

APACHE CORP
Form DEF 14A
March 28, 2017
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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)

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No fee required.

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

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- (1) Amount Previously Paid:

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Dear Fellow Shareholders,

On behalf of the entire Board, I would like to thank all of our shareholders for your continued support.

This year marks a continuation of the strategic transformation that has been underway for several years, as we evolve from an acquisition and exploitation approach to one that relies on organic growth. Management and the Board continued to proactively implement measures initiated several years ago to navigate a challenging commodity price environment. We completed a strategic portfolio review and sold non-core assets, reduced costs across the company, aligned activity levels to prices, and maintained stable production volumes in high-margin areas. As our CEO John Christmann likes to say, we lived within our cash flow and played great defense.

In our shift toward strong organic growth, we also played smart offense, positioning Apache for the long-term:

- u Redirected capital to onshore North American growth assets
- u Allocated a high percentage of 2016 capital to strategic testing
- u Expanded and de-risked our inventory
- u Centralized and integrated the capital allocation process
- u Leveraged creative innovations from our technical teams

Apache's approach is exemplified by our discovery of a new world-class resource play, Alpine High, in the Delaware Basin of Texas. In September, after multiple years of geologic and geophysical work, acreage accumulation, testing and drilling, we confirmed the discovery of a vast inventory of repeatable, high-value drilling locations. With Alpine High contributing thousands of future drilling locations to our portfolio, Apache is positioned for profitable North American growth for the foreseeable future.

This year, our directors and management team also continued our expansive shareholder outreach efforts in order to ensure the Board maintains clear and open lines of communication with our shareholders. Over the course of the year, Apache held 61 in-person meetings across six different time zones, in an effort to gain our investors' insights on Apache's long-term strategy, corporate governance, and executive compensation program. In 2016, we also conducted broad outreach specifically focused on sustainability risk management and disclosure, which included a productive session between some of our ESG-focused shareholders and our CEO on the work Apache is doing on environmental and social issues. We are grateful for the opportunity to continue these dialogues in 2017.

At Apache, we strive to be the premier exploration and production company with global assets focused on North American growth. The Board is proud of the progress we have made on this transformation to date, and we are committed with unrelenting focus to realizing its full potential.

Thank you for your continued investment – it is a privilege for our Board to serve on your behalf.

Sincerely,

John E. Lowe

Chairman of the Board

Apache Corporation

March 28, 2017

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One Post Oak Central, 2000 Post Oak Boulevard,

Suite 100, Houston, Texas 77056-4400

Thursday, May 11, 2017

10:00 a.m. Houston Time,

Hilton Houston Post Oak,

2001 Post Oak Boulevard, Houston, Texas 77056

The 2017 annual meeting of shareholders of Apache Corporation, a Delaware corporation, will be held on Thursday, May 11, 2017, at 10:00 a.m. (Houston time), at the Hilton Houston Post Oak, 2001 Post Oak Boulevard, Houston, Texas, for the following purposes:

1. Election of the seven directors named in the attached proxy statement to serve until the Company's annual meeting in 2018;
2. Ratification of appointment of Ernst & Young LLP as the Company's independent auditors for fiscal year 2017;
3. Advisory vote to approve the compensation of the Company's named executive officers;
4. Advisory vote on frequency of advisory vote to approve the compensation of the Company's named executive officers; and
5. Transaction of any other business that may properly come before the meeting or any adjournment thereof.

Holders of record of the Company's common stock as of the close of business on March 13, 2017, are entitled to notice of, and to vote at, the annual meeting.

Your vote is important. Whether or not you plan to attend the meeting, we encourage you to vote as soon as possible. For specific instructions on how to vote your shares, please refer to the instructions on the Notice of Internet Availability of Proxy Materials you received in the mail, the section titled "How to Vote" beginning on page 12 of this proxy statement, or, if you requested to receive printed proxy materials, your enclosed proxy card.

