

Edgar Filing: APACHE CORP - Form 10-Q/A

APACHE CORP  
Form 10-Q/A  
January 26, 2004

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q/A  
(AMENDMENT NO. 1)

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

For the Quarterly Period Ended June 30, 2003

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)

Delaware

41-0747868

-----  
(State or Other Jurisdiction of  
Incorporation or Organization)

-----  
(I.R.S. Employer  
Identification Number)

Suite 100, One Post Oak Central  
2000 Post Oak Boulevard, Houston, TX

77056-4400

-----  
(Address of Principal Executive Offices)

-----  
(Zip Code)

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

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

## Edgar Filing: APACHE CORP - Form 10-Q/A

Number of shares of Registrant's common stock, outstanding as of June 30, 2003.....323,594,972

### EXPLANATORY NOTE

We are filing this Amendment No. 1 to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2003 to respond to certain comments received by us from the Staff of the Securities and Exchange Commission ("SEC") in connection with its review of our Registration Statement on Form S-3 (File No. 333-105536). Our consolidated financial position and consolidated results of operations for the periods presented have not been restated from the consolidated financial position and consolidated results of operations originally reported. Except where otherwise indicated, all share amounts and per share amounts have been adjusted to reflect the effects of the two-for-one stock split for our common stock declared in September 2003.

For convenience and ease of reference we are filing this Quarterly Report in its entirety with the applicable changes. Unless otherwise stated, all information contained in this amendment is as of August 14, 2003, the filing date of our Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2003. Accordingly, this Amendment No. 1 to the Quarterly Report on Form 10-Q/A should be read in conjunction with our subsequent filings with the SEC.

### PART I - FINANCIAL INFORMATION

#### ITEM 1 - FINANCIAL STATEMENTS

#### APACHE CORPORATION AND SUBSIDIARIES STATEMENT OF CONSOLIDATED OPERATIONS (UNAUDITED)

	FOR THE QUARTER ENDED JUNE 30,		
	2003	2002	
(In thousands, except per com			
<b>REVENUES AND OTHER:</b>			
Oil and gas production revenues.....	\$ 1,044,330	\$ 652,264	\$
Other.....	10,026	4,051	
	-----	-----	
	1,054,356	656,315	
	-----	-----	
<b>OPERATING EXPENSES:</b>			
Depreciation, depletion and amortization.....	272,356	210,790	
Asset retirement obligation accretion.....	10,445	-	
International impairments.....	-	-	

Edgar Filing: APACHE CORP - Form 10-Q/A

Lease operating costs.....	186,286	112,087	
Gathering and transportation costs.....	15,131	11,112	
Severance and other taxes.....	32,742	17,345	
General and administrative.....	30,574	28,015	
Financing costs:			
Interest expense.....	41,428	41,451	
Amortization of deferred loan costs.....	536	466	
Capitalized interest.....	(12,618)	(10,442)	
Interest income.....	(428)	(1,043)	
	-----	-----	-----
	576,452	409,781	
	-----	-----	-----
PREFERRED INTERESTS OF SUBSIDIARIES.....	3,330	5,129	
	-----	-----	-----
INCOME BEFORE INCOME TAXES.....	474,574	241,405	
Provision for income taxes.....	230,193	95,095	
	-----	-----	-----
INCOME BEFORE CHANGE IN ACCOUNTING PRINCIPLE.....	244,381	146,310	
Cumulative effect of change in accounting principle, net of income tax.....	-	-	
	-----	-----	-----
NET INCOME.....	244,381	146,310	
Preferred stock dividends.....	1,420	3,081	
	-----	-----	-----
INCOME ATTRIBUTABLE TO COMMON STOCK.....	\$ 242,961	\$ 143,229	\$
	=====	=====	=====
BASIC NET INCOME PER COMMON SHARE:			
Before change in accounting principle.....	\$ 0.75	\$ 0.48	\$
Cumulative effect of change in accounting principle.....	-	-	
	-----	-----	-----
	\$ 0.75	\$ 0.48	\$
	=====	=====	=====
DILUTED NET INCOME PER COMMON SHARE:			
Before change in accounting principle.....	\$ 0.74	\$ 0.48	\$
Cumulative effect of change in accounting principle.....	-	-	
	-----	-----	-----
	\$ 0.74	\$ 0.48	\$
	=====	=====	=====

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 SIX  
JUN

2003

(In t

## Edgar Filing: APACHE CORP - Form 10-Q/A

### CASH FLOWS FROM OPERATING ACTIVITIES:

Net income.....	\$	583,310
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization.....		486,705
Asset retirement obligation accretion.....		15,758
Provision for deferred income taxes.....		221,370
International impairments.....		-
Cumulative effect of change in accounting principle.....		(26,632)
Other.....		3,311
Changes in operating assets and liabilities:		
(Increase) decrease in receivables.....		(147,208)
(Increase) decrease in drilling advances and other.....		(14,951)
(Increase) decrease in inventories.....		4,410
(Increase) decrease in deferred charges and other.....		(12,636)
Increase (decrease) in accounts payable.....		56,575
Increase (decrease) in accrued expenses.....		81,009
Increase (decrease) in advances from gas purchasers.....		(8,088)
Increase (decrease) in deferred credits and noncurrent liabilities.....		(18,768)
Net cash provided by operating activities.....		1,224,165

### CASH FLOWS FROM INVESTING ACTIVITIES:

Additions to property and equipment.....		(771,046)
Acquisition of BP properties.....		(1,157,134)
Proceeds from sale of short-term investments.....		-
Other, net.....		(32,342)
Net cash used in investing activities.....		(1,960,522)

### CASH FLOWS FROM FINANCING ACTIVITIES:

Long-term borrowings.....		1,042,418
Payments on long-term debt.....		(852,305)
Dividends paid.....		(34,366)
Common stock activity.....		570,024
Treasury stock activity, net.....		3,738
Cost of debt and equity transactions.....		(4,039)
Net cash provided by (used in) financing activities.....		725,470

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS..... (10,887)

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR..... 51,886

CASH AND CASH EQUIVALENTS AT END OF PERIOD..... \$ 40,999

=====

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

Edgar Filing: APACHE CORP - Form 10-Q/A

JUNE 30,  
2003

(In thousand)

ASSETS

CURRENT ASSETS:

Cash and cash equivalents.....	\$	40,999
Receivables, net of allowance.....		698,115
Inventories.....		118,272
Drilling advances.....		43,331
Prepaid assets and other.....		51,741
		-----
		952,458
		-----

PROPERTY AND EQUIPMENT:

Oil and gas, on the basis of full cost accounting:		
Proved properties.....		15,083,057
Unproved properties and properties under development, not being amortized.....		959,690
Gas gathering, transmission and processing facilities.....		796,283
Other.....		220,889
		-----
		17,059,919
Less: Accumulated depreciation, depletion and amortization.....		(6,354,423)
		-----
		10,705,496
		-----

OTHER ASSETS:

Goodwill, net.....		189,252
Deferred charges and other.....		48,829
		-----
	\$	11,896,035
		=====

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

3

APACHE CORPORATION AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEET  
(UNAUDITED)

JUNE 30,  
2003

(In thousand)

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES:

