

APACHE CORP
Form 11-K
June 27, 2006

**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, 2005

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 Schedules
Apache Corporation 401(k) Savings Plan
December 31, 2005 and 2004 and Year Ended December 31, 2005

Apache Corporation 401(k) Savings Plan
Financial Statements and Supplemental Schedules
December 31, 2005 and 2004 and Year Ended December 31, 2005

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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, 2005 and 2004, and the related statement of changes in net assets available for benefits for the year ended December 31, 2005. 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, 2005 and 2004, and the changes in its net assets available for benefits for the year ended December 31, 2005, 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 schedules of assets (held at end of year) as of December 31, 2005, and delinquent participant contributions for the year ended December 31, 2005, are presented for purposes of additional analysis and are 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. These supplemental schedules are the responsibility of the Plan's management. The supplemental schedules have been

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subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

/s/ Ernst & Young LLP

Houston, Texas

June 13, 2006

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

| | December 31 | |
|-----------------------------------|----------------|----------------|
| | 2005 | 2004 |
| Assets | | |
| Receivables: | | |
| Securities sold | \$ 213,763 | \$ 36,588 |
| Investments | 253,777,211 | 206,392,999 |
| Net assets available for benefits | \$ 253,990,974 | \$ 206,429,587 |

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, 2005

| | |
|-----------------------------------------------|----------------|
| Additions: | |
| Employer contributions | \$ 6,895,825 |
| Participant contributions | 10,354,091 |
| Rollover contributions | 757,474 |
| Investment income | 5,729,663 |
| Net appreciation in fair value of investments | 34,716,011 |
| Total additions | 58,453,064 |
| Deductions: | |
| Benefits paid to participants | 10,831,610 |
| Administrative fees | 60,067 |
| Total deductions | 10,891,677 |
| Net increase | 47,561,387 |
| Net assets available for benefits at: | |
| Beginning of year | 206,429,587 |
| End of year | \$ 253,990,974 |

See accompanying notes.

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Apache Corporation 401(k) Savings Plan
Notes to Financial Statements
December 31, 2005

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 is accessible through the Company's intranet site.

The Plan is a defined contribution plan established on January 1, 1989, 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 25% of their eligible compensation and will receive Company matching contributions equal to 100% of the first 6% of their 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 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.

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.

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 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 schedules. 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 corporate 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 Valuation and Income Recognition (continued)**

investment in the common collective trust fund is stated at fair value as determined by the issuer, based on quoted market values of the underlying investments. The money market funds 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. 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.

3. Investments

Individual investments that represent 5% or more of the Plan's net assets at either December 31, 2005 or 2004, are as follows:

| | December 31 | |
|-----------------------------------|-----------------------|---------------|
| | 2005 | 2004 |
| Apache Corporation common stock | \$ 121,545,092 | \$ 89,509,075 |
| Fidelity Magellan Fund | 679,483 | 20,794,027 |
| Fidelity Managed Income Portfolio | 16,105,065 | 16,426,244 |
| Fidelity Equity-Income Fund | | 11,979,213 |
| Fidelity Low-Priced Stock Fund | 14,709,393 | 13,327,374 |
| Davis New York Venture Fund | 23,067,647 | |

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

3. Investments (continued)

During 2005, the Plan's investments (including investments bought, sold, and held during the year) appreciated in value as follows:

| | Year Ended December 31 2005 |
|------------------|--------------------------------------------|
| Mutual funds | \$ 2,135,908 |
| Corporate stocks | 32,580,103 |
| | \$ 34,716,011 |

4. Income Tax Status

The Plan 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 Section 401(a) 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 Schedules

Apache Corporation 401(k) Savings Plan
Schedule H, Line 4(a) Schedule of Delinquent Participant Contributions
EIN: 41-0747868 PN: 002
Year Ended December 31, 2005

**Participant Contributions
Transferred Late to Plan**

\$30

**Total That Constitute Nonexempt
Prohibited Transactions**

\$30

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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, 2005

| Identity of Issue, Borrower, Lessor, or Similar Party | Description of Investment | Current Value |
|------------------------------------------------------------------|-----------------------------------------------------------------------|----------------------|
| * Apache Corporation | 1,773,843 shares of common stock | \$ 121,545,092 |
| * Fidelity Investments | Fidelity Puritan Fund | 5,607,082 |
| * Fidelity Investments | Fidelity Cash Reserves Fund | 1,429 |
| * Fidelity Investments | Fidelity Intermediate Bond Fund | 7,399,575 |
| * Fidelity Investments | Fidelity Blue Chip Growth Fund | 10,176,446 |
| * Fidelity Investments | Fidelity Magellan Fund | 679,483 |
| * Fidelity Investments | Fidelity Growth Company Fund | 5,770,641 |
| * Fidelity Investments | Fidelity Retirement Money Market Portfolio | 10,053,271 |
| Morgan Stanley | Morgan Stanley Institutional Fund, Inc. Intermediate Equity Portfolio | 5,533,928 |
| * Fidelity Investments | Fidelity Managed Income Portfolio | 16,105,065 |
| * Fidelity Investments | Spartan U. S. Equity Index Fund | 5,596,008 |
| * Fidelity Investments | Fidelity Low-Priced Stock Fund | 14,709,393 |
| Ariel Mutual Funds | Ariel Appreciation Fund | 3,994,072 |
| * Fidelity Investments | Fidelity Freedom Income | 181,232 |
| * Fidelity Investments | Fidelity Freedom 2000 | 30,803 |
| * Fidelity Investments | Fidelity Freedom 2010 | 1,214,006 |
| * Fidelity Investments | Fidelity Freedom 2020 | 1,681,653 |
| * Fidelity Investments | Fidelity Freedom 2030 | 415,084 |
| * Fidelity Investments | Fidelity Freedom 2040 | 660,184 |
| Brokerage link | Self-directed brokerage account | 1,847,102 |
| Davis Funds | Davis New York Venture Fund | 23,067,647 |
| Western Asset Funds, Inc. | Western Asset Core Portfolio Institutional Fund | 846,218 |
| Van Kampen Funds, Inc. | Van Kampen Comstock Fund | 12,268,853 |
| MFS Fund Distributors, Inc. | MFS International New Discovery Fund | 1,224,594 |
| American Beacon | American Beacon Small Cap Value Fund | 1,518,409 |
| * Participant loans | Varying maturity dates and interest rates ranging from 5.00% to 7.75% | 1,649,941 |
| | | \$253,777,211 |
| * Party-in-interest | | |

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 23, 2006

/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 |