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APACHE CORP
Form 11-K
June 28, 2004

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, 2003

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

FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULE

Apache Corporation 401(k) Savings Plan
December 31, 2003 and 2002 and year ended December 31, 2003

Apache Corporation 401(k) Savings Plan

Financial Statements and Supplemental Schedule

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December 31, 2003 and 2002 and year ended December 31, 2003

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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, 2003 and 2002, and the related statement of changes in net assets available for benefits for the year ended December 31, 2003. 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as 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, 2003 and 2002, and the changes in its net assets available for benefits for the year ended December 31, 2003, 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, 2003, is presented for purposes of additional analysis and is not a required part of the financial statements but is 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.

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/s/ Ernst & Young LLP

Houston, Texas
June 18, 2004

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Apache Corporation 401(k) Savings Plan

Statements of Net Assets Available for Benefits

| | DECEMBER 31 | |
|--|-----------------------|-----------------------|
| | 2003 | 2002 |
| ASSETS | | |
| Receivables: | | |
| Securities sold | \$ 75,546 | \$ - |
| Investments | 168,781,076 | 127,348,334 |
| | 168,856,622 | 127,348,334 |
| Total assets | 168,856,622 | 127,348,334 |
| LIABILITIES | | |
| Accrued expenses | - | 20,040 |
| | - | 20,040 |
| Net assets available for benefits | \$ 168,856,622 | \$ 127,328,294 |
| | 168,856,622 | 127,328,294 |

See accompanying notes.

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Apache Corporation 401(k) Savings Plan

Statement of Changes in Net Assets Available for Benefits

Year ended December 31, 2003

Additions:

| | |
|---|-------------------|
| Participant contributions | \$ 7,279,411 |
| Employer contributions | 5,273,361 |
| Rollover contributions | 963,073 |
| Investment income | 2,534,481 |
| Net appreciation in fair value of investments | 37,857,884 |
| | 53,908,210 |
| Total additions | 53,908,210 |

Deductions:

| | |
|-------------------------------|------------|
| Administrative fees | 88,755 |
| Benefits paid to participants | 12,291,127 |
| | 12,380,882 |

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| | |
|---------------------------------------|---------------|
| Total deductions | 12,379,882 |
| | ----- |
| Net increase | 41,528,328 |
| Net assets available for benefits at: | |
| Beginning of year | 127,328,294 |
| | ----- |
| End of year | \$168,856,622 |
| | ===== |

See accompanying notes.

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Apache Corporation 401(k) Savings Plan

Notes to Financial Statements

December 31, 2003

1. DESCRIPTION OF PLAN

The following brief description of the Apache Corporation 401(k) Savings Plan (the "Plan") is provided for general information purposes only. Participants should refer to the Summary Plan Description for more complete information, a copy of which is available from Apache Corporation (the "Company").

The Plan is a defined contribution plan established on January 1, 1989, open to all eligible employees and is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA").

CONTRIBUTIONS

Participants may contribute up to 25% of their eligible compensation. The Company makes a basic contribution equal to 100% of the first 6% of each participant's contributions. 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 immediately 100% 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 the completion of one year of service and continues to vest 20% per year becoming fully vested after the completion of five years of credited service. Forfeitures of unvested accounts may be used to reduce future employer contributions to the Plan or pay the administrative expenses of the Plan.

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.

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Apache Corporation 401(k) Savings Plan

Notes to Financial Statements (continued)

1. DESCRIPTION OF PLAN (CONTINUED)

BENEFIT PAYMENTS

Participants are eligible to receive lump-sum benefits equal to the vested value of their account upon 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 will become 100% vested in their accounts.

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 amounts reported in the financial statements and accompanying notes and schedule. Actual results could differ from those estimates.

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 common stock are stated at fair value based on quotations obtained from national securities exchanges. The

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Apache Corporation 401(k) Savings Plan

Notes to Financial Statements (continued)

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

investment in the common collective trust fund is stated at fair value as

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determined by the issuer, based on the quoted market value of the underlying investments. The money market fund and participant loans are stated at cost, which approximates fair value.

