of each Participant's benefit attributable to Company Contributions shall not be decreased as a result of such change. In addition, each Participant with at least three Years of Service with the Company and Affiliated Entities on the date of such change, may elect to have the nonforfeitable

percentage computed under the Plan without regard to such change in status. The period during which the election may be made shall commence on the date the Plan ceases to be a top-heavy plan and shall end on the later of (a) 60 days after the change in status occurs, (b) 60 days after the change in status becomes effective, or (c) 60 days after the Participant is issued written notice of the change by the Company or the Committee.

ARTICLE XII
MISCELLANEOUS

12.1 RIGHT TO DISMISS EMPLOYEES - NO EMPLOYMENT CONTRACT.

THE COMPANY AND AFFILIATED ENTITIES MAY TERMINATE THE EMPLOYMENT OF

ANY EMPLOYEE AS FREELY AND WITH THE SAME EFFECT AS IF THIS PLAN WERE NOT IN EXISTENCE. PARTICIPATION IN THIS PLAN BY AN EMPLOYEE SHALL NOT CONSTITUTE AN EXPRESS OR IMPLIED CONTRACT OF EMPLOYMENT BETWEEN THE COMPANY OR AN AFFILIATED ENTITY AND THE EMPLOYEE.

12.2 Claims Procedure.

(a) All claims shall be filed by the Participant, the Participant's beneficiary, or the authorized representative of the claimant, by completing any procedures that the Committee requires. These procedures shall be reasonable and may include the completion of forms and the submission of documents and additional information.

(b) The Committee shall review all materials and shall decide whether to approve or deny the claim. If a claim is denied in whole or in part, written 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 claimant and the extension shall not exceed 90 days. The written notice shall set 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 the claim and an explanation of why such material or information is necessary, all written in a manner calculated to be understood by the claimant. The notice shall include appropriate information as to the steps taken if the claimant wishes to submit the denied claim for review. The claimant may request a review upon written application, may review pertinent documents, and may submit issues or comments in writing. The claimant must request a 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. The Committee shall decide all reviews of denied claims. A decision on review shall be rendered within 60 days of the receipt of request for review by the Committee. 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 Committee's 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.

(c) The Committee shall have total discretionary authority to determine eligibility, status, and the rights of all individuals under the Plan and to construe any and all terms of the Plan.

12.3 Source of Benefits.

All benefits payable under the Plan shall be paid solely from the Trust Fund, and the Company and Affiliated Entities assume no liability or responsibility therefor.

12.4 Exclusive Benefit of Employees.

It is the intention of the Company that no part of the Trust, other than as provided in sections 3.3, 8.2, and 12.9 hereof and the Trust Agreement, ever to be used for or diverted for purposes other than for the exclusive benefit of Participants, Alternate Payees, and their beneficiaries, and that this Plan shall be construed to follow the spirit and intent of the Code and ERISA.

12.5 Forms of Notices.

Wherever provision is made in the Plan for the filing of any notice, election, or designation by a Participant, Spouse, Alternate Payee, or beneficiary, the action of such individual may be evidenced by the execution of such form as the Committee may prescribe for the purpose. The Committee may also prescribe alternate methods for filing any notice, election, or designation (such as telephone voice-response or e-mail).

12.6 Failure of Any Other Entity to Qualify.

If any entity adopts this Plan but fails to obtain or retain the qualification of the Plan under the applicable provisions of the Code, such entity shall withdraw from this Plan upon a determination by the Internal Revenue Service that it has failed to obtain or retain such qualification. Within 30 days after the date of such determination, the assets of the Trust Fund held for the benefit of the Employees of such entity shall be separately accounted for and disposed of in accordance with the Plan and Trust.

12.7 Notice of Adoption of the Plan.

The Company shall provide each of its Employees with notice of the adoption of this Plan, notice of any amendments to the Plan, and notice of the salient provisions of the Plan prior to the end of the first Plan Year. A complete copy of the Plan shall also be made available for inspection by Employees or any Account Owner.

12.8 Plan Merger.

If this Plan is merged or consolidated with, or its assets or liabilities are transferred to, any other qualified plan of deferred compensation, each Participant shall be entitled to receive a benefit immediately after the merger, consolidation, or transfer that is equal to or greater than the benefit the Participant would have been entitled to receive immediately before the merger, consolidation, or transfer if this Plan had then been terminated.

12.9 Inalienability of Benefits - Domestic Relations Orders.

(a) Except as provided in subsections (b) and (g) below, no Participant or beneficiary shall have any right to assign, alienate, transfer, or encumber his or her interest in any benefits under this Plan, nor shall such benefits be subject to any legal process to levy upon or attach the same for payment of any claim against any such Participant or beneficiary.

(b) Subsection (a) shall apply to the creation, assignment, or recognition of a right to any benefit payable with respect to a Participant pursuant to a Domestic Relations Order unless such Domestic Relations Order is a QDRO, in which case the Plan shall make payment of benefits in accordance with the applicable requirements of any such QDRO.

(c) In order to be a QDRO, the Domestic Relations Order must satisfy the requirements of Code section 414(p) and ERISA section 206(d)(3). In particular, the Domestic Relations Order: (i) must specify the name and the last known mailing address of the Participant; (ii) must specify the name and mailing address of each Alternate Payee covered by the order; (iii) must specify either the amount or percentage of the Participant's benefits to be paid by the Plan to each such Alternate Payee, or the manner in which such amount or percentage is to be determined; (iv) must specify the number of payments or period to which such order applies; (v) must specify each plan to which such order applies; (vi) may not require the Plan to provide any type or form of benefit, or any

option, not otherwise provided under the Plan, subject to the provisions of subsection (f); (vii) may not require the Plan to provide increased benefits (determined on the basis of actuarial value); and (viii) may not require the payment of benefits to an Alternate Payee if such benefits have already been designated to be paid to another Alternate Payee under another order previously determined to be a QDRO.

(d) In the case of any payment before an Employee has separated from service, a Domestic Relations Order shall not be treated as failing to meet the requirements of subsection (c) solely because such order requires that payment of benefits be made to an Alternate Payee (i) on or after the dates specified in subsection (f), (ii) as if the Employee had retired on the date on which such payment is to begin under such order (but taking into account only the Account balance on such date), and (iii) in any form in which such benefits may be paid under the Plan to the Employee. For purposes of this subsection, the Account balance as of the date specified in the QDRO shall be the vested portion of the Employee's Account on such date.

(e) The Committee shall establish reasonable procedures to determine the qualified status of Domestic Relations Orders and to administer distributions under QDROs. Such procedures shall be in writing and shall permit an Alternate Payee to designate a representative to receive copies of notices. The Committee shall temporarily suspend distributions and withdrawals from the Participant's Accounts, except to the extent necessary to make the required minimum distributions under Code section 401(a)(9), when the Committee receives a Domestic Relations Order or a draft of such an order that affects the Participant's Accounts or when one or the following individuals informs the Committee, orally or in writing, that a QDRO is in process or may be in process: the Participant, a prospective Alternate Payee, or counsel for the Participant or a prospective Alternate Payee. The Committee shall promulgate reasonable and non-discriminatory rules regarding such suspensions, including but not limited to how long such suspensions remain in effect. However, the Participant may receive such distributions and withdrawals from the Plan, subject to the rules of Article VI, as are consented to in writing by all prospective Alternate Payees identified in the Domestic Relations Order or, in the absence of a Domestic Relations Order, as are consented to in writing by the prospective Alternate Payee(s) who informed the Committee that a QDRO was in process or may be in process. When the Committee receives a Domestic Relations Order it shall promptly notify the Participant and each Alternate Payee of such receipt and provide them with copies of the Plan's procedures for determining the qualified status of the order. Within a reasonable period after receipt of a Domestic Relations Order, the Committee shall determine whether such order is a QDRO and notify the Participant and each Alternate Payee of such determination. During any period in which the issue of whether a Domestic Relations Order is a QDRO is being determined (by the Committee, by a court of competent jurisdiction, or otherwise), the Committee shall separately account for the amounts payable to the Alternate Payee if the order is determined to be a QDRO. If the order (or modification thereof) is determined to be a QDRO within 18 months after the date the first payment would have been required by such order, the Committee shall pay the amounts separately accounted for (plus any interest thereon) to the individual(s) entitled thereto. However, if the Committee determines that the order is not a QDRO, or if the issue as to whether such order is a QDRO has not been resolved within 18 months after the date of the first payment would have been required by such order, then the Committee shall pay the amounts separately accounted for (plus any interest thereon) to the individual(s) who would have been entitled to such amounts if there had been no order. Any determination that an order is a QDRO that is made after the close of the 18-month period shall be applied prospectively only. If the Plan's fiduciaries act in accordance with fiduciary provision of ERISA in treating a Domestic Relations Order as being (or not being) a QDRO or in taking action in accordance with this subsection, then the Plan's obligation to the Participant and each Alternate Payee shall be discharged to the extent of any payment made pursuant to the acts of such fiduciaries.

