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.

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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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:

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

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

- 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:

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

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2016 Executive Compensation Actions

Named Executive Officer Compensation (pg. 37)

- 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;
- 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;
- 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;
- Our performance share program for 2016 continued to incorporate total shareholder return and two other important financial measures;
- 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;
- 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
- 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:

- 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).

- 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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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 Annell 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. Rabun, and Mr. Ragauss will serve beginning upon their election until the annual meeting of shareholders in 2018.

Unless otherwise instructed, all proxies will be voted in favor of these nominees. If one or more of the nominees is unwilling or unable to serve, the proxies will be voted only for the remaining named nominees. Proxies cannot be voted for more than seven nominees. The Board of Directors knows of no nominee for director who is unwilling or unable to serve.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE ELECTION OF EACH OF THE NOMINEES AS DIRECTORS.

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Nominees for Election as Directors

Biographical information, including principal occupation and business experience during the last five years, of each nominee for director, is set forth below. Unless otherwise stated, the principal occupation of each nominee has been the same for the past five years. In addition, each nominee s experience, qualifications, attributes, or skills to serve on our Board are set forth below.

ANNELL R. BAY

Board tenure and responsibilities:

Ms. Bay, 61, joined the Company s Board of Directors in May 2014. She chairs the Corporate Governance and Nominating Committee and is a member of the Management Development and Compensation Committee.

Experience:

From July 2011 to April 2014, Ms. Bay served as vice president, Global Exploration, of Marathon Oil Corporation, having previously held the position of senior vice president, Exploration, since June 2008.

From August 2004, prior to joining Marathon, Ms. Bay served as vice president, Americas Exploration, of Shell Exploration and Production Company.

Prior to joining Shell, Ms. Bay was vice president, Worldwide Exploration, and vice president, North America Exploration, of Kerr-McGee Oil and Gas Corporation, having been with Oryx Energy prior to its merger with Kerr-McGee.

Ms. Bay serves as a director of Hunting PLC, a London-based energy service provider, and Verisk Analytics, Inc., a global data analytics provider. She also serves on the advisory boards for the Jackson School of Geology at the University of Texas at Austin, the American Association of Petroleum Geology, and the Independent Petroleum Association of America Education Center.

Skills and qualifications:

With her extensive executive experience in the oil and gas industry, and as a result of her service on the advisory boards of educational and industry organizations, Ms. Bay brings to the Board a wealth of oil and gas exploration and operations, and civic and educational experience.

As a member of public company boards in two countries having significantly different governance regulatory regimes, Ms. Bay also brings unique governance skills and experience to the Board. She is a highly regarded speaker at major governance events on both sides of the Atlantic. She has hosted individual and small group meetings with large and environmental-, social- and governance- (ESG) focused shareholders. As chair of the CG&N Committee, she has overseen the updating of the company s governance principles and the adoption of a committee calendar formalizing oversight of key ESG subjects.

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JOHN J. CHRISTMANN IV

Board tenure and responsibilities:

Mr. Christmann, 50, was appointed the Company s chief executive officer and president, and joined the Company s Board of Directors, effective January 20, 2015.

Experience:

Mr. Christmann previously served as the Company s executive vice president and chief operating officer, North America, since January 2014.
From January 2010 through December 2013, he served as region vice president, Permian Region. From January 2004 through December 2009, he served as vice president, Business Development, and from April through December 2003, he served as production manager for the Gulf Coast Region. Prior to that, Mr. Christmann held various positions of increasing responsibility in the business development area since joining the Company in 1997.

Previously, Mr. Christmann was employed by Vastar Resources/ARCO Oil and Gas Company in business development, crude oil marketing, and various production, operational, and reservoir engineering assignments.

Mr. Christmann received his bachelor s degree in petroleum engineering from the Colorado School of Mines and MBA from Southern Methodist University.

Skills and qualifications:

With over 29 years in the oil and gas industry, including over 19 years at the Company leading both operational and staff functions and most recently serving as chief executive officer, Mr. Christmann has the proficiency and depth to manage and operate a large-scale oil and gas exploration and production company.

Mr. Christmann s extensive experience in the oil and gas industry has provided him with an in-depth understanding of successful execution and operational management in the field, an appreciation and talent for value-added merger and acquisition activity, and the expertise to oversee the strategic direction of a large, publicly-traded company.

His experience, coupled with his thorough knowledge and understanding of the Company s assets and unique operations, complement Mr. Christmann s management strengths and enable him to lead the Company through the complexities of day-to-day operations as well as the macro economic impact of commodity prices.

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CHANSOO JOUNG

Board tenure and responsibilities:

Mr. Joung, 56, joined the Company s Board of Directors in February 2011. He chairs the Audit Committee and is a member of the Corporate Governance and Nominating Committee.

Experience:

From 2005 to 2015, Mr. Joung was a partner and then senior advisor at Warburg Pincus LLC. He was responsible for making and monitoring investments in all sectors of the energy industry, including upstream, gas and gas liquids processing and transportation, and electric power. He was also responsible for global coordination of the firm s renewables activities, including wind, solar, biofuels, and grid storage.

From 1987 to 2004, Mr. Joung was employed by Goldman Sachs where he held increasingly senior positions, culminating his 17-year career as head of the Americas Natural Resources Group in the investment banking division. His other leadership responsibilities in the investment banking division included stints as co-head of recruiting and co-head of women s and diversity recruitment and development.

