

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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Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

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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%