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TIPRO Lunch Presentation


REPORT

THE 2007 VALUE CREATORS REPORT

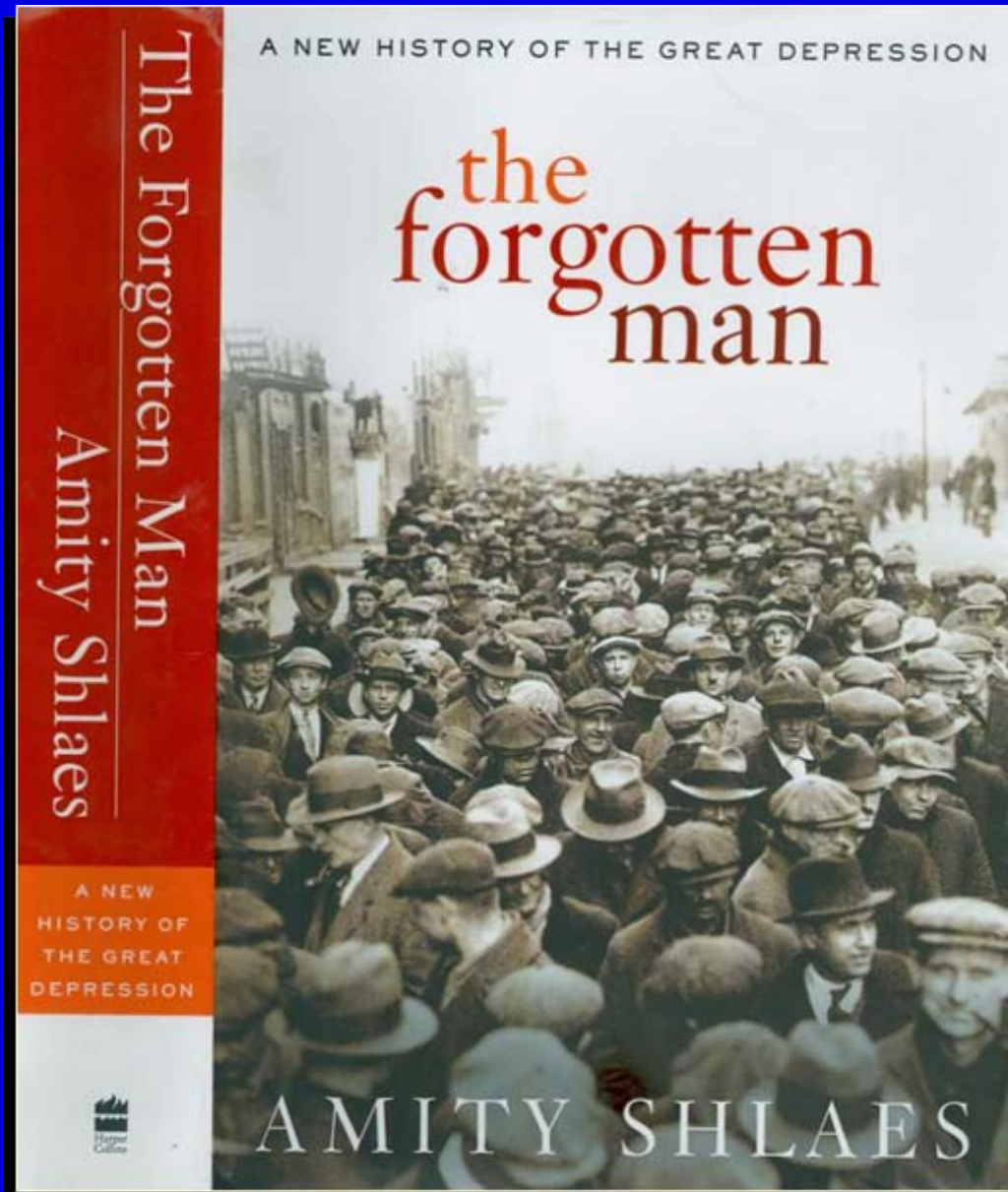
Avoiding the Cash Trap

The Challenge of Value Creation When Profits Are High

“The Paradox of Too Much Cash”



THE BOSTON CONSULTING GROUP



How to Double 238 Years of Debt Overnight

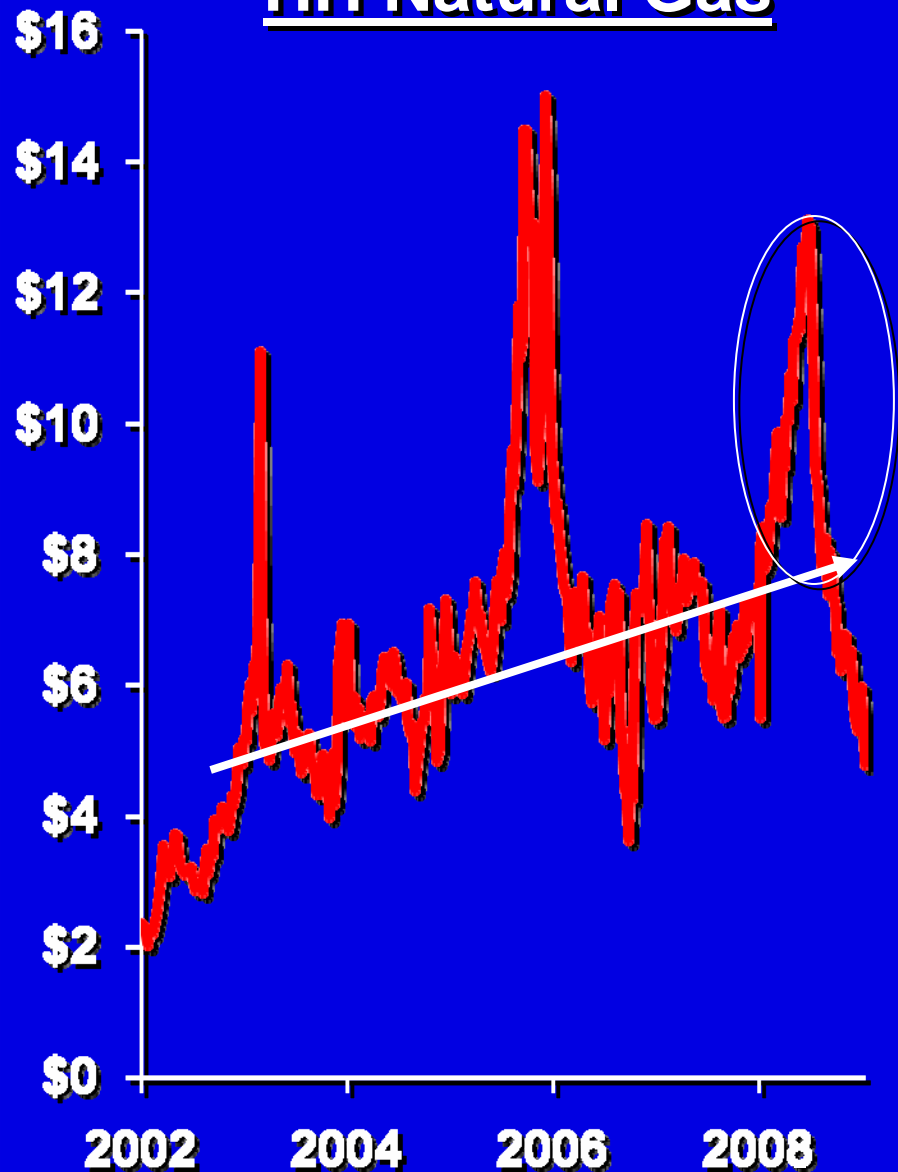


| | |
|-------------------------------|-------------------------------|
| National Debt 6/30/08 | \$9,500,000,000,000 |
| Fannie/Freddie Bailout | 5,000,000,000,000 |
| AIG/Bear Stearns/Other | 1,000,000,000,000 |
| TARP | 700,000,000,000 |
| Stimulus Package | <u>800,000,000,000</u> |
| Grand Total to Date | \$17,000,000,000,000 |
| Per Capital | \$55,000 |
| Per Worker (50%) | \$110,000 |