Prior to joining Apache s board, Mr. Joung served as a director on two other NYSE-listed company boards: Targa Resources Partners, LP, from 2007 to 2011, and Targa Resources Corporation, from 2010 to 2011. He also served as a director on a number of private company boards during his tenure at Warburg Pincus.

Currently, Mr. Joung is a consultant for TPH Asset Management, LLC, an affiliate of Tudor, Pickering, Holt & Co.

Skills and qualifications:

Mr. Joung has spent almost his entire career in the finance industry working with energy companies. Through his experiences in private equity and as an investment banker, Mr. Joung gained significant experience with energy companies, the energy industry, and energy-related capital markets and mergers and acquisitions activity, which enhance his contributions to the Board. Those experiences have also given Mr. Joung the ability to identify, assess, and manage risk that can affect a large energy company like Apache.

WILLIAM C. MONTGOMERY

Board tenure and responsibilities:

Mr. Montgomery, 55, joined the Company s Board of Directors in September 2011. He chairs the Management Development and Compensation Committee and is a member of the Corporate Governance and Nominating Committee.

Experience:

From October 2002 to April 2011, Mr. Montgomery was a partner in the investment banking division of Goldman, Sachs & Co., where he headed the firm s Americas Natural Resources Group as well as its Houston office and was a member of the Investment Banking Services Leadership Group. Over the span of 22 years as an investment banker, Mr. Montgomery focused globally on large-cap energy companies, primarily in the upstream, integrated, and oil service sectors.

Since July 2011, Mr. Montgomery has served as a partner of Quantum Energy Partners, a private equity firm that focuses on investments in the energy and power industries. He is a member of Quantum Energy s executive and investment committees. In October 2015, Mr. Montgomery was elected a director of Enterprise Products Holdings LLC, the general partner of Enterprise Products Partners L.P., and serves on its audit and conflicts committee.

Mr. Montgomery has been an active civic leader, chairing the boards of the Houston Museum of Natural Science and the St. Francis Episcopal Day School. He currently serves on the board of trustees of the Kinkaid School, the Episcopal Health Foundation, and the Board of Visitors of the MD Anderson Cancer Center.

Skills and qualifications:

Mr. Montgomery has spent almost his entire career working in the finance industry focusing on large-cap energy companies. Formerly as an investment banker and now in private equity, Mr. Montgomery has gained significant experience with the energy industry and energy-related capital markets. The company also benefits from the extensive relationships that Mr. Montgomery has formed throughout his career serving various global energy companies. Mr. Montgomery s contributions to the Board are aided by the knowledge and experience he gained from his current and former roles, which have involved broad and deep exposure to key issues impacting the upstream, midstream, and oil services sectors.

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AMY H. NELSON

Board tenure and responsibilities:

Ms. Nelson, 47, joined the Company s Board of Directors in February 2014. She is a member of the Audit Committee.

Experience:

Ms. Nelson is the president of Greenridge Advisors, LLC, which she founded in 2007 as an energy services and equipment consulting firm focused on the development, execution, and financing of growth strategies. Ms. Nelson advises her clients on strategy development, capital allocation, acquisition evaluation, and infrastructure development. Her clients span a broad range of oilfield service, product, and geographic markets.

From 2000 to 2007, Ms. Nelson served as a vice president of SCF Partners, an oilfield service and equipment-focused private equity firm, where she concentrated on investment strategy, investment execution, and portfolio company management.

From 1992 to 1998, Ms. Nelson worked for Amoco Production Company in planning, project management, and engineering roles.

Skills and qualifications:

Ms. Nelson has devoted her career to serving companies in the oil and gas industry. Ms. Nelson s experiences have provided her with valuable insight into corporate strategy, capital allocation, and the assessment and management of risks faced by oil and gas companies.

Over the past decade, Ms. Nelson has also developed substantial water-related expertise in unconventional field development water cycle, including treatment technologies, water delivery and take-away temporary and permanent infrastructure, frac-water sources, containment and salt water disposal, management of access rights to ground, surface, industrial, and municipal water sources, and management of regulatory and compliance issues. Ms. Nelson s understanding of this important environmental subject enhances her contributions to the Board.

DANIEL W. RABUN

Board tenure and responsibilities:

Mr. Rabun, 62, joined the Company s Board of Directors in May 2015. He is a member of the Management Development and Compensation Committee.

Experience:

From 2007 to his retirement in May 2015, Mr. Rabun served as the chairman of Ensco plc, an offshore drilling services company, based in London. He retired as president and chief executive officer of Ensco in June 2014, having held the office of chief executive officer for more than seven years and president for more than eight years.

From 1986 through 2005, prior to joining Ensco, Mr. Rabun was a partner with the international law firm of Baker & McKenzie LLP, where he provided legal advice to oil and gas companies.

Mr. Rabun is the non-executive chairman of Golar LNG Ltd. During 2012, he served as chairman of the International Association of Drilling Contractors. Mr. Rabun has also been a certified public accountant since 1976.

