APACHE CORP
Form 424B5
November 30, 2010

Table of Contents

The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the prospectus are part of an effective registration statement filed with the Securities and Exchange Commission. This preliminary prospectus supplement and the prospectus are not offers to sell nor solicitations of offers to buy these securities in any jurisdiction where such offer or sale is not permitted.

Filed Pursuant to Rule 424(b)(5)
Registration No. 333-155884

SUBJECT TO COMPLETION, DATED NOVEMBER 30, 2010

PRELIMINARY PROSPECTUS SUPPLEMENT
(To Prospectus Dated December 2, 2008)

$

Apache Corporation

$ % Notes due 2021
$ % Notes due 2042

We are offering $ aggregate principal amount of % notes due 2021, which we refer to as the 2021 Notes, and $ aggregate principal amount of % notes due 2042, which we refer to as the 2042 Notes. Interest on the notes will be paid semi-annually in arrears on and of each year, beginning on , 2011. The 2021 Notes will mature on , 2021, and the 2042 Notes will mature on , 2042. We may redeem some or all of each series of the notes at any time or from time to time at the redemption prices calculated as described in this prospectus supplement under Description of Notes Optional Redemption. The notes do not have the benefit of any sinking fund.

The notes will be our general unsecured senior obligations and will rank equally with all of our other unsecured senior indebtedness from time to time outstanding. The notes will be issued only in denominations of $2,000 and integral multiples of $1,000 in excess thereof. The notes will not be listed on any securities exchange.

Investing in the notes involves risks. See Risk Factors beginning on page S-4 of this prospectus supplement.

	Per 2021 Note	Total	Per 2042 Note	Total
Public offering price(1)	%	$	%	$
Underwriting discount	%	$	%	$
Proceeds, before expenses, to us	%	$	%	$

(1) Plus accrued interest, if any, from December , 2010, if settlement occurs after that date.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement or the accompanying prospectus to which it relates. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the notes in book-entry form only through the facilities of The Depository Trust Company and its participants, including Clearstream Banking, *societe anonyme*, and Euroclear Bank S.A./N.V., on or about December , 2010.

Joint Book-Running Managers

Deutsche Bank Securities **Goldman, Sachs & Co.** **J.P. Morgan** **RBS**

BMO Capital Markets **Mitsubishi UFJ Securities** **Morgan Stanley**
RBC Capital Markets **Standard Chartered Bank** **UBS Investment Bank**

November , 2010

TABLE OF CONTENTS

Prospectus Supplement

Prospectus

Table of Contents

ABOUT THIS PROSPECTUS SUPPLEMENT

We have not authorized anyone to provide any information other than that contained or incorporated by reference in this prospectus supplement, the accompanying prospectus or any free writing prospectus prepared by or on behalf of us or to which we have referred you. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. We are not, and the underwriters are not, making an offer to sell the notes in any jurisdiction where the offer or sale is not permitted. You should assume that the information contained in this prospectus supplement and the accompanying prospectus is accurate only as of the respective dates on the front covers of those documents. You should assume that the information incorporated by reference in this prospectus supplement and the accompanying prospectus is accurate only as of the date the respective information was filed with the Securities and Exchange Commission, which we refer to as the SEC. Our business, financial condition, results of operations and prospects may have changed since those dates.

This prospectus supplement is part of a registration statement that we have filed with the SEC utilizing a shelf registration process. Under this shelf process, we are offering to sell the notes, using this prospectus supplement and the accompanying prospectus. This prospectus supplement describes the specific terms of this offering. The accompanying prospectus and the information incorporated by reference therein describe our business and give more general information, some of which may not apply to this offering. Generally, when we refer in this prospectus supplement only to the prospectus, we are referring to both parts combined. You should read this prospectus supplement together with the accompanying prospectus and the documents incorporated by reference in this prospectus supplement and the accompanying prospectus before making a decision to invest in the notes. If the information in this prospectus supplement or the information incorporated by reference in this prospectus supplement is inconsistent with the information contained or incorporated in the accompanying prospectus, the information in this prospectus supplement or the information incorporated by reference in this prospectus supplement will apply and will supersede the information contained or incorporated in the accompanying prospectus.

We have filed with the SEC a registration statement on Form S-3 with respect to the securities offered hereby. This prospectus supplement and the accompanying prospectus do not contain all the information set forth in the registration statement, parts of which are omitted in accordance with the rules and regulations of the SEC. For further information with respect to us and the notes offered hereby, reference is made to the registration statement and the exhibits that are a part of the registration statement.

In this prospectus supplement, unless the context indicates otherwise, the terms Apache, we, us, Company and ou refer to Apache Corporation and its subsidiaries.

Our name, logo and other trademarks mentioned in this prospectus supplement are the property of their respective owners.

DOCUMENTS INCORPORATED BY REFERENCE

We have incorporated by reference in this prospectus supplement and the accompanying prospectus certain documents that we file with the SEC. This means that we can disclose important information to you by referring you to another document filed separately with the SEC. This information incorporated by reference is a part of this prospectus supplement and the accompanying prospectus, unless we provide you with different information in this prospectus supplement or the accompanying prospectus or the information is modified or superseded by a subsequently filed document. Any information referred to in this way is considered part of this prospectus supplement and the accompanying prospectus from the date we file that document.

