APACHE CORP
Form DEF 14A
April 03, 2013
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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 x 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))**
x 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):

x No fee required.

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

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(1) Amount Previously Paid:

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(3) Filing Party:

(4) Date Filed:

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APACHE CORPORATION

One Post Oak Central

2000 Post Oak Boulevard, Suite 100

Houston, Texas 77056-4400

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

The 2013 annual meeting of shareholders of Apache Corporation, a Delaware corporation, will be held on Thursday, May 16, 2013, 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 three directors named in the attached proxy statement to serve until the Company s annual meeting in 2016;
2. Ratification of Ernst & Young LLP as the Company s independent auditors for fiscal year 2013;
3. Advisory vote to approve the compensation of the Company s named executive officers;
4. Approval of an amendment to the Company s 2011 Omnibus Equity Compensation Plan to increase the number of shares of the Company s common stock, $0.625 par value, authorized for issuance under the plan by 17,000,000 shares;
5. Approval of an amendment to the Company s Restated Certificate of Incorporation to eliminate the classified Board of Directors to provide for the annual election of all directors; and
6. 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 18, 2013, are entitled to notice of, and to vote at, the annual meeting.

It is important that your shares are represented at the meeting. We encourage you to designate the proxies named on the enclosed proxy card to vote your shares on your behalf and per your instructions. This action does not limit your right to vote in person or to attend the meeting.

By order of the Board of Directors

C. L. PEPER

Corporate Secretary

APACHE CORPORATION

Houston, Texas

April 3, 2013

Important Notice Regarding the Availability of Proxy Materials

for the Annual Meeting of Shareholders to be held on May 16, 2013:

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

year ended December 31, 2012 with 2012 Summary Annual Report, are available free of

charge on the Company s website at http://www.apachecorp.com

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Note: Throughout this proxy statement, references to the stock split relate to the two-for-one stock split of Apache common stock distributed in shares of common stock on January 14, 2004, to shareholders of record on December 31, 2003, and references to the stock dividends relate to the five-percent stock dividend on Apache common stock distributed in shares of common stock on April 2, 2003, to shareholders of record on March 12, 2003, and to the ten-percent stock dividend on Apache common stock distributed in shares of common stock on January 21, 2002, to shareholders of record on December 31, 2001.

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

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APACHE CORPORATION

One Post Oak Central

2000 Post Oak Boulevard, Suite 100

Houston, Texas 77056-4400

April 3, 2013

PROXY STATEMENT

GENERAL

This proxy statement contains information about the 2013 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 mailed to you by the Company s Board of Directors starting on or about April 3, 2013.

Purpose of the Annual Meeting

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

Items 1- 3: election of directors;

Item 4: ratification of Ernst & Young LLP as the Company s independent auditors;

Item 5: advisory vote to approve the compensation of the Company s named executive officers;

Item 6: approval of an amendment to the Company s 2011 Omnibus Equity Compensation Plan (the 2011 Omnibus Plan) to increase the number of shares of the Company s common stock authorized for issuance under the plan;

Item 7: approval of an amendment of the Company s Restated Certificate of Incorporation to eliminate the classified Board of Directors to provide for the annual election of all directors; 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 18, 2013, 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, 2013, there were 391,835,046 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. The enclosed proxy card shows the number of shares that you are entitled to vote.

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

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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 Item 4 ratification 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:

Items 1-3 the election of directors;

Item 5 advisory vote to approve the compensation of the Company s named executive officers;

Item 6 approval of an amendment to the Company s 2011 Omnibus Plan to increase the number of shares of the Company s common stock authorized for issuance under the plan; and

Item 7 approval of an amendment of the Company s Restated Certificate of Incorporation to eliminate the classified Board of Directors to provide for the annual election of all directors.

If you hold shares of Apache common stock in your own name (as a shareholder of record), you may give the Company instructions on how your shares are to be voted by:

(1) using the internet voting site or the toll-free telephone number listed on the enclosed proxy card (specific directions for using the internet and telephone voting systems are shown on the proxy card); or

(2) marking, signing, dating, and returning the enclosed proxy card in the postage-paid envelope provided.

When using internet 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. ***If you vote by internet or telephone, please do not also mail the enclosed proxy card.***

Whichever method you use to transmit your instructions, your shares of Apache common stock will be voted as you direct. If you sign and return the enclosed proxy card or otherwise 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 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 approval of an amendment to the Company s 2011 Omnibus Plan to increase the number of shares of the Company s common stock authorized for issuance under the plan,

FOR approval of an amendment of the Company s Restated Certificate of Incorporation to eliminate the classified Board of Directors to provide for the annual election of all directors, 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.

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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, such shares are shown on the enclosed proxy card, and you have the right to direct the plan trustee regarding how to vote those shares. 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 13, 2013, 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, telephone or mail), 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 thus, will have no effect on the outcome of the vote.

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 Ernst & Young LLP as the Company s independent auditors. You may vote FOR or AGAINST the ratification 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 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 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 the Company s common stock present in person or represented by proxy at our 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.

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Approval of an Amendment to the 2011 Omnibus Plan. A majority of the shares of the Company s common stock present in person or represented by proxy at our Annual Meeting and entitled to vote must be voted FOR approval of the amendment to the 2011 Omnibus Plan to increase the number of shares of the Company s common stock authorized for issuance under the plan in order for it to pass. Votes cast FOR or AGAINST and ABSENTIONS 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.

Approval of an Amendment to our Restated Certificate of Incorporation. Four-fifths (80%) of the outstanding shares of the Company s common stock must be voted FOR the proposal to amend the Company s Restated Certificate of Incorporation to eliminate the classified Board of Directors to provide for the annual election of all directors in order for it to pass. You may vote FOR or AGAINST the proposal, or you may ABSTAIN. Broker non-votes will be counted as shares entitled to vote on this matter. A vote to ABSTAIN or a broker non-vote 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 which 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

(ITEM NOS. 1-3 ON PROXY CARD)

The Company s Restated Certificate of Incorporation provides that, as near as numerically possible, one-third of the directors shall be elected at each annual meeting of shareholders. Unless directors earlier resign or are removed, their terms are for three years, and continue thereafter until their successors are elected and qualify as directors.

