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# Steadfast in Our Dedication to the Environment

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2014 Summary Sustainability Report

*Apache*



# 2014 Summary Sustainability Report

## OUR MISSION

**Grow a profitable exploration and production company in a safe and environmentally responsible manner for the long-term benefit of our shareholders.**

## CORE VALUES

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 team is brought together by a sense of ownership and the knowledge that best answers win. Our core values are:

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

## OPERATIONS

Apache has grown to become one of the world's top independent oil and gas exploration and production companies. Our asset portfolio reaches from the United States – where operations are focused in the Anadarko and Permian basins and in and along the Gulf of Mexico – to Canada, Egypt's Western Desert, the North Sea and Australia.

## PRODUCTION SPOTLIGHT 2013

**2,097**  
NATURAL GAS PRODUCTION  
[MMCF/D]

**411**  
OIL & NGL PRODUCTION  
[MBBLS/D]

**2,646**  
PROVED RESERVES  
[MMBOE]



## THE 2014 SUMMARY SUSTAINABILITY REPORT

Welcome to Apache's 2014 Summary Sustainability Report. To see the full 2014 Sustainability Report online, please visit the Apache website at [www.apachecorp.com/Sustainability](http://www.apachecorp.com/Sustainability), or scan the QR code with your mobile device. The online report offers additional information and data.



## MEDIA OR OTHER STAKEHOLDER INQUIRIES

Members of the media and other external stakeholders are welcome to contact Apache's Public and International Affairs office for inquiries or other information about the company. These requests may be directed via email to [media@apachecorp.com](mailto:media@apachecorp.com).

## APACHE WEBSITE

[www.apachecorp.com](http://www.apachecorp.com)



## Letter from the CEO

**A**pache's portfolio evolved significantly over the past year, but what remains constant is our unwavering commitment to the environment, health and safety and community.

Apache explores for and produces crude oil and natural gas in the United States, Canada, Egypt, the North Sea and Australia. Our operations are balanced by a responsibility to nurture and stimulate a sustainable future for our employees, stakeholders and neighbors.

With freshwater in short supply in many areas, Apache is leading the industry in developing ways to reduce its use in drilling operations. Our Permian Region has developed a unique system using brackish and recycled produced water to maintain an aggressive drilling program without competing for freshwater supplies in the Barnhart area of drought-stricken West Texas. Apache also recycled more than 1.2 million barrels of produced water in the Granite Wash play in the Stiles Ranch area of the Anadarko Basin. Overall, we used 10 million barrels of brackish water and 3.1 million barrels of produced water in 2013.

Apache has long been a proponent of expanding the use of natural gas, which is cheap, clean and abundant. We publicly promote the use of compressed natural gas as a smart alternate fuel source, operating 18 CNG fueling stations in Texas, Oklahoma, New Mexico and Louisiana. And we are the first company to use natural gas to power a full-time hydraulic fracturing operation, one of the most effective but energy-intensive processes in the industry.

The safety of our employees and our communities is our No. 1 priority. The company's goal is zero incidents and injuries, and our safety performance last year demonstrates that strong progress is being made while the number of hours worked increased.

Apache spends considerable resources to protect freshwater marsh habitats and ecosystems in the south Louisiana wetlands. These efforts support plant, wildlife and fish populations in the environmentally sensitive areas and promote economic development and job growth in the wildlife and fishing industries.

Our popular tree grant program gains more momentum every year. Since donating our first seedling in 2005, Apache has awarded 3.6 million trees to nonprofit organizations in 16 U.S. states to help improve wildlife habitats, restore storm damage and enhance communities.

Planting trees is only one of the many civic efforts embraced by Apache. Employees and their families regularly donate their time, effort and money to hundreds of charitable causes each year. In 2013, Apache and its employees donated \$2.4 million in matching gift funds worldwide.

Apache's governance hit a high-water mark in 2013 when various members of our Board of Directors had individual meetings with nearly 60 percent of our shareholder base. These were no-holds-barred exchanges addressing environmental and other governance issues of interest to our shareholders.

As we move forward with a re-energized portfolio, Apache remains steadfast in our efforts to add value to our operations by protecting our environment, our employees and our communities around the globe.



**“Our operations are balanced by a responsibility to nurture and stimulate a sustainable future for our employees, stakeholders and neighbors.”**

**G. Steven Farris**

A stylized, handwritten signature in white ink that reads "G. Steven Farris".

**G. Steven Farris**  
CHAIRMAN, CEO & PRESIDENT  
SUMMER 2014



# Our Vision

The relentless pursuit of operational excellence has been a hallmark of Apache since its founding in 1954. Our commitment to the environment, good governance, health and safety and the communities where we live and work is no less emphatic.

During 2013, Apache accomplished significant steps to rebalance its portfolio, adding partners to its largest projects and operations, and rebalancing its asset mix to accelerate growth in North America with funds provided by the company's international operations.

Through these changes, Apache has retained its strong commitment to sustainability. With an eye to the future, we remain dedicated to operating responsibly and building lasting relationships through commitments to safety, the environment, community outreach and rewarding careers.