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

(i) An Alternate Payee shall receive a distribution of his or her vested Plan assets as soon as administratively practicable after the date specified in the QDRO. An Alternate Payee may elect (or the QDRO may specify) distribution as soon as administratively practicable after the Domestic Relations Order is determined to be a QDRO, even if the Participant is not then eligible to receive a distribution from the Plan. Notwithstanding the above, if the vested amount assigned to the Alternate Payee is \$3,500 (\$5,000 effective January 1, 1998) or less (calculated in accordance with the applicable Treasury regulations), then the Alternate Payee shall receive a

single sum distribution of the vested amount as soon as administratively practicable after the order is determined to be a QDRO.

(ii) If the amount assigned to an Alternate Payee is not fully vested, then the Plan will distribute the vested portion pursuant to paragraph (i) and shall retain the unvested portion in the Alternate Payee's Account. The unvested portion shall remain in the Alternate Payee's Account until the Participant terminates employment, at which time the unvested portion shall be forfeited. When the vested percentage increases, the newly vested portion shall be distributed as elected by the Alternate Payee or specified by the QDRO. Notwithstanding the above, if the vested Account balance is \$3,500 (\$5,000 effective January 1, 1998) or less and the vested Account balance at the time of any prior distributions was also less than \$3,500 (\$5,000 effective January 1, 1998), then the Alternate Payee shall receive a single sum distribution of the vested amount as soon as administratively practicable after the order is determined to be a QDRO.

(iii) Upon the Alternate Payee's death, his or her interest in the Plan shall be distributed as soon as practicable to the Alternate Payee's beneficiary, as determined in subsection 6.1(a).

(iv) Distribution to an Alternate Payee must begin on or before the Participant's Required Beginning Date, unless the Committee determines the Domestic Relations Order is a QDRO after the Participant's Required Beginning Date, in which case distribution to the Alternate Payee shall occur as quickly as administratively practicable.

(v) The Alternate Payee may bring claims against the Plan in the same manner as a Participant pursuant to section 12.2.

(g) Subsection (a) shall not apply to any offset of a Participant's benefits against an amount that the Participant is ordered or required to pay to the Plan if the following conditions are met.

(i) The order or requirement to pay must arise (A) under a judgment of conviction for a crime involving the Plan, (B) under a civil judgment (including a consent order or decree) entered by a court in an action brought in connection with a violation (or alleged violation) of part 4 of subtitle B of title I of ERISA, or (C) pursuant to a settlement agreement between the Secretary of Labor and the Participant, or a settlement agreement between the Pension Benefit Guaranty Corporation and the Participant, in connection with a violation (or alleged violation) of part 4 of subtitle B of title I of ERISA by a fiduciary or any other person.

(ii) The judgment, order, decree, or settlement agreement must expressly provide for the offset of all or part of the amount ordered or required to be paid to the Plan against the Participant's benefits provided under the Plan.

(iii) If the Participant is married at the time at which the offset is to be made, (A) either the Participant's Spouse must have already waived his or her right to a QPSA and QJSA or the Participant's Spouse must consent in writing to such offset with such consent witnessed by a notary public or representative of the Plan (or it is established to the satisfaction of a Plan representative that such consent may not be obtained by reason of circumstances described in Code section 417(a)(2)(B)), or (B) the Participant's Spouse is ordered or required in such judgment, order, decree, or settlement to pay an amount to the Plan in connection with a violation of part 4 of subtitle B of title I of ERISA, or (C) in such judgment, order, decree, or settlement, the Participant's Spouse retains the right to receive a survivor annuity under a qualified joint and survivor annuity pursuant to Code section 401(a)(11)(A)(i) and under a qualified preretirement survivor annuity provided pursuant to Code section 401(a)(11)(A)(ii). The value of the Spouse's survivor annuity in subparagraph (C) shall be determined as if the Participant terminated employment on the date of the offset, there was no offset, the Plan

permitted commencement of benefits only on or after Normal Retirement Age, the Plan provided only the "minimum- required qualified joint and survivor annuity," and the amount of the qualified preretirement survivor annuity under the Plan is equal to the amount of the survivor annuity payable under the "minimum-required qualified joint and survivor annuity." For purposes of this paragraph only, the "minimum-required qualified joint and survivor annuity" is the qualified joint and survivor annuity which is the actuarial equivalent of the Participant's accrued benefit (within the meaning of Code section 411(a)(7)) and under which the survivor annuity is 50% of the amount of the annuity which is payable during the joint lives of the Participant and his or her Spouse.

(h) The Committee shall temporarily suspend distributions and withdrawals from a Participant's Accounts, except to the extent necessary to make the required minimum distributions under Code section 401(a)(9), when the Committee has reason to believe that the Plan may be entitled to an offset of the Participant's benefits described in subsection (g). The Committee shall promulgate reasonable and non-discriminatory rules regarding such suspensions, including but not limited to how long such suspensions remain in effect.

12.10 Payments Due Minors or Incapacitated Individuals.

If any individual entitled to payment under the Plan is a minor, the Committee shall cause the payment to be made to the custodian or representative who, under the state law of the minor's domicile, is authorized to receive funds on behalf of the minor. If any individual entitled to payment under this Plan has been legally adjudicated to be mentally incompetent or incapacitated, the Committee shall cause the payment to be made to the custodian or representative who, under the state law of the incapacitated individual's domicile, is authorized to receive funds on behalf of the incapacitated individual. Payments made pursuant to such power shall operate as a complete discharge of the Trust Fund, the Trustee, and the Committee.

12.11 Uniformity of Application.

The provisions of this Plan shall be applied in a uniform and non-discriminatory manner in accordance with rules adopted by the Committee, which rules shall be systematically followed and consistently applied so that all individuals similarly situated shall be treated alike.

12.12 Disposition of Unclaimed Payments.

Each Participant, Alternate Payee, or beneficiary with an Account balance in this Plan must file with the Committee from time to time in writing his or her address, the address of each beneficiary (if applicable), and each change of address. Any communication, statement, or notice addressed to such individual at the last address filed with the Committee (or if no address is filed with the Committee then at the last address as shown on the Company's records) will be binding on such individual for all purposes of the Plan. Neither the Committee nor the Trustee shall be required to search for or locate any missing individual. If the Committee notifies an individual that he or she is entitled to a distribution and also notifies him or her that a failure to respond may result in a forfeiture of benefits, and the individual fails to claim his or her benefits under the Plan or make his or her address known to the Committee within a reasonable period of time after the notification, then the benefits under the Plan of such individual shall be forfeited. Any amount forfeited pursuant to this section shall be allocated pursuant to section 5.5. If the individual should later make a claim for this forfeited amount, the Company shall, if the Plan is still in existence, make a special contribution to the Plan equal to the forfeiture, and such amount shall be distributed to the individual; if the Plan is not then in existence, the Company shall pay the amount of the forfeiture to the individual.

