

APACHE CORP
Form 11-K
June 27, 2008

Table of Contents

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

**FORM 11-K
Annual Report
Pursuant to Section 15(d) of the
Securities Exchange Act of 1934**

(Mark One):

- Annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934
(*No fee required, effective October 7, 1996*)

For the fiscal year ended December 31, 2007

Or

- Transition report pursuant to Section 15(d) of the Securities Exchange Act of 1934
(*No fee required*)

For the transition period from _____ to _____
Commission file number 33-63817

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:
Apache Corporation 401(k) Savings Plan
2000 Post Oak Boulevard, Suite 100
Houston, Texas 77056-4400

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:
Apache Corporation
2000 Post Oak Boulevard, Suite 100
Houston, Texas 77056-4400

Table of Contents

Financial Statements and Supplemental Schedule
Apache Corporation 401(k) Savings Plan
December 31, 2007 and 2006 and Year Ended December 31, 2007

Apache Corporation 401(k) Savings Plan
Financial Statements and Supplemental Schedule
December 31, 2007 and 2006 and Year Ended December 31, 2007

Contents

<u>Report of Independent Registered Public Accounting Firm</u>	1
Audited Financial Statements	
<u>Statements of Net Assets Available for Benefits</u>	2
<u>Statement of Changes in Net Assets Available for Benefits</u>	3
<u>Notes to Financial Statements</u>	4
Supplemental Schedule	
<u>Schedule H, Line 4(i) Schedule of Assets (Held At End of Year)</u>	10
<u>Consent of Ernst & Young LLP</u>	

Table of Contents

Report of Independent Registered Public Accounting Firm

Retirement Plan Advisory Committee

Apache Corporation 401(k) Savings Plan

We have audited the accompanying statements of net assets available for benefits of the Apache Corporation 401(k) Savings Plan as of December 31, 2007 and 2006, and the related statement of changes in net assets available for benefits for the year ended December 31, 2007. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Plan's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan at December 31, 2007 and 2006, and the changes in its net assets available for benefits for the year ended December 31, 2007, in conformity with U.S. generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedule of assets (held at end of year) as of December 31, 2007, is presented for purposes of additional analysis and is not a required part of the financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

/s/ Ernst & Young LLP

Houston, Texas

June 25, 2008

Table of Contents

Apache Corporation 401(k) Savings Plan
Statements of Net Assets Available for Benefits

	December 31	
	2007	2006
Assets		
Receivables:		
Securities sold	\$ 276,970	\$ 8,619
Investments, at fair value	356,839,903	277,673,168
Net assets available for benefits, at fair value	357,116,873	277,681,787
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	217,991	177,888
Net assets available for benefits	\$ 357,334,864	\$ 277,859,675

See accompanying notes.

2

Table of Contents

Apache Corporation 401(k) Savings Plan
Statement of Changes in Net Assets Available for Benefits
Year Ended December 31, 2007

Additions:	
Employer contributions	\$ 8,876,012
Participant contributions	14,473,124
Rollover contributions	1,660,106
Investment income	13,523,678
Net appreciation in fair value of investments	63,036,411
 Total additions	 101,569,331
Deductions:	
Benefits paid to participants	22,041,715
Administrative fees	52,427
 Total deductions	 22,094,142
 Net increase	 79,475,189
Net assets available for benefits at:	
Beginning of year	277,859,675
 End of year	 \$ 357,334,864

See accompanying notes.

Table of Contents

Apache Corporation 401(k) Savings Plan
Notes to Financial Statements
December 31, 2007

1. Description of Plan

The following brief description of the Apache Corporation 401(k) Savings Plan (the Plan) is provided only for general information purposes. Participants should refer to the *Summary Plan Description* for more complete information, a copy of which is available from Apache Corporation (the Company or Employer) or is accessible through the Company's intranet site.

The Plan is a defined contribution plan, open to all eligible categories of employees and is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Contributions

Beginning on the first day of the month following their date of hire, participants may elect to contribute up to 50% of their eligible compensation and will receive Company matching contributions equal to 100% of the first 6% of their contributions. New employees eligible for participation in the Plan are automatically enrolled with a deferral percentage of 6% and a default investment election to the Fidelity Managed Income Portfolio (FMIP) investment option, unless the employee elects not to participate or elects a different deferral percentage or fund option. Effective April 15, 2008, the default investment option was changed from the FMIP to one of the Fidelity Freedom age-based funds as determined by the participant's date of birth. Participants may also contribute amounts representing rollover distributions from other qualified plans. Participants direct the investment of all contributions to their accounts into various fund options offered by the Plan. Only participant contributions are eligible to be invested in the self-directed brokerage account.

Vesting

Participants are fully vested in their contributions and all related earnings. Vesting in the Employer contribution portion of their accounts and related earnings is based on years of credited service. A participant becomes 20% vested after completion of one year of service and continues to vest 20% per year, becoming fully vested after completion of five years of credited service. Forfeitures of unvested accounts may be used by the Company to reduce future Employer contributions to the Plan or pay administrative expenses of the Plan.