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## ABOUT THIS REPORT

In Apache's 2014 Sustainability Report, we have reported on our performance in governance, economics, environmental stewardship, health and safety in the workplace, and community involvement. Unless otherwise indicated, all performance indicators are 2013 data and are based on the year ended Dec. 31.

This report was prepared using the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines. GRI is a non-profit organization that promotes economic, environmental and social sustainability. Its comprehensive sustainability reporting framework is widely used around the world.

We also used as a reference the Oil and Gas Industry Guidance on Voluntary Sustainability Reporting by the International Petroleum Industry Environmental Conservation Association (IPIECA), the American Petroleum Institute (API) and the International Association of Oil & Gas Producers (OGP).

Another reference used was Extracting the Facts: An Investor Guide to Disclosing Risks from Hydraulic Fracturing Operations published by the Investor Environmental Health Network and the Interfaith Center on Corporate Responsibility.

The 2014 Sustainability Report is available on the company website at [www.apachecorp.com/Sustainability](http://www.apachecorp.com/Sustainability). The website offers an expanded version of the printed report with additional information and data.

## QR Codes

QR codes are placed in this report to provide our readers with access to additional information. Once scanned with a smartphone or tablet camera, the codes prompt your device to open a web page or play a video.



# Governance

Apache's governance hit a high-water mark in 2013 when various members of our Board of Directors had individual meetings with nearly 60 percent of our shareholder base. These were no-holds-barred exchanges, some of them taking up to two hours, addressing compensation and any other board-level governance issues of interest to our shareholders.

Following the discussions, the board made several updates and changes to its compensation and governance provisions. The board:

- Adopted a policy limiting excess parachute payments.
- Eliminated our poison pill.
- Formalized the company's policy to require double triggers for accelerated vesting.
- Adopted an anti-hedging policy.
- Implemented mandatory retirement age of 75 for all new directors.
- Reduced the average age of the board from 68 to 60.
- Reduced the average tenure of the board from 17 years to 10 years.
- Amended the bylaws to give shareholders representing at least 15 percent of outstanding shares the right to call a special meeting.
- Abolished the Executive Committee, a body that was more relevant for speedy decision-making in a pre-technology era, but that had not been convened in years and was perceived by some non-U.S. shareholders as a concern.
- Announced Apache's Statement on Political Expenditures and Board Oversight.
- Reduced its own compensation by more than 15 percent to parallel reductions to the CEO's pay.
- Adopted a set of Apache-appropriate human rights principles, reflecting practices already in place. The human rights principles can be viewed on our website at [www.apachecorp.com](http://www.apachecorp.com).
- Approved Apache's Statement on Indigenous Peoples.
- Recommended that shareholders vote in favor of a management proposal to de-stagger the board, which was placed on the 2013 proxy. The proposal received more than a majority of the vote, but failed to obtain the 80 percent required for amendments to Apache's charter.
- Made changes to Apache's executive compensation provisions to more closely align with shareholder returns and concerns.

## BOARD OF DIRECTORS

All of Apache's non-employee directors are independent pursuant to New York Stock Exchange, NASDAQ National Market and Securities and Exchange Commission standards. In addition, Apache has steadily added new directors to its board over the past few years as some of its longer-tenured members retired, ensuring the kind of regular board refreshment that is of particular focus to active shareholders in recent years.

Our board has four standing committees, each devoted to a separate aspect of risk oversight: Audit; Corporate Governance and Nominating; Management Development and Compensation; and Stock Plan. Committee charters can be found on our website.

## SHAREHOLDER ENGAGEMENT

Apache is one of the few companies to employ a senior corporate policy and governance officer, who regularly meets with shareholders to discuss their social, environmental and governance concerns. On average, the officer meets up to 140 times annually with stakeholders and shareholders.

Apache experts meet periodically throughout the year with shareholders to discuss a wide variety of issues. Apache also works actively with key nongovernmental organizations to identify their environmental, governance and social issues.

**To Apache, corporate governance means an ever-evolving set of actions and engagements.**



For more on Governance, please scan the QR code with your mobile device.



# Economic Performance

## INVESTING IN OUR COMMUNITIES

Apache believes strongly in investing in the communities where we operate and adding value to the neighborhoods we call home. We hire locally and we spend locally.

Investments in infrastructure and services for public benefit are important elements of our operational plans. Stepping up to the community plate has been one of our top priorities over the years in each of our regions across the globe.

In Suriname, Apache helped refurbish an orphanage badly in need of repairs. The company offered financial assistance and support to the Claudia A Foundation, which cares for young girls and boys infected with HIV/AIDS and disabled children.

In the weeks following a deadly and destructive tornado in Moore, Okla., in 2013, Apache pledged \$500,000 to help the community rebuild. Moore was hit by an EF5 tornado that killed 24, including nine children, and injured 377. The \$500,000 donation funded safe rooms for students at two new elementary schools, a junior high school and a high-school gymnasium/band room in the Moore school district.

In Midland, Texas, Apache joined other contributors in helping fund bonuses for 325 new teachers and 1,200 existing ones in an effort to attract and retain quality instructors in the Midland School District.

After St. Bernard Parish in Louisiana lost many of its trees during Hurricane Katrina in 2005, Apache stepped in to help. Apache recently donated 1,000 trees to the parish, marking the fifth time since the storm the company has offered trees to the community.