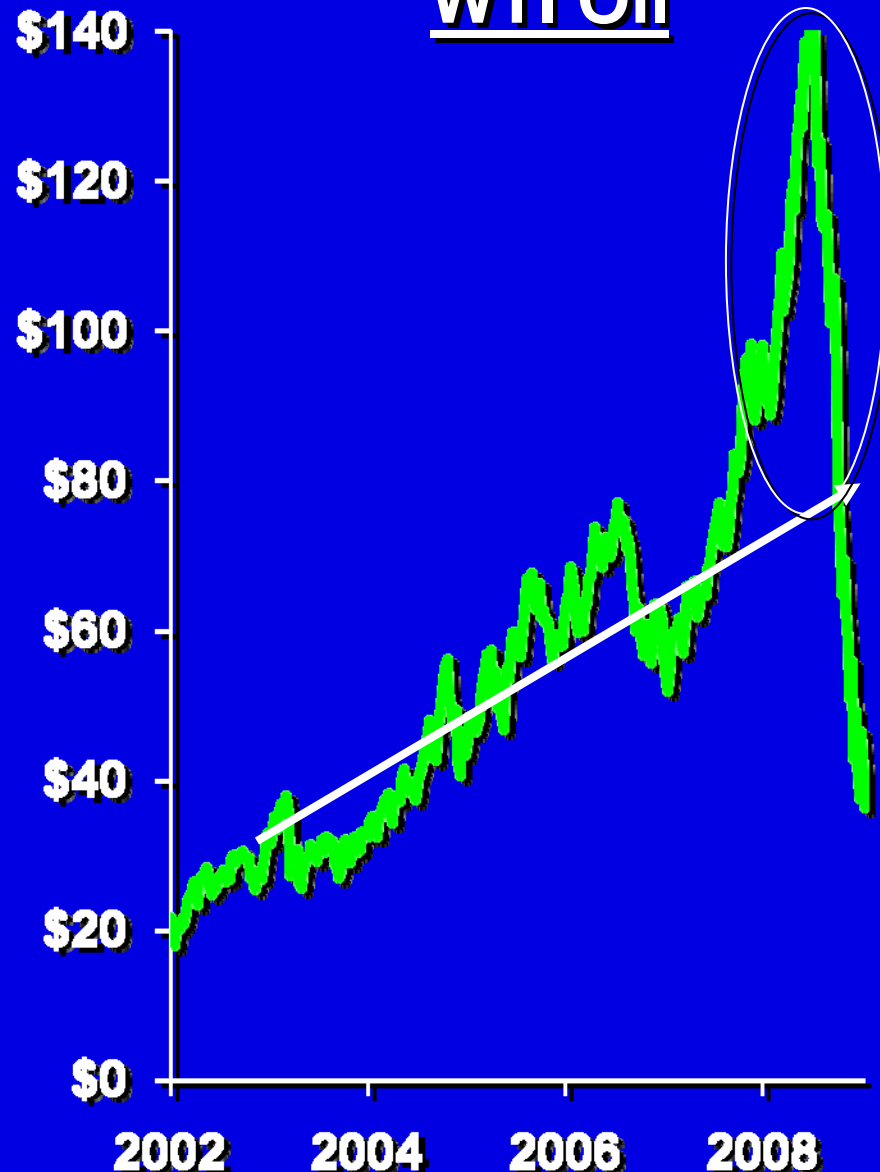
* Sources: WSJ, The Big Picture, U.S. News & World Report, Other

Anomaly or New Reality?

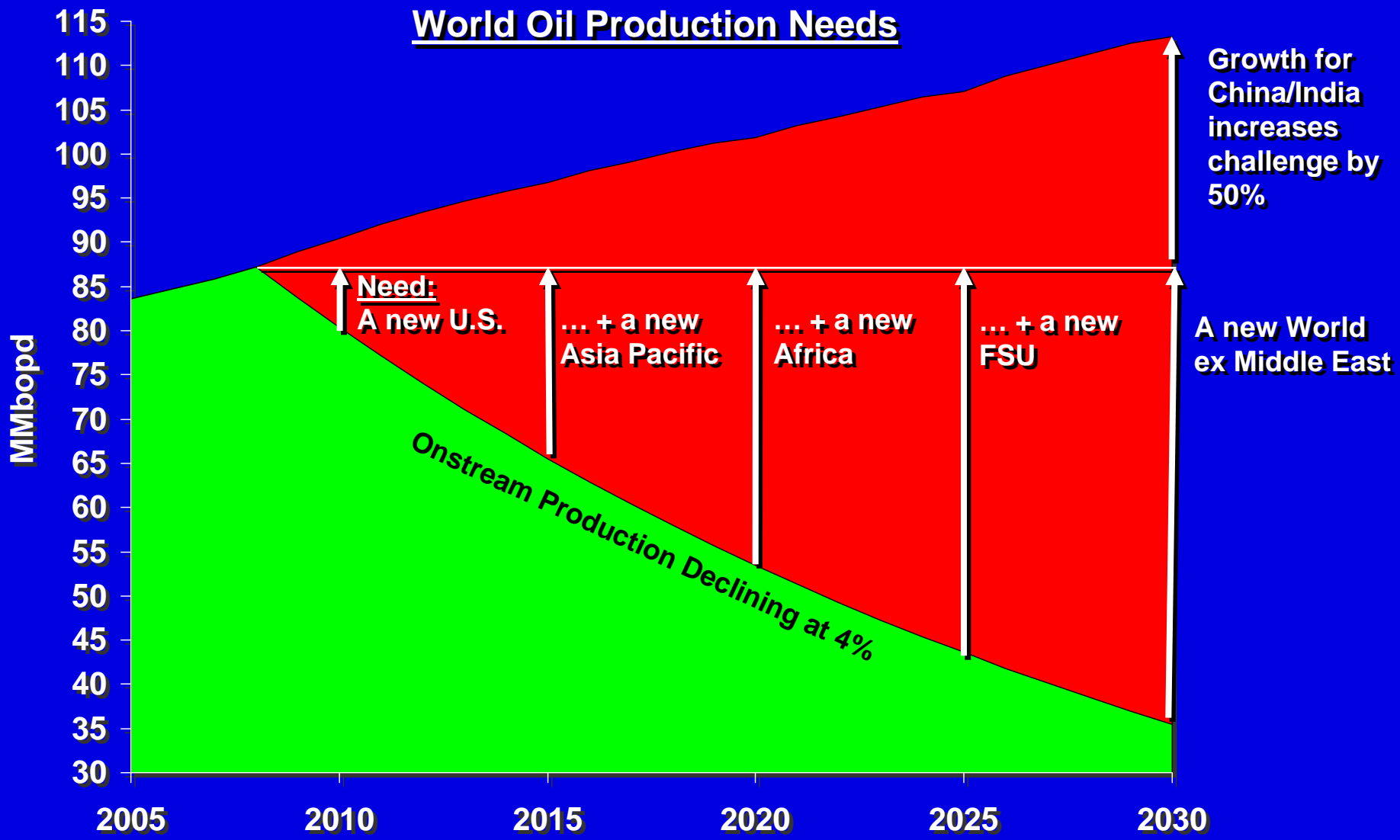
HH Natural Gas



WTI Oil



The World Still Needs Energy



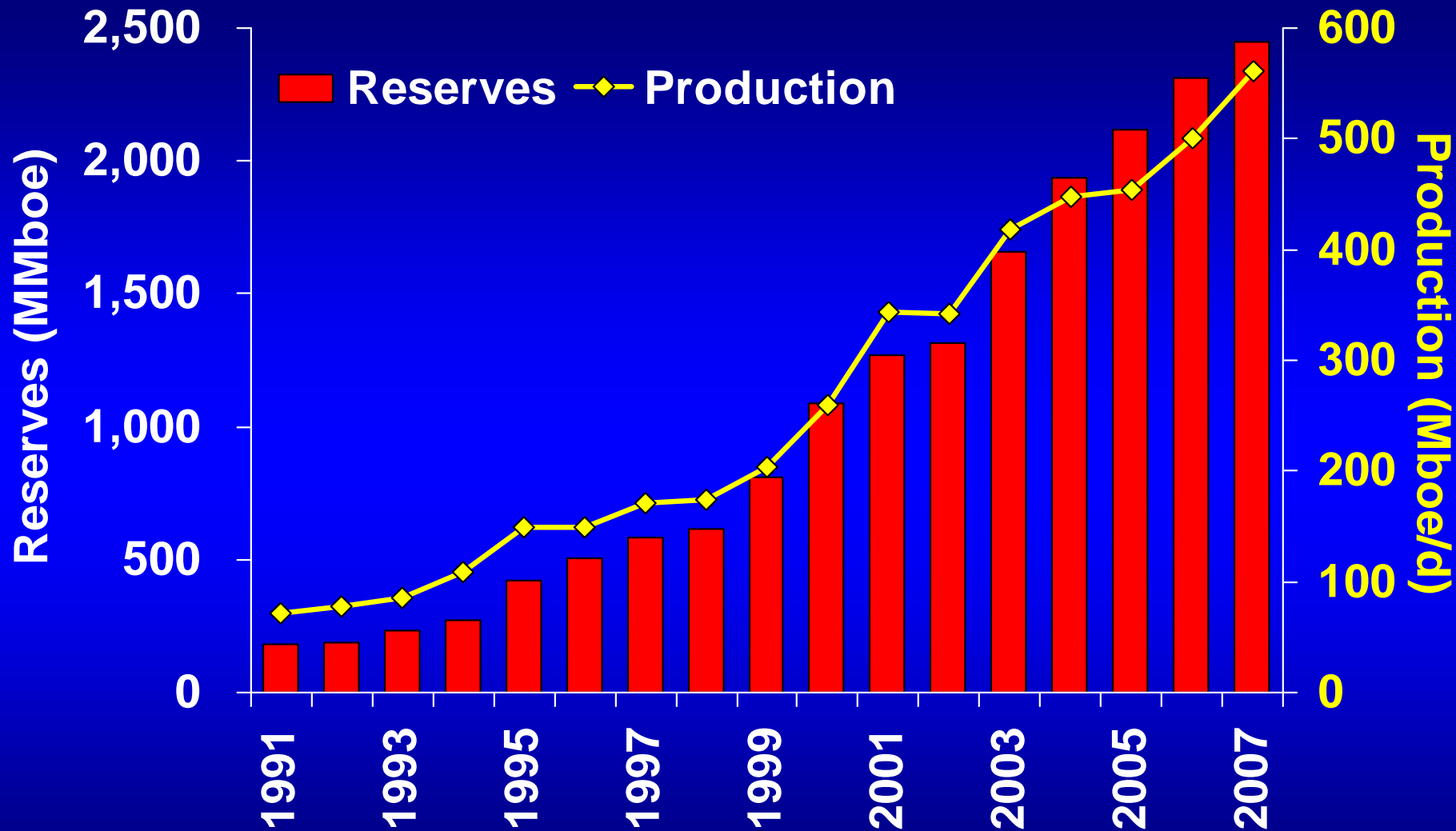
Source: U.S. Department of Energy data, Perella Weinberg analysis.