12.13 Applicable Law.

This Plan shall be construed and regulated by ERISA, the Code, and, unless otherwise specified herein and to the extent applicable, the laws of the State of Texas, excluding any conflicts-of-law provisions.

ARTICLE XIII
UNIFORMED SERVICES EMPLOYMENT AND REEMPLOYMENT RIGHTS ACT OF 1994

13.1 General.

(a) The Uniformed Services Employment and Reemployment Rights Act of 1994 (the "USERRA"), which is codified at 38 USCA Sections 4301-4318, confers certain rights on individuals who leave civilian employment to perform certain services in the Armed Forces, the National Guard, the commissioned corps of the Public Health Service, or in any other category designated by the President of the United States in time of war or emergency (collectively, the "Uniformed Services"). An Employee who joins the Uniformed Services shall be referred to as a "Serviceman" in this Article. This Article shall be interpreted to provide such individuals with all the benefits required by the USERRA but no greater benefits than those required by the USERRA. This Article shall supersede any contrary provisions in the remainder of the Plan.

(b) When a Serviceman leaves the Uniformed Services, he or she may have reemployment rights with the Company or Affiliated Entities, depending on many factors, including the length of his or her stay in the Uniformed Services and the type of discharge he or she received. When this Article speaks of the date a Serviceman's potential USERRA reemployment rights expire, it means the date on which the Serviceman fails to qualify for reemployment rights (if, for example, he or she is dishonorably discharged, or remains in the Uniformed Services for more than 5 years) or, if the Serviceman obtains reemployment rights, the date his or her reemployment rights lapse because the Serviceman failed to timely exercise those rights.

(c) This Article shall apply to anyone who was a Serviceman on December 12, 1994, and to anyone who became a Serviceman on or after December 12, 1994.

13.2 While a Serviceman.

In general, a Serviceman shall be treated as an Employee while he or she continues to receive wages from the Company or an Affiliated Entity, and once the Serviceman's wages from the Company or Affiliated Entity cease, the Serviceman shall be treated as if he or she were on an approved, unpaid leave of absence.

(a) Company Contributions. Wages paid by the Company to a Serviceman shall be included in his or her Compensation as if the Serviceman were an Employee. If the Employee was a Covered Employee when he or she became a Serviceman and his or her wages continue through the last day of a Plan Year, then (i) the Serviceman shall be treated as an "eligible Participant" under subsection 3.1(a) for that Plan Year (and shall therefore receive an allocation of any Company Mandatory Contribution); and (ii) he or she shall be treated as an Employee under subsection 11.4(a) (and, if he or she is a Non-Key Employee, he or she shall therefore receive any minimum required allocation if the Plan is top-heavy).

(b) Investments. If the Serviceman has an account balance in the Plan, he or she is an Account Owner and may therefore direct the investment of his or her Accounts pursuant to section 8.3.

(c) Distributions and Withdrawals. For purposes of Article VI (relating to distributions), the Serviceman shall be treated as an Employee until the day on which his or her potential USERRA reemployment rights expire. See section 13.3 once his or her potential USERRA rights expire.

(d) QDROs. QDROs shall be processed while the Participant is a Serviceman. The Committee has the discretion to establish special procedures under subsection 12.9(e) for Servicemen, by, for example, extending the usual deadlines to accommodate any practical difficulties encountered by the Serviceman that are attributable to his or her service in the Uniformed Services.

13.3 Failure to Return.

(a) If a Serviceman is not reemployed before his or her potential USERRA reemployment rights expire, the Committee shall determine his or her Termination from Service Date by treating his or her service in the Uniformed Services as an approved leave of absence but treating the expiration of his or her potential USERRA reemployment rights as the failure to timely return from his or her leave of absence, with the consequence that his or her Termination from Service Date will generally be the earlier of the date his or her potential USERRA rights expired or one year after the date he or she joined the Uniformed Services. Once his or her Termination from Service Date has been determined, the Committee shall determine his or her vested percentage. For purposes of Article VI (relating to distributions), the day the Serviceman's potential USERRA reemployment rights expired shall be treated as the day he or she terminated employment with the Company and Affiliated Entities. For purposes of subsection 5.2(c) (relating to the timing of forfeitures), the Serviceman's last day of employment shall be the day his or her potential USERRA reemployment rights expired.

(b) If the Company or an Affiliated Company hires a former Serviceman after his or her potential USERRA reemployment rights have expired, he or she shall be treated like any other former employee who is rehired.

13.4 Return From Uniformed Service.

This section applies solely to a Serviceman who returns to employment with the Company or an Affiliated Entity because he or she exercised his or her reemployment rights under the USERRA.

(a) Credit for Service. A Serviceman's length of time in the Uniformed Services shall be treated as service with the Company for purposes of vesting and determining his or her eligibility to participate in the Plan upon reemployment.

(b) Participation. If the Serviceman satisfies the eligibility requirements of section 2.1 before his or her reemployment, and he or she is a Covered Employee upon his or her reemployment, he or she may participate in the Plan immediately upon his or her return.

(c) Make-Up Company Mandatory Contribution. The Company shall contribute an additional contribution to a Serviceman's Account equal to the Company Mandatory Contribution (including any forfeitures treated as Company Mandatory Contributions) that would have been allocated to such Account if the Serviceman had remained employed during his or her time in the Uniformed Services, and had earned his or her Deemed Compensation during that time. See subsection (e) for guidance on applying the various limits contained in the Code to the calculation of the additional mandatory contribution.

(d) Make-Up Miscellaneous Contributions. The Company shall contribute to the Serviceman's Accounts any top-heavy minimum contribution he or she would have received pursuant to section 11.4, (including any forfeitures treated as QNECs or top-heavy minimum contributions) if he or she had remained employed during his or her time in the Uniformed Services, and had earned Deemed Compensation during that time. See subsection (e) for guidance on applying the various limits contained in the Code to the calculation of the top-heavy minimum contribution.

(e) Application of Limitations.

(i) The make-up contributions under subsections (c) and (d) (the "Make-Up Contributions") shall be ignored for purposes of determining the Company's maximum contribution under subsection 3.1(c), the limits on Annual Additions under section 3.4, the non-discrimination requirements of Code section 401(a)(4), and (if the Serviceman is a Key Employee) calculating the minimum required top-heavy contribution under section 11.4.

(ii) In order to determine the maximum Make-Up Contributions, the following limitations shall apply.

(A) The Serviceman's "Aggregate Compensation" for each year shall be calculated. His or her Aggregate Compensation shall be equal to his or her actual Compensation, plus his or her Deemed Compensation that would have been paid during that year. Each type of Aggregate Compensation (for benefit purposes, for purposes of determining whether the Serviceman is a Highly Compensated Employee, etc.) shall be determined separately.

(B) The Serviceman's Aggregate Compensation each Plan Year shall be limited to the dollar limit in effect for that Plan Year under Code section 401(a)(17), for the purposes and in the manner specified in subsection 1.11(d).

(C) The limits of subsection 3.1(c) (relating to the maximum contribution by the Company to the Plan) for each Plan Year shall be calculated by using the Serviceman's Aggregate Compensation for that Plan Year, and by treating the Make-Up Contributions that are attributable to that Plan Year's Deemed Compensation as having been made during that Plan Year.