Any reports filed by us pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, on or after the date of this prospectus supplement and before the completion of this offering of notes will be deemed to be incorporated by reference into this prospectus supplement and the accompanying prospectus and will automatically update, where applicable, and supersede any information contained in this prospectus supplement or the accompanying prospectus or incorporated by reference into this prospectus supplement and the accompanying prospectus. Some documents or information, such as that furnished under Items 2.02 or 7.01, or the exhibits related thereto under Item 9.01, of Form 8-K, are deemed furnished and not filed in accordance with SEC rules. None of those documents and none of that information is incorporated by reference in this prospectus supplement or the accompanying prospectus.

This prospectus supplement and the accompanying prospectus incorporate the documents listed below that we have previously filed with the SEC (other than, in each case, documents or information deemed to have been furnished and not filed in accordance with SEC rules). These documents contain important information about us, our business and our financial condition.

Apache SEC Filings	Period or Date Filed
Annual Report on Form 10-K (including information specifically incorporated by reference into the Annual Report on Form 10-K from our Definitive Proxy Statement on Schedule 14A, filed on March 31, 2010)	Year ended December 31, 2009
Annual Report on Form 10-K/A	Year ended December 31, 2009
Quarterly Report on Form 10-Q	Quarter ended March 31, 2010
Quarterly Report on Form 10-Q/A	Quarter ended June 30, 2010
Quarterly Report on Form 10-Q	Quarter ended September 30, 2010
Current Reports on Form 8-K	January 14, 2010, January 19, 2010, April 15, 2010, April 16, 2010, May 11, 2010, July 20, 2010, July 21, 2010 (two filings), July 28, 2010, August 3, 2010, August 11, 2010, August 16, 2010, August 20, 2010, October 12, 2010, November 5, 2010, November 9, 2010, November 12, 2010, November 15, 2010, November 18, 2010 and November 22, 2010

You can obtain any of the documents incorporated by reference in this prospectus supplement and the accompanying prospectus from us or from the SEC through the SEC s web site at www.sec.gov or by mail from the SEC s Public Reference Room located at 100 F Street, N.E., Room 1580, Washington, DC 20549, at prescribed rates. Documents incorporated by reference are available from us without charge, excluding any exhibits to those documents unless we specifically incorporated by reference the exhibit in this prospectus supplement and the accompanying prospectus. You can obtain these documents from us by requesting them in writing or by telephone at the following address or number:

Apache Corporation
2000 Post Oak Boulevard
Houston, Texas 77056
Telephone: (713) 296-6000

Table of Contents

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This prospectus supplement, the accompanying prospectus and the documents incorporated by reference in this prospectus supplement and the accompanying prospectus contain statements that constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, or the Securities Act, and Section 21E of the Exchange Act.

These statements relate to future events or our future financial performance, which involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from those expressed or implied by any forward-looking statements. In some cases, you can identify forward looking statements by terminology such as expect, anticipate, estimate, intend, may, will, c would, should, predict, potential, plans, believe or the negative of these terms or similar terminology.

Forward-looking statements are not guarantees of performance. Actual events or results may differ materially because of conditions in our markets or other factors. Moreover, we do not, nor does any other person, assume responsibility for the accuracy and completeness of those statements. Unless otherwise required by applicable securities laws, we disclaim any intention or obligation to update any of the forward-looking statements after the date of this prospectus supplement. If we do update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect to those or other forward-looking statements. All of the forward-looking statements are qualified in their entirety by reference to the factors discussed under Risk Factors in this prospectus supplement and under Risk Factors and Quantitative and Qualitative Disclosures About Market Risk Forward-Looking Statements and Risk in our Annual Report on Form 10-K for the year ended December 31, 2009 and our Quarterly Report on Form 10-Q for the quarter ended September 30, 2010 (both of which are incorporated by reference in this prospectus supplement and the accompanying prospectus) and similar sections in any subsequent filings that we incorporate by reference in this prospectus supplement and the accompanying prospectus, which describe risks and factors that could cause results to differ materially from those projected in those forward-looking statements.

Those risk factors may not be exhaustive. We operate in a continually changing business environment, and new risk factors emerge from time to time. We cannot predict these new risk factors, nor can we assess the impact, if any, of these new risk factors on our businesses or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those described in any forward-looking statements. Accordingly, forward-looking statements should not be relied upon as a prediction of actual results.

Table of Contents

SUMMARY

This summary highlights information contained elsewhere in this prospectus supplement and the accompanying prospectus. It does not contain all of the information that you should consider before making an investment decision. We urge you to read the entire prospectus supplement, the accompanying prospectus and the documents incorporated by reference in this prospectus supplement and the accompanying prospectus carefully, including the historical financial statements and notes to those financial statements incorporated by reference in this prospectus supplement and the accompanying prospectus. Please read Risk Factors and Cautionary Statement Regarding Forward-Looking Information in this prospectus supplement and Risk Factors and Quantitative and Qualitative Disclosures About Market Risk Forward-Looking Statements and Risk in our Annual Report on Form 10-K for the year ended December 31, 2009 and our Quarterly Report on Form 10-Q for the quarter ended September 30, 2010 for more information about important risks that you should consider before investing in the notes.

Apache Corporation

We are an independent energy company that explores for, develops and produces natural gas, crude oil and natural gas liquids. In North America, our exploration and production interests are focused in the Gulf of Mexico, the Gulf Coast, East Texas, the Permian Basin, the Anadarko Basin and the Western Sedimentary Basin of Canada. Outside of North America, we have exploration and production interests onshore Egypt, offshore Western Australia, offshore the U.K. in the North Sea and onshore Argentina. We also have exploration interests on the Chilean side of the island of Tierra del Fuego.

The address of our principal executive offices is 2000 Post Oak Boulevard, Houston, Texas 77056, and our telephone number at this address is (713) 296-6000.

