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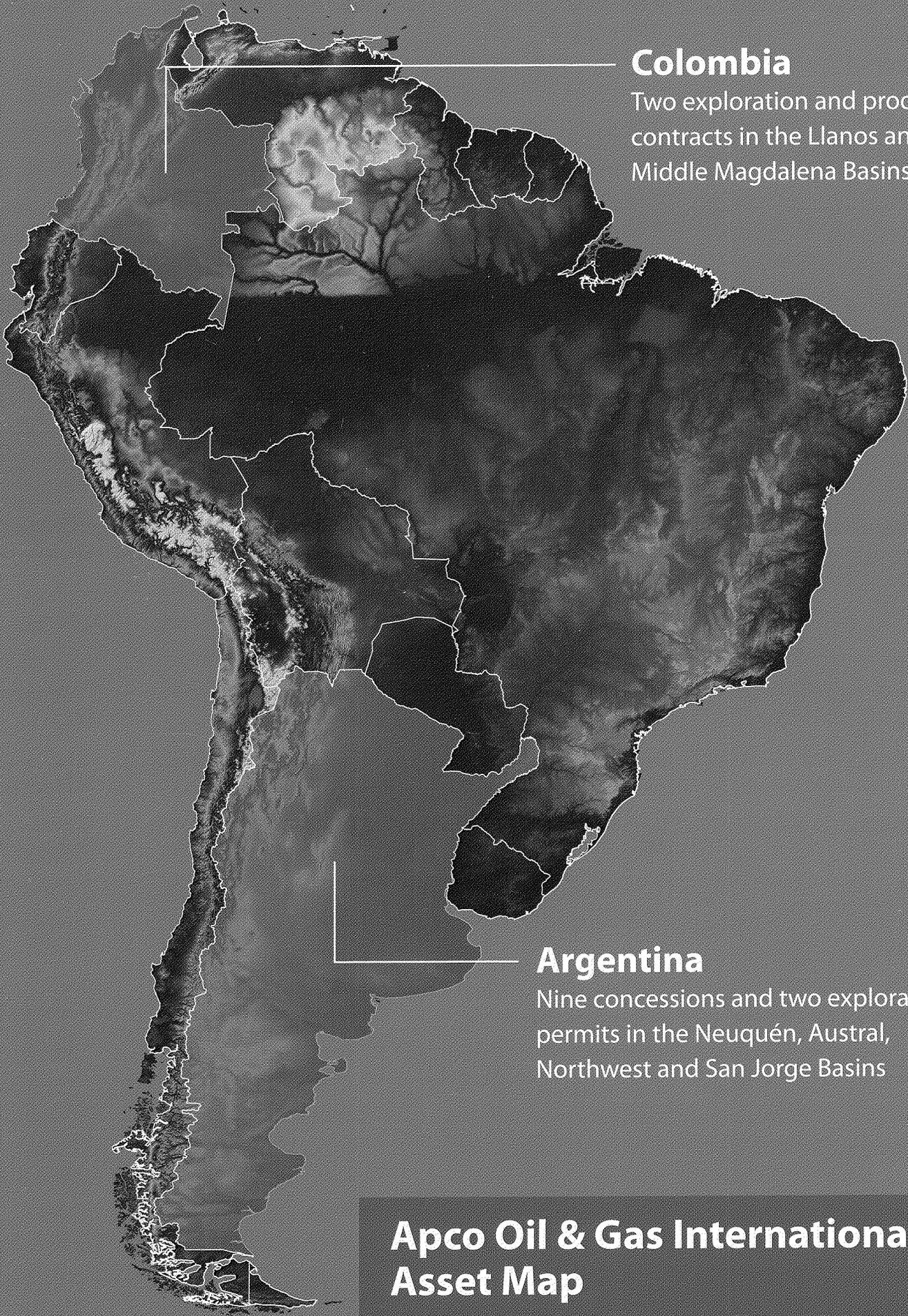
# Apco

Oil & Gas International Inc.

## 2009 Annual Report



*Workers drill a shot hole in Turpial, Colombia.*



**Colombia**

Two exploration and production contracts in the Llanos and Middle Magdalena Basins

**Argentina**

Nine concessions and two exploration permits in the Neuquén, Austral, Northwest and San Jorge Basins



**June 10, 2010**

**To our shareholders:**

In yet another challenging business environment, we achieved solid results during a year which began in the midst of a significant global economic recession. While concentrating on our core area and maintaining a strong balance sheet, we were able to grow both production and reserves while delivering results comparable to the prior year despite lower oil sales prices.

For 2009, net income attributable to Apco was \$23.5 million compared with \$23.8 million for 2008. Specifically, net income decreased compared with 2008 as the favorable effects of increased sales volumes and lower exploration expenses were more than offset by lower average oil and liquefied petroleum gas sales prices, lower equity income from Argentine investments, and greater income tax expense.

In Argentina the global recession negatively impacted economic conditions. Export revenues and capital inflows were lower, government revenues and tax collections decreased, and the Argentine peso weakened. As credit markets were restricted and economic conditions deteriorated, oil and gas activity was significantly reduced.

Nevertheless, significantly lower world prices for energy commodities in 2009 compared with 2008 did not have as severe an effect on our results because oil prices in Argentina have been artificially low compared to world market prices for several years, and price realizations have fluctuated within a relatively narrow range compared to other countries. Consequently, our average oil sales prices during 2009 decreased by only six percent compared with 2008.

**2009 Highlights**

As outlined in last year's annual shareholder letter, our plan for 2009 was focused on cash flow maximization and disciplined growth. Our priorities were to reduce and optimize capital expenditures and operating costs where appropriate, while at the same time employing a disciplined yet active approach to develop our business in Argentina and continue our search for opportunities in Colombia. Accordingly, we reduced our planned capital expenditures for the year and lowered shareholder dividends to preserve cash.

Our investments of \$20.5 million for the year were primarily focused on our core areas in the Neuquén basin. In the Entre Lomas, Bajada del Palo and Agua Amarga areas we drilled 26 gross development wells and six exploration wells, continuing our 100 percent successful drilling track-record. In Tierra del Fuego we completed additional flowlines and well-connections to allow for increased natural gas production.

These investments contributed to a seventh consecutive year of increased total sales volumes for Apco on a barrel of oil equivalent basis. During 2009 we sold 4.396 million barrels of oil equivalent, consisting of 2.864 million barrels of oil, 7.8 bcf of natural gas, and 20.5 thousand tons of liquefied petroleum gas. This represents an 11 percent increase in total sales volumes compared with 2008.

## **Growth and Diversification**

While we were generally pleased with our results in 2009, perhaps our greatest achievement for the year was making considerable progress on our plan to geographically diversify and grow our company. During the year, we were able to secure what we believe will be key growth opportunities in both Colombia and our core area in Argentina. These achievements included the following:

- With shareholder approval, we changed the name of the company from Apco Argentina Inc. to Apco Oil and Gas International Inc., reflecting our efforts to diversify Apco into other countries in South America;
- After extensively evaluating various investment opportunities, we successfully executed farm-in agreements to obtain significant interests in two exploration and production contracts covering approximately 200,000 acres in the Llanos and Middle Magdalena basins in Colombia;
- In July, the Argentine province of Neuquén agreed to extend the concession terms for our operations in the Bajada del Palo and Entre Lomas concessions for 10 years, with the extension periods ending in 2025 and 2026;
- In December, the province of Río Negro approved the declaration of commerciality for a portion of the Agua Amarga exploration permit, converting approximately 18,000 acres into the Charco del Palenque exploitation concession with a 25-year term and a five-year optional extension period; and,
- Late in the year, we negotiated a farm-in agreement that allows us to acquire, through a “drill to earn” structure, up to a 50 percent working interest in the Coirón Amargo exploration permit covering approximately 100,000 acres adjacent to our core properties in the Neuquén basin.

Since 2002 we have pursued an incremental growth strategy emphasizing disciplined evaluation based on strict investment criteria. Following this strategy, we have increased our presence in Argentina by growing our portfolio from working interests in three concessions to interests in nine concessions and two exploration permits with a primary focus on growing our presence in the Neuquén basin.

Our interests in Argentina continue to be the core of our business, and we will continue to seek projects in Argentina's basins where we have expertise. We also believe that Colombia offers outstanding opportunities to add projects with excellent technical and economic characteristics to our portfolio. We believe the investment and promotional climate and the oil and gas tax regime created by the Colombian government over the last several years are the most attractive in South America.

## **Proved Reserves**

As of December 31, 2009, total estimated proved reserves net to Apco's interests equaled 25.8 million barrels of oil, condensate and liquefied petroleum gas, and 103.9 billion cubic feet of natural gas, or 43.1 million barrels of oil equivalent. Successful development and exploration drilling, the declaration of commerciality over a portion of our Agua Amarga exploration permit, and the extension for an additional 10-year period of certain of our properties in the province of Neuquén resulted in our ability to replace 270

percent of our production in 2009. Over the years we have developed a portfolio of assets that provide a solid base of reserves for continued growth.

### **Outlook for 2010**

Since the second half of 2009, we have experienced gradual improvements in the economic environment for Argentina's hydrocarbons industry. Product prices have continued to trend modestly upward since early 2009. However, given the potential volatility of the economic factors and specific circumstances in Argentina, there is no certainty that these favorable trends will continue.

With improved product prices and our recently added investment opportunities, we estimate a record level of capital expenditures in 2010, or approximately \$40 million net to our direct working interests. However, Apco and its partners plan to remain flexible regarding investments during the balance of the year as we monitor the evolving economic and operational environment. If pricing and operating margins continue to improve as the year progresses, we expect that our 2010 performance and operating results will be greater than those achieved in 2009.

For 2010 our plan is structured around continued development in our core properties, adding to our presence in our region of the Neuquén basin and completing the initial phases of our exploration projects in Colombia. Our specific objectives for the year are to:

- Obtain the 10-year concession extensions for our properties in Río Negro and Tierra del Fuego;
- Re-commence development drilling in our Northwest and Austral basin properties;
- Complete seismic activities and commence exploration drilling by year-end in Colombia; and,
- Continue a disciplined approach toward seeking additional investment opportunities in both Argentina and Colombia.

In summary, we are proud of the value created in our company over the past several years, especially as we come to the end of a particularly challenging decade in the history of Argentina in which the country struggled through a unique set of economic and political circumstances. We continue to hope for the best for the country and its people. We thank our management team and our employees who continue to drive our company's success. We also would like to thank you, our shareholders, for your continued support.

Sincerely,



Ralph A. Hill  
Chairman and Chief Executive Officer



Thomas Bueno  
President and Chief Operating Officer



**APCO OIL AND GAS INTERNATIONAL INC.**  
**FORM 10-K**

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## DEFINITIONS

We use the following oil and gas measurements and abbreviations in this report:

- “Bbl” means barrel, or 42 gallons of liquid volume, “MBbls” means thousand barrels, and “MMBls” means million barrels.
- “MBbls/day” means thousand barrels per day.
- “Mcf” means thousand cubic feet, “MMcf” means million cubic feet, and “Bcf” means billion cubic feet.
- “Mcf/d” means thousand cubic feet per day.
- “BOE” means barrel of oil equivalent, a unit of measure used to express all of the Company’s products in one unit of measure based on choloric equivalency of the three products; one barrel of oil is equal to one barrel of oil equivalent, six mcf of gas are equal to one barrel of oil equivalent, and one ton of LPG is equivalent to 11.735 barrels of oil equivalent.
- “MBOE” means thousand barrels of oil equivalent, and “MMBOE” means million barrels of oil equivalent.
- “LPG” means liquefied petroleum gas. More specifically in this report, the Company produces propane and butane at its LPG plant; LPG may also be referred to as plant products.
- “Metric ton” means a unit of mass equal to 1,000 kilograms (2,205 pounds); as used in this report, a metric ton is equal to 11.735 barrels of oil equivalent.
- “2D” means two dimensional seismic imaging of the sub surface.
- “3D” means three dimensional seismic imaging of the sub surface.
- “WTI” means West Texas Intermediate crude oil, a type of crude oil used as a reference for prices of crude oil sold in Argentina.

## PART I

### ITEM I and 2. BUSINESS AND PROPERTIES

#### (a) General Development of Business

Apco Oil and Gas International Inc. (formerly Apco Argentina Inc.) is a Cayman Islands company organized on April 6, 1979 as a successor to Apco Argentina Inc., a Delaware corporation organized on July 1, 1970. References in this report to “we,” “us,” “our,” “Apco,” or the “Company” refer to Apco Oil and Gas International Inc. and its consolidated subsidiaries and, unless the context indicates otherwise, its proportionately consolidated interests in various joint ventures.