(D) The limits of section 3.4 (relating to the maximum Annual Additions to a Participant's Accounts) shall be calculated for each Limitation Year by using the Serviceman's Aggregate Compensation for that Limitation Year, and by treating as Annual Additions all the Make-Up Contributions that are attributable to that Limitation Year's Deemed Compensation.

(f) Deemed Compensation. A Serviceman's Deemed Compensation is the Compensation that he or she would have received (including raises) had he or she remained employed by the Company or Affiliated Entity during his or her time in the Uniformed Services, unless it is not reasonably certain what his or her Compensation would have been, in which case his or her Deemed Compensation shall be based on his or her average rate of compensation during the 12 months (or, if shorter, his or her period of employment with the Company and Affiliated Entities) immediately before he or she entered the Uniformed Services. A Serviceman's Deemed Compensation shall be reduced by any Compensation actually paid to him or her during his or her time in the Uniformed Services (such as vacation pay). Deemed Compensation shall cease when the Serviceman's potential USERRA reemployment rights expire. Each type of Deemed Compensation (for benefit purposes, for purposes of determining if the Serviceman is a Highly Compensated Employee, etc.) shall be determined separately.

APACHE CORPORATION

Date: 12/31/97

By: /s/ D.L. Schaeffer

Title: Vice President Human Resources

APPENDIX A

PARTICIPATING COMPANIES

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

<u>Business</u> -----	<u>Participation</u> <u>Began As Of</u> -----	<u>Participation</u> <u>Ended As Of</u> -----
Apache International, Inc.	January 1, 1997	N/A
Apache Energy Limited (known as Hadson Energy Limited before January 1, 1995)	January 1, 1997	N/A
Apache Canada Ltd.	January 1, 1997	N/A

-- END OF APPENDIX A --

APPENDIX B

DEKALB ENERGY COMPANY / APACHE CANADA LTD.

Introduction

Through a merger effective as of May 17, 1995, Apache then held 100% of the stock of DEKALB Energy Company (which has been renamed Apache Canada Ltd.).

Capitalized terms in this Appendix have the same meanings as those given to them in the Plan. The regular terms of the Plan shall apply to the employees of Apache Canada Ltd., except as provided below.

Eligibility to Participate

Notwithstanding section 1.12, an employee of Apache Canada Ltd. shall be a Covered Employee only if (1) he or she is either a U.S. citizen or a U.S. resident, and (2) he or she was employed by Apache or another Company immediately before becoming an employee of Apache Canada Ltd.

Vesting Service

For any individual who becomes an employee of Apache on or after May 17, 1995, his or her Period of Service shall include any periods of employment before May 17, 1995, with DEKALB Energy Company or any business then treated as a single employer with DEKALB Energy Company pursuant to Code section 414(b), 414(c), 414(m), or 414(o).

Compensation

If the payroll of the Apache Canada Ltd. employee is handled in the United States, then the definitions of Compensation in section 1.11 shall apply. To the extent that the payroll of the Apache Canada Ltd. employee is handled outside of the United States, the following definitions of Compensation shall apply in lieu of the definitions found in subsections 1.11(a) and 1.11(b):

(a) Code Section 415 Compensation.

(i) 1997. This paragraph applies for 1997 only. For purposes of determining the limitation on Annual Additions under section 3.4 and the minimum contribution under section 11.4 when the Plan is top-heavy, Compensation shall mean foreign earned income (within the meaning of Code section 911(b)) paid by the Company or an Affiliated Entity, excluding any elective contributions that are not includable in the Employee's income pursuant to Code sections 125, 402(e)(3), 402(h), or 403(b). For purposes of section 3.4, Compensation shall be measured over a Limitation Year. For purposes of section 11.4, Compensation shall be measured over a Plan Year.

(ii) 1998 and Thereafter. This paragraph applies after 1997. For purposes of determining the limitation on Annual Additions under section 3.4 and the minimum contribution under section 11.4 when the Plan is top-heavy, Compensation shall mean foreign earned income (within the meaning of Code section 911(b)) paid by the Company or an Affiliated Entity, and elective contributions that are not includable in the Employee's income pursuant to Code sections 125, 402(e)(3), 402(h), 403(b), 408(p), or 457. For purposes of section 3.4, Compensation shall be measured over a Limitation Year. For purposes of section 11.4, Compensation shall be measured over a Plan Year.

(b) Code Section 414(q) Compensation.

(i) 1997. This paragraph applies for 1997. For purposes of identifying Highly Compensated Employees and Key Employees, Compensation shall mean foreign earned income (within the meaning of Code section 911(b)) paid by the Company or an Affiliated Entity, including any elective contributions that are not includable in the Employee's income pursuant to Code sections 125, 402(e)(3), 402(h), or 403(b). Compensation shall be measured over a Plan Year. Compensation shall not include any amounts accrued by, but not paid to, the Employee during the Plan Year.

(ii) 1998 and Thereafter. This paragraph applies after 1997. For purposes of identifying Highly Compensated Employees and Key Employees, Compensation shall have the same meaning as in paragraph (a)(i), except that Compensation shall be measured over a Plan Year and shall not include any amounts accrued by, but not paid to, the Employee during the Plan Year.

-- END OF APPENDIX B --

EXHIBIT 10.29

APACHE CORPORATION

NON-EMPLOYEE DIRECTORS' COMPENSATION PLAN

As Amended and Restated December 12, 1997

PURPOSE

The purpose of the Non-Employee Directors' Compensation Plan (the "PLAN") is to set forth certain of the compensation arrangements for members of the board of directors (the "BOARD") of Apache Corporation ("APACHE") who are not also employees of Apache ("NON-EMPLOYEE DIRECTORS"). The Plan supersedes the Directors' Deferred Compensation Plan; however, all elections previously made thereunder shall remain in effect in respect of the Plan. The Plan does not supersede or amend in any way any other arrangements relating to Non-Employee Directors including specifically, without limitation, the Equity Compensation Plan for Non-Employee Directors, the Outside Directors' Retirement Plan, indemnification provisions of Apache's charter or bylaws, or policies with respect to reimbursement of expenses.

PLAN PROVISIONS

1. BOARD RETAINER. Each Non-Employee Director shall be paid, as soon as practicable following accrual, the Board retainer fees set forth below:

(a) \$5,000.00 shall be paid to each Non-Employee Director at the end of each calendar quarter during which such Non-Employee Director served as a member of Apache's Board ("CASH RETAINER FEE");

(b) \$2,500.00 in value of Apache common stock, par value \$1.25 per share ("STOCK"), shall be paid from Apache's treasury shares to each Non-Employee Director at the end of each calendar quarter during which such Non-Employee Director served as a member of Apache's Board ("STOCK RETAINER FEE"). The number of shares of Stock shall be determined by dividing \$2,500.00 by the per share closing price of the Stock as reported on the New York Stock Exchange, Inc. Composite Transactions Reporting System (the "Composite Tape") as of the trading day prior to the last trading day of the relevant calendar quarter, with any fractional shares to be paid to the director in cash; and

(c) In the event that a Non-Employee Director serves as a member of Apache's Board for less than an entire calendar quarter, the fees payable pursuant to Sections 1 (a) and (b) hereof shall be prorated on the basis of the number of weeks served during such calendar quarter.

2. COMMITTEE RETAINERS. Each Non-Employee Director serving on any committee of Apache's Board shall be paid, as soon as practicable, the committee retainer fee ("COMMITTEE RETAINER FEE") set forth below:

(a) \$500.00 shall be paid to each Non-Employee Director at the end of each calendar quarter in respect of each committee on which such Non-Employee Director served during such quarter;

(b) \$1,000.00 shall be paid to each Non-Employee Director at the end of each calendar quarter in respect of each committee on which such Non-Employee Director served as chairperson during such quarter; and

(c) In the event that a Non-Employee Director serves on any committee of Apache's Board and/or as chairperson of any committee of Apache's board for less than an entire calendar quarter, the fees payable pursuant to Sections 2 (a) and (b) hereof shall be prorated on the basis of number of weeks served during such calendar quarter.

