

APACHE CORP  
Form DEFA14A  
May 04, 2015

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**SCHEDULE 14A INFORMATION**  
**Proxy Statement Pursuant to Section 14(a) of the**  
**Securities Exchange Act of 1934**  
**(Amendment No. )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under Rule 14a-12

**APACHE CORPORATION**

**(Name of registrant as specified in its charter)**

**(Name of person(s) filing proxy statement, if other than the registrant)**

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

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2015 INVESTOR  
UPDATE  
GOVERNANCE AND  
COMPENSATION  
UPDATE

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Strengthened North American profile while maintaining fiscal responsibility after oil price decline

Oil Prices throughout 2014 (USD)

2014-2015: TRANSITIONAL YEARS FOR APACHE

Company

Highlights

Continued transition to becoming a premier North American onshore resource E&P company through strategic divestment of material non-core assets, driving down costs, drilling more productive wells, and continuing to mature several resource plays

Divested or announced sales of over \$8 billion of non-core assets since the beginning of 2014

Increased North American onshore liquids production by 17% in 2014

Liquids production in 2014 averaged 387 Mboe/d, with crude oil representing 83% of total liquids production

Nov 14:

Announced sale of non-core southern Louisiana and Anadarko basin oil and gas assets

Jan

May 15:

CEO transition period to complete strategic initiatives

Independent Chairperson role is adopted effective May 2

Feb 15:

Established

Executive

Termination

Policy

June 14:

Completed sale of

Gulf of Mexico

Deepwater

Developments for

\$1.4 billion

Apr 15:

Completed sale of LNG

projects in Australia and

Canada, delivering \$3.7B

in cash

Jan 15:

New CEO and

CFO chosen by

Board

\$47.76

JAN 14

APR 14

JUL 14

DEC 14

\$106.77

\$107.76

\$95.14

Repurchased 21.0 million shares in 2014, reducing share count by 5.3%

2014 COMPENSATION PROGRAM OVERVIEW

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Mr. Farris

long-term compensation is separated into  
equal thirds between TSR Shares, Performance Shares,  
and RSUs

TSR shares are tied to performance relative to peers

over rolling three-year periods, are adjusted in relation to performance, and vest equally over two years following the performance period

Performance shares use the operational metrics in the annual incentive bonus plan to measure performance

The Board implemented a set of detailed, objective metrics to measure and reward annual performance

Annual bonus payouts are based on achievement of corporate performance, which consists of corporate objectives (weighted 70%) and management objectives (weighted 30%)

CEO Farris did not receive a bonus for 2014

Annual Incentive Metrics

Weight

70%

Proforma Production Growth Per Share of 5%

15%

Replace 115% of 2014 production through E&D adds

15%

Maximize Cash Flow per Barrel Sold through Cost Mgmt

15%

15% After Tax Rate of Return on 2014 Drilling Program

15%

Health, Safety, Security, and Environmental

5%

Strategic Goals\*

35%

30%

Management objectives

-

\*Goals include Rationalize Apache's interest in LNG; Sell non-core properties; Manage Australia

2014

long-term

projects

to

deliver

production;

and

Reduce

onshore

drilling

and

completion

costs

and increased EURs by 10% across North America horizontal drilling plays

Long-Term Compensation Components

Annual Incentive Bonus

66.7%

Performance-based Compensation

33.3%



Time-based Compensation

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In response to shareholder feedback, the Board has continued to improve our compensation program to best align it with investor interests and business performance

**SIGNIFICANT PROGRAM CHANGES**

Increased percentage of equity grants that are performance related from 35% to 50% for CEO

Reduced maximum TSR payout from 250% to

200% of target

Formalized company policy on double-trigger requirement for accelerated vesting

Added a new independent director to the MD&C Committee

Eliminated all tax gross ups for executive-only benefits

Pre-2013 Improvements

Continued to increase target percentage of performance-based equity awards from 50% to 67% for CEO at beginning of 2014

Implemented TSR share program maximum payout limits at target for performance periods with negative absolute TSR

Ended granting of stock options for CEO

CEO Pay Mix

Pre-2013

2014

2014-2015 Improvements

35%

30%

35%

33%

67%

Time-based shares

Time-based options

Performance shares

2014-2015 LEADERSHIP TRANSITION

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27 years with Apache  
Corporation; 13 Years  
as CEO

Retired on January 20,  
2015

Agreed to remain as  
Chairperson until May  
1, 2015

Over 17 years with  
Apache Corporation; 12  
years in executive  
positions of increasing  
responsibility

Vice President of  
Apache's largest North  
American region prior  
to becoming COO for  
North America

Became CEO on January 20, 2015

Bachelor of Science in Petroleum Engineering  
from the Colorado School of Mines

Masters of Business Administration from  
Southern Methodist University

G. Steven Farris Retires After 27 Years

John J. Christmann, IV Promoted to CEO

Farris will remain available to Apache for 36  
months to fulfill several duties in the transition

