

APACHE CORP  
Form DEFA14A  
May 01, 2013

**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**

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.

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Commencing on May 1, 2013, Apache Corporation sent the following communication to certain of its shareholders.

**APACHE CORPORATION**

**One Post Oak Central**

**2000 Post Oak Boulevard, Suite 100**

**Houston, Texas 77056-4400**

**Supplemental Information Regarding Item No. 5**

**Advisory Vote to Approve the Compensation of Our Named Executive Officers**

May 1, 2013

Fellow Shareholders,

The proxy advisory firms, ISS and Glass Lewis, unanimously support our recommendations on all issues except one, say on pay, on which they are split. Glass Lewis recommended for Apache's say on pay proposal. ISS did not. ISS addition of a group of companies to our peer group that is not in our industry and not of our size led it to conclude that our chairman and chief executive officer's bonus was too large and insufficiently tied to performance.

**Comparison to Peers**

ISS accepted all of the companies we designated as peers. These are companies that are in comparable markets, have comparable financial factors such as market cap, net income, oil and gas revenues and total assets, and compete for the same talent. However, ISS also added companies outside of our industry including a coal company, oil and gas storage companies and various companies with refining, marketing, and transportation operations. **Not one** of these companies is an exploration and production ( E&P ) company, which is what we do. Compared to E&P companies, oil and gas price changes have a counter-cyclical impact on most of the ISS added companies.

Notably, each of the companies that we designate as our peers selected Apache as a peer in their proxy materials while **not a single one** of the companies that ISS added to their peer group has disclosed that it considers Apache to be a peer company.

| <b>Apache Selected Peers</b> | <b>Description</b>   | <b>ISS Added Companies</b>         | <b>Description</b>                 |
|------------------------------|----------------------|------------------------------------|------------------------------------|
| Anadarko Petroleum Corp.     | Oil & Gas E&P        | CVR Energy, Inc.                   | Oil & Gas Refining & Marketing     |
| Chesapeake Energy Corp.      | Oil & Gas E&P        | Enterprise Product Partners L.P.   | Oil & Gas Storage & Transportation |
| Devon Energy Corp.           | Oil & Gas E&P        | HollyFrontier Corporation          | Oil & Gas Refining & Marketing     |
| EOG Resources, Inc.          | Oil & Gas E&P        | NuStar Energy L.P.                 | Oil & Gas Refining & Marketing     |
| Hess Corporation             | Integrated Oil & Gas | Peabody Energy Corporation         | Coal & Consumable Fuels            |
| Marathon Oil Corporation     | Oil & Gas E&P        | Plains All American Pipeline, L.P. | Oil & Gas Storage & Transportation |
| Murphy Oil Corporation       | Integrated Oil & Gas | Tesoro Corporation                 | Oil & Gas Refining & Marketing     |
| Occidental Oil Company       | Integrated Oil & Gas | The Williams Companies, Inc.       | Oil & Gas Storage & Transportation |
| Apache Corporation           | Oil & Gas E&P        | World Fuel Services Corporation    | Oil & Gas Refining & Marketing     |

Furthermore, none of the ISS added companies (shaded in gray below) reports any oil and gas revenue.

