

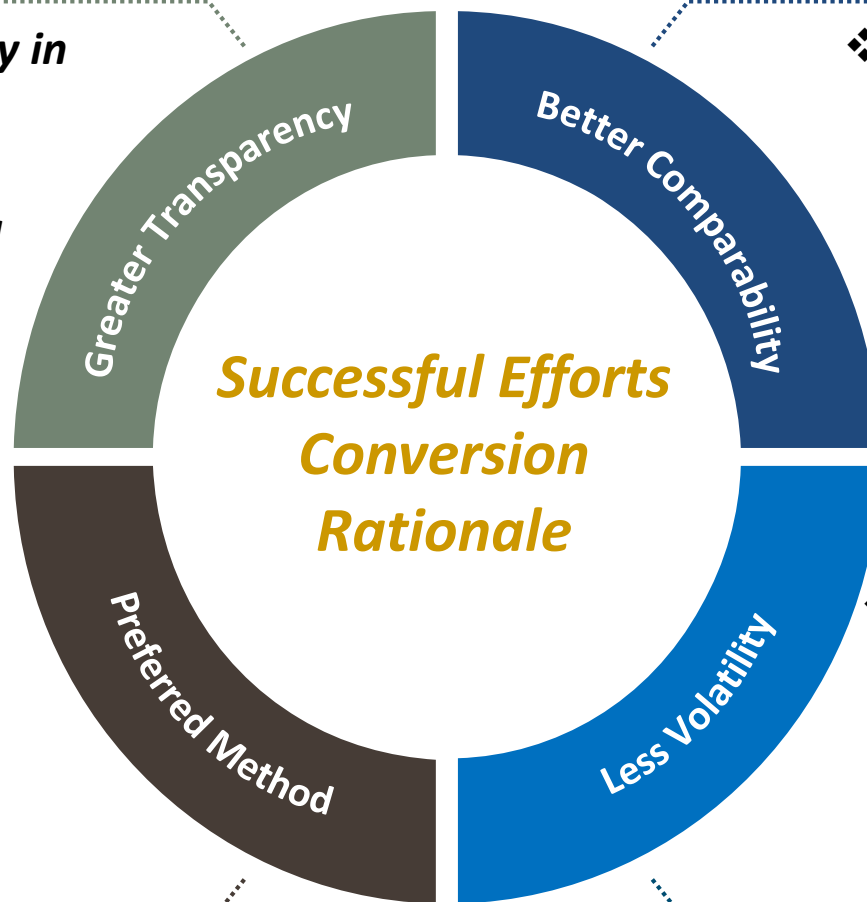
Apache

A tall drilling rig stands in a field of green corn. The rig is a vertical structure with many thin pipes and a yellow platform near the top. A red truck is at its base. In the background, there are utility poles and a building. A bird is flying in the sky. The foreground is filled with out-of-focus green corn leaves.

**SUCCESSFUL EFFORTS
CONVERSION MATERIALS**

AUGUST 2016

MANAGEMENT RATIONALE FOR CHANGE TO SUCCESSFUL EFFORTS METHOD OF ACCOUNTING



- ❖ *Greater transparency in results of our assets*
- ❖ *Enhances operating decision making and capital allocation process*

- ❖ *Vast majority of large cap E&P peers utilize successful efforts accounting methodology*

- ❖ *Preferred method under US GAAP and favored by the investment community*

- ❖ *Eliminates proved property impairments based on historical prices, which are not indicative of fair value of our assets*

OVERVIEW OF SIGNIFICANT DIFFERENCES – FULL COST VS. SUCCESSFUL EFFORTS

CATEGORY	FULL COST	SUCCESSFUL EFFORTS
Depletion Expense	Calculated at the country level	Calculated at an aggregation of properties with common geological structure or stratigraphic condition
Exploration Costs: Impairment of Non-producing Leasehold Exploration Dry Holes Exploration G&G Exploration G&A Delay Rentals	All exploration costs are capitalized under full cost	All exploration costs are charged to expense, except for leasehold and well costs associated with successful exploratory wells.
G&A	More internal costs are capitalized	More internal costs are expensed
Interest	Generally more capitalized	Generally more expensed
Proved Property Impairments	Full Cost ceiling tests are performed quarterly using historical commodity prices, which are not an indicator of fair value	Assessed at least annually, or when an impairment indicator exists; based on fair value which provides a more accurate measurement
O&G Property Sales	Generally reduces asset basis by amount of proceeds received	Generally gain or loss is recognized
Discontinued Ops/Assets Held for Sale	Occurs less frequently	Occurs more frequently