Accounts payable.....	\$	271,216
Accrued operating expense.....		80,741

Edgar Filing: APACHE CORP - Form 10-Q/A

Accrued exploration and development.....	135,792
Accrued compensation and benefits.....	21,175
Accrued interest.....	32,621
Accrued income taxes.....	95,073
Oil and gas derivative instruments.....	61,908
Other.....	44,343
	-----
	742,869
	-----
LONG-TERM DEBT.....	2,349,502
	-----
DEFERRED CREDITS AND OTHER NONCURRENT LIABILITIES:	
Income taxes.....	1,370,181
Advances from gas purchasers.....	117,365
Asset retirement obligation.....	711,404
Oil and gas derivative instruments.....	26,274
Other.....	141,301
	-----
	2,366,525
	-----
PREFERRED INTERESTS OF SUBSIDIARIES.....	437,615
	-----
SHAREHOLDERS' EQUITY:	
Preferred stock, no par value, 5,000,000 shares authorized - Series B, 5.68% Cumulative Preferred Stock, 100,000 shares issued and outstanding.....	98,387
Common stock, \$0.625 par, 430,000,000 shares authorized, 331,769,736 and 310,929,080 shares issued, respectively.....	207,356
Paid-in capital.....	4,017,437
Retained earnings.....	1,948,452
Treasury stock, at cost, 8,174,764 and 8,422,656 shares, respectively.....	(107,302)
Accumulated other comprehensive loss.....	(164,806)
	-----
	5,999,524
	-----
	\$ 11,896,035
	=====

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

4

APACHE CORPORATION AND SUBSIDIARIES  
STATEMENT OF CONSOLIDATED SHAREHOLDERS' EQUITY  
(UNAUDITED)

(In thousands)	COMPREHENSIVE INCOME	SERIES B PREFERRED STOCK	SERIES C PREFERRED STOCK	COMM STO
	-----	-----	-----	-----

Edgar Filing: APACHE CORP - Form 10-Q/A

BALANCE AT DECEMBER 31, 2001.....		\$ 98,387	\$ 208,207	\$ 185
Comprehensive income (loss):				
Net income.....	\$ 226,982	-	-	
Currency translation adjustments.....	80,488	-	-	
Commodity hedges, net of income tax benefit of \$5,232.....	(7,063)	-	-	
Marketable securities, net of income tax benefit of \$67.....	(125)	-	-	
	-----			
Comprehensive income.....	\$ 300,282			
	=====			
Dividends:				
Preferred.....		-	-	
Common (\$.10 per share).....		-	-	
Common shares issued.....		-	-	
Conversion of Series C Preferred Stock.		-	(208,207)	8
Treasury shares issued, net.....		-	-	
Other.....		-	-	
		-----	-----	-----
BALANCE AT JUNE 30, 2002.....		\$ 98,387	\$ -	\$ 194
		=====	=====	=====
BALANCE AT DECEMBER 31, 2002.....		\$ 98,387	\$ -	\$ 194
Comprehensive income (loss):				
Net income.....	\$ 583,310	-	-	
Commodity hedges, net of income tax benefit of \$30,902.....	(51,870)	-	-	
	-----			
Comprehensive income.....	\$ 531,440			
	=====			
Dividends:				
Preferred.....		-	-	
Common (\$.10 per share).....		-	-	
Five percent common stock dividend.....		-	-	
Common shares issued.....		-	-	12
Treasury shares issued, net.....		-	-	
Other.....		-	-	
		-----	-----	-----
BALANCE AT JUNE 30, 2003.....		\$ 98,387	\$ -	\$ 207
		=====	=====	=====

(In thousands)	RETAINED EARNINGS	TREASURY STOCK	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	SHAR E
	-----	-----	-----	-----
BALANCE AT DECEMBER 31, 2001.....	\$ 1,336,478	\$ (111,885)	\$ (101,817)	\$ 4
Comprehensive income (loss):				
Net income.....	226,982	-	-	
Currency translation adjustments.....	-	-	80,488	
Commodity hedges, net of income tax benefit of \$5,232.....	-	-	(7,063)	
Marketable securities, net of income tax benefit of \$67.....	-	-	(125)	
Comprehensive income.....				
Dividends:				
Preferred.....	(7,989)	-	-	

Edgar Filing: APACHE CORP - Form 10-Q/A

Common (\$.10 per share).....	(27,103)	-	-	-
Common shares issued.....	-	-	-	-
Conversion of Series C Preferred Stock.	-	-	-	-
Treasury shares issued, net.....	-	928	-	-
Other.....	-	-	-	-
	-----	-----	-----	-----
BALANCE AT JUNE 30, 2002.....	\$ 1,528,368	\$ (110,957)	\$ (28,517)	\$ 4
	=====	=====	=====	=====
BALANCE AT DECEMBER 31, 2002.....	\$ 1,427,607	\$ (110,559)	\$ (112,936)	\$ 4
Comprehensive income (loss):				
Net income.....	583,310	-	-	-
Commodity hedges, net of income tax benefit of \$30,902.....	-	-	(51,870)	-
Comprehensive income.....				
Dividends:				
Preferred.....	(2,840)	-	-	-
Common (\$.10 per share).....	(33,705)	-	-	-
Five percent common stock dividend.....	(25,914)	-	-	-
Common shares issued.....	-	-	-	-
Treasury shares issued, net.....	-	3,257	-	-
Other.....	(6)	-	-	-
	-----	-----	-----	-----
BALANCE AT JUNE 30, 2003.....	\$ 1,948,452	\$ (107,302)	\$ (164,806)	\$ 5
	=====	=====	=====	=====

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

5

APACHE CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

These financial statements have been prepared by Apache Corporation (Apache or the Company) without audit, pursuant to the rules and regulations of the Securities and Exchange Commission, and reflect all adjustments which are, in the opinion of management, necessary for a fair statement of the results for the interim periods, on a basis consistent with the annual audited financial statements. All such adjustments are of a normal recurring nature. Certain information, accounting policies, and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. These financial statements should be read in conjunction with the financial statements and the summary of significant accounting policies and notes thereto included in the Company's most recent annual report on Form 10-K.

On December 18, 2002, the Company declared a five percent stock dividend payable on April 2, 2003, to shareholders of record on March 12, 2003. On September 11, 2003, the Company declared a two-for-one stock split, paid January 14, 2004, to shareholders of record on December 31, 2003. Quarterly share and per share information for 2002 and 2003 have been restated to reflect this stock dividend and the two-for-one stock split.



## Edgar Filing: APACHE CORP - Form 10-Q/A

### Reclassifications

Certain prior period amounts have been reclassified to conform with current year presentations.

#### 1. ACQUISITIONS

On January 13, 2003, Apache announced that it had entered into agreements to purchase producing properties in the North Sea and Gulf of Mexico from subsidiaries of BP p.l.c. (referred to collectively as "BP") for \$1.3 billion, with \$670 million allocated to the Gulf of Mexico properties and \$630 million allocated to properties in the North Sea. The properties included estimated proved reserves of 233.2 million barrels of oil equivalent (MMboe), 147.6 MMboe located in the North Sea with the balance in the Gulf of Mexico. Both purchase agreements were effective as of January 1, 2003. As is customary, Apache assumed BP's abandonment obligation for the properties, which was considered in determining the purchase price. Both the Gulf of Mexico and North Sea assets acquired from BP were funded with available cash on hand, the issuance of 19.8 million shares of Apache common stock adjusted for the five percent common stock dividend and the two-for-one common stock split and borrowings under the Company's lines of credit and commercial paper program. The offering of Apache's common stock provided net proceeds of approximately \$554 million, with the proceeds from additional debt approximating \$604 million.