## LOCAL HIRING

As one of the world's top independent oil and gas exploration and production companies, Apache supports local hiring and offers competitive wages and benefits in its operational regions in the United States, Canada, Egypt, Australia and the United Kingdom.

Apache has implemented hiring practices in all operational regions that provide proper notification of open positions and selection based on criteria for those jobs. As a matter of economics, the company supports local hiring to fill positions.

Apache participates in salary surveys in each of its operating locations to ensure the company provides competitive wages and attracts and retains experienced and qualified employees.

Apache also participates in various surveys to make sure it offers competitive benefits and retirement plans in its operating areas. In all locations, Apache complies with local labor laws and enhancements based upon the surveys.

Apache believes hiring qualified and motivated employees promotes growth and stability. By tailoring its hiring policies and procedures to local markets, the company attracts the right people for the right jobs.

To keep employees energized and productive, Apache concentrates on building productive relationships between co-workers; implementing individual growth plans, including education, personal growth and work-life balance; providing workers with adequate tools to do their jobs and a safe environment in which to work; and offering competitive compensation programs.

## LOCAL SPENDING

Apache works to develop good relationships with local suppliers and contractors that support our business. Our operating regions spend an average 20 to 40 percent of their budgets with local suppliers, defined as vendors local to the geography.



**Apache posted another year of strong financial and operating progress – a year in which our portfolio evolved significantly – and invested substantially in community infrastructure and services.**

The company makes every effort to comply with local laws or operating agreements in our buying practices. For example, Apache supports the local business community as required by both the Haisla First Nation and First Nations Limited Partnership benefits agreements at the Kitimat LNG export facility in British Columbia, Canada.

While the oil and gas industry has many products and services that are provided by large suppliers, such as offshore rigs, turbines, wellhead equipment and steel pipe, much of what Apache buys is local. Welding services, water hauling, roustabout crews, construction crews and civil project installation crews are a few of the categories in which the company procures goods and services from local suppliers.

Apache's decentralized organization, with supply chain personnel embedded in each region, further supports our efforts to involve the local community and suppliers in our business.

Potential suppliers and their capabilities are assessed primarily using a cost approach. In addition to price, environmental health and safety requirements, technical capabilities, product quality, service quality and financial qualifications are part of the vendor selection decision. Additionally, supplier selection takes into account regulatory and company policies regarding local hiring, support of indigenous peoples and the local economy. Apache complies with specific supplier-related requirements in each country where we operate.

Contracts for goods and services typically include requirements for supplier compliance with applicable local laws and regulations in areas such as safety, health, environment, process safety, drug and alcohol use, business ethics, conflicts of interest, the Foreign Corrupt Practices Act, U.K. Bribery Act and other applicable anti-corruption laws.

Company contracts have language to ensure compliance with the U.S. Office of Foreign Assets Control (OFAC) and the U.S. Patriot Act regulations.



For more on Economic Performance, please scan the QR code with your mobile device.



## LOCAL HIRING 2013

Region	Employees	National Employees in Other Locations	Expatriate Employees	% of National Employees
Argentina	307*	9	14	95.3%
Australia	324	14	9	97.1%
Canada	589	43	14	97.4%
Egypt	3,834**	4	114	97.0%
North Sea	639	7	20	96.8%
United States	3,123	114	20	99.3%
<b>TOTAL</b>	<b>8,816</b>	<b>191</b>	<b>191</b>	

This chart does not include contract staff in each region that are typically nationals. \* Argentina assets were sold in March 2014. \*\* Includes joint venture employees.

## LOCAL VENDOR SPENDING 2013

Region	Total Spending	Local Spending	% Local
Argentina*	\$ 335,067,936	\$ 191,346,859	57%
Australia	\$ 1,476,101,939	\$ 329,547,308	22%
Canada	\$ 1,463,671,944	\$ 245,339,061	17%
Central	\$ 1,749,080,382	\$ 460,832,787	26%
Corporate	\$ 291,390,997	\$ 123,893,659	43%
Egypt	\$ 1,045,324,444	\$ 253,838,460	24%
Gulf	\$ 2,365,140,499	\$ 310,109,010	13%
New Ventures	\$ 77,604,903	\$ 25,360,046	33%
North Sea	\$ 743,146,890	\$ 214,278,361	29%
Permian	\$ 3,052,526,944	\$ 900,611,776	30%
U.S. Other	\$ 52,176,471	\$ 2,394,356	5%
<b>Total</b>	<b>\$ 12,651,233,348</b>	<b>\$ 3,057,551,683</b>	<b>24%</b>

Local vendors are defined as vendors local to the geography. \* Argentina assets were sold in March 2014



# Environment

## Energy

### FUELING EFFORTS TO PROMOTE NATURAL GAS

Apache's driving efforts to promote natural gas as a transportation fuel took a turn toward Southeast Texas with the opening of the first CNG station between Houston and Corpus Christi.

The compressed natural gas [CNG] station opened for business in El Campo, which is about 80 miles southwest of Houston. Apache added two CNG fueling dispensers to a conventional fueling station operated by United Ag, a cooperative serving the agricultural communities in the area.