Recent Developments

On November 10, 2010, we closed our acquisition of Mariner Energy, Inc., a Delaware corporation (which we refer to as Mariner), for stock and cash consideration (which we refer to as the Mariner Acquisition). In connection with the Mariner Acquisition, we issued approximately 17.5 million shares of our common stock (an increase of approximately five percent in our outstanding common shares) and paid cash of approximately $800 million to Mariner stockholders. We funded the cash portion of the consideration with a combination of cash on hand and borrowings under our commercial paper facility. In connection with the Mariner Acquisition, we assumed Mariner debt having a fair value of approximately $1.6 billion as of September 30, 2010, approximately $600 million of which we repaid at closing through borrowings under our commercial paper facility. We intend to repay the remaining assumed Mariner debt with the net proceeds of this offering. See Use of Proceeds.

Table of Contents

The Offering

Please refer to Description of Notes in this prospectus supplement and Description of Apache Corporation Debt Securities in the accompanying prospectus for more information about the notes.

Issuer	Apache Corporation
Notes offered	$ aggregate principal amount of % notes due 2021.
	$ aggregate principal amount of % notes due 2042.
Maturity	2021 Notes , 2021.
	2042 Notes , 2042.
Interest rate	2021 Notes % per year.
	2042 Notes % per year.
Interest payment dates	Interest on the notes will be paid semi-annually in arrears on and of each year, beginning on , 2011.
Ranking	The notes will be our senior unsecured obligations and will rank equally with all of our other senior unsecured obligations from time to time outstanding.
Optional redemption	The notes of each series will be redeemable in whole or in part, at our option at any time, at the applicable redemption prices set forth under the heading Description of Notes Optional Redemption.
Change in control	If a change in control, as defined in the indenture governing the notes, occurs, each holder of notes may elect to require us to repurchase the holder s notes. If a holder makes this election, we must purchase the holder s notes for their principal amount plus accrued interest to the purchase date. See Description of Apache Corporation Debt Securities We Are Obligated to Purchase Debt Securities Upon a Change in Control beginning on page 20 in the accompanying prospectus.
Certain covenants	The indenture governing the notes contains certain covenants, including limitations on liens and sale-leaseback transactions.
Book-entry issuance, denominations, settlement and clearance	We will issue the notes in fully registered form in minimum denominations of $2,000 and integral multiples of $1,000. The notes will be represented by one or more global securities registered in the name of a nominee of The Depository Trust Company, or DTC. You will hold beneficial interests in the notes through DTC and its direct and indirect participants, including Euroclear and Clearstream, Luxembourg, and DTC and its direct and indirect participants will record your beneficial interest on their books. We will not issue certificated notes except in limited

	circumstances.
Use of proceeds	We estimate that the net proceeds from this offering will be approximately $ million after deducting the underwriting discounts and estimated offering expenses. We intend to use the net proceeds from this offering to repay the outstanding debt we assumed when we completed the Mariner Acquisition on November 10, 2010. To the extent there are any net proceeds from

Table of Contents

	this offering remaining after we repay the assumed Mariner debt, we intend to use such proceeds for general corporate purposes. See Use of Proceeds.
Trustee	The Bank of New York Mellon Trust Company, N.A.
Closing and delivery	We expect to deliver the notes on or about December , 2010.
Governing law	The State of New York.
Risk factors	You should carefully consider the information set forth under Risk Factors in this prospectus supplement, as well as the other information included in or incorporated by reference in this prospectus supplement before deciding whether to invest in the notes.

Ratio of Earnings to Fixed Charges

	Nine Months Ended September 30, 2010	2009	Years Ended December 31, 2008	2007	2006	2005
Ratio of Earnings to Fixed Charges	15.24	1.77	3.72	14.76	17.47	22.24

Table of Contents

RISK FACTORS

An investment in the notes involves risks. You should carefully consider the risks described below, in addition to the other information contained or incorporated by reference in this prospectus supplement or the accompanying prospectus. Specifically, please see Risk Factors included in our Annual Report on Form 10-K for the year ended December 31, 2009 and our Quarterly Report on Form 10-Q for the quarter ended September 30, 2010 for a discussion of risk factors that may affect our business. Realization of any of those or the following risks or adverse results from any matter listed under Cautionary Statement Regarding Forward-Looking Information in this prospectus supplement or under Quantitative and Qualitative Disclosures About Market Risk Forward-Looking Statements and Risk in our 2009 Form 10-K or September 30, 2010 Form 10-Q could have a material adverse effect on our business, prospects, financial condition, cash flows and results of operations. These risks could materially affect our ability to meet our obligations under the notes. As a result, you could lose all or part of your investment in and expected return on the notes.

Risks Related to the Notes

The notes are structurally subordinated to the obligations of our subsidiaries, which may affect your ability to receive payments on the notes.

The notes will be direct obligations of Apache Corporation. Our subsidiaries are separate legal entities and have no obligation to pay any amounts due on the notes or, subject to any existing or future contractual obligations between us and our subsidiaries, to provide us with funds for our payment obligations, whether by dividends, distributions, loans or other payments (as further described below). Our right to participate in any distribution of assets of any subsidiary is subject to the prior claims of the creditors of that subsidiary, except to the extent that we are a creditor of the subsidiary and our claims are recognized. Therefore, the notes are effectively subordinated to the indebtedness and other obligations of our subsidiaries. As of September 30, 2010, we had approximately $6.5 billion of indebtedness outstanding, of which approximately $968.0 million consisted of indebtedness of our subsidiaries. In connection with the Mariner Acquisition, we assumed Mariner debt having a fair value of approximately $1.6 billion as of September 30, 2010, approximately $600 million of which we repaid at closing through borrowings under our commercial paper facility. The assumed Mariner debt includes the Mariner Notes (defined below), which are obligations of one of our subsidiaries and which we intend to repay with the net proceeds from this offering. See Use of Proceeds. Our subsidiaries also have other obligations that are not considered indebtedness.

