



THIRD-QUARTER 2018

FINANCIAL & OPERATIONAL SUPPLEMENT

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Certain statements in this earnings supplement contain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 including, without limitation, expectations, beliefs, plans and objectives regarding anticipated financial and operating results, asset divestitures, estimated reserves, drilling locations, capital expenditures, price estimates, typical well results and well profiles, type curve, and production and operating expense guidance included in this earnings supplement. Any matters that are not historical facts are forward looking and, accordingly, involve estimates, assumptions, risks and uncertainties, including, without limitation, risks, uncertainties and other factors discussed in our most recently filed Annual Report on Form 10-K, recently filed Quarterly Reports on Form 10-Q, recently filed Current Reports on Form 8-K available on our website, www.apachecorp.com, and in our other public filings and press releases. These forward-looking statements are based on Apache Corporation's (Apache) current expectations, estimates and projections about the company, its industry, its management's beliefs, and certain assumptions made by management. No assurance can be given that such expectations, estimates, or projections will prove to have been correct. A number of factors could cause actual results to differ materially from the projections, anticipated results, or other expectations expressed in this earnings supplement, including, Apache's ability to meet its production targets, successfully manage its capital expenditures and to complete, test, and produce the wells and prospects identified in this earnings supplement, to successfully plan, secure necessary government approvals, finance, build, and operate the necessary infrastructure, and to achieve its production and budget expectations on its projects.

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TABLE OF CONTENTS

Third-Quarter 2018 Key Metrics.....	4
Third-Quarter 2018 Financial and Operational Results.....	5
Third-Quarter 2018 Regional Summary.....	15
2018 Guidance Update.....	22
Appendix.....	29
Non-GAAP Reconciliations.....	36

THIRD-QUARTER 2018 KEY METRICS

Reported Production	476 Mboe/d
Adjusted Production ⁽¹⁾	401 Mboe/d
Cost Incurred and GTP Capital Investment	\$1 Billion
Upstream Oil and Gas Capital Investment ⁽²⁾	\$844 Million
Midstream Oil and Gas Capital Investment ⁽²⁾	\$122 Million
Net Cash provided by Operating Activities	\$1 Billion
Adjusted EBITDAX ⁽²⁾	\$1.4 Billion
Earnings Per Share	\$0.21
Adjusted Earnings Per Share ⁽²⁾⁽³⁾	\$0.63

(1) Excludes production attributable to Egypt tax barrels and noncontrolling interest.

(2) For a reconciliation to the most directly comparable GAAP financial measure please refer to the Non-GAAP Reconciliations.

(3) Includes \$(0.04) per share of dry hole expense (net of tax).

3Q18 FINANCIAL AND OPERATIONAL RESULTS

WHAT TO EXPECT FROM APACHE IN 2019

Assuming commodity prices in-line with current strip:

- ▶ Upstream capital investment of ~\$3.0 billion
- ▶ Adjusted production at high end of 410-440 Mboe/d guidance range
 - ▶ 15% growth in the U.S. and 10% growth overall
- ▶ Positive free cash flow, inclusive of dividend payment
- ▶ Continue to return capital to shareholders

3Q 2018 HIGHLIGHTS

- ▶ Net cash from operating activities up 82% year-over-year to \$1 billion
- ▶ Strong oil price leverage: 79% of revenue from oil, nearly 70% of oil production received Brent- or Gulf Coast-linked pricing
- ▶ Adjusted production of 401 Mboe/d exceeded guidance by 3 Mboe/d
 - ▶ Delivering sustained quarterly production growth

Mboe/d	3Q'17	4Q'17	1Q'18	2Q'18	3Q'18
US	208	222	232	256	273
International	146	140	135	134	128
Total	354	362	367	390	401

(1) Excludes production attributable to divested assets and Egypt tax barrels and noncontrolling interest.

- ▶ Cash return on invested capital of 23% on an annualized basis through the first three quarters of 2018
- ▶ Share buybacks
 - ▶ Repurchased 0.9 MM of common stock in September
 - ▶ Announcing new share repurchase authorization of an additional 40 MM shares
- ▶ Announced Altus Midstream Transaction

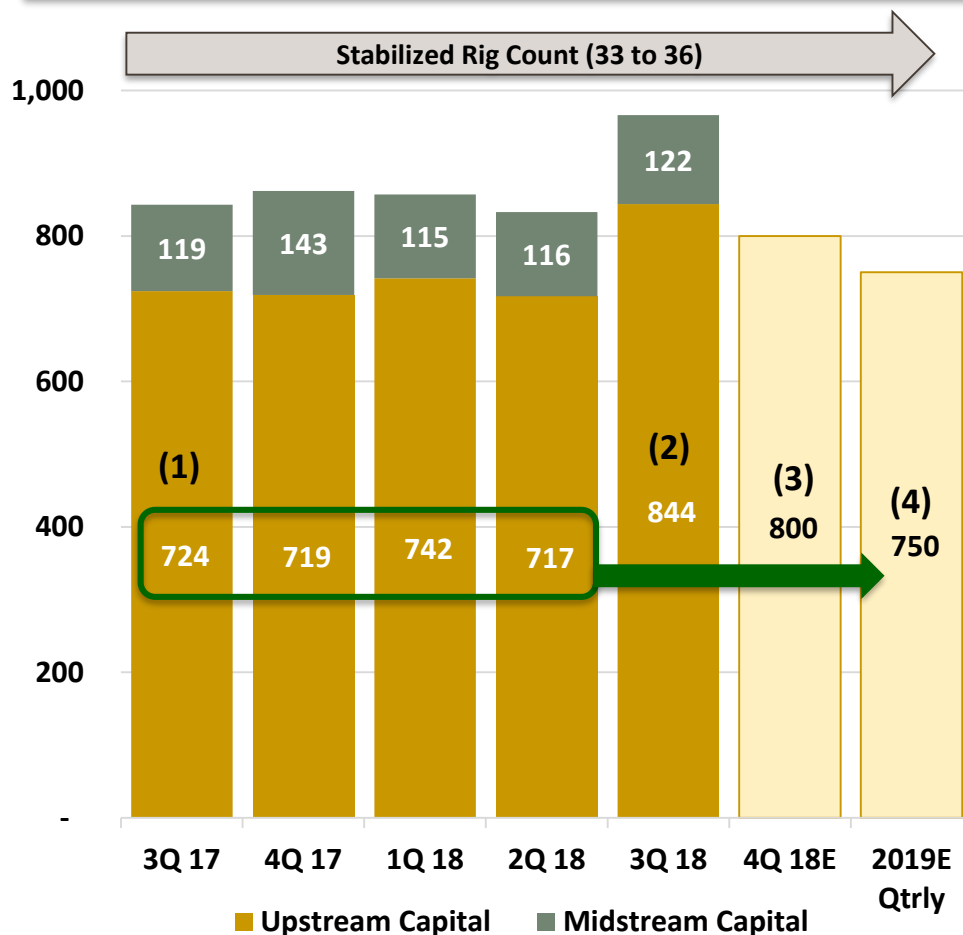
UPSTREAM OPERATIONAL HIGHLIGHTS

- ▶ 3Q adjusted total production growth of 13% and Permian oil production growth of 16%, year over year
- ▶ Full-pattern development in the Midland/Delaware basin generating significant cost and productivity improvements
- ▶ Alpine High progress:
 - ▶ Drilling, completion and equipment costs per lateral foot down approximately 25% year to date from 2017, in-line with our goal
 - ▶ Drilled first multi-well Bone Spring / Wolfcamp oil pad
- ▶ Expanding Egypt inventory: fast-track processing of ongoing seismic shoot is delivering very promising results
- ▶ Accelerating development of the Garten oil discovery in the North Sea into the fourth quarter

QUARTERLY OIL & GAS CAPITAL INVESTMENT

Operating at a Stable and Efficient Activity Level

Quarterly Capital Investment (\$MM)



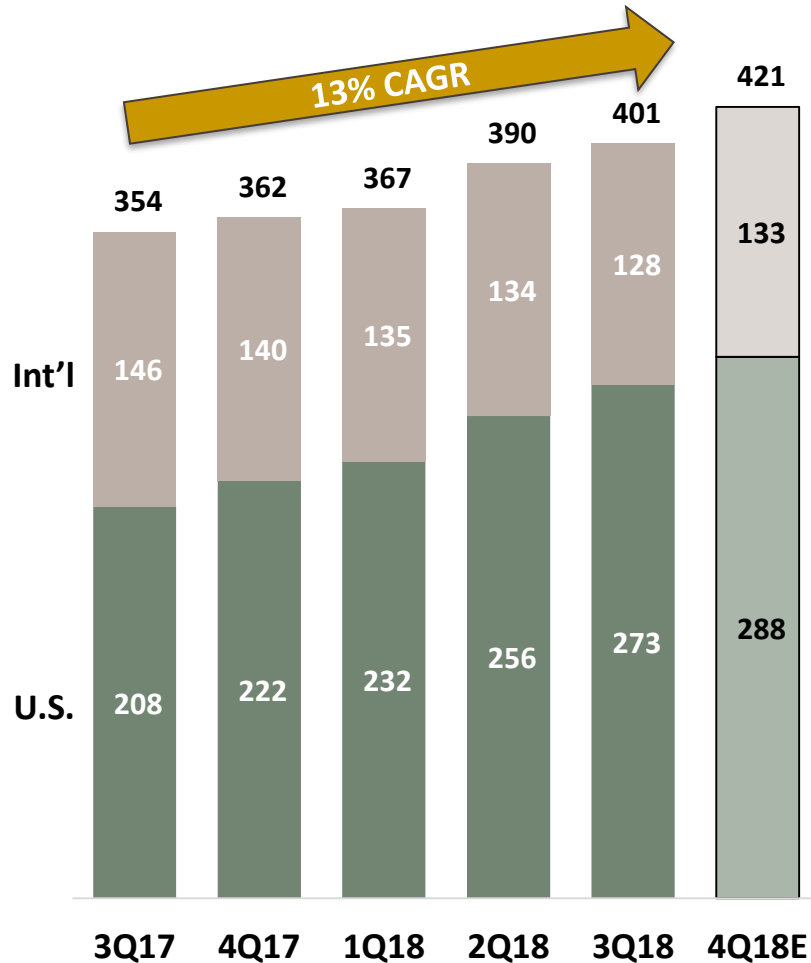
- 1) Consistent upstream capital investment level over prior 4 quarters
- 2) 3Q'18 upstream capital increase reflects:
 - ▶ Timing of capital activity
 - ▶ Incremental lease acquisitions & extensions
- 3) 4Q'18 upstream capital lower
 - ▶ Includes ~\$65MM of ongoing lease acquisition investments
- 4) 2019 quarterly upstream capital run rate expected to average \$750MM

Note: Excludes noncontrolling interest in Egypt; 4Q 2018 and 2019 Alpine High midstream capital expected to be funded by Altus upon closing. For a reconciliation of cost incurred and GTP capital investments to Oil and Gas Capital Investment please refer to the Non-GAAP Reconciliations.