Current demand will consume over half of world's proved oil reserves within 25 years

- **Current demand** **85 MMbopd**
- **Oil required next 25 years**
 - **No growth** **775 Bn barrels**
 - **2.0% growth** **960 Bn barrels**
- **World proved oil reserves** **1,390 Bn barrels***
 - **OPEC** **935 Bn barrels***

* YE 2007 proved reserves including Canadian oil sands. Source: 2008 BP Statistical Review.

Time-Tested Growth Strategy

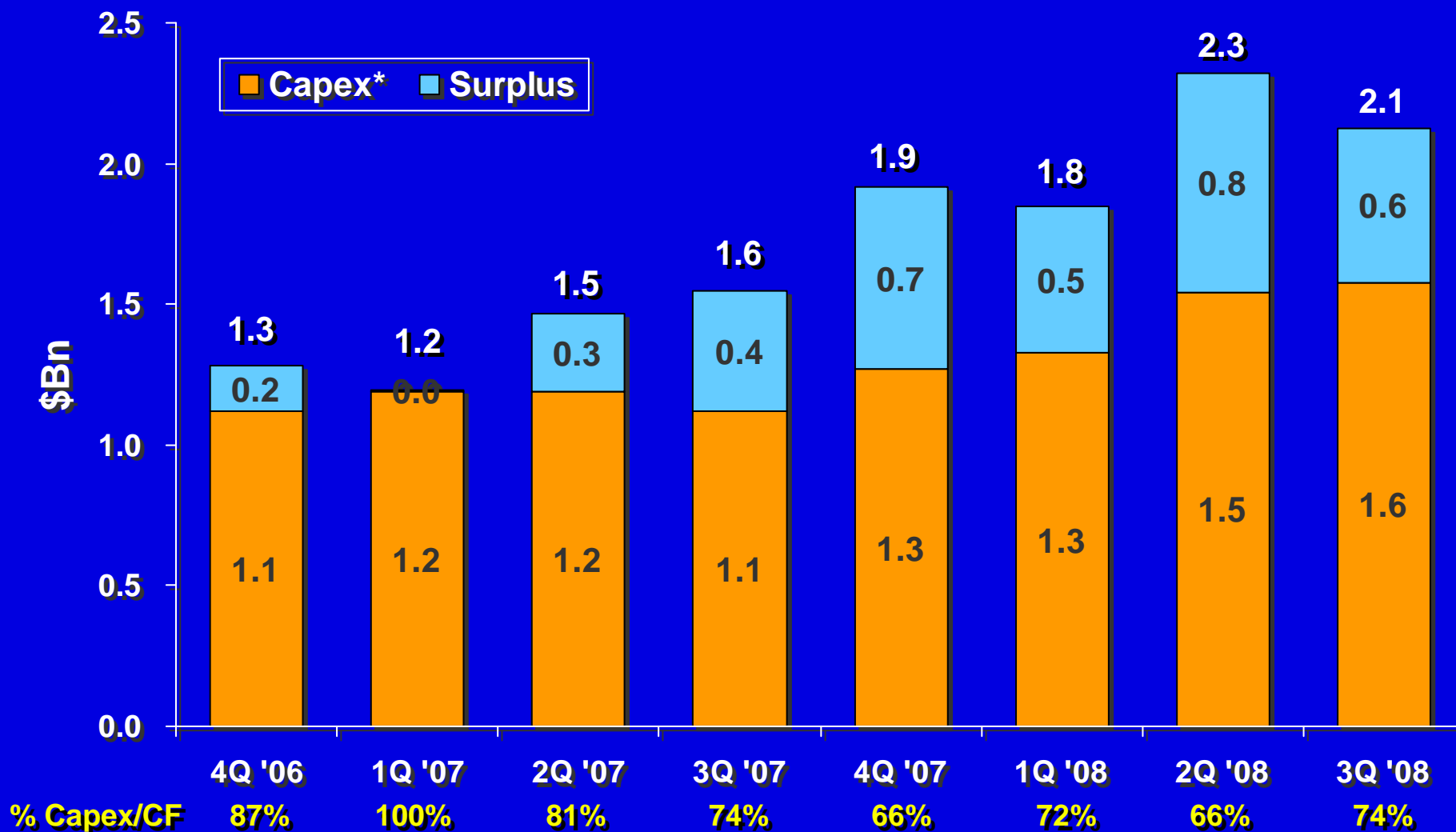


Apache 2009: "Words to Live By"

- **Live within cash flow!!!**
 - \$5/\$50? \$4/\$40?
- **Conserve cash**
 - Manage working capital/receivables
- **Production up; costs down!**
 - Reduce G&A
- **Recover deferred production in Gulf of Mexico**
- **Advance major development projects**
 - Timely ramp in 2009 (Salam 3&4, Geauxpher, Van Gogh)
 - Develop 2010+ projects (Pyrenees, Reindeer, Salam 5, Julimar)
- **Build drilling inventory**
- **Pursue acquisition opportunities**

- **Consistent free cash flow generation**
- **Meaningful liquidity**
 - ~ \$2 Bn cash
 - \$2.3 Bn committed bank lines
- **Strong balance sheet**
 - ~ 20% debt:cap
 - A-rating enables access to credit markets
 - October 2008: \$800MM bond offering
 - December 2008: \$350 MM Aust. project finance