Apco is an international oil and gas exploration and production company with a focus on South America. Exploration and production will be referred to as “E&P” in this document. Apco began E&P activities in Argentina in the late 1960s, and as of December 31, 2009, had interests in nine oil and gas producing concessions and one exploration permit in Argentina, and two exploration and production contracts in Colombia.

The Williams Companies, Inc. (“Williams”) indirectly owns 68.96 percent of our outstanding ordinary shares. Please read “Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters.” Our executive officers are employees of Williams and some of our directors are employees of Williams. In addition, pursuant to an administrative services agreement, Williams provides certain other services to us, such as risk management, internal audit services, and, for our headquarters office in Tulsa, Oklahoma, office supplies, office space and computer support. Please read “Certain Relationships and Related Party Transactions, and Director Independence — Transactions with Related Persons — Administrative Services Agreement.”

#### (b) Financial Information About Segments

We treat all operations as one operating segment.

#### (c) Narrative Description of Business

Our business model is to create strategic partnerships to share risk and gain operational efficiencies in the exploration, development and production of oil and natural gas. We have historically acquired non-operating interests in the producing properties in which we participate.

Although we place great reliance on our operating partners because we generally have non-operating interests, Apco actively participates in the management of our sub-surface resources and reservoirs. Our branch office in Buenos Aires includes technical, administration and accounting staff which obtains operational and financial data from our joint venture operators that is used to monitor operations. Our technical staff continuously analyzes and evaluates subsurface data and reservoir performance, provides technical assistance to our joint venture operators, makes recommendations regarding field development and reservoir management, and calculates our estimates of reserves. When deemed strategically appropriate, we have occasionally chosen to operate properties that are exploratory in nature and are prepared to operate producing properties given the right opportunity.

In Argentina, we are active in four of the five principal producing basins in the country. Our core assets are located in the Neuquén basin in the provinces of Río Negro and Neuquén in southwestern Argentina, where Apco has been active for more than 40 years. In 2009, we expanded our E&P activities into Colombia through two farm-in agreements.









In addition to its direct participation interest, Apco owns an effective 29.85 percent equity interest in the areas through its stock ownership in Petrolera, which holds a 73.15 percent direct interest in each of the properties. Our 23 percent direct participation interest combined with our 29.85 percent equity interest gives Apco an effective 52.85 percent interest in all of the properties.

*Petrolera Entre Lomas S.A.*

Petrolera is an Argentine company with administrative offices in Buenos Aires and Neuquén and a field office with technical staff located on the Entre Lomas concession. Petrolera has been a partner in the Entre Lomas joint venture since its inception. As of December 31, 2009, Petrolera had 104 employees. The shareholders of Petrolera and their ownership percentages are as follows:

Petrobras and affiliates	58.88%
Apco and affiliates	40.80%
Other	0.32%
	<u>100.00%</u>

Investment decisions and strategy for development of the properties are agreed upon by the joint venture partners and implemented by Petrolera. Petrolera has a board of 11 directors, five of whom are nominees of Apco and six of whom are nominees of Petrobras and its affiliates. Petrolera's operating and financial managers and field personnel are employed exclusively by Petrolera.

Apco's branch office in Buenos Aires obtains operational and financial data from Petrolera that is used to monitor joint venture operations. The branch provides technical assistance to Petrolera and makes recommendations regarding field development and reservoir management.

*Entre Lomas Concession*

The Entre Lomas concession is located about 950 miles southwest of the city of Buenos Aires on the eastern slopes of the Andes Mountains. It straddles the provinces of Río Negro and Neuquén approximately 60 miles north of the city of Neuquén. The concession covers a surface area of approximately 183,000 acres and produces oil and gas from seven fields, the largest of which is Charco Bayo/Piedras Blancas ("CB/PB"). The concession is equipped with centralized facilities that serve all productive fields. These facilities include processing, treating, compression, injection, storage, power generation and an automatic custody transfer unit through which all oil production is transported to market.

The most productive formation in the concession is the Tordillo, but we also produce oil and gas from the Quintuco and the Punta Rosada formations (also known as the Petrolifera). The joint venture extracts propane and butane from gas production in its gas processing plant located in the concession. Secondary recovery projects whereby water is injected into the producing reservoirs to restore pressure and increase the ultimate volume of hydrocarbons to be recovered are used extensively in the Entre Lomas concession.

The Entre Lomas concession has a primary term of 25 years that expires in the year 2016 with an option to extend for an additional ten-year period with the consent of the government. In 2009, the Neuquén provincial government negotiated and granted ten-year extension periods with various companies. As detailed in the section below, in third-quarter 2009, the concession contract for the portion of the Entre Lomas concession located in the Neuquén province was extended to January 2026. This extension agreement does not apply to the portion of the Entre Lomas concession located in Río Negro province that we expect to negotiate in the near future.







The work commitments associated with Llanos 32 include the acquisition of at least 200 square kilometers of 3D seismic and the drilling of at least two exploration wells. In December 2009, the partners commenced activities on Llanos 32 with a 260 square kilometer 3D seismic acquisition program. The program was designed to cover several leads already identified by the partners. We expect that drilling activities will commence during 2011.

#### *Middle Magdalena Basin*

In December 2009, Apco entered into a farm in agreement with Petrolifera Petroleum (Colombia) Limited to earn a 50 percent working interest in the Turpial Exploration and Production Contract "Turpial." Petrolifera will be the operator. Turpial covers approximately 111,000 acres of underexplored area between the Velazquez and Cocorna oil fields in the Middle Magdalena basin. Under the farm-in agreement Apco paid \$2.6 million and agreed to carry second-phase expenditures up to \$1.9 million in order to earn its working interest. The farm-in is subject to approval by the ANH.

The operator acquired Turpial in 2008 agreeing to a six year exploration term. During the completion of its first-phase obligations, 120 square kilometers of 3D seismic and 37 kilometers of 2D seismic were acquired. The operator elected to enter the second phase and agreed to acquire an additional 114 kilometers of 2D seismic prior to October 2010. Each additional phase will be at the election of the parties and will require the drilling of one exploration well. Should the parties declare commerciality, the contract allows for a 24 year exploitation period.

During 2010 the partners plan to comply with second phase work commitments by acquiring the additional 2D seismic information in the northern area of Turpial.











## **WEBSITE ACCESS TO REPORTS AND OTHER INFORMATION**

We file our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements, and other documents electronically with the Securities and Exchange Commission (“SEC”) under the Securities Exchange Act of 1934, as amended (“Exchange Act”). You may read and copy any materials that we file with the SEC at the SEC’s Public Reference Room at 100 F Street, N.E., Washington, DC 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. You may also obtain such reports from the SEC’s Internet website at <http://www.sec.gov>.

Our Internet website is <http://www.apcooilandgas.com>. We make available free of charge on or through our Internet website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Our Code of Ethics and Board committee charters are also available on our Internet website. We will also provide, free of charge, a copy of any of our corporate documents listed above upon written request to the Corporate Secretary, Apco Oil and Gas International Inc., 3500 One Williams Center, Tulsa, Oklahoma 74172.

## ITEM 1A. RISK FACTORS

### FORWARD-LOOKING STATEMENTS/RISK FACTORS AND CAUTIONARY STATEMENT FOR PURPOSES OF THE “SAFE HARBOR” PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

Certain matters contained in this report include “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements relate to anticipated financial performance, management’s plans and objectives for future operations, business prospects, outcome of regulatory proceedings, market conditions and other matters. We make these forward-looking statements in reliance on the safe harbor protections provided under the Private Securities Litigation Reform Act of 1995.

All statements, other than statements of historical facts, included in this report that address activities, events or developments that we expect, believe or anticipate will exist or may occur in the future, are forward-looking statements. Forward-looking statements can be identified by various forms of words such as “anticipates,” “believes,” “seeks,” “could,” “may,” “should,” “continues,” “estimates,” “expects,” “forecasts,” “intends,” “might,” “goals,” “objectives,” “targets,” “planned,” “potential,” “projects,” “scheduled,” “will” or other similar expressions. These forward-looking statements are based on management’s beliefs and assumptions and on information currently available to management and include, among others, statements regarding:

- Amounts and nature of future capital expenditures;
- Volumes of future oil, gas and LPG production;
- Expansion and growth of our business and operations;
- Financial condition and liquidity;
- Business strategy;
- Estimates of proved oil and gas reserves;
- Reserve potential;
- Development drilling potential;
- Cash flow from operations or results of operations;
- Seasonality of natural gas demand; and
- Oil and natural gas prices and demand for those products.

Forward-looking statements are based on numerous assumptions, uncertainties and risks that could cause future events or results to be materially different from those stated or implied in this report. Many of the factors that will determine these results are beyond our ability to control or predict. Specific factors that could cause actual results to differ from results contemplated by the forward-looking statements include, among others, the following:

- Availability of supplies (including the uncertainties inherent in assessing, estimating, acquiring and developing future oil and natural gas reserves), market demand, volatility of prices, and the availability and cost of capital;

- Inflation, interest rates, fluctuation in foreign currency exchange rates, and general economic conditions (including future disruptions and volatility in the global credit markets and the impact of these events on our customers and suppliers);
- The strength and financial resources of our competitors;
- Development of alternative energy sources;
- The impact of operational and development hazards;
- Costs of, changes in, or the results of laws, government regulations, environmental liabilities and litigation;
- Political conditions in Argentina and other parts of the world;
- The failure to renew participation in hydrocarbon concessions granted by the Argentine government on reasonable terms;
- Risks associated with future weather conditions and earthquakes;
- Acts of terrorism; and
- Additional risks described in our filings with the SEC.

Given the uncertainties and risk factors that could cause our actual results to differ materially from those contained in any forward-looking statement, we caution investors not to unduly rely on our forward-looking statements. We disclaim any obligations to and do not intend to update the above list or to announce publicly the result of any revisions to any of the forward-looking statements to reflect future events or developments.

In addition to causing our actual results to differ, the factors listed above and referred to below may cause our intentions to change from those statements of intention set forth in this report. Such changes in our intentions may also cause our results to differ. We may change our intentions at any time and without notice, based upon changes in such factors, our assumptions, or otherwise.

Because forward-looking statements involve risks and uncertainties, we caution that there are important factors, in addition to those listed above, that may cause actual results to differ materially from those contained in the forward-looking statements. These factors are described in the following section.







We make assumptions and develop expectations about possible expenditures related to environmental conditions based on current laws and regulations and current interpretations of those laws and regulations. If the interpretation of laws or regulations, or the laws and regulations themselves, change, our assumptions may change. We might not be able to obtain or maintain from time to time all required environmental regulatory approvals for certain development projects. If there is a delay in obtaining any required environmental regulatory approvals or if we fail to obtain and comply with them, the operation of our facilities could be prevented or become subject to additional costs, resulting in potentially material adverse consequences to our operations.

***Drilling for oil and gas is an inherently risky business.***

Drilling for oil and gas is inherently risky because we make assessments of where hydrocarbon reservoirs exist at considerable depths in the subsurface based on interpretation of geophysical, geological and engineering information and data without the benefit of physical contact with the accumulations of trapped oil and gas we believe can be produced. Finding and producing oil and gas requires the existence of a combination of geologic conditions in the subsurface that include the following: hydrocarbons must have been generated in a sedimentary basin, they must have migrated from the source into the subsurface area of interest, tectonic conditions in the area of interest must have created a trap required for the storage and accumulation of migrating hydrocarbons, and the sedimentary layer in which the hydrocarbons could be stored must have sufficient porosity and permeability to allow the flow of oil and gas into the drilled well bore.

***Our oil sales have historically depended on a relatively limited group of customers. The lack of competition for buyers could result in unfavorable sales terms which, in turn, could adversely affect our financial results.***

The Argentine domestic refining market is limited. There are five active refiners that constitute 99 percent of the total market. As a result, our oil sales have historically depended on a relatively limited group of customers. The largest of these five companies refines mostly its own crude oil production, while the smallest of the five operates only in the northwest basin of Argentina. The lack of competition in this market could result in unfavorable sales terms which, in turn, could adversely affect our financial results.

***Competition in the markets in which we operate may adversely affect our results of operations.***

We have numerous competitors in our businesses, and additional competitors may enter our markets. Other companies with which we compete may be able to respond more quickly to new laws or regulations or emerging technologies, or to devote greater resources to the construction, expansion or refurbishment of their assets than we can. In addition, current or potential competitors may make strategic acquisitions or have greater financial resources than we do, which could affect our ability to make investments or acquisitions. There can be no assurance that we will be able to compete successfully against current and future competitors and any failure to do so could have a material adverse effect on our businesses and results of operations.

***We are not the operator of all our hydrocarbon interests. Our reliance on others to operate these interests could adversely affect our business and operating results.***

We rely on Petrolera as the operator of our Neuquén basin properties which together comprise approximately 80 percent of our total hydrocarbon production in 2009. We also rely on Pan American Energy and ROCH as the operators of the Acambuco concession and the TDF concessions, respectively. As the non-operating partner, we have limited ability to control operations or the associated costs of such operations. The success of those operations is therefore dependent on a number of factors outside our control, including the competence and financial resources of the operators.