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.

RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform to the current year presentation.

3. INVESTMENTS

Individual investments that represent 5% or more of the Plan's net assets are as follows:

| | DECEMBER 31 | |
|--|--------------|--------------|
| | 2003 | 2002 |
| | ----- | ----- |
| Apache Corporation common stock | \$71,092,288 | \$55,579,646 |
| Fidelity Blue Chip Growth Fund | 9,609,072 | 6,387,757 |
| Fidelity Magellan Fund | 20,214,961 | 16,303,454 |
| Fidelity Intermediate Bond Fund | 7,377,236 | 6,462,634 |
| Fidelity Managed Income Portfolio | 14,072,304 | 11,667,123 |
| Fidelity Retirement Money Market Portfolio | 8,591,870 | 8,493,343 |
| Fidelity Equity Income Fund | 9,547,067 | 7,118,043 |
| Fidelity Low-Priced Stock Fund | 8,989,694 | 4,768,585 |

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Apache Corporation 401(k) Savings Plan

Notes to Financial Statements (continued)

3. INVESTMENTS (CONTINUED)

During 2003, the Plan's investments (including investments bought, sold, and held during the year) appreciated (depreciated) in value as follows:

YEAR ENDED
DECEMBER 31
2003

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| | |
|---------------|--------------|
| Mutual funds | \$12,524,942 |
| Common stocks | 25,332,942 |
| | ----- |
| | \$37,857,884 |
| | ===== |

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.

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Supplemental Schedule

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, 2003

| IDENTITY OF ISSUE, BORROWER, LESSOR, OR SIMILAR PARTY | DESCRIPTION OF INVESTMENT | CURRENT VALUE |
|---|---|---------------|
| ----- | ----- | ----- |
| * Apache Corporation | 876,600 shares of common stock | \$ 71,092,288 |
| * Fidelity Investments | Fidelity Puritan Fund | 3,377,300 |
| * Fidelity Investments | Fidelity Equity Income Fund | 9,547,067 |
| * Fidelity Investments | Fidelity Intermediate Bond Fund | 7,377,236 |
| * Fidelity Investments | Fidelity Blue Chip Growth Fund | 9,609,072 |
| * Fidelity Investments | Fidelity Magellan Fund | 20,214,961 |
| * Fidelity Investments | Fidelity Growth Company Fund | 3,873,709 |
| * Fidelity Investments | Fidelity Retirement Money Market Portfolio | 8,591,870 |
| Morgan Stanley | Morgan Stanley Institutional Fund, Inc. - Intermediate Equity Portfolio | 2,437,669 |
| * Fidelity Investments | Fidelity Managed Income Portfolio | 14,072,304 |
| * Fidelity Investments | Spartan U. S. Equity Index Fund | 3,213,078 |
| * Fidelity Investments | Fidelity Low-Priced Stock Fund | 8,989,694 |
| * Fidelity Investments | Ariel Appreciation | 1,309,587 |
| * Fidelity Investments | FID Freedom Income | 34,449 |
| * Fidelity Investments | FID Freedom 2000 | 3,293 |

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| | | |
|------------------------|--|---------------|
| * Fidelity Investments | FID Freedom 2010 | 893,081 |
| * Fidelity Investments | FID Freedom 2020 | 761,946 |
| * Fidelity Investments | FID Freedom 2030 | 127,953 |
| * Fidelity Investments | FID Freedom 2040 | 77,143 |
| Brokerage link | Self-directed brokerage account | 1,133,526 |
| * Participant loans | Varying maturity dates and interest rates ranging from 5.00% to 10.50% | 2,043,850 |
| | | ===== |
| | | \$168,781,076 |
| | | ===== |

* Party-in-interest

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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 28, 2004

/s/ Jeffrey M. Bender

Jeffrey M. Bender, Chairman
Retirement Plan Advisory Committee

INDEX TO EXHIBITS

| Exhibit No. | Description |
|-------------|------------------------------|
| ----- | ----- |
| 23.1 | Consent of Ernst & Young LLP |