Table of Contents

Apache Corporation 401(k) Savings Plan
Notes to Financial Statements (continued)

1. Description of Plan (continued)

Participant Loans

Participants may borrow from their own contributions a minimum of \$500, up to the lesser of \$50,000 less the participant's highest outstanding loan balance during the preceding 12 months or 50% of their vested account balance. Loans are charged at a rate of interest equal to the current prime lending rate plus 1%. Loans must generally be repaid through payroll deductions within four years.

Benefit Payments

Participants are eligible to receive lump-sum benefits equal to the vested value of their account in the event of retirement, disability, death, or termination of employment.

Plan Termination

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants become fully vested.

Administrative Expenses

Certain administrative expenses of the Plan are paid by the Company.

2. Summary of Accounting Policies

Basis of Accounting

The accompanying financial statements of the Plan have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Benefit payments are recorded when paid.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates that affect the reported amounts in the financial statements, accompanying notes, and supplemental schedule. Actual results could differ from those estimates.

Table of Contents

Apache Corporation 401(k) Savings Plan
Notes to Financial Statements (continued)

2. Summary of Accounting Policies (continued)

Investment Valuation and Income Recognition

Fidelity Management Trust Company serves as the Plan's trustee and holds all investments of the Plan, except for the self-directed brokerage account, which is held by Fidelity Brokerage Services. Investments in mutual funds and corporate stocks are stated at fair value based on quotations obtained from national securities exchanges. The money market funds and participant loans are stated at cost, which approximates fair value.

As described in Financial Accounting Standards Board Staff Position AAG INV-1 and SOP 94-4-1, *Reporting of Fully Benefit-Responsive Investment Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Guide and Defined-Contribution Health and Welfare and Pension Plans* (the FSP), investment contracts held by a defined contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. The Plan invests in investment contracts through the FMIP, a common collective trust. As required by the FSP, the statements of net assets available for benefits present the fair value of the FMIP and the adjustment from fair value to contract value. The fair value of the Plan's interest in the FMIP is based on information reported by the issuer of the common collective trust at year-end. The contract value of the FMIP represents contributions plus earnings, less participant withdrawals and administrative expenses.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Risks and Uncertainties

The Plan provides for investments in various investment securities which, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investments securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of net assets available for benefits and participant account balances.

Table of Contents

Apache Corporation 401(k) Savings Plan
Notes to Financial Statements (continued)

2. Summary of Accounting Policies (continued)**New Accounting Pronouncement**

In September 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS No. 157), which defines fair value, establishes a framework for measuring fair value, and expands disclosures of fair value measurements. SFAS No. 157 is effective for the Plan beginning January 1, 2008. The Company is currently evaluating the impact, if any, the adoption of SFAS No. 157 will have on the financial statements of the Plan.

3. Investments

Individual investments that represent 5% or more of the Plan's net assets at either December 31, 2007 or 2006, are as follows:

	December 31	
	2007	2006
Apache Corporation common stock	\$ 162,273,112	\$ 116,239,328
Davis New York Venture Fund	28,012,161	26,276,348
Fidelity Retirement Money Market Portfolio	21,228,775	13,223,055
Fidelity Managed Income Portfolio (at contract value)*	20,276,950	17,876,975
Fidelity Low-Priced Stock Fund	15,745,204	17,775,775

* The fair value of the Plan's investment in the Fidelity Managed Income Portfolio was \$20,058,959 and \$17,699,087 at December 31, 2007 and 2006, respectively.

During 2007, the Plan's investments (including investments bought, sold, and held during the year) appreciated (depreciated) in value as follows:

	Year Ended December 31, 2007
Mutual funds	\$ (3,280,265)
Corporate stocks	66,316,676
	\$ 63,036,411

Table of Contents

Apache Corporation 401(k) Savings Plan
Notes to Financial Statements (continued)

4. Income Tax Status

The Plan has received a determination letter from the Internal Revenue Service (IRS) dated July 22, 2002, stating that the Plan is qualified under Section 401(a) of the Internal Revenue Code (the IRC) and, therefore, the related trust is exempt from taxation. Subsequent to this determination by the IRS, the Plan was amended and restated. Once qualified, the Plan is required to operate in conformity with the IRC to maintain its qualification. The plan administrator believes the Plan is being operated in compliance with the applicable requirements of the IRC and, therefore, believes that the Plan, as amended and restated, is qualified and the related trust is tax-exempt.

5. Related-Party Transactions

Certain investments of the Plan are managed by Fidelity Investments. Fidelity Management Trust Company is the trustee of the Plan and, therefore, these transactions qualify as party-in-interest transactions. Additionally, a portion of the Plan's assets are invested in the Company's common stock. Because the Company is the plan sponsor, transactions involving the Company's common stock qualify as party-in-interest transactions. All of these transactions are exempt from the prohibited transactions rules.