***Changes in, and volatility of, supply, demand, and prices for crude oil, natural gas and other hydrocarbons have a significant impact on our ability to generate earnings, fund capital requirements, and pay shareholder dividends.***

Our revenues, operating results, future rate of growth and the value of our business depends primarily upon the prices we receive for crude oil, natural gas or other hydrocarbons. Price volatility can impact both the amount we receive for our products and the volume of products we sell. Prices also affect the amount of cash flow available for capital expenditures.

Historically, the markets for crude oil, natural gas, and other hydrocarbons have been volatile, and they are likely to continue to be volatile. Wide fluctuations in prices might result from relatively minor changes in the supply of and demand for these commodities, market uncertainty, and other factors that are beyond our control, including:

- Worldwide and domestic supplies of and demand for electricity, natural gas, petroleum, and related commodities;
- Exploration discoveries throughout the world;
- The level of development investment in the oil and gas industry;
- Turmoil in the Middle East and other producing regions;
- Terrorist attacks on production or transportation assets;
- Weather conditions;
- Strikes, work stoppages, or protests;
- The level of market demand;
- The price and availability of other types of fuels;
- The availability of pipeline capacity;
- Supply disruptions and transportation disruptions;
- The price and level of foreign imports;
- Domestic and foreign governmental regulations and taxes;
- Adherence by Organization of Petroleum Exporting Countries (“OPEC”) member nations to production quotas, and future decisions by OPEC to either increase or decrease quotas;
- Argentine governmental actions;
- The overall economic environment;
- The credit of participants in the markets where hydrocarbon products are bought and sold;
- The adoption of regulations or legislation related to climate change.





Williams could engage in businesses that directly or indirectly compete with us without any obligation to offer us those opportunities. In addition, although our officers and directors have an obligation to act in our best interest, our executive officers and some of our directors are also officers and/or directors of Williams and/or its other affiliates, and these persons also owe fiduciary duties to those entities. For example, our Chief Executive Officer and the Chairman of our Board of Directors is also an executive officer of Williams. We also have business relationships with Williams, including an administrative services agreement pursuant to which Williams provides us with certain administrative and management services. Please read “Certain Relationships and Related Party Transactions, and Director Independence — Transactions with Related Persons and — Review, Approval or Ratification of Transactions with Related Persons.”

***Our executive officers and certain other persons who provide services to us at our headquarters office are employees of Williams, and we rely on Williams to provide us with certain administrative services. The loss of any of these persons or administrative services could have a materially adverse effect on our business and results of operations.***

Our executive officers and certain other persons who provide services to us pursuant to an administrative services agreement are employees of Williams. Any service provided under the agreement may be terminated by either us or Williams upon 60 days prior written notice. The loss of any of our key executive officers or other management personnel could have a material adverse effect on our business unless and until we find a qualified replacement. A limited number of persons exist with the requisite experience and skills to serve in our senior management positions and competition for the services of such persons is intense. We may not be able to locate or employ qualified executives or other key employees at a cost competitive with the amounts paid to Williams for the services of these persons.

Williams also provides certain other services to us, such as risk management, internal audit services, and at our headquarters office in Tulsa, Oklahoma, provides office supplies, office space, and computer support pursuant to the administrative services agreement. Please read “Certain Relationships and Related Party Transactions, and Director Independence — Transactions with Related Persons — Administrative Services Agreement.” If Williams did not provide these services, we would be required to provide these services ourselves or to obtain substitute arrangements with third parties. Our cost to replace such services may be significantly higher than the cost we currently pay. In addition, the failure to replace these services in a timely and effective fashion could have a material adverse effect on our business, including our ability to comply with our financial reporting requirements and other rules that apply to public companies.

















































## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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## **MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934). Our internal controls over financial reporting are designed to provide reasonable assurance to our management and board of directors regarding the preparation and fair presentation of financial statements in accordance with accounting principles generally accepted in the United States. Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorization of our management and board of directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

All internal control systems, no matter how well designed, have inherent limitations including the possibility of human error and the circumvention or overriding of controls. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we assessed the effectiveness of our internal control over financial reporting as of December 31, 2009, based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control — Integrated Framework. Based on our assessment we conclude that, as of December 31, 2009, our internal control over financial reporting was effective.

Ernst & Young LLP, our independent registered public accounting firm, has audited our internal control over financial reporting, as stated in their report which is included in this Annual Report on Form 10-K.



## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

### To the Board of Directors and Shareholders of Apco Oil and Gas International Inc.

We have audited the accompanying consolidated balance sheets of Apco Oil and Gas International Inc. as of December 31, 2009 and 2008, and the related consolidated statements of income, changes in equity, and cash flows for each of the three years in the period ended December 31, 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the 2009 financial statements of Apco Austral S.A., a majority-owned subsidiary, which statements reflect total assets of \$26.3 million and total revenues of \$11.2 million, as of and for the year ended December 31, 2009. Those statements were audited by other auditors whose report has been furnished to us, and our opinion on the consolidated financial statements of the Company, insofar as it relates to the amounts included for Apco Austral S.A., is based solely on the report of the other auditors.

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 and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and, for 2009, the report of other auditors, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Apco Oil and Gas International Inc. at December 31, 2009 and 2008, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2009, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, in 2009 Apco Oil and Gas International Inc. has changed its reserve estimates and related disclosures as a result of adopting new oil and gas reserve estimation and disclosure requirements.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Apco Oil and Gas International Inc.'s internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 12, 2010 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Tulsa, Oklahoma  
March 12, 2010











**APCO OIL AND GAS INTERNATIONAL INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(1) **Description of Business, Basis of Presentation and Summary of Significant Accounting Policies**

***Description of Business***

Apco Oil and Gas International Inc. (formerly Apco Argentina Inc.) is an international oil and gas exploration and production company with a focus on South America. Exploration and production will be referred to as “E&P” in this document.

Apco began E&P activities in Argentina in the late 1960s, and as of December 31, 2009, had interests in nine oil and gas producing concessions and one exploration permit in Argentina, and two exploration and production contracts in Colombia. Our producing operations are located in the Neuquén, Austral, and Northwest basins in Argentina. The Company also has exploration activities currently ongoing in both Argentina and Colombia. As of December 31, 2009, all of the Company’s operating revenues and equity income, and all but \$2.6 million of its long-lived assets for which we have carrying values on our balance sheet, were in Argentina.

A wholly owned subsidiary of The Williams Companies, Inc. (“Williams”) currently owns 68.96 percent of the outstanding ordinary shares of the Company.

***Basis of Presentation and Principles of Consolidation***

The consolidated financial statements include the accounts of Apco Oil and Gas International Inc. (a Cayman Islands company) and its subsidiaries, Apco Properties Ltd. (a Cayman Islands company), Apco Austral S.A. (an Argentine corporation), and Apco Argentina S.A. (an Argentine corporation), which as a group are at times referred to in the first person as “we,” “us,” or “our.” We also sometimes refer to Apco as the “Company.”

The Company proportionately consolidates its direct interest of the accounts of its joint ventures into its consolidated financial statements.

Our core operations are our 23 percent working interests in the Entre Lomas, Bajada del Palo and Charco del Palenque concessions and the Agua Amarga exploration permit in the Neuquén basin, and a 40.803 percent equity interest in Petrolera Entre Lomas S.A. (Petrolera, a privately owned Argentine corporation), which is accounted for using the equity method (see Note 2). Petrolera is the operator and owns a 73.15 percent working interest in the same properties. Consequently, Apco’s combined direct consolidated and indirect equity interests in the properties underlying the joint ventures total 52.85 percent. The Charco del Palenque concession is the portion of the Agua Amarga exploration permit which was converted to a 25-year exploitation concession in the fourth quarter of 2009. We sometimes refer to these areas in a group as our “Neuquén basin properties.”

Certain prior year amounts have been reclassified due to our adoption of ASC 810-10-65 “Noncontrolling Interests in Consolidated Financial Statements and we have reclassified certain amounts of transportation costs into selling and administrative expense to conform to current year presentation.

In the fourth quarter of 2007, our Board of Directors approved a four-for-one share split effected in the form of a share dividend. Shareholders received three additional ordinary shares for each ordinary share held. The total number of authorized shares and associated par value per share were unchanged by this action. All share and per share amounts have been adjusted to reflect this share split.

**APCO OIL AND GAS INTERNATIONAL INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued**

*Summary of Significant Accounting Policies*

*Use of Estimates*

Oil and gas operations are high risk in nature. A successful operation requires that a company deal with uncertainties about the subsurface that even a combination of experience, scientific information and careful evaluation cannot always overcome. Because the Company's assets are located primarily in Argentina, management has historically been required to deal with the impact of inflation, currency devaluation and currency controls. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, if any, at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Segments*

All of the Company's producing operations which generate revenues are located in Argentina and its only business in Argentina is oil and gas exploration and production. As a result, management views all of the Company's business and operations to be one segment.

*Revenue Recognition*

The Company recognizes revenues from sales of oil, gas, and plant products at the time the product is delivered to the purchaser and title has been transferred. Any product produced that has not been delivered is reported as inventory and is valued at the lower of cost or market. When cost is calculated, it includes total per unit operating cost and depreciation. Transportation and storage costs are recorded as expenses when incurred. The Company has had no contract imbalances relating to either oil or gas production.

*Cash and Cash Equivalents*

The Company considers all investments with a maturity of three months or less when acquired to be cash equivalents.

*Inventory Valuation*

Includes hydrocarbons and spare-parts materials, which are accounted for at production and acquisition cost, respectively.

*Property and Equipment*

The Company uses the successful-efforts method of accounting for oil and gas exploration and production operations, whereby costs of acquiring non-producing acreage and costs of drilling successful exploration wells and development costs are capitalized. Costs of unsuccessful exploratory drilling are expensed as incurred. Oil and gas properties are depreciated over their concession life using the units of production method based on proved and proved producing reserves. Non oil and gas property is recorded at cost and is depreciated on a straight-line basis, using estimated useful lives of 3 to 15 years.

The Company reviews its proved properties for impairment on a property by property basis and recognizes an impairment whenever events or circumstances, such as declining oil and gas prices, indicate that a property's

**APCO OIL AND GAS INTERNATIONAL INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued**

carrying value may not be recoverable. If an impairment is indicated, then a provision is recognized to the extent that the carrying value exceeds the present value of the estimated future net revenues (“fair value”). In estimating future net revenues, the Company utilizes what we believe are market participation assumptions, including an oil and natural gas price forecast that it believes to be reasonable given the pricing environment in Argentina. Due to the volatility of oil and gas prices, it is possible that the Company’s assumptions regarding oil and gas prices may change in the future.

Unproved properties may include concession acquisition costs and costs of acquired unproved reserves. Concession acquisition costs are assessed annually, or as conditions warrant, for impairment considering our future drilling plans, the remaining concession contract term and recent drilling results. Generally, the costs of acquired unproved reserves are associated with areas to which proved developed producing reserves are also attributed. Additionally, economic recovery of unproved reserves in such areas is not yet supported by actual production or conclusive formation tests, but may be confirmed by our continuing development program. Ultimate recovery of potentially recoverable reserves in areas with established production generally has greater probability than in areas with limited or no prior drilling activity. Costs of acquired unproved reserves are assessed annually, or as conditions warrant, for impairment using estimated future discounted cash flows on a field basis and considering our future drilling plans. If the unproved properties are determined to be productive, the appropriate related costs are transferred to proved oil and gas properties.

The Company records an asset and a liability upon incurrence equal to the present value of each expected future asset retirement obligation (ARO). The ARO asset is depreciated in a manner consistent with the depreciation of the underlying physical asset. We measure changes in the liability due to passage of time by applying an interest method of allocation. This amount is recognized as an increase in the carrying amount of the liability and as a corresponding accretion expense included in other operating expense.

Given the uncertainty inherent in the process of estimating future oil and gas reserves and future oil and gas production streams, the estimate of the number of future wells to be plugged and abandoned could change as new information is obtained. Furthermore, given past uncertainties associated with future levels of inflation in Argentina and devaluation of the peso, any future estimate of the cost to plug and abandon a well is subject to a wide range of outcomes as the estimate is updated as time passes. Finally, adjustments in the total asset retirement obligation included in the Company’s Consolidated Balance Sheets will take into consideration future estimates of inflation and present value factors based on the Company’s credit standing. Given past economic turmoil in Argentina, future inflation rates and interest rates, upon which present value factors are based, as recent history demonstrates, may be subject to large variations over short periods of time. A change in the total asset retirement obligation from year to year can result from changes in the estimate of number of wells that will need to be abandoned, changes in the estimate of the cost to abandon a well and accretion of the obligation.