The current terms of directors Eugene C. Fiedorek, Chansoo Joung, and William C. Montgomery will expire at the annual meeting. Each of Messrs. Fiedorek, Joung, and Montgomery have 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 three-year term. If elected, Messrs. Fiedorek, Joung, and Montgomery will serve beginning upon their election until the annual meeting of shareholders in 2016.

Scott D. Josey, who has served as a director since February 2011, resigned from the Company s Board of Directors effective March 15, 2013, in order to pursue other opportunities in the energy industry. Patricia Albjerg Graham, who has served as a director since 2002, will retire from the Company s Board of Directors effective May 16, 2013.

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 three nominees. The Board of Directors knows of no nominee for director who is unwilling or unable to serve.

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

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 discussed under the heading Qualifications of Directors below.

EUGENE C. FIEDOREK, 81, a private investor, joined the Company s Board of Directors in 1988. Formerly, Mr. Fiedorek was co-founder, president and managing director of EnCap Investments L.C., a Dallas, Texas, energy investment banking firm, from 1988 until March 1999, when EnCap was acquired by El Paso Energy. Prior to founding EnCap, Mr. Fiedorek was the managing director of the Energy Banking Group of First RepublicBank Corp. in Dallas, Texas, from 1978 to 1988. At Apache, he is a member of the Audit Committee.

CHANSOO JOUNG, 52, joined the Company s Board of Directors in February 2011. Mr. Joung serves as a senior advisor at Warburg Pincus LLC, a firm at which he was a partner from 2005 to 2010. Prior to joining Warburg Pincus, Mr. Joung was co-head, then head, of the Americas Natural Resources Group in the investment banking division of Goldman Sachs from 1999 to 2004, and he served as a corporate finance banker in the Natural Resources Group from 1994 to 1999. While in the Natural Resources Group, he was promoted to managing director in 1996 and partner in 1998. Mr. Joung founded and led Goldman Sachs London-based European Energy Group in investment banking from 1992 to 1994. He

began his career with Goldman Sachs in 1987 in the corporate finance department and also worked in the mergers and acquisitions department until 1990. Mr. Joung also served as a director of Targa Resources Corp. and Targa Resources Partners, LP from 2007 to February 2011. At Apache, he is a member of the Audit Committee and a member of the Corporate Governance and Nominating Committee.

WILLIAM C. MONTGOMERY, 51, joined the Company s Board of Directors in September 2011. Since July 2011, Mr. Montgomery has served as a managing director of Quantum Energy Partners, a private equity firm that focuses on investments in the energy and power industries, and is a member of Quantum s executive and investment committees. Prior to joining Quantum, Mr. Montgomery was a partner in the investment banking division of Goldman, Sachs & Co. from October 2002 to April 2011, where he headed the firm s Americas Natural Resources Group as well as its Houston office. During his 22 years as an investment banker, Mr. Montgomery focused globally on large cap energy companies primarily in the upstream, integrated, and oil service sectors. At Apache, Mr. Montgomery is a member of the Management Development and Compensation Committee and a member of the Stock Plan Committee.

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 2013 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 discussed under the heading Qualifications of Directors below.

	Term Expires
G. STEVEN FARRIS, 64, joined the Company s Board of Directors in 1994, was appointed chairman of the board in January 2009, and has served as chief executive officer since May 2002. Mr. Farris also served the Company as president and chief operating officer from May 1994 to February 2009, as senior vice president from 1991 to 1994, and as vice president - exploration and production from 1988 to 1991. Prior to joining Apache, Mr. Farris was vice president of finance and business development for Terra Resources, Inc., a Tulsa, Oklahoma oil and gas company, from 1983 to 1988. He is a member of the Board of Visitors of M.D. Anderson Cancer Center, Houston, Texas, and is a founding member and serves on the executive committee of America s Natural Gas Alliance (ANGA). At Apache, Mr. Farris is a member of the Executive Committee.	2014
RANDOLPH M. FERLIC, 76, a private investor, joined the Company s Board of Directors in 1986. Dr. Ferlic retired in December 1993 from his practice as a thoracic and cardiovascular surgeon. Dr. Ferlic is the founder of Surgical Services of the Great Plains, P.C. and served as its president from 1974 to 1993. He was an elected Regent of the University of Nebraska from November 2000 until his retirement in January 2013, and was chairman of its audit committee until March 2008, at which time he became vice chairman until January 2013. Dr. Ferlic served as a director of the Nebraska Medical Center and chairman of its audit committee from 2004 until his retirement in 2010. He currently serves as a commissioner and as treasurer for the Midwestern Higher Education Compact, and was elected vice chairman in 2011 and chairman in 2012. At Apache, he is chairman of the Audit Committee, a member of the Executive Committee, and served as lead director from February 2011 until February 2013.	2014

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	Term Expires
A. D. FRAZIER, JR., 68, joined the Company s Board of Directors in 1997. He is president of Georgia Oak Partners, a private equity investment firm, since September 2011, and having been a partner in Affiance, Inc., a Georgia based bank consulting group. In July 2010, Mr. Frazier was appointed chairman of the Special Council for Tax Reform and Fairness to Georgians, established by the Georgia state legislature to examine the state s tax code. He served as chairman and chief executive officer of Danka Business Systems PLC, St. Petersburg, Florida, from March 2006 until its sale in July 2008, and was of Counsel with the law firm of Balch & Bingham LLP, Atlanta, Georgia, from January 2005 to March 2006. From October 2004 until its sale in January 2007, he was a director and chairman of the board of Gold Kist, Inc., Atlanta, Georgia, an integrated chicken production, processing, and marketing company. At Apache, Mr. Frazier is a member of the Management Development and Compensation Committee and chairman of the Stock Plan Committee.	2014
JOHN A. KOCUR, 85, joined the Company s Board of Directors in 1977. Mr. Kocur, who is retired from the private practice of law, served as vice chairman of the Company s Board of Directors from 1988 to 1991. At Apache, he is chairman of the Executive Committee, a member of the Corporate Governance and Nominating Committee, and a member of the Management Development and Compensation Committee.	2014
GEORGE D. LAWRENCE, 62, a private investor, joined the Company s Board of Directors in May 1996. Mr. Lawrence was president, chief executive officer, and a director of The Phoenix Resource Companies, Inc., a public oil and gas company, from 1990 until May 1996, when Phoenix merged with Apache. At Apache, he is chairman of the Management Development and Compensation Committee and a member of the Executive Committee.	2015
RODMAN D. PATTON, 69, joined the Company s Board of Directors in December 1999. Mr. Patton has over 30 years of experience in oil and gas investment banking and corporate finance activity, including serving as managing director of the Merrill Lynch Energy Group from 1993 until April 1999. 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). Mr. Patton is a director of NuStar GP, LLC (formerly Valero GP, LLC), San Antonio, Texas, and is 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. At Apache, Mr. Patton is a member of the Audit Committee.	2015
CHARLES J. PITMAN, 70, joined the Company s Board of Directors in May 2000. 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 September 2005 until January 2009, chairman of the board of First Calgary Petroleums Ltd., an oil and gas exploration company engaged in exploration and development activities in Algeria, from June 2007 to March 2008, and was sole member of Shaker Mountain Energy Associates LLC from September 1999 to November 2007. He retired from BP Amoco plc in late 1999, having served as regional president Middle East/Caspian/Egypt/India. Prior to the merger of British Petroleum and Amoco Corporation in 1998, Mr. Pitman held a variety of executive positions at Amoco. At Apache, Mr. Pitman is chairman of the Corporate Governance and Nominating Committee, a member of the Stock Plan Committee, and became lead director in February 2013.	2015