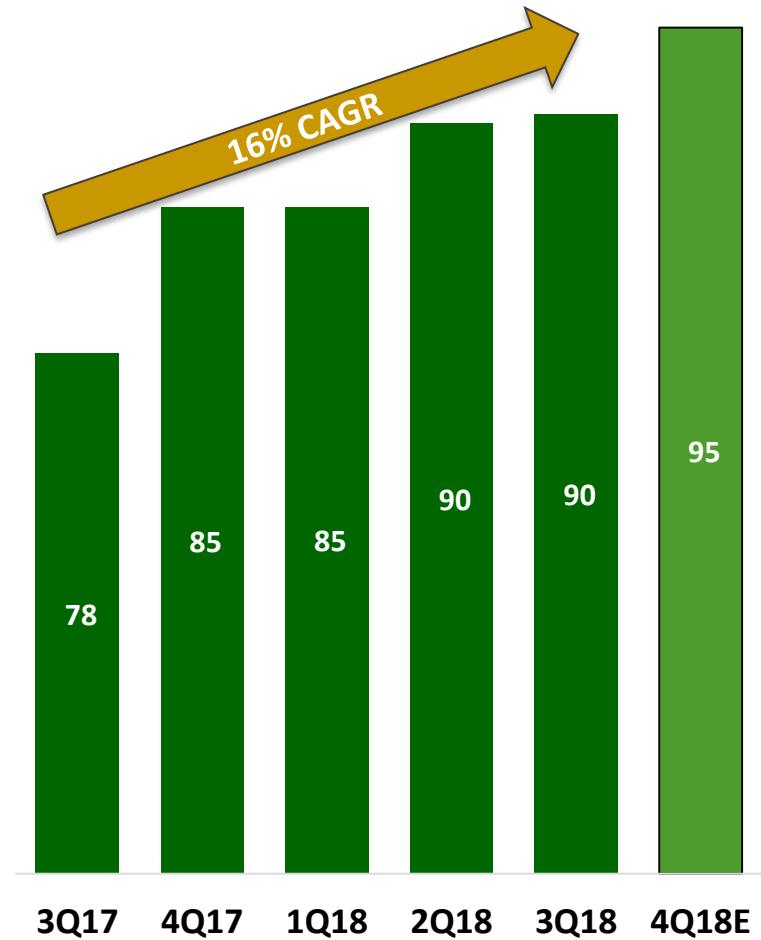
QUARTERLY PRODUCTION GROWTH

Delivering Growth on Stabilized Activity Set

Adjusted Production (Mboe/d)



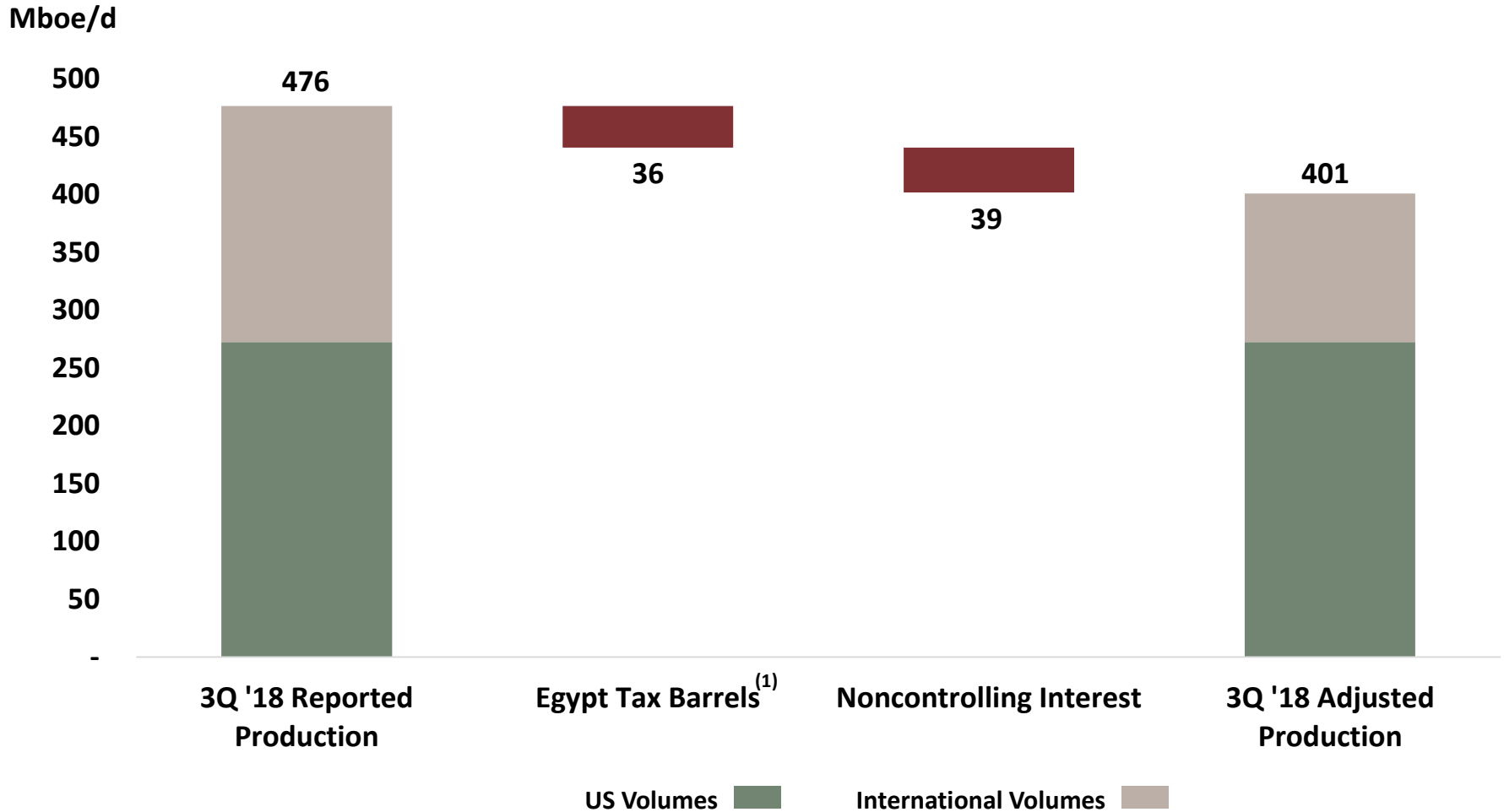
Permian Oil Production (Mboe/d)



Note: Adjusted Production excludes production attributable to divested assets and Egypt tax barrels & noncontrolling interest.

ADJUSTED PRODUCTION RECONCILIATION

3Q 2018

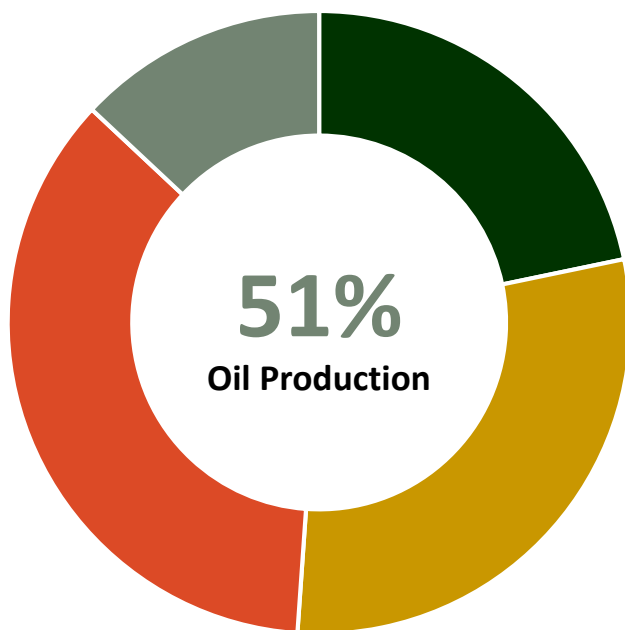


(1) Includes tax barrels associated with noncontrolling interest.