Houston, Texas

March 28, 2017

By order of the Board of Directors

Rajesh Sharma

Corporate Secretary

APACHE CORPORATION

Important Notice Regarding the Availability of Proxy Materials

for the Annual Meeting of Shareholders to be held on May 11, 2017:

This proxy statement, along with the Company's Annual Report on Form 10-K for the fiscal year ended

December 31, 2016, are available free of charge on the Company's website at

<http://www.apachecorp.com>

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PROXY STATEMENT SUMMARY

This executive summary provides an overview of the information contained within this proxy statement. We encourage you to read the entire proxy statement prior to voting.

Annual Meeting of Shareholders Roadmap

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2016 Business Highlights

In 2016, Apache continued to successfully navigate a challenging commodity price environment in the oil and gas industry by improving capital efficiency and delivering cost reductions. We also progressed Apache's strategic transformation from growth through acquisition and exploitation to our current focus on organic growth. Highlights of our operational, strategic, and financial achievements are provided below:

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The Board and management will continue to take steps to position Apache for future success in the current commodity price environment and continue our transition to becoming the premier exploration and production company with global assets focused on North American growth anchored by the Permian Basin.

Corporate Governance Highlights

- u Separate chairman and CEO
- u Independent non-executive chairman
- u Majority vote standard for the election of directors
- u No poison pill
- u Right to call a special meeting at 15 percent
- u Officer and director stock ownership requirements, including pay multiples and hold-until-retirement provisions
- u 20 percent female representation among our non-employee directors
- u Policies against hedging or pledging of stock, and stock option repricing
- u Double triggers for cash severance and accelerated vesting of equity upon a change in control
- u Board-adopted human rights principles and statement on indigenous peoples
- u Expanded disclosure of our political expenditures
- u Robust Board review and Board refreshment practices
- u Long-standing shareholder engagement practices
- u Proxy access bylaw adopted in February 2016 after supporting a proxy access shareholder proposal in 2015
- u Board declassification and transition to annual election of all directors after a management proposal was approved in 2015

^u Clawbacks of incentive awards in the event of a material negative restatement

Board and Shareholder Engagement

The Board maintains a process for shareholders and interested parties to communicate with the Board. Shareholders and interested parties may write or call our Board as provided below:

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We are committed to a robust shareholder engagement program. The Board values our shareholders' perspectives, and feedback from shareholders on our business, corporate governance, executive compensation, and sustainability practices are important considerations for Board discussions throughout the year. To that end, Apache's Board and management attended 61 in-person shareholder meetings in 2016, including in-person meetings with 15 of our top 25 shareholders representing 54 percent of Apache's shares outstanding in aggregate. Our year-round focus on shareholder outreach is described in more detail below.

In addition, we: (i) conduct multiple meetings each year with shareholder groups to discuss governance issues, (ii) conduct an annual in-person meeting between our CEO and shareholders on environmental and social issues, (iii) participate with our shareholders in various governance forums, and (iv) as appropriate, facilitate meetings between shareholders and our directors. Our meetings and interactions with shareholders are designed to better understand how our shareholders perceive Apache and to provide our shareholders an opportunity to discuss matters that they think deserve attention. We believe our engagement has been productive and provides for an open exchange of ideas and perspectives with our shareholders.

Board Refreshment and Succession

COMMITTED TO BOARD REFRESHMENT

Reduction in the Board's average tenure from 17 years in 2013 to 7 years through year-end 2016

Reduction in the average age of the Board from 68 in 2013 to 59 through year-end 2016

CG&N committee regularly evaluates size and composition of the Board

Mandatory director retirement age of 75

Please see the section on criteria for new Board members and re-election of Board members on page 26 of this proxy statement.

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Board Nominees (pg. 16)

Below are the directors nominated for election by shareholders to an additional one-year term. The Board recommends a vote **FOR** each of the directors.

Board and Committee Composition

The Board of Directors has an Audit Committee, a Corporate Governance and Nominating (CG&N) Committee, and a Management Development and Compensation (MD&C) Committee. Below are our directors, their committee memberships, and attendance rate for regularly scheduled Board and committee meetings.