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QUALIFICATIONS OF DIRECTORS

In selecting our directors and director nominees, the CG&N Committee has sought to create a Board with a broad and balanced set of skills, complemented by diversity of experience and expertise. As is evidenced by the biographical information set forth above, each director contributes his or her own unique background which has led the CG&N Committee to conclude that the Company and our shareholders will benefit from the director s service on the Company s Board. It is equally important that the particular skill sets of each director complement the experience, qualifications, attributes and skills of our Board of Directors as a whole. In addition to the qualifications described in the preceding biographical information, the following is a discussion of the particular experience, qualifications, attributes or skills of each director that led our Board to conclude that he or she will contribute to the diversity of experience and expertise required for the effective functioning of our Board.

G. STEVEN FARRIS Mr. Farris 30 years experience in the oil and gas industry coupled with his 18 years of direct leadership at Apache provide him with valuable insight not only into the oil and gas industry, but also the unique day-to-day operations of Apache. Throughout his career, Mr. Farris has held positions of increasing responsibility in the oil and gas industry, culminating in his appointment as chief executive officer of Apache in May 2002 and chairman of the board in January 2009. Since being named as chief operating officer in 1994, Mr. Farris has been instrumental in growing the Company s reserves by eleven times to approximately 2.9 billion barrels of oil equivalent (boe) and production to 778,679 boe per day.

RANDOLPH M. FERLIC Dr. Ferlic has been involved in research activities throughout his professional life, including in-depth analysis of data, probabilities, and risks. For his work as a cardiovascular and thoracic surgeon, Dr. Ferlic was awarded Legend status by the Nebraska Medical Center and, in February 2011, the Spirit of the Heart award by the American Heart Association. In addition to founding Surgical Services of the Great Plains, from 1974 until 1994, Dr. Ferlic served as the corporation s president, was responsible for and managed its finances, and was trustee and manager of the corporation s employee benefit plans. Dr. Ferlic has twice been publicly elected to the University of Nebraska Board of Regents and has served on its audit committee since 2000. He served as a director and executive committee member on the Nebraska Medical Center Board, a large hospital system, and was chair of the audit committee from January 2004 until retirement in December 2010. Dr. Ferlic was appointed by both Democrat and Republican governors to serve the past 21 years as a commissioner for the Midwestern Higher Education Compact, a 12-state policy and business compact for all educational activities in those states. He served as treasurer of the Compact from 1997-2000 and again starting in 2010, and was elected vice chairman in 2011 and chairman in 2012. His service to both the Compact and the Nebraska Board of Regents has involved shaping policies that help craft strategic and global views. Over the years, Dr. Ferlic has acquired over 300,000 shares of the Company s common stock for himself and his family, which further aligns him with shareholder interests.

EUGENE C. FIEDOREK After working as a petroleum reservoir engineer at Shell Oil Company and British American Oil Producing Company for eight years, Mr. Fiedorek spent 37 years in the oil and gas investment banking and commercial banking industries. As co-founder, president, and managing director of EnCap Investments and managing director of the Energy Banking Group of First RepublicBank, he gained extensive experience in advising oil and gas companies on their capital structure and strategic direction. Through these positions, Mr. Fiedorek gained valuable experience in identifying, assessing, and minimizing risk that can affect large oil and gas companies. These positions also provided him with the financial reporting expertise necessary for his role on Apache s Audit Committee.

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A. D. FRAZIER, JR. In addition to the many executive positions noted in his biographical information above, Mr. Frazier spent a large part of his career as an executive in the investment banking industry. He served as the chief executive officer of INVESCO, Inc., an affiliate of an independent global investment management firm, from 1997 to 2000. Mr. Frazier also served as executive vice president, North American Banking Group, of First Chicago Corporation and First National Bank of Chicago from 1982 to 1991, where, among other numerous industry specialties, he oversaw the Bank s oil and gas specialty, which provided him with an intimate knowledge of the oil and gas industry. He also served as the chief operating officer of the Atlanta Olympic Games Committee from 1991 to October 1996, and senior advisor to The Dilenschneider Group, Inc., a New York-based public relations consulting company, during 2011. During his career, Mr. Frazier has been responsible for the development, management, and operation of a diverse group of businesses and organizations. Through these executive and director positions, Mr. Frazier gathered extensive experience in identifying, analyzing, and managing risk across a wide range of industries.

CHANSOO JOUNG Mr. Joung has spent almost his entire career working in the finance industry with energy companies. He currently serves as a senior advisor at Warburg Pincus LLC where he provides advice on new and existing investments in the energy sector. Previously, as a partner at Warburg Pincus, his duties included sourcing, executing and monitoring energy investments. Prior to joining Warburg Pincus, Mr. Joung spent almost 18 years at Goldman Sachs where he worked in the Natural Resources Group and also founded and led the London-based European Energy Group in investment banking. While at Warburg Pincus, Mr. Joung served on the boards of a number of private companies in a variety of sectors in the energy industry. He also served on the boards of Targa Resources Corp. and Targa Resources Partners, LP. 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 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.