Now motorists traveling along U.S. Highway 59 can enjoy lower prices and cleaner burning fuel much like they do at Apache's six other public-access CNG fueling stations. In all, the company operates 18 CNG fueling stations in Texas, Oklahoma, New Mexico and Louisiana to support its fleet of natural gas-powered vehicles. Apache has transformed nearly 600 field vehicles to operate on CNG, with long-term plans to convert 80 percent of its 1,200-plus U.S. fleet.

## Biodiversity

### GULF COAST STEWARDS

Apache continues to make strong efforts to support plant, wildlife and fish populations across thousands of acres of environmentally sensitive south Louisiana wetlands.

The swamps and marshes of coastal Louisiana are among the nation's most fragile wetlands. Louisiana has lost up to 40 square miles of marsh per year for several decades, caused by the natural processes of subsidence, saltwater intrusion and shoreline erosion and human activities such as dredging for canals.

If the current rate of loss is not slowed by the year 2040, an additional 800,000 acres of wetlands could disappear.

Wetlands provide habitat for a variety of wildlife. Coastal Louisiana lands are the breeding grounds and nurseries for thousands of species of aquatic life, land animals and birds. This ecosystem also provides a migratory habitat for more than five million waterfowl each year.

Wetlands act as a storm buffer against hurricanes and storms and as flood control devices by holding excess floodwaters during heavy rainfall. Wetlands replenish aquifers and purify water by filtering out pollutants and absorbing nutrients.

Reducing the loss of coastal wetlands in Louisiana is proving to be difficult and costly. For Apache, it means working hard to find environmentally sound solutions to help save the swamps and marshes in the areas where the company operates along the coast.

### RESTORING COASTAL MARSH

A long-awaited project to restore coastal marsh along Liner's Canal in Terrebonne Parish has been completed thanks to Apache and Ducks Unlimited.

The Liner's Canal project benefits hundreds of acres of fresh and intermediate marsh by increasing freshwater flow into an area severely threatened by saltwater intrusion. A multi-bay water control structure was built to increase three-fold the freshwater flow through the canal. The water control structure also prevents saltwater from reaching freshwater marshes upstream.

The project is helping waterfowl, wildlife and fisheries habitats, providing storm protection and improving water quality. It also boosts recreational activities like bird watching and boating, as well as fishing and hunting.

### DECLINING FIELD EMISSIONS INTENSITY 2010-2013



- Total Field CO<sub>2</sub> Emissions [in metric tonnes]
- Emissions Intensity Tonnes of CO<sub>2</sub> per 1,000 barrels of oil equivalent [MBOE]





## From restoring coastal wetlands to managing water resources, Apache is dedicated to protecting the fragile ecosystem that sustains us.

### GATORS AID

For years, Apache has been helping alligators thrive in the coastal marshes of Louisiana by supporting a sustainable harvest that has helped bring the reptiles back from the brink of extinction.

Under a state wildlife management program, Apache contracts with licensed alligator farmers who gather alligator eggs on company marshland. The farmers incubate the eggs and grow the hatchlings to about 4 feet in length and then harvest the skins. About 12 percent of the hatchlings are returned to the marsh areas where they were collected.

Apache applies for wild alligator harvest tags from the state and distributes them to its alligator hunters, allowing them to take a set number of the reptiles from its land. The alligator hunters typically harvest about 1,700 wild alligators annually. Apache owns about 270,000 acres of coastal Louisiana land from Plaquemines to Cameron Parish in prime alligator habitat.

## Emissions

### METHANE CHALLENGE

Apache has joined forces with a prominent environmental group to catalyze new technologies that can help cut methane pollution from oil and gas operations.

The Environmental Defense Fund (EDF) is sponsoring the Methane Detectors Challenge alongside Apache and four other oil and gas companies in the push to develop and commercialize cost-effective technologies that provide real-time detection of methane, a highly potent greenhouse gas that escapes during the production, transportation and delivery of natural gas.

The goal of the competition is to spur the development and commercial use of new technologies that could continuously monitor methane emissions, making it easier for companies to find and fix leaks.

### A FRIENDLY NEIGHBOR

In Elk City, a small town in Western Oklahoma about 110 miles west of Oklahoma City, Apache went the extra mile to make sure a drilling operation fit right in with the local community.

Apache drilled a two-well pad at the corner of West 7th Street and South Pioneer Road, the first time the company's Central Region had drilled within a city limits in the Anadarko Basin.

Apache worked closely with Elk City officials in implementing several neighborhood friendly measures and making sure operations were safe for nearby residents. For starters, Apache set up the drill rig to be powered by electricity instead of diesel generators, reducing carbon emissions and noise levels.

The company also built 32-foot sound walls on three sides of the rig to further reduce noise and improve the aesthetics of the site. The walls were painted green to blend with the surroundings.

### ENVIRONMENTAL FOCUS



## Cutting Emissions

- Apache's greenhouse gas (GHG) emissions worldwide have decreased 21 percent since 2011, while production has decreased 9.7 percent.
- Global emissions intensity [tonnes CO<sub>2</sub>/MBOE produced] has decreased 5.6 percent since 2011.
- Venting emissions has decreased 61 percent since 2011.
- In 2013, Apache completed 339 individual projects to reduce venting or increase operational efficiency, accounting for a reduction of 422,000 tonnes of carbon dioxide equivalent [CO<sub>2</sub>-e].

