

APACHE CORP
Form 10-Q
May 09, 2014

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, 2014

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 **(I.R.S. Employer**
incorporation or organization) **Identification Number)**
One Post Oak Central, 2000 Post Oak Boulevard, Suite 100, Houston, Texas 77056-4400
(Address of principal executive offices)
Registrant's Telephone Number, Including Area Code: (713) 296-6000

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, 2014 385,705,416

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

	For the Quarter Ended March 31,	
	2014	2013
	(In millions, except per share data)	
REVENUES AND OTHER:		
Oil and gas production revenues:		
Oil revenues	\$ 2,815	\$ 3,192
Gas revenues	646	681
Natural gas liquids revenues	186	148
	3,647	4,021
Derivative instrument losses, net	(20)	(100)
Other	48	25
	3,675	3,946
OPERATING EXPENSES:		
Depreciation, depletion, and amortization:		
Oil and gas property and equipment	1,109	1,210
Other assets	97	102
Asset retirement obligation accretion	44	63
Lease operating expenses	597	722
Gathering and transportation	70	73
Taxes other than income	181	229
General and administrative	119	112
Acquisitions, divestitures, and transition	2	
Financing costs, net	27	55
	2,246	2,566
NET INCOME FROM CONTINUING OPERATIONS BEFORE		
INCOME TAXES	1,429	1,380
Current income tax provision	416	497
Deferred income tax provision	162	105
NET INCOME FROM CONTINUING OPERATIONS INCLUDING		
NONCONTROLLING INTEREST	851	778
Net loss from discontinued operations, net of tax	(517)	(61)

NET INCOME INCLUDING NONCONTROLLING INTEREST	334	717
Preferred stock dividends		19
Net income attributable to noncontrolling interest	98	
NET INCOME ATTRIBUTABLE TO COMMON STOCK	\$ 236	\$ 698
NET INCOME ATTRIBUTABLE TO COMMON SHAREHOLDERS:		
Net income from continuing operations attributable to common shareholders	\$ 753	\$ 759
Net loss from discontinued operations	(517)	(61)
Net income attributable to common shareholders	\$ 236	\$ 698
BASIC NET INCOME PER COMMON SHARE:		
Basic net income from continuing operations per share	\$ 1.92	\$ 1.94
Basic net loss from discontinued operations per share	(1.32)	(0.16)
Basic net income per share	\$ 0.60	\$ 1.78
DILUTED NET INCOME PER COMMON SHARE:		
Diluted net income from continuing operations per share	\$ 1.90	\$ 1.91
Diluted net loss from discontinued operations per share	(1.30)	(0.15)
Diluted net income per share	\$ 0.60	\$ 1.76
WEIGHTED-AVERAGE NUMBER OF COMMON SHARES OUTSTANDING:		
Basic	394	392
Diluted	396	408
DIVIDENDS DECLARED PER COMMON SHARE	\$ 0.25	\$ 0.20

The accompanying notes to consolidated financial statements

are an integral part of this statement.

APACHE CORPORATION AND SUBSIDIARIES

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

(Unaudited)

	For The Quarter Ended March 31,	
	2014	2013
	(In millions)	
NET INCOME INCLUDING NONCONTROLLING INTEREST	\$ 334	\$ 717
OTHER COMPREHENSIVE LOSS:		
Commodity cash flow hedge activity, net of tax:		
Reclassification of loss on settled derivative instruments		6
Change in fair value of derivative instruments	(1)	(8)
	(1)	(2)
COMPREHENSIVE INCOME INCLUDING NONCONTROLLING INTEREST	333	715
Preferred stock dividends		19
Comprehensive income attributable to noncontrolling interest	98	
COMPREHENSIVE INCOME ATTRIBUTABLE TO COMMON STOCK	\$ 235	\$ 696