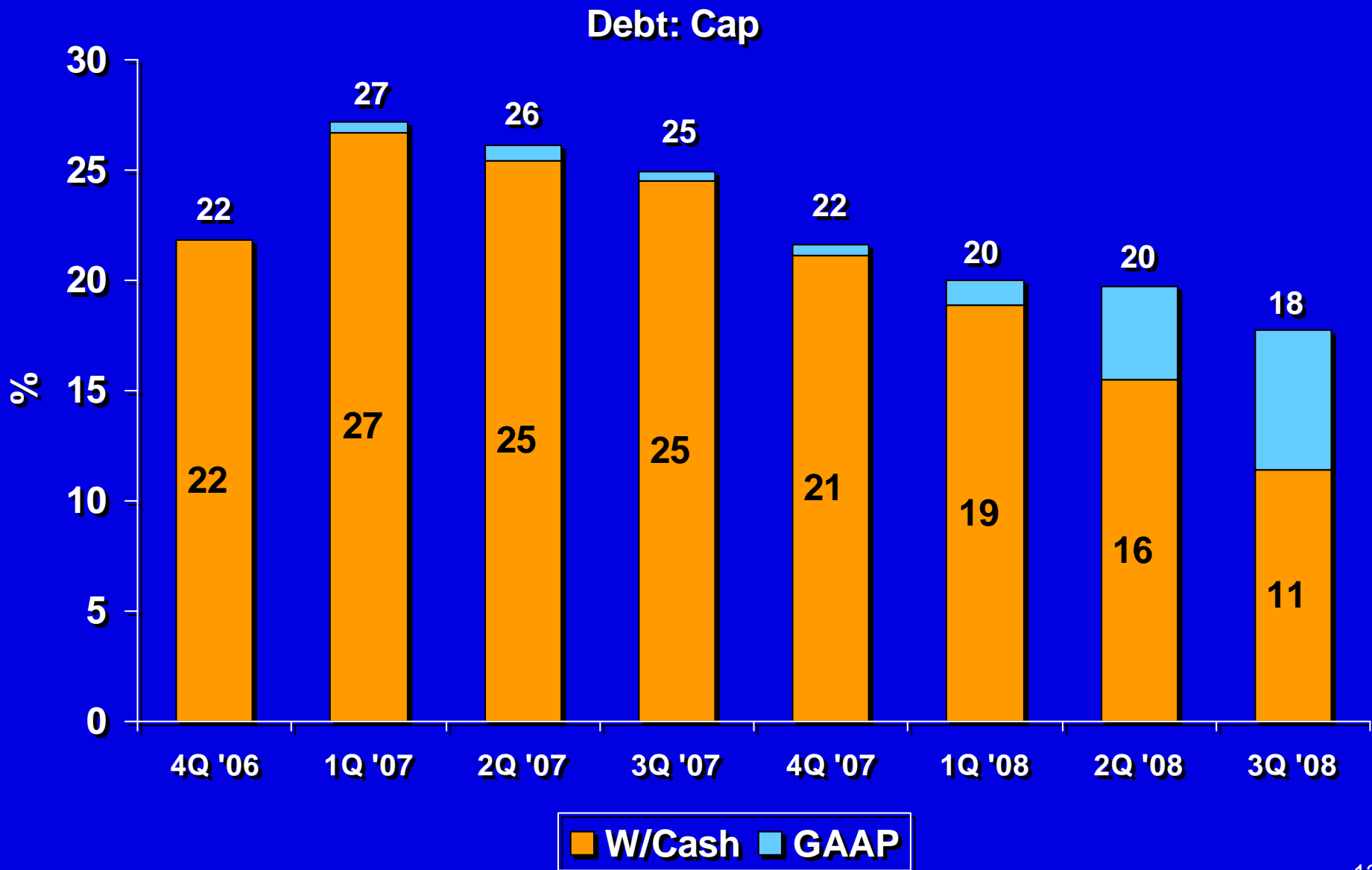
Living Within Our Means



* Includes GTM, excludes abandonment & acquisitions

Manageable Debt

Made Hay While The Sun Shined

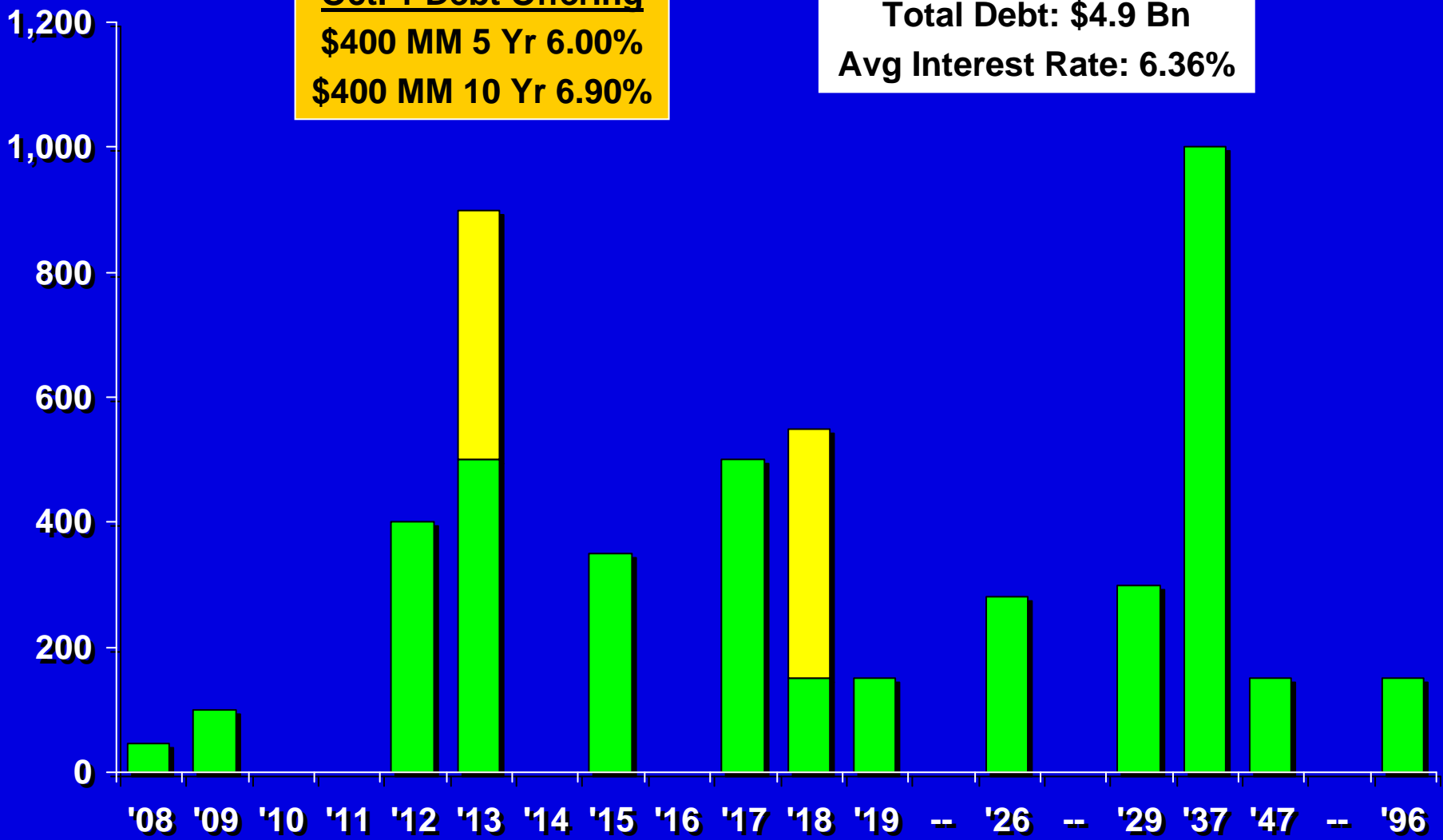


Manageable Debt Maturities (\$MM)