JOHN A. KOCUR Mr. Kocur was employed by Apache in various roles from the time that the Company s stock was first listed on the New York Stock Exchange in 1969 until his retirement in 1991. During his tenure, Mr. Kocur served Apache in various roles of increasing responsibility, including serving as its general counsel and culminating in his appointment as the Company s president in 1979. Mr. Kocur, as president and later as vice chairman, was instrumental in overseeing Apache s growth from a small drilling program company into a leading independent, international oil and gas company. Mr. Kocur s unparalleled experience with and understanding of the Company s history and objectives provide invaluable insight into the Company s past, current, and future operations and management.

GEORGE D. LAWRENCE Mr. Lawrence began his oil and gas career with the predecessor to The Phoenix Resource Companies, Inc. in 1985, holding management positions with increasing responsibility, culminating in his serving as president, chief executive officer, and a director of Phoenix from 1990 until 1996, when the company merged with Apache. During his tenure as 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 that were spread over several continents and he was especially instrumental in leading Phoenix s operations in Egypt, an area that remains at the core of Apache s operations. Prior to entering the oil and gas business, Mr. Lawrence engaged in a diversified private practice of law and also served five years at the United States Department of Justice, his last position there being the assistant chief of the environmental enforcement section.

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WILLIAM C. MONTGOMERY Mr. Montgomery has spent almost his entire career working in the finance industry focusing on large cap energy companies. He currently serves as a managing director at Quantum Energy Partners where he provides advice on new and existing investments in the energy and power industries. At Quantum, his duties include membership on the executive and investment committees, which set the firm s strategy and originate and oversee investments in the upstream, midstream, and oilfield service sectors of the oil and gas industry. Previously, as a partner at Goldman, Sachs & Co. for over eight years, he headed the Americas Natural Resources Group and was a member of the Investment Banking Services Leadership Group. Mr. Montgomery s contributions to the Board will be aided by the knowledge and experience he gains from his current role at Quantum Energy Partners, which involves broad and deep exposure to key issues impacting the upstream, midstream, and oil services sectors. His contributions to the Board will also be enhanced by his background as an investment banker, where he gained significant experience with the energy industry and energy-related capital markets. Apache will also benefit from the extensive relationships that Mr. Montgomery has formed throughout his 22-year career serving various global energy companies.

RODMAN D. PATTON Prior to joining the Company s Board of Directors, for over 25 years, Mr. Patton held various executive positions in the oil and gas investment banking industry. 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. He also gained valuable experience in the assessment and management of risk faced by oil and gas companies. As a former investment banker and as chairman of NuStar GP s audit committee, Mr. Patton has extensive financial reporting expertise, which serves him well in his role as a member of Apache s Audit Committee.

CHARLES J. PITMAN Having served in executive and director capacities at numerous oil and gas companies, Mr. Pitman has gained invaluable experience in and knowledge of the oil and gas industry. During his 24-year career at Amoco Corporation and BP Amoco plc, 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, regional president BP Amoco plc Middle East/Caspian/Egypt/India from December 1998 until his retirement in 1999. Most recently, Mr. Pitman has utilized his considerable experience in international oil and gas by participating in oil and gas ventures in Russia and Algeria. Prior to joining Amoco, Mr. Pitman served in the United States Department of State as a foreign service officer and attorney-adviser.

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DIRECTOR INDEPENDENCE

During 2012 and the first two months of 2013, 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. Farris) 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).

Subject to some exceptions, these standards generally provide that a non-employee director will not be independent if (a) the director is, or in the past three years has been, an employee of the Company; (b) the director or a member of the director s immediate family is, or in the past three years has been, an executive officer of the Company; (c) the director or a member of the director s immediate family has received more than $120,000 per year in direct compensation from the Company (other than for service as a director or for the immediate family member, as a non-executive employee); (d) the director is an employee of or the director or a member of the director s immediate family is employed as a partner of Ernst & Young LLP, the Company s independent registered public accountants, or the director has an immediate family member who is a current employee of such firm and works in any capacity on the Company s audit, or the director or an immediate family member was within the last three years a partner or employee of such firm and personally worked on the Company s audit within that time; (e) the director or a member of the director s immediate family is, or in the past three years has been, employed as an executive officer of a company where an Apache executive officer serves on the compensation committee; or (f) the director or a member of the director s immediate family is an executive officer of a company that makes payments to, or receives payments from, Apache in an amount which, in any twelve-month period during the past three years, exceeds the greater of $200,000 or two percent of the consolidated gross revenues of the company receiving the payment.

Lead Director

The Company s Governance Principles require that the independent (non-employee) directors meet in executive session at least twice each year and, in 2012, they met five times in executive session. These executive sessions are chaired by a lead director. Pursuant to the Company s Governance Principles, the 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 non-management directors. In addition to chairing the executive sessions, the lead director discusses management s proposed meeting agenda with the other independent directors and reviews the approved meeting agenda with our chairman and 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. Randolph M. Ferlic served as lead director from February 2011 until February 2013. In November 2012, effective February 2013, Charles J. Pitman was elected as lead director. The role and responsibilities of the 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

Throughout much of Apache s history, the Company has ascribed to the traditional U.S. board leadership structure, under which our chief executive officer has also served as the chairman of our Board of Directors. From 1969 until 2002, both of these positions were held by our founder, Mr. Raymond Plank. However, upon Mr. Raymond Plank s retirement as chief executive officer of the Company in 2002, Mr. Farris was appointed as the Company s chief executive officer and Mr. Raymond Plank remained as the Company s chairman of the board. Upon Mr. Plank s retirement as chairman of the board in January 2009, Mr. Farris was appointed the Company s chairman of the board, once again unifying the roles of chairman and chief executive officer. As Apache s history demonstrates, we believe it is important to maintain the flexibility to have either a combined or a separated chair and chief executive officer structure as circumstances dictate. Each structure has served us well in the past. Currently, we believe that the efficiencies created by a combined position work best, especially when viewed in conjunction with our lead director, elected annually by our independent directors, assuring strong board leadership. In particular, this structure helps to ensure clarity regarding leadership of the Company, allows the Company to speak with one voice and provides for efficient coordination of board action, particularly in the event of crisis. The combination of the chairman s ability to call board meetings with the chief executive officer s intimate knowledge of our business, including our risk management framework, provides a strong structure for the efficient operation of our board process and effective leadership of our Board overall. This structure avoids potential confusion as to leadership roles and duplication of efforts that can result from the roles being separated. It also assists our chairman and chief executive officer in managing the Company and dealing with third parties more effectively on a day-to-day basis. Our Board regularly reviews all the aspects of our governance profile, including this one, and will make changes as circumstances warrant. This is the model that the Company has utilized for much of its history, and we believe that it is the most effective way to lead the Company going forward.