Apache and BP closed the above referenced acquisition of the Gulf of Mexico properties on March 13, 2003, which included BP's interest in 56 producing fields, and 104 blocks. At closing, the \$670 million purchase price was adjusted for normal closing items and preferential rights exercised by third parties. The exercise of preferential rights by third parties reduced the purchase price by \$73 million and estimated reserves by 9.6 MMboe. The purchase price was further adjusted for various normal closing items, including revenues and expenditures related to the properties for the period between the effective and closing dates. As a result, cash consideration of \$509 million was paid by Apache upon closing. In a separate transaction closed February 21, 2003, Apache purchased BP's interest in several other Gulf of Mexico properties with estimated proved reserves of 2.1 MMboe for an adjusted purchase price of \$15 million. Including \$4 million of transaction costs, total cash consideration for the two acquisitions of Gulf of Mexico properties from BP totaled \$528 million.

The acquisition of the U.K. North Sea properties closed on April 2, 2003, at which time Apache paid a purchase price, adjusted for normal closing and working capital adjustments, of \$630 million. The acquisition of the North Sea properties includes a 96 percent interest in the Forties Field and establishes a new core area for the Company. In conjunction with the Forties acquisition, Apache may be required to issue a letter of credit to BP to cover the present value of related asset retirement obligations if the rating of the Company's senior unsecured debt is lowered by both Moody's and Standard and Poor's from its current ratings of A3 and A-, respectively. Should this occur, the initial letter of credit amount would be 175 million British pounds. Apache has agreed to sell all of the North Sea production from those properties over the next two years to BP at a combination of fixed and market sensitive prices pursuant to a contract entered into in connection with the North Sea purchase agreement.

The BP purchase prices were allocated to the assets acquired and liabilities assumed based upon their estimated fair values as of the date of

Edgar Filing: APACHE CORP - Form 10-Q/A

acquisition, as follows:

	U.S. - GULF OF MEXICO	U.K. - NORTH SEA	TOT
	-----	-----	-----
	(In thousands)		
Proved Property	\$ 520,110	\$ 854,835	\$ 1,374,945
Unproved Property	57,500	65,000	122,500
Working capital acquired, net	-	10,957	10,957
Asset Retirement Obligation	(69,000)	(250,887)	(319,887)
Deferred income tax liability	-	(50,381)	(50,381)
	-----	-----	-----
Cash consideration	\$ 508,610	\$ 629,524	\$ 1,138,134
	=====	=====	=====

\* Property balance includes \$12 million of transaction costs (U.S. - \$4 million; North Sea - \$8 million).

The following unaudited pro forma information shows the effect on the Company's consolidated results of operations as if the acquisitions from BP occurred on January 1 of each period presented. The pro forma information is based in part on data provided by BP and on numerous assumptions and is not necessarily indicative of future results of operations.

	FOR THE SIX MONTHS ENDED JUNE 30, 2003		FOR TH
	-----	-----	ENDED J
	AS REPORTED	PRO FORMA	AS REPORTED
	-----	-----	-----
	(In thousands, except per common share)		
Revenues.....	\$ 2,020,965	\$ 2,258,927	\$ 1,184,311
Net income.....	583,310	656,507	226,982
Preferred stock dividends.....	2,840	2,840	7,989
Income attributable to common stock.....	580,470	653,667	218,993
Net income per common share:			
Basic.....	\$ 1.81	\$ 2.03	\$ .75
Diluted.....	1.79	2.01	.74
Average common shares outstanding (1).....	320,973	323,160	291,994

(1) Pro forma shares assume the issuance of 19.8 million common shares adjusted for the five percent common stock dividend and the two-for-one common stock split as of the beginning of each period presented.

On July 3, 2003, Apache announced that it had completed the acquisition of producing properties on the Outer Continental Shelf of the Gulf of Mexico from Shell Exploration and Production Company (Shell) for \$200 million, subject

## Edgar Filing: APACHE CORP - Form 10-Q/A

to normal post-closing adjustments, including preferential rights. Prior to the transaction, Morgan Stanley Capital Group, Inc. (Morgan Stanley) paid Shell \$300 million to acquire an overriding royalty interest in a portion of the reserves to be produced over the next four years. Shell's sale of an overriding royalty interest to Morgan Stanley is commonly known in the industry as a volumetric production payment (VPP). Under the terms of the VPP, Morgan Stanley is to receive a fixed volume of oil and gas production over the four-year term. The VPP reserves and production will not be recorded by Apache.

Apache will record estimated proved reserves of 124.6 billion cubic feet (Bcf) of natural gas and 6.6 million barrels of oil. In addition, a \$60 million liability for the future cost to produce and deliver volumes subject to the VPP will be recorded by the Company because the overriding royalties are not burdened by production costs. This liability will be amortized as the volumes are produced and delivered to Morgan Stanley. The purchase agreement was effective as of July 1, 2003. The acquisition included interests in 26 fields covering 50 blocks (approximately 209,000 acres) and interests in two onshore gas plants. Apache will operate 15 of the fields with 91 percent of the production. The purchase price was funded by borrowings under the Company's lines of credit and commercial paper program.

### 2. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Apache uses a variety of strategies to manage its exposure to fluctuations in commodity prices. As established by the Company's hedging policy, Apache primarily enters into cash flow hedges in connection with selected

7

acquisitions to protect against commodity price volatility. The success of these acquisitions is significantly influenced by Apache's ability to achieve targeted production at forecasted prices. These hedges effectively reduce price risk on a portion of the production from the acquisitions.

During the first quarter of 2003, in conjunction with the acquisitions from BP and during the fourth quarter of 2002, in conjunction with the South Louisiana properties acquisition, Apache entered into, and designated as cash flow hedges, natural gas and crude oil fixed-price swaps and natural gas option collars. These positions were entered into in accordance with the Company's hedging policy and involved several counterparties which are rated A+ or better. As of June 30, 2003, the outstanding positions of our cash flow hedges were as follows:

PRODUCTION PERIOD	INSTRUMENT TYPE	TOTAL VOLUMES (MMBtu/Bbl)	WEIGHTED AVERAGE FLOOR/CEILING	FA
-----	-----	-----	-----	---
7/2003 - 12/2003	Gas Collars	9,200,000	\$ 3.50 / 6.09	
	Gas Fixed-Price Swap	36,800,000	5.12	
	Oil Fixed-Price Swap	9,200,000	26.59	
2004	Gas Collars	18,300,000	3.25 / 5.81	

Edgar Filing: APACHE CORP - Form 10-Q/A

	Gas Fixed-Price Swap	51,240,000	4.52
	Oil Fixed-Price Swap	1,550,000	26.59
2005	Gas Collars	9,050,000	3.25 / 5.20

In addition to the fixed-price swaps and option collars, Apache entered into a separate crude oil physical sales contract with BP. The sales contract is a normal purchase and sale under Statement of Financial Accounting Standards (SFAS) No. 133 and, therefore, the Company has designated and accounted for the contract under the accrual method. As of June 30, 2003, the outstanding terms of the contract were as follows:

CRUDE OIL FIXED-PRICE PHYSICAL SALES CONTRACT (BRENT)		
PRODUCTION PERIOD	TOTAL VOLUMES (BARRELS)	AVERAGE FIXED PRICE
7/2003 - 12/2003	4,600,000	\$ 25.32
2004	14,175,000	22.24

A reconciliation of the components of accumulated other comprehensive income (loss) in the statement of consolidated shareholders' equity related to Apache's derivative activities is presented in the table below:

	GROSS	AF
	(In thousands)	
Unrealized loss on derivatives at December 31, 2002.....	\$ (7,141)	\$
Net losses realized into earnings.....	53,837	
Net change in derivative fair value.....	(136,609)	
Unrealized loss on derivatives at June 30, 2003.....	\$ (89,913)	\$

Based on current market prices, the Company recorded an unrealized loss in other comprehensive income of \$89.9 million (\$56.1 million after tax). This loss will be realized in future earnings contemporaneously with the related sales of natural gas and crude oil production applicable to specific hedges. A loss of \$63.6 million (\$46.2 million after tax) will be realized over the next 12 months. However, these amounts could vary materially as a result of changes in market conditions. The contracts designated as hedges qualified and continue to qualify for hedge accounting in accordance with SFAS 133, as amended.