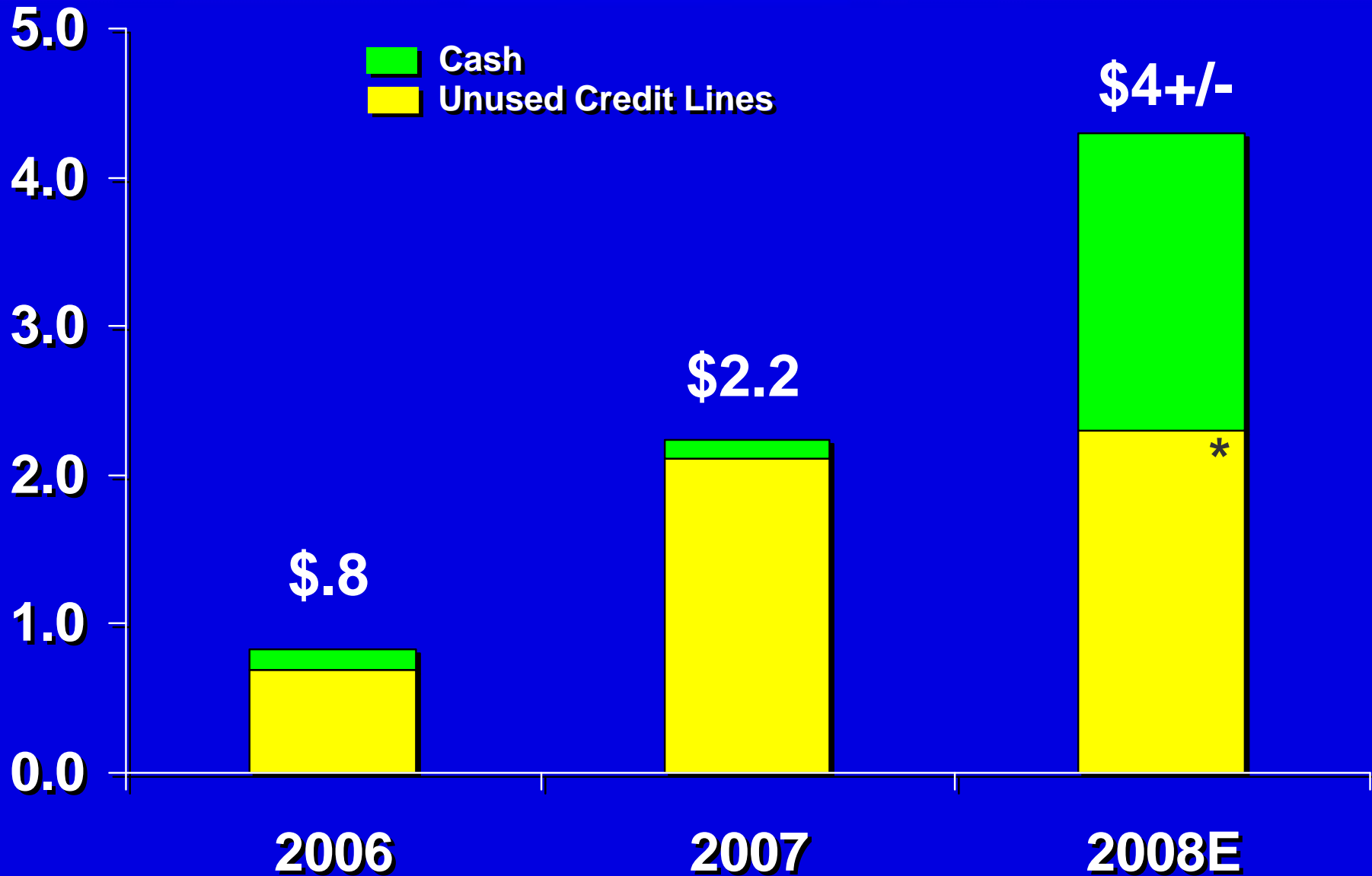


Oct. 1 Debt Offering
\$400 MM 5 Yr 6.00%
\$400 MM 10 Yr 6.90%

Total Debt: \$4.9 Bn
Avg Interest Rate: 6.36%

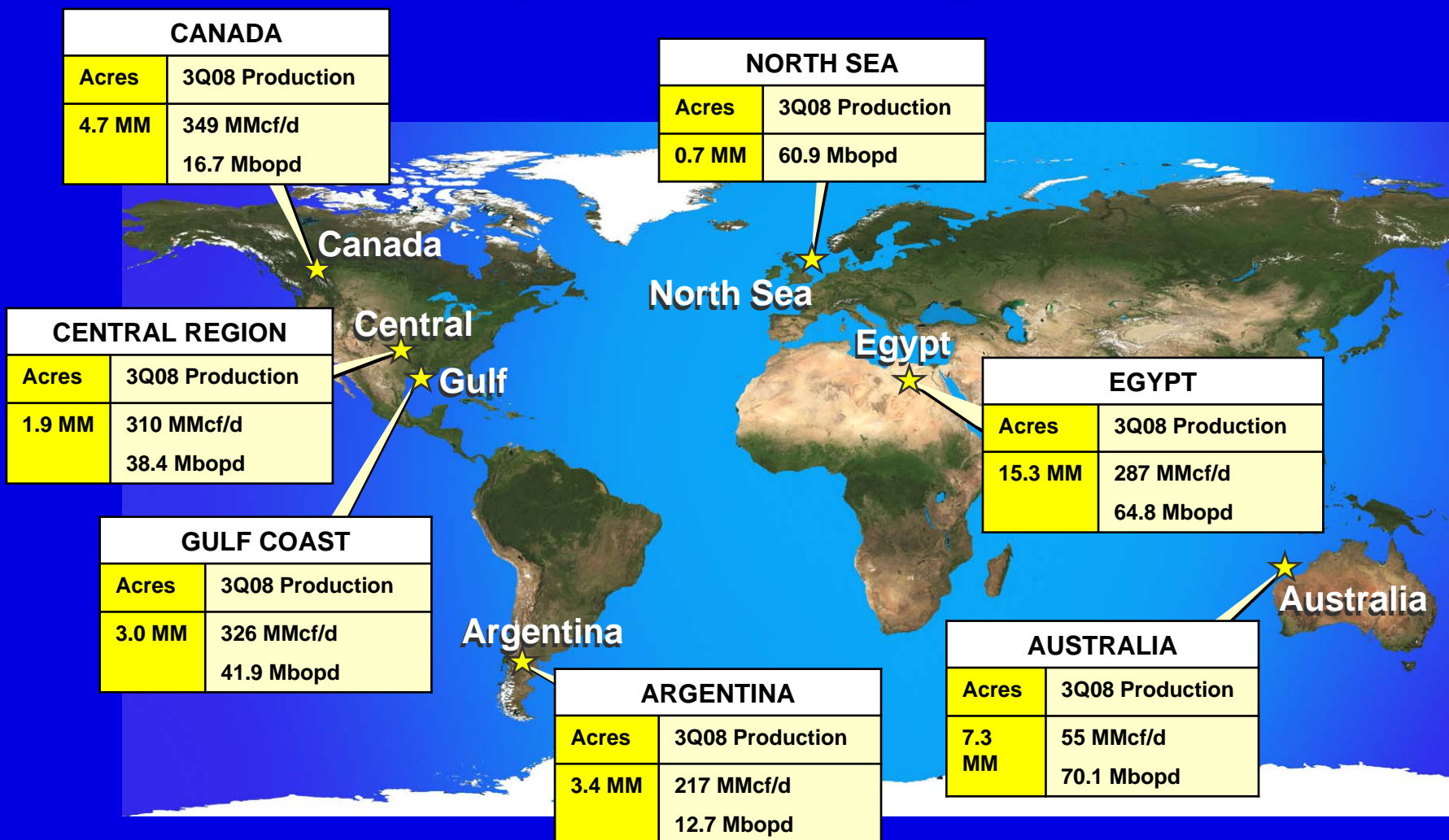


Potential Firepower (\$B)



* 26 banks; \$160 MM = largest commitment

Positioned for Balanced Growth



Note: Lease level income = revenue - operating expense – transportation expense - severance taxes

Material Core Area Positions

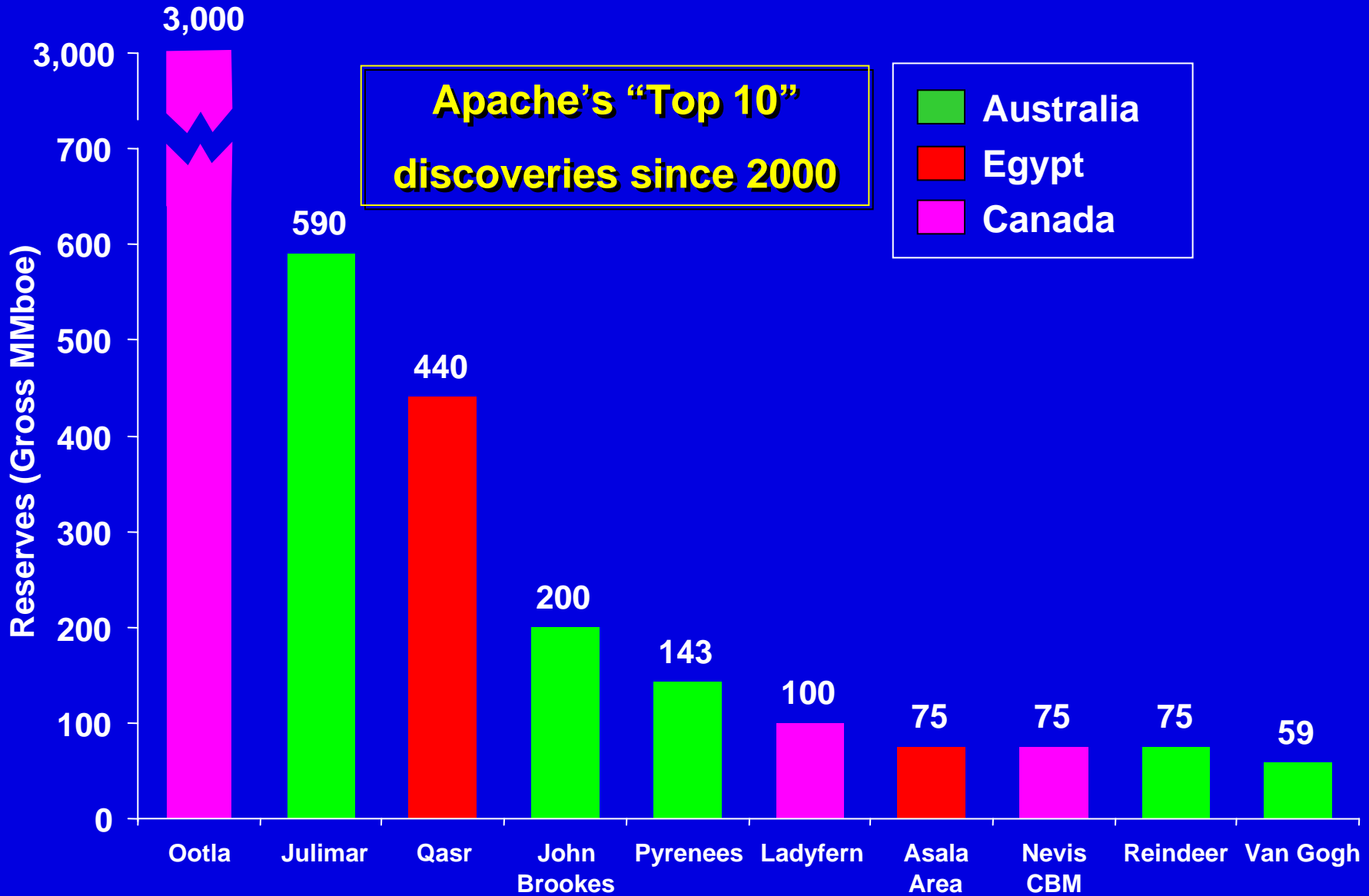
Apache realizes value potential through basin leadership:

- **#1 producer in Egypt's Western Desert basins**
- **#1 driller in US GOM Shelf**
- **#2 producer in Western Australia's Carnarvon Basin**
- **#3 producer in Oklahoma**
- **#4 producer in Permian Basin**
- **#1 position in Ootla shale play, Canada (joint with partner)**