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 risk. 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 five standing independent committees: Audit, Corporate Governance and Nominating, Management Development and Compensation, Executive, and Stock Plan. 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

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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 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 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 (non-employee) directors hold regularly scheduled executive sessions as often as they deem appropriate, but in any event at least twice each year. These executive sessions are chaired by our lead director, and provide an additional avenue through which we monitor the Company s risk exposure and policies regarding risk management.

Risk Considerations in Our Compensation Programs

Our Management Development and Compensation (MD&C) Committee has discussed the concept of risk as it relates to our compensation programs, and the MD&C Committee does not believe our compensation programs encourage excessive or inappropriate risk taking. The MD&C Committee, with assistance of its independent compensation consultant (as discussed in the Compensation Discussion and Analysis below), arrived at this conclusion for the following reasons:

- Our employees receive both fixed and variable compensation. The fixed (salary) portion provides a steady income regardless of the Company s stock performance. This allows executives to focus on the Company s business without an excessive focus on the Company s stock price performance.

- The goals and objectives for the annual cash incentive bonus are set to avoid overweighting any single factor that, if not achieved, would result in the loss of a large percentage of compensation.

- Our stock options and restricted stock units generally vest over four years, which discourages short-term risk taking.

- Our equity ownership requirements encourage a long-term perspective by our executives.

- All of our executives unvested long-term equity compensation is forfeited upon voluntary termination, which encourages our executives to remain with the Company and maintain a long-term focus.

Our incentive programs have been in place for many years, and we have seen no evidence that they encourage excessive risk taking.

Essentially all of our employees participate in our equity-based compensation programs, regardless of business unit which encourages consistent behavior across the Company.

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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, an MD&C Committee, a Stock Plan Committee, and an Executive Committee. Actions taken by these committees are reported to the Board of Directors at the next board meeting. During 2012, 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 2012 annual meeting of shareholders held on May 24, 2012.

Name	Board	Audit	CG&N	MD&C	Stock Plan	Executive
Frederick M. Bohen (1)	ü			ü **	ü **	
G. Steven Farris	ü *					ü
Randolph M. Ferlic (2)	ü	ü **				ü
Eugene C. Fiedorek	ü	ü				
A. D. Frazier, Jr. (3)	ü			ü	ü **	
Patricia Albjerg Graham	ü		ü			
Scott D. Josey (4)	ü					ü
Chansoo Joung	ü	ü	ü			
John A. Kocur	ü		ü	ü		ü **
George D. Lawrence (5)	ü			ü **		ü
William C. Montgomery	ü			ü	ü	
Rodman D. Patton	ü	ü				
Charles J. Pitman (2)	ü		ü **		ü	
No. of Meetings in 2012	6	10	5	6	7	1

* Chairman of the Board

** Committee Chairman

Lead Director

(1) Mr. Bohen retired from the Board of Directors in February 2012.

(2) Dr. Ferlic served as lead director from February 2011 until February 2013, at which time Mr. Pitman became lead director.

(3) Mr. Frazier was appointed chairman of the Stock Plan Committee in February 2012.

(4) Mr. Josey resigned from the Board of Directors in March 2013.

(5) Mr. Lawrence was appointed chairman of the MD&C Committee in February 2012.

Audit Committee

The Audit Committee reviews, with the independent public accountants and internal auditors of the Company, their respective audit and review programs and procedures and the scope and results of their audits. It also examines professional services provided by the Company s independent public accountants and evaluates their costs and related fees. Additionally, the Audit Committee reviews the Company s financial statements and the adequacy of the Company s system of internal controls over financial reporting. 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.

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The Audit Committee has the sole authority to appoint, compensate, retain, oversee, and terminate our independent auditors. It also has the sole authority to pre-approve all terms of and set fees for audit services, audit related services, tax services, and other services to be performed for the Company by the Company s independent registered public accountants.

During 2012 and the first two months of 2013, the Board of Directors reviewed the composition of the Audit Committee pursuant to the rules of the 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 NYSE and NASDAQ rules. The Audit Committee charter, which reflects applicable NYSE and SEC rules and regulations, is available on the Company s website (www.apachecorp.com). 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.

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. Under the provisions of its charter, the MD&C Committee may, at its discretion and if allowed by applicable laws or regulations, delegate all or a portion of its duties and responsibilities to a subcommittee of the MD&C Committee composed of at least two members. During 2012 and the first two months of 2013, 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. The MD&C Committee charter is available on the Company s website (www.apachecorp.com).

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 2012 and the first two months of 2013, 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 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.

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Stock Plan Committee

In July 2011, the Board of Directors formed a fifth standing independent committee, the Stock Plan Committee, to replace the Stock Option Plan Committee, which was a subcommittee of the MD&C Committee. The Stock Plan Committee charter is available on the Company s website (www.apachecorp.com). The principal purpose of the Stock Plan Committee is to assist the Board of Directors in the discharge of its responsibilities related to equity-based compensation for the Company s employees, including the named executive officers.

The three members of the Stock Plan Committee are outside directors as defined by applicable federal tax law or regulations of the Internal Revenue Service. The duties of the Stock Plan Committee include (i) administration of the Company s equity-based compensation plans and programs and approval, award, and administration of grants made thereunder, (ii) certification of performance goals and their achievement, (iii) making recommendations to the Board of Directors with respect to the Company s equity-based compensation plans and programs, and (iv) any other duties and responsibilities expressly delegated to the Stock Plan Committee by the Board of Directors relating to equity-based compensation plans and programs.