*Net Income per Ordinary Share*

Net income per ordinary share is based on the weighted average number of ordinary shares outstanding. Basic and diluted net income per ordinary share are the same, as the Company has not issued any potentially dilutive securities such as stock options.

**APCO OIL AND GAS INTERNATIONAL INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued**

*Foreign Exchange*

The general policy followed in the translation of the Company's financial statements of foreign operations into United States dollars is in accordance with ASC 830-30, "Translation of Financial Statements," using the United States dollar as the functional currency. Accordingly, translation gains and losses that arise from exchange rate fluctuations applicable to transactions denominated in a currency other than the United States dollar, are included in results of operations as incurred.

*Income Taxes*

Deferred income taxes are computed using the liability method and are provided to reflect the future tax consequences of differences between the tax basis of assets and liabilities and their reported amounts in the financial statements.

*Fair Value*

The carrying amount reported in the balance sheet for cash equivalents, accounts receivable and accounts payable is equivalent to fair value.

*Equity Investment Impairment Policy*

We evaluate our equity investment for impairment when events or changes in circumstances indicate, in our management's judgment, that the carrying value of such investment may have experienced an other-than-temporary decline in value. When evidence of loss in value has occurred, we compare our estimate of fair value of the investment to the carrying value of the investment to determine whether an impairment has occurred. If the estimated fair value is less than the carrying value and we consider the decline in value to be other-than-temporary, the excess of the carrying value over the fair value is recognized in the consolidated financial statements as an impairment.

Judgments and assumptions are inherent in our management's estimate of discounted future cash flows and an asset's fair value. The use of alternate judgments and/or assumptions could result in the recognition of different levels of impairment charges in the consolidated financial statements.

*Recent Accounting Standards*

In December 2009, the FASB issued its updates to oil and gas accounting rules to align the oil and gas reserve estimation and disclosure requirements of Extractive Industries - Oil and Gas (Topic 932) with the requirements in the Securities and Exchange Commission's final rule, Modernization of the Oil and Gas Reporting Requirements, which was issued on December 31, 2008 and is effective for the year ended December 31, 2009. We have adopted these new accounting and disclosure requirements in 2009.

In December 2007, the FASB issued ASC 805 "Business Combinations." ASC 805 establishes principles and requirements for how an acquirer of a business recognizes and measures, principally at fair value, in its financial statements the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree and the goodwill acquired. ASC 805 also requires the expensing of acquisition-related costs as incurred and establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. ASC 805 is effective for business combinations with an acquisition date in fiscal years beginning after December 15, 2008. We have adopted this standard.

**APCO OIL AND GAS INTERNATIONAL INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued**

In December 2007, the FASB issued ASC 810-10-65 “Noncontrolling Interests in Consolidated Financial Statements—an amendment of Accounting Research Bulletin No. 51”. ASC 810-10-65 establishes accounting and reporting standards for noncontrolling ownership interests in subsidiaries, formerly referred to as the minority interest. Noncontrolling ownership interests in subsidiaries will be classified in shareholders’ equity, but separately from the parent’s equity. Consolidated net income will include amounts attributable to the parent and the noncontrolling interest. ASC 810-10-65 also establishes disclosure requirements that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners and requires earnings per share calculations based on earnings attributable to the parent company. ASC 810-10-65 is effective on a prospective basis for fiscal years beginning after December 15, 2008, except for the presentation and disclosure provisions. The presentation and disclosure provisions require retrospective application to all periods presented.

The Company adopted ASC 810-10-65 January 1, 2009. We have applied the presentation and disclosure requirements retrospectively for all periods presented.

There have been no new accounting standards issued, but not yet adopted, that will have a material effect on our financial statements.

*Subsequent Events*

In February 2010, we entered into a “drill to earn” farm-in agreement in the Neuquén basin. Under the agreement, Apco will earn a 22.5 percent non-operated net interest for funding the drilling of two exploration wells during 2010, with an option to proceed to a second phase and drill two additional wells to increase our net interest to 45 percent. We expect to spend between \$6 to \$9 million under this agreement in 2010, depending on our determination to proceed to a second phase. Should we proceed to the second phase, we would expect to spend an additional \$3 million in 2011.

We have evaluated our disclosure of subsequent events through the time of filing this 10-K with the Securities and Exchange Commission.

**(2) Investment in Argentine Oil and Gas Company**

As described in Note 1, the Company uses the equity method to account for its investment in Petrolera, a non-public Argentine corporation. Petrolera’s only business is its operatorship and 73.15 percent interest in the Entre Lomas, Bajada del Palo and Charco del Palenque concessions and the Agua Amarga exploration permit.

In 2007, Petrolera arranged for a \$50 million bank line of credit to fund its share of the acquisition cost for the Bajada del Palo concession and a portion of its capital expenditures. As of December 31, 2008, Petrolera borrowed the full \$50 million thereby using the entire line of credit with the bank. In May 2009, an amendment to the initial agreement was made whereby the unpaid principal amount of the line of credit, or \$48.4 million as of that date, was consolidated into one loan of \$48.4 million. The consolidated loan will be paid in 15 quarterly installments starting in first quarter 2010, and interest shall be paid quarterly at Libor plus 2.40% a year.



**APCO OIL AND GAS INTERNATIONAL INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued**

**(4) Exploratory Well Costs Pending the Determination of Proved Reserves**

For the years ended December 31, 2009, 2008, and 2007, the changes in capitalized exploratory drilling costs pending the determination of proved reserves are detailed in the table below. The balance as of each year end consisted of wells that were in progress for less than one year.

**Changes in exploratory well costs pending determination of reserves:**

<b>(Amounts in thousands)</b>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Balance, beginning of year	\$ 1,188	\$ 1,367	\$ -
Additions	-	1,188	1,367
Transfers to proved properties	(1,188)	(445)	-
Expensed	<u>-</u>	<u>(922)</u>	<u>-</u>
Total	<u>\$ 0</u>	<u>\$ 1,188</u>	<u>\$ 1,367</u>

**(5) Major Customers**

Sales to customers with greater than ten percent of total operating revenues consists of the following:

	<b>For the Years Ended December 31,</b>		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
Petrobras Energía S.A.. .....	45.23%	76.5%	74.4%
Esso Petrolera Argentina S.A.. .....	25.77%	-	-

Management believes that the credit risk imposed by this concentration is offset by the creditworthiness of these two customers and upon expiration, the oil sales contracts with these customers will be extended or replaced.

**(6) Related Party Transactions**

The Company incurred expenses in 2009, 2008, and 2007, from Williams and affiliates for management services, overhead allocation, rent, general and administrative expenses (including the costs of compensating employees of Williams who allocate a portion of their time to managing the affairs of the Company), internal audit services, and purchases of materials and supplies. These charges were incurred by the Company pursuant to an administrative services agreement between the Company and Williams.

The Company sold hydrocarbons to Petrobras Energía S.A., the majority shareholder of Petrolera Entre Lomas S.A, in 2009, 2008, and 2007.

The Company and Northwest Argentina Corporation ("NWA"), a wholly owned subsidiary of Williams, each own a 1.5 percent interest in the Acambuco concession. NWA has no employees and its sole asset is its interest in Acambuco. The Company's branch office in Argentina provides administrative assistance to NWA. Specifically, the Company pays cash calls and collects revenues pertaining to NWA's interest.



**APCO OIL AND GAS INTERNATIONAL INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued**

**(7) Accrued Liabilities**

At December 31, 2009 and 2008 accrued liabilities consisted of the following:

(Amounts in thousands)	2009	2008
Taxes other than income payable	\$ 1,155	\$ 531
Accrued provincial production taxes	820	783
Accrued payroll and other general and administrative expenses	873	541
Accrued oil and gas expenditures	1,872	671
Accrued landowner costs	-	300
Other	942	558
	<u>\$ 5,662</u>	<u>\$ 3,384</u>

**(8) Income and Other Argentine Taxes**

The Company incorporated in the Cayman Islands in 1979. Since then, the Company’s income, to the extent that it is derived from sources outside the U.S., is not subject to U.S. income taxes. Also, the Company has been granted an undertaking from the Cayman Islands government, expiring in 2019, to the effect that the Company will be exempt from tax liabilities resulting from tax laws enacted by the Cayman Islands government subsequent to 1979. The Cayman Islands currently has no applicable income tax or corporation tax. All of the Company’s income during 2009, 2008, and 2007 was generated outside the United States.

The effective income tax rate reflected in the Consolidated Statements of Income differs from Argentina’s statutory rate of 35 percent. This is because although the Company incurs income taxes only in Argentina, the country where all of its oil and gas income generating activities are located, the Company also generates income and incurs expenses outside of Argentina that are not subject to income taxes in Argentina or in any other jurisdiction and therefore these amounts do not affect the amount of income taxes paid by the Company. Such items include interest income resulting from the Company’s cash and cash equivalents deposited in its Cayman Island and Bahamas banks, general and administrative expenses incurred by the Company in its headquarters office in Tulsa, Oklahoma, equity income from Argentine investments that is recorded by the Company on an after tax basis, and foreign exchange losses resulting from the devaluation of the peso which are not deductible in Argentina.

The Company recorded expenses for Argentine taxes as presented in the following table. Amounts are stated in thousands. The Company is not subject to taxes in any other jurisdiction.

	Twelve Months Ended		
	December 31,		
	2009	2008	2007
Income taxes:			
Current	\$ 8,308	\$ 6,885	\$ 8,748
Deferred	(315)	(215)	(605)
Income tax expense	<u>\$ 7,993</u>	<u>\$ 6,670</u>	<u>\$ 8,143</u>



**APCO OIL AND GAS INTERNATIONAL INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued**

operations, which including interest and indexation for inflation, amounted to 9.2 million Argentine pesos. The Entre Lomas partners did not pay the deposit because of the tax exemption provision included in the original Entre Lomas contract 12,507. After a lengthy judicial process, the Entre Lomas joint venture partners paid the 9.2 million Argentine peso obligatory savings deposit in twelve equal installments during the period July 2000 through June 2001. At the time of payment, the U.S. dollar to Argentine peso exchange rate was 1:1 and the payment was equivalent to \$9.2 million, or \$2.1 million net to the Company's direct participation and \$2.7 million net to the Company's equity interest in Petrolera. The devaluation of the Argentine peso in 2001 and 2002 resulted in a substantial loss in the dollar value of deposit that was recognized by the Company as foreign exchange losses in those years. Originally, a request for reimbursement of the deposit was made in June 2005. It was subsequently determined that the due date for reimbursement of the deposit is five years from the date the joint venture partners paid the last installment, or June 30, 2006. On June 27, 2006, Petrolera filed a request for reimbursement on behalf of the joint venture partners. As of the date of this report, Petrolera has not yet received an official written response from the DGI.

In 2007, the Company recorded a provision for doubtful accounts of \$745 thousand for its 23 percent direct interest in the obligatory savings deposit against its financial income and recorded a provision for doubtful accounts of \$967 thousand pertaining to its equity interest in Petrolera against its equity income from Petrolera. As of December 31, 2009, the Company has recorded an allowance for doubtful accounts of \$623 thousand for its 23 percent direct interest in the obligatory savings deposit and recorded a provision for doubtful accounts of \$733 thousand pertaining to its equity interest in Petrolera. The Company had an allowance for doubtful accounts of \$682 thousand and \$745 thousand for its 23 percent direct interest in the obligatory savings deposit at December 31, 2008 and 2007, respectively. The Company had an allowance for doubtful accounts pertaining to its equity interest in Petrolera of \$886 thousand and \$967 thousand at December 31, 2008 and 2007, respectively.

The change in the provision for doubtful accounts is due to the U.S. dollar remeasurement of the provision at the year end peso exchange rate. The change in the Company's provision pertaining to its 23 percent direct interest was recorded against its financial income and the change in the provision pertaining to its equity interest in Petrolera was recorded against its equity income from Petrolera.

**(9) Defined Contribution Retirement Plan**

In April 2004, the Company formed a defined contribution retirement benefit plan for its Argentine employees. Assuming the current level of staffing, it is expected that future annual contributions will range between \$50 thousand to \$150 thousand and will be charged to expense as earned. In March 2010, the Company made a contribution of \$96 thousand. This amount was accrued as administrative expense in 2009. The total amount expensed in 2008 was \$77 thousand. Plan contributions are based on employees' current levels of compensation and years of service. Employees vest at a rate of 20 percent per year with full vesting after five years.