3. DEBT

On May 15, 2003, Apache Finance Canada Corporation (Apache Finance Canada) issued \$350 million of 4.375 percent, 12-year, senior unsecured notes in a private placement. The notes are irrevocably and unconditionally guaranteed by Apache. Interest is payable semi-annually on May 15 and November 15 of each year commencing on November 15, 2003. The notes were sold pursuant to Rule 144A and Regulation S, and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of the Securities Act of 1933, as amended.

If changes in relevant tax laws occur that would require Apache Finance Canada to pay additional amounts under the terms of the indenture, Apache Finance Canada has the right to redeem the notes prior to maturity. In addition, the notes are redeemable, as a whole or in part, at Apache Finance Canada's option, subject to a make-whole premium. The proceeds were used to reduce bank debt and outstanding commercial paper and for general corporate purposes.

4. CAPITAL STOCK

On January 22, 2003, the Company completed a public offering of 19.8 million shares of Apache common stock, adjusted for the five percent common stock dividend and two-for-one common stock split, including underwriters' over-allotment option, for net proceeds of approximately \$554 million. The proceeds were used to purchase producing properties in the North Sea and the Gulf of Mexico from BP.

5. FOREIGN CURRENCY TRANSLATION

The Company accounts for foreign currency gains and losses in accordance with SFAS 52 "Foreign Currency Translation." Foreign currency translation gains and losses related to deferred taxes are recorded as a component of its provision for income taxes, while all other foreign currency gains and losses are reflected in revenues other. For the first six months of 2003, the Company recorded additional deferred tax expense of \$56 million as a result of the weaker U.S. dollar. Net gains and losses reflected in revenues other totaled \$.5 million for the six-month period.

6. NET INCOME PER COMMON SHARE

A reconciliation of the components of basic and diluted net income per common share is presented in the table below:

Edgar Filing: APACHE CORP - Form 10-Q/A

	2003				2
	INCOME	SHARES	PER SHARE	INCOME	
	(In thousands, except per share amount)				
<b>BASIC:</b>					
Income attributable to common stock.	\$242,961	323,409	\$ .75	\$143,229	2
			=====		
<b>EFFECT OF DILUTIVE SECURITIES:</b>					
Stock options and other.....	-	2,711		-	
Series C Preferred Stock .....	-	-		1,661	
	-----	-----		-----	
<b>DILUTED:</b>					
Income attributable to common stock, including assumed conversions.....	\$242,961	326,120	\$ .74	\$144,890	3
	=====	=====	=====	=====	

FOR THE SIX MONTHS ENDED JUNE 30,

	2003				2
	INCOME	SHARES	PER SHARE	INCOME	
	(In thousands, except per share amount)				
<b>BASIC:</b>					
Income attributable to common stock.	\$580,470	320,973	\$ 1.81	\$218,993	2
			=====		
<b>EFFECT OF DILUTIVE SECURITIES:</b>					
Stock options and other.....	-	2,681		-	
Series C Preferred Stock .....	-	-		5,149	
	-----	-----		-----	
<b>DILUTED:</b>					
Income attributable to common stock, including assumed conversions.....	\$580,470	323,654	\$ 1.79	\$224,142	3
	=====	=====	=====	=====	

7. STOCK-BASED COMPENSATION

On June 30, 2003, the Company had several stock-based employee compensation plans. The Company accounts for those plans under the recognition and measurement principles of Accounting Principals Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. Under this method, the Company records no compensation expense for stock options granted when the exercise price of those options is equal to or greater than the

## Edgar Filing: APACHE CORP - Form 10-Q/A

market price of the Company's common stock on the date of grant, unless the awards are subsequently modified. The following table illustrates the effect on income attributable to common stock and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," as amended, to stock-based employee compensation for the Company's option and performance plans.

	FOR THE QUARTER ENDED JUNE 30,		FOR
	2003	2002	20
	(In thousands, except for per com		
Income attributable to common stock, as reported.....	\$ 242,961	\$ 143,229	\$ 58
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects.....	34	-	
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects...	(6,364)	(5,252)	(1
Pro forma income attributable to common stock.....	\$ 236,631	\$ 137,977	\$ 56
Net Income per Common Share:			
Basic:			
As reported.....	\$ .75	\$ .48	\$
Pro forma.....	.73	.47	
Diluted:			
As reported.....	.75	.48	
Pro forma.....	.72	.46	

The effects of applying SFAS No. 123, as amended, in this pro forma disclosure should not be interpreted as being indicative of future effects. SFAS No. 123, as amended, does not apply to awards prior to 1995, and the extent and timing of additional future awards cannot be predicted.

During the second quarter of 2003, the Company issued a total of 1,802,210 stock appreciation rights (SARs) to non-executive employees in lieu of stock options. The Company issued 121,000 shares of restricted common stock to executives in May of 2003. The SARs will be settled in cash upon exercise, if the price on the date of exercise is equal to or greater than the closing price of the Company's stock on the date of grant. The vesting period is over four years and the Company will record compensation expense on the vested SARs outstanding as the price of the Company's common stock fluctuates. The related second-quarter expense was \$.3 million after tax.

### 8. SUPPLEMENTAL CASH FLOW INFORMATION

The following table provides supplemental disclosure of cash flow information:

Edgar Filing: APACHE CORP - Form 10-Q/A

	FOR THE SIX MONTHS
	2003
	(In thousands)
Cash paid during the period for:	
Interest (net of amounts capitalized).....	\$ 47,471
Income taxes (net of refunds).....	166,762

11

9. BUSINESS SEGMENT INFORMATION

Apache has five reportable segments which are primarily in the business of natural gas and crude oil exploration and production. The Company evaluates segment performance based on results from oil and gas sales and lease-level expenses. Apache's reportable segments are managed separately because of their geographic locations. Financial information by operating segment is presented below:

	UNITED STATES	CANADA	EGYPT	AUSTRALIA	NORWAY
	(IN THOUSANDS)				
FOR THE SIX MONTHS ENDED JUNE 30, 2003					
Oil and Gas Production Revenues.....	\$ 994,699	\$ 427,940	\$ 320,274	\$ 194,952	\$ 9,000
Operating Income (1).....	\$ 570,629	\$ 248,346	\$ 190,795	\$ 98,060	\$ 1,000
Revenues other (Expense):					
Other revenues.....					
General and administrative.....					
Preferred interests of subsidiaries....					
Financing costs, net.....					
Income Before Income Taxes.....					
Total Assets.....	\$5,340,053	\$2,775,921	\$1,684,445	\$ 936,575	\$ 9,000
FOR THE SIX MONTHS ENDED JUNE 30, 2002					
Oil and Gas Production Revenues.....	\$ 514,825	\$ 256,711	\$ 254,203	\$ 152,952	\$ 9,000



**Edgar Filing: APACHE CORP - Form 10-Q/A**

Operating Income (Loss) (1).....	\$	172,278	\$	100,579	\$	139,725	\$	71,000	\$
Revenues other (Expense):									
Other revenues.....									
General and administrative.....									
Preferred interests of subsidiaries....									
Financing costs, net.....									
Income Before Income Taxes.....									
Total Assets.....	\$	4,100,006	\$	2,318,998	\$	1,632,287	\$	948,496	\$

(1) Operating Income (Loss) consists of oil and gas production revenues less depreciation, depletion and amortization, asset retirement obligation accretion, international impairments, lease operating costs, gathering and transportation costs, and severance and other taxes.

