338
Oil and NGL Production (MBOE/D)

1.1
Natural Gas Production (Bcf/d)

1.3
Proved Reserves (Billion Boe)
**RISING TO THE CHALLENGE**

Apache rises to the challenge of a volatile commodity price environment by remaining committed to its principles of disciplined planning, budgeting, capital allocation and balance sheet management. Operational improvements and exploration success in 2016 have provided a solid foundation for Apache to execute its strategy to deliver returns-focused growth over the long term.

### 2016 OPERATIONAL OVERVIEW

<table>
<thead>
<tr>
<th></th>
<th>United States</th>
<th>Egypt</th>
<th>Canada</th>
<th>U.K. North Sea</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil and NGL production (Bbls/day)</td>
<td>157,992</td>
<td>104,803</td>
<td>18,812</td>
<td>56,333</td>
</tr>
<tr>
<td>Natural gas production (Mcf/day)</td>
<td>396,227</td>
<td>391,968</td>
<td>242,602</td>
<td>71,751</td>
</tr>
<tr>
<td>Proved reserves (MMboe)</td>
<td>733</td>
<td>280</td>
<td>175</td>
<td>123</td>
</tr>
<tr>
<td>Gross acreage developed and undeveloped</td>
<td>7,796,000</td>
<td>4,765,000</td>
<td>3,502,000</td>
<td>380,000</td>
</tr>
</tbody>
</table>
Our industry has undergone significant change in the last two years. We have risen to the challenges of the recent downturn and taken advantage of opportunities to position the company for long-term success.

Today, Apache has a strategically diversified portfolio capable of delivering increasing returns on capital employed at highly competitive per-share growth rates. Our strong free-cash-flow-generating assets in Egypt and the U.K. North Sea, coupled with cash-flow growth from our top-tier Permian Basin position, will help fund future production growth and enable stronger returns.

Success in 2016

2016 was an exceptional year for Apache and another step forward in the positive transformation of the company. We improved our financial position and our operational capabilities. We also discovered Alpine High, a new world-class resource play in the Permian Basin of Texas that will provide years of high-quality drilling opportunities.

The cornerstone of our approach has been strict capital discipline and cost structure alignment, both of which have significantly improved the economics of our underlying inventory. We accomplished this through a rigorous centralized process for capital allocation, a more detailed long-term planning process, and significant cost reduction throughout our operations.

We reduced activity in onshore North America, where the industry cost structure was misaligned with the abrupt and significant drop in commodity prices. For example, we decreased our rig count from 91 rigs in the third quarter of 2014 to only eight rigs at year-end 2016.

Since 2014, we have reduced our average onshore well costs by 30 to 40 percent across key plays in North America. Over the same time period, our lease operating expense per barrel of oil equivalent was down 24 percent, and we reduced our gross overhead cost structure by more than $300 million. As a result of these efforts, we were able to preserve our dividend, avoid issuing equity, and maintain our investment grade credit rating.

During 2016, we focused our North American capital on strategic testing and completion optimization. In doing so, we expanded our economic drilling inventory and demonstrated better well results than most of our offset operators. We also focused on streamlining our North American portfolio through leasehold acquisitions, trades and sales, resulting in a more concentrated and contiguous acreage position in the Permian Basin.

Apache took a contrarian approach by focusing on organic growth opportunities at a time when many publicly traded exploration and production companies pursued high-priced acreage acquisitions. Our strategic decision to allocate investment dollars to exploration and strategic testing resulted in the discovery of Alpine High, an immense resource that we believe will deliver significant value for our shareholders for many years to come.
The Alpine High discovery was the culmination of more than two years of extensive geologic and geophysical work, methodical acreage accumulation, and strategic testing and delineation drilling. We have identified 4,000 to 5,000 feet of stacked pay in up to five distinct formations including the Bone Springs, Wolfcamp, Pennsylvanian, Barnett and Woodford.

We are excited about the Alpine High play and its large inventory of repeatable, high-value drilling opportunities. We have confirmed a minimum of 3,000 low-risk drilling locations in the deeper “wet gas” portion of the play in the Barnett and Woodford formations, and we are in the process of delineating shallower zones that will likely be more oil-prone based on our thermal maturity model. With the contribution of Alpine High to our global portfolio, Apache has additional profitable growth opportunities for many years to come.

Our long-term focus is on delivering fully burdened, returns-focused growth. In the lower commodity price environment, we allocated capital to our free-cash-flow-generating assets in the North Sea and Egypt while investing in exploration. This has been the optimal use of our capital and has positioned us well for 2017 and beyond.