Executive Committee

The Executive Committee is vested with the authority to exercise the full power of the Board of Directors, within established policies, in the intervals between meetings of the Board of Directors. In addition to the general authority vested in it, the Executive Committee may be vested with specific powers and authority by resolution of the Board of Directors.

Committee Charters

As noted above, you can access electronic copies of the charters of the Audit Committee, CG&N Committee, MD&C Committee, and Stock Plan Committee of the Board of Directors on the Company s website (www.apachecorp.com). Also available on the Company s website are our Governance Principles and our Code of Business Conduct, which meets the requirements of a code of ethics under applicable SEC regulations and NYSE and NASDAQ standards. 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.

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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.

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. Our status as a global company makes the need for board diversity in all its aspects essential to our business. Our criteria for board selection, summarized in this section, 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 oversees the Company s financial reporting process on behalf of the Board of Directors. The Company s management has the primary responsibility for preparing the financial statements, maintaining effective internal controls over financial reporting, and assessing the effectiveness of internal controls over financial reporting. In fulfilling its oversight responsibilities, the Audit Committee reviewed and discussed the audited consolidated financial statements in the Annual Report on Form 10-K for the year ended December 31, 2012 with Company management, including a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments, and the clarity of disclosures in the financial statements.

The Audit Committee reviewed with the independent registered public accounting firm, which is responsible for expressing an opinion on the conformity of those 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 Public Company Accounting Oversight Board (United States) (PCAOB), including PCOAB Interim Auditing Standard AU Section 380, *Communication 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 registered public accounting firm 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 Covering Independence*, and considered the compatibility of non-audit services with the independent registered public accounting firm s independence.

The Audit Committee also reviewed and discussed together with management and the independent registered public accounting firm management s report on its assessment of the effectiveness of the Company s internal controls over financial reporting as well as the independent registered public accounting firm s report on the effectiveness of the Company s internal controls over financial reporting.

The Audit Committee discussed with the Company s internal auditors and independent registered public accounting firm the overall scope and plans for their respective audits. At four of the five Audit Committee meetings held in person during 2012, the Audit Committee met with the internal auditors and the independent registered public accounting firm, 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.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors, and the Board 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, 2012, filed by the Company with the Securities and Exchange Commission.

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The Audit Committee is governed by a charter, which is available on the Company s website (www.apachecorp.com). The Audit Committee held ten meetings during fiscal year 2012, including the five in-person meetings referenced above. The Audit Committee is comprised solely of independent directors as defined by the New York Stock Exchange and the NASDAQ National Market listing standards and Rule 10A-3 of the Securities Exchange Act of 1934, as amended.

February 19, 2013 Members of the Audit Committee
Randolph M. Ferlic, Chairman

Eugene C. Fiedorek

Chansoo Joung

Rodman D. Patton

DIRECTOR COMPENSATION

Non-Employee Directors Cash Compensation

During 2012, under the terms of the non-employee directors compensation plan, each non-employee director received an annual cash retainer of $150,000 (with no separate meeting attendance fees and no retainers payable in shares), and the chairman of each committee received an additional annual cash retainer of $15,000 for chairing that committee.

During 2012, under the terms of the Company s non-employee directors compensation plan, non-employee directors could 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. One non-employee director deferred all of his cash retainer fees during 2012.

Non-Employee Directors Restricted Stock Units Program

In May 2011, the Company established the Non-Employee Directors Restricted Stock Units Program (the RSU Program), pursuant to the Company s 2011 Omnibus Equity Compensation Plan. Each year, all non-employee directors are eligible to receive grants of restricted stock units the number of which is calculated by dividing $200,000 by the fair market value of a share of Apache common stock on the date of grant.

On August 15, 2012, each non-employee director was awarded 2,279 restricted stock units under the RSU Program, with a grant date fair value of $199,937. Half of the restricted stock units vest thirty days after the grant and the other half vest on the one-year anniversary date of the grant. Each restricted stock unit is equivalent to one share of common stock. Except as noted below, any unvested restricted stock units are forfeited at the time the non-employee director ceases to be a member of the Board of Directors. The unvested portion of any award automatically vests upon death or termination without cause (including retirement). Non-employee directors are required to choose, at the time of each award, whether such award will vest as 100 percent common stock or a combination of 40 percent cash and

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60 percent common stock. Effective with the August 2012 award, non-employee directors no longer receive dividend equivalents on the unvested portions of their restricted stock unit awards.

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 stock dividends and 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.

Each non-employee director was awarded 1,000 restricted shares of the Company s common stock every five years from July 1, 1994 through July 1, 2000, with the shares vesting at a rate of 200 shares annually. On May 3, 2001, the plan was amended to provide that on July 1, 2001 and on July 1 of each third year thereafter, each non-employee director was awarded 1,000 restricted shares of common stock, with one-third of the shares vesting annually. On February 5, 2004, the plan was amended to adjust the awards to 2,310 restricted shares of common stock (1,000 shares adjusted for the stock dividends and stock split) for any awards made on July 1, 2004 and thereafter.

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.

Outside Directors Retirement Plan

An unfunded retirement plan for non-employee directors was established in December 1992, and amended most recently in July 2011. 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 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 2012, benefits were paid under this plan to one former director who retired from the Company s Board of Directors in February 2012.

Annual Review of Director Compensation

In our annual review of director compensation, the benchmarking analysis provided to the Board for 2012 indicated that average director compensation paid in 2011 was slightly above the 50th percentile of our Compensation Peer Group (as defined on page 37). After its review, the Board decided that no changes to our director compensation programs would be made for 2012.

Share Ownership Requirement and Pledging Policy

The Company has a minimum share ownership requirement for non-employee directors. Within three years of joining the Board of Directors, each non-employee director is required to directly own shares and/or share equivalents totaling at least 7,000 shares of the Company s common stock. Non-employee directors must continue to meet the minimum share ownership requirement while serving on the Board.

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Also, 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. As of the date of this proxy statement, each non-employee director directly owned shares and/or share equivalents totaling more than 7,000 shares of the Company s common stock and was in compliance with the pledging policy. See beneficial ownership information under the heading Securities Ownership and Principal Holders below.

