

ApacheCorp

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Ed Westlake: Great. So, next up, we're very happy to have the CEO of Apache, John Christmann, also in the room is Steve Riney, CFO. There was a slide deck released last night. I'm sure there'll be lots of questions for Gary Clark, Vice President of Investor Relations, on the Alpine High, but also the Midland Basin, where the completions have been improving. I know there's going to be lots of questions on the Alpine High, so I'll let John walk through what he's released, and then we'll get to Q&A. Thank you.

John Christmann: Good morning. Thank you for joining us. I'm excited to be here. Thanks for coming this morning.

I'll start out with our forward-looking statement. I would encourage you to go to our website if you haven't read it. It's there. But, I guess in general, you've been warned in case I say something that's forward-looking.

I've got three parts to today's presentation. I'm going to start out with a corporate overview, a couple of slides that touch on our strategy. I'm going to dive in on the Permian, and as Ed mentioned, show some results in our Midland Basin, which we're very excited about, and then we'll get into the Alpine High. And we've got an update there. We feel it's very positive, and I'll walk through the strategic overview, talk about some of the new wells, the learnings, and what they mean. And then we'll touch on the Midstream and next steps.

So, Apache today, we're a strategically diversified portfolio. We have a top-tier Permian Basin position, and we have strong free cash flow generating assets in Egypt and the North Sea. We're focused on long-term corporate level returns. We implemented in early 2015 a very rigorous capital allocation and disciplined spending approach. It served us very well during the downturn. We're going to hang onto that as we move forward with this improving environment. And our investment decisions are being based on fully-burdened, full-cycle corporate level returns, and we think that will differentiate us over the long haul.

We also believe today we are now positioned to deliver highly competitive per-share growth rates. Permian and Alpine High are going to drive our cash flow and production growth, and it will be funded through internally generated cash flow and some non-core, non-material asset sales.

You look at us today, real simply, we've got the growth areas in the Midland Basin, in the Delaware Basin, and to a lesser extent the Woodford Scoop. Cash flow from Egypt, our

Central Basin platform, the UK North Sea, and to a lesser extent our conventional assets in the Anadarko Basin and Canada. We've got additional upside in Suriname, as well as future potential in the Montney and Duvernay.

If you look at our capital priorities for 2017, first and foremost is going to be Alpine High. And we're going to run a four- to six-rig program. We're going to continue our delineation, which is what we're doing right now, both stratigraphically and geographically, and we will make a midyear pipeline connection, which will be very important to us.

Next priority is going to be our Midland Basin and our Delaware Basin, where we're going to run five-plus rigs. And you'll see activity in both of these two first buckets increase if prices improve and we have additional cash flow. In Egypt and the North Sea, we're going to invest to sustain our long-term free cash flow. We picked up two new concessions in Egypt for the first time since 2006 last year. We're very excited about them. We see a lot of low-hanging fruit that's going to have an impact in the future. And then, we have a big discovery from 2015, the Callater field in our North Sea region, which will be coming on in the third quarter of this year. So, we've got some catalysts in the international assets that we're excited about.

Lastly, we've got a key well in Suriname that we will spud late this quarter. And the other thing I would say is the investment in our other North American operations will be very selective and very specific.

So, now let's touch on the Permian Basin. We really look at it as really three businesses - the Midland Basin, where we have 443,000 net acres. Actually, our third quarter 2016 production was 72,000 BOEs a day. We ended the year running four rigs, which was a ramp-up. We'd gone from two to four, building a lot of momentum going into next year. In the past we've shown the slides that really highlight our core area in the southern Midland Basin. We're very excited about it, and we have years of inventory there. And you'll see significant well performance improvements. We've got a lot of wells coming on first half of this year and later this year.

On the Central Basin platform and Northwest shelf, we have 739,000 acres, almost 70,000 BOEs a day. This is a significant source of cash flow for us. Stable production, CO2 and water flood fields are low decline, and we have a lot of horizontal shallow potential in the Clearfork, St. Andres, and some other formations. So, it continues to be a foundation block of our Permian operation.