EFFECT ON RETAINED EARNINGS

TRANSITION FROM FULL COST TO SUCCESSFUL EFFORTS

Retained Earnings as of 3/31/16 under FC	\$ (7,642)
<i>Cumulative Effect of Differences under SE as of 3/31/16</i>	5,290
Retained Earnings as of 3/31/16 under SE	\$ (2,352)

Differences under SE driving retained earnings impact:

1. *Exploration Expense*
2. *DD&A and Impairment Adjustments*
3. *Change in Capitalized Interest*
4. *Gain (Loss) on Divestitures*
5. *Valuation Allowance and Other Taxes*
6. *Other*

EFFECT ON RETAINED EARNINGS

EXPLANATION OF DIFFERENCES

1. *Exploration Expense* \$ (7,975)
2. *DD&A and Impairment Adjustments*
3. *Change in Capitalized Interest*
4. *Gain (Loss) on Divestitures*
5. *Valuation Allowance and Other Taxes*
6. *Other*

Certain exploration costs capitalized under the full cost accounting rules are expensed under successful efforts. The recognition of **exploration expense reduced retained earnings by \$8 billion** under successful efforts.

Component	Explanation for SE	Impact (in millions)
Impairment of Non-Producing Leasehold	Impairment of significant undeveloped leases and amortization of individually insignificant leases are included in exploration expense.	\$ (4,120)
Geological & Geophysical, Delay Rentals, & Other Exploration	Costs of maintaining and retaining unproved properties, exploratory geological and geophysical costs, and internal costs that can be directly identified with exploration activities are included in exploration expense.	(2,180)
Dry Hole Expense	Costs of unsuccessful exploratory wells.	(1,675)
Total		\$ (7,975)

EFFECT ON RETAINED EARNINGS

EXPLANATION OF DIFFERENCES

1. Exploration Expense	\$ (7,975)
2. DD&A and Impairment Adjustments	14,920
3. Change in Capitalized Interest	
4. Gain (Loss) on Divestitures	
5. Valuation Allowance and Other Taxes	
6. Other	

The impact of reversing oil and gas property write-downs under the full cost accounting method, recording successful efforts impairments and recording the difference in depletion resulted in an **increase to retained earnings of \$14.9 billion**.

Component	Explanation for SE	Impact (in millions)
Reversal of Full Cost Ceiling Test Write-Downs	Impairments previously recognized under full cost ceiling tests must be reversed. The full cost ceiling test write-downs included exploratory costs capitalized under full cost, which are treated as exploration expense under successful efforts.	\$ 29,704
Successful Efforts Impairments	Proved properties reviewed at least annually, or when an impairment indicator exists by comparing capitalized costs to undiscounted future net cash flows. A fair value assessment is performed if capitalized costs are greater than the undiscounted cash flows and an impairment is recognized in the amount of excess carrying value above the fair value.	(13,250)
Depletion Adjustment	Depletion expense is generally lower since certain costs capitalized under full cost are expensed under successful efforts. However, significant full cost write-downs could result in periods of higher depletion under successful efforts.	(1,534)
Total		\$ 14,920

EFFECT ON RETAINED EARNINGS

EXPLANATION OF DIFFERENCES

1. Exploration Expense	\$ (7,975)
2. DD&A and Impairment Adjustments	14,920
3. Change in Capitalized Interest	(1,306)
4. Gain (Loss) on Divestitures	(989)
5. Valuation Allowance and Other Taxes	
6. Other	

Under successful efforts, less interest is generally capitalized, increasing the amount expensed as Financing Costs, net. The effect is a **\$1.3 billion reduction to retained earnings** under successful efforts.

