

APACHE CORP  
Form 10-Q  
May 08, 2012

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended March 31, 2012

OR

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

For the transition period from            to

Commission File Number 1-4300

**APACHE CORPORATION**

(exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of

**41-0747868**  
(I.R.S. Employer

incorporation or organization)

Identification Number)

**One Post Oak Central, 2000 Post Oak Boulevard, Suite 100, Houston, Texas 77056-4400**

(Address of principal executive offices)

**(713) 296-6000**

**Registrant's Telephone Number, Including Area Code:**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

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

Large accelerated filer

Accelerated filer

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

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

Number of shares of registrant's common stock outstanding as of April 30, 2012

390,833,091

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

	For the Quarter Ended March 31,	
	2012	2011
	(In	
	millions, except per common share data)	
<b>REVENUES AND OTHER:</b>		
Oil and gas production revenues	\$ 4,457	\$ 3,878
Other	79	47
	4,536	3,925
<b>OPERATING EXPENSES:</b>		
Depreciation, depletion and amortization		
Recurring	1,219	936
Additional	521	
Asset retirement obligation accretion	55	37
Lease operating expenses	673	623
Gathering and transportation	77	76
Taxes other than income	257	164
General and administrative	128	112
Merger, acquisitions & transition	6	5
Financing costs, net	40	45
	2,976	1,998
<b>INCOME BEFORE INCOME TAXES</b>	<b>1,560</b>	<b>1,927</b>
Current income tax provision	725	643
Deferred income tax provision	38	150
<b>NET INCOME</b>	<b>797</b>	<b>1,134</b>
Preferred stock dividends	19	19
<b>INCOME ATTRIBUTABLE TO COMMON STOCK</b>	<b>\$ 778</b>	<b>\$ 1,115</b>
<b>NET INCOME PER COMMON SHARE:</b>		
Basic	\$ 2.02	\$ 2.91
Diluted	\$ 2.00	\$ 2.86
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING:</b>		
Basic	385	383
Diluted	399	397
<b>DIVIDENDS DECLARED PER COMMON SHARE</b>	<b>\$ 0.17</b>	<b>\$ 0.15</b>

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



## APACHE CORPORATION AND SUBSIDIARIES

## STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

(Unaudited)

	\$xxxxx.xx For the Quarter Ended March 31, 2012	\$xxxxx.xx For the Quarter Ended March 31, 2011
	(In millions)	
NET INCOME	\$ 797	\$ 1,134
OTHER COMPREHENSIVE INCOME:		
Commodity cash flow hedge activity, net of tax:		
Reclassification of (gain) loss on settled derivative instruments	(34)	(4)
Change in fair value of derivative instruments	1	(302)
Derivative hedge ineffectiveness reclassified into earnings		2
	(33)	(304)
COMPREHENSIVE INCOME	764	830
Preferred stock dividends	19	19
COMPREHENSIVE INCOME ATTRIBUTABLE TO COMMON STOCK	\$ 745	\$ 811

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 Quarter Ended March 31,	
	2012	2011
	(In millions)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 797	\$ 1,134
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	1,740	936
Asset retirement obligation accretion	55	37
Provision for deferred income taxes	38	150
Other	18	(14)
Changes in operating assets and liabilities:		
Receivables	(82)	(357)
Inventories	67	(26)
Drilling advances	(136)	(18)
Deferred charges and other	(11)	104
Accounts payable	(67)	95
Accrued expenses	(426)	(65)
Deferred credits and noncurrent liabilities	14	3
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>2,007</b>	<b>1,979</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Additions to oil and gas property	(1,705)	(1,571)
Additions to gas gathering, transmission and processing facilities	(262)	(125)
Equity investment in Burrup Holdings Limited	(439)	
Deposit related to acquisition of Cordillera Energy Partners III, LLC	(200)	
Other	(36)	(53)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(2,642)</b>	<b>(1,749)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Commercial paper, credit facility and bank notes, net	657	19
Dividends paid	(77)	(76)
Common stock activity	2	26
Other	3	23
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>585</b>	<b>(8)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(50)</b>	<b>222</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>295</b>	<b>134</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>\$ 245</b>	<b>\$ 356</b>
<b>SUPPLEMENTARY CASH FLOW DATA:</b>		
Interest paid, net of capitalized interest	\$ 88	\$ 73
Income taxes paid, net of refunds	809	448

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



## APACHE CORPORATION AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEET

(Unaudited)

	March 31, 2012	December 31, 2011
	(In millions)	
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 245	\$ 295
Receivables, net of allowance	3,163	3,079
Inventories	607	655
Drilling advances	368	229
Derivative instruments	284	304
Prepaid assets and other	287	241
	4,954	4,803
<b>PROPERTY AND EQUIPMENT:</b>		
Oil and gas, on the basis of full-cost accounting:		
Proved properties	69,438	67,805
Unproved properties and properties under development, not being amortized	5,731	5,530
Gathering, transmission and processing facilities	5,438	5,175
Other	733	709
	81,340	79,219
Less: Accumulated depreciation, depletion and amortization	(35,511)	(33,771)
	45,829	45,448
<b>OTHER ASSETS:</b>		
Goodwill	1,114	1,114
Deferred charges and other	1,340	686
	\$ 53,237	\$ 52,051
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 1,059	\$ 1,048
Current debt	429	431
Current asset retirement obligation	448	447
Derivative instruments	150	113
Other current liabilities	2,612	2,924
	4,698	4,963
<b>LONG-TERM DEBT</b>	<b>7,444</b>	<b>6,785</b>
<b>DEFERRED CREDITS AND OTHER NONCURRENT LIABILITIES:</b>		
Income taxes	7,217	7,197
Asset retirement obligation	3,482	3,440
Other	681	673



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11,380 11,310

COMMITMENTS AND CONTINGENCIES (Note 8)

SHAREHOLDERS' EQUITY:

Preferred stock, no par value, 10,000,000 shares authorized, 6% Cumulative Mandatory Convertible, Series D, \$1,000 per share liquidation preference, 1,265,000 shares issued and outstanding	1,227	1,227
Common stock, \$0.625 par, 860,000,000 shares authorized, 385,587,864 and 385,249,885 shares issued, respectively	241	241
Paid-in capital	9,107	9,066
Retained earnings	19,213	18,500
Treasury stock, at cost, 1,103,196 and 1,132,242 shares, respectively		