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Key Qualifications

The following are some of the key qualifications and skills of our Board.

The lack of a mark for a particular item does not mean that the director does not possess that qualification, characteristic, skill, or experience. We look to each director to be knowledgeable in these areas; however, the mark indicates that the item is a particularly prominent qualification, characteristic, skill, or experience that the director brings to the Board.

Our Board reflects Apache's desire that directors have the broad expertise and perspective needed to govern our business and strengthen and support senior management.

How We Pay

Our executive compensation program consists of the following elements:

- u Base salary;
- u Annual cash incentive bonus;
- u Long-term compensation (performance shares, restricted stock units, and stock options); and
- u Benefits.

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2016 Executive Compensation Actions

Named Executive Officer Compensation (pg. 37)

- u We froze NEO salaries in 2016 as part of Apache's continued effort to reduce capital, overhead, and operating costs to live within our means;
- u We discontinued the use of management objectives from the 2016 annual bonus calculation, based on shareholder feedback and an effort to remove complexities of the annual incentive plan;
- u The MD&C Committee accepted management's recommendation of a 172 percent annual cash incentive bonus pool, which was between the 142 percent to 182 percent range actually achieved, due to outstanding achievement of the Company's goals for 2016;
- u Our performance share program for 2016 continued to incorporate total shareholder return and two other important financial measures;
- u For the CEO and Executive Vice President levels, the 2016 long-term compensation awards were based 50 percent in performance shares, 35 percent in restricted stock units, and 15 percent in options;
- u For the other NEOs, this mix consisted of 50 percent in performance shares, 40 percent in restricted stock units, and 10 percent in options; and
- u We provided 70 percent of CEO's 2016 compensation in equity-based awards.

Performance-Based Compensation Outcomes

Compensation outcomes from performance incentives aligned with the performance achieved as follows:

- u The annual cash incentive program delivered a 172 percent of target outcome to our NEOs based on the operational, financial, and strategic performance factors described in *Annual Cash Incentive Bonus* (pg. 47).

- u The 2014 TSR Program ended on December 31, 2016 with results yielding a payout at target, based on Apache's relative TSR rank of 6th.

Ratification of Auditors (pg. 70)

Although shareholder ratification is not required, the appointment of Ernst & Young LLP as the Company's independent auditors for fiscal 2017 is being submitted for ratification at the annual meeting because the Board believes doing so is a good corporate governance practice. The Board recommends a vote **FOR** the ratification of the Company's independent auditors.

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Information on our website and any other website referenced herein is not incorporated by reference into, and does not constitute a part of, this proxy statement.

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PROXY STATEMENT

GENERAL

This proxy statement contains information about the 2017 annual meeting of shareholders of Apache Corporation. In this proxy statement both Apache and the Company refer to Apache Corporation. This proxy statement and the enclosed proxy card are being made available to you by the Company's Board of Directors starting on or about March 28, 2017.

PURPOSE OF THE ANNUAL MEETING

At the Company's annual meeting, shareholders will vote on the following matters:

- Proposals 1-7: election of directors;
- Proposal 8: ratification of appointment of Ernst & Young LLP as the Company's independent auditors;
- Proposal 9: advisory vote to approve the compensation of the Company's named executive officers;
- Proposal 10: advisory vote on frequency of advisory vote to approve the compensation of the Company's named executive officers; and
- Transaction of any other business that properly comes before the meeting. As of the date of this proxy statement, the Company is not aware of any other business to come before the meeting.

There are no rights of appraisal or similar rights of dissenters arising from matters to be acted on at the meeting.

WHO CAN VOTE

Only shareholders of record holding shares of Apache common stock at the close of business on the record date, March 13, 2017, are entitled to receive notice of the annual meeting and to vote the shares of Apache common stock they held on that date. The Company's stock transfer books will not be closed. A complete list of shareholders entitled to vote at the annual meeting will be available for examination by any Apache shareholder at 2000 Post Oak Boulevard, Suite 100, Houston, Texas 77056-4400, for purposes relating to the annual meeting, during normal business hours for a period of ten days before the meeting.

