

APACHE CORP  
Form 10-Q  
November 04, 2016  
UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 10-Q

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(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2016

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  
(exact name of registrant as specified in its charter)

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Delaware 41-0747868  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification Number)  
One Post Oak Central, 2000 Post Oak Boulevard, Suite 100, Houston, Texas 77056-4400  
(Address of principal executive offices)

Registrant's Telephone Number, Including Area Code: (713) 296-6000

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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 whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer   
Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Number of shares of registrant's common stock outstanding as of October 31, 2016 379,429,334

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### Forward-Looking Statements and Risk

This report includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical facts included or incorporated by reference in this report, including, without limitation, statements regarding our future financial position, business strategy, budgets, projected revenues, projected costs, and plans and objectives of management for future operations, are forward-looking statements. Such forward-looking statements are based on our examination of historical operating trends, the information that was used to prepare our estimate of proved reserves as of December 31, 2015, and other data in our possession or available from third parties. In addition, forward-looking statements generally can be identified by the use of forward-looking terminology such as “may,” “will,” “could,” “expect,” “intend,” “project,” “estimate,” “anticipate,” “plan,” “believe,” or “continue” or similar terminology. Although we believe that the expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such expectations will prove to have been correct. Important factors that could cause actual results to differ materially from our expectations include, but are not limited to, our assumptions about:

- the market prices of oil, natural gas, NGLs, and other products or services;
- our commodity hedging arrangements;
- the integration of acquisitions;
- the supply and demand for oil, natural gas, NGLs, and other products or services;
- production and reserve levels;
- drilling risks;
- economic and competitive conditions;
- the availability of capital resources;
- capital expenditure and other contractual obligations;
- currency exchange rates;
- weather conditions;
- inflation rates;
- the availability of goods and services;
- legislative, regulatory, or policy changes;
- terrorism or cyber attacks;
- occurrence of property acquisitions or divestitures;
- the securities or capital markets and related risks such as general credit, liquidity, market, and interest-rate risks; and
- other factors disclosed under Items 1 and 2—Business and Properties—Estimated Proved Reserves and Future Net Cash Flows, Item 1A—Risk Factors and elsewhere in our most recently filed Annual Report on Form 10-K,

Item 7—Management’s Discussion and Analysis of Financial Condition and Results of Operations, Item 7A—Quantitative and Qualitative Disclosures About Market Risk and elsewhere in our Current Report on Form 8-K dated August 4, 2016, other risks and uncertainties in our third-quarter 2016 earnings release, other factors disclosed under Part II, Item 1A—Risk Factors of this Quarterly Report on Form 10-Q, and other filings that we make with the Securities and Exchange Commission.

All subsequent written and oral forward-looking statements attributable to the Company, or persons acting on its behalf, are expressly qualified in their entirety by the cautionary statements. We assume no duty to update or revise our forward-looking statements based on changes in internal estimates or expectations or otherwise.

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PART I – FINANCIAL INFORMATION  
ITEM 1 – FINANCIAL STATEMENTS  
APACHE CORPORATION AND SUBSIDIARIES  
STATEMENT OF CONSOLIDATED OPERATIONS  
(Unaudited)