Gains and losses on property divestments are reported more frequently. The total effect is a **\$1 billion reduction to retained earnings** under successful efforts.

Component	Explanation for SE	Impact (in millions)
Change in Capitalized Interest	Full Cost: Unusually significant investments in unproved properties and major development projects that are not being currently depreciated, depleted, or amortized and on which exploration or development activities are in progress are assets qualifying for capitalization of interest cost. Apache had greater amounts of assets qualifying for interest capitalization under the full cost method of accounting.	\$ (1,306)
	Successful Efforts: Capitalized interest is calculated based on the value of projects in which activities are in progress to ready the assets for its intended use and the portion of leasehold cost associated with prospects actively being developed.	
Gain (Loss) on Divestitures	Gains or losses are realized upon the sale of oil and gas property calculated as the difference between the consideration received and the net book value of the asset sold.	(989)
	Under Full Cost, no gain or loss is recognized unless such adjustments would significantly alter the relationship between capitalized costs and proved reserves. Generally, this is when properties sold are greater than 25% of reserves in a given country.	

EFFECT ON RETAINED EARNINGS

EXPLANATION OF DIFFERENCES

1. Exploration Expense	\$ (7,975)
2. DD&A and Impairment Adjustments	14,920
3. Change in Capitalized Interest	(1,306)
4. Gain (Loss) on Divestitures	(989)
5. Valuation Allowance and Other Taxes	720
6. Other	(80)
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Cumulative Effect on March 31, 2016 Retained Earnings	\$ 5,290

Component	Explanation for SE	Impact (in millions)
Tax Valuation Allowance and Other Taxes	Primarily related to an adjustment of tax valuation allowance as a result of the impact of the successful-efforts conversion on deferred taxes.	\$ 720
Other	Other changes resulting from the conversion to successful efforts, including the impact on G&A, non-controlling interest, and other revenue.	(80)

KEY 2Q 2016 RESULTS

UNDER FULL COST AND SUCCESSFUL EFFORTS

	2Q16		Description of Differences
	Full Cost	Successful Efforts	
Production (Mboe/d)	528	535	Production is impacted by Egypt tax barrels
Adjusted EBITDA ¹ (in millions)	\$739	\$787	Adjusted EBITDA is higher under successful efforts due to impact on revenues from Egypt tax barrels
Cash Flows from Operating Activities (in millions)	\$779	\$744	Cash flow from operating activities is lower under successful efforts as a result of exploratory costs incurred that were capitalized under full cost
Adjusted Earnings per Share ¹	\$0.05	\$(0.26)	Lower Adjusted EPS under successful efforts primarily driven by higher depreciation and exploration expense
Oil and Gas Capital Investment (in millions) ²	\$518	\$505	Capital Investment is higher under full cost due to capitalized interest

¹ For a reconciliation to the most directly comparable GAAP financial measure refer to our second-quarter 2016 earnings release.

² Excludes capital associated with noncontrolling interest in Egypt.