# Environment

## CONTINUED

Once the hydraulic fracturing process began, the company used natural gas instead of diesel to power operations, further cutting emissions and reducing noise levels.

### CONTROLLING EMISSIONS

Apache's Permian Region has purchased a Forward Looking Infrared (FLIR) camera to help ensure emissions are properly controlled and systems are leak free. Similar to a "night vision" camera, the FLIR camera distinguishes between temperature differences to detect escaping gas that appears as white or black smoke relative to the ambient air. Apache uses the camera to examine areas near wellheads, at compressor stations or along buried pipeline routes where leaks might exist. The company also uses the camera to inspect areas near residential communities and public facilities.

## Water

### FRESH IDEAS FOR WATER

Apache is leading the industry in developing ways to reduce the volume of drinking water used in areas where it is in short supply.

Apache's Permian Region has developed a unique system using brackish and recycled produced water to maintain an aggressive drilling program without competing for scarce freshwater supplies in the Barnhart area of drought-stricken West Texas.

Apache also has recycled more than 1.2 million barrels of produced water in the Granite Wash play in the Stiles Ranch area in Wheeler County. Stiles Ranch is in the Anadarko Basin in the Texas Panhandle.

Overall, Apache used 10 million barrels of brackish water and 3.1 million barrels of produced water in 2013.

In the Permian Region, about 75 Wolfcamp Shale horizontal wells in Iron County's Barnhart area were drilled in 2013. Completing each well with multiple hydraulic fracturing stages requires about 200,000 barrels of water. With freshwater in short supply, Apache has developed a system to treat water used to complete earlier wells and use it again. The produced water is supplemented with brackish water from the Santa Rosa aquifer that is not suitable for human consumption or agriculture.

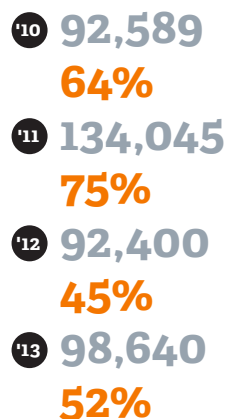
Here's how the system works:

- Brackish water is pumped from the Santa Rosa aquifer into a large, lined pond capable of holding about 500,000 barrels.
- A system of pipes carries flowback and produced water from well sites to a row of storage tanks, actually modified grain bins, where the water is treated to remove iron.
- Water from both sources is piped back to a well site for the next hydraulic fracturing job. The water is treated with chemical agents to kill bacteria when it is pumped downhole.
- The process is repeated.

With this system, Apache does not have to acquire freshwater from a municipal system, a farmer or a commercial source, and it doesn't have to pay to dispose of produced water in deep injection wells.

In the Stiles Ranch area in the company's Central Region, the recycling system has capacity to store 240,000 barrels of produced water – enough for almost three hydraulic fracturing stages – in above-ground grain bins that have been modified with double-plastic liners to prevent spills. Apache plans to expand the Stiles Ranch water storage and pipeline system in the near future.

### WATER RECYCLED AND REUSED 2010-2013



- Total volume recycled/reused [ML/YR]
- Total volume recycled/reused as a percentage of withdrawals [%]

Scan the QR code with your mobile device to see a video about drilling operations in the Barnhart area.



## Apache seeks alternatives to using freshwater in drilling operations, including recycled produced water and brackish water.

Finding innovative solutions to the challenge of water availability is one way Apache is helping to increase production of domestic oil and gas resources in a safe and environmentally responsible manner.

### APACHE GLOBAL WATER USAGE

About 94 percent of Apache's water usage comes from non-potable water sources. Of this volume, 56 percent is recycled or reused in secondary oil recovery operations.

## Chemicals

### GREENER CHEMICALS

The energy industry is devoting substantial resources to chemistry and focusing on creating new, greener chemical combinations to reduce both volume and toxicity. Smarter chemical use can boost production, cut costs and reduce environmental impacts.

Apache has created the "manager of global upstream chemicals," a staff position responsible for reducing the volume and toxicity of chemicals by relying as much as possible on chemicals listed in the Environmental Protection Agency's "Design for the Environment" (DFE) program. The DFE program designates chemicals regarded as safest for the environment and human health.

Having a chemicals expert enables Apache to use and develop best technology for sustainable cost performance while auditing systems used by service companies. Often, a simple product review can improve sustainability and cost performance and reduce chemical use rates.

A chemicals expert strives to lower chemical volumes, reduce chemical toxicity and improve environmental fate, which is the destiny of a chemical after its release to the environment. Reduction strategies include:

- Reducing overall chemical volume;
- Reducing volatile organic compound emissions;
- Reducing chemical component toxicity, including the elimination of diesel, BTEX [a group of toxic chemicals including benzene and toluene], endocrine disruptors and carcinogens;
- Cutting back on chemical volumes and lowering the chemical volumes hauled by trucks;
- Improving usage strategies, including using chemical components that are less bioaccumulative and more biodegradable.

