

**STATE OF NEW MEXICO  
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES  
OIL CONSERVATION DIVISION**

**APPLICATION OF APACHE CORPORATION  
FOR COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO**

**Case No.: 21189**

**APPLICATION OF APACHE CORPORATION  
FOR COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO**

**Case No.: 21190**

**APPLICATION OF APACHE CORPORATION  
FOR COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO**

**Case No.: 21191**

**APPLICATION OF APACHE CORPORATION  
FOR COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO**

**Case No.: 21192**

**PRE-HEARING STATEMENT OF XTO ENERGY INC.**

XTO Energy Inc. ("XTO") submits its Pre-Hearing Statement pursuant to the Rules of the Oil Conservation Division.

**APPEARANCE**

XTO is a party in interest in the Application of Apache Corporation ("Apache") in these four cases. XTO's business address is 22777 Springwoods Village Parkway, Spring, Texas 77389-1425. XTO is represented by the undersigned counsel.

**SUMMARY OF XTO's POSITION**

Collectively, Apache's Applications in these four cases seek to pool four "laydown" standard 320-acre horizontal spacing units which, collectively, consist of all of Sections 28 and 29 of Township 19 South, Range 28 East, Eddy County, New Mexico. XTO opposes the Applications include the fact that it could lead to waste and not protect corelative rights

if granted because Apache has publicly announced that it will not be operating drilling rigs in the Permian Basin in the foreseeable future. Additionally, XTO opposes because Apache will not enter into a reasonable negotiation concerning the form of operating agreement it has tendered.

**PROPOSED EVIDENCE**

<b>Witness</b>	<b>Estimated Time</b>	<b>Exhibits</b>
Blair C. Brummell Senior Landman	10 Minutes	Approximately 2

XTO reserves the right to call approximately two. XTO reserves the right to call any rebuttal witnesses that may be appropriate.

**EXHIBITS**

XTO may use the following Exhibits (copies attached) at the hearing of this matter:

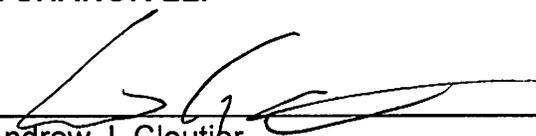
1. Apache Corporation Press Release dated March 12, 2020 entitled "Apache Corporation Announces Revised Capital Guidance and Dividend Reduction;" and
2. Apache Corporation Press Release dated May 6, 2020 entitled "Apache Corporation Announces First-Quarter 2020 Financial and Operational Results."

**PROCEDURAL MATTERS**

XTO is not aware of any procedural matters to be resolved prior to the hearing.

**HINKLE SHANOR LLP**

By: \_\_\_\_\_

  
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*Attorneys for XTO Energy Inc.*

## CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing *Pre-Hearing Statement of XTO Energy Inc.* was e-mailed to the following on this 15<sup>th</sup> day of June, 2020:

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Andrew J. Cloutier



# APACHE CORPORATION ANNOUNCES REVISED CAPITAL GUIDANCE AND DIVIDEND REDUCTION

APACHE CORPORATION ANNOUNCES REVISED CAPITAL GUIDANCE AND DIVIDEND REDUCTION

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March 12, 2020 at 8:00 AM EDT

HOUSTON, March 12, 2020 (GLOBE NEWSWIRE) – Apache Corporation (NYSE, Nasdaq: APA) today announced multiple actions being taken in response to the current oil price environment. The company reduced its 2020 capital investment plan to a range of \$1.0 billion to \$1.2 billion from a previous range of \$1.6 billion to \$1.9 billion. Over the coming weeks, the company will reduce its Permian rig count to zero, limiting exposure to short-cycle oil projects. Activity reductions are also planned in Egypt and the North Sea. In Suriname, upon the conclusion of operations at the Sapakara West-1 exploration well, the company will proceed, as planned, to a third exploration prospect.

Additionally, Apache's board of directors has approved a reduction in the company's quarterly dividend per share from \$0.25 to \$0.025, effective for all dividends payable after today, March 12, 2020. The company will use the \$340 million of cash retained annually from the dividend reduction to further strengthen its financial position. Apache has ample liquidity through its \$4 billion undrawn revolver and considerable flexibility to manage the \$937 million of bonds maturing between February 2021 and January 2023.

"We are significantly reducing our planned rig count and well completions for the remainder of the year, and our capital spending plan will remain flexible based on market conditions," said John J. Christmann IV, Apache's chief executive officer and president. "We are also further reducing operating and overhead costs as we continue to implement our corporate redesign program, which began in the fall of 2019. These decisive actions will benefit Apache as we navigate these challenging market conditions."