**APCO OIL AND GAS INTERNATIONAL INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued**

**(10) Long-Term Liabilities**

At December 31, 2009 and 2008, long-term liabilities consisted of the following. Amounts are stated in thousands:

	<u>2009</u>	<u>2008</u>
Long-term liabilities		
Retirement plan obligations .....	\$ 949	\$ 942
Asset retirement obligations.....	2,098	1,458
Other .....	-	168
	<u>\$ 3,047</u>	<u>\$ 2,568</u>

Retirement plan obligations represent the Company's proportionate share of the obligation arising from the pension plan that covers all employees of Petrolera, the operator of the Entre Lomas concession. The Company's proportionate share of the projected benefit obligation at December 31, 2009 and 2008, was \$2.4 million and \$2.3 million, respectively, while the fair value of plan assets (which are invested in money market mutual funds and treasury federal funds) was \$1.4 million and \$1.3 million, respectively. The Company expects its contributions in 2010 to be less than \$200 thousand.

**(11) Contingencies and Commitments**

Certain conditions may exist as of the date of financial statements which may result in a loss to the Company but which will only be resolved when one or more future events occur or fail to occur. Contingent liabilities are assessed by the Company's management based on the opinion of the Company's legal counsel and available evidence. Such contingencies could include outstanding lawsuits or claims for possible damages to third parties in the ordinary course of the Company's business, as well as third party claims arising from disputes concerning the interpretation of legislation. If the assessment of a contingency indicates that it is probable that a loss has been incurred and the amount can be estimated, a liability is accrued. If the assessment indicates that a potential loss contingency is not probable, but is reasonably possible, or is probable but it cannot be estimated, then the nature of the contingent liability, together with an estimate of the possibility of occurrence, is disclosed in a note to the financial statements. Loss contingencies considered remote are not disclosed unless they involve guarantees, in which case the nature of the guarantee is disclosed. However, in some instances in which disclosure is not otherwise required, the Company may disclose contingent liabilities of an unusual nature which, in the judgment of management, may be of interest to the users of the financial statements. As facts concerning contingencies become known to the Company, the Company reassesses its position both with respect to accrued liabilities and other potential exposures.

In November of 2004, the Company received a formal notice from the Banco Central de la Republica Argentina (the Central Bank of Argentina or the "BCRA"), of certain proceedings based upon alleged violation of foreign currency regulations. Specifically, the BCRA claimed that between December of 2001 and November of 2002 the Company failed to bring into the country 100 percent of the foreign currency proceeds from its Argentine oil exports. In 1989, the government established guidelines that required most oil companies to bring into Argentina 30 percent of foreign currency proceeds from exports instead of 100 percent of such proceeds as was generally required of exporters in other industries. In 1991, all foreign exchange controls were lifted by the government. In response to Argentina's economic crisis of 2001 and 2002, the government reintroduced foreign exchange controls in 2002 and as a result during 2002 the Company repatriated 30 percent of its proceeds from oil

**APCO OIL AND GAS INTERNATIONAL INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued**

exports following the 1989 guidelines. An opinion from Argentina's Attorney General, however, declared that the benefits granted to the oil and gas industry in 1989 were no longer effective and, therefore, 100 percent of such funds had to be repatriated. This opinion supported the position taken by the Argentine government during 2002. The government then revised its position in 2003 and expressly clarified that oil companies are required to only repatriate 30 percent of such proceeds. The government's departure from its 2002 position was effective January 1, 2003, leaving some uncertainty in the law with regard to 2002.

The BCRA audited the Company in 2004 and took the position that 100 percent of its foreign currency proceeds from its 2002 exports were required to be returned to the country rather than only 30 percent, as had been returned to the country by the Company in 2002. The difference for the Company totals \$6.2 million. In December 2004, the Company filed a formal response disagreeing with the position taken by the BCRA. In addition, without admitting any wrongdoing, the Company brought into the country \$6.2 million and exchanged this amount for Argentine pesos using the applicable exchange rates required by the regulation.

To date, this process has not advanced beyond what is described in the previous paragraphs. The Company anticipates that this matter will remain open for some time. Under the pertinent foreign exchange regulations, the BCRA may impose significant fines on the Company; however, historically few fines have been made effective in those cases where the foreign currency proceeds were brought into the country and traded in the exchange market at the adequate exchange rate and the exporters had reasonable grounds to support their behavior. As a result, it is premature to reach a conclusion as to the probability of an outcome or the amount of any loss to the Company that might result from this proceeding. There have been no new developments with regard to this matter since the Company filed its formal response in December 2004.

*Commitments*

Commitments for international oil and gas activities including drilling, seismic investments and bonus payments for concession extensions are approximately \$16.3 million at December 31, 2009. Additionally, during 2009 the terms of portions of our concessions located in the province of Neuquén were extended for an additional 10 years. As a result of the extensions, we also agreed to make expenditures for oil and gas activities net to our direct working interest of approximately \$12 million during the three year period ending December 31, 2011, \$13 million during the three year period ending December 31, 2014, and \$29 million between 2015 and 2026.

**APCO OIL AND GAS INTERNATIONAL INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued**

**(12) Quarterly Financial Data (Unaudited)**

	<u>First Quarter</u>	<u>Second Quarter</u>	<u>Third Quarter</u>	<u>Fourth Quarter</u>
(Amounts in Thousands Except Per Share Amounts)				
<b>2009</b>				
Operating revenues	\$ 17,257	\$ 15,818	\$ 19,059	\$ 20,582
Costs and expenses	13,980	12,190	14,701	14,889
Investment Income	3,212	3,562	3,585	4,205
Net income	5,025	5,398	6,328	6,776
Amounts attributable to Apco Oil and Gas International Inc.:				
Net Income	5,018	5,394	6,319	6,766
Net income per ordinary share	0.17	0.18	0.21	0.23
<b>2008</b>				
Operating revenues	\$ 15,605	\$ 17,500	\$ 17,675	\$ 18,336
Costs and expenses	11,122	13,652	14,818	16,515
Investment Income	3,643	4,621	4,156	5,066
Net income	6,456	7,201	5,735	4,433
Amounts attributable to Apco Oil and Gas International Inc.:				
Net Income	6,449	7,192	5,727	4,425
Net income per ordinary share	0.22	0.24	0.19	0.16





**APCO OIL AND GAS INTERNATIONAL INC.**  
**UNAUDITED SUPPLEMENTAL OIL AND GAS INFORMATION**

The increase in total proved net oil and gas reserves for 2009 is attributable to three factors: (i) successful results of development drilling that resulted in upgrading reserves previously classified as probable and possible to proved; (ii) successful exploration discoveries; and (iii) obtaining ten-year concession extensions on certain of our properties. There were no estimates of total proved net oil or gas reserves filed with any other United States Federal authority or agency during any of the years presented. The new rules and expanded definitions of oil and gas reserves supported by reliable technologies and practices have not had a material impact on our current estimate of reserves.

**Standardized Measure of Discounted Future Net Cash Flows Relating to Proved Oil and Gas Reserves**

The following is based on the estimated quantities of proved reserves. During 2009 we adopted prescribed accounting revisions associated with oil and gas authoritative guidance. Those revisions include using the 12-month average price computed as an un-weighted arithmetic average of the price as of the first day of each month, unless prices are defined by contractual arrangements. These revisions are reflected in our 2009 amounts. For the year-ended December 31, 2009, the average oil price used in the estimates was \$43.62 per barrel. For the years ended December 31, 2008 and 2007, the year-end oil prices used in the estimates were \$46.94 and \$42.35 per barrel.

Future natural gas revenues are priced at \$1.93 per mcf. Future natural gas revenues included in the standardized measure consist of estimated natural gas production volumes, net of natural gas volumes consumed in operations as described in the footnote in the natural gas reserves table above. For the years ended December 31, 2008 and 2007, the year-end natural gas prices used in the estimates were \$1.86 and \$1.46 per mcf. In previous years, values for natural gas consumed in field operations were included both as revenues in future cash inflows and as gas consumption expense in future production and development costs. For the years 2007 and 2008, the amounts attributable to natural gas consumption values included in Consolidated Interests are \$22 million and \$27 million, and in Equity Interest are \$21 million and \$24 million.

Future income tax expenses have been computed considering applicable taxable cash flows and the appropriate statutory tax rate. The discount rate of 10 percent is as prescribed by authoritative guidance. Continuation of year-end economic conditions also is assumed. Conversion of U.S. dollars is made utilizing the rate of exchange at December 31 for each of the years presented. The calculation is based on estimates of proved reserves, which are revised over time as new data becomes available. Probable or possible reserves, which may become proved in the future, are not considered. The calculation also requires assumptions as to the timing of future production of proved reserves, and the timing and amount of future development and production costs.

Numerous uncertainties are inherent in estimating volumes and the value of proved reserves and in projecting future production rates and timing of development expenditures. Such reserve estimates are subject to change as additional information becomes available. The reserves actually recovered and the timing of production may be substantially different from the reserve estimates.

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**Standardized Measure of Discounted Future Net Cash Flows**

The following tables summarize the standardized measure of discounted future net cash flows from proved oil and natural gas reserves that could be produced from our concessions in Argentina for each of the years presented:

(Millions of Dollars)

	<b>Interests</b>		
	<b>Consolidated</b>	<b>Equity</b>	<b>Combined</b>
<b>As of December 31, 2007</b>			
Future cash inflows	\$ 504	\$ 490	\$ 994
Less:			
Future production costs	(173)	(184)	(357)
Future development costs	(68)	(68)	(136)
Future income tax expense	(66)	(69)	(135)
Future net cash flows	197	169	366
Less 10 percent annual discount for estimated timing of cash flows	(65)	(54)	(119)
Standardized measure of discounted future net cash flows	<u>\$ 132</u>	<u>\$ 115</u>	<u>\$ 247</u>
<b>As of December 31, 2008</b>			
Future cash inflows	\$ 555	\$ 520	\$ 1,075
Less:			
Future production costs	(169)	(162)	(331)
Future development costs	(87)	(95)	(182)
Future income tax expense	(66)	(73)	(139)
Future net cash flows	233	190	423
Less 10 percent annual discount for estimated timing of cash flows	(72)	(59)	(131)
Standardized measure of discounted future net cash flows	<u>\$ 161</u>	<u>\$ 131</u>	<u>\$ 292</u>
<b>As of December 31, 2009</b>			
Future cash inflows	\$ 616	\$ 614	\$ 1,230
Less:			
Future production costs	(214)	(228)	(442)
Future development costs	(83)	(91)	(174)
Future income tax expense	(67)	(73)	(140)
Future net cash flows	252	222	474
Less 10 percent annual discount for estimated timing of cash flows	(97)	(93)	(190)
Standardized measure of discounted future net cash flows	<u>\$ 155</u>	<u>\$ 129</u>	<u>\$ 284</u>





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**Costs Incurred in Acquisitions, Exploration, and Development**

The following table details costs incurred for acquisitions, exploration, and development during 2007, 2008 and 2009. Costs incurred include capitalized and expensed items.

(Amounts in Millions)	Interests		
	Consolidated	Equity	Combined
For the year ended December 31, 2007			
Acquisition:			
Proved properties.....	\$ 5.3	\$ 6.8	\$ 12.1
Unproved properties.....	2.0	2.6	4.6
Exploration.....	4.1	1.9	6.0
Development.....	17.2	17.7	34.9
Asset retirement obligations.....	0.2	0.3	0.5
Total.....	\$ 28.8	\$ 29.4	\$ 58.2
For the year ended December 31, 2008			
Acquisition.....	\$ -	\$ -	\$ -
Exploration.....	8.8	6.7	15.5
Development.....	27.3	24.8	52.1
Asset retirement obligations.....	0.1	0.1	0.2
Total.....	\$ 36.2	\$ 31.6	\$ 67.8
For the year ended December 31, 2009			
Acquisition:			
Unproved properties.....	\$ 2.6	\$ -	\$ 2.6
Exploration.....	3.4	3.4	6.8
Development.....	17.9	19.8	37.7
Asset retirement obligations.....	0.7	0.9	1.6
Total.....	\$ 24.6	\$ 24.1	\$ 48.7

## **ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

### **ITEM 9A. CONTROLS AND PROCEDURES**

#### **Disclosure Controls and Procedures**

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act) (Disclosure Controls) will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. We monitor our Disclosure Controls and make modifications as necessary; our intent in this regard is that the Disclosure Controls will be modified as systems change and conditions warrant.

An evaluation of the effectiveness of the design and operation of our Disclosure Controls was performed as of the end of the period covered by this report. This evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that these Disclosure Controls are effective at a reasonable assurance level.

#### **Management's Annual Report on Internal Control over Financial Reporting**

See "Management's Annual Report on Internal Control over Financial Reporting" set forth in Item 8, "Financial Statements and Supplementary Data."

#### **Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting**

See report set forth in Item 8, "Financial Statements and Supplementary Data."

#### **Changes in Internal Controls Over Financial Reporting**

There have been no changes during the fourth quarter of 2009 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

### **ITEM 9B. Other Information**

None.