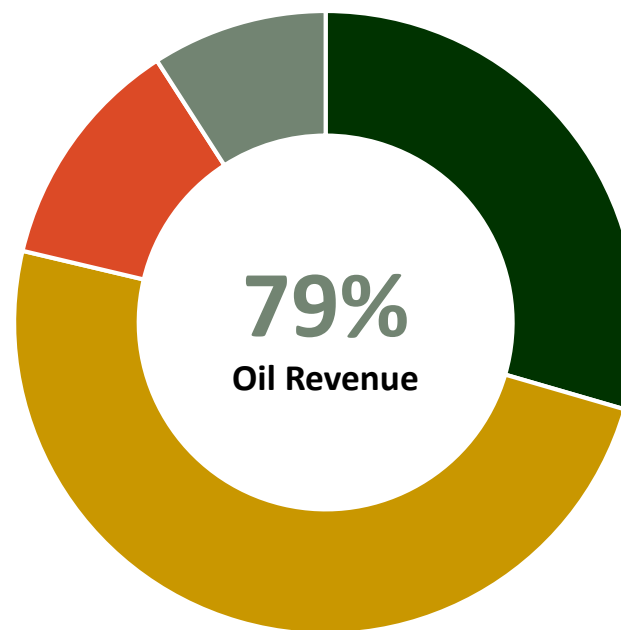
PRODUCTION AND REVENUES BY PRODUCT

Highly-Levered to Oil and Liquids

Reported Production
476 MBOE/D



Oil and Gas Revenue
\$1.98 Billion

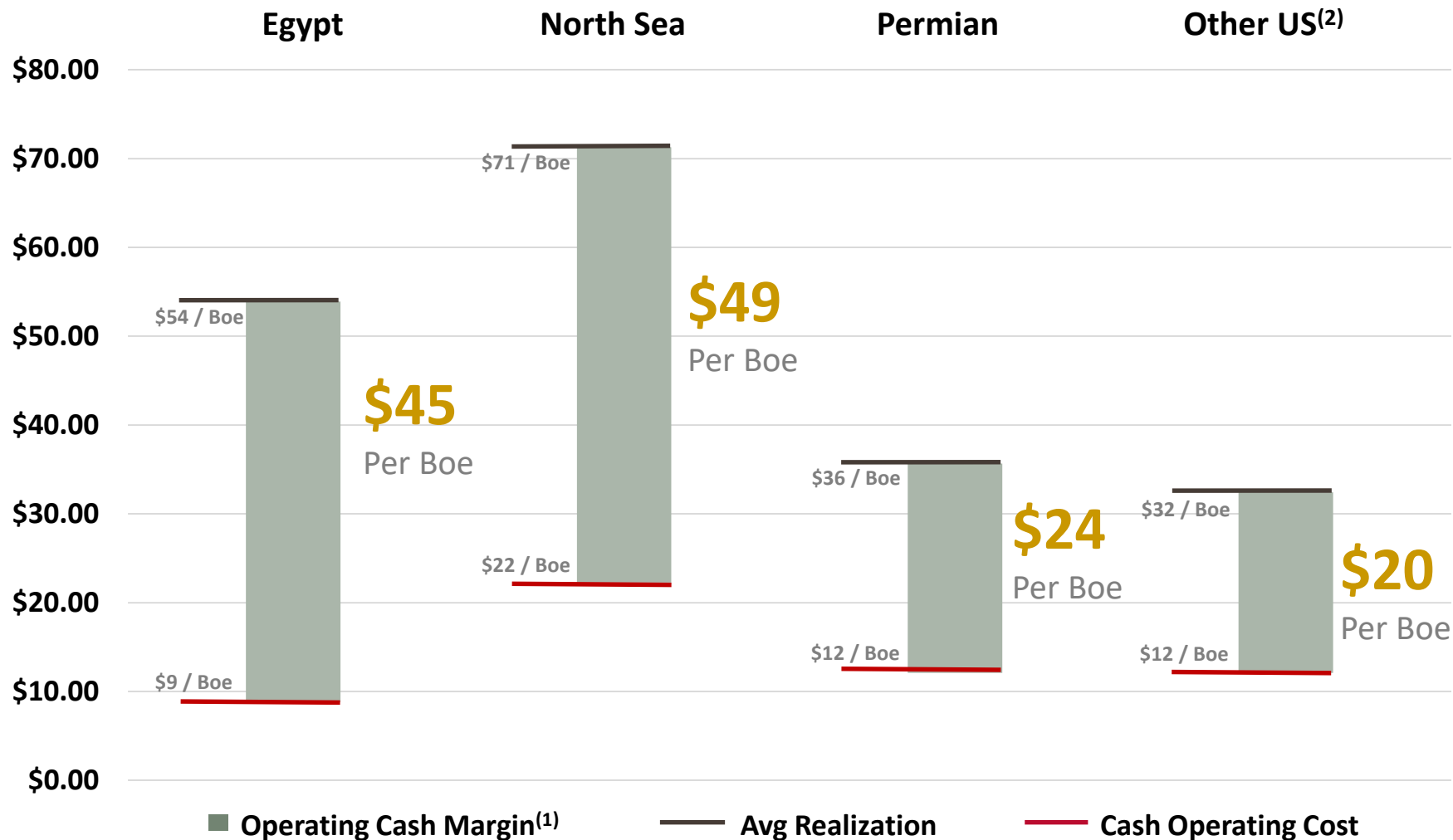


Brent Oil **WTI Oil** **NGLs** **Natural Gas**

Note: Reported production includes noncontrolling interest and tax barrels in Egypt.

OPERATING CASH MARGINS

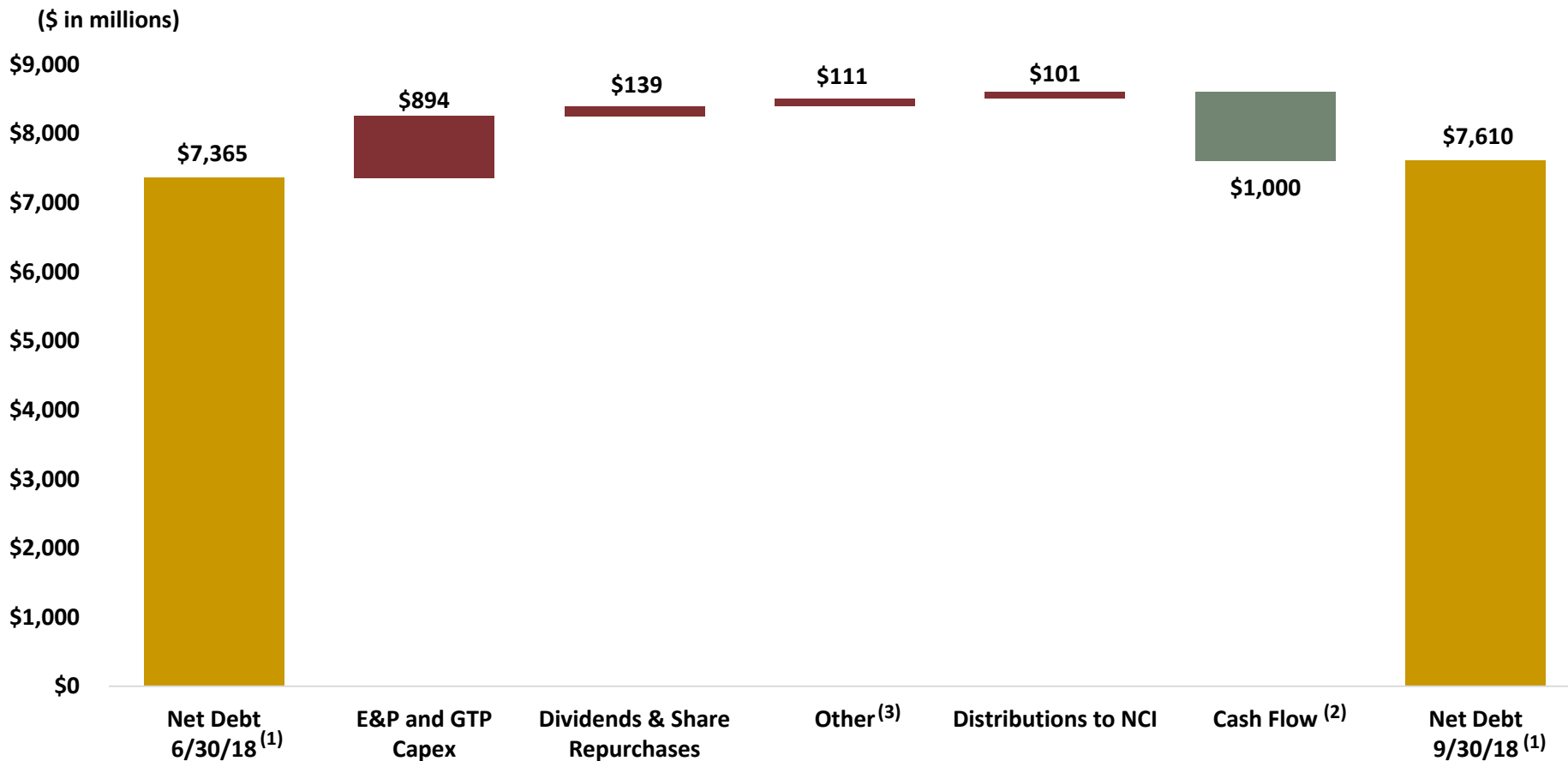
Brent Oil Price Exposure Drives High International Margins



(1) Operating cash margins calculated as price realizations less lease operating expenses, gathering, transmission, & processing costs, and taxes other than income.
 (2) Includes MidContinent, Gulf Coast and Gulf of Mexico

NET DEBT RECONCILIATION

3Q 2018



(1) For a reconciliation to the most directly comparable GAAP financial measure please refer to the Non-GAAP Reconciliations.

(2) Net cash provided by operating activities before changes in operating assets and liabilities. For a reconciliation to the most directly comparable GAAP financial measure please refer to the Non-GAAP Reconciliations.

(3) Includes leasehold & property acquisitions, changes in operating assets & liabilities, asset sales, and \$94MM loss from extinguishment of debt related to August tender.