3. ATTENDANCE FEES. Each Non-Employee Director shall receive an attendance fee ("ATTENDANCE FEE") of \$1,000.00 for each meeting of the Board and of any committee thereof attended, such fee to be paid at each such meeting or as soon thereafter as practicable.

4. OPTIONAL DEFERRAL OF FEES.

(a) DEFERRABLE FEES. A Non-Employee Director may defer all or any portion of any unpaid Cash Retainer Fee, Stock Retainer Fee, Committee Retainer Fee, and Attendance Fee, all of which are paid to Non-Employee Directors with respect to their services performed as a director on the Board ("DEFERRABLE FEES"). No other payments to Non-Employee Directors may be deferred including, without limitation, any expense reimbursement, any award under Apache's Equity Compensation Plan for Non-Employee Directors or benefits payable under Outside Directors' Retirement Plan.

(b) FORM OF DEFERRAL. Any Cash Retainer Fees and Committee Retainer Fees may be deferred in the form of cash or in the form of Stock. Any Stock Retainer Fees may be deferred only in the form of Stock. Any Attendance Fees may be deferred only in the form of cash. Any Cash Retainer Fees, Stock Retainer Fees and/or Committee Retainer Fees which are deferred in the form of Stock by a Non-Employee Director shall not be issued until such deferral is terminated; however, Apache shall at all times have reserved from its treasury shares for issuance pursuant hereto to deferring Non-Employee Directors a number of shares at least equal to the number of shares of Stock issuable pursuant to the terms of the Plan.

(c) NUMBER OF SHARES. For any Cash Retainer Fees, Stock Retainer Fees and/or Committee Retainer Fees deferred in the form of Stock, the number of shares of Stock shall be determined by dividing the amount of such fees by the per share closing price of the Stock as reported on the Composite Tape as of the trading day prior to the last trading day of the relevant calendar quarter, with any fractional shares to be deferred in the form of cash.

(d) ELECTION TO DEFER. A Non-Employee Director's election to defer ("ELECTION") all or any portion of Deferrable Fees shall be effected by execution of a Directors' Deferred Compensation Agreement between the participating director and Apache ("AGREEMENT"), a copy of the form of which is attached hereto as Exhibit A. An Agreement must be executed by the deferring Non-Employee Director and provided to Apache's Corporate Secretary on or before December 31 of the year prior to the year for which deferral is elected. Once executed, an Agreement shall be irrevocable with respect to the year made, the form of deferral, and the Deferrable Fees designated for deferral (the "DEFERRED COMPENSATION"), and shall remain in effect with respect to all subsequent years until the Agreement is terminated or amended. All elections to defer Deferrable Fees previously made in respect of the Directors' Deferred Compensation Plan shall constitute valid Elections in respect of the Plan. Upon full or partial termination of deferral by a Non-Employee Director, the cash and/or Stock shall be paid and/or issued to such Non-Employee Director pursuant to the terms of such Non-Employee Director's Agreement.

(e) TERMINATION OR MODIFICATION OF ELECTION. Any termination of an Election shall be made in writing and provided to Apache's Corporate Secretary on or before December 31 of the year prior to the year for which the termination is to be effective. Any modification or amendment of an Election shall be made by executing a new Agreement which shall supersede any previous Agreement. Such new Agreement must be executed by the deferring Non-Employee Director and provided to Apache's Corporate Secretary on or before December 31 of the year prior to the year for which the amended Election is to be effective. Upon termination or modification of an Election, all Deferred Compensation payable to the Non-Employee Director terminating or modifying the Election shall be paid in accordance with the provisions of such Non-Employee Director's then effective Agreement, as modified or amended.

(f) DIVIDENDS AND INTEREST; NO VOTING. All Deferrable Fees deferred in the form of and payable in Stock which are deferred by a Non-Employee Director shall accrue dividends denominated in the cash value thereof as if such Stock were issued and outstanding as and when dividends are payable in respect of such Stock. All Deferrable Fees deferred in the form of and payable in cash which are deferred by a Non-Employee Director, plus all previously accrued dividends and interest, shall accrue interest at the end of each calendar quarter or as of and through the date of payment of Deferred Compensation, as appropriate. The rate of interest per diem shall equal (i) the annual rate of interest earned by Apache's short-term marketable securities portfolio, or (ii) an equivalent index or market rate for similar investments in short-term marketable securities, divided by the number of days elapsed in the relevant period. Non-Employee Directors shall have no right to vote any Stock which constitutes Deferred Compensation prior to the date on which share certificates representing such Stock are issued.

(g) MEMORANDUM ACCOUNT. Apache will maintain a separate Deferred Compensation memorandum account ("MEMORANDUM ACCOUNT") for each deferring Non-Employee Director. All Deferred Compensation and accrued dividends and interest accumulated in each Memorandum Account will be classified in the same category as other unsecured creditors and accounts payable of Apache, and neither the deferring Non-Employee Director nor his or her beneficiary or estate shall have any property interest whatsoever in any specific assets of Apache. All distributions from a Memorandum Account of Deferred

Compensation deferred in the form of cash, and of accrued interest and dividends, shall be paid in cash, and all distributions from a Memorandum Account of Deferred Compensation deferred in the form of Stock shall be made by issuance of shares of Stock.

(h) **TERMINATION OF DIRECTORSHIP.** Upon retirement or other termination of a Non-Employee Director's directorship with Apache, or on a date specifically designated in a Non-Employee Director's Agreement, any balance in such Non-Employee Director's Memorandum Account shall be paid in cash and/or Stock, as applicable,

(a) in a lump sum, or (b) in annual installments over a ten-year period (or over such shorter period as designated in the deferring Non-Employee Director's Agreement) beginning with the first business day of the calendar year immediately following retirement or other termination of such Non-Employee Director's directorship.

(i) **ASSIGNMENT AND TRANSFER.** The right of the deferring Non-Employee Director or any other person to receive payments under the Plan shall not be assigned, transferred, pledged or encumbered, except by will or by the laws of descent and distribution. Upon the death of a deferring Non-Employee Director, any balance remaining in such Non-Employee Director's Memorandum Account at the time of death shall be paid in cash and/or Stock, as applicable, in a lump sum to his or her designated beneficiary or, if there is no designated beneficiary, to his or her estate as soon as practicable after such Non-Employee Director's death.

(j) **ADJUSTMENTS IN STOCK.** In the event of any merger, consolidation, liquidation, dissolution, recapitalization or reorganization of Apache, split, subdivision or consolidation of shares of Stock, the payment of a stock dividend, or any other material change in Apache's capital structure, the number of shares of Stock shown in each deferring Non-Employee Director's Memorandum Account shall be adjusted to reflect that number of shares of Stock or such cash, securities or other property to which such Non-Employee Director would have been entitled if, immediately prior thereto, such Non-Employee Director had been the holder of record of the number of shares of Stock shown in the Memorandum Account. Notwithstanding the foregoing, the issuance by Apache of Stock, rights, options or warrants to acquire Stock, or securities convertible or exchangeable into Stock in consideration of cash, property, labor or services, whether or not for fair value, shall not result in an adjustment pursuant to this paragraph.

5. **AMENDMENT OF PLAN.** The Plan may be amended from time to time or terminated by vote of the Board. Upon such amendment or termination, Non-Employee Directors shall not be entitled to receive pursuant to the Plan any compensation or other rights or benefits not accrued hereunder prior to the time of amendment or termination hereof; provided, however, that no such Plan amendment or termination shall impair any rights of Non-Employee Directors to amounts previously accrued pursuant to the Plan or accumulated in such Non-Employee Director's Memorandum Account.