Looking ahead

Our objective going forward is to deliver returns-focused growth. Our strategy includes budgeting conservatively, maintaining flexibility to accelerate drilling activity as warranted, and optimizing our portfolio through divestitures, acreage swaps and leasehold acquisitions that strengthen our core asset position. We will continue to focus on costs and well optimization to protect the structural efficiencies achieved over the last two years.

In North America, nearly two-thirds of our capital will go to the Permian Basin, particularly in the Midland and Delaware basins where we have an extensive, high-quality inventory.

In Egypt and the U.K. North Sea, we will continue investing to sustain free-cash-flow generation, which is a key component to funding our long-term growth strategy in North America.

Our vision is to be the premier exploration and production company with global assets focused on North American growth. Our 2016 operational improvements and exploration successes represent significant progress in our efforts to fully realize this vision, and we look forward to continuing to rise to the challenges of our industry in the years to come.

We thank you for your continued support and investment.

John E. Lowe
Chairman of the Board

John J. Christmann IV
Chief Executive Officer and President

2016 operational improvements and exploration successes represent significant progress in our efforts to fully realize our vision.

An Apache chemist analyzes an oil sample from Alpine High. The company estimates hydrocarbons in place on its acreage position are 75 trillion cubic feet of rich gas (more than 1,300 British Thermal Units) and 3 billion barrels of oil in the Barnett and Woodford formations alone.
2016 marked a significant milestone in Apache’s Permian business. In addition to announcing Alpine High, one of the largest discoveries in its history in the Permian Basin, the company also made notable improvements in well optimization with improved targeting, longer laterals and more advanced completion design. Apache’s focus on operational improvements and strategic testing established a solid foundation for 2017.

Apache enjoys one of the largest positions in the prolific Permian Basin of West Texas and southeast New Mexico with over 1.5 million net acres across the three sub-basins: the Midland Basin, the Central Basin Platform and the Delaware Basin. In 2016, the company made several notable drilling and completions improvements across the Permian Basin. Apache also delivered a significant resource discovery at Alpine High in the Delaware Basin, giving the company numerous opportunities to deliver returns-focused growth in the years ahead.

In the Central Basin Platform, Apache leverages its large base of CO₂ and waterflood recovery projects to mitigate base decline rates. The basin also offers future shallow horizontal potential.

In the Midland Basin, Apache has a multiyear premium drilling inventory within its core acreage position and has realized significant well performance improvements in 2016 that underpin its ability to generate significant cash flow from the basin.

In the Delaware Basin, the company has over 20 years of high-quality inventory with the addition of the recent discovery at Alpine High, where delineation drilling has confirmed an extensive play fairway and an over-pressured regime across Apache’s Alpine High acreage position.

In 2017, Apache will accelerate oil production in the Midland Basin, and with the first installation of midstream infrastructure expected at midyear, will also see the startup of Alpine High production in the Delaware Basin.

Apache’s assets in the Midland and Delaware basins are projected to grow at a compound annual rate of 50 percent from the fourth quarter of 2016 to the fourth quarter of 2018 and will be the driver of the vast majority of Apache’s overall production increase.
Alpine High – A World-class Resource Play

In 2016, after more than two years of extensive geologic and geophysical work, methodical acreage accumulation, and strategic testing and delineation drilling, Apache confirmed the discovery of a significant new resource play in the Delaware Basin, the Alpine High. The play has 4,000 to 5,000 feet of stacked pay in up to five distinct formations including the Bone Springs, Wolfcamp, Pennsylvanian, Barnett and Woodford.

320,000 Contiguous Net Acres

20+ Years of Drilling

4K’-5K’ Wet Gas and Oil Column

3K+ Locations
Apache’s goal is not only to be profitable, but to conduct business in a way that protects and enhances the health and safety of employees, communities and the environment. Apache operates in a manner that delivers environmental, social and financial returns – that is how the company will deliver long-term growth and lasting benefits for shareholders and other stakeholders.

Despite the challenges of the oil and gas industry over the last few years, Apache’s commitment to sustainability has not wavered. The company has aggressively cut costs across the entire spectrum of its business; however, Apache has not cut back on its commitment to environmental, social and governance (ESG) matters.

For example, Apache made tangible progress in its core environmental focus areas of water use and greenhouse gas emissions (GHG). The company seeks alternatives to fresh water everywhere it operates, especially in areas where water may be scarce. At the Alpine High development, Apache is implementing a large-scale water recycling program that will reduce the need for water resources and minimize truck traffic and wastewater disposal.