THIRD-QUARTER 2018 REGIONAL SUMMARY

THIRD-QUARTER 2018 GLOBAL OPERATIONS

GLOBAL KEY STATS

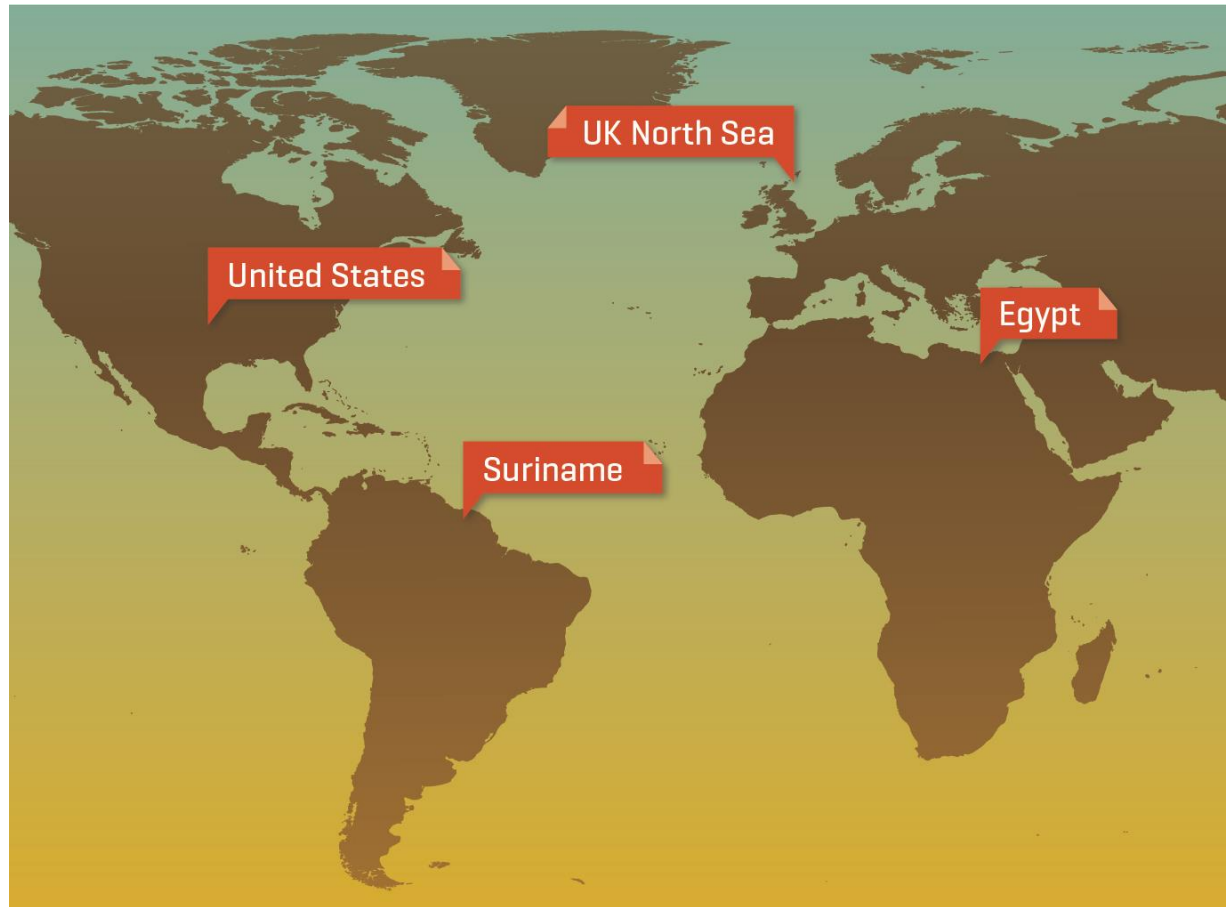
- Reported Production: 476,255 Boe/d
- Drilled & Completed Wells*: 75 gross, 68 net
- Rigs: Avg 33 rigs

UNITED STATES STATS

- Reported Production: 272,406 Boe/d
- Drilled & Completed Wells*: 47 gross, 45 net
- Rigs: Avg 18 rigs

INTERNATIONAL STATS

- Reported Production: 203,849 Boe/d
- Drilled & Completed Wells*: 28 gross, 23 net
- Rigs: Avg 15 rigs



* Includes operated wells completed but not necessarily placed onto production.

3Q 2018 PERMIAN REGION SUMMARY

Midland Basin

- ▶ Averaged 6 rigs and 2 frac crews in the quarter
- ▶ Placed on production 13 wells, all on multi-well pads
 - ▶ Includes a 9-well pad at Powell and a 4-well pad at Hartgrove

Delaware Basin / Alpine High

- ▶ Operated 8 rigs and 2 frac crews at Alpine High
 - ▶ Placed on production 27 wells
 - ▶ Drilling, completion and equipment costs per lateral foot down approximately 25%, year over year
 - ▶ Early flowback of 10-well para-sequence oil pad at Alpine High (8 Wolfcamp, 2 Bone Spring)
- ▶ Operated 4 rigs and 1 frac crew in the Delaware outside Alpine High
 - ▶ Placed on production 10 wells
 - ▶ Strong results from Dixieland wells on one-mile laterals

PERMIAN KEY STATS

THIRD-QUARTER 2018

- ▶ Reported Production: 222,259 Boe/d
- ▶ Drilled & Completed Wells*: 47 gross, 45 net
- ▶ Rigs: Avg 18 rigs

*Operated wells completed but not necessarily placed onto production.

Net Production Mboe/d



PERMIAN WELL HIGHLIGHTS

Pad / Well	Formation	Area	County	Lateral	Avg 30-Day IP/Well	Avg 30-Day IP Boepd/1,000 Ft	% Oil
Midland Basin							
CC 4045 East (3 Wells)	Wolfcamp	Powell	Upton	10,483	1,563 Boe/d	149	75%
Latzel 3946 (3 Wells)	Wolfcamp	Powell	Upton	10,477	1,524 Boe/d	145	76%
Latzel 3946 (3 Wells)	Wolfcamp	Powell	Upton	7,793	1,590 Boe/d	204	76%
Alpine High							
Blackfoot Pad (12 Wells)	Woodford	Alpine High	Reeves	4,787	1,770 Boe/d	375	1%
Mohican 201	Barnett	Alpine High	Reeves	4,696	1,842 Boe/d	385	17%
Lumbee 201	Barnett	Alpine High	Reeves	6,559	1,958 Boe/d	299	12%
Delaware Basin							
Burnside Pad (6 Wells)	Wolfcamp	Dixieland	Reeves	4,428	1,625 Boe/d	368	37%

3Q 2018 INTERNATIONAL SUMMARY

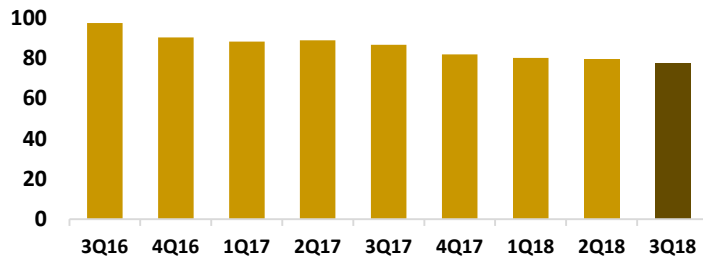
EGYPT KEY STATS

THIRD-QUARTER 2018

- ▶ Reported Production: 153,163 Boe/d
- ▶ Drilled & Completed Wells*: 24 gross, 20 net
- ▶ Rigs: Avg 12 rigs

*Operated wells completed but not necessarily placed onto production.

Adjusted Production Mboe/d⁽¹⁾



- ▶ Acquired approximately 1 million acres to date of a planned 2.6 million acre seismic shoot
- ▶ Initiated seismic acquisition in new Northwest Razzak concession
- ▶ Higher Brent prices reduce adjusted production but drive higher cash margin and cash flow (See p. 21)

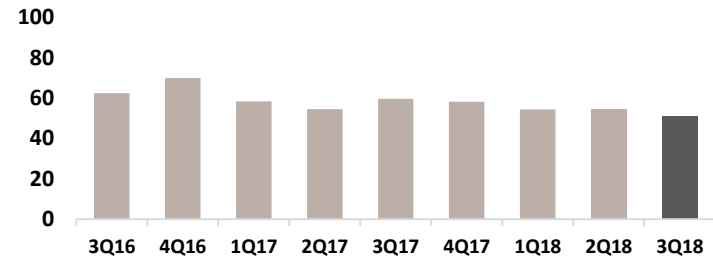
NORTH SEA KEY STATS

THIRD-QUARTER 2018

- ▶ Reported Production: 50,686 Boe/d
- ▶ Drilled & Completed Wells*: 4 gross, 3 net
- ▶ Rigs: Avg 3 rigs

*Operated wells completed but not necessarily placed onto production.

Net Production Mboe/d



- ▶ Brought online 4th development well in the Callater field at Beryl in late September
- ▶ Accelerating Garten development from 1Q 2019 into 4Q 2018 to achieve first oil only 8 months after discovery
- ▶ Expect uptick in North Sea production in 4Q'18 and 2019

(1) Excludes tax barrels and noncontrolling interest

3Q 2018 INTERNATIONAL WELL HIGHLIGHTS

Egypt Well Highlights

Well Name	Basin	30-Day Average IP	% Oil
Herunefer W-2	Matruh	3,897 Boe/d	21%
Herunefer W-3	Matruh	2,438 Boe/d	12%
Ptah 15	Shushan	1,285 Boe/d	100%
Menes 6	Shushan	1,018 Boe/d	100%
Siwa 2 L-5	Faghur	804 Boe/d	100%