10. LITIGATION

In June 2003, Apache and Cinergy Marketing and Trading, LLC (Cinergy) agreed to terminate their agreement concerning marketing of Apache's U.S. natural gas production and to dismiss the arbitration between them. The parties reached an amicable settlement, the amounts of which were immaterial to Apache's financial position and results of operations. Consequently, the Company began marketing its U.S. natural gas production previously marketed by Cinergy beginning with July 2003 production.

11. NEW ACCOUNTING PRONOUNCEMENTS

Effective January 1, 2003, the Company adopted SFAS No. 143, "Accounting for Asset Retirement Obligations," which resulted in an increase to net oil and gas properties of \$410 million and additional liabilities related to asset retirement obligations of \$369 million. These entries reflect the asset retirement obligation of Apache had the provisions of SFAS No. 143 been applied since inception and resulted in a non-cash cumulative-effect increase to earnings of \$27 million (\$41 million pretax). Prior to adoption of SFAS No. 143, abandonment obligations were accrued over the productive lives of the assets through depreciation, depletion and amortization of oil and gas properties without recording a separate liability for such amounts.

The following table describes all changes to the Company's asset retirement obligation liability since adoption (in thousands):

Asset retirement obligation upon adoption on January 1, 2003.....	\$	368,537
Liabilities incurred.....		331,692
Liabilities settled.....		(4,583)
Accretion expense.....		15,758
		-----

## Edgar Filing: APACHE CORP - Form 10-Q/A

Asset retirement obligation at June 30, 2003.....	\$	711,404
		=====

Liabilities incurred during the period primarily relate to obligations assumed in connection with the Gulf of Mexico and North Sea properties acquired from BP. Liabilities settled during the period relate to individual properties plugged and abandoned or sold during the period. The pro forma asset retirement obligation would have been approximately \$334 million at January 1, 2002 had the Company adopted SFAS No. 143 on January 1, 2002. For the three and six month periods ended June 30, 2002, the pro forma effect on Income Attributable to Common Stock and Net Income per Common Share would not have been materially different than reported amounts had SFAS No. 143 been adopted by the Company on January 1, 2002.

In January 2003, the FASB issued Interpretation No., 46, "Consolidation of Variable Interest Entities, an Interpretation of Accounting Research Bulletin No. 51." Interpretation No. 46 requires a company to consolidate a variable interest entity (VIE) if the company has a variable interest (or combination of variable interests) that is exposed to a majority of the entity's expected losses if they occur, receive a majority of the entity's expected residual returns if they occur, or both. In addition, more extensive disclosure requirements apply to the primary and other significant variable interest owners of the VIE. This interpretation applies immediately to VIEs created after January 31, 2003, and to VIEs in which an enterprise obtains an interest after that date. It is also effective for the first fiscal year or interim period beginning after June 15, 2003, to VIEs in which a company holds a variable interest that is acquired before February 1, 2003. The guidance regarding this interpretation is extremely complex and, although we do not believe we have an interest in a VIE, the Company continues to assess the impact, if any, this interpretation will have on the Company's consolidated financial statements.

In May 2003, the FASB issued SFAS No. 150 "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." SFAS No. 150 establishes standards on how companies classify and measure certain financial instruments with characteristics of both liabilities and equity. The statement requires that the Company classify as liabilities the fair value of all mandatorily redeemable financial instruments that had previously been recorded as equity or elsewhere in the consolidated financial statements. This statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise effective for all existing financial instruments beginning in the third quarter of 2003. Apache is continuing to assess the impact of adopting this statement, which may require a significant portion, if not all, of its Preferred Interests of Subsidiaries to be reclassified as a component of debt. In any event, the Company has in the past provided pro forma information about how viewing the Company's Preferred Interests of Subsidiaries as debt would impact its debt-as-a-percentage-of-capitalization calculation (see page 2 of Annual Report on Form 10-K for the year ended December 31, 2002). Preferred Interests related to any portion reclassified would prospectively be reflected as interest expense instead of Preferred Interests of Subsidiaries in the Consolidated Statement of Operations.

### 12. RECENT ACCOUNTING DEVELOPMENTS

The Company has taken note of a July 2003 inquiry to the Financial Accounting Standards Board regarding whether or not contract-based oil and gas mineral rights held by lease or contract ("mineral rights") should be recorded or disclosed as intangible assets. The inquiry presents a view that these

## Edgar Filing: APACHE CORP - Form 10-Q/A

mineral rights are intangible assets as defined in SFAS No. 141, "Business Combinations," and, therefore, should be classified separately on the balance sheet as intangible assets. SFAS No. 141, and SFAS No. 142, "Goodwill and Other Intangible Assets," became effective for transactions subsequent to June 30, 2001 with the disclosure requirements of SFAS No. 142 required as of January 1, 2002. SFAS No. 141 requires that all business combinations initiated after June 30, 2001 be accounted for using the purchase method and that intangible assets be disaggregated and reported separately from goodwill. SFAS No. 142 established new accounting guidelines for both finite lived intangible assets and indefinite lived intangible assets. Under the statement, intangible assets should be separately reported on the face of the balance sheet and accompanied by disclosure in the notes to financial statements. SFAS No. 142 scopes out accounting utilized by the oil and gas industry as prescribed by SFAS No. 19, and is silent about whether or not its disclosure

13

provisions apply to oil and gas companies. Apache does not believe that SFAS No. 141 or 142 change the classification of oil and gas mineral rights and the Company continues to classify these assets as part of oil and gas properties. The Emerging Issues Task Force (EITF) has added the treatment of oil and gas mineral rights to an upcoming agenda, which may result in a change in how Apache classifies these assets.

Should such a change be required, the amounts related to business combinations and major asset purchases after June 30, 2001 that would be classified as "intangible undeveloped mineral interest" was \$192 million as of June 30, 2003. The amounts related to business combinations and major asset purchases after June 30, 2001 that would be classified as "intangible developed mineral interest" was \$1.2 billion as of June 30, 2003. Intangible developed mineral interest amounts are presented net of accumulated depletion, depreciation and amortization (DD&A). Accumulated DD&A was estimated using historical depletion rates applied proportionately to the costs of the acquisitions to be classified as "intangible developed mineral interest". The amounts noted above only include mineral rights acquired in business combinations or major asset purchases, and exclude those acquired individually or in groups as we have not historically tracked these in this manner. The Company has also not historically tracked the amount of mineral rights in the proved property balances related to producing leases or relinquished leases. We are currently identifying a methodology to do so for transactions subsequent to June 30, 2001.