To further the use of greener chemistry in oil and gas operations, Apache is promoting industry collaborations. Company personnel have taken a leadership role in a Society of Petroleum Engineers working group on safer chemicals and are active in one of the American Chemistry Society's Green Chemistry Institute forums on greener chemicals in hydraulic fracturing.

Apache believes that advances in chemistry, technical processes and sustainable chemical use are possible with competitive cost performance. The company's goal is to reduce and eliminate toxic chemical use in drilling operations while adhering to the EPA's DFE program as much as possible.

### ENVIRONMENTAL FOCUS



## Drilling with Wastewater

Apache has developed a plan to purchase about \$5 million in treated wastewater from the city of College Station for use in drilling operations.

The project calls for Apache to pump more than three million gallons a day from the Carters Creek plant to ponds built by the company, then pipe it to oil drilling and hydraulic fracturing sites.

Apache planned to buy the treated wastewater over an 18- to 24-month period. The water purchased by the company represents about half the treated water produced by College Station.

The city praised Apache for buying treated instead of potable water. The quantity of treated water the company is buying is equal to serving at least 25,000 residential customers a day, not including water for irrigation use.

For more on Environment, please scan the QR code with your mobile device.



# Workplace



## Employment

### OUR PEOPLE

At Apache, we know we are only as good as the people we employ, the people we work with and the people with whom we engage. We understand that the best managers are those who know how to get the best out of others and who lead by example.

Apache works to maintain a culture that is accepting of people from all backgrounds and that taps into our great diversity to achieve positive results. Our employees are nearly evenly divided between domestic and international individuals who represent most of the world's main races, religions and cultures. We continually work to ensure our programs, activities and investments are in consonance with our diversity and values and are aligned with those of the communities in which we operate.

In all of our regions, Apache aims to hire local employees. We believe that hiring locally is a great way to invest in the regions where we operate. In areas of operation where it is sparsely populated, we hire the most qualified individuals to fill our open positions and provide training for those who are not currently qualified but could become valuable employees.

In our operating regions that are near areas populated by indigenous peoples, we are frequently the main source of income and in some cases the first source of external income for these families. Hiring local people, including indigenous individuals, helps us ensure that our operations are conducted consistent with local values.

## Occupational Safety and Health

### WORKING SAFE

Apache's safety performance continues to improve, the result of an unwavering commitment by our workforce to make every effort to ensure the health and safety of all employees.

The goal is zero incidents and injuries, and the company's safety performance in 2013 demonstrates that strong progress is being made while the total number of hours worked continues to increase.

Apache remains committed to operational excellence, defined as optimizing production, drilling, completion, construction and seismic operations while minimizing cost, adapting to dynamic business conditions, maintaining safe, environmentally compliant and responsible operations and ensuring asset mechanical integrity and reliability.

Apache's Worldwide Environmental, Health and Safety Standards [EH&S] facilitate operational excellence. Apache's success is dependent on a strong EH&S culture developed and maintained across the company's operations. Policies, procedures, guidelines and systems have been established to enable a strong EH&S culture.

These standards of performance permit each region to adapt programs and procedures to fit local rules and culture while establishing high standards for training, compliance, maintenance and environmentally responsible operation.

### STRENGTHENING OUR ENVIRONMENTAL, HEALTH AND SAFETY PERFORMANCE

At Apache, one of our primary goals is to operate in a safe and environmentally responsible manner. The job of reaching this goal falls on our entire workforce. Sending our workforce home safely at the end of the day and protecting the environment are values that cannot be compromised.

**We are only as good as the people we employ.**

#### 2013 PERFORMANCE VS. 5-YEAR AVERAGE

↓ **26%**

TOTAL RECORDABLE INCIDENT RATE

↓ **24%**

DAYS AWAY, RESTRICTED OR TRANSFERRED RATE

↓ **41%**

VEHICLE INCIDENT RATE

↑ **38%**

INCREASE IN HOURS WORKED

For more on Workplace, please scan the QR code with your mobile device.





OPERATIONAL EXCELLENCE

Apache undertook a number of initiatives in 2013 to help strengthen our environmental, health and safety culture. Our newest initiative, The Apache Way-Operational Excellence, was introduced to all operations across the world. This initiative reaffirms our culture, describes the specific behaviors we associate with our core values and leadership key attributes, and introduces a common framework for improving performance in seven key areas of operation. These key areas include Optimized Operations, Cost Efficiency, Adapting to Change, Asset Integrity, Safe Workplace, Environmentally Responsible and Aligned Workforce.

SAFER DRIVING

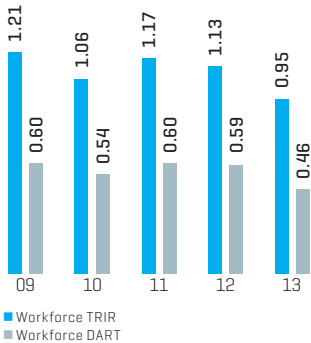
Safe driving is a top priority at Apache thanks to a program called DriveSafeComm. The purpose of the program is to decrease at-risk driving and increase onboard vehicle communications. Apache operates a U.S. fleet of more than 1,500 vehicles, many of them working in remote locations. The fleet averages about 23 million miles per year. As part of the new program, all U.S. company vehicles were being equipped with a telematics device. The device can measure location, speed, harsh braking, seat belt usage, a possible accident and more.