3Q 2018
Program Success
Rate

83%

North Sea Well Highlights

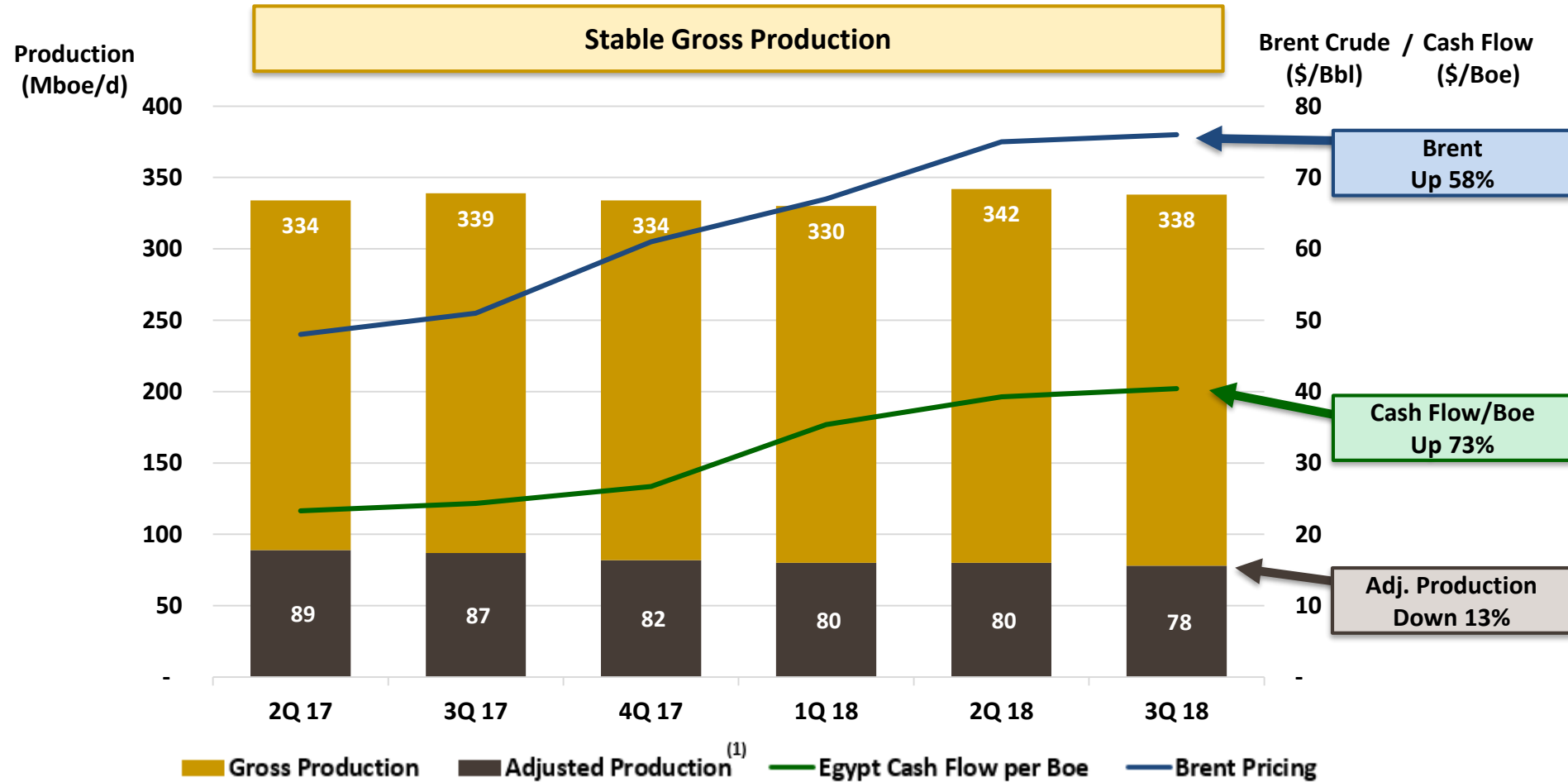
Well Name	Play	30-Day Average IP	% Oil
9/19B-23A (CC2)	Callater	6,675 Boe/d	46%
FB21_B62X (T286C)	Forties	1,015 Boe/d	100%

3Q 2018
Program Success
Rate

100%

IMPACT OF RISING OIL PRICE ON EGYPT PSC'S

Cash Flow Increases, Adjusted Production Declines

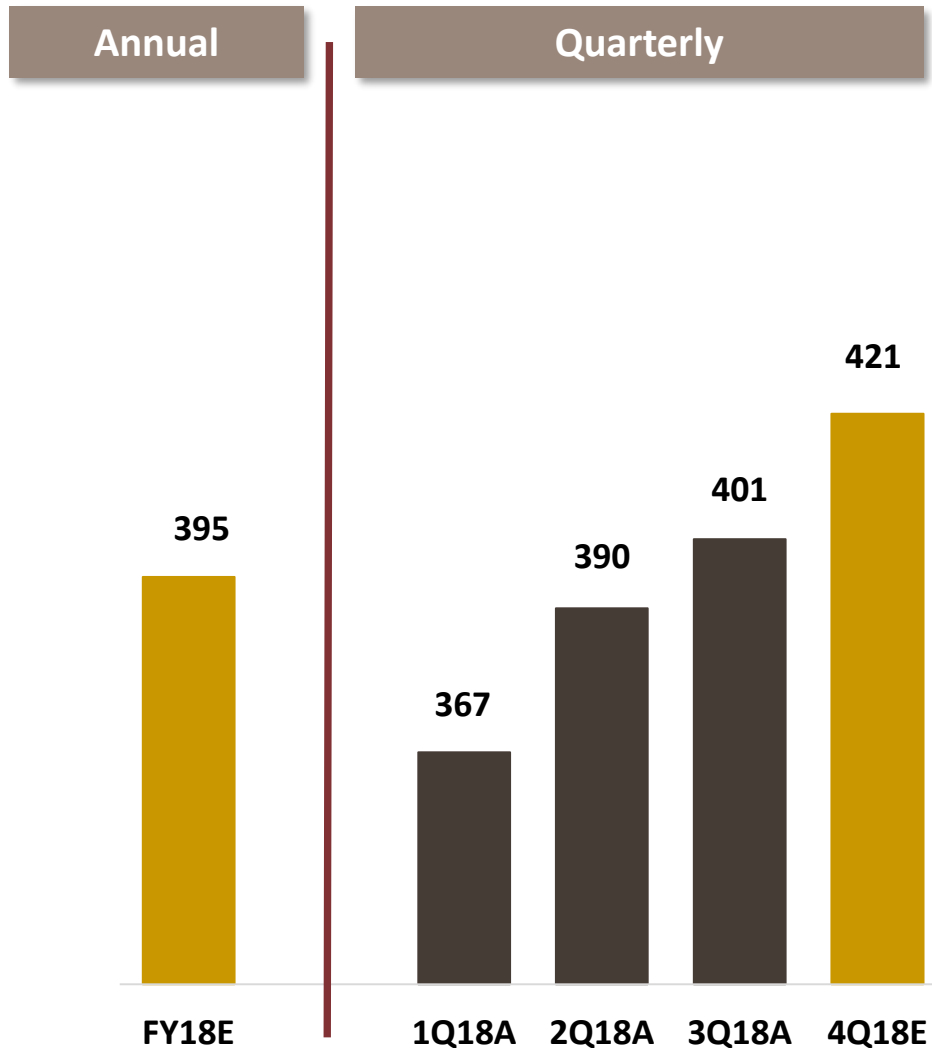


(1) Excludes tax barrels and noncontrolling interest

2018 GUIDANCE UPDATE

ADJUSTED PRODUCTION OUTLOOK

2018 Production Guidance Update (Mboe/d)



FY 2018 guidance increased to **395 Mboe/d** representing **13% growth** from FY 2017, including 27% growth in the US

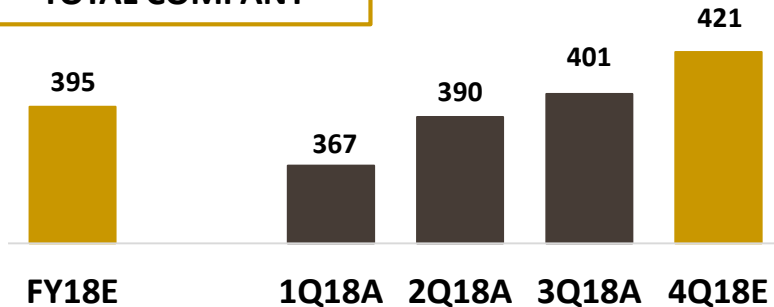
4Q'18 guidance established at **421 Mboe/d** representing **5% growth** from 3Q'18

Note: Excludes production attributable to Egypt tax barrels and noncontrolling interest.

ADJUSTED PRODUCTION OUTLOOK

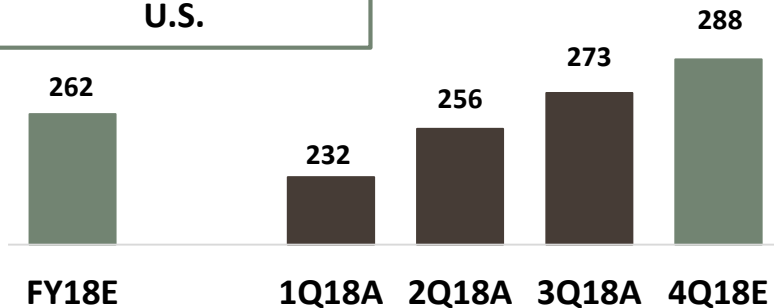
2018 FY & Quarterly Production Guidance Update (Mboe/d)

TOTAL COMPANY



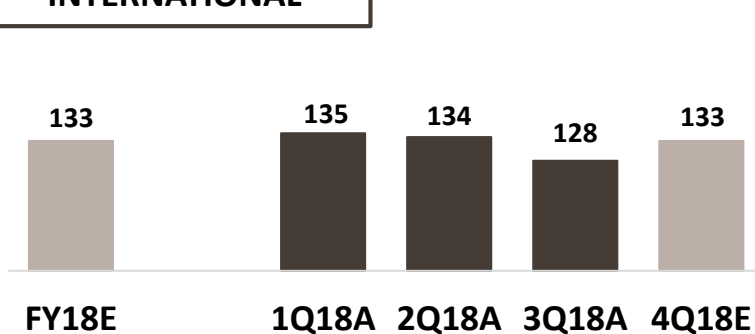
- ▶ Establishing 4Q'18 guidance of 421 Mboe/d
- ▶ Increasing 2018 guidance by 1 Mboe/d to 395 Mboe/d

U.S.