2Q 2016 INCOME STATEMENT

UNDER FULL COST AND SUCCESSFUL EFFORTS

APACHE CORPORATION AND SUBSIDIARIES STATEMENT OF CONSOLIDATED OPERATIONS (Unaudited)			
For the Quarter Ended June 30, 2016			
	Under Full Cost	Changes	Under Successful Efforts
(In millions, except per share data)			
REVENUES AND OTHER:			
Oil and gas production revenues:			
Oil revenues	\$ 1,062	\$ 56	\$ 1,118
Gas revenues	218	(9)	209
Natural gas liquids revenues	59	-	59
Oil and gas production revenues	1,339	47	1,386
Other revenue	(22)	1	(21)
Gain/(loss) on divestiture	5	12	17
	<u>1,322</u>	<u>60</u>	<u>1,382</u>
COSTS AND EXPENSES:			
Lease operating expenses	359	-	359
Gathering and transportation	52	-	52
Taxes other than income	65	-	65
Exploration Expense	-	91	91
General and Administrative	103	-	103
Depreciation, Depletion, and Amortization			
Oil and Gas Property and Equipment			
Recurring	507	122	629
Additional	671	(671)	-
Other assets	40	-	40
Asset retirement obligation accretion	38	-	38
Impairment Expense	105	68	173
Acquisition, divestiture, and separation costs	9	-	9
Financing costs, net	90	14	104
	<u>2,039</u>	<u>(376)</u>	<u>1,663</u>
NET INCOME (LOSS) FROM CONTINUING OPERATIONS			
BEFORE INCOME TAXES	(717)	436	(281)
Current income tax provision	25	119	144
Deferred income tax provision (benefit)	(120)	(105)	(225)
Income from Continuing Operations, including Noncontrolling Interest	(622)	422	(200)
Net Income Attributable to Discontinued Operations	-	-	-
Net Income Attributable to Noncontrolling Interest	(21)	65	44
Net Income (Loss) Attributable to Common Stockholders	<u>\$ (601)</u>	<u>\$ 357</u>	<u>\$ (244)</u>
Per Common Share from Continuing Operations			
Net Income (Loss) Attributable to Common Stockholders - Basic	\$ (1.58)	\$ 0.93	\$ (0.65)
Net Income (Loss) Attributable to Common Stockholders - Diluted	\$ (1.58)	\$ 0.93	\$ (0.65)

HISTORICAL FINANCIAL STATEMENTS UNDER SUCCESSFUL EFFORTS

INCOME STATEMENT – SUCCESSFUL EFFORTS

UNAUDITED	Statement of Consolidated Operations					
	(In millions, except per share data)					
For The Quarter Ended	2Q16	1Q16	4Q15	3Q15	2Q15	1Q15
REVENUES AND OTHER:						
Oil and gas production revenues:						
Oil revenues	\$ 1,118	\$ 822	\$ 958	\$ 1,238	\$ 1,618	\$ 1,293
Gas revenues	209	223	235	318	315	308
Natural gas liquids revenues	59	42	61	50	58	58
Oil and gas production revenues	1,386	1,087	1,254	1,606	1,991	1,659
Other revenue	(21)	(3)	151	(75)	28	(6)
Gain/(loss) on divestiture	17	(1)	77	(5)	227	(18)
	1,382	1,083	1,482	1,526	2,246	1,635
COSTS AND EXPENSES:						
Lease operating expenses	359	378	456	450	467	481
Gathering and transportation	52	52	48	58	49	56
Taxes other than income	65	11	50	104	55	73
Exploration Expense	91	95	2,065	223	225	258
General and Administrative	103	93	96	89	111	84
Depreciation, Depletion, and Amortization						
Oil and Gas Property and Equipment	629	636	729	793	711	743
Other assets	40	42	79	79	83	83
Asset retirement obligation accretion	38	38	36	37	36	36
Impairment Expense	173	-	3,145	3,903	512	1,912
Acquisition, divestiture, and separation costs	9	15	12	-	66	54
Financing costs, net	104	105	110	160	117	124
	1,663	1,465	6,826	5,896	2,432	3,904
NET LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(281)	(382)	(5,344)	(4,370)	(186)	(2,269)
Current income tax provision (benefit)	144	(10)	(143)	(270)	900	(52)
Deferred income tax provision (benefit)	(225)	(1)	(146)	19	(169)	(1,149)
Income (Loss) from Continuing Operations, including Noncontrolling Interest	(200)	(371)	(5,055)	(4,119)	(917)	(1,068)
Net Income (Loss) Attributable to Discontinued Operations	-	-	627	(17)	120	(238)
Net Income (Loss) Attributable to Noncontrolling Interest	44	1	(413)	7	63	28
Net Loss Attributable to Common Stockholders	\$ (244)	\$ (372)	\$ (4,015)	\$ (4,143)	\$ (860)	\$ (1,334)
Per Common Share from Continuing Operations						
Net Income (Loss) Attributable to Common Stockholders - Basic	\$ (0.65)	\$ (0.98)	\$ (12.28)	\$ (10.91)	\$ (2.60)	\$ (2.91)
Net Income (Loss) Attributable to Common Stockholders - Diluted	\$ (0.65)	\$ (0.98)	\$ (12.28)	\$ (10.91)	\$ (2.60)	\$ (2.91)