Director Compensation Table

The table below summarizes the compensation paid by the Company to non-employee directors for the fiscal year ended December 31, 2012:

Name (1)(a)	Fees Earned or Paid in Cash ($)(b)	Stock Awards (3) ($)(c)	Option Awards ($)(d)	Non-Equity Incentive Plan Compensation ($)(e)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)(f)	All Other Compensation ($)(g)	Total ($)(h)
Frederick M. Bohen (2)	20,769					132,835 (4)	153,604
Randolph M. Ferlic	165,000	199,937				465	365,402
Eugene C. Fiedorek	150,000	199,937				465	350,402
A.D. Frazier	163,269	199,937				465	363,671
Patricia A. Graham	150,000	199,937			5,590	465	355,992
Scott D. Josey	150,000	199,937				465	350,402
Chansoo Joung	150,000	199,937				465	350,402
John A. Kocur	165,000	199,937				44,120 (5)	409,057
George D. Lawrence	163,269	199,937			6,134	465	369,805
William C. Montgomery	150,000	199,937					349,937
Rodman D. Patton	150,000	199,937			7,619	465	358,021
Charles J. Pitman	165,000	199,937			104	465	365,506

(1) Employee directors do not receive additional compensation for serving on the Board of Directors or any committee of the Board. G. Steven Farris, the Company s chairman and chief executive officer, is not included in this table as he was an employee of the Company during 2012. The compensation he received as an employee of the Company is shown in the Summary Compensation Table.

(2) Mr. Bohen retired from the Board of Directors on February 9, 2012.

(3) Grant date fair value, as computed in accordance with FASB ASC Topic 718, of 2,279 restricted stock units granted on August 15, 2012 to each non-employee director based on the per share closing price of the Company s common stock of $87.73 on August 15, 2012. At year-end 2012, the aggregate number of unvested, restricted stock units was 1,140 units for each director.

None of the directors had unvested, restricted Apache common stock at year-end 2012.

(4) Includes $132,692 in benefits paid pursuant to the Outside Directors Retirement Plan.

(5) Includes life insurance and medical and dental premiums of $25,909 and $17,746 reimbursed for the taxes payable on income attributable to this benefit.

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SECURITIES OWNERSHIP AND PRINCIPAL HOLDERS

The following tables set forth, as of February 28, 2013, the beneficial ownership of (i) each director or nominee for director of the Company, (ii) the principal executive officer, the principal financial officers, and the three other most highly compensated executive officers who served as officers of the Company during 2012, and (iii) all directors and executive officers of the Company as a group. All ownership information is based upon filings made by those persons with the SEC and upon information provided to the Company.

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership (1)	Percent of Class
Common Stock, par value $0.625	G. Steven Farris	647,097 (5)(6)(7)	*
	Randolph M. Ferlic	344,645 (2)(7)	*
	Eugene C. Fiedorek	48,081 (2)(7)	*
	A. D. Frazier, Jr.	26,243 (2)(7)	*
	Patricia Albjerg Graham	17,567 (2)(3)(7)	*
	Scott D. Josey	48,970 (7)	*
	Chansoo Joung	18,417 (7)	*
	John A. Kocur	44,463 (2)(7)	*
	George D. Lawrence	44,959 (2)(3)(7)	*
	William C. Montgomery	11,279 (7)	*
	Rodman D. Patton	42,195 (2)(3)(7)	*
	Charles J. Pitman	39,417 (2)(3)(7)	*
	Roger B. Plank	404,980 (5)(6)(7)	*
	Rodney J. Eichler	197,091 (4)(5)(6)(7)	*
	P. Anthony Lannie	61,616 (5)(6)(7)	*
	Thomas P. Chambers	64,415 (5)(6)(7)	*
	All directors, nominees, and executive officers as a group (including the above named persons)	3,027,962 (4)(5)(6)(7)	*

* Represents less than one percent of outstanding shares of common stock.

(1) All ownership is sole and direct unless otherwise noted. Inclusion of any common shares not owned directly shall not be construed as an admission of beneficial ownership. Fractional shares have been rounded to the nearest whole share. All share numbers in the table and footnotes have been adjusted for the stock dividends and stock split.

(2) Includes vested restricted common shares awarded under the Company s Equity Compensation Plan for Non-Employee Directors.

(3) Includes the following common share equivalents related to retainer fees deferred under the Company s Non-Employee Directors Compensation Plan: Dr. Graham 8,466; Mr. Lawrence 9,366; Mr. Patton 13,393; and Mr. Pitman 158.

(4) Includes the following common stock equivalents held through the Company s Deferred Delivery Plan: Mr. Eichler 75,888; Mr. Chambers 4,017; and all directors and executive officers as a group 154,011.

(5)

Includes the following common shares issuable upon the exercise of outstanding employee stock options which are exercisable within 60 days: Mr. Farris 166,500; Mr. Plank 61,497; Mr. Eichler 50,480; Mr. Lannie 20,557; Mr. Chambers 9,010; and all directors and executive officers as a group 602,608.

(footnotes continued on following page)

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(6) Includes shares held by the trustee of the Company s 401(k) Savings Plan and related Non-Qualified Retirement/Savings Plan: Mr. Farris 17,911; Mr. Plank 62,221; Mr. Eichler 13,063; Mr. Lannie 9,464; Mr. Chambers 8,073; and all directors and executive officers as a group 187,424.

(7) Includes 1,140 restricted stock units (each equivalent to one share of common stock) for Apache s non-employee directors. Includes the following restricted stock units granted under the Company s 2007 and 2011 Omnibus Equity Compensation Plans: Mr. Farris 64,916; Mr. Plank 37,491; Mr. Eichler 37,491; Mr. Lannie 21,093; Mr. Chambers 22,173; and all directors and executive officers as a group 398,054.