## About Apache

Apache Corporation is an oil and gas exploration and production company with operations in the United States, Egypt and the United Kingdom and exploration activities offshore Suriname. Apache posts announcements, operational updates, investor information and all press releases on its website, [www.apachecorp.com](http://www.apachecorp.com).

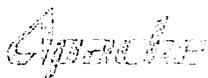
## Forward-looking statements

This news release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements can be identified by words such as "anticipates," "intends," "plans," "seeks," "believes," "continues," "could," "estimates," "expects," "guidance," "may," "might," "outlook," "possibly," "potential," "projects," "should," "will," "would," and similar references to future periods, but the absence of these words does not mean that a statement is not forward-looking. These statements include, but are not limited to, statements about future plans, expectations and objectives for Apache's operations, including statements about our capital plans, drilling plans, production expectations, asset sales, and monetizations. While forward-looking statements are based on assumptions and analyses made by us that we believe to be reasonable under the circumstances, whether actual results and developments will meet our expectations and predictions depend on a number of risks and uncertainties which could cause our actual results, performance, and financial condition to differ materially from our expectations. See "Risk Factors" in our 2019 Form 10-K and in our quarterly reports on Form 10-Q filed with the Securities and Exchange Commission ("SEC") for a discussion of risk factors that affect our business. Any forward-looking statement made by Apache in this news release speaks only as of the date on which it is made. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. Apache undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future development or otherwise, except as may be required by law.

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APA-F



Source: Apache Corporation

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6/15/2020

# Apache Corporation Announces Revised Capital Guidance and Dividend Reduction | Apache Corporation

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# APACHE CORPORATION ANNOUNCES FIRST-QUARTER 2020 FINANCIAL AND OPERATIONAL RESULTS

APACHE CORPORATION ANNOUNCES FIRST-QUARTER 2020 FINANCIAL AND OPERATIONAL RESULTS

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May 6, 2020 at 4:30 PM EDT

## Key Takeaways

- ✔ Responded quickly and decisively to COVID-19 global pandemic by closing offices and implementing work-from-home-processes and stringent operational protocols in the field to protect Apache employees and communities;
- ✔ Revised 2020 upstream capital budget following oil price collapse to approximately \$1.1 billion; down nearly 55% from 2019;
- ✔ Reduced the company's quarterly dividend by 90% and outlined plans to use the \$340 million of cash retained annually from the dividend reduction to further strengthen the company's financial position;
- ✔ Highlighted the company's ample liquidity through its \$4 billion revolver and ability to manage bonds maturing between February 2021 and January 2023;
- ✔ Increased estimated cost savings associated with the previously announced organizational redesign; annual cost reduction target doubled to more than \$300 million;
- ✔ Announced two significant oil discoveries at Maka Central-1 and Sapakara West-1 in Block 58 offshore Suriname; and
- ✔ Delivered first-quarter reported production of 468,000 barrels of oil equivalent (BOE) per day; adjusted production, which excludes Egypt noncontrolling interest and tax barrels, was 423,000 BOE per day.

HOUSTON, May 6, 2020 – Apache Corporation (NYSE, Nasdaq: APA) today announced its financial and operational results for the first-quarter 2020.

Apache reported a loss of \$4.5 billion or \$11.86 per diluted common share during the first-quarter 2020. When adjusted for certain items that impact the comparability of results, primarily noncash impairments related to the company's legacy vertical developments in the Permian Basin, Apache reported a first-quarter loss of \$51 million, or \$0.13 per share. Net cash provided by operating activities in the first quarter was \$502 million, and adjusted EBITDAX was \$764 million.

"The global economy and the energy industry have been deeply impacted by the COVID-19 pandemic. As we navigate this crisis, Apache's priorities are protecting the health and safety of our employees and the communities in which we operate and preserving the inherent value and optionality of our diverse asset base for the long-term," said John J. Christmann IV, Apache's chief executive officer and president.

Christmann continued, "We have taken several decisive actions to preserve Apache's financial and operational strength during this difficult time, including reducing our planned 2020 capital program, reducing our dividend, initiating a hedge position to protect from further near-term downside oil price exposure and increasing the cost-saving measures of the organizational redesign that we began last year. We also conducted a thorough economic and operational evaluation of all producing wells across the company to inform the methodical and targeted approach we are taking to production curtailments and shut-ins in this price environment. I am confident these comprehensive steps will enable us to minimize the cash flow impacts of this distressed and volatile price environment.