- ▶ Establishing 4Q'18 guidance of 288 Mboe/d
- ▶ Increasing 2018 guidance by 2 Mboe/d to 262 Mboe/d

INTERNATIONAL

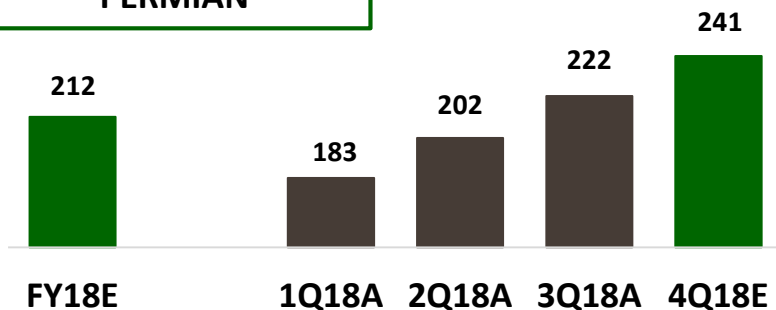


- ▶ Establishing 4Q'18 guidance of 133 Mboe/d
- ▶ Decreasing 2018 guidance by 1 Mboe/d to 133 Mboe/d

PERMIAN PRODUCTION OUTLOOK

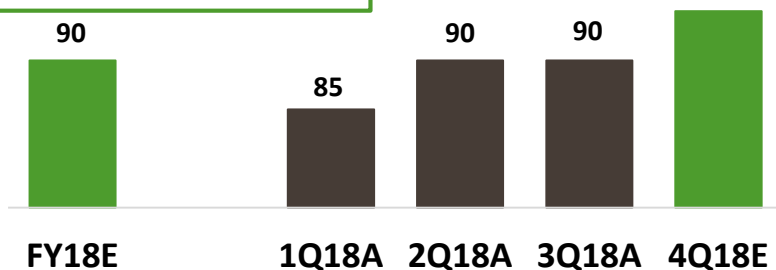
2018 FY & Quarterly Production Guidance Update (Mboe/d)

PERMIAN



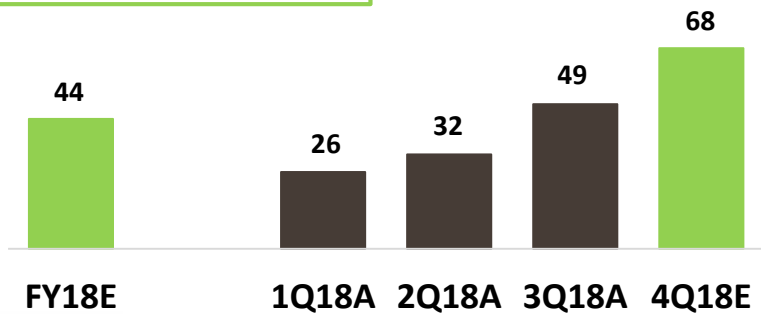
- ▶ Establishing 4Q'18 guidance of 241 Mboe/d
- ▶ Increasing 2018 guidance by 2 Mboe/d to 212 Mboe/d

PERMIAN OIL



- ▶ Establishing 4Q'18 guidance of 95 Mboe/d
- ▶ Establishing 2018 guidance of 90 Mboe/d

ALPINE HIGH



- ▶ Establishing 4Q'18 guidance of 68 Mboe/d
- ▶ Decreasing 2018 guidance by 1 Mboe/d to 44 Mboe/d
- ▶ 2018 guidance decrease attributable to facilities downtime in early 4Q

FY 2018 GUIDANCE

Production & Capital

	Previous 2018 Guidance	Updated 2018 Guidance
Daily Production (MBOE/D)		
United States.....	260	262
International.....	208	207
Reported Production.....	468	469
Less: Egypt Tax Barrels.....	34	35
Less: Egypt Noncontrolling Interest.....	40	39
Total Adjusted Production	394	395
Estimated Product Mix: Oil/NGLs/Natural Gas		
United States.....	40% / 22% / 38%	Unchanged Unchanged
International (Adjusted).....	70% / 1% / 29%	
Capital Guidance (\$ in millions)⁽¹⁾		
United States.....	\$2,200	\$2,400
International.....	\$700	\$700
Alpine High Midstream ⁽²⁾	\$500	\$350
Total.....	\$3,400	\$3,450

(1) Includes exploration and production capital, gathering, transmission, and processing capital, capitalized general and administrative expenses, capitalized interest, and asset retirement obligations settled. Excludes non-cash asset retirement additions and revisions and noncontrolling interest.

(2) Assumes 4Q midstream capital will be funded by Altus upon closing.

FY 2018 GUIDANCE

Other Income Statement Items

Income Statement Items	Previous 2018 Guidance	Updated 2018 Guidance
Operating Costs		
Lease Operating Expenses (\$ in millions).....	\$1,450 - \$1,500	\$1,440
Lease Operating Expenses (\$ per BOE).....	\$8.60 - \$8.80	\$8.41
Gathering, Transmission, and Processing (\$ in millions) ⁽¹⁾	\$275 - \$300	\$350
DD&A (\$ per BOE).....	\$14.25 - \$14.75	\$14.15
General and Administrative Expenses (\$ in millions).....	\$450 - \$475	\$440
Financing Costs, Net (\$ in millions) ⁽²⁾	\$385	Unchanged
Cash Taxes (\$ in millions).....	\$175 - \$225	\$235
Exploration Expense (\$ in millions) ⁽³⁾	\$170	\$150

(1) Apache adopted a new accounting regulation in 2018 that changed the way certain gathering, transmission and processing (GTP) costs related to natural gas and natural gas liquids are reported. Beginning with the first quarter of 2018, fees that were previously netted from revenue are recorded as GTP expense. This accounting change does not impact per-unit cash margins or net earnings, but does result in offsetting increases in both revenues and GTP expense and higher price realizations.

(2) Net financing costs guidance excludes a 3Q loss on debt extinguishment of \$94MM related to the notes tendered in August.

(3) Excludes dry hole and unproved leasehold impairments.

4Q 2018 GUIDANCE

Quarterly Guidance	New 4Q 2018 Guidance
Production (Mboe/d)	
United States.....	288
International (Adjusted).....	133
Total Adjusted Production.....	421
Upstream Capital Investments (\$ in millions) ⁽¹⁾	\$800
Lease Operating Expenses (\$ in millions).....	\$353
Gathering, Transmission, and Processing (\$ in millions).....	\$91
Cash Exploration Costs (\$ in millions).....	\$30
General and Administrative Expenses (\$ in millions).....	\$110
Financing Costs (\$ in millions).....	\$95
Cash Taxes (\$ in millions).....	\$96

(1) Includes exploration and production capital, gathering, transmission, and processing capital, capitalized general and administrative expenses, capitalized interest, and asset retirement obligations settled. Excludes non-cash asset retirement additions and revisions and noncontrolling interest.

APPENDIX

OIL AND GAS CAPITAL INVESTMENT

	(in millions)		
	<u>1Q18⁽¹⁾</u>	<u>2Q18⁽¹⁾</u>	<u>3Q18⁽¹⁾</u>
E&P and GTP Investment:			
Permian.....	\$ 477	\$ 490	\$ 636
MidCon / Gulf Coast	65	24	23
Gulf of Mexico.....	8	19	18
United States.....	<u>550</u>	<u>533</u>	<u>677</u>
Egypt (Apache's interest only) ⁽²⁾	104	110	86
North Sea.....	87	72	77
Other.....	1	2	4
Upstream Total	<u>\$ 742</u>	<u>\$ 717</u>	<u>\$ 844</u>
Alpine High Midstream.....	115	116	122
Total	<u>\$ 857</u>	<u>\$ 833</u>	<u>\$ 966</u>

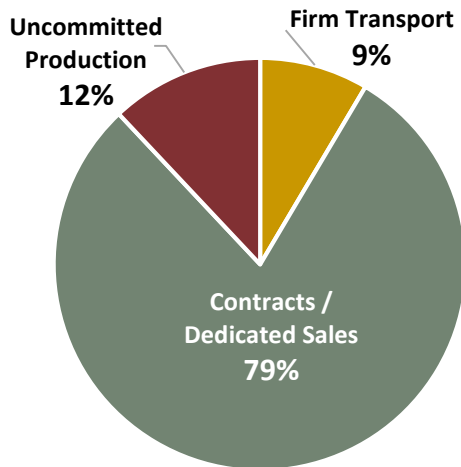
- (1) First quarter, second quarter and third quarter 2018 adjustments to total costs incurred and GTP capital investments:
- ▶ Includes cash plug and abandonment of \$8 million, \$16 million and \$15 million, respectively.
 - ▶ Excludes non-cash plug and abandonment oil and gas properties of \$2 million, \$4 million and \$12 million, respectively.
 - ▶ Excludes non-cash GTP abandonment of \$5 million, \$7 million and \$(2) million, respectively.
 - ▶ Excludes exploration expense, other than dry hole expense and unproved leasehold impairments, of \$40 million, \$39 million and \$39 million, respectively.
- (2) First quarter, second quarter and third quarter 2018 excludes noncontrolling interest in Egypt of \$52 million, \$55 million and \$44 million, respectively.

For a reconciliation of cost incurred and GTP capital investments to Oil and Gas Capital Investment please refer to the Non-GAAP Reconciliations.