In decreasing GHG emissions, Apache has reduced its methane emissions intensity every year for the past five years, resulting in a 43 percent reduction from 2011 to 2015. As a charter member of ONE Future, an industry coalition focused on methane reductions across the natural gas value chain, Apache has committed to reducing the methane emissions intensity to 0.36 percent or less by 2025.

Apache seeks to be a good neighbor and make positive contributions to the communities where it operates, including hiring locally and using local vendors where possible. In 2016, between 75 and 100 percent of employees in each operating region were locals.

Apache is committed to engaging with communities where it operates. The company recently implemented an expanded community engagement tracking and response system to help address concerns and learn from communication with the community. In addition, the company regularly engages with ESG-focused shareholders and other stakeholders to continually improve its transparency on ESG topics.

Sustainable business practices are integral to Apache’s long-term success. You can learn more about Apache’s sustainability efforts in the company’s full Sustainability Report, available for download at www.apachecorp.com/sustainability.

1 Most recent methane emission intensity data available.
100%
In 2015, Apache used reduced-emissions completions for 100 percent of its hydraulically fractured wells.

↓ 0.36%
OUR GOAL
Apache is committed to reducing its methane emissions intensity to 0.36 percent or less of total methane production by 2025.

↓ 60%
Reduction in toxic chemical usage.

↓ 53%
Apache’s vehicle incident rate decreased by 53 percent in 2015 versus its five-year average.
## 2016 PERFORMANCE SUMMARY

(Dollars in millions, except per share data)

<table>
<thead>
<tr>
<th>Year ending December 31</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial Summary</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oil and Gas Production Revenues</td>
<td>$5,367</td>
<td>$6,510</td>
<td>$12,795</td>
</tr>
<tr>
<td>Income (Loss) from Continuing Operations Attributable to Common Shareholders</td>
<td>$(1,372)</td>
<td>$(10,844)</td>
<td>$(6,653)</td>
</tr>
<tr>
<td>Diluted Net Income (Loss) from Continuing Operations per Common Share</td>
<td>$(3.62)</td>
<td>$(28.70)</td>
<td>$(17.32)</td>
</tr>
<tr>
<td>Net Cash Provided by Continuing Operating Activities</td>
<td>$2,453</td>
<td>$2,554</td>
<td>$7,013</td>
</tr>
<tr>
<td>Changes in Operating Assets and Liabilities</td>
<td>$153</td>
<td>$(80)</td>
<td>$(329)</td>
</tr>
<tr>
<td>Cash from Continuing Operations before Changes in Operating Assets and Liabilities*</td>
<td>$2,300</td>
<td>$2,634</td>
<td>$7,342</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$22,519</td>
<td>$25,500</td>
<td>$44,264</td>
</tr>
<tr>
<td><strong>Long-term Debt</strong></td>
<td>$8,544</td>
<td>$8,716</td>
<td>$11,178</td>
</tr>
<tr>
<td><strong>Total Equity</strong></td>
<td>$7,679</td>
<td>$9,490</td>
<td>$20,541</td>
</tr>
<tr>
<td>Cash Dividends Declared per Common Share</td>
<td>$1.00</td>
<td>$1.00</td>
<td>$1.00</td>
</tr>
<tr>
<td><strong>Operational Summary</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Capital Expenditures [including acquisitions, gas gathering, transmission and processing facilities and capitalized interest]</td>
<td>$1,791</td>
<td>$4,249</td>
<td>$11,481</td>
</tr>
<tr>
<td>Natural Gas Production [MMcf/d]</td>
<td>1,103</td>
<td>1,149</td>
<td>1,371</td>
</tr>
<tr>
<td>Oil and NGL Production [Mmbbls/d]</td>
<td>338</td>
<td>352</td>
<td>369</td>
</tr>
<tr>
<td>Proved Reserves [MMboe]</td>
<td>1,311</td>
<td>1,564</td>
<td>2,396</td>
</tr>
</tbody>
</table>

*Non-GAAP Financial Measure

**Non-GAAP Financial Measures:**

Apache’s financial information includes information prepared in conformity with generally accepted accounting standards (GAAP) as well as non-GAAP information. It is management’s intent to provide non-GAAP financial information to enhance understanding of our consolidated financial information as prepared in accordance with GAAP. Cash from continuing operations before changes in operating assets and liabilities is a non-GAAP measure. This non-GAAP information should be considered by the reader in addition to, but not instead of, the financial statements prepared in accordance with GAAP. For a reconciliation to the most directly comparable GAAP financial measure, please refer to our fourth-quarter 2016 earnings release. Each non-GAAP financial measure is presented along with the corresponding GAAP measure so as not to imply that more emphasis should be placed on the non-GAAP measure.