CASH FLOW STATEMENT – SUCCESSFUL EFFORTS

UNAUDITED For The Quarter Ended	Statement of Consolidated Cash Flows (In millions, except per share data)					
	2Q16	1Q16	4Q15	3Q15	2Q15	1Q15
CASH FLOWS FROM OPERATING ACTIVITIES:						
Net loss including noncontrolling interest	\$ (200)	\$ (371)	\$ (4,428)	\$ (4,136)	\$ (797)	\$ (1,306)
Loss (income) from discontinued operations	-	-	(627)	17	(120)	238
Adjustments to reconcile net loss to net cash provided by operating activities						
Depreciation, depletion and amortization	669	678	808	872	794	826
Impairments	173	-	3,144	3,903	512	1,912
Exploratory dry hole expense and unproved leasehold impairments	68	71	2,013	198	182	203
Gain on abandonments	-	-	(153)	-	-	-
Impairment of leasehold improvements	-	-	20	-	-	-
Asset retirement obligation accretion	38	38	36	37	36	36
Provision for (benefit from) deferred income taxes	(225)	(1)	(146)	19	(169)	(1,149)
Other	19	56	(17)	59	(198)	15
Changes in operating assets and liabilities	202	(232)	(475)	(213)	874	(266)
NET CASH PROVIDED BY CONTINUING OPERATING ACTIVITIES	744	239	175	756	1,114	509
NET CASH PROVIDED BY (USED IN) DISCONTINUED OPERATING ACTIVITIES	-	-	-	(45)	99	60
NET CASH PROVIDED BY OPERATING ACTIVITIES	744	239	175	711	1,213	569
CASH FLOWS FROM INVESTING ACTIVITIES:						
Additions to oil and gas properties	(379)	(546)	(647)	(779)	(1,266)	(1,517)
Leasehold and property acquisitions	(99)	(19)	(113)	(126)	(37)	(91)
Additions to gas gathering, transmission and processing facilities	-	-	(120)	(19)	(31)	(63)
Proceeds from sales	48	-	511	29	973	-
Other investing	19	10	105	(32)	5	(72)
NET CASH USED IN CONTINUING INVESTING ACTIVITIES	(411)	(555)	(264)	(927)	(356)	(1,743)
NET CASH PROVIDED BY (USED IN) DISCONTINUED INVESTING ACTIVITIES	-	-	-	-	4,624	(252)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(411)	(555)	(264)	(927)	4,268	(1,995)
CASH FLOWS FROM FINANCING ACTIVITIES						
Commercial paper, credit facility and bank notes, net	-	-	-	-	(2,598)	1,028
Payments of fixed rate debt	1	-	-	(939)	-	-
Dividends paid	(94)	(95)	(94)	(94)	(95)	(94)
Common stock activity	-	-	30	-	-	-
Proceeds from sale of noncontrolling interest	-	-	-	-	-	-
Treasury stock activity, net	-	-	-	-	-	-
Distributions to noncontrolling interest	(39)	(54)	(32)	(57)	(19)	(21)
Other financing	(4)	2	(3)	11	-	15
NET CASH PROVIDED BY (USED IN) CONTINUING FINANCING ACTIVITIES	(136)	(147)	(99)	(1,079)	(2,712)	928
NET CASH PROVIDED BY (USED IN) DISCONTINUED FINANCING ACTIVITIES	-	-	-	-	-	-
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(136)	(147)	(99)	(1,079)	(2,712)	928
NET INCREASE (DECREASE) IN CASH	197	(463)	(188)	(1,295)	2,769	(498)
BEGINNING CASH BALANCE	1,004	1,467	1,655	2,950	181	679
ENDING CASH BALANCE	\$ 1,201	\$ 1,004	\$ 1,467	\$ 1,655	\$ 2,950	\$ 181