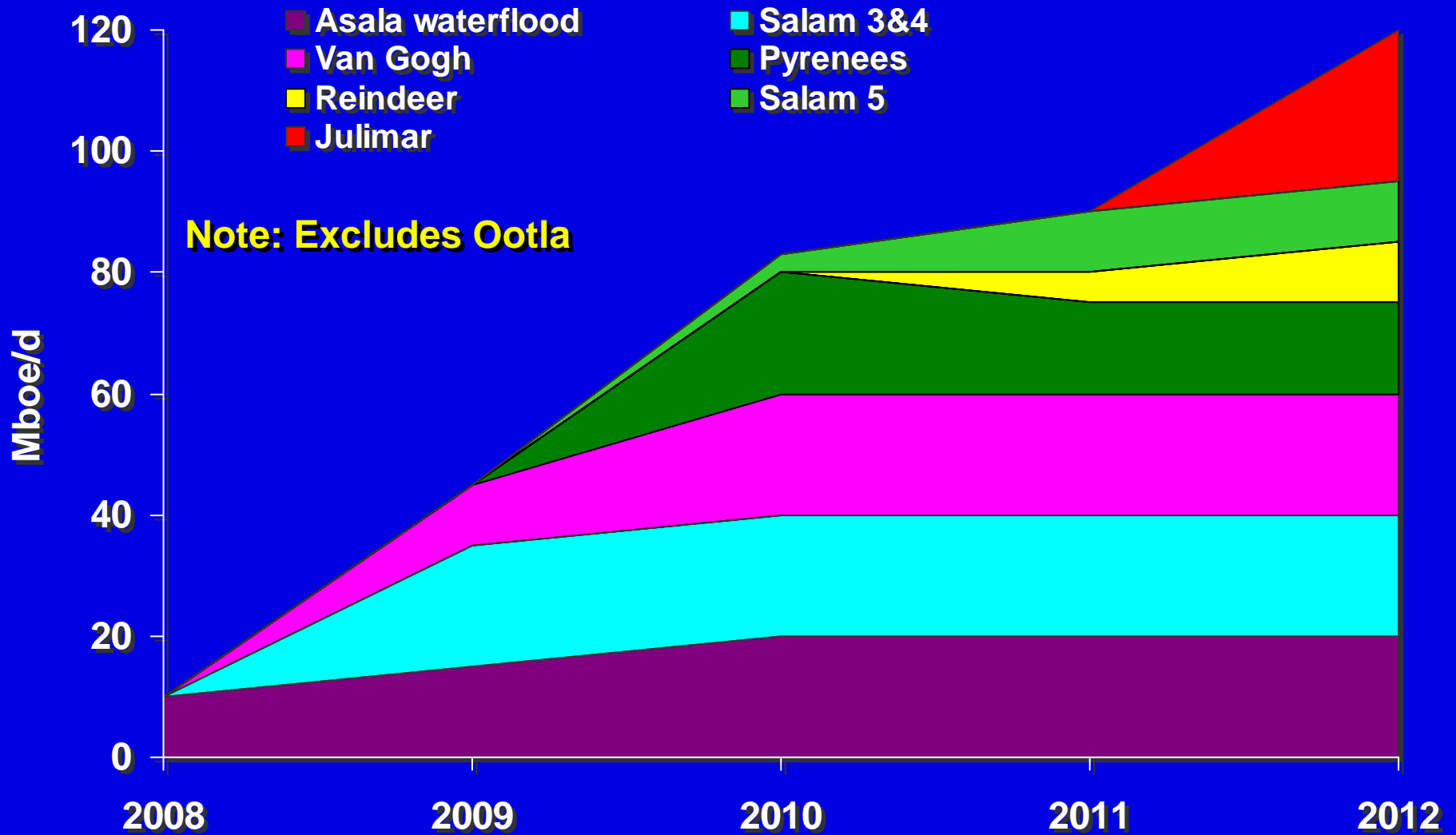
New Legacy positions in progress:

- **Operator of largest field in UK North Sea**
- **Most active independent driller in Argentina**

Exploration Driven Growth



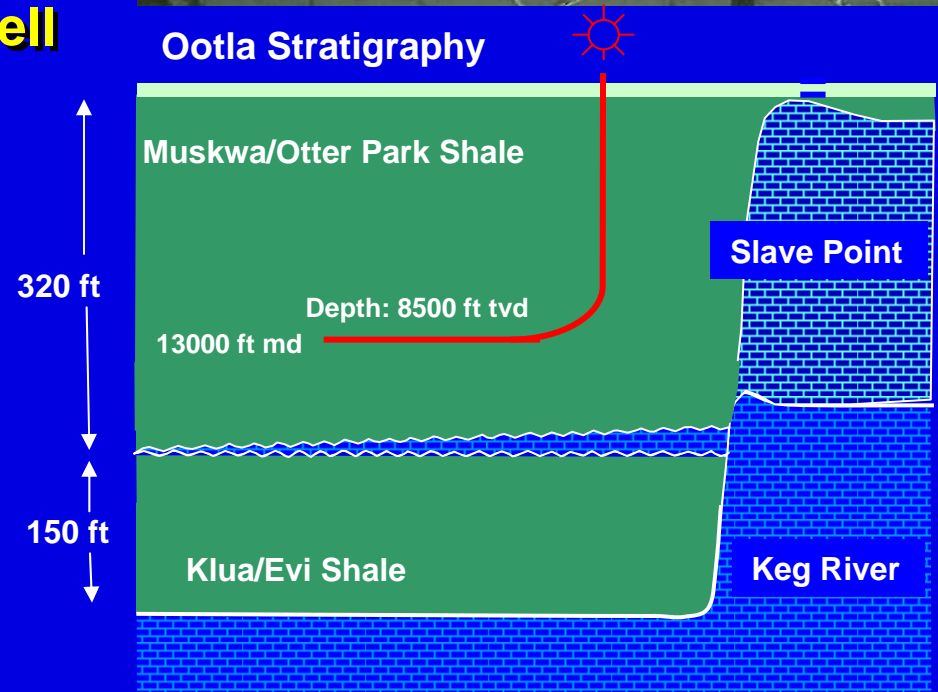
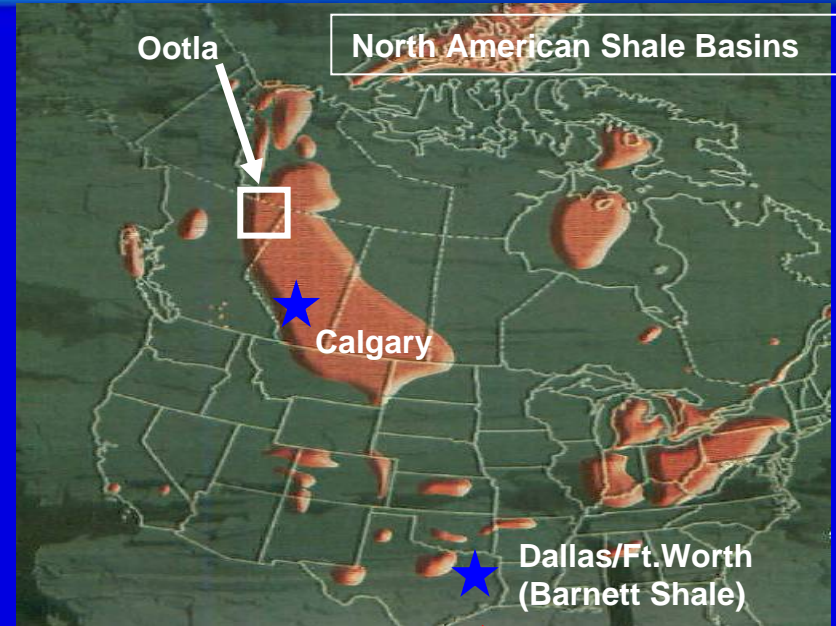
Internally Generated Development Pipeline