And then, the big story is the Delaware Basin. We have 392,000 net acres. The lion's share of that now is down in the Alpine High area. Our third quarter 2016 production was 18,000 BOEs a day. We're currently running four rigs. We have 20-plus years inventory conservatively in the Delaware, and you're going to see that number go up significantly. And obviously, as we add more rigs, we'll work to pull it back. And the Alpine High infrastructure project is way underway, and I'm going to get into a full update on that here in the next few slides.

So, let's talk about the Midland Basin. We really shut our program down in 2016. I've had a lot of questions about our Midland Basin acreage. What you see today is we plan to run five-plus rigs. We've got two frack crews. And we will be completing about 25 wells in the first half of this year. You see the results from the wells we released in early January, some very strong results both in the Wolfcamp as well as the Spraberry, and very competitive. In fact, right now we've got one rig in the Wildfire area. We've got a

Lynch pad that we just brought on. On Powell, we've got three rigs running there, and we've got one in Azalea.

If you look at our well performance, and this shows our last five wells in the Wolfcamp, you see how we're performing relative to peer company A's 1.2 million barrel EUR curve, and peer company B's one million barrel curve. Both of these are at 210 days of production, so almost coming up on a year. Very, very strong performance, and we're really tickled about our results. The other thing I'll tell you is these are pad developments, not one well per section. So, we're really pleased with the results. We made some completion changes, and it's really starting to pay off.

You also see the early performance from the lower Spraberry wells that we brought on and how they stack up against a couple of stellar peer curves out there, as well. So, we're very excited about the Midland Basin. You're going to see a steady diet of wells coming on during the first half of this year and more in the second half.

So, now let's move to the Alpine High. First of all, what we really laid out in September was that this is a world-class resource, and it requires a very thoughtful and methodical delineation approach, and we're in the middle of that. And our 2017 program is highly scientific. It's very deliberate, and it's designed to collect the data that's going to help us build the development plan. We're focused on the long-term returns, not on short-term results and press release material.

And that's the approach we're taking. It's going to serve us well over the longer-term, and it's the right approach for us to be taking today. We're going to maintain control of the Midstream, the timing and the control of it, and it obviously will let us capture a lot of long-term value for our shareholders.

When you look at the constraints, we have an unprecedented combination of vertical column and areal extent. I mean, we truly have five geologic-producing formations, over 5,000 feet with multiple landing zones in each, and we continue to prove that there are more. And that's going to continue to unfold.

We're using standardized well designs. They're short laterals, small fracs. And they're designed to tell us things about the rock and the geologic setting, not trying to improve to show you what the rock's capable of producing. There will be a time, and it's in the near future, where we will start to do that.

And then, we have some land requirements on the retention side, which have caused us to start in the North. As I get into some of the details, the Redwood pad, some of those areas, some of that's being driven off some of our wells that we need to drill to hold the acreage. But, we've got a very thoughtful, methodical process, and we're going to stick to it. Our ultimate goal is to maximize our NPV, and by doing so also try to maximize the hydrocarbon production.

So, what have we confirmed? We have a very extensive play fairway, 60 miles. We have five geologic formations, each with multiple targets across a 5,000-foot column. We've now proven that we have a segregated hydrocarbon column, anywhere from dry gas to oil, and we have it across this whole area. So, all we have to do is put the rock in the right window, and you're going to get anywhere from dry gas to wet gas to oil.

It's over-pressured. The entire play is over-pressured, but I'll show you the pressure gradients in a minute. And we have a highly economic wet gas play, but we also are

starting to get to the shallower zones. And the data will be coming, and there will be a lot of it. And then, since our initial disclosure, our location count has gone up significantly.

So, if I look at our strategic objectives for 2017, first and foremost, it's our geographic and stratigraphic delineation. Number two, we've got to do this while satisfying our leasehold retention requirements, install the first phases of the infrastructure on schedule and on budget. This will do a lot for us because then we can start to flow the gas, which will let us really test the wells, start to drill longer laterals and start into the optimization phases.