BALANCE SHEET – SUCCESSFUL EFFORTS

UNAUDITED	Consolidated Balance Sheet			
	(In millions, except per share data)			
For The Period Ended	2Q16	1Q16	2015	2014
ASSETS				
CURRENT ASSETS	\$ 3,292	\$ 3,260	\$ 3,752	\$ 8,062
PROPERTY AND EQUIPMENT:				
Oil and gas				
Proved properties	42,469	42,161	41,728	49,376
Unproved properties and properties under development, not being amortized	2,285	2,241	2,277	5,490
Gathering, transmission and processing facilities	862	1,048	1,052	5,440
Other	1,098	1,094	1,093	1,152
	46,714	46,544	46,150	61,458
Less: Accumulated depreciation, depletion and amortization	(26,571)	(25,985)	(25,312)	(26,813)
PROPERTY AND EQUIPMENT, NET	20,143	20,559	20,838	34,645
OTHER ASSETS:				
Goodwill	87	87	87	250
Deferred charges and other	824	828	823	1,307
	<u>\$ 24,346</u>	<u>\$ 24,734</u>	<u>\$ 25,500</u>	<u>\$ 44,264</u>
LIABILITIES AND SHAREHOLDER'S EQUITY				
CURRENT LIABILITIES	1,570	1,565	1,841	3,778
LONG-TERM DEBT	8,719	8,718	8,716	11,178
DEFERRED CREDITS AND OTHER NONCURRENT LIABILITIES:				
Income taxes	2,308	2,533	2,529	5,493
Asset retirement obligation	2,706	2,586	2,562	2,915
Other	347	332	362	359
	5,361	5,451	5,453	8,767
EQUITY:				
Common stock	258	257	257	256
Paid-in capital	12,487	12,553	12,619	12,590
Retained earnings	(2,596)	(2,352)	(1,980)	8,655
Treasury stock	(2,888)	(2,888)	(2,889)	(2,890)
Accumulated other comprehensive loss	(119)	(119)	(119)	(116)
APACHE SHAREHOLDER'S EQUITY	7,142	7,451	7,888	18,495
Noncontrolling interest	1,554	1,549	1,602	2,046
TOTAL EQUITY	8,696	9,000	9,490	20,541
	<u>\$ 24,346</u>	<u>\$ 24,734</u>	<u>\$ 25,500</u>	<u>\$ 44,264</u>

**ADDITIONAL MATERIALS:
DIFFERENCE BETWEEN SUCCESSFUL EFFORTS
AND FULL COST ACCOUNTING**

ACCOUNTING IMPACTS

TRANSITION FROM FULL COST TO SUCCESSFUL EFFORTS

Category	Full Cost (FC)	Successful Efforts (SE)	Impact to Financial Statements
Exploration Expense	<p>No Exploration expense. Costs associated with exploration activities are capitalized, including:</p> <ul style="list-style-type: none"> • exploration wells, including dry holes; • exploration geological and geophysical costs; • internal costs that can be directly attributable to the exploration activities; • Costs of unproved leases, including those impaired, surrendered or abandoned; and • carrying cost of undeveloped leases, such as delay rentals. 	<p>Costs associated with exploration activities, excluding successful exploratory well costs and associated leasehold, are charged to exploration expense, including:</p> <ul style="list-style-type: none"> • unsuccessful exploration wells; • exploration geological and geophysical costs; • internal costs that can be directly attributable to exploration activities, • unproved leases surrendered, abandoned or impaired; and • carrying cost of undeveloped leases, such as delay rentals. 	<p>New income statement line item: Exploration Expense</p> <p>Net income is lower by the amount of exploration expense, partially offset by a decrease in depletion expense.</p> <p>Net Cash Provided by Operating Activities is reduced by components of exploration expense, such as exploration G&A, delay rentals and seismic.</p>
G&A	<p>Internal costs that can be directly identified with acquisition, exploration and development activities are capitalized.</p>	<p>Only internal costs attributable to the development of proved reserves may be capitalized. Internal costs associated with acquisition and exploration activities are charged to exploration expense.</p>	<p>More internal costs expensed under successful efforts.</p>
Interest Costs	<p>Capitalized interest is calculated based on the values of projects under construction and significant investments in unproved properties that are not being currently depreciated, depleted, or amortized.</p>	<p>Capitalized interest is calculated based on the value of projects in which activities are in progress to ready the assets for its intended use and the portion of leasehold cost associated with prospects actively being developed.</p>	<p>Generally, more net financing costs are expensed as less interest is capitalized.</p>