	For the Quarter Ended September 30, 2016		For the Nine Months Ended September 30, 2015 *	
	2016	2015*	2016	2015 *
	(In millions, except per common share data)			
<b>REVENUES AND OTHER:</b>				
Oil and gas production revenues				
Oil revenues	\$1,117	\$1,238	\$3,057	\$4,149
Gas revenues	263	318	695	941
Natural gas liquids revenues	59	50	160	166
	1,439	1,606	3,912	5,256
Other	(6 )	(75 )	(30 )	(53 )
Gain (loss) on divestitures	5	(5 )	21	204
	1,438	1,526	3,903	5,407
<b>OPERATING EXPENSES:</b>				
Lease operating expenses	382	450	1,119	1,398
Gathering and transportation	51	58	155	163
Taxes other than income	9	104	85	232
Exploration	161	223	347	706
General and administrative	102	89	298	284
Depreciation, depletion, and amortization:				
Oil and gas property and equipment	610	793	1,875	2,247
Other assets	38	79	120	245
Asset retirement obligation accretion	40	37	116	109
Impairments	836	3,903	1,009	6,327
Transaction, reorganization, and separation	12	—	36	120
Financing costs, net	102	160	311	401
	2,343	5,896	5,471	12,232
<b>LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES</b>	<b>(905 )</b>	<b>(4,370 )</b>	<b>(1,568 )</b>	<b>(6,825 )</b>
Current income tax provision (benefit)	150	(270 )	284	578
Deferred income tax provision (benefit)	(529 )	19	(755 )	(1,299 )
<b>NET LOSS FROM CONTINUING OPERATIONS INCLUDING NONCONTROLLING INTEREST</b>	<b>(526 )</b>	<b>(4,119 )</b>	<b>(1,097 )</b>	<b>(6,104 )</b>
Net loss from discontinued operations, net of tax	(33 )	(17 )	(33 )	(135 )
<b>NET LOSS INCLUDING NONCONTROLLING INTEREST</b>	<b>(559 )</b>	<b>(4,136 )</b>	<b>(1,130 )</b>	<b>(6,239 )</b>
Net income attributable to noncontrolling interest	48	7	93	98
<b>NET LOSS ATTRIBUTABLE TO COMMON STOCK</b>	<b>\$(607 )</b>	<b>\$(4,143)</b>	<b>\$(1,223)</b>	<b>\$(6,337)</b>
<b>NET LOSS ATTRIBUTABLE TO COMMON SHAREHOLDERS:</b>				
Net loss from continuing operations attributable to common shareholders	\$(574 )	\$(4,126)	\$(1,190)	\$(6,202)
Net loss from discontinued operations	(33 )	(17 )	(33 )	(135 )
Net loss attributable to common shareholders	\$(607 )	\$(4,143)	\$(1,223)	\$(6,337)
<b>NET LOSS PER COMMON SHARE:</b>				
Basic net loss from continuing operations per share	\$(1.51 )	\$(10.91)	\$(3.14 )	\$(16.42)
Basic net loss from discontinued operations per share	(0.09 )	(0.04 )	(0.08 )	(0.36 )

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Basic net loss per share	\$(1.60 ) \$(10.95) \$(3.22 ) \$(16.78)
<b>DILUTED NET LOSS PER COMMON SHARE:</b>	
Diluted net loss from continuing operations per share	\$(1.51 ) \$(10.91) \$(3.14 ) \$(16.42)
Diluted net loss from discontinued operations per share	(0.09 ) (0.04 ) (0.08 ) (0.36 )
Diluted net loss per share	\$(1.60 ) \$(10.95) \$(3.22 ) \$(16.78)
<b>WEIGHTED-AVERAGE NUMBER OF COMMON SHARES OUTSTANDING:</b>	
Basic	380      378      379      378
Diluted	380      378      379      378
<b>DIVIDENDS DECLARED PER COMMON SHARE</b>	<b>\$0.25    \$0.25    \$0.75    \$0.75</b>

\*Financial information for 2015 has been recast to reflect retrospective application of the successful efforts method of accounting. See Note 1.

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

APACHE CORPORATION AND SUBSIDIARIES  
 STATEMENT OF CONSOLIDATED CASH FLOWS  
 (Unaudited)

	For the Nine Months Ended September 30, 2016    2015*	
	(In millions)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss including noncontrolling interest	\$(1,130)	\$(6,239)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Loss from discontinued operations	33	135
Gain on divestitures	(21)	(204)
Exploratory dry hole expense and unproved leasehold impairments	260	584
Depreciation, depletion, and amortization	1,995	2,492
Asset retirement obligation accretion	116	109
Impairments	1,009	6,327
Deferred income tax benefit	(755)	(1,299)
Other	126	80
Changes in operating assets and liabilities:		
Receivables	192	585
Inventories	(2)	54
Drilling advances	(36)	125
Deferred charges and other	40	(117)
Accounts payable	(93)	(463)
Accrued expenses	(67)	109
Deferred credits and noncurrent liabilities	(33)	102
<b>NET CASH PROVIDED BY CONTINUING OPERATING ACTIVITIES</b>	<b>1,634</b>	<b>2,380</b>
<b>NET CASH PROVIDED BY DISCONTINUED OPERATIONS</b>	<b>—</b>	<b>113</b>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>1,634</b>	<b>2,493</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Additions to oil and gas property	(1,281)	(3,562)
Leasehold and property acquisitions	(169)	(254)
Additions to gas gathering, transmission, and processing facilities	(33)	(113)
Proceeds from sale of Kitimat LNG project	—	854
Proceeds from sale of other oil and gas properties	74	148
Other, net	47	(99)
<b>NET CASH USED IN CONTINUING INVESTING ACTIVITIES</b>	<b>(1,362)</b>	<b>(3,026)</b>
<b>NET CASH PROVIDED BY DISCONTINUED OPERATIONS</b>	<b>—</b>	<b>4,372</b>
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<b>(1,362)</b>	<b>1,346</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		