The numbers above are based on our understanding of the issue before the EITF, if all mineral rights associated with unevaluated property and producing reserves were deemed to be intangible assets:

- mineral rights with proved reserves that were acquired after June 30, 2001 and mineral rights with no proved reserves would be classified as intangible assets and would not be included in oil and gas properties on our consolidated balance sheet;

Edgar Filing: APACHE CORP - Form 10-Q/A

- results of operations and cash flows would not be materially affected because mineral rights would continue to be amortized in accordance with full cost accounting rules; and
- disclosures required by SFAS Nos. 141 and 142 relative to intangibles would be included in the notes to our financial statements.

If the accounting for mineral rights is ultimately changed, transitional guidance for intangible assets permits the reclassification of only amounts acquired after the effective date of SFAS Nos. 141 and 142 if records were not previously maintained to track acquisition costs based on their intangible or tangible nature. Lack of these records prior to the effective date could result in the loss of comparability between historical balances of tangible and intangible asset balances and among companies in the industry.

13. SUPPLEMENTAL GUARANTOR INFORMATION

Apache Finance Pty Ltd. (Apache Finance Australia) and Apache Finance Canada are subsidiaries of Apache, that have issuances of publicly traded securities and require the following condensed consolidating financial statements be provided as an alternative to filing separate financial statements.

Each of the companies presented in the condensed consolidating financial statements has been fully consolidated in Apache's consolidated financial statements. As such, the condensed consolidating financial statements should be read in conjunction with the financial statements of Apache and subsidiaries and notes thereto of which this note is an integral part.

14

APACHE CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS  
FOR THE QUARTER ENDED JUNE 30, 2003

	APACHE CORPORATION	APACHE NORTH AMERICA	APACHE FINANC AUSTRAL
	-----	-----	-----
	(IN THOUSANDS)		
REVENUES AND OTHER:			
Oil and gas production revenues.....	\$ 438,796	\$ -	\$ 10,
Equity in net income (loss) of affiliates.....	76,802	7,782	10,
Other.....	(2,641)	-	-
	-----	-----	-----
	512,957	7,782	10,
	-----	-----	-----

Edgar Filing: APACHE CORP - Form 10-Q/A

OPERATING EXPENSES:			
Depreciation, depletion and amortization.....	93,593	-	
Asset retirement obligation accretion.....	3,778	-	
Lease operating costs.....	66,007	-	
Gathering and transportation costs.....	4,412	-	
Severance and other taxes.....	13,042	-	
General and administrative.....	25,138	-	
Financing costs, net.....	27,345	-	4,
	-----	-----	-----
	233,315	-	4,
	-----	-----	-----
PREFERRED INTERESTS OF SUBSIDIARIES.....	-	-	
	-----	-----	-----
INCOME (LOSS) BEFORE INCOME TAXES.....	279,642	7,782	6,
Provision (benefit) for income taxes.....	35,261	-	(1,
	-----	-----	-----
INCOME (LOSS) BEFORE CHANGE IN ACCOUNTING PRINCIPLE.....	244,381	7,782	7,
Cumulative effect of change in accounting principle, net of income tax.....	-	-	
	-----	-----	-----
NET INCOME.....	244,381	7,782	7,
Preferred stock dividends.....	1,420	-	
	-----	-----	-----
INCOME ATTRIBUTABLE TO COMMON STOCK.....	\$ 242,961	\$ 7,782	\$ 7,
	=====	=====	=====
	ALL OTHER SUBSIDIARIES OF APACHE CORPORATION	RECLASSIFICATIONS & ELIMINATIONS	CONSOLIDATED
	-----	-----	-----
		(IN THOUSANDS)	
REVENUES AND OTHER:			
Oil and gas production revenues.....	\$ 648,859	\$ (43,325)	\$ 1,04
Equity in net income (loss) of affiliates.....	(9,681)	(92,070)	
Other.....	12,667	-	1
	-----	-----	-----
	651,845	(135,395)	1,05
	-----	-----	-----
OPERATING EXPENSES:			
Depreciation, depletion and amortization.....	178,763	-	27
Asset retirement obligation accretion.....	6,667	-	1
Lease operating costs.....	163,604	(43,325)	18
Gathering and transportation costs.....	10,719	-	1
Severance and other taxes.....	19,689	-	3
General and administrative.....	5,436	-	3
Financing costs, net.....	(12,950)	-	2
	-----	-----	-----
	371,928	(43,325)	57
	-----	-----	-----
PREFERRED INTERESTS OF SUBSIDIARIES.....	3,330	-	
	-----	-----	-----

Edgar Filing: APACHE CORP - Form 10-Q/A

INCOME (LOSS) BEFORE INCOME TAXES.....	276,587	(92,070)	47
Provision (benefit) for income taxes.....	199,785	-	23
	-----	-----	-----
INCOME (LOSS) BEFORE CHANGE IN ACCOUNTING PRINCIPLE.....	76,802	(92,070)	24
Cumulative effect of change in accounting principle, net of income tax.....	-	-	
	-----	-----	-----
NET INCOME.....	76,802	(92,070)	24
Preferred stock dividends.....	-	-	
	-----	-----	-----
INCOME ATTRIBUTABLE TO COMMON STOCK.....	\$ 76,802	\$ (92,070)	\$ 24
	=====	=====	=====

15

APACHE CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS  
FOR THE QUARTER ENDED JUNE 30, 2002

	APACHE CORPORATION	APACHE NORTH AMERICA	APACHE FINANCIAL AUSTRALIA
	-----	-----	-----
	(IN THOUSANDS)		
REVENUES AND OTHER:			
Oil and gas production revenues.....	\$ 214,891	\$ -	\$ -
Equity in net income (loss) of affiliates.....	104,111	4,582	7,000
Other.....	(90)	-	
	-----	-----	-----
	318,912	4,582	7,000
	-----	-----	-----
OPERATING EXPENSES:			
Depreciation, depletion and amortization.....	61,143	-	
International impairments.....	-	-	
Lease operating costs.....	49,359	-	
Gathering and transportation costs.....	5,068	-	
Severance and other taxes.....	8,501	-	
General and administrative.....	23,911	-	
Financing costs, net.....	20,359	-	4,000
	-----	-----	-----
	168,341	-	4,000
	-----	-----	-----
PREFERRED INTERESTS OF SUBSIDIARIES.....	-	-	
	-----	-----	-----
INCOME (LOSS) BEFORE INCOME TAXES.....	150,571	4,582	3,000
Provision (benefit) for income taxes.....	4,261	-	(1,000)
	-----	-----	-----

