

Aspects of Apache Corporation's Acquisition of Selected BP plc Assets

Introduction

The Energy Information Administration reviews mergers, acquisitions, and alliances by companies that are [respondents to Form EIA-28](#) (Financial Reporting System (FRS)), or that result in a company that meets the FRS reporting criteria. The review is confined to a presentation of pertinent operating data of the companies and assets involved in the transaction. The FRS reporting criteria are one percent, or more, of U.S. crude oil and natural gas liquids, or natural gas production, or one percent, or more, of U.S. refinery crude oil distillation capacity.

Background

On July 20, 2010, Apache Corporation and BP plc announced that Apache had agreed to acquire U.S. (Permian Basin), Canadian, and Egyptian oil and gas production assets from BP for a total amount of \$7.0 billion. The U.S. transaction is expected to close by the fourth quarter of 2010, subject to shareholder and regulatory approval.

According to published reports, the transactions infuse BP with needed cash while complementing already existing operations of Apache. These transactions bring the value of Apache's 2010 acquisitions to almost \$11 billion, increasing its U.S. liquids production by 42 percent (reserves by 36 percent) and U.S. natural gas production by 59 percent (reserves by 41 percent).

Additional information is available from the websites of Apache and BP, including the most recent annual reports of Apache and of BP. This data presentation is similar to data presentations that have been previously requested from EIA for other significant energy company mergers and/or corporate alliances.

U.S. Crude Oil and Natural Gas Reserves and Production of Apache*, BP, and Divested BP Assets, 2009

	Apache*	(Pre-Divestiture) BP	Divested BP Assets**	Apache/Divested BP Assets	U.S. Total	Apache*	(Pre-Divestiture) BP	Divested BP Assets**	Apache/Divested BP Assets
Oil and Natural Gas Liquids	(Million barrels)				Percent				
Production	44.1	237.0	5.5	49.6	2,626.5	1.7	9.0	0.2	1.9
Reserves	624.0	3,073.0	91.7	715.7	28,390.0	2.2	10.8	0.3	2.5
Natural Gas	(Billion cubic feet)				Percent				
Production	356.6	907.0	29.6	386.2	21,095.0	1.7	4.3	0.1	1.8
Reserves	3,153.4	15,216.0	296.1	3,449.5	253,688.0	1.2	6.0	0.1	1.4

* Apache's production and reserves amounts reflect its previously announced acquisition of Mariner Energy and Devon Gulf of Mexico assets (see Energy Information Administration, "Aspects of Apache's Acquisition of Mariner Energy and Selected Assets of Devon Energy" (April 16, 2010)).

** Partial-year production of divested assets is annualized by multiplying reported daily average by 365. Liquids reserves are calculated by multiplying the barrels of oil equivalent (boe) amount by the percentage that is liquids. Natural gas reserves are calculated by multiplying the boe amount by the percentage that is gas and then multiplying by 6 (which is Apache's conversion factor of 6,000 cubic of gas equals 1 barrel of liquids).

Note: Reserves are at year-end. 2009 U.S. total reserves are estimated using 2008 reserves and applying the weighted-average annual change for 1998-2007, which are -0.02 percent for liquids and +3.7 percent for natural gas. The 2008 data were not used in the weighted-average calculation due to the unusually large number of write-downs for crude oil reserves due to U.S. Securities and Exchange Commission rules that have since been revised. The 1998-2008 weighted-averages are -0.7 percent for liquids and +3.6 percent for natural gas.

Sources: Company information: Apache Corporation, 2009 U.S. Securities and Exchange Commission Form 10-K, pp. 17 and 19; BP plc, 2009 U.S. Securities and Exchange Commission Form 20-F, pp. 188 and 189; Apache's transactions press release dated July 20, 2010; and Energy Information Administration, "Aspects of Apache's Acquisition of Mariner Energy and Selected Assets of Devon Energy" (April 16, 2010); **U.S. liquids production:** Energy Information Administration (EIA), *Monthly Energy Review* (March 2010), Table 3.1; U.S. natural gas production (dry): EIA, *Monthly Energy Review* (July 2010), Table 4.1; **U.S. Reserves:** Calculated using EIA, *U.S. Crude Oil, Natural Gas, and Natural Gas Liquids Reserves, 2008* (October 29, 2009), Table 3.

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