"Apache remains committed to our long-term objectives, which, despite the current environment, haven't changed. We will budget conservatively and direct free cash flow, on a priority basis, to debt reduction; maintain a balanced and diversified portfolio; and prioritize investment for long-term returns over production growth. We will also maintain our capacity to generate material free cash flow in Egypt and the North Sea. And, lastly, we will advance the exploration program and follow-on appraisal activity in Block 58 offshore Suriname."

## COVID-19 response

Apache is prioritizing the health and safety of its employees and communities where it operates. The company responded quickly to the COVID-19 pandemic by closing many of its offices and implementing work-from-home-processes and stringent operational protocols in the field with minimal business interruption. For example, the company has introduced temperature screenings throughout its operations, expanded assessment of all contractor companies and vendors coming onsite to locations, and increased cleaning measures in the field and in office locations. Apache has developed a thorough and phased re-entry plan for the eventual reopening of its closed offices and will follow the guidance of local governments before implementing its re-entry plans. To assist the communities where Apache operates, the company has contributed to the COVID-19 response with donations of personal protective equipment (PPE) to hospitals and first responders and financial and in-kind contributions to food banks and women's shelters. Read more about Apache' response to the global pandemic on the company website at [www.apachecorp.com/covid-19-our-response.aspx](http://www.apachecorp.com/covid-19-our-response.aspx).

## 2020 capital budget and outlook

Following the rapid drop in oil prices in early March, Apache announced a plan to reduce activity in Egypt and the North Sea and to eliminate all U.S. drilling and completion activity. This resulted in a \$650 million decrease in planned upstream investment, compared to the company's initial budget announced in late February. Approximately 60% of the revised 2020 investment will be in international assets, compared to approximately 45% in the previous budget.

## Liquidity update

Apache has a strong liquidity position, supported by a \$4.0 billion revolving credit facility that matures in March of 2024. The facility has commitments from 18 banks, 17 of which are rated A or better, is not subject to borrowing base redeterminations, has no covenants that are triggered by credit ratings, and includes a \$2 billion committed sublimit for letters of credit.

In April, Apache posted letters of credit (LCs) under the LC sublimit aggregating approximately \$800 million related to asset retirement obligations in the U.K. North Sea. These postings utilize a portion of that facility.

In addition to the company's ample liquidity, Apache also maintains a very manageable bond maturity profile. In the event the company is unable to generate free cash flow to retire or refinance its bond maturities over the next three years, the revolver could be used to pay them down.

#### First-quarter operational summary

First-quarter reported production was 468,000 BOE per day; adjusted production, which excludes Egypt noncontrolling interest and tax barrels, was 423,000 BOE per day.

During the first quarter, Apache operated an average of 21 rigs and drilled and completed 44 gross-operated wells worldwide. Highlights from Apache's principal areas include:

**United States** – Operated an average of seven rigs, drilled and completed 24 gross-operated wells, all of which were in the Permian, and reported production of 283,000 BOE per day.

Permian Basin production averaged 273,000 BOE per day, including oil production of 97,000 BOE per day. Following the significant drop in oil prices in early March, Apache decided to reduce its rig count to zero in the Permian. The company is down to one rig in the Delaware Basin, which is currently finishing its last well. After which, the company will have approximately 70 drilled and uncompleted (DUC) wells in the unconventional Midland and Delaware Basins, 15 of which are in Alpine High.

- ✔ Midland Basin – Averaged four rigs and placed 12 wells on production, all on multi-well pads. Substantially completed drilling the company's first 3-mile lateral pad, achieving significant cost savings. Completion of these five wells has been deferred due to the current price environment.
- ✔ Delaware Basin – Averaged three rigs and placed 11 wells on production. Alpine High production averaged 94,000 BOE per day with a 39% liquids mix.

**International** – Operated an average of 14 rigs, drilled and completed 20 gross-operated wells and reported production of 185,000 BOE per day.

- ✔ Egypt – Averaged 11 rigs, drilled and completed 16 gross-operated wells and reported production of 116,000 BOE per day, or 72,000 BOE per day on an adjusted basis. Achieved a 94% drilling success rate, including four successful exploration tests.
- ✔ North Sea – Averaged two rigs and drilled and completed four gross operated wells during the quarter. Production of 69,000 BOE per day was up 9% from the fourth quarter, driven by the high-volume Garten-2 well, which was placed on production in late January.
- ✔ Suriname – On Jan. 7, Apache (50% interest) and its partner Total S.A. (50% interest) announced a significant oil discovery offshore Suriname in Block 58 at Maka Central-1. On April 2, the partners announced a second significant oil discovery in Block 58 at Sapakara West-1, and in the second half of April, commenced drilling on a third exploration well, Kwaskwasi-1, which is located approximately 10 kilometers (6 miles) northwest of Sapakara West-1. Following Kwaskwasi-1, a fourth exploration prospect, Keskesi East-1, will be drilled approximately 10 kilometers (6 miles) southeast of the Sapakara discovery well.