The indenture does not limit the amount of indebtedness that we may incur.

The indenture does not limit our ability to incur additional indebtedness or contain provisions that would afford holders of the notes protection in the event of a sudden and significant decline in our credit quality or a take-over, recapitalization or highly leveraged or similar transaction. Accordingly, we could, in the future, enter into transactions that could increase the amount of our outstanding indebtedness or otherwise adversely affect our capital structure.

Because a significant portion of our operations is conducted through our subsidiaries, our ability to service our debt is largely dependent on our receipt of distributions or other payments from our subsidiaries.

A significant portion of our operations is conducted through our subsidiaries. As a result, our ability to make interest and principal payments on the notes is largely dependent on the earnings of our subsidiaries and the payment of those earnings to us in the form of dividends, loans or advances and through repayment of loans or advances from us. Our subsidiaries do not have any obligation to pay amounts due on the notes or our other indebtedness or to make funds available for that purpose.

Payments to us by our subsidiaries will be contingent upon our subsidiaries earnings and other business considerations and may be subject to statutory or contractual restrictions. In addition, there may be significant tax and other legal restrictions on the ability of our non-U.S. subsidiaries to remit money to us.

Table of Contents

If an active trading market does not develop for the notes, you may be unable to sell your notes or to sell your notes at a price that you deem sufficient.

Each series of notes is a new issue of securities for which there is currently no established trading market. We do not intend to apply for the listing of the notes on any national securities exchange or for the quotation of the notes on any automated dealer quotation system. While the underwriters of the notes have advised us that they intend to make a market in the notes, the underwriters will not be obligated to do so and may discontinue any market making activities at any time in their sole discretion and without notice. No assurance can be given:

- that a market for the notes will develop or continue;
- as to the liquidity of any market that does develop; or
- as to your ability to sell any notes you may own or the price at which you may be able to sell your notes.

If an active trading market for the notes does not develop, the market price and liquidity of the notes may be adversely affected.

A downgrade in our credit rating could adversely affect the trading price of the notes.

The trading price for the notes may be affected by our credit rating. Credit ratings are continually revised. Any credit rating downgrade could adversely affect the trading price of the notes or the trading markets for the notes to the extent trading markets for the notes develop.

We may be prevented from financing, or may not have the ability to raise funds necessary to finance, the change in control offer required by the indenture.

Upon the occurrence of a change in control, as defined in the indenture that governs the notes, we will be required to make an offer to each holder of notes outstanding under the indenture to purchase all or a portion of the notes then outstanding. Upon a change of control, we may not have sufficient funds available to purchase all of the notes tendered to us. Any requirement to offer to purchase any outstanding notes may result in us having to refinance our outstanding debt or obtain necessary consents under our other debt agreements to repurchase the notes, which we may not be able to do. In such case, our failure to offer to purchase notes following a change of control would constitute an event of default under the indenture, which would, in turn, constitute a default under our revolving credit facilities.

Table of Contents

USE OF PROCEEDS

We estimate that the net proceeds from this offering will be approximately $ million after deducting the underwriting discounts and estimated expenses of the offering payable by us.

We intend to use the net proceeds from this offering to repay the outstanding debt we assumed when we completed the Mariner Acquisition on November 10, 2010, which includes $300 million in aggregate principal amount of 7.50% notes due 2013, $300 million in aggregate principal amount of 11.75% notes due 2016 and $300 million in aggregate principal amount of 8.00% notes due 2017 (which we collectively refer to as the Mariner Notes).

The 7.50% notes due 2013 will be redeemed on December 13, 2010 at 103.75% of the principal amount thereof, plus accrued and unpaid interest thereon to, but not including, the redemption date. The 8.00% notes due 2017 will be redeemed on December 13, 2010 at 100% of the principal amount thereof, plus the applicable premium (as defined in the indenture governing the 8.00% notes due 2017) and accrued and unpaid interest thereon to, but not including, the redemption date. The 11.75% notes due 2016 will be redeemed in two tranches. The first tranche of notes, representing 35% of the principal amount of the 11.75% notes due 2016, will be redeemed on December 13, 2010 at 111.75% of the principal amount thereof, plus accrued and unpaid interest thereon to, but not including, the redemption date. The second tranche of notes, representing 65% of the principal amount of the 11.75% notes due 2016, will be redeemed on December 14, 2010 at 100% of the principal amount thereof then outstanding plus the applicable premium (as defined in the indenture governing the 11.75% notes due 2016) and accrued and unpaid interest thereon to, but not including, the redemption date.

To the extent there are any net proceeds from this offering remaining after we repay the assumed Mariner debt, we intend to use such proceeds for general corporate purposes.

RATIO OF EARNINGS TO FIXED CHARGES

	Nine Months Ended September 30,	Years Ended December 31,				
	2010	2009	2008	2007	2006	2005
Ratio of Earnings to Fixed Charges	15.24	1.77	3.72	14.76	17.47	22.24

Table of Contents

CAPITALIZATION

The following table sets forth our unaudited consolidated cash and cash equivalents and consolidated capitalization as of September 30, 2010:

on an actual basis;

on an as adjusted basis to give effect to the closing of the Mariner Acquisition on November 10, 2010 and the payment of the cash and stock consideration in connection therewith; and

on an as further adjusted basis to give effect to (i) this offering and (ii) application of the net proceeds from this offering.