Skills and qualifications:

Mr. Rabun brings a variety of experiences to our board, including service as chairman of the board, president, and chief executive officer of Ensco. During Mr. Rabun s term at Ensco, Ensco drilled some of the most complex wells for super majors, national oil companies, and independent operators in nearly every strategic oil and gas area in the world, from the North Sea to the golden triangle of the Gulf of Mexico, Brazil, and West Africa, and from the Middle East and the Mediterranean to Asia and Australia. In addition, Mr. Rabun s experience as non-executive Chairman of Golar LNG Ltd. gives him invaluable insight into the global liquid natural gas business, which will be beneficial to the corporation in its efforts to market natural gas from the Alpine High discovery in the Delaware Basin.

Mr. Rabun s international experience, global perspective, experience with strategic acquisitions, and financial acumen from having served as a public company s chairman, president, and chief executive officer assist the Board in the assessment and management of risks faced by oil and gas companies.

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PETER A. RAGAUSS

Board tenure and responsibilities:

Mr. Ragauss, 59, joined the Company s Board of Directors in December 2014. He is a member of the Audit Committee.

Experience:

In November 2014, Mr. Ragauss retired from Baker Hughes after serving eight years as senior vice president and chief financial officer.

From 2003 to 2006, prior to joining Baker Hughes, Mr. Ragauss was controller, Refining and Marketing, for BP Plc. From 2000 to 2003, he was chief executive officer for Air BP. From 1998 to 2000, he was assistant to group chief executive for BP Amoco. He was vice president of Finance and Portfolio Management for Amoco Energy International when Amoco Corporation merged with BP.

From 1996 to 1998, Mr. Ragauss served as vice president of Finance for El Paso Energy International. He held positions of increasing responsibility at Tenneco, Inc., from 1993 to 1996, and Kidder, Peabody & Co. Incorporated, from 1987 to 1993. In September 2016, Mr. Ragauss was elected a director of The Williams Companies, Inc.

Skills and qualifications:

Mr. Ragauss brings a wealth of accounting, financial, and executive experience to the Board, having held senior positions, including as chief executive officer, chief financial officer, controller, and vice president finance. His wide and varied experiences in the oil and gas industry, including in the area of finance, have provided him with a unique understanding and insight concerning the risks faced by oil and gas companies.

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Continuing Directors

Biographical information, including principal occupation and business experience during the last five years, for each continuing member of the Board of Directors whose term is not expiring at the 2017 annual meeting, is set forth below. Unless otherwise stated, the principal occupation of each director has been the same for the past five years. In addition, each director s experience, qualifications, attributes, or skills to serve on our Board are set forth below.

GEORGE D. LAWRENCE

Board tenure and responsibilities:

Mr. Lawrence, 66, joined the Company s Board of Directors in May 1996. He is a member of the Audit Committee.

Experience:

From 1990 until May 1996, Mr. Lawrence was president, chief executive officer, and a director of The Phoenix Resource Companies, Inc., an international publicly-owned oil and gas company that merged with Apache in 1996.

In 1985, Mr. Lawrence began his oil and gas career with the predecessor to Phoenix, holding management positions with increasing responsibility, culminating in his appointment as president and chief executive officer and his service as a director until the Phoenix and Apache merger.

Since retiring from Phoenix, Mr. Lawrence has been a private investor.

Prior to entering the oil and gas business, Mr. Lawrence served in the Environmental Enforcement Section of the United States Department of Justice, his last position there being assistant chief.

Skills and qualifications:

During his tenure as president and chief executive officer of Phoenix, Mr. Lawrence gained valuable corporate leadership experience in all aspects of business, including finance, securities, operations, strategy, and risk.

At Phoenix and its predecessor, Mr. Lawrence was extensively involved in international operations spread over several continents, and he was especially instrumental in leading Phoenix s operations in Egypt, an area that remains important to Apache s operations.

His dedication to environmental responsibility stemming from his service in the Department of Justice Environmental Enforcement Section continues to this day.

Term Expires

2018

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JOHN E. LOWE

Board tenure and responsibilities:

Mr. Lowe, 58, joined the Company s Board of Directors in July 2013 and became non-executive chairman as of May 2, 2015.

Experience:

Mr. Lowe enjoyed a 30-year career with ConocoPhillips and Phillips Petroleum Company, serving in positions of increasing responsibility during that time. Most recently, he served as assistant to the chief executive officer of ConocoPhillips, a position he held from 2008 until Phillips 66 was spun-off from ConocoPhillips in 2012.
Previously, Mr. Lowe held a series of executive positions in the exploration and production, commercial, and planning areas of ConocoPhillips, including executive vice president, exploration and production from 2007 to 2008; executive vice president, Commercial from 2006 to 2007; and executive vice president, planning, strategy, and corporate affairs from 2002 to 2006, a part of which his responsibilities included government relations, public affairs, and corporate technology.

Mr. Lowe is a member of the board of directors for Phillips 66, Houston, Texas, and TransCanada Corporation, Calgary, Alberta. He is a senior executive advisor to Tudor, Pickering, Holt & Co. He is a former board member of Agrium Inc., Chevron Phillips Chemical Co. LLC, DCP Midstream LLC, and DCP Midstream GP, LLC, the general partner of DCP Midstream Partners LP.

Skills and qualifications:

With over 30 years of experience in the oil and gas industry, and as an executive of ConocoPhillips, a director of Phillips 66, a director of TransCanada, a senior executive advisor to Tudor, Pickering, Holt & Co., and a former director of Agrium, Chevron Phillips Chemical, DCP Midstream, and DCP Midstream GP, Mr. Lowe brings valuable experience to the Board, including experience identifying, assessing, and minimizing risks faced by oil and gas companies.