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,	
	2014	2013
	(In millions)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income including noncontrolling interest	\$ 334	\$ 717
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss from discontinued operations	517	61
Depreciation, depletion, and amortization	1,206	1,312
Asset retirement obligation accretion	44	63
Provision for deferred income taxes	162	105
Other	(41)	37
Changes in operating assets and liabilities:		
Receivables	389	(19)
Inventories	85	50
Drilling advances	37	219
Deferred charges and other	(74)	(17)
Accounts payable	(170)	56
Accrued expenses	(286)	(20)
Deferred credits and noncurrent liabilities	8	(7)
NET CASH PROVIDED BY CONTINUING OPERATING ACTIVITIES	2,211	2,557
NET CASH PROVIDED BY DISCONTINUED OPERATIONS	82	64
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,293	2,621
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to oil and gas property	(2,362)	(2,511)
Additions to gas gathering, transmission, and processing facilities	(344)	(254)
Proceeds from Kitimat LNG transaction, net		405
Acquisitions, other		(148)
Other, net	9	(41)
NET CASH USED IN CONTINUING INVESTING ACTIVITIES	(2,697)	(2,549)
NET CASH PROVIDED BY (USED IN) DISCONTINUED OPERATIONS	748	(43)
NET CASH USED IN INVESTING ACTIVITIES	(1,949)	(2,592)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Commercial paper and bank credit facilities, net	(2)	155
Dividends paid	(79)	(86)
Treasury stock activity, net	(484)	
Other		12

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NET CASH PROVIDED BY (USED IN) CONTINUING FINANCING ACTIVITIES	(565)	81
NET CASH USED IN DISCONTINUED OPERATIONS	(42)	(22)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(607)	59
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(263)	88
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,906	160
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 1,643	\$ 248
SUPPLEMENTARY CASH FLOW DATA:		
Interest paid, net of capitalized interest	\$ 70	\$ 62
Income taxes paid, net of refunds	491	487

The accompanying notes to consolidated financial statements

are an integral part of this statement.

APACHE CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

(Unaudited)

	March 31, 2014	December 31, 2013
	(In millions)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,643	\$ 1,906
Receivables, net of allowance	2,479	2,952
Inventories	727	891
Drilling advances	323	371
Derivative instruments		1
Prepaid assets and other	291	245
	5,463	6,366
PROPERTY AND EQUIPMENT:		
Oil and gas, on the basis of full-cost accounting:		
Proved properties	82,727	83,390
Unproved properties and properties under development, not being amortized	8,332	8,363
Gathering, transmission and processing facilities	7,209	6,995
Other	1,068	1,071
	99,336	99,819
Less: Accumulated depreciation, depletion and amortization	(46,584)	(47,398)
	52,752	52,421
OTHER ASSETS:		
Goodwill	1,369	1,369
Deferred charges and other	1,537	1,481
	\$ 61,121	\$ 61,637
LIABILITIES AND SHAREHOLDERS EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 1,438	\$ 1,616
Current debt		53
Current asset retirement obligation	182	121
Derivative instruments	224	299
Other current liabilities	2,512	2,611
	4,356	4,700

LONG-TERM DEBT	9,673	9,672
DEFERRED CREDITS AND OTHER NONCURRENT LIABILITIES:		
Income taxes	8,517	8,364
Asset retirement obligation	2,996	3,101
Other	402	407
	11,915	11,872
COMMITMENTS AND CONTINGENCIES (Note 8)		
EQUITY:		
Common stock, \$0.625 par, 860,000,000 shares authorized, 408,251,989 and 408,041,088 shares issued, respectively	255	255
Paid-in capital	12,284	12,251
Retained earnings	22,170	22,032
Treasury stock, at cost, 18,184,997 and 12,268,180 shares, respectively	(1,511)	(1,027)
Accumulated other comprehensive loss	(116)	(115)
APACHE SHAREHOLDERS' EQUITY	33,082	33,396
Noncontrolling interest	2,095	1,997
TOTAL EQUITY	35,177	35,393
	\$ 61,121	\$ 61,637

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APACHE CORPORATION AND SUBSIDIARIES
STATEMENT OF CONSOLIDATED CHANGES IN EQUITY**(Unaudited)**

	Series D Preferred Stock	Common Stock	Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	APACHE SHAREHOLDERS' EQUITY	Non Controlling Interest	TOTAL EQUITY
(In millions)									
BALANCE AT DECEMBER 31, 2012	\$ 1,227	\$ 245	\$ 9,859	\$ 20,161	\$ (30)	\$ (131)	\$ 31,331	\$	\$ 31,331
Net income				717			717		717
Commodity hedges, net of tax						(2)	(2)		