Our first pipeline connection will be around midyear. And when we do so, we'll be able to bring on quite a bit of production. And we'll have more details on that upcoming in the earnings call.

And then, the well optimization. That's what everybody wants us to see, but we've got to go about this methodically because it is such a big, giant hydrocarbon resource. Ultimately, the real goal is to put together a full field development plan, which will drive home the returns that we know this field is capable of producing.

So, if you look here, this just shows from the bottom up. We've got the Woodford, Barnett, and Pennsylvanian. They're shaded in kind of a dark brown. They are the three-transgressive source intervals. It is a true resource, and what you've got is true source rock. Actually, the environment in which they were laid down is all the same. The only thing that makes the difference is the time they were laid down. So, over millions of years, you had Woodford [Time], Barnett, and then the Pennsylvanian.

When we announced at Barclays, we said we had one landing zone. We showed resource and plays for the Barnett and Woodford because we'd produced it, we confirmed it. We showed one landing zone in each on part of our acreage. Today, we've confirmed two landing zones in the Woodford, and we believe there are three. We've got some tests upcoming that'll prove that, so three landing zones in the Woodford alone. And we also believe there are going to be multiple landing zones in the Barnett, which we're in the process of confirming.

We've also now proven that the Penn works, so that is going to add to our resource and place count, as well as the location count. We also believe there's going to be multiple landing zones in the Penn. And we're also in the early stages of mapping and testing the parasequences, which were laid down in a little different geologic environment, which is what the rest of the Delaware Basin is. But, we're very excited about the potential in all five zones. We're going about this very methodically from the bottom up, and you have to do it to do it properly. But, we've got 5,000 feet of column over 350,000 acres. It's just an unprecedented amount of column, and we have to do this right.

So, you look here, we now have 10 Woodford tests across a 55-mile play fairway. And if you move to the north, in the Woodford, our Redwood 1H, which is in the dry gas window, has a pressure gradient of .67 PSI per vertical foot. In the Weissmies area, which is where the Spanish Trails well was, a lot of the wells were in that area, we have a pressure gradient of .57 PSI per foot.

If you move down to the south, which was a big test for us, it opens up the whole south, the King Hidalgo, number 9H, .6 PSI per foot. And I'll get into some details on the wells in a minute, but the important takeaway is the pressure increases to the north, and it

increases to the south. And the entire fairway is 25% over-pressured, and greater, up to 50% over-pressured. So, we're very excited about the additional data that we've gained in terms of understanding the fairway.

I'll spend a little bit of time on this slide. At Barclays, we really talked about the Mont Blanc pad, and we disclosed the Woodford well. We disclosed the Barnett, and we disclosed the Bone Springs. And we showed the column. As I mentioned, kind of driven off of lease retention, we've moved north and drilled the Redwood pad. And we've brought those wells forward. We brought the Woodford 1H forward on the third quarter earnings call. But today, we've now proven that we have the Woodford, the Barnett, and the Spruce, which is a pad right next to the Redwood pad, and the Penn, and we're in early flow-back on the Wolfcamp. The Woodford, Barnett, and Penn here will sit in the dry gas window, but what we've proved is the system's working, and there are multiple landing zones within that.

You move to the south in the Weissmies, we've brought forward the Middle Woodford well at Barclays, 57-degree API, 1,350 BTU gas. We've now moved up and confirmed an Upper Woodford landing zone with a 54-degree API and 1,400 BTU gas, as well as a Barnett, and I'll get into the details on those wells in a minute, a 40-degree API and a 1,440 BTU gas. And we've got in what we believe will be the oil window a Penn well that we're starting flow-back on.

So, the data's coming. We're showing the multiple landing zones, and we're proving now that there are going to be many, many more locations across the acreage position.