Term Expires

2018

RODMAN D. PATTON

Board tenure and responsibilities:

Mr. Patton, 73, joined the Company s Board of Directors in December 1999. He is a member of the Audit Committee.

Experience:

Mr. Patton has over 30 years of experience in oil and gas investment banking and corporate finance activity.

From 1993 until April 1999, Mr. Patton served as managing director in the Merrill Lynch Energy Group. Prior to joining Merrill Lynch, he was with The First Boston Corporation (later Credit Suisse First Boston) and Eastman Dillon, Union Securities (later Blyth Eastman Dillon).

From 2001 until his retirement in April 2015, Mr. Patton served as a director of NuStar GP, LLC (formerly Valero GP, LLC), San Antonio, Texas, most recently as lead independent director, chairman of its audit committee, and a member of its compensation committee. NuStar GP LLC is the general partner of NuStar Energy L.P. (formerly Valero L.P.), owner and operator of crude oil and refined products pipeline, terminalling, and storage assets.

Skills and qualifications:

As a managing director at Merrill Lynch, First Boston (later Credit Suisse), and other investment banks, Mr. Patton gained extensive experience advising oil and gas companies on capital structure, strategy, and direction. Mr. Patton also gained valuable experience in the assessment and management of risks faced by oil and gas companies. As a former investment banker and as chairman of NuStar GP s audit committee, Mr. Patton brings to the Board extensive financial reporting expertise.

Term Expires

2018

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CHARLES J. PITMAN

Board tenure and responsibilities:

Mr. Pitman, 74, joined the Company s Board of Directors in May 2000. Mr. Pitman served as lead director from February 2013 until May 2015 and is a member of the Corporate Governance and Nominating Committee and the Management Development and Compensation Committee.

Experience:

Mr. Pitman retired from BP Amoco plc in late 1999. During his 24-year career at Amoco and BP Amoco, Mr. Pitman served in a variety of leadership positions in the United States and multiple international locations, principally in the Middle East. Notably, Mr. Pitman served as president of Amoco Egypt Oil Company from 1992 to 1996, president of Amoco Eurasia Petroleum Company from 1997 to 1998, and regional president BP Amoco plc - Middle East/Caspian/Egypt/India from December 1998 until his retirement in 1999.
Prior to joining Amoco, Mr. Pitman served in the United States Department of State as a Foreign Service officer and attorney-adviser.

Since his retirement from BP Amoco, Mr. Pitman served as a non-executive director and chairman of Urals Energy Public Company Limited, an oil exploration and production company operating in Russia, from 2005 until 2009; chairman of the board of First Calgary Petroleums Ltd., an oil and gas exploration company engaged in exploration and development activities in Algeria in 2008; and sole member of Shaker Mountain Energy Associates LLC from 1999 to 2007.

Skills and qualifications:

Having served in executive and director capacities at Amoco and BP Amoco in numerous international locations, particularly Egypt, Mr. Pitman has valuable experience in, and knowledge of, the oil and gas industry in the Middle East, Russia, and North Africa.

Mr. Pitman s vast experience in international oil and gas and the knowledge and relationships he developed while serving in the U.S. State Department provide valuable insight for the benefit of Apache s operations, both domestic and abroad.

Term Expires

2018

Director Independence

During 2016 and the first two months of 2017, the Board of Directors evaluated all business and charitable relationships between the Company and the Company s non-employee directors (all directors other than Mr. Christmann) and all other relevant facts and circumstances. As a result of the evaluation, the Board of Directors determined, as required by the Company s Governance Principles, that each non-employee director is an independent director as defined by the standards for director independence established by applicable laws, rules, and listing standards including, without limitation, the standards for independent directors established by The New York Stock Exchange, Inc. (NYSE), The NASDAQ National Market (NASDAQ), and the Securities and Exchange Commission (SEC). The Company s Governance Principles are available on the Company s website (www.apachecorp.com).

The Company s Governance Principles require that the independent directors meet in executive session at least twice each year; in 2016, they met five times in executive session. These executive sessions are chaired by a non-executive chairman or a lead director. Pursuant to the Company s Governance Principles, the non-executive chairman or lead director is an independent director who is elected from time to time, but not less than annually, by the affirmative vote of a majority of the independent directors. In addition to chairing the executive sessions, the non-executive chairman or lead director discusses management s proposed meeting agenda with the other independent directors and reviews the approved meeting agenda with our chief executive officer, leads the discussion with our chief executive officer following the independent directors executive sessions, ensures that the Board s individual group and committee self-assessments are done annually, leads periodic discussions with other Board members and management concerning the Board s information needs, and is available for discussions with major shareholders. John E. Lowe has served as the Company s non-executive chairman since May 2015. The role and responsibilities of the non-executive chairman or lead director and the method established for communication of concerns to the independent directors are included in the Company s Governance Principles.

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Reporting of Concerns to Independent Directors

Anyone who has concerns about the Company may communicate those concerns to the independent directors. Such communication should be mailed to the Company s corporate secretary at 2000 Post Oak Boulevard, Suite 100, Houston, Texas 77056-4400, who will forward such communications to the independent directors.