## PART III

### ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

#### Directors and Executive Officers

Our articles of association provide for a Board of Directors of not less than three and not more than nine persons. The articles of association also provide that at each annual general meeting of shareholders one-third of the directors, or if their number is not three or a multiple of three, then the number nearest one-third, shall retire from office. The directors to retire in every year are those who have been longest in office since their last election and retiring directors are eligible to be re-elected as directors. Between persons who become directors on the same day those to retire are determined by lot unless they otherwise agree among themselves as to who will retire. Directors appointed by the Board of Directors to fill a vacancy or as an addition to the existing directors hold office until the next following annual meeting of shareholders and are not taken into account in determining the directors who are to retire by rotation as described above. Mr. Rodney J. Sailor was last elected as a director at the annual general meeting of shareholders held in 2006. Messrs. Bryan K. Guderian and Piero Ruffinengo were last elected as directors at the annual general meeting of shareholders held in 2007. Messrs. Keith E. Bailey and Messrs. Ralph A. Hill were last elected as directors at the annual general meeting of shareholders held in 2008. Messrs. Robert J. LaFortune and John H. Williams were last elected at the annual general meeting of shareholders held in 2009. The number of directors is currently seven and if this number remains the same by the next annual general meeting of shareholders, the term of Mr. Sailor and the term of one of Messrs. Guderian or Ruffinengo will expire at such meeting. Executive officers of the Company are elected by the Board of Directors and hold office until relieved of such office by action of the Board of Directors.

The following table sets forth certain information with respect to the Company's executive officers and members of the board of directors.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Ralph A. Hill .....	50	Chairman of the Board, Chief Executive Officer and Director
Landy L. Fullmer.....	57	Chief Financial Officer, Chief Accounting Officer, Controller and Vice President
Thomas Bueno.....	58	President and Chief Operating Officer
Keith E. Bailey .....	67	Director
Bryan K. Guderian .....	50	Director
Robert J. LaFortune.....	83	Director
Piero Ruffinengo .....	65	Director
Rodney J. Sailor .....	51	Director
John H. Williams.....	91	Director

#### Business Experience and Qualifications

Below is information about our directors and executive officers, including experience in the following areas that are important qualifications for directors in the context of our business and structure:

- *Industry Experience* in the oil and gas exploration and production business.
- *Financial Experience* with which to evaluate our financial statements and capital investments.

- *Corporate Governance Experience* to support our goals of accountability for management and the Board of Directors and protection of shareholders interests.
- *Legal Experience* is valuable to the Board of Director's oversight of our legal and regulatory compliance.
- *Operating Experience* which is relevant to the understanding of our operating plan and strategy.
- *International Business Experience* because all of our operations are in South America.

Mr. Hill has served as a director of the Company, Chairman of the Board of Directors, and Chief Executive Officer since 2002. Since 2003 he has served as a Senior Vice President of The Williams Companies, Inc. ("Williams") (which finds, produces, gathers, processes, and transports natural gas with operations concentrated in the Pacific Northwest, Rocky Mountains, Gulf Coast, and Eastern Seaboard) and acts as the President of Williams exploration and production unit. He joined Williams in 1981 and has held various positions in Williams' exploration and production, gas marketing, and petroleum services businesses. Mr. Hill has served as a director of Petrolera Entre Lomas S.A. ("Petrolera") since 2003.

Mr. Hill's qualifications include industry, financial, operating, and international business experience.

Mr. Fullmer has served as our Chief Financial Officer since 2003 and as our Chief Accounting Officer and Controller since 2005. He currently serves as the director of finance and accounting business partner for the Exploration and Production unit of Williams. Mr. Fullmer served as the director of accounting/controller for the Exploration and Production unit of Williams from 1996 to 2007.

Mr. Bueno has served as our President and Chief Operating Officer since 2002. He served as a director of the Company from 1998 until becoming President in 2002 and he served as General Manager from 1999 to 2003. Mr. Bueno has been employed by Williams since 1984 and has held various positions with the Company since 1985. He has served as a director of Petrolera since 1991.

Mr. Bailey has served as a director of the Company since 2002. He has served as a director and Chairman of the Board of Cloud Peak Energy Inc. (a U.S. coal producer) since September 2009. Since 2005, Mr. Bailey has served as a director of Mark West Energy Partners, L.P. (a U.S. midstream energy company), and is the Chairman of the Audit Committee. He has served as a director of AEGIS Insurance Services Inc. (a mutual insurance company) since 2001. Since 2007, Mr. Bailey has served as a director of Integrys Energy Group, Inc. ("Integrys") (which provides services and products in the regulated and unregulated U.S. energy markets) and additionally serves on the Audit and Investment committees. He served as a director and was a member of the Audit and Oil and Gas committees of People's Energy from 2005 to 2007, when People's Energy merged with Integrys. Mr. Bailey served as Chairman of the Board of Directors and Chief Executive Officer of Williams from 1994 to 2002, as President from 1992 to 2001, and as Executive Vice President and Chief Financial Officer from 1986 to 1992. Mr. Bailey previously served as a director of the Company from 1987 to 1998 and as our Chairman of the Board from 1992 to 1996. He served as a director of Petrolera from 1988 to 1999.

Mr. Bailey's qualifications include industry, financial, corporate governance, and operating experience.

Mr. Guderian has served as a director of the Company since 2002. He has also served as Vice President of Williams' Exploration and Production unit since 1998, where he is a member of the management team that pursued a growth strategy to transform the company into a top independent natural gas producer in the U.S. Mr. Guderian has served as a director of Petrolera since 2003. He is a member of numerous professional organizations, including the Independent Petroleum Association of America, the Natural Gas Supply Association, the American Association of Professional Landmen, and the Oklahoma Independent Petroleum Association.

Mr. Guderian's qualifications include industry, financial, corporate governance, operating, and international business experience.

Mr. LaFortune has served as a director of the Company since 1998. He is self-employed and manages, evaluates, and analyzes personal investments. Mr. LaFortune is also a director of the Bank of Oklahoma Financial Corporation (a regional financial services company based in Tulsa, Oklahoma) and serves on the Credit Committee and formerly served on the Audit Committee. He served as a director of Williams from 1978 to 1999, including six years as Chairman of the Audit Committee. He was the Mayor of the City of Tulsa from 1970-1978 and the Commissioner of Streets and Public Property for the city from 1964 to 1970. Mr. La Fortune was a co-owner of an independent U.S. oil and gas exploration and production company from 1956 to 1963. He is also a member of the national executive board of the Boy Scouts of America, a member of the executive committee of the Philbrook museum, a member of the board of trustees of the Tulsa Performing Arts Center, and a member of the audit and compliance committees of St. John Health System.

Mr. La Fortune's qualifications include industry, financial, and corporate governance experience.

Mr. Sailor has served as a director of the Company since 2006. He has served as Vice President and Treasurer of Williams since 2005 and is responsible for overseeing Williams' enterprise risk management function. Mr. Sailor served as Assistant Treasurer of Williams from 2001 to 2005 and was responsible for capital structuring and capital markets transactions, and management of Williams' liquidity position. Mr. Sailor served as Vice President of Strategic International Development and Latin America for the former telecommunications business unit of Williams from 1999 to 2001. He held various positions at Williams involving international finance, corporate finance, strategic planning and development, and accounting from 1985 to 1999.

Mr. Sailor's qualifications include financial, industry, and international business experience.

Mr. Williams has served as a director of the Company since 1992. He is engaged in personal investments and has been for more than five years. Mr. Williams has over 60 years of experience in the energy industry. In 1949, he co-founded Williams and served as a director and its President and Chief Executive Officer from 1949 to 1978 and as Chairman of the Board from 1971 to 1978. Mr. Williams worked on pipeline construction projects in the U.S. and internationally for the family business that preceded Williams from 1946 to 1949. He has served as a director of Unit Corporation (a diversified energy company engaged in the exploration for and production of oil and natural gas, the acquisition of producing oil and natural gas properties, the contract drilling of onshore oil and natural gas wells, and the gathering and processing of natural gas) since 1988. Mr. Williams is an honorary director of Willbros Group, Inc. and Williams. He formerly served as a director of Petrolera.

Mr. Williams' qualifications include industry, financial, corporate governance, operating, and international business experience.

Mr. Ruffinengo has served as a director of the Company since 2002. He has been engaged in the private practice of law in Salt Lake City, Utah since 1984. He served the Company as a consultant from 1984 through 1999. Mr. Ruffinengo served in a variety of positions for Northwest Energy Company ("Northwest Energy") and its subsidiary, Northwest Pipeline Corporation ("Northwest Pipeline"), from 1975 to 1983, when Northwest Energy was acquired by Williams. Those positions included General Counsel of Northwest Pipeline and the Company, Vice President of Mergers and Acquisitions, and Vice President of International Operations. Over his career, Mr. Ruffinengo has practiced law in the areas of corporate governance and compliance, commercial transactions, oil and gas law, intellectual property, finance, and domestic and international litigation. Mr. Ruffinengo served as a director of Petrolera at various times in the past and most recently from from 2002 to 2003.

Mr. Ruffinengo's qualifications include industry, financial, corporate governance, legal, and international business experience.

## **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's officers and directors and persons who own more than ten percent of a registered class of the Company's equity securities, to file with the SEC and The Nasdaq Stock Market reports of ownership of Company securities and changes in reported ownership. Officers, directors and greater than ten percent shareholders are required by SEC rules to furnish the Company with copies of all Section 16(a) reports they file. Based solely on a review of the reports furnished to the Company, or written representations from reporting persons that all reportable transactions were reported, the Company believes that during the fiscal year ended December 31, 2009 the Company's officers, directors and greater than ten percent owners timely filed all reports they were required to file under Section 16(a).

### **Code of Ethics**

The Company adopted a Code of Ethics that applies to the Company's directors, officers and employees. The Code of Ethics is consistent with the criteria for codes of ethics and conduct established by the rules of the U.S. Securities and Exchange Commission and the listing standards of The Nasdaq Stock Market. The Code of Ethics is available on our Internet website at <http://www.apcooilandgas.com> under the "Investor Relations" tab. We will also provide, free of charge, a copy of any of our Code of Ethics upon written request to the Corporate Secretary, Apco Oil and Gas International Inc., 3500 One Williams Center, Tulsa, Oklahoma 74172.

### **Corporate Governance**

#### **Audit Committee**

The Company's Board of Directors has a separately-designated standing Audit Committee established in accordance with Section 3(a)(58)(A) of the Exchange Act. The members of the Audit Committee include Messrs. Bailey, LaFortune, Ruffinengo, and Williams. The Board of Directors has determined that each of these persons meets the independence and other qualification requirements of the rules of The Nasdaq Stock Market. In addition, the Board of Directors has determined that Mr. Bailey qualifies as an "audit committee financial expert" as defined by the rules of the SEC. Biographical information for Mr. Bailey is set forth above under the caption "Business Experience and Qualifications." For more information about the Audit Committee, please read "Certain Relationships and Related Transactions, and Director Independence — Corporate Governance" and "Principal Accountant Fees and Services."

## **ITEM 11. EXECUTIVE COMPENSATION**

### **Compensation Discussion and Analysis**

The Company is managed by the employees of Williams and all of our executive officers are employees of Williams. The Company's executive officers are compensated directly by Williams rather than by the Company. All decisions as to the compensation of the Company's executive officers are made by Williams. Therefore, the Company does not have any policies or programs relating to compensation of its executive officers and does not make any decisions relating to such compensation. A full discussion of the policies and programs of Williams will be set forth in the proxy statement for Williams' 2010 annual meeting of stockholders which will be available upon its filing on the SEC's website at <http://www.sec.gov> and on Williams' website at <http://www.williams.com> under the heading "Investors — SEC Filings." Williams charges the Company, pursuant to an administrative services agreement, an annual flat fee for the services of certain Williams' employees, other than Mr. Bueno, who dedicate a significant amount of time to the affairs of the Company. Williams also charges the Company, pursuant to the terms of the same agreement, a fee for Mr. Bueno's services based on both his actual total compensation and an estimated percentage of his time that is dedicated to performing services for the Company. Please read "Certain Relationships and Related Transactions, and Director Independence — Transactions with Related

Persons — Administrative Services Agreement and — Review, Approval or Ratification of Transactions with Related Persons” for more information regarding this arrangement.

### **Executive Compensation**

In 2009, the Company incurred an allocated charge of \$173,504 for Mr. Bueno's salary and \$108,478 for his cash incentive bonus. In 2008, the Company incurred an allocated charge of \$160,793 for Mr. Bueno's salary and \$95,963 for his cash incentive bonus. In 2007, the Company incurred an allocated charge of \$140,511 for Mr. Bueno's salary and \$86,263 for his cash incentive bonus. Each year the Company also incurs a charge for Mr. Bueno's benefits, including without limitation his pension and welfare benefits, which charge is equal to approximately 33 percent of the allocated charge incurred by the Company for Mr. Bueno's salary in that year. This benefits charge was \$57,835 in 2009, \$53,598 in 2008, and \$46,837 in 2007.