We've also done some of the early-stage optimization. And most of these tests have been on azimuth, and I'll talk about that in a few minutes as we get onto some of the wells. But, you see the Black Hawk State 1H, the Fox State, the Spanish Trails, and the King Hidalgo are all azimuth tests. And I'll talk about the King Hidalgo in a minute. The Spruce State is our first longer lateral, and we have it offsetting a direct well so we could see the difference between a 6,000-foot lateral and a 4,000-foot lateral. I think you're going to be impressed with those well results.

And we have an upcoming spacing test at the Dogwood pad. And obviously, we've done this the right way. We've drilled vertical monitor wells. We've done this with micro-seismic. We know where the fracture's staying. We have a good idea on the areal, which will help us on the spacing test. We're going about this in a very scientific way such that, when we move to development, we'll know the optimal way to do this.

And then, the obvious thing that we have not done yet is started on the optimization of the completions. And at this point, it just doesn't serve us well to put on big fracs when we're not in a position to be able to start really selling the gas and evaluating them appropriately. It's just not good use of our dollars. But, we'll get into the optimization sooner rather than later.

So, since the third quarter conference call, we have 18 wells. And there are five new well test results that I'm going to show you in a minute, and I'm going to explain the things about them. We view all these very positively. The first thing we confirmed, we have a hydrocarbon column. We had the entire column, all of the zones, and the Woodford is productive down to the south. This opens up a lot more room and a lot of locations, so it's a very key test. And it is over-pressured despite what some of the folks have suggested and put out in the press. So, it's over-pressured in the southern portion of the play.

We confirmed the second landing zone in the Woodford. This is important because we'd only shown one. We do believe now there will be a third landing zone in the Woodford. We also confirmed that the Penn transgressive source interval is working. This will add to our drilling locations. If you go back to the original table, we showed 550 to 1,100 feet of transgressive source interval. You now can go up to 1,600 feet. So, this was a very, very key test even though it's in the dry gas window right now. It's going to increase our locations and our resource in place numbers. And importantly, we've confirmed the oil gravity and the BTU segregation across the source rock interval, another key point.

We have 13 wells upcoming, seven that are on early flow-back or they're completing, and six that we're either waiting on completion or drilling. There are 10 stratigraphic tests coming and three optimization tests. Eight of those wells are going to be targeting shallower zones between 9,500 feet and 11,000 feet, and then two of them will be testing the third landing zone in the Woodford, and then three will be testing the optimization tests.

So, we'll talk about the new wells now, the Redwood 2H to the north, the Spruce State 1H, also to the north, the Weissmies 3H and 5H, and the King Hidalgo number 9. The King Hidalgo number 9 is important because it was the first well to the very south. We drilled this before we had 3D. I will tell you today, we did not place this on the optimal azimuth. We've got some wells coming that'll be on the right azimuth. What's impressive about this well, though, is it came on and it's been flat. The permeability's fantastic. This well has held at 3.4 million a day, and is flatlined.

You'll also see an API gravity of about 47 degrees, and this was at 13,000 feet. We've got a lot of column above it. So, this is a very positive test for us. It extends the play to the south. It shows the maturity window to the south, and it's very, very flat decline, virtually no decline in the last 60 days, and high pressure. So, this is a very positive well. When we get to longer laterals, get it on the right azimuth, you're going to see results that'll be much different in terms of the flow rates.

The Spruce State 1H, the first longer lateral to the north in the Barnett, is in the dry gas window. We wanted to get a longer lateral down, 6,000 feet. You can see here this well is still cleaning up. In fact, last Friday we had to curtail it at about 18 million a day because we cut out all the chokes. It's still making over 3,000 barrels of water a day up-casing. So, if you think about that for a minute, you can see the water curve on here. This thing came on quickly. It's flowing 18 million a day, and 3,000 barrels of water a day up-casing. It proves the Barnett, shows the longer lateral. And quite frankly, we're going to have to let the pressure come down before we even open this well up further in terms of the flow rates. But, this thing, it is a big well.