ACCOUNTING IMPACTS

TRANSITION FROM FULL COST TO SUCCESSFUL EFFORTS

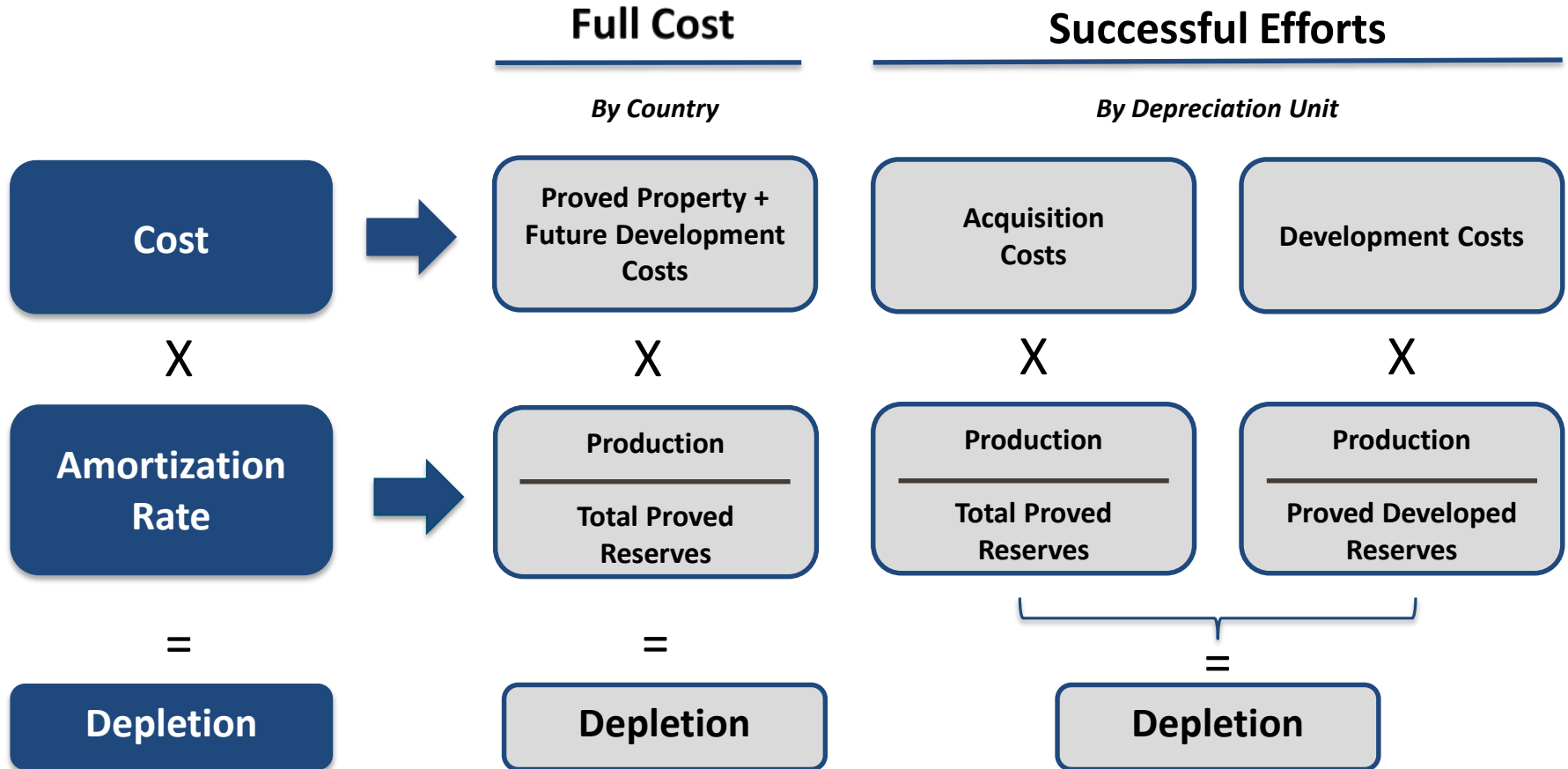
Category	Full Cost (FC)	Successful Efforts (SE)	Impact to Financial Statements
Sales of Properties	No gain or loss are recognized unless such adjustments would significantly alter the relationship between capitalized costs and proved reserves. Generally, this is when properties sold are greater than 25% of reserves in a given country.	Gain and losses are recognized on oil and gas property sales for the difference between the consideration received and the net book value of the asset sold.	Gains and losses on property divestments are reported more frequently.
Discontinued Operations	Generally, discontinued operations is reported only when an entire country is exited and an entire full cost pool is disposed.	Discontinued operations reporting requires a strategic shift in the business.	Reporting discontinued operations could be more common.
Assets Held for Sale	Generally, only when an entire country's oil and gas properties are being marketed for sale.	Held for sale classification is determined when a significant asset or asset group is being marketed for sale and meets a defined set of criteria as follows: <ol style="list-style-type: none"> 1. Management has the authority to sell the asset; 2. The asset is available for immediate sale in its present condition; 3. An active program to locate a buyer has been initiated; 4. The sale is expected to be completed within one year; 5. The asset is being actively marketed at a price that is reasonable in relation to its fair value; and 6. It is unlikely that significant changes will be made to the plan. 	Assets held for sale on the balance sheet may be more common.