You should read this table in conjunction with the section of this prospectus supplement entitled Use of Proceeds and our consolidated financial statements and the related notes incorporated by reference in this prospectus supplement and the accompanying prospectus.

	As of September 30, 2010		
	Actual	**As Adjusted**	**As Further Adjusted**
		(Unaudited)	
	(In thousands, except share data)		
Cash and cash equivalents	$ 1,211,439	$ 420,733	$
Total debt (including current portion):			
Existing notes and debentures	6,195,579	6,195,579	6,195,579
Revolving credit facilities and commercial paper(1)	320,369	320,369	320,369
Debt assumed in Mariner Acquisition(2)		1,656,629	
2021 Notes offered hereby			
2042 Notes offered hereby			
Total debt (including current portion)	6,515,948	8,172,577	
Shareholders equity:			
Preferred stock, no par value, 5,000,000 shares authorized, 6% Cumulative Mandatory Convertible, Series D, $1,000 per share liquidation preference, 1,265,000 shares issued and outstanding (actual, as adjusted and as further adjusted)	1,227,050	1,227,050	1,227,050
Common stock, $0.625 par value; 430,000,000 shares authorized; 365,885,145 shares issued and outstanding (actual); 383,162,592 shares issued and outstanding (as adjusted and as further adjusted)	228,678	239,476	239,476
Paid-in capital	6,870,445	8,764,432	8,764,432
Retained earnings	13,610,838	13,610,838	13,610,838
Treasury stock, at cost, 1,460,329 shares (actual, as adjusted and as further adjusted)	(41,457)	(41,457)	(41,457)

Accumulated other comprehensive income	49,828	49,828	49,828
Total shareholders equity	21,945,382	23,850,167	23,850,167
Total capitalization	$ 28,461,330	$ 32,022,744	$

(1) As of September 30, 2010, we had unsecured committed revolving syndicated bank credit facilities totaling $3.3 billion, of which $1.0 billion matures in August 2011 and $2.3 billion matures in May 2013. These consist of a $1.0 billion 364-day facility, a $1.5 billion facility and a $450 million facility in the U.S., a $200 million facility in Australia and a $150 million facility in Canada. We also have available a

$2.95 billion commercial paper program. The commercial paper program is fully supported by available borrowing capacity under U.S. committed credit facilities, which expire in 2011 and 2013. There were no outstanding borrowings or commercial paper as of September 30, 2010, and the full $3.3 billion of committed credit capacity was available on that date.

(2) As of September 30, 2010, Mariner s debt included the Mariner Notes and amounts outstanding under Mariner s revolving credit facility.

DESCRIPTION OF NOTES

This section describes the specific financial and legal terms of the notes and supplements the more general description under Description of Apache Corporation Debt Securities in the accompanying prospectus. To the extent that the following description is inconsistent with the terms described under Description of Apache Corporation Debt Securities in the accompanying prospectus, the following description replaces that in the accompanying prospectus.

Apache will issue the notes under the senior indenture dated as of February 15, 1996, as supplemented on November 5, 1996, between us and The Bank of New York Mellon Trust Company, N.A. (formerly known as The Bank of New York Trust Company, N.A., as successor-in-interest to JPMorgan Chase Bank, N.A., formerly known as The Chase Manhattan Bank), as trustee. Certain terms of the notes will be established pursuant to an officers certificate pursuant to the senior indenture. The following description and the description of our debt securities in the accompanying prospectus is a summary of the material provisions of the notes and the senior indenture. These descriptions do not restate the senior indenture in its entirety. We urge you to read the senior indenture because it, and not this description, defines your rights as holders of the notes. We have filed a copy of the senior indenture as an exhibit to the registration statement, which includes the accompanying prospectus.

The notes are senior debt securities as that term is used in the accompanying prospectus.

With certain exceptions and pursuant to certain requirements set forth in the senior indenture, we may discharge our obligations under the senior indenture with respect to each series of notes as described under Description of Apache Corporation Debt Securities Discharge, Defeasance and Covenant Defeasance beginning on page 21 in the accompanying prospectus.

Principal, Maturity and Interest

Apache is offering $ initial aggregate principal amount of % notes due 2021, which we refer to as the 2021 Notes, and $ initial aggregate principal amount of % notes due 2042, which we refer to as the 2042 Notes. The 2021 Notes will mature on , 2021, and the 2042 Notes will mature on , 2042.

We may issue and sell additional notes of either series in the future without the consent of the holders of that series of notes. Any such additional notes, together with the outstanding notes of that series, will constitute a single series of notes under the senior indenture and will be fungible with the outstanding notes of that series for U.S. federal income tax purposes.

Interest on the 2021 Notes will accrue at the rate of % per year and interest on the 2042 Notes will accrue at the rate of % per year. Interest on the notes will be paid semi-annually in arrears on &#16GN="bottom">

Earnings per share:

Basic

$0.31 $0.35

Effect of dilutive stock options

	(0.01)	(0.01)
Effect of dilutive warrants	(0.02)	(0.02)
Diluted	$0.28	$0.32
Weighted average number of shares:		
Basic	21,364,041	21,215,219
Effect of dilutive stock options	570,980	506,711
Effect of dilutive warrants	1,817,884	1,791,182
Diluted	23,752,905	23,513,112

Table of Contents

CHARLOTTE RUSSE HOLDING, INC.