The Weissmies 3H, our Upper Woodford test, this is important because it shows the second landing zone in the Woodford. Once again, short lateral, small frac, came on quickly, about 10 days in. This was unique in that we did not need any lift equipment in this well. It came on quickly, leveled off at 5.3 million a day. It's been flat, making just under 200 barrels of oil a day. It's 54 gravity API and 1,400 BTU gas.

What's important here is it's different than the Lower Woodford. And once again, we'll be able to drill longer laterals with optimized fracs. But, this is very exciting.

The Weissmies 5H was our first attempt in the Barnett. And I can tell you, we were surprised here, and we got caught with pressure. And actually, the pressure gradient increases through the transgressive source interval from the Woodford up to the Penn, and we did not anticipate that. As a result, we had a run a liner, and it shortened the lateral here and (ph) make a call, but we did. We only treated 2,600 feet.

Because we had to run the liner, we have a short lateral that's only on gas lift. This well came on quickly. It's leveled off. It's more oily. The important takeaways here are the API gravity, the BTU of the gas, and the oil-to-gas ratios. It shows the Barnett's working. It's about 10,200', and only a 2,600-foot treated lateral with a very, very small frac, not many stages in this.

The last well I want to talk about, the Redwood 2H, TVD at 13,000 feet to the north. You see here this well started talking to us in about five days. It also was flowing up-casing. It was making 5.1 million a day, over 1,000 barrels of water a day. What's important about this is it shows that now the Penn, the Barnett, and the Woodford are all working. So, we have a tremendous amount of locations, targets as we move up. So, it's the third well on this pad, and it also verifies the maturity window.

On the Midstream and Marketing, we've got multiple options and lots of access routes. We anticipate spending about \$500 million in 2017 and 2018. When we make the connection to the north, we'll have three northern connections, one southern connection. There will be about three BCF a day of takeaway capacity, so we'll have plenty of room.

And we're in a very unique situation. We've got proximity to Waha. We'll be front of the line for gas export market to Mexico. And the size of this play really is attractive to a lot of the Gulf Coast petrochemical plants in terms of security of supply. So, there's going to be a lot of demand for the gas and the NGLs.

And then, the other thing that's very unique is we've got two interstate highways running through, interstate 10, 20, with rail. So, it will be very easy to move the oil and the NGLs via rail or truck, and it won't take a lot of volume to be able to put the oil on pipeline.

So, my concluding slide, Alpine High is just an enormous hydrocarbon system. And we're still just scratching the surface as we work through this. Like most major discoveries, it's getting bigger with more data, which is a big thing and a great thing. We have a highly economic wet gas play, which is what we disclosed at Barclays. It's now confirmed across the 55-mile fairway. Our location counts are going to go up, and more of them are going to be in the high-pressure case. The location count is increasing, and we will be quantifying that with further delineation and coming out with something in the future.

The entire field is over-pressured, which is important. One of the big key takeaways is our flow rates are going to increase with optimization. We've taken a different approach. We're not trying to draw big laterals, big fracs, and let you extrapolate. We're going about this to learn -- very methodically -- to learn about the rock so we can make the right decisions on the infrastructure, size things properly, put in the right development plan, and really drive long-term returns, which we're confident this field's going to have because of the cost structure in the base.

We're working around our current facilities. The current constraints in the field aren't letting us capture all the oil. They're also not letting us capture all the NGLs. But, as we

start to get the gas pipeline connections made this year, get the central processing facilities in, we'll be able to start gathering even better data there.

The other takeaway is the delineation of our shallow zones is underway. As I mentioned, we've got 13 wells coming up. Many of them are in the upper portion, so we've got a lot of wells that are going to be testing the rock that's under 10,000 feet. And we have a lot of Woodford, Barnett, Penn, Wolfcamp, and Bone Springs that we're very excited about. We continue to have tremendous shows, flow-back when we're drilling the wells. It's just going to take us a little bit of time and a little bit of patience.

So, we're very excited. We've also done a lot of mapping on the Wolfcamp and the Bone Springs, and we've got some exciting plays there that will be coming in the future.