NEBC Ootla (Horn River Basin) Shale Play

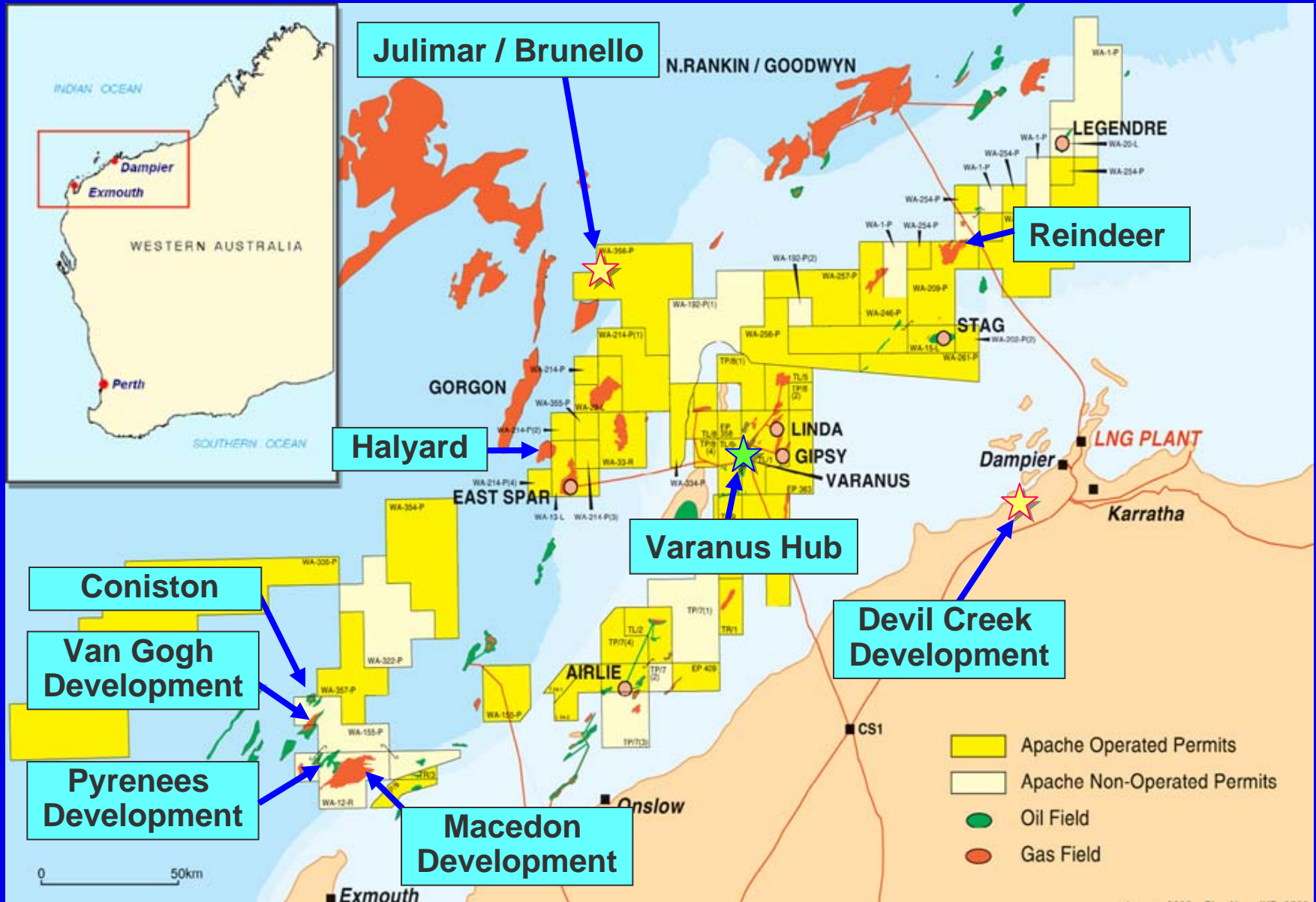


- Gas accumulation up to 100 Tcf +
- GIP: 100-200 Bcf per section
- 220,000 net acres
- Current reserves: 7.4 Bcf per well
 - 0.74 Bcf per frac
- 2009 work program
 - Drill ~ 25 wells
 - Install 24" pipeline



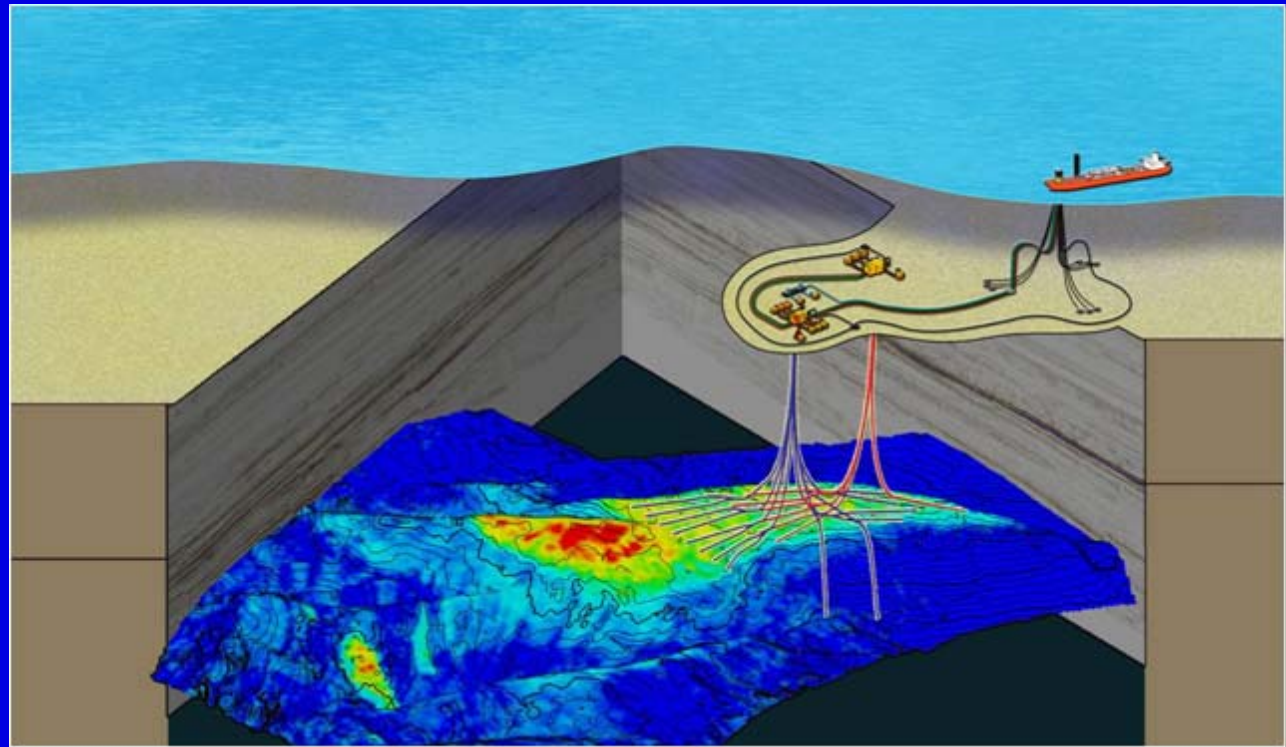
- **4-year term license**
- **One Horn River Hz as planned earns 24 sections of land into a 10 year lease**
- **14 wells validate entire net position**
- **Apache net 220,000 acres would require only ~110 wells over the 10 year lease period to be HBP**

Australian Development Projects



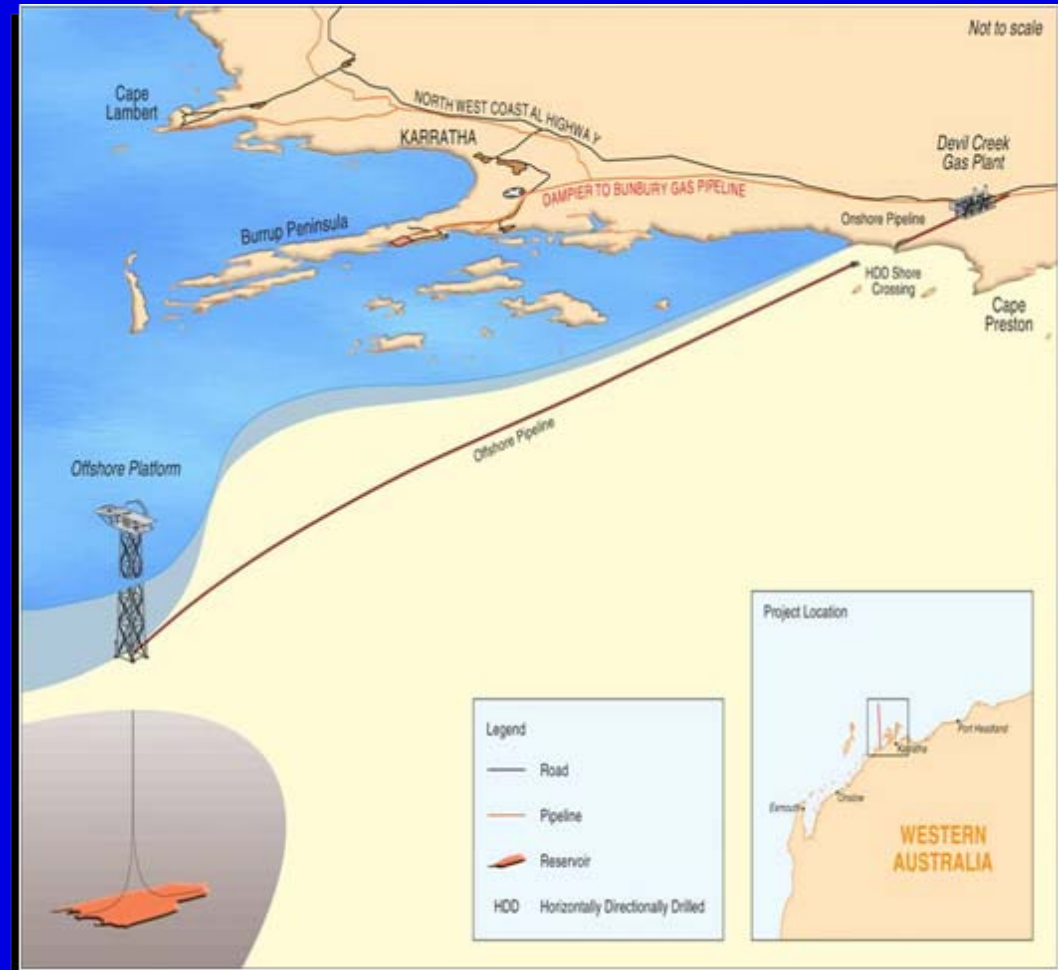
Van Gogh Development Project

- **First Oil: second quarter 2009**
- **Working interests: Apache: 52.5%, Inpex: 47.5%**
- **Reserves = 59 MMbbls**
- **1st year avg rate – 20,000 bopd net**
- **Capital Cost = \$546 MM**