Board Leadership Structure and Risk Oversight

Board Leadership Structure

At different times in the Company s history the positions of chair and chief executive officer have been split or combined as circumstances have warranted. Consistent with good governance practices, the Company took the opportunity presented by the retirement of our former chief executive officer and president, to create a position for an independent non-executive chairman. Independent director John E. Lowe was appointed non-executive chairman effective May 2, 2015. The board regularly reviews all aspects of its governance profile, including the Board leadership structure, and will make changes as appropriate.

Risk Oversight

The goal of the Company s risk management process is to understand and manage risk; management is responsible for identifying and managing the risks, while directors provide oversight to management in this process. Management identifies the significant risks facing the Company and the approaches to mitigate such risks. The Company s Governance Principles state that in addition to its general oversight of management, the Board of Directors is responsible for a number of specific functions, including assessing major risks facing the Company and reviewing options for their mitigation.

Our Board of Directors has three standing independent committees: Audit, Corporate Governance and Nominating, and Management Development and Compensation. Our Audit Committee is primarily responsible for overseeing the Company s risk management processes on behalf of the Board. The Audit Committee charter provides that the Audit Committee should discuss and consider the process by which senior management of the Company and the relevant departments assess and manage the Company s exposure to risk, and discuss the Company s major financial risk exposure and the steps management has taken to monitor, control, and report such exposures. In addition, the Audit Committee reports to the Board of Directors, which also considers the Company s risk profile. The Audit Committee and the Board of Directors obtain input from management regarding the most significant risks facing the Company and the Company s risk management strategy.

The Audit Committee and the Board endeavor to ensure that the risks undertaken are consistent with the Board s tolerance for risk. While the Board is responsible for setting, monitoring, and maintaining the Company s risk management policies and practices, the Company s executive officers and members of our management team are responsible for implementing and overseeing our day-to-day risk management processes. Additionally, the Board has created a Corporate Risk Committee composed of certain members of our management team. The Corporate Risk Committee monitors and manages risks and is tasked with, among other things, ensuring sound policies, procedures, and practices are in place to address corporate-wide management of risks. The Company believes that this division of responsibility is the most effective way to monitor and control risk.

In addition to the oversight provided by our full Board of Directors, Audit Committee, executive officers and the members of our management team, including our Corporate Risk Committee, our independent directors hold regularly scheduled executive sessions as often as they deem appropriate, but in any event at least twice each year. These executive sessions provide an additional avenue through which we monitor the Company s risk exposure and policies regarding risk management.

For risk considerations in our compensation programs, please see Compensation Discussion and Analysis Risk Considerations in Our Compensation Programs included in this proxy statement.

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Standing Committees and Meetings of the Board of Directors

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. Actions taken by these committees are reported to the Board of Directors at the next Board meeting. During 2016, each of the Company s current directors attended at least 75 percent of all meetings of the Board of Directors and committees of which he or she was a member. All directors attended the Company s 2016 annual meeting of shareholders held on May 12, 2016.

Name	Board	Audit	CG&N	MD&C
Annell R. Bay				
John J. Christmann IV				
Chansoo Joung				
George D. Lawrence				
John E. Lowe				
William C. Montgomery				
Amy H. Nelson				
Rodman D. Patton				
Charles J. Pitman				
Daniel W. Rabun				
Peter A. Ragauss				
No. of Meetings in 2016	7	9	6	6

Chairman of the Board

Committee Chairman

Audit Committee

The Audit Committee assists the Board of Directors in fulfilling its oversight responsibility relating to (i) the integrity of the Company s consolidated financial statements, accounting and financial reporting processes, and systems of internal controls over accounting and financial reporting; (ii) the Company s compliance with legal and regulatory requirements; (iii) the independent auditor s qualifications, independence, and performance, including sole authority for appointment, compensation, oversight, evaluation, and termination; (iv) the performance of the Company s internal audit function; (v) the report of the Audit Committee required by the rules of the SEC, as included in this proxy statement; and (vi) the fulfillment of the other responsibilities set out in its charter. The Audit Committee charter, as adopted by the Board of Directors and which reflects applicable SEC, NYSE, and NASDAQ rules and regulations, is available on the Company s website (www.apachecorp.com).

As described more fully above in Board Leadership Structure and Risk Oversight, the Audit Committee is also tasked with overseeing the guidelines, policies, and controls governing the process by which management of the Company assesses and manages the Company s exposure to risk.

The Board of Directors has determined that all members of the Audit Committee qualify as financial experts, as defined in Item 407 of Regulation S-K under the Securities Act of 1933, as amended, and each are considered financially literate under NYSE rules. During 2016 and the first two months of 2017, the Board of Directors reviewed the composition of the Audit Committee pursuant to the rules of the SEC, NYSE, and NASDAQ governing audit committees. Based on this review, the Board of Directors confirmed that all members of the Audit Committee are independent under the SEC, NYSE, and NASDAQ rules.

CG&N Committee

The duties of the CG&N Committee include recommending to the Board of Directors the slate of director nominees submitted to the shareholders for election at each annual meeting and proposing qualified candidates to fill vacancies on the Board of Directors. The CG&N Committee is also responsible for developing corporate governance principles for the Company, reviewing related party transactions, and overseeing the evaluation of the Board of Directors. During 2016 and the first two months of 2017, the Board of Directors reviewed the composition of the CG&N Committee pursuant to the rules of the NYSE and NASDAQ governing nominating and governance committees. Based on this review, the Board of Directors confirmed that all members of the CG&N Committee are independent under the NYSE and NASDAQ rules. The CG&N Committee charter, as adopted by the Board of Directors, is available on the Company s website (www.apachecorp.com).