"While the 2020 outlook for the global economy and the oil and gas industry, specifically, is uncertain, we have made great strides in this environment to reduce our cost structure, protect our balance sheet, and manage our operations to preserve cash flow. Our teams have done an exceptional job implementing our organization redesign, responding to the recent changes in activity levels and operational protocols, and are delivering very good results in both our exploration and development programs. When market conditions improve, I am confident we will successfully leverage Apache's diversified portfolio to differentiate our long-term value proposition for shareholders," concluded Christmann.

#### Conference call

Apache will host a conference call to discuss its first-quarter 2020 results at 10 a.m. Central time, Thursday, May 7. The conference call will be webcast from Apache's website at [www.apachecorp.com](http://www.apachecorp.com) and [investor.apachecorp.com](http://investor.apachecorp.com), and the webcast replay will be archived there as well. The conference call will also be available for playback by telephone for one week beginning at approximately 4 p.m. Central time May 7. The number for the replay is 855-859-2056 or 404-537-3406 for international calls. The conference access code is 8586364. Sign up for email alerts to be reminded of the webcast at [investor.apachecorp.com/alerts/email-alerts-subscription](http://investor.apachecorp.com/alerts/email-alerts-subscription).

#### About Apache

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#### Additional information

Additional information follows, including reconciliations of adjusted earnings and adjusted EBITDAX (non-GAAP financial measures) to GAAP measures and information regarding adjusted production. Apache's quarterly supplement is available at [www.apachecorp.com/financialdata](http://www.apachecorp.com/financialdata).

#### Non-GAAP financial measures

Apache's financial information includes information prepared in conformity with generally accepted accounting principles (GAAP) as well as non-GAAP financial information. It is management's intent to provide non-GAAP financial information to enhance understanding of our consolidated financial information as prepared in accordance with GAAP. Adjusted earnings and adjusted EBITDAX are non-GAAP measures. This non-GAAP information should be considered by the reader in addition to, but not instead of, the financial statements prepared in accordance with GAAP. Each non-GAAP financial measure is presented along with the corresponding GAAP measure so as not to imply that more emphasis should be placed on the non-GAAP measure.

#### Forward-looking statements

This news release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements can be identified by words such as "anticipates," "intends," "plans," "seeks," "believes," "continues," "could," "estimates," "expects," "guidance," "may," "might," "outlook," "possibly," "potential," "projects," "should," "will," "would," and similar references to future periods, but the absence of these words does not mean that a statement is not forward-looking. These statements include, but are not limited to,

statements about future plans, expectations and objectives for Apache's operations, including statements about our capital plans, drilling plans, production expectations, asset sales, and monetizations. While forward-looking statements are based on assumptions and analyses made by us that we believe to be reasonable under the circumstances, whether actual results and developments will meet our expectations and predictions depend on a number of risks and uncertainties which could cause our actual results, performance, and financial condition to differ materially from our expectations. See "Risk Factors" in our 2019 Form 10-K and in our quarterly reports on Form 10-Q filed, with the Securities and Exchange Commission ("SEC") for a discussion of risk factors that affect our business. Any forward-looking statement made by Apache in this news release speaks only as of the date on which it is made. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. Apache undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future development or otherwise, except as may be required by law.

**Cautionary note to investors**

The United States Securities and Exchange Commission permits oil and gas companies, in their filings with the SEC, to disclose only proved, probable, and possible reserves that meet the SEC's definitions for such terms. Apache may use certain terms in this news release, such as "resources," "potential resources," "resource potential," "estimated net reserves," "recoverable reserves," and other similar terms that the SEC guidelines strictly prohibit Apache from including in filings with the SEC. Such terms do not take into account the certainty of resource recovery, which is contingent on exploration success, technical improvements in drilling access, commerciality and other factors, and are therefore not indicative of expected future resource recovery and should not be relied upon. Investors are urged to consider carefully the disclosure in Apache's Annual Report on Form 10-K for the fiscal year ended Dec. 31, 2019 available from Apache at [www.apachecorp.com](http://www.apachecorp.com) or by writing Apache at: 2000 Post Oak Blvd., Suite 100, Houston, TX 77056 (Attn: Corporate Secretary). You can also obtain this report from the SEC by calling 1-800-SEC-0330 or from the SEC's website at [www.sec.gov](http://www.sec.gov).

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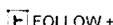
Click [here](#) for the full release with quarterly financial statements.

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