Further information regarding the compensation of our principal executive officer, Ralph A. Hill, who also serves as a Senior Vice President of Williams, will be set forth in the proxy statement for Williams' 2010 annual meeting of stockholders which will be available upon its filing on the SEC's website at <http://www.sec.gov> and on Williams' website at <http://www.williams.com> under the heading "Investors—SEC Filings." Further information regarding the portion of Mr. Hill's compensation and that of Landy L. Fullmer, who serves as the Company's Chief Financial Officer, allocable to us may be found in this filing under the heading "Certain Relationships and Related Transactions, and Director Independence — Transactions with Related Persons — Administrative Services Agreement."

### **Compensation Committee Interlocks and Insider Participation**

The Board of Directors of the Company does not maintain a compensation committee. The executive officers of the Company during 2009 were employees of Williams and compensation decisions with respect to those individuals were determined by Williams.

### **Compensation Policies and Practices as They Relate to Risk Management**

All of our employees are located in Argentina. We do not believe that our compensation policies and practices create risks reasonably likely to have a material adverse effect on us. Our executive officers and certain other persons who provide services to us pursuant to an administrative services agreement are employees of Williams. For more information about this arrangement, please read "Certain Relationships and Related Party Transactions, and Director Independence — Transactions with Related Persons — Administrative Services Agreement." For an analysis of any risks arising from Williams' compensation policies and practices, please read the proxy statement for Williams' 2010 annual meeting of stockholders which will be available upon its filing on the SEC's website at <http://www.sec.gov> and on Williams' website at <http://www.williams.com> under the heading "Investors — SEC Filings."

### **Compensation of Directors**

Directors who are employees of Williams or an affiliate of the Company or Williams receive no compensation for service on the Company's Board of Directors. Directors who are not employees of Williams or an affiliate of the Company or Williams ("Non-Management Directors") receive a quarterly fee of \$12,500 cash for Board service. In addition, the Chairman of the Audit Committee receives a quarterly fee of \$2,500 cash and the Chairman of the Nominating Committee receives a quarterly fee of \$1,250 in cash. Beginning after July 2009, each Non-Management Director receives a fee of \$1,000 for each Board and committee meeting attended by such director, provided that such fee is limited to \$1,000 per day regardless of the number of meetings attended on a given day. Fees are paid quarterly in arrears. Directors are also reimbursed for reasonable expenses (including costs of travel, food and lodging) incurred in attending meetings of the Board, committee, and shareholder meetings. Directors are also reimbursed for reasonable expenses associated with other business activities,

including participation in director education programs.

For their service Non-Management Directors received the following compensation in 2009:

<u>Name</u>	<u>Fees earned or paid in cash(1)</u>	<u>Share Awards</u>	<u>Option Awards</u>	<u>Change in Pension Value and Nonqualified Deferred Compensation Earnings</u>	<u>All Other Compensation</u>	<u>Total</u>
Keith E. Bailey	\$54,000	—	—	—	\$0	\$54,000
Robert J. LaFortune	\$64,000	—	—	—	\$0	\$64,000
Piero Ruffinengo	\$54,000	—	—	—	\$0	\$54,000
John H. Williams	\$59,000	—	—	—	\$0	\$59,000

(1) This column includes \$4,000 in fees earned for each person for attending meetings of the board or its committees.

#### Compensation Committee Report

The Board of Directors does not have a compensation committee. The Board has reviewed and discussed the Compensation Discussion and Analysis set forth above and based on this review and discussion has approved it for inclusion in this Form 10-K.

The Board of Directors:  
 Keith E. Bailey, Bryan K. Guderian, Ralph A. Hill,  
 Robert J. LaFortune, Piero Ruffinengo,  
 Rod J. Sailor, John H. Williams

## ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHAREHOLDER MATTERS

### Security Ownership of Certain Beneficial Owners and Management

The following table sets forth the number of ordinary shares and the percentage represented by such number of each person who is known to us to own beneficially five percent or more of our ordinary shares. We obtained certain information in the table from filings made with the SEC.

<u>Name of Beneficial Owner</u>	<u>Number of Ordinary Shares Beneficially Owned</u>	<u>Percent of Class</u>
The Williams Companies, Inc. ....	20,301,592 (1)(2)	68.96%
Williams Global Energy (Cayman) Limited ...	20,301,592 (2)	68.96%
Brown Advisory Holdings Incorporated. ....	5,488,064 (3)	18.64%

- (1) Includes 20,301,592 ordinary shares held of record by Williams Global Energy (Cayman) Limited.
- (2) Williams Global Energy (Cayman) Limited (“Williams Global Energy”) is an indirect wholly-owned subsidiary of Williams International Company, which is a direct wholly-owned subsidiary of The Williams Companies, Inc. (“Williams”). As a result, Williams may be deemed to be the beneficial owner of the shares held by Williams Global Energy under the rules and regulations of the SEC. The address of both of these companies is One Williams Center, Tulsa, Oklahoma 74172.
- (3) A Schedule 13G/A filed with the SEC on February 16, 2010 indicates that Brown Advisory Holdings Incorporated (“BAHI”) is a parent holding company or control person in accordance with Section 240.13d-1(b)(1)(ii)(G) of the Exchange Act and that NSB Advisors LLC, a subsidiary of BAHI, is an Investment Advisor registered under Section 203 of the Investment Advisors Act of 1940. The Schedule 13G/A notes that clients of NSB Advisors LLC own 5,488,064 ordinary shares of the Company. The Schedule 13G/A indicates that the clients referenced in the report have the right to receive, or the power to direct the receipt of, dividends from, or the proceeds from, the sale of such ordinary shares. The address of BAHI is 901 South Bond Street, Suite 400, Baltimore, Maryland 21231.

The following table sets forth, as of March 1, 2010, the number of our ordinary shares beneficially owned by each of our directors, each of our named executive officers, and by all directors and executive officers as a group.

<u>Name of Individual or Group</u>	<u>Number of Ordinary Shares Beneficially Owned</u>	<u>Percent of Class</u>
Keith E. Bailey .....	804	*
Thomas Bueno .....	0	
Landy L. Fullmer .....	0	
Bryan K. Guderian .....	4	*
Ralph A. Hill .....	4	*
Robert J. LaFortune .....	20	*
Piero Ruffinengo .....	4	*
Rodney J. Sailor .....	4	*
John H. Williams .....	40	*
All directors and executive officers as a group (9 persons) .....	880	*

\* Less than one percent.

The following table sets forth, as of March 1, 2010, the number of shares of common stock of The Williams Companies, Inc., beneficially owned by each of our directors, each of our named executive officers, and by all directors and executive officers as a group:

<u>Name of Beneficial Owner</u>	<u>Shares of Common Stock Owned Directly or Indirectly (1)(2)</u>	<u>Shares Underlying Options Exercisable Within 60 Days (3)</u>	<u>Total</u>	<u>Percentage of Class</u>
Keith E. Bailey	34,548	0	34,548	*
Thomas Bueno	28,226	30,865	59,091	*
Landy L. Fullmer	6,453	32,780	39,233	*
Bryan K. Guderian	56,594	63,272	119,866	*
Ralph A. Hill	273,657	216,874	490,531	*
Robert J. LaFortune	57,937	0	57,937	*
Piero Ruffinengo	0	0	0	*
Rodney J. Sailor	45,648	65,397	111,045	*
John H. Williams	1,008,958	0	1,008,958	*
All directors and executive officers as a group (9 persons)	1,512,021	409,188	1,921,209	*

\* Less than one percent.

- (1) Includes shares held under the terms of incentive and investment plans as follows: Mr. Bueno, 7,405 shares in The Williams Companies Investment Plus Plan and 8,525 restricted stock units; Mr. Fullmer, 370 shares in The Williams Companies Investment Plus Plan and 6,083 restricted stock units; Mr. Guderian, 43,468 restricted stock units; Mr. Hill, 27,954 shares in The Williams Companies Investment Plus Plan and 231,208 restricted stock units; Mr. Sailor, 6,417 shares in The Williams Companies Investment Plus Plan and 36,899 restricted stock units. Restricted stock units, formerly referred to as deferred stock, includes both time-based and performance-based units and do not have voting or investment power. Shares held in The Williams Companies Investment Plus Plan have voting and investment power.
- (2) Includes 991,210 shares held in trust by Mr. Williams and 16,246 shares held in trust by his spouse; 32,581 shares held in trust by Mr. Bailey and 1,740 shares held in trust by his spouse; and 55,346 shares held in trust by Mr. LaFortune.
- (3) The shares indicated represent stock options granted under Williams' current or previous stock option plans, which are currently exercisable or which will become exercisable within 60 days of March 1, 2010. Shares subject to options cannot be voted.

## **ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

### **Transactions with Related Persons**

#### *Administrative Services Agreement*

Williams owns 69 percent of the Company's ordinary shares. The Company incurred charges of \$1.4 million in fiscal year 2009 from Williams and its affiliates for management services, rent, overhead allocation, general and administrative expenses (including the costs of compensating employees of Williams who allocate a portion of their time to managing the affairs of the Company), insurance, internal audit services, and purchases of materials and supplies. The Company is also dependent upon Williams to cover certain other costs such as reproduction, office supplies, computer support, etc for which it reimburses Williams. These charges were incurred by the Company pursuant to an administrative services agreement between the Company and Williams.

The Company is managed by employees of Williams and all of its executive officers, including Mr. Hill, our Chairman of the Board and Chief Executive Officer, and Mr. Fullmer, our Chief Financial Officer and Chief Accounting Officer, are employees of Williams who are compensated directly by Williams rather than by the Company. Pursuant to the administrative services agreement, Williams charges the Company an executive support charge, which charge is incurred by the Company primarily for the time spent by employees of Williams, other than Mr. Bueno, in managing the affairs of the Company. In 2009, 2008, and 2007 the Company paid an annual aggregate charge of \$150,000 for the services of these persons. In addition, Williams also charges the Company, pursuant to the terms of the same agreement, a fee for Mr. Bueno's services based on both his actual total compensation and an estimated percentage of his time that is dedicated to performing services for the Company. Please read "Executive Compensation – Executive Compensation" for further information regarding the amounts paid by the Company for Mr. Bueno's services.

#### *Northwest Argentina Corporation*

The Company and Northwest Argentina Corporation ("NWA"), a wholly owned subsidiary of Williams, each own a 1.5 percent interest in the Acambuco concession. NWA has no employees and its sole asset is its interest in Acambuco. The Company's branch office in Argentina provides administrative assistance to NWA. Specifically, the Company pays cash calls and collects revenues pertaining to NWA's interest. For the period from January 1, 2009 through March 1, 2010, \$1.3 million was the largest aggregate amount that the Company owed NWA, representing the accumulated balance of revenues collected on NWA's behalf in excess of cash calls paid on NWA's behalf. For the same period, \$156 thousand was the largest aggregate amount that NWA owed to the Company, representing the accumulated balance of cash calls paid on NWA's behalf in excess of revenues collected on its behalf. This amount was outstanding as of March 1, 2010.

### **Review, Approval or Ratification of Transactions with Related Persons**

The charter of the Audit Committee of the Company's Board of Directors provides that the committee will review, on an ongoing basis and approve all related party transactions required to be disclosed pursuant to Item 404(a) of the SEC's Regulation S-K ("Related Party Transactions"). The Audit Committee's charter further provides that (i) the committee consider whether a Related Party Transaction is bona fide in the best interest of the Company and (ii) the members of the committee reviewing and taking action on a Related Party Transaction observe any relevant and applicable provisions of the Company's articles of association and exercise the powers vested in them for the purpose in which they were conferred and not for a collateral purpose. The Audit Committee reviewed and approved each of the related transactions discussed above, including the administrative services agreement and amendments to that agreement, the annual charges to the Company pursuant to the

administrative services agreement, and the arrangement with NWA.

## Corporate Governance

The Company is a “controlled company” as defined by the rules of The Nasdaq Stock Market because a subsidiary of Williams owns approximately 69 percent of the Company’s ordinary shares. Therefore, the Company is not subject to the requirements of The Nasdaq Stock Market that would otherwise require the Company to have (1) a majority of independent directors on the Board, (2) the compensation of executive officers determined by a majority of independent directors or a compensation committee composed solely of independent directors, and (3) a majority of independent directors or a nominating committee composed solely of independent directors elect or recommend director nominees for selection by the Board. Notwithstanding the foregoing, the Board of Directors has established a nominating committee. The Board of Directors also has a standing audit committee. The Board of Directors does not have a compensation committee or any other committees performing similar functions. Compensation decisions for the Company’s executive officers are made by Williams. The Board of Directors has determined that it is more appropriate for compensation decisions affecting the Company’s directors who are not employees of Williams or the Company’s other affiliates to be made by all of the members of the Board.