The CG&N Committee considers director nominee recommendations from executive officers of the Company, independent members of the Board, and shareholders of the Company, as well as recommendations from other interested parties. The CG&N Committee may also retain an outside search firm to assist it in finding appropriate nominee candidates. Shareholder recommendations for director nominees received by Apache s corporate secretary (at the address for submitting shareholder proposals and nominations set forth under the heading Future Shareholder Proposals and Director Nominations below) are forwarded to the CG&N Committee for consideration.

MD&C Committee

The MD&C Committee reviews the Company s management resources and structure and administers the Company s compensation programs and retirement, stock purchase, and similar plans. During 2016 and the first two months of 2017, the Board of Directors reviewed the composition of the MD&C Committee pursuant to the rules of the NYSE and NASDAQ governing compensation committees. Based on this review, the Board of Directors confirmed that all members of the MD&C Committee are independent under the NYSE and NASDAQ rules. All members of the Committee are also outside directors, as defined by applicable federal tax law or regulations of the Internal Revenue Service. The MD&C Committee charter, as adopted by the Board of Directors, is available on the Company s website (www.apachecorp.com).

Committee Charters

You can access electronic copies of the charters of the Audit Committee, CG&N Committee, and MD&C Committee of the Board of Directors on the Company s website (www.apachecorp.com). Our Governance Principles and our Code of Business Conduct, which meet the requirements of a code of ethics under applicable SEC regulations and NYSE and NASDAQ standards, each document as amended from time to time, are also available on the Company s website. You may request printed copies of any of these documents by writing to Apache s corporate secretary at 2000 Post Oak Boulevard, Suite 100, Houston, Texas 77056-4400.

Criteria for New Board Members and Re-Election of Board Members

The CG&N Committee considers the following criteria in recommending new nominees or the re-election of directors to the Company s Board of Directors and its committees:

- Expertise and perspective needed to govern the business and strengthen and support senior management; for example: strong financial expertise, knowledge of international operations, or knowledge of the petroleum industry and/or related industries.

- Sound business judgment and a sufficiently broad perspective to make meaningful contributions.

- Interest and enthusiasm in the Company and a commitment to become involved in its future.

- The time and energy to meet Board of Directors commitments.
- Ability to constructively participate in discussions, with the capacity to quickly understand and evaluate complex and diverse issues.
- Dedication to the highest ethical standards.
- Dedication to the highest health, safety, and environmental standards.
- Supportive of management, but independent, objective, and willing to question and challenge both openly and in private exchanges.
- An awareness of the dynamics of change and a willingness to anticipate and explore opportunities.

All decisions to recommend the nomination of a new nominee for election to the Board of Directors or for the re-election of a director are within the sole discretion of the CG&N Committee.

All director candidates are evaluated, and the decision of whether or not to nominate a particular candidate is made, based solely on Company- and work-related factors and not with regard to a candidate s or director s inclusion in any protected class or group identified in the Company s anti-discrimination policy.

The above criteria and guidelines, together with the section of the Company s Governance Principles entitled Qualifications of Board Members, constitute the policy of the CG&N Committee regarding the recommendation of new nominees or the re-election of directors to the Company s Board of Directors or its committees. The Company s Governance Principles are available on the Company s website (www.apachecorp.com).

Diversity

Company policy precludes directors and employees from discriminating against any protected group. Company policy also precludes directors and employees from basing work-related decisions on anything other than work-relevant criteria. The Company s approach to diversity complements these policies without conflicting with them. We believe that Board diversity in all its aspects is essential to our business. Our criteria for Board selection, summarized above, operates as our diversity policy.

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Report of the Audit Committee

The following report of the Audit Committee of the Company shall not be deemed to be soliciting material or to be filed with the Securities and Exchange Commission, nor shall this report be incorporated by reference into any filing made by the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.

The Audit Committee is operated under a charter that specifies the scope of the Committee s responsibilities. The charter, which is reviewed annually and available on the Company s website (www.apachecorp.com), was last amended and restated effective July 15, 2016.

The Board of Directors has determined that all five members of the Committee are independent based upon the standards adopted by the Board, which incorporate the independence requirements under applicable laws, rules, and regulations, including the listing standards of the New York Stock Exchange and the NASDAQ National Market and Rule 10A-3 of the Securities Exchange Act of 1934, as amended.

The Company s management has the primary responsibility for preparing the Company s financial statements, managing the accounting and financial reporting processes, devising and maintaining the systems of internal controls over financial reporting, and assessing the effectiveness of internal controls over financial reporting. Ernst & Young LLP, Apache s independent registered public accounting firm (the independent auditors), is responsible for the integrated audit of the consolidated financial statements and auditing the Company s internal controls over financial reporting. The Committee s responsibility is to monitor and oversee these processes and procedures on behalf of the Board of Directors.