Notes to Consolidated Financial Statements

(Unaudited)

4. Recent Accounting Pronouncement

The Financial Accounting Standards Board (FASB) issued Interpretation No. 46 (FIN 46), *Consolidation of Variable Interest Entities,* in January 2003, and a revised interpretation of FIN 46 (FIN 46-R) was issued in December 2003. FIN 46 requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. The provisions of FIN 46 are effective immediately for all arrangements entered into after January 31, 2003. Since January 31, 2003, the Company has not invested in any entities it believes are variable interest entities for which the Company is the primary beneficiary. For all arrangements entered into after January 31, 2003, the Company is required to continue to apply FIN 46 through the end of the first quarter of fiscal 2004. The Company is required to adopt the provisions of FIN 46-R for those arrangements in the second quarter of fiscal 2004. For arrangements entered into prior to February 1, 2003, the Company is required to adopt the provisions of FIN 46-R in the second quarter of fiscal 2004. The Company is in the process of determining the effect, if any, the adoption of FIN 46-R will have on its financial statements.

5. Store Closing Costs

During fiscal 2003, the Company decided to exit the Charlotte s Room concept and closed all 10 Charlotte s Room stores. In accordance with SFAS No. 146, the Company recorded a liability of $2.6 million and recognized an impairment charge of $2.9 million for total store closing costs of $5.5 million, before the effect of income taxes. During fiscal 2003, the final settlement was estimated to be $4.9 million and was included in the results of operations for the fiscal year ended September 27, 2003.

The $2.9 million impairment charge reflected the difference between the carrying value and fair value of Charlotte s Room assets. Fair value was based on estimated market valuations for those assets since their carrying value was not anticipated to be recoverable through future cash flows. The majority of these assets were disposed of during the third quarter at approximately the estimated fair value.

A reconciliation of the initial reserve to the ending liability is as follows:

Description	Initial Reserve Estimate	Revision to Estimate Based Upon Final Costs	Costs Paid or Settled	Other Adjustments	Ending Reserve
Contract termination costs	$ 1,787,100	$ (432,223)	$ (907,826)	$	$ 447,051
Employee termination	100,000		(18,055)	(81,945)	
Other associated costs	712,900	(167,777)	(430,978)	160,171	274,316

Store closing costs	$ 2,600,000	$ (600,000)	$ (1,356,859)	$ 78,226	$ 721,367

6. Commitments and Contingencies

From time to time, the Company may be involved in litigation relating to claims arising out of its operations. As of the date of this filing, the Company is not engaged in any legal proceedings that are expected, individually or in the aggregate, to have a material adverse effect on the Company s business, financial condition or results of operations.

Table of Contents

ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING STATEMENTS

We have made statements in this Quarterly Report that are forward-looking statements. In some cases you can identify these statements by forward-looking words such as may, will, should, expects, plans, anticipates, believes, estimates, intends, predicts, future, the negative of these terms and other comparable terminology. These forward-looking statements, which are subject to risks, uncertainties, and assumptions about us, may include, among other things, projections of our future financial performance, our anticipated growth strategies, anticipated trends in our business and consumer preferences especially with respect to the impact of economic weakness on consumer spending, as well as projections relating to our anticipated rate of new store openings, anticipated store opening costs, capital expenditures, inventory turnover rates and vendor delivery times. These statements are only predictions based on our current expectations and projections about future events. Because these forward-looking statements involve risks and uncertainties, there are important factors that could cause our actual results, level of activity, performance or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied by the forward-looking statements, including those factors discussed in the Company s Annual Report on Form 10-K, filed with the Securities and Exchange Commission on December 19, 2003.

We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Quarterly Report on Form 10-Q may not occur.

RESULTS OF OPERATIONS

Management s Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the Financial Statements and Notes thereto of the Company included elsewhere in this Quarterly Report on Form 10-Q. The following table sets forth our operating results, expressed as a percentage of net sales and store information for the periods indicated. These operating results are not necessarily indicative of the results that may be expected for any future period.

	Three Months Ended	
	December 27, 2003	December 28, 2002
Net sales	100.0%	100.0%
Cost of goods sold	73.8	72.6
Gross profit	26.2	27.4
Selling, general and administrative expenses	19.0	18.2
Operating income	7.2	9.2
Interest income, net	0.0	0.0
Other charges, net	0.0	0.0

Income before income taxes	7.2	9.2
Income taxes	2.8	3.6
Net income	4.4%	5.6%
Number of stores open at end of period	329	268

Table of Contents

Three Months Ended December 27, 2003 Compared to the Three Months Ended December 28, 2002

Net Sales. Our net sales increased to $149.3 million from $133.3 million, an increase of $16.0 million, or 12%, over the same period last year. This increase reflects $25.1 million of additional net sales from the 18 new stores opened during the three months ended December 27, 2003, as well as other stores opened in prior fiscal periods that did not qualify as comparable stores. This increase was partially offset by a 7.6% decrease in comparable store sales, which resulted in decreased sales of $9.1 million compared to the same period in the prior fiscal year.

Gross Profit. Gross profit represents net sales less cost of goods sold, which includes buying, distribution and occupancy costs. Our gross profit increased to $39.2 million from $36.6 million, an increase of $2.6 million, or 7.1%, over the same period last year. This increase was the result of higher net sales and increased initial mark-ups, offset, in part, by increases to markdown expense and higher occupancy expenses. As a percentage of net sales, gross profit decreased to 26.2% from 27.4%. The decrease as a percentage of net sales was principally due to higher occupancy expenses as these relatively fixed charges were spread over a smaller average store sales base.