| <b>Company</b>                     | <b>Ticker</b> | <b>Market Cap as<br/>of Dec. 31, 2012</b> | <b>Revenues</b> | <b>Oil &amp; Gas<br/>Revenue</b> |
|------------------------------------|---------------|---|-----------------|----------------------------------|
| Occidental Petroleum Corporation   | OXY           | 62.05                                     | 24.20           | 18.90                            |
| <b>Apache Corporation</b>          | <b>APA</b>    | <b>30.72</b>                              | <b>17.10</b>    | <b>16.90</b>                     |
| Marathon Oil Corporation           | MRO           | 21.63                                     | 15.60           | 14.10                            |
| Anadarko Petroleum Corporation     | APC           | 37.14                                     | 13.40           | 12.40                            |
| Hess Corporation                   | HES           | 18.09                                     | 38.40           | 10.90                            |
| EOG Resources, Inc.                | EOG           | 32.72                                     | 11.70           | 8.00                             |
| Devon Energy Corporation           | DVN           | 21.05                                     | 9.50            | 7.20                             |
| Chesapeake Energy Corporation      | CHK           | 11.06                                     | 12.30           | 6.30                             |
| Murphy Oil Corporation             | MUR           | 11.57                                     | 28.60           | 4.60                             |
| Enterprise Products Partners L.P.  | EPD           | 45.01                                     | 42.58           | <b>None</b>                      |
| The Williams Companies, Inc.       | WMB           | 22.31                                     | 7.49            | <b>None</b>                      |
| Plains All American Pipeline, L.P. | PAA           | 15.17                                     | 37.80           | <b>None</b>                      |
| HollyFrontier Corporation          | HFC           | 9.48                                      | 20.09           | <b>None</b>                      |
| Peabody Energy Corporation         | BTU           | 7.15                                      | 8.08            | <b>None</b>                      |
| Tesoro Corporation                 | TSO           | 6.05                                      | 32.97           | <b>None</b>                      |
| CVR Energy, Inc.                   | CVI           | 4.24                                      | 8.57            | <b>None</b>                      |
| NuStar Energy L.P.                 | NS            | 3.31                                      | 5.96            | <b>None</b>                      |
| World Fuel Services Corporation    | INT           | 2.97                                      | 38.95           | <b>None</b>                      |

The companies ISS added to the peer group are not only in different and essentially opposite parts of the energy sector, the majority of them are significantly smaller than we are. Since a company's size has the single largest correlation to what constitutes competitive compensation, it is inappropriate and illogical to compare Apache's compensation to the compensation at those smaller companies.

### Market Cap as of Dec. 31, 2012

(in billions)

The following charts demonstrate that it is ISS' addition of these companies that moved Apache from a medium concern (yellow line) to a high-concern (red line) category, which supported ISS' vote recommendation:

**Our Peer Analysis**

*(Medium Concern)*

**ISS Peer Analysis**

*(High Concern)*

If this inappropriate choice of additional peers is corrected, we believe it becomes quite clear that our chairman and chief executive officer's pay, which includes his bonus, is properly aligned with performance.

**Chief Executive Officer Compensation Relative to Peers**

The below chart illustrates 2012 total compensation data (as defined by ISS) and shows that our chairman and chief executive officer's total compensation, including the annual bonus, is slightly above the median of our peers. We believe that ISS' focus on the bonus is misplaced. The bonus is one component of our executives' compensation. We focus on aggregate compensation and target that at the median of our peer group, which is where we are. By way of contrast, when ISS included the additional companies as peers that are, for the most part, smaller than Apache, ISS indicated that our chairman and chief executive officer's total compensation was 1.8 times median.

**Total Compensation for 2012**

*(in thousands)*

Reported Pay versus Realized Pay

ISS acknowledges that our chairman and chief executive officer's pay is highly tied to future stock performance because in their report they include the chart below which demonstrates that our chairman and chief executive officer's realizable pay over the last three years was only 66 percent of his reported pay as a result of our stock's underperformance. Our realized pay analysis on page 35 of our 2013 proxy statement paints the same picture. The graphs below demonstrate the impact of our stock's recent underperformance on our chairman and chief executive officer's actual compensation and also show that a large part of his future compensation is intimately tied to our stock's actual performance. This is exactly how our compensation programs are designed to work.

**Reported vs. Realized/Realizable Pay**

*(in thousands)*

We opened by addressing you as fellow shareholders because each of the members of your executive team and board of directors has a meaningful ownership interest in the company. We are well aware our stock has underperformed and we are focused on improving our share price. Also, as we stated in our proxy statement, we constantly review our compensation programs, practices, and policies to ensure that we stay abreast of compensation best practices and we intend to continue to do just that going forward.

For the above reasons, we believe that Apache's executive compensation programs align our executives' pay with performance.

Therefore, we urge you to vote **FOR** Item No. 5, the non-binding advisory vote on executive compensation.