The Audit Committee held nine meetings during fiscal year 2016, including the five in-person meetings referenced below. The meetings of the Audit Committee are designed to facilitate and encourage communication among the Audit Committee, the Company, the Company s internal audit function, and the Company s independent auditors. Meeting agendas are set based upon the Audit Committee Charter and also include suggested topics from Committee members and/or other relevant topics. At four of the five Audit Committee meetings held in person during 2016, the Committee met with the internal auditors and the independent auditors, with and without management present, to discuss the results of their examinations, their evaluations of the Company s internal controls, including internal controls over financial reporting, and the overall quality of the Company s financial reporting.

The Committee is responsible for oversight of the qualifications, performance, and independence of the Company s independent auditors and annually determines whether to retain the Company s current independent auditors or retain another auditor. In doing so, the Audit Committee takes into consideration a number of factors, including the historical and recent performance of the independent auditors and lead partner, its global capabilities, its knowledge of the Company s operations and industry, external data relating to audit quality and performance, including recent Public Company Accounting Oversight Board (United States) (PCAOB) reports, and independence. The Audit Committee recognizes the importance of maintaining the independence of the Company s independent auditors, in both fact and appearance.

The Audit Committee discussed with the Company s internal auditors and the independent auditors the overall scope and plans for their respective audits. In addition, the Audit Committee reviewed with the independent auditors, which is responsible for expressing an opinion on the conformity of the Company s audited consolidated financial statements with U.S. generally accepted accounting principles, its judgments as to the quality, not just the acceptability, of the Company s accounting principles and such other matters as are required to be discussed with the Audit Committee by the standards of the PCAOB, including PCAOB Auditing Standard No. 1301, *Communications With Audit*

Committees, the rules of the Securities and Exchange Commission, and other applicable regulations. In addition, the Audit Committee has discussed with the independent auditors the firm s independence from Company management and the Company, including the matters in the letter from the firm required by PCAOB Rule 3526, *Communication with Audit Committees Concerning Independence*, and considered the compatibility of non-audit services with the independent auditors independence.

The Audit Committee also reviewed and discussed together with management, the internal auditors, and the independent auditors the Company s audited consolidated financial statements included in the Company s Annual Report on Form 10-K for the year ended December 31, 2016, including the clarity of disclosures in the financial statements, the results of management s assessment of the effectiveness of the Company s internal controls over financial reporting, and the independent auditors audit of the Company s internal controls over financial reporting.

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In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors, and the Board of Directors has approved, that the audited consolidated financial statements and management s assessment of the effectiveness of the Company s internal controls over financial reporting be included in the Annual Report on Form 10-K for the year ended December 31, 2016, filed by the Company with the Securities and Exchange Commission.

February 21, 2017

Members of the Audit Committee

Chansoo Joung, Chairman

George D. Lawrence

Amy H. Nelson

Rodman D. Patton

Peter A. Ragauss

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Director Compensation

Summary of 2016 Director Compensation

Under the terms of the Company s Non-Employee Directors Compensation Plan and the Non-Employee Directors Restricted Stock Units Program, each non-employee director receives an annual retainer, paid one-third in cash and two-thirds in stock.

The equity component of the annual board retainer for the Company s non-employee directors is not paid out until the non-employee director retires or otherwise leaves the Board of Directors.

The retirement plan for the Company s non-employee directors limits participation to those members first elected to the Board of Directors on or before June 30, 2014.

Non-Employee Directors Cash Compensation

During 2016, under the terms of the Company s Non-Employee Directors Compensation Plan, each non-employee director received an annual cash retainer of $100,000 for service on the Board of Directors, the non-executive chairman of the Board received an additional annual cash retainer of $100,000, and the chair of each committee received an additional cash retainer. There were no separate meeting attendance fees.

Under the terms of the Non-Employee Directors Compensation Plan, non-employee directors can defer receipt of all or any portion of their cash retainers. Deferred cash amounts accrue interest equal to the Company s rate of return on its short-term marketable securities. Once each year, participating directors may elect to transfer all or a portion of their deferred cash amounts into the form of shares of Apache common stock. After such election, amounts deferred in the form of Apache common stock accrue dividends as if the stock were issued and outstanding when such dividends were payable. All deferred amounts, as well as accrued interest and dividends, are maintained in a separate memorandum account for each participating non-employee director. Amounts are paid out in cash and/or shares of Apache common stock, as applicable, upon the non-employee director s retirement or other termination of his or her directorship, or on a specific date, in a lump sum or in annual installments over a ten-year (or shorter) period. During 2016, one non-employee director deferred all of his cash retainer fees.

Non-Employee Directors Restricted Stock Units Program

During 2016, pursuant to the Company s Non-Employee Directors Restricted Stock Units Program (the RSU Program), all non-employee directors were eligible to receive grants of restricted stock units (RSUs) at the end of each calendar quarter, with the number of RSUs calculated by dividing $50,000 by the fair market value of a share of Apache common stock on the date of grant, rounded down to the nearest whole number. Pursuant to the RSU Program, the Company s non-executive chairman of the Board was also eligible to receive additional grants of RSUs at the end of each calendar quarter, with the number of RSUs calculated by dividing $25,000 by the fair market value of a share of Apache common stock on the date of grant, rounded down to the nearest whole number.

Grants under the RSU Program were made pursuant to the Company s 2011 Omnibus Equity Compensation Plan for the first quarter 2016, and were made pursuant to the Company s 2016 Omnibus Compensation Plan for the second, third, and fourth quarters 2016.