Edgar Filing: APACHE CORP - Form 10-Q/A

NET INCOME.....	146,310	4,582	4,
Preferred stock dividends.....	3,081	-	
	-----	-----	-----
INCOME ATTRIBUTABLE TO COMMON STOCK.....	\$ 143,229	\$ 4,582	\$ 4,
	=====	=====	=====
	ALL OTHER SUBSIDIARIES OF APACHE CORPORATION	RECLASSIFICATIONS & ELIMINATIONS	CONSOLI
	-----	-----	-----
		(IN THOUSANDS)	
REVENUES AND OTHER:			
Oil and gas production revenues.....	\$ 484,631	\$ (47,258)	\$ 65
Equity in net income (loss) of affiliates.....	(8,751)	(130,167)	
Other.....	4,141	-	
	-----	-----	-----
	480,021	(177,425)	65
	-----	-----	-----
OPERATING EXPENSES:			
Depreciation, depletion and amortization.....	149,647	-	21
International impairments.....	-	-	
Lease operating costs.....	109,986	(47,258)	11
Gathering and transportation costs.....	6,044	-	1
Severance and other taxes.....	8,827	-	1
General and administrative.....	4,104	-	2
Financing costs, net.....	(4,658)	-	3
	-----	-----	-----
	273,950	(47,258)	40
	-----	-----	-----
PREFERRED INTERESTS OF SUBSIDIARIES.....	5,129	-	
	-----	-----	-----
INCOME (LOSS) BEFORE INCOME TAXES.....	200,942	(130,167)	24
Provision (benefit) for income taxes.....	96,831	-	9
	-----	-----	-----
NET INCOME.....	104,111	(130,167)	14
Preferred stock dividends.....	-	-	
	-----	-----	-----
INCOME ATTRIBUTABLE TO COMMON STOCK.....	\$ 104,111	\$ (130,167)	\$ 14
	=====	=====	=====

Edgar Filing: APACHE CORP - Form 10-Q/A

	APACHE CORPORATION	APACHE NORTH AMERICA	FINANCIAL AUSTRALIA
	(IN THOUSANDS)		
REVENUES AND OTHER:			
Oil and gas production revenues.....	\$ 814,963	\$ -	\$ -
Equity in net income (loss) of affiliates.....	256,160	16,729	22,000
Other.....	(6,257)	-	-
	1,064,866	16,729	22,000
OPERATING EXPENSES:			
Depreciation, depletion and amortization.....	161,211	-	-
Asset retirement obligation accretion.....	6,542	-	-
Lease operating costs.....	124,774	-	-
Gathering and transportation costs.....	8,897	-	-
Severance and other taxes.....	27,399	-	-
General and administrative.....	48,841	-	-
Financing costs, net.....	48,444	-	9,000
	426,108	-	9,000
PREFERRED INTERESTS OF SUBSIDIARIES.....	-	-	-
INCOME (LOSS) BEFORE INCOME TAXES.....	638,758	16,729	13,000
Provision (benefit) for income taxes.....	75,205	-	(3,000)
INCOME (LOSS) BEFORE CHANGE IN ACCOUNTING PRINCIPLE.....	563,553	16,729	16,000
Cumulative effect of change in accounting principle, net of income tax.....	19,757	-	-
NET INCOME.....	583,310	16,729	16,000
Preferred stock dividends.....	2,840	-	-
INCOME ATTRIBUTABLE TO COMMON STOCK.....	\$ 580,470	\$ 16,729	\$ 16,000

	ALL OTHER SUBSIDIARIES OF APACHE CORPORATION	RECLASSIFICATIONS & ELIMINATIONS	CONSOLIDATED
	(IN THOUSANDS)		
REVENUES AND OTHER:			
Oil and gas production revenues.....	\$ 1,303,126	\$ (98,597)	\$ 2,010,000
Equity in net income (loss) of affiliates.....	(18,758)	(311,418)	-
Other.....	7,730	-	-
	1,292,098	(410,015)	2,020,000
OPERATING EXPENSES:			
Depreciation, depletion and amortization.....	325,494	-	48,000



Edgar Filing: APACHE CORP - Form 10-Q/A

Asset retirement obligation accretion.....	9,216	-	1
Lease operating costs.....	294,244	(98,597)	32
Gathering and transportation costs.....	18,095	-	2
Severance and other taxes.....	29,844	-	5
General and administrative.....	9,564	-	5
Financing costs, net.....	(22,809)	-	5
	-----	-----	-----
	663,648	(98,597)	1,02
	-----	-----	-----
PREFERRED INTERESTS OF SUBSIDIARIES.....	6,692	-	
	-----	-----	-----
INCOME (LOSS) BEFORE INCOME TAXES.....	621,758	(311,418)	99
Provision (benefit) for income taxes.....	372,473	-	43
	-----	-----	-----
INCOME (LOSS) BEFORE CHANGE IN ACCOUNTING PRINCIPLE.....	249,285	(311,418)	55
Cumulative effect of change in accounting principle, net of income tax.....	6,875	-	2
	-----	-----	-----
NET INCOME.....	256,160	(311,418)	58
Preferred stock dividends.....	-	-	
	-----	-----	-----
INCOME ATTRIBUTABLE TO COMMON STOCK.....	\$ 256,160	\$ (311,418)	\$ 58
	=====	=====	=====

17

APACHE CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS  
FOR THE SIX MONTHS ENDED JUNE 30, 2002

	APACHE CORPORATION	APACHE NORTH AMERICA	APACHE FINANCIAL AUSTRALIA
	-----	-----	-----
	(IN THOUSANDS)		
REVENUES AND OTHER:			
Oil and gas production revenues.....	\$ 376,760	\$ -	\$ 15,
Equity in net income (loss) of affiliates.....	172,727	9,084	15,
Other.....	95	-	
	-----	-----	-----
	549,582	9,084	15,
	-----	-----	-----
OPERATING EXPENSES:			
Depreciation, depletion and amortization.....	114,847	-	
International impairments.....	-	-	
Lease operating costs.....	100,326	-	
Gathering and transportation costs.....	8,009	-	
Severance and other taxes.....	15,133	-	

Edgar Filing: APACHE CORP - Form 10-Q/A

General and administrative.....	45,386	-	
Financing costs, net.....	36,042	-	9,
	<u>319,743</u>	<u>-</u>	<u>9,</u>
PREFERRED INTERESTS OF SUBSIDIARIES.....	-	-	
INCOME (LOSS) BEFORE INCOME TAXES.....	229,839	9,084	6,
Provision (benefit) for income taxes.....	2,857	-	(3,
NET INCOME.....	226,982	9,084	9,
Preferred stock dividends.....	7,989	-	
INCOME ATTRIBUTABLE TO COMMON STOCK.....	<u>\$ 218,993</u>	<u>\$ 9,084</u>	<u>\$ 9,</u>
	ALL OTHER SUBSIDIARIES OF APACHE CORPORATION	RECLASSIFICATIONS & ELIMINATIONS	CONSOLI
		(IN THOUSANDS)	
REVENUES AND OTHER:			
Oil and gas production revenues.....	\$ 892,172	\$ (87,279)	\$ 1,18
Equity in net income (loss) of affiliates.....	(17,503)	(216,451)	
Other.....	2,563	-	
	<u>877,232</u>	<u>(303,730)</u>	<u>1,18</u>
OPERATING EXPENSES:			
Depreciation, depletion and amortization.....	306,982	-	42
International impairments.....	4,600	-	
Lease operating costs.....	210,183	(87,279)	22
Gathering and transportation costs.....	11,336	-	1
Severance and other taxes.....	17,546	-	3
General and administrative.....	7,981	-	5
Financing costs, net.....	(9,057)	-	5
	<u>549,571</u>	<u>(87,279)</u>	<u>81</u>
PREFERRED INTERESTS OF SUBSIDIARIES.....	8,662	-	
INCOME (LOSS) BEFORE INCOME TAXES.....	318,999	(216,451)	36
Provision (benefit) for income taxes.....	146,272	-	13
NET INCOME.....	172,727	(216,451)	22
Preferred stock dividends.....	-	-	
INCOME ATTRIBUTABLE TO COMMON STOCK.....	<u>\$ 172,727</u>	<u>\$ (216,451)</u>	<u>\$ 21</u>