Thank you very much.

Ed Westlake: Maybe I'll start. I mean, you mentioned on the -- I guess the third quarter call, because we haven't had the full-year yet, that this will be multi-BCF a day and flowing free cash flow quicker than the market expects. From your presentation this morning, presumably your confidence has increased in that, so maybe just a bit of color on when you expect this to hit free cash flow, et cetera.

John Christmann: Ed, we're still early in the development plan. The nice thing about this is we've said it doesn't take long, with the economics on these wells, for them to turn. And what I've said in the past is we're not talking hundreds of millions of cubic feet a day, but we're talking multiple Bs, ultimately, as you move into the future years.

So, we're excited. I think, when we start to bring things on back half of this year, I think everybody will be surprised at some of the results and things we start bringing on. And then, it will start to ramp up on a design program. So, but we'll get there quickly. We'll talk more about that. Just the drilling alone, take out the Midstream, these wells turn over pretty quick. I mean, you're not talking a five-year window. You're probably talking closer to three. But, we'll come out with some detail on that and put some more color around that in the future, and as we see more visibility around specifics.

Ed Westlake: And then, you get a lot of information from shutting in wells in terms of how the pressure is building up down-hall. Obviously you've been -- because you have to flare, you have to shut the wells in. So, maybe talk about some of the data you're gathering from the wells that you've already drilled that you've now shut in.

John Christmann: Yes. What we've not done is cut any corners, and I probably have more data captured here than anybody I know that's putting data and their plays together out there. We're drilling monitor wells with the pads, a vertical monitor well, which lets us do the micro-seismic the proper way. We're running bottom-hole gauges on the pressures. I mean, we're actually tracking the bottom hole flowing pressures. When we do shut the wells in, which we've shut a lot of them in, we get the data. They flatline on us. There's no sense to just keep burning gas until we can send them down the sales line, so we have shut a lot of the wells in.

And then, we have a history on the buildup, which gives us further confidence in terms of the multi-phase flow, the EURs and a lot of that work. So, there's a lot of work that's going on. But yes, we're capturing a lot of data, and we're evaluating everything. And the thing I'll say is, when we made our disclosures last fall, we wanted to put out a conservative look. We validated as conservative. We're still saying that, or staying there

today. This is just a very, very large system. And it's the unprecedented column that is hard for most to get their heads around. We're not chasing a 200- or 300-foot window across an area. All you've got to do is move up the column. And you go back to the slide where I showed the Redwood and the Mont Blanc and the Weissmies, that transgressive source rock, we can move it from anywhere from the dry gas up to the oil. And we've got multiple landing zones in what's 1,600 feet of a source interval, which is unprecedented.

Ed Westlake: And you alluded to seeing good shows as you drill. I mean, drilling the shallower zones, I think the market wants to see this as an oil play. I mean, I think they maybe ignore the wet gas potential. But, maybe just talk through how much data you think you're going to need before you can talk about maybe some--.

John Christmann: Well, you're going to have a gigantic wet gas field here, okay. We've proven that. We also believe there's going to be a very large oil production, as well. It really boils down to the returns. And I think what isn't grasped today is where this cost structure sits relative to the other gas plays in the rest of North America. This is going to be very economic. And in the end, it comes down to returns, cash flow, I mean, over the long haul, and we're talking fully burdened corporate level returns, and I think that's what will differentiate this.

We kind of joke, we don't care what it flows. If it makes money, that's what matters. But, we will get to the oil, and we believe there is a lot there because it's in the system. We validated it. We have a proven column, and it's in the right window. But, we have to go about this the right way. You have to start from the bottom up. You don't want to go in and just drill the top, and then ruin everything below you. And there are ways to accelerate, which we are doing, but it just takes a little bit of time.

Ed Westlake: Well, thank you very much. I know there's going to be a lot of attention on this this year, and good luck with the earnings next week.

John Christmann: Thank you.

Ed Westlake: Two weeks. Thank you.