The following indicates committee membership as of March 1, 2010.

	Audit Committee	Nominating Committee
Keith E. Bailey	✓	✓
Robert J. LaFortune	•	✓
Piero Ruffinengo	✓	✓
John H. Williams	✓	•

- = Chairperson
- ✓ = Committee Member

The Board of Directors annually reviews the independence of directors and makes a determination that each director expected to be independent qualifies as an “independent director” as defined by the rules of the Nasdaq Stock Market, including a determination that the director does not have a relationship, which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities as director. The Board has determined that each of Messrs. Bailey, LaFortune, Ruffinengo, and Williams is an “independent director” under the current rules of The Nasdaq Stock Market. The Board of directors also considered that (i) Mr. Bailey serves as a director of Aegis Insurance Services Inc. (“Aegis”), which participates in the insurance coverage programs of Williams and certain of its affiliates, including the Company; and (ii) Mr. LaFortune serves as a director of Bank of Oklahoma Financial Corporation, which provides banking services to the Company. The Board noted that because Messrs. Bailey and LaFortune, do not serve as executive officers and are not significant stockholders of these companies, these relationships would not interfere with the exercise of independent judgment in carrying out responsibilities as a director. In addition, the Board of Directors has determined that each of these persons meets the heightened independence requirements of the Nasdaq Stock Market for audit committee members. Although the Board does not require that members of the nominating committee be independent, the Board has determined that its current members are independent as defined by the rules of the Nasdaq Stock Market. Messrs. Guderian, Hill, and Sailor, as employees of Williams, are not independent directors under these standards.

#### ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Fees for professional services provided by Ernst & Young LLP (“E&Y”), the Company’s principal independent registered public accounting firm, for each of the last two fiscal years in each of the following categories are:

	<u>2009</u>	<u>2008</u>
Audit fees .....	\$ 339,900	\$330,200
Audit-related fees .....	2,500	11,000
Tax fees .....	---	---
All other fees .....	<u>---</u>	<u>---</u>
Total .....	<u>\$ 342,400</u>	<u>\$ 341,200</u>

Fees for audit services in 2009 and 2008 include fees associated with the annual audit, the audit of the Company’s assessment of internal controls over financial reporting as required by Section 404 of the Sarbanes-Oxley Act of 2002, and services performed in connection with other filings with the SEC. Audit-related fees in 2009 and 2008 generally include fees for assurance and related services that are reasonably related to the performance of the audit or review of the Company’s financial statements. More specifically, these services consisted principally of consultation concerning financial accounting and reporting standards.

The Audit Committee of our Board of Directors is responsible for appointing (subject to shareholder approval), setting compensation for, and overseeing the work of E&Y. The Audit Committee has established a policy regarding pre-approval of all audit and non-audit services provided by E&Y. On an ongoing basis, our management presents specific projects and categories of service to the Audit Committee to request advance approval. The Audit Committee reviews those requests and advises management if the Audit Committee approves the engagement of E&Y. On a quarterly basis, management reports to the Audit Committee regarding the actual spending for such projects and services compared to approved amounts. The Audit Committee may also delegate the ability to pre-approve permissible services, excluding services related to the Company’s internal control over financial reporting, to any two committee members, provided that any such pre-approvals are reported on at a subsequent Audit Committee meeting. In 2009 and 2008, 100 percent of E&Y’s fees were pre-approved by the Audit Committee.

The Audit Committee’s pre-approval policy with respect to audit and non-audit services is available on our website at <http://www.apcooilandgas.com> under the “Investor Relations” tab.

## PART IV

### ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) 1

Financial Statements filed in this report are set forth in the Index to Consolidated Financial Statements under Item 8.

(a) 2 and (c)

Financial statement schedules are omitted because of the absence of conditions under which they are required or because the required information is included in the financial statements and notes thereto.

Separate financial statements and supplementary data of Petrolera, a 50-percent-or-less owned person are filed as Schedule S-1.

(a) 3 and (b)

The following documents are included as exhibits to this report:

<u>Exhibit Number</u>	<u>Description+</u>
3.1	- Memorandum of Association of Apco Oil and Gas International Inc. (formerly known as Apco Argentina Inc.) as amended (including Certificate of Incorporation on Change of Name issued by the Registry of Companies, Cayman Islands, dated July 13, 2009), (filed on August 7, 2009 as Exhibit 3.1 to Apco Oil and Gas International Inc.'s Form 10-Q (File No. 0-8933)) and incorporated herein by reference.
3.2	- Articles of Association of Apco Oil and Gas International Inc. (formerly known as Apco Argentina Inc.) as amended, (filed on August 7, 2007 as Exhibit 3.2 to Apco Oil and Gas International Inc.'s Form 10-Q (File No. 0- 8933)) and incorporated herein by reference.
4.1	- Specimen Share Certificate of Apco Oil and Gas International Inc. (filed on August 7, 2009 as Exhibit 4.1 to Apco Oil and Gas International Inc.'s Form 10-Q (File No. 0-8933)) and incorporated herein by reference.
10.1	- Joint Venture Agreement dated April 1, 1968, among Apco Oil Corporation, Perez Companc and Petrolera (filed on September 26, 1978 with Apco Oil and Gas International Inc.'s Form S-1 (Registration No. 2-62187)) and incorporated herein by reference.
10.2	- Joint Venture Agreement dated February 29, 1972, among Apco Oil and Gas International Inc., Perez Companc and Petrolera (filed on September 26, 1978 with Apco Oil and Gas International Inc.'s Form S-1 (Registration No. 2-62187)) and incorporated herein by reference.
10.3	- Joint Venture Agreement dated March 23, 1977, among Apco Oil and Gas International Inc., Perez Companc and Petrolera (filed on September 26, 1978 with Apco Oil and Gas International Inc.'s Form S-1 (Registration No. 2-62187)) and incorporated herein by reference.
10.4	- Memorandum of Agreement dated August 16, 1979, among the Apco Oil and Gas International Inc., Perez Companc and Petrolera (filed on March 28, 1980 with Apco Oil and Gas International Inc.'s Form 10-K (File No. 0-8933)) and incorporated herein by reference.

<u>Exhibit Number</u>	<u>Description+</u>
10.5	- Agreement dated December 7, 1983, between Petrolera and YPF regarding the delivery of propane and butane from the Entre Lomas area (filed on April 12, 2983 with Apco Oil and Gas International Inc.'s Form 10-K (File No. 0-8933)) and incorporated herein by reference.
10.6	- Agreement between the Joint Committee created by the Ministry of Public Works and Services and the Ministry of Energy, YPF and Petrolera Perez Companc S.A. dated December 26, 1990, constituting the conversion to concession and deregulation of the original Entre Lomas contract number 12,507 (filed on April 13, 1992 with Apco Oil and Gas International Inc.'s Form 10-K (File No. 0-8933)) and incorporated herein by reference.
10.7	- Share purchase agreement by and among Ms. Maria Carmen Sundblad de Perez Companc, Sudacia S.A. and Apco Oil and Gas International Inc. dated October 23, 2002, relating to the purchase by Apco Oil and Gas International Inc. of 27,700 shares of Petrolera (filed on March 28, 2008 as Exhibit 10 to Apco Oil and Gas International Inc.'s Form 10-K (File No. 0- 8933)) and incorporated herein by reference.
10.8	- Share purchase agreement by and between the shareholders of Fimaipu S.A. and Apco Oil and Gas International Inc. dated December 5, 2002, relating to the purchase by Apco Oil and Gas International Inc. of all of the shares of Fimaipu S.A. (filed on March 28, 2003 as Exhibit 10 to Apco Oil and Gas International Inc.'s Form 10-K (File No. 0-8933)) and incorporated herein by reference.
#10.9	- Administrative Services Agreement by and between The Williams Companies, Inc. and Apco Oil and Gas International Inc. (filed on August 12, 2004 as Exhibit 10.1 to Apco Oil and Gas International Inc.'s Form 10-Q (File No. 0-8933)) and incorporated herein by reference.
10.10	- English translation of stock purchase agreement by and between the Tower Fund L.P., Apco Oil and Gas International Inc., Netherfield Corporation, Sucursal Tierra del Fuego, Antartida e Islas del Atlantico Sur and ROCH S.A. dated February 25, 2005 relating to the purchase by Apco Oil and Gas International Inc. of 79,752 shares of Rio Cullen-Las Violetas S.A. dated February 25, 2005 (filed on March 14, 2005 as Exhibit 10 to Apco Oil and Gas International Inc.'s Form 10-K (File No. 0-8933)) and incorporated herein by reference.
#10.11	- Summary of Non-Management Director Compensation Action (filed on August 7, 2009 as Exhibit 10.1 to Apco Oil and Gas International Inc.'s Form 10-Q (File No. 0-8933)) and incorporated herein by reference.
#10.12	- Amendment No. 1 to Administrative Services Agreement between the Williams Companies, Inc. and Apco Oil and Gas International Inc. dated March 7, 2008 (filed on March 11, 2008 as Exhibit 10.17 to Apco Oil and Gas International Inc.'s Form 10-K (File No. 0-8933)) and incorporated herein by reference.
10.13	- English translation of Contrato de Union Transitoria de Empresas agreement by and between the Argentine branch of Apco Oil and Gas International Inc., Petrolera Entre Lomas S.A., and Petrobras Energia S.A. relating to the Bajada del Palo concession, dated January 26, 2009 (filed on March 16, 2009 as Exhibit 10.13 to Apco Oil and Gas International Inc.'s Form 10-K (File No. 0-8933)) and incorporated herein by reference.
10.14	- English translation of agreement between the province of Neuquén Argentina, Apco Oil and Gas International Inc., Petrolera Entre Lomas S.A., and Petrobras Energía S.A., effective July 23, 2009, relating to the extension of the terms of the Bajada del Palo and Entre Lomas hydrocarbon concessions located in the Neuquén province for an additional 10 years (filed on August 7, 2009 as Exhibit 10.2 to Apco Oil and Gas International Inc.'s Form 10-Q (File No. 0-8933)) and incorporated herein by reference.
* 21	- Subsidiaries of the registrant

<u>Exhibit Number</u>	<u>Description+</u>
*23.1	- Consent of Independent Petroleum Engineers, Ralph E. Davis Associates, Inc.
*23.2	- Consent of Independent Petroleum Engineers, Gaffney, Cline & Associates Inc.
*23.3	- Consent of Independent Petroleum Engineers, Ryder Scott Company, L.P.
*23.4	- Consent of Independent Petroleum Engineers, RPS Energy.
*24	- Power of attorney.
*31.1	- Certification of the Chief Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) promulgated under the Securities Exchange Act of 1934, as amended, and Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*31.2	- Certification of the Chief Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) promulgated under the Securities Exchange Act of 1934, as amended, and Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*32	- Certification of the Chief Executive Officer and the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*99.1	- Report of Independent Petroleum Engineers and Geologists, Ralph E. Davis Associates, Inc.
*99.2	- Report of Independent Petroleum Engineers and Geologists, RPS Energy.
+	In July 2009, the registrant's name was changed from Apco Argentina Inc. to Apco Oil and Gas International Inc.
*	Filed herewith.
#	Management contract or compensatory plan or arrangement.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

APCO OIL AND GAS  
INTERNATIONAL INC.  
(Registrant)

By:     /s/ Landy L. Fullmer      
Landy L. Fullmer  
*Chief Financial Officer, Chief  
Accounting Officer, and Controller*

Date: March 12, 2010

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Ralph A. Hill</u> Ralph A. Hill	Chief Executive Officer and Chairman of the Board (Principal Executive Officer)	March 12, 2010
<u>/s/ Landy L. Fullmer</u> Landy L. Fullmer	Chief Financial Officer, Chief Accounting Officer, and Controller (Principal Financial Officer and Principal Accounting Officer)	March 12, 2010
<u>/s/ *Keith E. Bailey</u> Keith E. Bailey	Director	March 12, 2010
<u>/s/ *Rodney J. Sailor</u> Rodney J. Sailor	Director	March 12, 2010
<u>/s/ *Robert J. LaFortune</u> Robert J. LaFortune	Director	March 12, 2010
<u>/s/ *Bryan K. Guderian</u> Bryan K. Guderian	Director	March 12, 2010
<u>/s/ *Piero Ruffinengo</u> Piero Ruffinengo	Director	March 12, 2010
<u>/s/ *John H. Williams</u> John H. Williams	Director	March 12, 2010
<u>*By: /s/ Thomas Bueno</u> Thomas Bueno <i>Attorney-in-Fact</i>		March 12, 2010





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