As of February 28, 2017, there were 380,370,129 shares of Apache common stock issued and outstanding. Holders of Apache common stock are entitled to one vote per share and are not allowed to cumulate votes in the election of directors.

HOW TO VOTE

If your shares of Apache common stock are held by a broker, bank, or other nominee (in street name), you will receive instructions from them on how to vote your shares. If your shares are held by a broker and you do not give the broker specific instructions on how to vote your shares, your broker may vote your shares at its discretion on routine matters to be acted upon at the annual meeting. However, your shares will not be voted on any of the non-routine matters described below. An absence of voting instructions on any non-routine matters will result in a broker non-vote.

The only routine matter to be acted upon at the annual meeting is Proposal No. 8: ratification of appointment of Ernst & Young LLP as the Company's independent auditors. All other matters to be acted upon at the annual meeting are non-routine matters and, as such, if you hold all or any portion of your shares in street name and you do not give your broker or bank specific instructions on how to vote your shares, your shares will not be voted on any of the following non-routine matters:

- Proposals 1-7: election of directors;
- Proposal 9: advisory vote to approve the compensation of the Company's named executive officers; and
- Proposal 10: advisory vote on frequency of advisory vote to approve the compensation of the Company's named executive officers.

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If you hold shares of Apache common stock in your own name (as a shareholder of record), you may instruct the Company on how to vote your shares:

- (1) over the Internet by following the instructions provided in the Notice of Internet Availability of Proxy Materials;
or
- (2) if you requested to receive printed proxy materials, by scanning the QR code on the enclosed proxy card with your mobile device (specific directions for using the mobile voting system are shown on the proxy card); or
- (3) if you requested to receive printed proxy materials, by using the toll-free telephone number listed on the enclosed proxy card (specific directions for using the telephone voting system are included on the proxy card);
or
- (4) if you requested to receive printed proxy materials, by marking, signing, dating, and returning the enclosed proxy card in the postage-paid envelope provided.

When using internet, mobile device, or telephone voting, the voting systems will verify that you are a shareholder through the use of a company number for Apache and a unique control number for you.

Whichever method you use to transmit your instructions, your shares of Apache common stock will be voted as you direct. If you designate the proxies named on the proxy card to vote on your behalf, but do not specify how to vote your shares, they will be voted:

- **FOR** the election of the nominees for director,
- **FOR** the ratification of appointment of Ernst & Young LLP as the Company's independent auditors,
- **FOR** the advisory vote to approve the compensation of the Company's named executive officers,
- **FOR** the advisory vote on the compensation of the Company's named executive officers to be held on an annual basis, and
- In accordance with the judgment of the persons voting the proxy on any other matter properly brought before the meeting, if any are properly raised at the meeting.

If you vote in advance using one of these methods, you may still attend and vote at the meeting.

VOTING 401(K) SAVINGS PLAN SHARES

If you are an employee or former employee participating in the Apache 401(k) Savings Plan and have shares of Apache common stock credited to your plan account as of the record date, you will receive printed proxy materials including a proxy card. You have the right to direct the plan trustee regarding how to vote the shares credited to your plan account as of the record date. The trustee for the 401(k) Savings Plan is Fidelity Management Trust Company.

The trustee will vote the shares in your plan account in accordance with your instructions. If you do not send instructions (in the manner described under *How to Vote* above) or if your proxy card is not received by May 8, 2017, the shares credited to your account will be voted by the trustee in the same proportion as it votes shares for which it did receive timely instructions.

REVOKING A PROXY

You may revoke a proxy before it is voted by submitting a new proxy with a later date by internet, mobile device, telephone, or mail (if applicable), by voting at the meeting, or by filing a written revocation with Apache's corporate secretary. Your attendance at the annual meeting alone will not automatically revoke your proxy.

QUORUM

The presence at the annual meeting, in person or by proxy, of the holders of a majority of the shares of Apache common stock outstanding on the record date will constitute a quorum, permitting the business of the meeting to be conducted.