6. **SUCCESSORS AND ASSIGNS.** The Plan is binding upon Apache and its successors and assigns. The Plan shall continue in effect from year to year unless and until revoked by the Board. Any such revocation shall operate only prospectively and shall not affect the rights and obligations under elections previously made.

7. DEFINED TERMS. Except when otherwise indicated by the context, the definition of any term herein in the singular shall also include the plural, and the masculine gender shall also include the feminine gender.

8. GOVERNING LAW. The Plan and all Agreements hereunder shall be construed in accordance with and governed by the laws of the State of Texas.

December 12, 1997

ATTEST:

APACHE CORPORATION

/s/ Cheri L. Peper

/s/ Daniel L. Schaeffer

Cheri L. Peper
Corporate Secretary

Daniel L. Schaeffer
Vice President, Human Resources

EXHIBIT A

**APACHE CORPORATION
DIRECTOR'S DEFERRED COMPENSATION AGREEMENT**

THIS DIRECTOR'S DEFERRED COMPENSATION AGREEMENT is made this ___ day of December, 1997 between Apache Corporation, a Delaware corporation ("Apache"), and [NAME] (the "Non-Employee Director"), pursuant to the terms of the Apache Corporation Non-Employee Directors' Compensation Plan (the "Plan"). All terms used but not defined herein shall have the meanings ascribed thereto in the Plan.

WITNESSETH, that the parties hereto hereby agree as follows:

1. DEFERRALS. The indicated percentages of the following fees payable to the Non-Employee Director will be deferred in the succeeding calendar year, and from year-to-year thereafter until this Agreement is terminated or amended, and will be credited to the Non-Employee Director's Memorandum Account as of the dates such fees, as appropriate, are regularly paid:

(a) Cash Retainer Fees _____ percent of all accrued; deferred in the form of cash or Stock.

(b) Stock Retainer Fees _____ percent of all accrued; deferred in the form Stock.

(c) Committee Retainer Fees _____ percent of all accrued; deferred in the form of cash or Stock.

(d) Attendance Fees _____ percent of all accrued; deferred in the form of cash.

2. MEMORANDUM ACCOUNT. All amounts deferred in the form of cash and/or Stock pursuant to the Plan, together with dividends and interest provided for in Section 4(f) of the Plan, will be accumulated in the Non-Employee Director's Memorandum Account. The Non-Employee Director, his or her beneficiary, and all amounts accumulated in the Non-Employee Director's Memorandum Account will be classified in the same category as other unsecured creditors and accounts payable of Apache.

3. TIME OF PAYMENT. Payments in cash and/or issuances of shares of Stock from the Non-Employee Director's Memorandum Account are to be made (check one):

upon retirement or other termination as a director of Apache, or

on _____, _____. (indicate specific date)

4. MANNER OF PAYMENT. Payments from the Non-Employee Director's Memorandum Account are to be made (check one):

in cash and/or Stock, as applicable, in a lump sum, or

in cash and/or Stock, as applicable, in annual installments over a ten-year period beginning with the first business day of the calendar year immediately following retirement or other termination as a director of Apache or, alternatively, the date specified in Section 3 hereof, or

in cash and/or Stock, as applicable, in annual installments over a _____-year period beginning with the first business day of the calendar year immediately following retirement or other termination as a director of Apache or, alternatively, the date specified in Section 3 hereof.

5. DIVIDENDS/INTEREST DURING INSTALLMENT PERIODS. Dividends/interest provided for in Section 4(f) of the Plan will continue to accrue on the remaining balances in the Non-Employee Director's Memorandum Account during any installment periods.

6. NON-ASSIGNABILITY. The right to receive payments under the Plan is non-assignable (except as set forth in Section 7 hereof), may not be transferred, and is not subject to attachment or levy for any debts of the Non-Employee Director.

7. DESIGNATED BENEFICIARY. The Non-Employee Director hereby designates

(Please Print Name and Relationship or "N/A")

as beneficiary to receive any balance remaining in the Non-Employee Director's Memorandum Account at the time of the Non-Employee Director's death. If the Non-Employee Director is married as of the date of this Agreement and the beneficiary designated above is not the Non-Employee Director's spouse, the Non-Employee Director's spouse must consent to such designation by signing the "Consent to Beneficiary Designation" set out below. At the time of the Non-Employee Director's death, any balance remaining in the Non-Employee Director's Memorandum Account will be paid in cash and/or Stock, as applicable, in a lump sum to the Non-Employee Director's designated beneficiary or, if there is no designated beneficiary, to the Non-Employee Director's estate.

8. NOTICES. Any notice required or permitted to be given under this Agreement shall be in writing and shall be given by first class registered or certified mail, postage prepaid, or by personal delivery to the appropriate party, addressed:

(a) If to Apache, to Apache Corporation at its principal place of business at 2000 Post Oak Boulevard, Suite 100, Houston, Texas 77056-4400 (Attention: Office of the Secretary) or at such other address as may have been furnished to the Non-Employee Director in writing by Apache; or

(b) If to the Non-Employee Director, at the address indicated below the Non-Employee Director's signature, or at such other address as may have been furnished to Apache by the Non-Employee Director.

Any such notice shall be deemed to have been given as of the second day after deposit in the United States Postal Service, postage prepaid, properly addressed as set forth above, in the case of mailed notice, or as of the date delivered in the case of personal delivery.

9. GOVERNING LAW. This Agreement shall be construed in accordance with and governed by the laws of the State of Texas.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed on the day and year first above written.

IN PRESENCE OF:

Witness

[NAME]
Non-Employee Director

Social Security Number

Address

City, State, Zip Code

ATTEST:

APACHE CORPORATION

Cheri L. Peper
Corporate Secretary

By: -----
Daniel L. Schaeffer
Vice President, Human Resources

CONSENT TO BENEFICIARY DESIGNATION IN SECTION 7 ABOVE

I understand that if the Non-Employee Director designates a beneficiary other than his or her spouse, the spouse must consent to such designation. I hereby consent to the beneficiary designated in Section 7 of this Agreement.

Date Signature of Spouse

EXHIBIT 10.31

APACHE CORPORATION OUTSIDE DIRECTORS' RETIREMENT PLAN (As Amended and Restated September 11, 1997)

APACHE CORPORATION (the "Company") established the Apache Corporation Outside Directors' Retirement Plan (the "Plan"), effective as of December 15, 1992 (the "Effective Date"), to provide eligible non-employee Directors of the Company ("Outside Directors") with certain retirement and death payments. The purpose of the Plan is to advance the interests of the Company, its subsidiaries, and its stockholders by continuing to attract and retain outstanding individuals as Outside Directors and to stimulate the efforts of such individuals by giving suitable recognition to services which will contribute materially to the success of the Company.

ARTICLE I ELIGIBILITY, PARTICIPATION AND CONTRIBUTIONS

1.1 Eligibility and Participation.

Each Outside Director on the Effective Date shall be eligible to participate in the Plan on that date. Subsequently elected Outside Directors shall be eligible to participate in the Plan as of the date their Service begins. An eligible Outside Director shall become a participant ("Participant") upon receipt by the Company of a completed Participation Agreement, the form of which is attached hereto as Exhibit A. At any time on or prior to the effective date of a Participant's Retirement, but not thereafter, the election and/or designation made on his or her Participation Agreement may be changed by completion and delivery to the Company of a new Participation Agreement.

1.2 Contributions.

All amounts payable under the Plan shall be paid from the general assets of the Company. Nothing contained in the Plan shall be deemed to create any fiduciary relationship between the Company and the Participant. Any rights of the Participant under the Plan shall be no greater than the right of any unsecured general creditor of the Company.