Selling, General and Administrative Expenses. Our selling, general and administrative expenses increased to $28.4 million from $24.3 million, an increase of $4.1 million, or 16.6%, over the same period last year. This increase was attributable to increased corporate and marketing expenses and new store expansion. As a percentage of net sales, selling, general and administrative expenses increased to 19.0% from 18.3%, primarily due to increased store payroll expense.

Income Taxes. Our effective tax rate of 39.0% approximates our statutory income tax rate and is consistent with the tax rate utilized for fiscal year 2003.

Net Income. Our net income declined to $6.6 million from $7.4 million for the same quarter last year. The decrease was primarily due to an increase in occupancy expenses and selling, general and administrative expenses, which offset an increase to gross margin.

LIQUIDITY AND CAPITAL RESOURCES

Our capital requirements result primarily from capital expenditures related to new store openings. We have historically satisfied our cash requirements principally through cash flow from operations, although we have also used borrowings under our unsecured credit facility. Due to the rapid turnover of inventory, we generate trade payables and other accrued liabilities sufficient to offset most, if not all, of our working capital requirements, and this allows us to generally operate with limited working capital. As of December 27, 2003, we had working capital of approximately $31.4 million which included cash and cash equivalents of $39.9 million.

Net cash provided by operations was $23.6 million for the three months ended December 27, 2003 compared with $23.7 million during the three months ended December 28, 2002. Cash flows from operating activities for the period were primarily generated by income from operations and changes in working capital account balances, specifically the timing of income tax payments, increases in accrued payroll and other current liabilities, offset by decreases in accounts payable, trade and other. Net cash used in investing activities was $7.6 million for the three months ended December 27, 2003, compared with $4.4 million in the three months ended December 28, 2002. Cash used in investing activities primarily represents capital expenditures for store openings, store remodeling, and fixtures.

In the three months ended December 27, 2003 and December 28, 2002, we opened 18 and 17 new stores, respectively. During fiscal 2004, we plan to open at least 50 new Charlotte Russe and Rampage stores. We anticipate that total capital expenditures during fiscal 2004 will be approximately $25.0 million. We plan to fund these expenditures with cash flows from operations, available cash balances and funds available under our revolving credit facility.

Table of Contents

Net cash provided by financing activities was $1.0 million for the three months ended December 27, 2003 compared with $32,500 for three months ended December 28, 2002. Financing activities represent the proceeds of stock option exercises.

Effective February 28, 2003, the Company obtained a $25.0 million unsecured revolving credit facility (the new credit facility) to replace the previous $15.0 million unsecured revolving credit agreement with another lender. The new credit facility, as amended on July 9, 2003, is subject to certain restrictions and covenants and matures on March 1, 2006. Interest on the new credit facility is payable quarterly, at the Company s option, at either (i) the Bank s Base Rate, as defined, or (ii) the Bank s Eurodollar Rate plus 1.00%, subject to certain adjustments. At December 27, 2003, there was no outstanding debt under the new credit facility. The new credit facility requires that the Company maintain certain financial ratios on a quarterly basis and restricts future liens and indebtedness, sales of assets and prohibits dividend payments. As of December 27, 2003, the Company is in compliance with the terms of the credit facility.

We believe that cash flows from operations, our current cash balance and funds available under our revolving credit facility will be sufficient to meet our working capital needs and contemplated capital expenditure requirements for fiscal 2004. If our cash flow from operations should decline significantly, it may be necessary for us to seek additional sources of capital.

LETTERS OF CREDIT

Pursuant to the terms of the $25.0 million unsecured revolving credit facility, the Company can issue up to $15.0 million of documentary or standby letters of credit. The outstanding commitments under this agreement at December 27, 2003 totaled approximately $4.8 million, including $1.7 million in standby letters of credit.

CONTRACTUAL OBLIGATIONS

The Company s commitment to make future payments under long-term contractual obligations was as follows, as of December 27, 2003 (000 s):

Contractual Obligations	Total	Less Than 1 Year	1-3 Years	3-5 Years	After 5 Years
Operating leases	$ 456,606	$ 59,914	$ 115,388	$ 112,186	$ 169,118
Other long-term obligations	6,644	456	1,500	1,500	3,188
	$ 463,250	$ 60,370	$ 116,888	$ 113,686	$ 172,306

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Management s Discussion and Analysis of Financial Condition and Results of Operations discusses our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, as well as revenues and expenses during the reported periods.

On an on-going basis, management evaluates its estimates and judgments regarding inventories, receivables, fixed assets, intangible assets, accrued liabilities, income taxes and contingencies and litigation. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances. The results from this evaluation form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Under different assumptions or conditions, alternative estimates and judgments could be derived which would differ from the estimates being used by management. Actual results could differ from any or all of these estimates.

Table of Contents

As a retailer of women s apparel and accessories, our financial statements are affected by several critical accounting policies, many of which affect management s use of estimates and judgments, as described in the Notes to the Consolidated Financial Statements. We sell merchandise directly to retail customers and recognize revenue at the point of sale. Customers have the right to return merchandise to us, and we maintain a reserve for the financial impact of returns which occur subsequent to the current reporting period.

Our merchandise is initially offered for sale at a regular price, but is often marked down prior to the ultimate sale of all such units. We utilize the retail method of accounting for our inventory valuation that inherently reduces the inventories carrying value as markdowns are initiated. In addition, we maintain a reserve for the financial impact of markdowns, which we believe are likely to be encountered in the future. If actual demand or market conditions are more or less favorable than those projected by management, the level of the reserve for future markdowns would be subject to change in subsequent reporting periods.