**Discontinued Operations:**

Unless otherwise specified, amounts attributable to revenues, earnings, and production exclude discontinued operations related to Argentina and Australia. For more information regarding Apache's discontinued operations, please see the company’s Form 10-K as filed with the Securities and Exchange Commission.

**Forward-looking Statements:**

This annual report contains 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. Forward-looking statements can be identified by words such as “anticipates,” “intends,” “plans,” “seeks,” “believes,” “estimates,” “expects,” “guidance,” and similar references to future periods. These statements include, but are not limited to, statements about future plans, expectations and objectives for Apache’s operations, including statements about our capital plans, drilling plans, production expectations, asset sales, and monetizations. While forward-looking statements are based on assumptions and analyses made by us that we believe to be reasonable under the circumstances, whether actual results and developments will meet our expectations and predictions depend on a number of risks and uncertainties which could cause our actual results, performance, and financial condition to differ materially from our expectations. See "Risk Factors" in our 2016 Form 10-K as filed with the Securities and Exchange Commission for a discussion of risk factors that affect our business. Any forward-looking statement made by us in this annual report speaks only as of the date on which it is made. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future development or otherwise, except as may be required by law.
Since 1954, Apache has built a team unified by our values, our commitment to building shareholder value, and our culture, which empowers every employee to make decisions and achieve the company’s goals. Our global team is brought together by a sense of ownership and the knowledge that the best answers win.

**OUR VISION** is to be the premier exploration and production company with global assets focused on North American growth.

**OUR MISSION** is to grow in an innovative, safe, environmentally responsible and profitable manner for the long-term benefit of our shareholders.

**OUR STRATEGY** is to deliver top-tier returns by maximizing recovery and minimizing costs through continuous improvement.

**OUR CORE VALUES** are:
- Expect top performance and innovation;
- Seek relentless improvement in all facets;
- Drive to succeed with a sense of urgency;
- Safety is not negotiable and will not be compromised;
- Invest in our greatest asset: our people;
- Foster a contrarian spirit;
- Treat our stakeholders with respect and dignity;
- We derive benefit from the Earth and take our environmental responsibility seriously; and
- Conduct our business with honesty and integrity.

Apache’s Website: [www.apachecorp.com](http://www.apachecorp.com)
Apache’s website provides additional company and financial data, including:
- Profiles and maps of the company’s worldwide operations: [www.apachecorp.com/Operations](http://www.apachecorp.com/Operations)
- Background on Apache’s mission and values, governance, management and history: [www.apachecorp.com/About](http://www.apachecorp.com/About)
- Latest news, updates and articles, and a photo and video gallery: [www.apachecorp.com/News](http://www.apachecorp.com/News)
- Apache stock information, market data, investor presentations and financial news: [www.apachecorp.com/Investors](http://www.apachecorp.com/Investors)
- Career opportunities: [www.apachecorp.com/Careers](http://www.apachecorp.com/Careers)

Apache’s Social Media Sites
- LinkedIn: [www.linkedin.com/company/apache-corporation](http://www.linkedin.com/company/apache-corporation)
- Instagram: [www.instagram.com/apachecorporation](http://www.instagram.com/apachecorporation)
- Facebook: [www.facebook.com/apachecorporation](http://www.facebook.com/apachecorporation)
- Twitter: [www.twitter.com/apachecorp](http://www.twitter.com/apachecorp)
- YouTube: [www.youtube.com/user/apachecorp](http://www.youtube.com/user/apachecorp)

Apache’s Media and Investor Center
Download Apache’s Media and Investor Center (MIC) mobile application for mobile access to company news, operating statistics, reports, stock and market performance, presentations, webcasts and more. Go to [www.apachecorp.com/ApacheMIC](http://www.apachecorp.com/ApacheMIC) or go directly to the Apple App Store or Google Play.

Apache’s 2016 Sustainability Report
Apache’s 2016 Sustainability Report features expanded disclosure of Apache’s performance in governance, economics, environmental stewardship, health and safety in the workplace, and community outreach. The report is available online at [www.apachecorp.com/Sustainability](http://www.apachecorp.com/Sustainability).

Media and Other Stakeholder Inquiries
Members of the media and other external stakeholders are welcome to contact Apache’s Public & International Affairs office for inquiries or other information about the company. These requests may be directed to:

Castlen Kennedy
Vice President, Public Affairs
+1 713-296-7276
media@apachecorp.com

Investor Inquiries
Shareholders, brokers, securities analysts or portfolio managers seeking information about the company are welcome to contact Apache’s Investor Relations department:

Gary Clark
Vice President, Investor Relations
+1 281-302-2286
ir@apachecorp.com

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Savage Brands, Houston TX