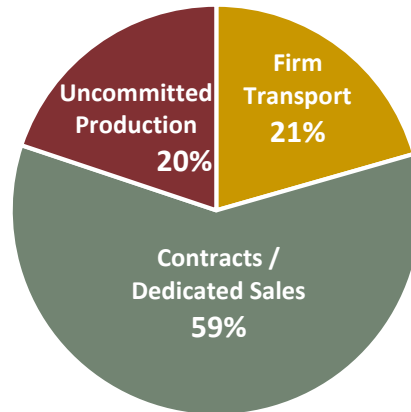
2018-2019 PERMIAN BASIN GAS POSITIONING

Production Flow Risk

2018

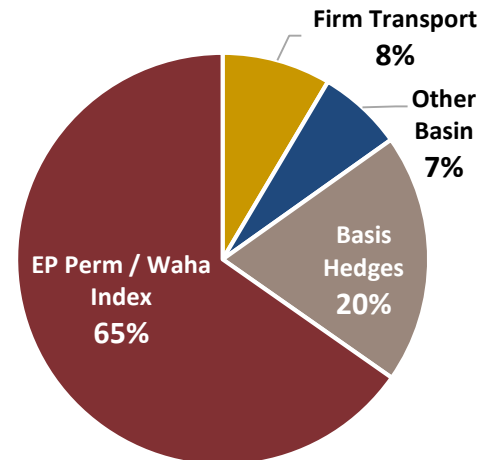


2019

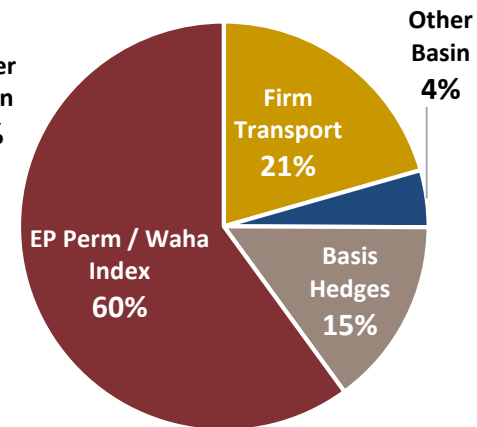


Price Exposure

2018



2019

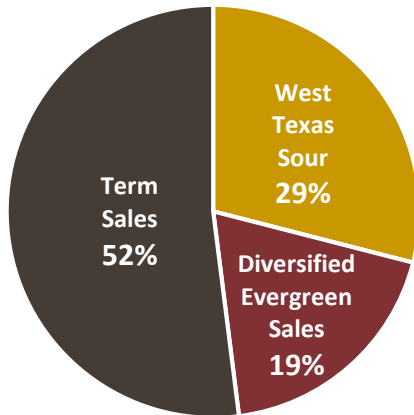


- ▶ Firm transport and other basin-based contracts generally access Gulf Coast pricing
- ▶ Waha basis hedges average approximately \$0.51 per MMBtu for 4Q 2018 – 2019

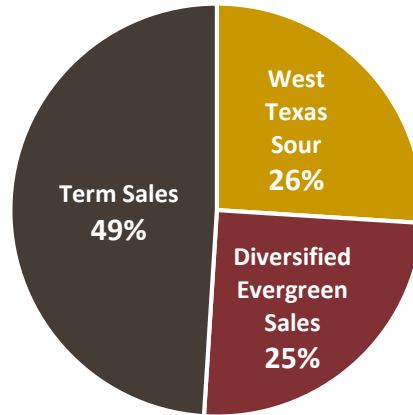
2018-2019 PERMIAN BASIN OIL POSITIONING

Production Flow Risk

2018



2019

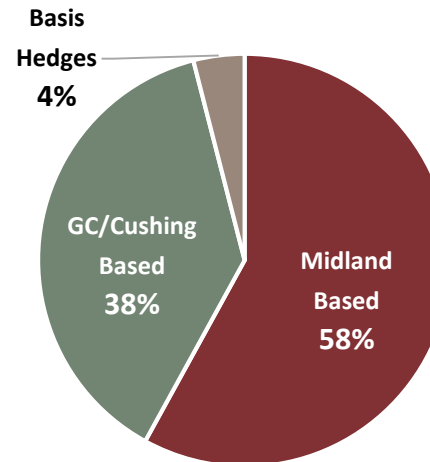


- Term sales backed by customers' firm transport
- West Texas Sour less subject to oversupply and takeaway capacity constraints than WTI
- Diversified evergreen sales represent agreements with multiple buyers across multiple systems⁽¹⁾

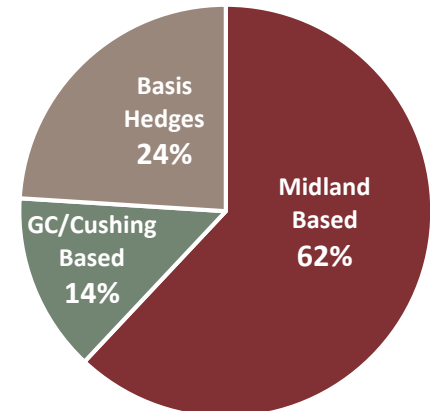
(1) Consists of approximately 22 contracts with 10 counterparties of varying term lengths; subject to cancellation, but only with a minimum of 30 days notice.

Price Exposure

2018



2019



- Contracts provide various options for higher of Gulf Coast/Cushing/Midland pricing
- In 3Q, added 12,000 bbls/d WTI Midland basis swaps for Q1 2019 – Q3 2019

OPEN COMMODITY DERIVATIVE POSITIONS

As of October 31, 2018

Oil Hedges

Instrument	Index	Period	Volume (bbls/d)	Strike			
Put Option	WTI	Oct 2018 - Dec 2018	30,000	53.00			
Put Option	Dated Brent	Oct 2018 - Dec 2018	10,000	50.00			
Put Option	Dated Brent	Oct 2018 - Dec 2018	30,000	58.00			
Instrument	Index	Period	Volume (bbls/d)	Bought Put	Sold Call	Purchased Call	
Collar + Call	WTI	Oct 2018 - Dec 2018	18,500	45.00	57.00	60.03	

Oil Basis Hedges

Instrument	Index	Period	Volume (bbls/d)	Strike
Basis Swap	Midland/WTI	Oct 2018 - Sep 2019	15,000	-9.23
Basis Swap	Midland/WTI	Oct 2019 - Dec 2019	15,000	-3.72
Basis Swap	Midland/WTI	Jan 2019 - Sep 2019	12,000	-7.80

Natural Gas Hedges

Instrument	Index	Period	Volume (mmbtu/d)	Strike
Swap	NYMEX HH	Oct 2018 - Dec 2018	182,500	2.96

Natural Gas Basis Hedges

Instrument	Index	Period	Volume (mmbtu/d)	Strike
Basis Swap	IF Waha/NYMEX	Oct 2018 - Dec 2018	180,000	-0.53
Basis Swap	IF Waha/NYMEX	Oct 2018 - Dec 2018	15,000	-0.51
Basis Swap	IF Waha/NYMEX	Jan 2019 - Mar 2019	15,000	-0.54
Basis Swap	IF Waha/NYMEX	Jan 2019 - Jun 2019	180,000	-0.53
Basis Swap	IF Waha/NYMEX	Jan 2019 - Dec 2019	40,000	-0.45

EGYPT: PRODUCTION DETAIL

	2Q 2018			3Q 2018		
	Liquids (Bbls/d)	Gas (Mcf/d)	Boe/d	Liquids (Bbls/d)	Gas (Mcf/d)	Boe/d
Gross Production	208,015	801,727	341,636	210,050	766,128	337,738
Reported Production	97,312	340,991	154,144	97,882	331,681	153,163
% Gross	47%	43%	45%	47%	43%	45%
Less: Tax Barrels	24,662	58,973	34,491	26,389	62,373	36,786
Net Production Excluding Tax Barrels	72,650	282,018	119,653	71,492	269,308	116,377
% Gross	35%	35%	35%	34%	35%	34%
Less: Noncontrolling Interest	24,217	94,006	39,884	23,831	89,769	38,792
Adjusted Production	48,433	188,012	79,769	47,662	179,539	77,585
% Gross	23%	23%	23%	23%	23%	23%

	2016			2017				2018		
	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
<i>Mboe/d</i>										
Gross Production	350	350	345	328	334	339	334	330	342	338
Reported Production	175	180	160	171	162	158	160	154	154	153
Adjusted Production	101	98	90	88	89	87	82	80	80	78
Brent Oil Benchmark Pricing	\$45	\$47	\$49	\$53	\$48	\$51	\$61	\$67	\$75	\$76

GLOSSARY OF REFERENCED TERMS

- ▶ **Capital Investment Budget:** Includes exploration and production capital, gathering, transmission, and processing capital, capitalized general and administrative expenses, capitalized interest and asset retirement obligations settled. Excludes non-cash asset retirement additions and revisions and noncontrolling interest
- ▶ **CROIC (Cash Return On Invested Capital):** Calculated with the numerator as cash flow from operations before changes in working capital, excluding noncontrolling interest, with financing costs added back; and the denominator as average debt plus average Apache shareholders' equity
- ▶ **Net Debt:** Total debt (long-term and short-term) less cash and cash equivalents
- ▶ **ROCE (Return on Capital Employed):** Calculated with the numerator as adjusted earnings plus financing costs and taxes (excluding Egypt taxes); and the denominator as average debt plus average Apache shareholders' equity
- ▶ **Cash Flow Neutrality:** Ending the year with the same amount of cash on hand as the beginning of the year excluding effects of asset sales and changes to debt or equity issuances

In addition to the terms above, a list of commonly used definitions and abbreviations can be found in Apache's Form 10-K for the year ended December 31, 2017.

NON-GAAP RECONCILIATIONS

NON-GAAP RECONCILIATION

Adjusted Earnings

Reconciliation of Income Attributable to Common Stock to Adjusted Earnings

Our presentation of adjusted earnings and adjusted earnings per share are non-GAAP measures because they exclude the effect of certain items included in Income Attributable to Common Stock. Management believes that adjusted earnings and adjusted earnings per share provides relevant and useful information, which is widely used by analysts, investors and competitors in our industry as well as by our management in assessing the Company's operational trends and comparability of results to our peers.

Management uses adjusted earnings and adjusted earnings per share to evaluate our operating and financial performance because it eliminates the impact of certain items that management does not consider to be representative of the Company's on-going business operations. As a performance measure, adjusted earnings may be useful to investors in facilitating comparisons to others in the Company's industry because certain items can vary substantially in the oil and gas industry from company to company depending upon accounting methods, book value of assets, capital structure and asset sales and other divestitures, among other factors. Management believes excluding these items facilitates investors and analysts in evaluating and comparing the underlying operating and financial performance of our business from period to period by eliminating differences caused by the existence and timing of certain expense and income items that would not otherwise be apparent on a GAAP basis. However, our presentation of adjusted earnings and adjusted earnings per share may not be comparable to similar measures of other companies in our industry.