Each RSU is equivalent to one share of Apache common stock. If applicable, the grant is prorated for the non-employee director s or non-executive chairman s service during the calendar quarter.

The RSUs vest as of the grant date, with 100 percent automatic, mandatory deferral into the Outside Directors Deferral Program (the Deferral Program) established pursuant to the Company s 2011 Omnibus Equity Compensation Plan and, beginning in the second quarter 2016, under the 2016 Omnibus Compensation Plan. Deferrals are invested in stock units with each stock unit being equivalent to one share of Apache common stock. Stock units accrue dividends as if the stock was issued and outstanding when such dividends were payable, and all dividend amounts are invested in additional stock units. All stock units are maintained in a separate memorandum account for each non-employee director. Stock units in the Deferral Program will be converted to shares of Apache common stock and paid out upon the non-employee director s retirement or other termination of his or her directorship.

Annual Review of Director Compensation

In our annual review of director compensation, the benchmarking analysis provided to the Board for 2016 indicated that the average director compensation was just above the 25^{th} percentile of our Compensation Peer Group (as defined in the Compensation Discussion and Analysis section) at that time.

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Director Share Ownership Requirement

The Company has a minimum share ownership requirement for non-employee directors that requires each non-employee director to directly own shares and/or share equivalents the total value of which is equal to or greater than six times the annual Board retainer paid in cash, excluding additional retainers for service as a committee chair or as non-executive chairman. Based on an annual Board cash retainer of $100,000, each non-employee director is required to own shares and/or share equivalents the total value of which is at least $600,000 based on the value as of the acquisition date.

Non-employee directors must meet the ownership requirement within three years of the later of (i) July 16, 2014, or (ii) the date of his or her appointment to the Board of Directors. Once achieved, each non-employee director must continue to meet the minimum share ownership requirement for the duration of his or her service on the Board. As of February 28, 2017, each non-employee director, other than Ms. Bay, Mr. Rabun, and Mr. Ragauss, directly owned shares of the Company s common stock and/or share equivalents with total value equal to or greater than $600,000 (six times the annual cash board retainer). Ms. Bay has until July 16, 2017, to meet the requirement; Mr. Ragauss has until December 16, 2017, to meet the requirement; and Mr. Rabun has until May 13, 2018, to meet the requirement. See beneficial ownership information under the heading Securities Ownership and Principal Holders below.

Pledging and Hedging Policies

The Company has a pledging policy that prohibits non-employee directors and executive officers from holding Apache securities in a margin account or pledging any Apache securities as collateral for a loan. The Company also has a hedging policy that prohibits non-employee directors and executive officers from entering into any hedge, or other transaction (such as puts, calls, options, or other derivative securities) in Apache securities that has the effect of limiting the risk of ownership of Apache common stock or stock options. As of the date of this proxy statement, each non-employee director was in compliance with the Company s pledging and hedging policies.

Outside Directors Retirement Plan

An unfunded retirement plan for non-employee directors was established in December 1992. The Outside Directors Retirement Plan was most recently amended on July 16, 2014, effective as of June 30, 2014, to (i) limit participation to those members first elected to the Board of Directors on or before June 30, 2014, and (ii) specify that the amount of benefits will be determined as of the earlier of the date the non-employee director ceases to be a member of the Board of Directors or June 30, 2014, at which date the annual cash Board retainer was $150,000.

The plan is administered by the MD&C Committee and generally pays an annual benefit equal to 100 percent of the retired director s annual cash Board retainer for a period based on length of service. Payments are made either (i) on a quarterly basis, for a maximum of ten years, or (ii) in a single lump sum equal to the net present value of the quarterly payments to which the director is entitled, and are paid from the general assets of the Company. In the event of the director s death prior to receipt of all benefits payable under the plan, the remaining benefits are payable to the director s surviving spouse or designated beneficiary until the earlier of the termination of the payment period or the death of the surviving spouse or designated beneficiary. During 2016, benefits were paid under this plan to four former directors who retired from the Company s Board of Directors in 2013, 2014, or 2015.

Prior Plan for Directors Equity Compensation

The Equity Compensation Plan for Non-Employee Directors, originally established in February 1994, was terminated in January 2007. The original expiration date for this plan was July 1, 2009, with a maximum of 50,000 shares of common stock (115,500 shares after adjustment for the Company s 2002 and 2003 stock dividends and 2004 stock split) for awards granted during the term of the plan. However, in February 2007, the plan was amended to provide that no new awards would be granted subsequent to January 1, 2007, and no awards have been made since that date. The plan continues in existence solely for the purpose of governing still-outstanding awards made prior to January 1, 2007.

Awards were made from shares of common stock held in the Company s treasury and were automatic and non-discretionary. All shares awarded under the plan have vested, have full dividend and voting rights, and are not eligible for sale while the non-employee director is still serving as a member of the Board of Directors.

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Director Compensation Table

The table below summarizes the compensation paid by the Company to non-employee directors for the fiscal year ended December 31, 2016:

Name[1] (a)	Fees Earned or Paid in Cash ($) (b)	Stock Awards[2] ($) (c)	Option Awards ($) (d)	Non-Equity Incentive Plan Compensation ($) (e)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($) (f)[3]	All Other Compensation ($) (g)