ARTICLE II RETIREMENT PAYMENTS

2.1 Retirement Payments.

(a) A Participant who Retires with four or more Quarters of Service shall be entitled to receive payments under the Plan for a term of years equal to the number of Quarters of Service credited to the Participant at Retirement divided by 4, with any fraction (a "Service Fraction") rounded up to the next whole number. The annual amount of such payments shall equal 66-2/3% of the Participant's Annual Director's Retainer, except that the amount payable in the final year of the term shall be determined by multiplying the Service Fraction, if any, times 66-2/3% of the Participant's Annual Director's Retainer.

(b) "Annual Directors' Retainer" shall mean the aggregate annual amount of an Outside Director's board retainer fee payable pursuant to Section 1 of the Company's Non-Employee Directors' Compensation Plan (or comparable section of any successor plan), whether or not all or a portion of such amount is deferred or delayed. Such amount shall be determined as of the date a Participant Retires or, in the case of payments pursuant to the provisions of Article III, as of the date of the Participant's death.

(c) "Quarter of Service" shall mean the aggregate total full months of Service as an Outside Director divided by 3 and rounded up to the next whole number but in no event shall any Participant's Quarters of Service exceed 40.

(d) "Retirement Retired or Retires" shall mean a Participant's ceasing to hold office as an Outside Director, for any reason other than death, on or after the attainment of age 60.

(e) "Service" shall mean: the aggregate total, not to exceed 120, of (i) the number of full months beginning on or after July 1, 1992 (whether or not consecutive) that a Participant held office as an Outside Director, whether or not a Participant at the time, and (ii) 1/2 the number of full months prior to July 1, 1992 (whether or not consecutive) that a Participant held office as an Outside Director; provided, however, that a Participant who, as of the Effective Date, has held office as an Outside Director for an aggregate total of 15 years shall automatically be credited with 120 full months of Service.

2.2 Retirement Payments Following Change in Control.

In the event of a "change in control" of the Company, as defined in Section 1(c) of the Company's Income Continuation Plan (as in effect on the Effective Date without regard to whether such Income Continuation Plan remains in effect or is subsequently amended), any Participant whose Service as an Outside Director terminates on or after the date of such change in control shall be deemed as of such date of termination, or if later, upon attainment of age 60, to have Retired and shall be entitled to the payments provided hereunder.

2.3 Method and Time of Payment.

Unless a Participant elects the optional form of payment pursuant to Section 2.4, payments hereunder shall be paid quarterly as of the last day of March, June, September and December for the period determined in accordance with Section 2.1(a). Quarterly payments to a Participant shall be paid in cash and shall begin as of the payment date next following the date the Participant Retires. If a Participant dies before completion of the payments for the period determined in accordance with Section 2.1(a), death payments shall be made to the Participant's Spouse or Beneficiary to the extent provided in Article III.

2.4 Optional Form of Payment.

In lieu of the quarterly payments to which a Participant would otherwise be entitled hereunder, a Participant may elect, at the time of signing a Participation Agreement for the Plan, to receive a cash lump sum payment in an amount which the Committee calculates as the net present value of the payments to which the Participant would otherwise be entitled under the provisions of the Plan determined using a series of annual payments and an annual interest rate

equal to the rate on ten-year treasury bonds/notes as reported in The Wall Street Journal published on or most recently prior to the effective date of the Participant's Retirement. Any such lump sum payment shall be made within 90 days following the Participant's Retirement.

ARTICLE III. DEATH PAYMENTS

3.1 Death Payments for Participants.

(a) If a Participant, who has not elected a lump sum payment under Section 2.4, dies after Retirement but prior to receiving all of the annual payments to which the Participant would otherwise be entitled hereunder, and is survived by a Spouse or Beneficiary, the Spouse or Beneficiary shall be entitled to receive the remaining payments which would otherwise have been payable to the Participant until the earlier of (i) the death of the Spouse or Beneficiary, or (ii) the completion of such payments in accordance with the provisions of Article II.

(b) If a Participant dies while holding office as an Outside Director and after attaining age 60 and after being credited with 40 Quarters of Service pursuant to Article II, and is survived by a Spouse or Beneficiary, the Spouse or Beneficiary shall be entitled to receive the payments which would otherwise have been made to the Participant until the earlier of (i) the death of the Spouse or Beneficiary, or (ii) the completion of such payments in accordance with the provisions of Article II.

(c) Payments to a Spouse or Beneficiary hereunder shall be made at the same time as payments would have been made to the Participant.

(d) "Spouse" shall mean the lawfully married spouse of a Participant at the time of the Participant's death.

(e) "Beneficiary" shall mean the individual designated by the Participant in his or her Participation Agreement in effect at the time of the Participant's death.

3.2 Lump Sum Death Payments.

(a) If a Participant who has elected a lump sum payment dies after the Participant's Retirement but before the receipt of such payment, the lump sum shall be paid to the surviving Spouse or Beneficiary, or if none, to the estate or the personal representative of the Participant.

(b) If an Outside Director, who has not completed a Participation Agreement, dies while holding office as an Outside Director and after attaining age 60 and after being credited with 40 Quarters of Service pursuant to Article II, and is not survived by a Spouse, the payments which would otherwise have been made to the Outside Director if he or she had been a Participant shall be paid to the estate or the personal representative of the Outside Director in a lump sum calculated pursuant to Section 2.4 hereof.

**ARTICLE IV
ADMINISTRATION, AMENDMENT AND TERMINATION**

4.1 The Management Development and Compensation Committee.

The Plan shall be administered by the Management Development and Compensation Committee (the "Committee") of the Company's Board of Directors. All administrative duties, including but not limited to the power to interpret the Plan and to decide any dispute, shall be carried out by the Committee, which shall have full discretion and authority hereunder. All claims under the Plan shall be filed with the Committee, and the decisions made by the Committee shall be final and binding on all persons having or claiming to have rights under the Plan.

4.2 Termination or Amendment of Plan.

The Plan may be terminated or amended at any time through action of the Company's Board of Directors. No termination or amendment, however, shall reduce the payments (a) to a Participant or a Participant's Spouse or Beneficiary where a Participant has already reached Retirement or (b) to which a current Participant is or may become entitled, based on such Participant's Service and Annual Director's Retainer as determined on the effective date of such termination or amendment.

**ARTICLE V.
MISCELLANEOUS**

5.1 Inalienability of Payments.

No Participant shall have the right to assign, transfer, hypothecate, encumber or anticipate his or her interest in any payments under the Plan, nor shall the payments under the Plan be subject to any legal process to levy upon or attach such payments for any claim against the Participant or the Participant's Spouse or Beneficiary.

5.2 Notices.

Any notice required or permitted to be given under the Plan shall be in writing and shall be given by first class registered or certified mail, postage prepaid, or by personal delivery to the appropriate party, addressed:

(a) If to the Company, to Apache Corporation at its principal place of business at 2000 Post Oak Boulevard, Suite 100, Houston, Texas 77056-4400 (Attention: Office of the Secretary) or at such other address as may have been furnished in writing by Apache to a Participant; or

(b) If to a Participant, at the address indicated below the Participant's signature on his or her Participation Agreement, or at such other address as may have been furnished in writing by a Participant to Apache.

Any such notice shall be deemed to have been given as of the second day after deposit in the United States Postal Service, postage prepaid, properly addressed as set forth above, in the case of mailed notice, or as of the date delivered in the case of personal delivery.