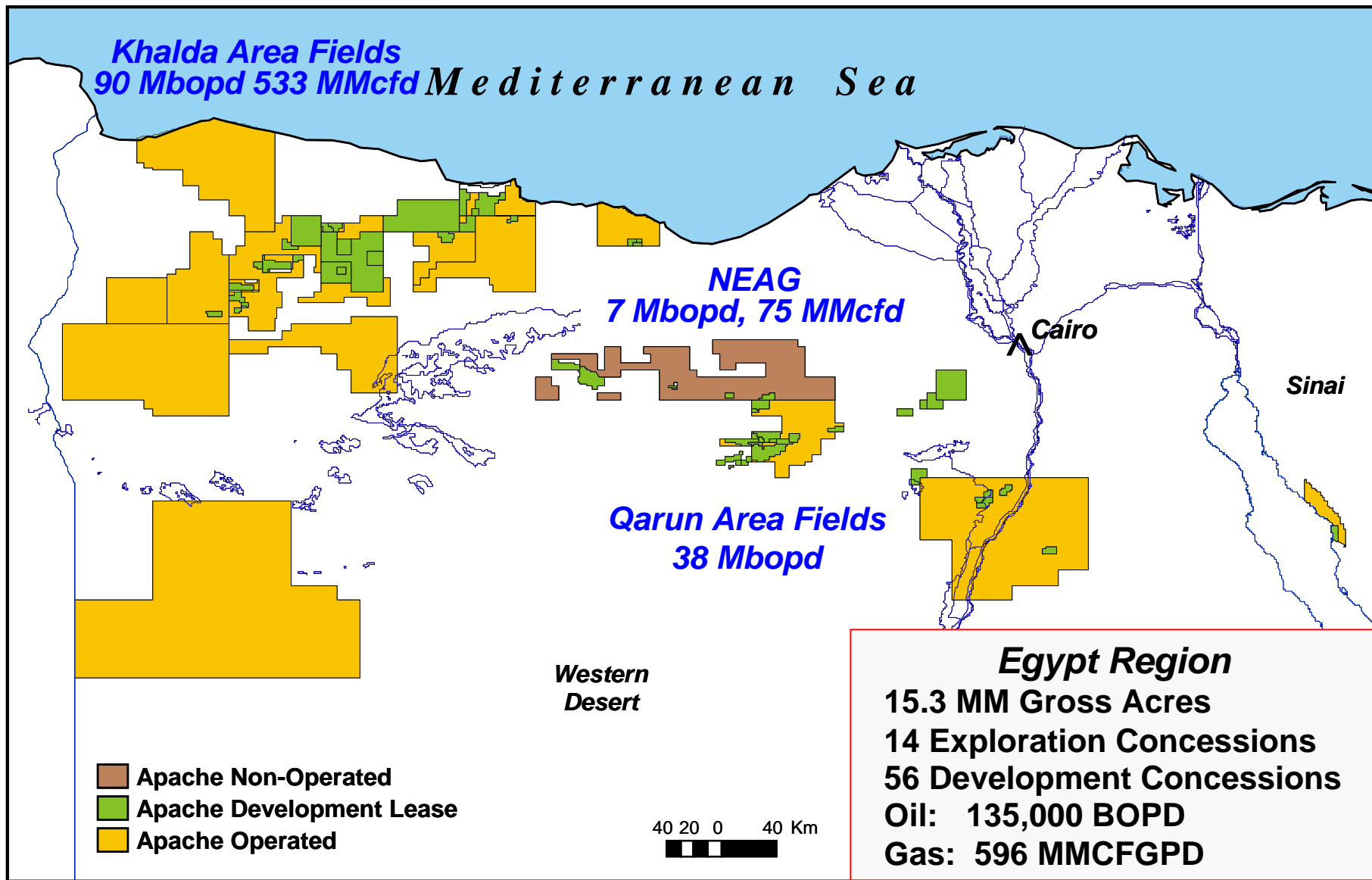


Reindeer Development Project

- **Citic gas contract (gross)**
 - Signed Jan. 09
 - 60 MMcf/d for 7 yrs
 - 3 yrs fixed price
 - 4 years indexed price
 - \$1,270 MM revenue for 154 Bcf reserves
- **First gas 2Q11**
- **Apache WI: 55.0%**
- **Gross reserves: 452 BCF**
- **3rd Major Gas Hub in Western Australia**



Apache Concessions in Egypt

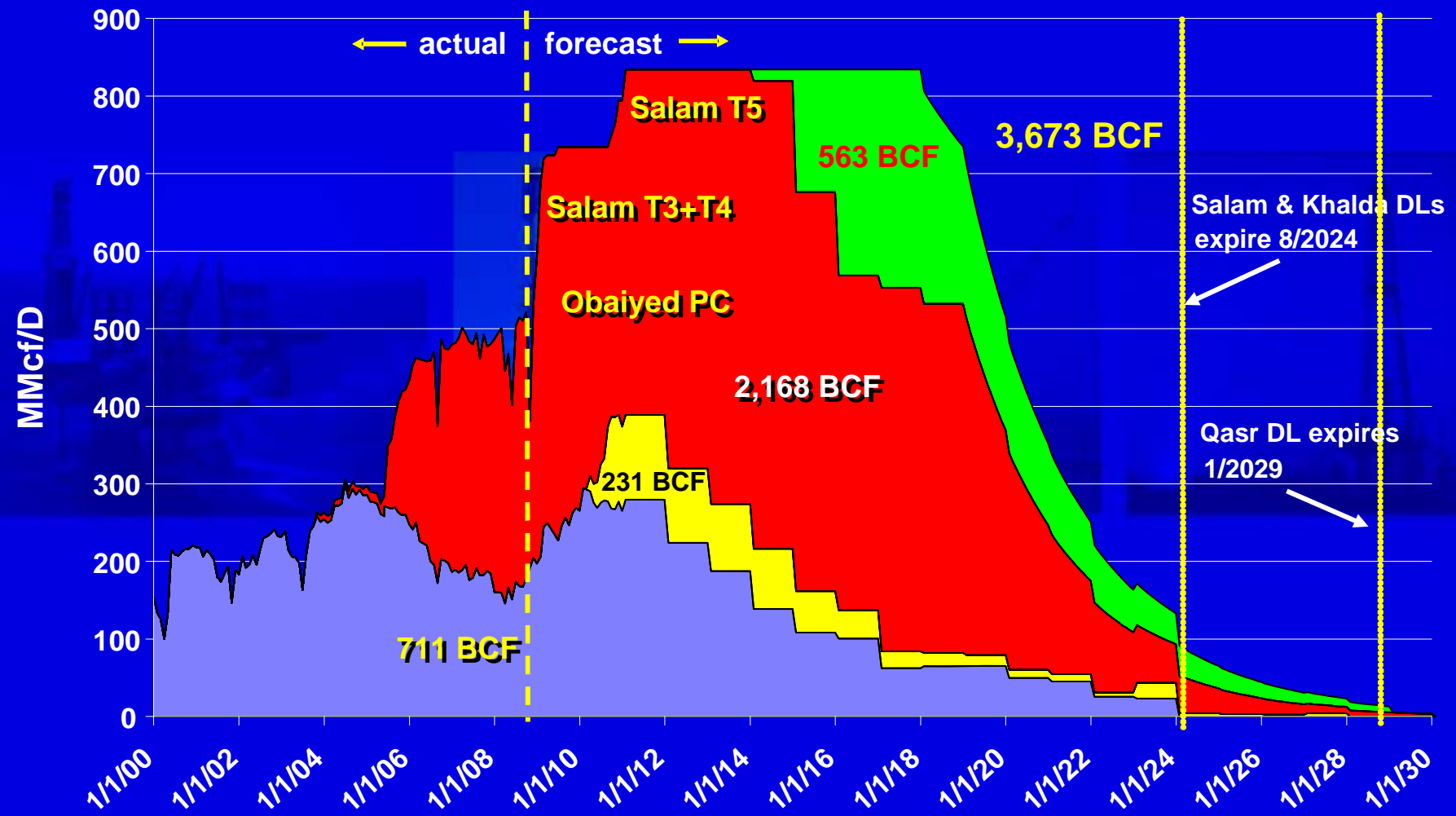


Apache Gross Operated Gas Forecast - Khalda Area



■ PROV
 ■ PROB
 ■ QASR 2P
 ■ EXPL

Reserves as of 10/01/08



- **Best work done in worst of times**
- **Balanced portfolio mitigates risk**
- **Conservative management / financial firepower**
 - **Lived within our means at the top of the cycle**
- **Built in growth from project pipeline**
- **Contrarian approach**
 - **Acquisitions more likely in this environment**

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