Edgar Filing: APACHE CORP - Form 10-Q/A

18

APACHE CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS ENDED JUNE 30, 2003

	APACHE CORPORATION	APACHE NORTH AMERICA	APACHE FINANCIAL AUSTRALIA
	(IN THOUSANDS)		
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES.....	\$ (189,177)	\$ -	\$ (10,000)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Additions to property and equipment.....	(191,034)	-	-
Acquisitions.....	(527,610)	-	-
Investment in subsidiaries, net.....	407,659	(9,025)	-
Other, net.....	(15,393)	-	-
NET CASH USED IN INVESTING ACTIVITIES.....	(326,378)	(9,025)	-
CASH FLOWS FROM FINANCING ACTIVITIES:			
Long-term borrowings.....	660,873	-	1,000
Payments on long-term debt.....	(678,900)	-	-
Dividends paid.....	(34,366)	-	-
Common stock activity.....	570,024	9,025	9,000
Treasury stock activity, net.....	3,738	-	-
Cost of debt and equity transactions.....	(4,039)	-	-
NET CASH PROVIDED BY FINANCING ACTIVITIES.....	517,330	9,025	10,000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	1,775	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	224	-	-
CASH AND CASH EQUIVALENTS AT END OF PERIOD.....	\$ 1,999	\$ -	\$ -
	ALL OTHER SUBSIDIARIES OF APACHE CORPORATION	RECLASSIFICATIONS & ELIMINATIONS	CONSOLIDATED
	(IN THOUSANDS)		
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES.....	\$ 1,097,260	\$ -	\$ 1,224,000

Edgar Filing: APACHE CORP - Form 10-Q/A

CASH FLOWS FROM INVESTING ACTIVITIES:			
Additions to property and equipment.....	(580,012)	-	(771)
Acquisitions.....	(629,524)	-	(1,157)
Investment in subsidiaries, net.....	156,790	(555,424)	
Other, net.....	(16,949)	-	(32)
NET CASH USED IN INVESTING ACTIVITIES.....	(1,069,695)	(555,424)	(1,960)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Long-term borrowings.....	76,315	651,126	1,042
Payments on long-term debt.....	(173,405)	-	(852)
Dividends paid.....	-	-	(34)
Common stock activity.....	56,990	(95,702)	570
Treasury stock activity, net.....	-	-	3
Cost of debt and equity transactions.....	-	-	(4)
NET CASH PROVIDED BY FINANCING ACTIVITIES.....	(40,100)	555,424	725
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	(12,535)	-	(10)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	51,533	-	51
CASH AND CASH EQUIVALENTS AT END OF PERIOD.....	\$ 38,998	\$ -	\$ 40

19

APACHE CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS ENDED JUNE 30, 2002

	APACHE CORPORATION	APACHE NORTH AMERICA
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES.....	\$ 300,039	\$ -
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property and equipment.....	(119,011)	-
Proceeds from sales of oil and gas properties.....	-	-
Proceeds from sale of U.S. Government Agency Notes.....	-	-
Investment in subsidiaries, net.....	(218,462)	(9,025)
Other, net.....	(6,065)	-

Edgar Filing: APACHE CORP - Form 10-Q/A

NET CASH USED IN INVESTING ACTIVITIES.....	(343,538)	(9,025)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Long-term debt activity.....	1,048,884	-
Payments on long-term debt.....	(982,731)	-
Dividends paid.....	(37,257)	-
Common stock activity.....	15,542	9,025
Treasury stock activity, net.....	1,715	-
Cost of debt and equity transactions.....	(6,487)	-
NET CASH PROVIDED BY FINANCING ACTIVITIES.....	39,666	9,025
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	(3,833)	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	6,383	-
CASH AND CASH EQUIVALENTS AT END OF PERIOD.....	\$ 2,550	\$ -
	ALL OTHER SUBSIDIARIES OF APACHE CORPORATION	RECLASSIFICATION & ELIMINATION
		(IN THOUSANDS)
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES.....	\$ 336,753	\$ -
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property and equipment.....	(345,217)	-
Proceeds from sales of oil and gas properties.....	-	-
Proceeds from sale of U.S. Government Agency Notes.....	17,006	-
Investment in subsidiaries, net.....	(138,451)	365,93
Other, net.....	(8,846)	-
NET CASH USED IN INVESTING ACTIVITIES.....	(475,508)	365,93
CASH FLOWS FROM FINANCING ACTIVITIES:		
Long-term debt activity.....	344,682	(291,38)
Payments on long-term debt.....	(162,239)	-
Dividends paid.....	-	-
Common stock activity.....	56,499	(74,54)
Treasury stock activity, net.....	-	-
Cost of debt and equity transactions.....	-	-
NET CASH PROVIDED BY FINANCING ACTIVITIES.....	238,942	(365,93)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	100,187	-
CASH AND CASH EQUIVALENTS AT		

Edgar Filing: APACHE CORP - Form 10-Q/A

BEGINNING OF YEAR.....	29,240	
CASH AND CASH EQUIVALENTS AT END OF PERIOD.....	\$ 129,427	\$

20

APACHE CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATING BALANCE SHEET  
AS OF JUNE 30, 2003

	APACHE CORPORATION	APACHE NORTH AMERICA
(IN TH		
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents.....	\$ 1,999	\$ -
Receivables, net of allowance.....	257,011	-
Inventories.....	13,970	-
Drilling advances and others.....	34,672	-
	307,652	-
PROPERTY AND EQUIPMENT, NET.....	4,267,550	-
OTHER ASSETS:		
Intercompany receivable, net.....	526,127	-
Goodwill, net.....	-	-
Equity in affiliates.....	3,921,624	167,952
Deferred charges and other.....	34,611	-
	\$ 9,057,564	\$ 167,952
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable.....	\$ 165,426	\$ -
Other accrued expenses.....	249,165	-
	414,591	-
LONG-TERM DEBT.....	1,377,308	-
DEFERRED CREDITS AND OTHER NONCURRENT LIABILITIES:		
Income taxes.....	743,104	-
Advances from gas purchasers.....	117,365	-
Asset retirement obligation.....	266,826	-

Edgar Filing: APACHE CORP - Form 10-Q/A

Oil and gas derivative instruments.....	26,274	-
Other.....	112,572	-
	<u>1,266,141</u>	<u>-</u>
PREFERRED INTERESTS OF SUBSIDIARIES.....	-	-
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY.....	5,999,524	167,952
	<u>\$ 9,057,564</u>	<u>\$ 167,952</u>
	ALL OTHER SUBSIDIARIES OF APACHE CORPORATION	RECLASSIFICATION & ELIMINATIONS
		(IN THOUSANDS)
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents.....	\$ 38,998	\$ -
Receivables, net of allowance.....	441,104	-
Inventories.....	104,302	-
Drilling advances and others.....	60,400	-
	<u>644,804</u>	<u>-</u>
PROPERTY AND EQUIPMENT, NET.....	6,437,946	-
OTHER ASSETS:		
Intercompany receivable, net.....	(430,648)	-
Goodwill, net.....	189,252	-
Equity in affiliates.....		