GLOBAL WELLNESS

Apache’s global wellness programs continue to expand, offering more health services and resources to encourage employees to adopt healthy and productive lifestyles for themselves and their families. The company was recognized in 2014 as one of “America’s Healthiest Companies” with the Gold Well Workplace Award from the Wellness Councils of America. Whether the topic is stress management or preventive screenings, Apache’s wellness programs give employees the tools needed to lead healthy lives. The company’s Online Wellness Center provides nutritional counseling, health videos and social challenges help. The Employee Assistance Program offers financial counseling, parenting skills and stress management techniques. The Preventive Screening program offers biometrics and health risk assessments.

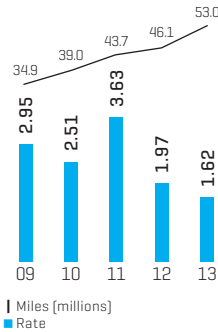


Workforce Safety Performance



Vehicle Incident Rate

Incidents per million miles driven



# Society



## Communities

### LENDING A HELPING HAND

Apache's community outreach programs support many charitable and civic organizations around the world.

The centerpiece of the company's community outreach is its popular tree giveaway program. Since donating its first seedling in 2005, Apache has awarded 3.6 million trees to nonprofit organizations in 16 U.S. states to help improve wildlife habitats, restore storm damage and enhance communities where the company operates.

The trees go to nonprofit organizations including cities, counties, schools, parks, universities, youth associations, wildlife refuges and community groups.

Among the recent recipients was the city of El Reno, a small central Oklahoma town where about 200 residents braved chilly weather one Saturday morning for the opportunity to take home crape myrtle, maple, oak, redbud and other trees. About 850 trees were given away to the residents.

El Reno was just one of the many communities to receive free trees from the Apache Tree Grant Program in 2013. Forty-seven organizations in Oklahoma, Louisiana, Texas and New Mexico were awarded grants totaling more than 250,000 trees.

The company also donated 3,000 trees to the restoration of the Gettysburg battlefield to mark its 150th anniversary. The tree donation was used to replant fruit orchards and recreate wooded areas throughout Gettysburg National Park to help restore the battlefield.

### VOLUNTEERING

Planting trees is only one of the many civic efforts embraced by Apache. Employees and their families regularly donate their time, effort and money to hundreds of charitable causes each year. Charities supported by company employees include Habitat for Humanity, Special Olympics, Adopt a Beach, National Multiple Sclerosis Society, American Red Cross and many more.

In 2013, employees donated \$1.2 million in personal funds that were matched by the company for a total of \$2.4 million worldwide through the Apache Matching Gift Program.

### CORPORATE OUTREACH

One of the more popular charity events sponsored by Apache is the Tour de Houston fundraising bike ride that benefits the nonprofit Houston Parks Board and its efforts to reforest the city. About 4,200 riders signed up for the ride through downtown and surrounding areas, with Apache's headquarters serving as the first and fifth rest stops for the cyclists.

Another charitable program popular among Apache employees is Habitat for Humanity. Each year, volunteers gather to build a home for a family in need of affordable housing. Since 1987, Habitat for Humanity has built 840 homes housing more than 2,800 deserving Houston families.

Apache volunteers hauled in 51 bags of trash during the annual Adopt a Beach effort at San Luis Pass in Galveston, Texas. Apache employees and their families spent three hours collecting everything from discarded window blinds to fireworks to car parts along the beach. The Adopt a Beach program is sponsored by the Texas General Land Office.

### REGIONAL OUTREACH

Apache's charitable outreach extends throughout the world, touching numerous lives in regions where company employees live and work.



## Making a positive impact where we live and work.

Scan the QR code with your mobile device to see a video on Apache's tree donation to the Gettysburg battlefield restoration.



In Australia, a group of Apache electricians and electrical contractors working on Varanus Island raised more than \$6,000 for charity. The money was generated from the sale of copper extracted from obsolete switch gear that would otherwise have been scrapped.

Apache's Canada Region received the Propellus Calgary award for Outstanding Employee Volunteer Program in 2014. Apache was nominated for the award by the nonprofit Calgary Urban Project Society [CUPS]. During the past 15 years, Apache has volunteered thousands of hours and raised more than \$1 million for CUPS programs in health, education and housing for Calgary's poor.

The Egypt Region has been helping the country's orphans since 2005. Last year, it raised US \$23,000 (160,160 EGP), the largest donation since the region began its annual campaign for needy orphanages. The money, donated by Apaches throughout the region and matched dollar-for-dollar by the company, is used to purchase food, clothing, medicine, school supplies, toys and more.

Apache's North Sea Region has a long track record of supporting community projects. Among them is the Aberdeenshire Life Education Services, a health education charity working in partnership with schools, parents, businesses and the community to teach children about healthy life choices. Three mobile classrooms operated by the charity visit every Aberdeenshire nursery, primary school and special needs school annually, delivering age-appropriate programs on healthy lifestyles. The funds donated by Apache will help purchase a fourth mobile classroom.