ACCOUNTING IMPACTS

TRANSITION FROM FULL COST TO SUCCESSFUL EFFORTS

Category	Full Cost (FC)	Successful Efforts (SE)	Impact to Financial Statements
Depletion	<p>All cost capitalized within the full cost pool are depleted on a country-by-country basis using a units-of-production method, over total proved reserves.</p> <p>Since undeveloped proved reserves are included within the depletion calculation, associated estimated future development costs are added to the carrying value of the full cost pool for the purpose of the depletion calculation.</p>	<p>Successful efforts depletion is computed on capitalized costs for a group of properties at a level lower than a country, generally a group of properties with common geological structural features or stratigraphic conditions.</p> <p>Depletion of proved leasehold costs and well and equipment costs are calculated separately.</p> <p>Proved leasehold costs are depleted over total proved reserves, while costs of wells and related equipment and facilities are depreciated only over the proved developed reserves associated with those capital costs. Neither depletion calculation includes future development costs.</p>	<p>Depletion expense is generally lower under successful efforts, as certain exploration costs capitalized under full cost are expensed under successful efforts.</p> <p>Significant full cost write-downs could result in higher depletion rates under successful efforts.</p>
Proved Property Impairment	<p>Reviewed quarterly by comparing total capitalized costs, by country, to discontinued future net cash flows using 12 month average historical pricing and costs.</p>	<p>Reviewed when an impairment indicator exists, by comparing capitalized costs to undiscounted future net cash flows. If capitalized costs are greater, a fair value assessment is performed and impairment is recognized in the amount of excess carrying value above the fair value. The impairment test is performed at a impairment unit (IU) level which is largely consistent with the level at which depreciation is calculated.</p>	<p>Generally, more frequent but smaller impairments are recognized under successful efforts.</p>
Unproved Property Impairment	<p>Reviewed at least annually, and when impairments are recognized, the costs are transferred to the full cost pool for amortization.</p>	<p>Reviewed for impairment at least annually, or when impairment indicators are present. Unproved property costs shall be transferred to proved properties when proved reserves are discovered or otherwise attributed to the property. If no proved reserves are discovered these costs are transferred to exploration expense.</p>	<p>Higher exploration expense and costs not included in capital costs being depleted under successful efforts.</p>

OVERVIEW OF SIGNIFICANT DIFFERENCES: FC VS. SE DEPLETION CALCULATION COMPARISON



PROVED PROPERTY IMPAIRMENT TEST COMPARISON

* An Impairment test is calculated when impairment indicators exist under SE. Under FC a ceiling test is required to be performed quarterly.

** Risk adjusted probable and possible reserves can be utilized in the assessment.