(\$ in millions, except per share data)

	For the Quarter Ended September 30, 2018				For the Quarter Ended September 30, 2017			
	Before Tax	Tax Impact	After Tax	Diluted EPS	Before Tax	Tax Impact	After Tax	Diluted EPS
Income including noncontrolling interest (GAAP)	\$ 406	\$ (245)	\$ 161	\$ 0.42	\$ 93	\$ 12	\$ 105	\$ 0.27
Income attributable to noncontrolling interest	147	(67)	80	0.21	76	(34)	42	0.11
Net income attributable to common stock	259	(178)	81	0.21	17	46	63	0.16
Adjustments: *								
Loss on extinguishment of debt	94	(19)	75	0.19	-	-	-	-
Asset impairments	49	(13)	36	0.10	160	(56)	104	0.27
Modification of stock comp plans	11	(2)	9	0.02	-	-	-	-
Valuation allowance and other tax adjustments	-	24	24	0.06	-	(1)	(1)	-
Transaction, reorganization & separation costs	8	(1)	7	0.02	20	(7)	13	0.03
Gain on divestitures	(1)	-	(1)	-	(296)	77	(219)	(0.56)
Unrealized derivative instrument loss	16	(3)	13	0.03	83	(29)	54	0.14
Adjusted earnings (Non-GAAP)	\$ 436	\$ (192)	\$ 244	\$ 0.63	\$ (16)	\$ 30	\$ 14	\$ 0.04

* The income tax effect of the reconciling items are calculated based on the statutory rate of the jurisdiction in which the discrete item resides.

NON-GAAP RECONCILIATION

Adjusted EBITDAX

Reconciliation of Net Cash Provided by Operating Activities to Adjusted EBITDAX

Management believes EBITDAX, or earnings before income tax expense, interest expense, depreciation, amortization and exploration expense is a widely accepted financial indicator, and useful for investors, to assess a company's ability to incur and service debt, fund capital expenditures, and make distributions to shareholders. We define adjusted EBITDAX, a non-GAAP financial measure, as EBITDAX adjusted for certain items presented in the accompanying reconciliation. Management uses adjusted EBITDAX to evaluate our ability to fund our capital expenditures, debt services and other operational requirements and to compare our results from period to period by eliminating the impact of certain items that management does not consider to be representative of the Company's on-going operations. Management also believes adjusted EBITDAX facilitates investors and analysts in evaluating and comparing EBITDAX from period to period by eliminating differences caused by the existence and timing of certain operating expenses that would not otherwise be apparent on a GAAP basis. However, our presentation of adjusted EBITDAX may not be comparable to similar measures of other companies in our industry.

	(\$ in millions)		
	For the Quarter Ended		
	September 30, 2018	June 30, 2018	September 30, 2017
Net cash provided by operating activities	\$ 1,006	\$ 1,113	\$ 554
Adjustments:			
Exploration expense other than dry hole expense and unproved leasehold impairments	39	39	33
Current income tax provision	262	249	99
Other adjustments to reconcile net income to net cash provided by operating activities	(40)	(58)	(87)
Changes in operating assets and liabilities	(6)	(181)	101
Financing costs, net (excluding loss on early extinguishment of debt)	98	94	101
Transaction, reorganization & separation costs	8	12	20
Adjusted EBITDAX (Non-GAAP)	<u>\$ 1,367</u>	<u>\$ 1,268</u>	<u>\$ 821</u>

NON-GAAP RECONCILIATION

Regional Cash Flows

Reconciliation of Net Cash Provided by Operating Activities to Cash Flows from Continuing Operations before Changes in Operating Assets and Liabilities

Cash flows from continuing operations before changes in operating assets and liabilities is a non-GAAP financial measure. Apache uses it internally and provides the information because management believes it is useful for investors and widely accepted by those following the oil and gas industry as a financial indicator of a company's ability to generate cash to internally fund exploration and development activities, fund dividend programs, and service debt. It is also used by research analysts to value and compare oil and gas exploration and production companies and is frequently included in published research when providing investment recommendations. Cash flows from operations before changes in operating assets and liabilities, therefore, is an additional measure of liquidity but is not a measure of financial performance under GAAP and should not be considered as an alternative to cash flows from operating, investing, or financing activities.

	For the Quarter			
	Ended September 30, 2018			
	North Sea	Egypt ⁽¹⁾	U.S. and Other	Consolidated
	(\$ in millions)			
Net cash provided by operating activities	\$ 180	\$ 414	\$ 412	\$ 1,006
Changes in operating assets and liabilities	(3)	21	(24)	(6)
Cash flows from operations before changes in operating assets and liabilities	<u>\$ 177</u>	<u>\$ 435</u>	<u>\$ 388</u>	<u>\$ 1,000</u>

	For the Year			
	Ended September 30, 2018			
	North Sea	Egypt ⁽¹⁾	U.S. and Other	Consolidated
	(\$ in millions)			
Net cash provided by operating activities	\$ 571	\$ 1,194	\$ 969	\$ 2,734
Changes in operating assets and liabilities	(31)	52	(24)	(3)
Cash flows from operations before changes in operating assets and liabilities	<u>\$ 540</u>	<u>\$ 1,246</u>	<u>\$ 945</u>	<u>\$ 2,731</u>

(1) Includes non-controlling interest in Egypt.

NON-GAAP RECONCILIATION

Cash Flow From Operations Before Changes in Operating Assets and Liabilities

Reconciliation of Net Cash Provided by Operating Activities to Cash Flows from Operations before Changes in Operating Assets and Liabilities

Cash flows from operations before changes in operating assets and liabilities is a non-GAAP financial measure. Apache uses it internally and provides the information because management believes it is useful for investors and widely accepted by those following the oil and gas industry as a financial indicator of a company's ability to generate cash to internally fund exploration and development activities, fund dividend programs, and service debt. It is also used by research analysts to value and compare oil and gas exploration and production companies and is frequently included in published research when providing investment recommendations. Cash flows from operations before changes in operating assets and liabilities, therefore, is an additional measure of liquidity but is not a measure of financial performance under GAAP and should not be considered as an alternative to cash flows from operating, investing, or financing activities.

(\$ in millions)

	For the Quarter Ended		
	September 30, 2018	June 30, 2018	September 30, 2017
Net cash provided by operating activities	\$ 1,006	\$ 1,113	\$ 554
Changes in operating assets and liabilities	(6)	(181)	101
Cash flows from operations before changes in operating assets and liabilities	<u>\$ 1,000</u>	<u>\$ 932</u>	<u>\$ 655</u>

NON-GAAP RECONCILIATION

Net Debt

Reconciliation of Debt to Net Debt

Net debt, or outstanding debt obligations less cash and cash equivalents, is a non-GAAP financial measure. Management uses net debt as a measure of the Company's outstanding debt obligations that would not be readily satisfied by its cash and cash equivalents on hand.

(\$ in millions)

	<u>September 30, 2018</u>	<u>June 30, 2018</u>	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Current debt	\$ 150	\$ 400	\$ 400	\$ 550	\$ 550
Long-term debt	<u>8,053</u>	<u>7,937</u>	<u>7,936</u>	<u>7,934</u>	<u>7,933</u>
Total debt	<u>8,203</u>	<u>8,337</u>	<u>8,336</u>	<u>8,484</u>	<u>8,483</u>
Cash and cash equivalents	593	972	1,077	1,668	1,846
Net debt	<u>\$ 7,610</u>	<u>\$ 7,365</u>	<u>\$ 7,259</u>	<u>\$ 6,816</u>	<u>\$ 6,637</u>

NON-GAAP RECONCILIATION

Oil and Gas Capital Investment

Reconciliation of Costs Incurred and GTP Capital Investments to Oil and Gas Capital Investment

Management believes the presentation of oil and gas capital investments is useful for investors to assess Apache's expenditures related to our oil and gas capital activity. We define oil and gas capital investments as costs incurred for oil and gas activities and GTP activities, adjusted to exclude asset retirement obligations revisions and liabilities incurred, while including amounts paid during the period for abandonment and decommissioning expenditures. Capital expenditures attributable to a one-third noncontrolling interest in Egypt are also excluded. Management believes this provides a more accurate reflection of Apache's cash expenditures related to oil and gas capital activity and is consistent with how we plan our capital budget.

(\$ in millions)

	3Q 2018	2Q 2018	1Q 2018	4Q 2017	3Q 2017	2Q 2017	1Q 2017	4Q 2016	3Q 2016
Costs incurred in oil and gas property									
Acquisitions									
Proved	\$ -	\$ -	\$ -	\$ 4	\$ -	\$ 3	\$ -	\$ 2	\$ 2
Unproved	48	26	12	32	85	15	49	10	52
Exploration and development	872	772	817	718	734	733	513	112	408
	920	798	829	754	819	751	562	124	462
GTP capital investments:									
GTP facilities	124	124	119	155	109	146	142	125	31
Total Costs incurred and GTP capital investments	\$ 1,044	\$ 922	\$ 948	\$ 909	\$ 928	\$ 897	\$ 704	\$ 249	\$ 493
Reconciliation of Costs incurred and GTP to Oil and gas capital investment									
Asset retirement obligations incurred and revisions - oil and gas property	(12)	(4)	(2)	32	(1)	(90)	(15)	292	(1)
Asset retirement obligations incurred and revisions - GTP facilities	2	(7)	(5)	-	-	(14)	-	-	-
Asset retirement obligations settled	15	16	8	13	10	9	13	22	4
Exploration expense other than dry hole expense and unproved leasehold impairments	(39)	(39)	(40)	(39)	(33)	(23)	(25)	(40)	(37)
Less noncontrolling interest	(44)	(55)	(52)	(53)	(61)	(41)	(31)	(27)	(25)
Oil and gas capital investment	\$ 966	\$ 833	\$ 857	\$ 862	\$ 843	\$ 738	\$ 646	\$ 496	\$ 434
Midstream capital	\$ 122	\$ 116	\$ 115	\$ 143	\$ 119	\$ 128	\$ 142	\$ 125	\$ 31
Upstream capital	\$ 844	\$ 717	\$ 742	\$ 719	\$ 724	\$ 610	\$ 504	\$ 371	\$ 403