6. Reconciliation of Financial Statements to Form 5500

The following is a reconciliation of net assets available for benefits per the financial statements to the Form 5500:

	December 31	
	2007	2006
Net assets available for benefits per the financial statements	\$ 357,334,864	\$ 277,859,675
Less adjustment from fair value to contract value for fully benefit-responsive investment contracts	(217,991)	(177,888)
Net assets available for benefits per the Form 5500	\$ 357,116,873	\$ 277,681,787

Table of ContentsApache Corporation 401(k) Savings Plan
Notes to Financial Statements (continued)**6. Reconciliation of Financial Statements to Form 5500 (continued)**

The following is a reconciliation of the net increase in net assets available for benefits per the financial statements to the Form 5500:

	Year Ended December 31, 2007
Net increase in net assets available for benefits per the financial statements	\$ 79,475,189
Add prior-year adjustment from fair value to contract value for fully benefit-responsive investment contracts	177,888
Less current-year adjustment from fair value to contract value for fully benefit-responsive investment contracts	(217,991)
Net increase in assets available for benefits per the Form 5500	\$ 79,435,086

The accompanying financial statements present fully benefit-responsive contracts at contract value. The Form 5500 requires fully benefit-responsive investment contracts to be reported at fair value. Therefore, the adjustment from fair value to contract value for fully benefit-responsive investment contracts represents a reconciling item.

Table of Contents

Supplemental Schedule

Table of Contents

Apache Corporation 401(k) Savings Plan
Schedule H, Line 4(i) Schedule of Assets (Held At End of Year)
EIN: 41-0747868 PN: 002
December 31, 2007

Identity of Issue, Borrower, Lessor, or Similar Party	Description of Investment	Current Value
* Apache Corporation	1,508,956 shares of common stock	\$ 162,273,112
* Fidelity Investments	Fidelity Puritan Fund	7,977,173
* Fidelity Investments	Fidelity Cash Reserves Fund	1,848
* Fidelity Investments	Fidelity Intermediate Bond Fund	7,846,683
* Fidelity Investments	Fidelity Blue Chip Growth Fund	12,100,930
* Fidelity Investments	Fidelity Magellan Fund	865,672
* Fidelity Investments	Fidelity Growth Company Fund	11,042,068
* Fidelity Investments	Fidelity Retirement Money Market Portfolio	21,228,775
* Fidelity Investments	Fidelity Managed Income Portfolio	20,058,959
* Fidelity Investments	Spartan U. S. Equity Index Fund	8,205,177
* Fidelity Investments	Fidelity Low-Priced Stock Fund	15,745,204
* Fidelity Investments	Fidelity Freedom Income Fund	678,122
* Fidelity Investments	Fidelity Freedom 2000 Fund	1,182,012
* Fidelity Investments	Fidelity Freedom 2005 Fund	3,054
* Fidelity Investments	Fidelity Freedom 2010 Fund	2,261,171
* Fidelity Investments	Fidelity Freedom 2015 Fund	501,352
* Fidelity Investments	Fidelity Freedom 2020 Fund	5,387,807
* Fidelity Investments	Fidelity Freedom 2025 Fund	475,752
* Fidelity Investments	Fidelity Freedom 2030 Fund	1,489,133
* Fidelity Investments	Fidelity Freedom 2035 Fund	52,842
* Fidelity Investments	Fidelity Freedom 2040 Fund	1,441,477
* Fidelity Investments	Fidelity Freedom 2045 Fund	22,826
* Fidelity Investments	Fidelity Freedom 2050 Fund	158,784
Ariel Mutual Funds	Ariel Appreciation Fund	4,096,178
Davis Funds	Davis New York Venture Fund	28,012,161
Western Asset Funds, Inc.	Western Asset Core Portfolio Institutional Fund	2,167,123
Van Kampen Funds, Inc.	Van Kampen Comstock Fund	12,734,546
MFS Fund Distributors, Inc.	MFS International New Discovery Fund	9,273,726
The Royce Funds	Royce Value Plus Series Fund	3,143,739
American Beacon	American Beacon Small Cap Value Fund	2,752,447
Morgan Stanley	Morgan Stanley Institutional Fund, Inc. Intermediate Equity Portfolio	9,722,931
Brokerage link	Self-directed brokerage account	1,865,750
* Participant loans	Varying maturity dates and interest rates ranging from 5.00% to 9.25%	2,071,369
		\$ 356,839,903

* Party-in-interest

Table of Contents

SIGNATURES

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Apache Corporation
401(k) Savings Plan
(Name of Plan)

Date: June 26, 2008

/s/ Margery M. Harris
Margery M. Harris, Chairperson
Retirement Plan Advisory Committee

Table of Contents

INDEX TO EXHIBITS

Exhibit No.	Description
23.1	Consent of Ernst & Young LLP