In Alaska, the Apache Rainbow Challenge fly fishing tournament gives participants the opportunity to fly fish for rainbow trout on the world famous Kenai River. Over the past two years, Apache has raised \$90,000 from the tournament to benefit the Tustumena 200 Sled Dog Race, the only Iditarod sled dog race qualifying event on the Kenai Peninsula.

### PROMOTING QUALITY EDUCATION

For years, Apache has promoted educational opportunities for teachers and students across the globe. Two of its most notable endeavors are Fund for Teachers and Springboard: Educating the Future.

Founded in 2001, Fund for Teachers enriches the personal and professional growth of teachers by supporting them as they pursue opportunities around the globe in self-designed summer fellowships. More than 6,000 teachers have been awarded nearly \$22 million in grants for fellowships that have taken place in 124 countries, empowering them to explore ideas, terrains, and cultures and impacting students in classrooms across the United States.

In Egypt, Apache provides educational opportunities for children who might otherwise not have the prospect of going to school.

In the Matrouh area in Egypt's Western Desert, Apache completed construction of a sixth co-educational school for the Bedouins, a desert-dwelling nomadic tribe. A total of 200 students attend the schools. Apache's support includes monitoring student performance, furnishing school supplies and providing building maintenance. The schools are built in small villages and often serve as the only primary school for the children living there.

Apache also has built 201 one-room schools attended by about 7,000 girls in remote rural areas of the country where educational opportunities for girls are scarce. Apache and Springboard: Educating the Future have partnered with Egypt's National Council for Childhood and Motherhood and the Sawiris Foundation for Social Development to provide the educational prospects for girls.

## Human Rights

Apache and our long-term shareholders worked together in a multi-year process to develop the foundation of the company's Human Rights Principles. The principles are consistent with the framework laid out by John Ruggie, the United Nations' special representative on business and human rights. Aimed at the honest, fair and dignified treatment of all human beings for whom our operations create opportunities, human rights is at the core of Apache's values and operations. At shareholders' request, Apache also adopted an additional statement concerning indigenous peoples to our Human Rights Principles. Our Human Rights Principles, which formally reflect practices already in place throughout our regions, can be viewed on our website at [www.apachecorp.com](http://www.apachecorp.com).



For more on Society, please scan the QR code with your mobile device.



# Performance Summary

YEAR ENDED DEC. 31

## ENVIRONMENTAL HIGHLIGHTS

	2013	2012	2011
Greenhouse Gas Emissions (metric tons CO <sub>2</sub> equivalent)	9,900,000	10,200,000	13,100,000
Emissions Intensity (CO <sub>2</sub> equivalent/MBOE)	23.8	24.8	26
Flared and Vented Gas (metric tons CO <sub>2</sub> equivalent)	2,640,000	3,580,000	4,100,000
Energy Use (Mwh)	10,740,000	10,852,600	25,200,000
Water Use (ML/YR)	188,587	204,715	178,342
Hydrocarbon Spills to Environment (>1 barrel)	418	446	488

## SAFETY HIGHLIGHTS

	2013	2012	2011
Work-restricting Incident Rate			
Employees	0.10	0.15	0.23
Contractors	0.58	0.75	0.71
(lost-time and restricted-duty injuries per 200,000 work hours)			
Recordable Incident Rate			
Employees	0.35	0.380.41	
Contractors	1.15	1.391.41	
(incidents requiring medical treatment per 200,000 work hours)			

## FINANCIAL HIGHLIGHTS

(Dollars in millions, except per share data)	2013	2012	2011
Revenues	\$ 16,054	\$ 17,078	\$ 16,888
Income Attributable to Common Stock	2,188	1,925	4,508
Diluted Net Income per Common Share	5.50	4.92	11.47
Adjusted Earnings*	3,170	3,767	4,651
Adjusted Earnings per Diluted Common Share*	7.92	9.48	11.83
Net Cash Provided by Operating Activities	9,835	8,504	9,953
Changes in Operating Assets and Liabilities	(81)	1,741	281
Cash from Operations Before Changes in Operating Assets and Liabilities*	\$ 9,754	\$ 10,245	\$ 10,234
Total Assets	\$ 61,637	\$ 60,737	\$ 52,051
Long-term Debt	9,672	11,355	6,785
Total Equity	35,393	31,331	28,993
Cash Dividends Paid per Common Share	0.80	0.68	0.60

## OPERATIONAL HIGHLIGHTS

(Dollars in millions)	2013	2012	2011
Total Capital Expenditures	\$ 12,047	\$ 14,608	\$ 11,793
(including acquisitions, gas gathering, transmission and processing facilities, and capitalized interest)			
Natural Gas Production (MMcf/d)	2,097	2,293	2,262
Oil and NGL Production (Mbbbls/d)	411	396	371
Proved Reserves (MMboe)	2,646	2,852	2,990
<b>Employment</b> (full-time)	5,337	5,976	5,299
United States	2,724	3,265	2,768
Canada	782	976	985
United Kingdom	674	619	515
Egypt	402	291	271
Australia	391	412	349
Argentina**	364	413	411

\* For footnote explanation regarding non-GAAP financial measure and other information, please see our website at [www.apachecorp.com/Sustainability](http://www.apachecorp.com/Sustainability).

\*\* Argentina assets were sold in March 2014.



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\* Index reflects data in print and website sustainability reports.



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