John Lowe is now the Board's independent  
Chairperson

COMPENSATION FOR A SMOOTH TRANSITION

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Though Mr. Farris consulting and transition agreement is structured over three years, his overall payout level is consistent with comparable companies:

\*Equilar surveyed CEO separations, excluding Change in Control, within Fortune 300 and/or S&P 300 companies since 2010  
Components of Retirement Agreement

Current base salary (\$1.75M) for 3 years  
Payments of \$2.63M for 3 years (equal to target bonus)  
\$1.4M cash severance payment  
Continued vesting of equity

Potential  
cash  
payments  
following  
2015

2017,  
equaling  
market  
value of shares under TSR program if targets are achieved  
RSUs to be paid out under the 2014 Business Performance Share  
program in 2016 and 2017

95% of components were governed under existing  
agreements and practices, half of which were governed by  
Mr. Farris

1988 employment agreement, and half of which  
were governed by Apache's legacy severance practices  
discontinued in February 2015

Remained as Chairperson of the Board until May 1 in  
order to close key strategic divestments in Australia and  
Canada

Australia and Canada LNG exits will help Apache re-  
focus on its core assets in order to drive growth

Available to provide advisory and consulting services to  
the company over the next three years

Subject to certain non-competition, non-solicitation,  
confidentiality, non-disparagement, and non-disclosure  
restrictions; agreed to release Apache from liability in  
relation to time as employee

The consulting and transition agreement entered into by  
Mr. Farris enables Apache to change leadership quickly,  
efficiently, and without disruption

Average Total Separation  
Payment\*

Apache Total Separation

Payment

\$26.9M

\$27.2M

CEO s  
ongoing  
compensation  
falls  
between  
the  
25



th  
and  
50  
th  
percentile  
of  
peer  
group  
Base  
Salary

\$1,100,000,  
effective  
January  
20,  
2015  
(date  
of  
appointment);  
37%  
decrease  
from  
prior  
CEO  
Target  
Bonus

130%  
of  
base  
salary;  
20%  
decrease  
from  
prior  
CEO  
Long-Term  
Compensation

Eligible  
for  
2015  
program;  
accounting  
for  
78%  
of  
total  
compensation.  
60%

of  
target  
annual awards will be comprised of performance shares.

Promotional  
Award

One-time  
award  
of  
50,000  
restricted  
stock  
units  
was  
made

on  
February  
18,  
2015;

Mr.  
Christmann is required to hold 60% of the RSUs that vest each year until retirement or termination

Termination  
Provisions

based  
on  
new  
Executive  
Termination  
Policy  
adopted  
February  
2015  
CEO  
Employment  
is  
at  
will

all  
employees,  
including  
CEO,  
do  
not  
have  
employment  
contracts

CEO compensation at Apache will continue to be performance-based and representative of  
shareholder interests

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**COMPENSATION FOR NEW CEO**

Mr. Christmann's compensation is market-based and closely aligns to company performance

SOUND COMPENSATION AND GOVERNANCE PRACTICES

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Significant Increase in Variable Awards for  
CEO

96% favorable say-on-pay vote in 2014

Stock ownership requirements

Double-triggers for accelerated vesting

Anti-Hedging/Pledging Policy

Significant negative discretion exercised by the compensation committee

No tax gross-ups for NEOs

No employment contracts going forward

No repricing of options without shareholder approval

Elected first Independent Chairperson in company's 61-year history, effective May 2015

Supported proxy access rights for shareholders at investor-friendly 3%/3 year ownership threshold

Majority vote standard for director elections

Special Meetings may be called with 15% shareholder support

7 out of 11 directors joined the Board since 2011; Average Board tenure now 7 years

Responsiveness to shareholder feedback

No Poison Pill

The Board has implemented market-leading governance practices in direct response to our shareholders feedback, including supporting proxy access with 3%/3 year threshold

Please vote FOR

the Company's 2014 non-binding advisory vote on executive compensation in light of the

Company's strong compensation and governance practices as well as responsiveness to shareholder feedback

Compensation Practices

Corporate Governance

APPENDIX

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APACHE CORPORATION  
BUSINESS OVERVIEW

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Apache is an independent energy company that currently explores for, develops, and produces natural gas, crude oil, and natural gas liquids in the

US, Canada, Egypt, Australia, and the UK North Sea

Four Strategic

Goals Guide

Apache's Long-

Term Growth

Rigorous Portfolio Management

Conservative Capital Structure

Rate of Return Focus

Continuous Improvement in Operating and Capital Efficiency

Apache Operates in

Five Regions

United States:

45% of production and 52% of proved reserves

Canada:

12% of production and 17% of proved reserves

UK North Sea:

11% of production and 6% of proved reserves

Egypt:

23% of production and 12% of proved reserves

Australia:

9% of production and 13% of proved reserves

Four Main Types of

Commodities are

Produced by

Apache

North America oil and liquids:

33% of production

International oil and liquids:

27% of production

North America natural gas:

24% of production

International natural gas:

16% of production

Regional

Revenue Mix From

Continuing Operations

Note: All data is for FY2014

North

America

50%

International

50%