VOTES NEEDED

Election of Directors

The affirmative vote of a majority of the votes cast at the annual meeting is required for the election of directors. You may vote FOR or AGAINST any or all director nominees or you may ABSTAIN as to one or more director nominees. As set forth in our bylaws, only votes FOR or AGAINST the election of a director nominee will be counted. Abstentions and broker non-votes count for quorum purposes, but not for purposes of the election of directors. A vote to ABSTAIN is not treated as a vote FOR or AGAINST and will have no effect on the outcome of the vote.

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Ratification of the Appointment of Independent Auditors

The affirmative vote of a majority of the votes cast at the annual meeting is required for ratification of appointment of Ernst & Young LLP as the Company's independent auditors. You may vote FOR or AGAINST the ratification of appointment of Ernst & Young LLP as the Company's independent auditors or you may ABSTAIN. Votes cast FOR or AGAINST and ABSTENTIONS with respect to this matter will be counted as shares entitled to vote on the matter. Broker non-votes will also be counted as shares entitled to vote on this matter. A vote to ABSTAIN will have the effect of a vote AGAINST ratification of the appointment of our independent registered public accounting firm.

Advisory Vote to Approve the Compensation of Our Named Executive Officers

You may vote FOR or AGAINST the advisory vote to approve the compensation of our named executive officers or you may ABSTAIN. A majority of the shares of common stock present in person or represented by proxy at the annual meeting and entitled to vote must be voted FOR approval of the advisory proposal in order for it to pass. Votes cast FOR or AGAINST and ABSTENTIONS with respect to the proposal will be counted as shares entitled to vote on the proposal. Broker non-votes will not be counted as shares entitled to vote on the proposal. A vote to ABSTAIN will have the effect of a vote AGAINST the proposal.

Advisory Vote on Frequency of Advisory Vote to Approve the Compensation of Our Named Executive Officers

A plurality of the shares of common stock present in person or represented by proxy at the annual meeting and entitled to vote must be voted FOR approval of holding the advisory vote on the compensation of our named executive officers either every one, two, or three years in order for the proposal to pass. You may vote to hold the advisory vote on compensation of named executive officers:

- Every year (recommended by our Board of Directors);
- Every two years;
- Every three years; or
- You may ABSTAIN from voting on this proposal.

Broker non-votes will not be counted as shares entitled to vote on the proposal. A vote to ABSTAIN will have the effect of a vote AGAINST the proposal.

Other Business

The affirmative vote of a majority of the votes cast at the annual meeting is required for approval of any other business that may properly come before the meeting or any adjournment thereof. Only votes FOR or AGAINST approval of any other business will be counted. Abstentions and broker non-votes count for quorum purposes, but not for the voting on the approval of such other business.

WHO COUNTS THE VOTES

Representatives of Wells Fargo Bank, N.A. will tabulate the votes and act as inspectors of the election.

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ELECTION OF DIRECTORS

(PROPOSAL NOS. 1 - 7)

Effective May 14, 2015, the Company's Restated Certificate of Incorporation was amended to provide that, beginning at the 2016 annual meeting, directors standing for election will be elected to one-year terms. The existing terms of directors elected prior to or at the 2015 annual meeting were not shortened. The entire Board of Directors will be elected annually beginning at the 2018 annual meeting.

The current terms of directors Anell R. Bay, John J. Christmann IV, Chansoo Joung, William C. Montgomery, Amy H. Nelson, Daniel W. Rabun, and Peter A. Ragauss will expire at the annual meeting. Each of Ms. Bay, Mr. Christmann, Mr. Joung, Mr. Montgomery, Ms. Nelson, Mr. Rabun, and Mr. Ragauss has been recommended by the Company's Corporate Governance and Nominating Committee and nominated by the Board of Directors for election by the shareholders to an additional one-year term. If elected, Ms. Bay, Mr. Christmann, Mr. Joung, Mr. Montgomery, Ms. Nelson, Mr.