5.3 Disposition of Unclaimed Payments.

Any communication, statement or notice addressed to a Participant at his or her last post office address, as provided to the Company under Section 5.2 hereof, will be binding on the Participant and the Participant's Spouse or Beneficiary for all purposes of the Plan. If the Company cannot ascertain the whereabouts of any person to whom a payment is due under the Plan within three years from the date such payment is due, such payment shall be cancelled on the records of the Plan and the amount thereof forfeited to the Company.

5.4 Governing Law.

The Plan shall be governed by the laws of the State of Texas.

Dated: September 11, 1997

ATTEST:

APACHE CORPORATION

By: /s/ Cheri L. Peper

Cheri L. Peper
Corporate Secretary

By: /s/ Daniel L. Schaeffer

Daniel L. Schaeffer
Vice President, Human Resources

**APACHE CORPORATION
OUTSIDE DIRECTORS' RETIREMENT PLAN**

PARTICIPATION AGREEMENT

This Agreement is made and entered into by and between APACHE CORPORATION (the "Company") and [DIRECTOR](the "Participant") pursuant to the Apache Corporation Outside Directors' Retirement Plan (the "Plan").

The purpose of this Agreement is to provide for the election by the Participant of the form of benefit payable by the Company to the Participant under the terms of the Plan, and to allow for designation of a beneficiary by the Participant.

BENEFIT ELECTION

Pursuant to the terms of the Plan and the Participant's election, the Company agrees to pay such benefits as are due to the Participant, using the form the Participant has indicated below by marking an X in the blank immediately preceding Option A or B:

_____ A Participant's Retirement Benefits shall be paid to the Participant in a SINGLE LUMP SUM PAYMENT pursuant to Section 2.4 of the Plan.

_____ B Participant's Retirement Benefits shall be paid to the Participant in a SERIES OF QUARTERLY PAYMENTS pursuant to Section 2.1 of the Plan.

BENEFICIARY DESIGNATION

The Participant hereby designates

(Print Name and Relationship or, if no designation made, print "N/A")

as the Participant's beneficiary under the terms of the Plan. If the Participant is married as of the date of this Agreement and the beneficiary designated above is not the Participant's spouse, the Participant's spouse must consent to such designation by signing the "Consent to Beneficiary Designation" set out below.

It is understood and agreed by the Participant and the Company that at any time on or prior to the effective date of the Participant's retirement, BUT NOT THEREAFTER, the above election and/or beneficiary designation may be changed by completion and delivery to the Company of a new Agreement.

This Agreement is made as of this _____ day of _____, 19_____.

APACHE CORPORATION

PARTICIPANT

BY: DANIEL L. SCHAEFFER
ITS: VICE PRESIDENT, HUMAN RESOURCES

[DIRECTOR]

SOCIAL SECURITY NUMBER

ADDRESS

CITY, STATE, ZIP CODE

CONSENT TO BENEFICIARY DESIGNATION

I understand that if the Participant designates a beneficiary other than his or her spouse, the spouse must consent to such designation. I hereby consent to the beneficiary designated on page 1 of this Agreement.

Date Signature of Spouse

EXHIBIT 21.1

PAGE 1 OF 2

APACHE CORPORATION - LISTING OF SUBSIDIARIES
AS OF FEBRUARY 28,1998

EXACT NAME OF SUBSIDIARY AND NAME UNDER WHICH SUBSIDIARY DOES BUSINESS -----	JURISDICTION OF INCORPORATION OR ORGANIZATION -----
Apache-Beals Corporation	New York
Apache Corporation (New Jersey)	New Jersey
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 Matruh Corporation LDC	Cayman Islands
Apache Mediterranean Corporation LDC	Cayman Islands
Apache Poland Holding Company	Delaware
Apache Eastern Europe B.V.	Netherlands
Apache Poland Sp. z o.o.	Poland
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 Oil Corporation	Texas
Burns Manufacturing Company	Minnesota
Apache Bentu Limited	Oklahoma
Apache Energy Bentu LDC	Cayman Islands

**APACHE CORPORATION - LISTING OF SUBSIDIARIES
AS OF FEBRUARY 28, 1998**

EXACT NAME OF SUBSIDIARY AND NAME UNDER WHICH SUBSIDIARY DOES BUSINESS -----	JURISDICTION OF INCORPORATION OR ORGANIZATION -----
Apache Energy Limited	Western Australia
Apache Northwest Pty Ltd.	Western Australia
Apache Carnarvon Pty Ltd.	Western Australia
Apache Dampier Pty Ltd.	Western Australia
Apache East Spar Pty Limited	Western Australia
Apache Finance Pty Ltd	Australian Capital Territory
Apache Harriet Pty Limited	Victoria, Australia
Apache Varanus Pty Limited	Queensland, Australia
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
Apache PHN Company, Inc.	Delaware
Phoenix Exploration Resources, Ltd.	Delaware
TEI Arctic Petroleum (1984) Ltd.	Alberta, Canada
Texas International Company	Delaware
Apache Khalda Corporation LDC	Cayman Islands
Apache Khalda, Inc.	Delaware
Apache Qarun Exploration Company LDC	Cayman Islands
Phoenix Resources Company of Qarun	Delaware
Apache North America, Inc.	Delaware

EXHIBIT 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accounts, 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. 33-53129, 333-39973 and 333-44731), Form S-4 (No. 33-61669), and Form S-8 (Nos. 33-31407, 33-37402, 33-53442, 33-59721, 33-59723, 33-63817, 333-04059, 333-25201, 333-26255, 333-32557 and 333-36131).

/s/ Arthur Andersen LLP

ARTHUR ANDERSEN LLP

Houston, Texas

March 20, 1998

EXHIBIT 23.2

[LETTERHEAD OF RYDER SCOTT COMPANY]

As independent petroleum engineers, we hereby consent to the incorporation by 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, 1998, 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. 33-53129, 333-39973 and 333-44731), on Form S-4 (No. 33-61669), and on Form S-8 (Nos. 33-31407, 33-37402, 33-53442, 33-59721, 33-59723, 33-63817, 333-04059, 333-25201, 333-26255, 333-32557 and 333-36131).

/s/ Ryder Scott Company
/s/ Petroleum Engineers

Ryder Scott Company
Petroleum Engineers

Houston, Texas

March 16, 1998

EXHIBIT 23.3

[LETTERHEAD OF NETHERLAND, SEWELL & ASSOCIATES, INC.]

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 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. 33-53129, 333-39973 and 333-44731), on Form S-4 (No. 33-61669), and on Form S-8 (Nos. 33-31407, 33-37402, 33-53442, 33-59721, 33-59723, 33-63817, 333-04059, 333-25201, 333-26255, 333-32557 and 333-36131).

NETHERLAND, SEWELL & ASSOCIATES, INC.

By: */s/ Clarence M. Netherland*

Clarence M. Netherland
Chairman

Houston, Texas

March 16, 1998

ARTICLE 5

MULTIPLIER: 1,000

PERIOD TYPE	12 MOS
FISCAL YEAR END	DEC 31 1997
PERIOD END	DEC 31 1997
CASH	9,686
SECURITIES	0
RECEIVABLES	224,025
ALLOWANCES	0
INVENTORY	36,041
CURRENT ASSETS	348,329
PP&E	6,380,663
DEPRECIATION	2,647,478
TOTAL ASSETS	4,138,633
CURRENT LIABILITIES	343,783
BONDS	1,501,380
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	118,098
OTHER SE	1,611,079
TOTAL LIABILITY AND EQUITY	4,138,633
SALES	983,773
TOTAL REVENUES	1,176,273
CGS	807,065
TOTAL COSTS	807,065
OTHER EXPENSES	38,243
LOSS PROVISION	0
INTEREST EXPENSE	72,325
INCOME PRETAX	258,640
INCOME TAX	103,744
INCOME CONTINUING	154,896
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	154,896
EPS PRIMARY	1.71
EPS DILUTED	1.65

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