We also provide for estimated inventory losses for damaged, lost or stolen inventory for the period from the physical inventory to the financial statement date. These estimates are based on historical experience and other factors.

We have recorded a goodwill asset that arose from the acquisition of our business in September 1996. This asset is tested for possible impairment on at least an annual basis in accordance with SFAS No. 142, *Goodwill and Other Intangibles*. The carrying values of investments in our stores (principally leasehold improvements and equipment) and other assets are reviewed for impairment on at least an annual basis in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* In prior years, we established reserves for stores which have been closed, and no other stores are contemplated for closure at this time.

During fiscal 2003, we decided to exit the Charlotte s Room concept and closed 10 Charlotte s Room stores. In accordance with SFAS No. 146, the Company recorded a liability of $2.6 million and recognized an impairment charge of $2.9 million for total store closing costs of $5.5 million, before the effect of income taxes. The final settlement of charges is currently estimated to be $4.9 million; therefore, $600,000 was reversed into income during the fourth quarter of fiscal 2003. The $2.9 million impairment charge reflected the difference between the carrying value and fair value of Charlotte s Room assets. Fair value was based on estimated market valuations for those assets since their carrying value was not anticipated to be recoverable through future cash flows. These assets were disposed of during the third quarter of fiscal 2003 at approximately the estimated fair value.

RECENT ACCOUNTING PRONOUNCEMENT

The Financial Accounting Standards Board (FASB) issued Interpretation No. 46 (FIN 46), *Consolidation of Variable Interest Entities,* in January 2003, and a revised interpretation of FIN 46 (FIN 46-R) was issued in December 2003. FIN 46 requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. The provisions of FIN 46 are effective immediately for all arrangements after January 31, 2003. Since January 31, 2003, the Company has not invested in any entities it believes are variable interest entities for which the Company is the primary beneficiary. For all arrangements entered into entered into after January 31, 2003, the Company is required to continue to apply FIN 46 through the end of the first quarter of fiscal 2004. The Company is required to adopt the provisions of FIN 46-R for those arrangements in the second quarter of fiscal 2004. For arrangements entered into prior to February 1, 2003, the Company is required to adopt the provisions of FIN 46-R in the second quarter of fiscal 2004. The Company is in the process of determining the effect, if any, the adoption of FIN 46-R will have on its financial statements.

Table of Contents

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our market risks relate primarily to changes in interest rates. We bear this risk in two specific ways. First, our revolving credit facility carries a variable interest rate that is tied to market indices and, therefore, our statement of income and our cash flows will be exposed to changes in interest rates. As of December 27, 2003, we had no borrowings against our credit facility. However, we may borrow additional funds under our revolving credit facility as needed.

The second component of interest rate risk involves the short-term investment of excess cash in short-term, investment-grade interest-bearing securities. These investments are considered to be cash equivalents and are shown that way on our balance sheet. If there are changes in interest rates, those changes would affect the investment income we earn on these investments and, therefore, impact our cash flows and results of operations.

We believe our market risk exposure is immaterial.

ITEM 4. CONTROLS AND PROCEDURES

Within the 90 days prior to the date of filing this Quarterly Report on Form 10-Q, the Company carried out an evaluation, under the supervision and with the participation of the Company s Disclosure Committee and the Company s management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company s disclosure controls and procedures pursuant to the Securities and Exchange Act of 1934 Rules 13a-15 and 15d-15. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the three month period ended December 27, 2003, the Company s disclosure controls and procedures are effective in timely alerting them to material information relating to the Company (including its consolidated subsidiaries) required to be included in the Company s periodic SEC filings.

During the three month period ended December 27, 2003, there were no significant changes in the Company s internal controls over financial reporting or in other factors that materially affected, or are reasonably likely to materially affect, internal controls over financial reporting, nor were there any corrective actions required with regard to significant deficiencies and material weaknesses.

Table of Contents

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, the Company may be involved in litigation relating to claims arising out of its operations. As of the date of this filing, the Company is not engaged in any legal proceedings that are expected, individually or in the aggregate, to have a material adverse effect on the Company s business, financial condition or results of operations.

ITEM 2. CHANGES IN SECURITIES

Unregistered Sales of Securities

None.

Dividends

We have never declared nor paid dividends on our common stock and we do not intend to pay any dividends on our common stock in the foreseeable future. We currently intend to retain earnings to finance future operations and expansion. Moreover, under the terms of the revolving credit facility and amendment, stock dividends and distributions are prohibited. Cash dividends and capital stock redemptions are not permitted.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. SUBMISSIONS OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

Table of Contents

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

31.1	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
31.2	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
32.1	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
32.2	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*

(b) Reports on Form 8-K

Current Report on Form 8-K, dated October 23, 2003, describing its results of operations for the fourth quarter of fiscal 2003 ended September 27, 2003 and the hiring of Brad Cunningham as General Merchandise Manager for the Rampage chain.

Current Report on Form 8-K, dated December 23, 2003, announcing that Charlotte Russe Holding, Inc. filed a shelf registration statement with the Securities and Exchange Commission with respect to the offering of up to 4,000,000 shares of common stock held by certain affiliates of Saunders Karp & Megrue.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Quarterly Report on Form 10-Q to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of San Diego, State of California, on the 23rd day of January, 2004.

CHARLOTTE RUSSE HOLDING, INC.

By: /s/ DANIEL T. CARTER

Daniel T. Carter

Executive Vice President and

Chief Financial Officer