The following table sets forth the only persons known to the Company, as of February 28, 2013, to be the owners of more than five percent of the outstanding shares of the Company s common stock, according to reports filed with the SEC:

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Common Stock	BlackRock, Inc.	23,710,179*	6.05*
par value $0.625	40 East 52nd Street		
	New York, New York 10022		
Common Stock	Capital Research Global Investors	23,802,036**	6.07**
par value $0.625	333 South Hope Street		
	Los Angeles, California 90071		

* Per Schedule 13G/A, dated February 4, 2013, filed by BlackRock, Inc. on February 6, 2013.
** Per Schedule 13G, dated February 6, 2013, filed by Capital Research Global Investors on February 12, 2013.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Company s directors and officers, as well as beneficial owners of ten percent or more of the Company s common stock, to report their holdings and transactions in the Company s securities. Based on information furnished to the Company and contained in reports provided pursuant to Section 16(a), as well as written representations that no other reports were required for 2012, the Company s directors and officers timely filed all reports required by Section 16(a), with the exception of a late report filed by Charles J. Pitman.

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EQUITY COMPENSATION PLAN INFORMATION

The following table summarizes information as of December 31, 2012, relating to the Company s equity compensation plans, under which grants of stock options, restricted stock units, and other rights to acquire shares of Apache common stock may be granted from time to time.

Plan Category	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	(b) Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
Equity compensation plans approved by security holders (1)(5)	11,028,055	$ 90.65 (3)	15,497,521 (4)
Equity compensation plans not approved by security holders (2)(5)	209,370	$ 40.85 (3)	592,044
Total	11,237,425	$ 90.47 (3)	16,089,565

(1) Includes the Company s 2005 Stock Option Plan, 2007 Omnibus Equity Compensation Plan (including 2011 Total Shareholder Return Program), and 2011 Omnibus Equity Compensation Plan (including 2012 Total Shareholder Return Program).

(2) Includes the Company s 2000 Stock Option Plan, Non-Employee Directors Compensation Plan, and Deferred Delivery Plan.

The Company s Deferred Delivery Plan allows officers and certain key employees to defer income from restricted stock units granted under the 2007 Omnibus Equity Compensation Plan and the 2011 Omnibus Equity Compensation Plan in the form of deferred units. Each deferred unit is equivalent to one share of Apache common stock. Distributions from the plan are made, at the election of the participant, beginning five years from deferral or upon termination of employment.

(3) Weighted average exercise price of outstanding stock options; excludes restricted stock units, performance-based stock units, and deferred stock units.

(4) Available for grant under the 2011 Omnibus Equity Compensation Plan, as of December 31, 2012. As of February 28, 2013, there were 7,521,691 shares available for grant under the 2011 Omnibus Equity Compensation Plan.

(5) See Note 10 of the Notes to Consolidated Financial Statements included in the Company s Form 10-K for the year ended December 31, 2012, for the material features of the 2000 Stock Option Plan, 2005 Stock Option Plan, 2007 Omnibus Equity Compensation Plan (including 2011 Total Shareholder Return Program), the stock options converted to Apache stock options in connection with the acquisition of Mariner Energy, Inc., and the 2011 Omnibus Equity Compensation Plan (including 2012 Total Shareholder Return Program).

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EXECUTIVE OFFICERS OF THE COMPANY

Biographical information for the executive officers of the Company is set forth below. Biographical information for G. Steven Farris is set forth above under the caption Continuing Directors.

MICHAEL S. BAHORICH, 56, was appointed executive vice president and chief technology officer in November 2010, having previously served as the Company s executive vice president and technology officer since February 2009, executive vice president exploration and production technology since May 2000, vice president exploration and production technology since January 1999, vice president exploration technology since December 1997, and chief geophysicist since 1996. From 1981 until joining the Company in 1996, he held positions of increasing responsibility at Amoco Corporation in Denver, Colorado and Tulsa, Oklahoma. Mr. Bahorich is a director of Global Geophysical, a member of the board of trustees of the Houston Museum of Natural Science, and serves on advisory boards at Stanford University and Yale University.

JOHN R. BEDINGFIELD, 57, was appointed vice president worldwide exploration and new ventures in November 2009. He previously served as the Company s regional vice president and managing director for the Australia region since May 2009, deputy managing director exploration for the Australia region since August 2005, region exploration manager for the Egypt region since 2003, geophysical manager for Egypt since 1999, and senior staff geophysicist since 1998. Prior to joining the Company, Mr. Bedingfield was employed by Exxon Corporation from 1982 to 1998 in a variety of U.S. domestic and international assignments.

THOMAS P. CHAMBERS, 57, was appointed executive vice president and chief financial officer in November 2010, having previously served as the Company s vice president corporate planning and investor relations since March 2009, vice president corporate planning since September 2001, and director of corporate planning since March 1995. Prior to joining the Company, Mr. Chambers was in the international business development group at Pennzoil Exploration and Production, having held a variety of management positions with the BP plc group of companies from 1981 to 1992. Mr. Chambers is a member of the Society of Petroleum Engineers and serves on the advisory board of Houston Foundation for Life.

MATTHEW W. DUNDREA, 59, was appointed senior vice president treasury and administration in November 2010, having previously served as the Company s vice president and treasurer since July 1997, treasurer since March 1996, and assistant treasurer since 1994. Prior to joining the Company, Mr. Dundrea held positions of increasing responsibility at Union Texas Petroleum Holding, Inc. from 1982 to 1994.

ROBERT J. DYE, 57, was appointed senior vice president global communications and corporate affairs in November 2010. He previously served as the Company s vice president corporate services since March 2009, vice president investor relations since May 1997, director of investor relations since 1995, and held positions of increasing responsibility in the Company s corporate planning area since 1992. Prior to joining the Company, Mr. Dye was planning manager for the offshore division of BP Exploration, Houston, Texas, from 1988 to 1992.

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RODNEY J. EICHLER, 63, was appointed president and chief operating officer in February 2011. He previously served as the Company s co-chief operating officer and president international since February 2009, executive vice president Egypt since February 2003, regional vice president in Egypt since 1999, and vice president of exploration and production in Egypt since 1997. Mr. Eichler also served as regional vice president for the Western region in Houston since 1996 and regional exploration and development manager for the Rocky Mountain region in Denver since 1993. Prior to joining the Company, he was vice president exploration for Axem Resources, LLC in Denver, Colorado, and held geologist and management roles for Tenneco Oil Company.

DAVID L. FRENCH, 43, was appointed vice president business development in January 2010, having previously served as region production manager west for Apache Canada in Calgary, Alberta, since 2007. Mr. French also held positions of increasing responsibility, including production engineering manager and director of purchasing, EH&S and general services since joining Apache in 2005. Prior to joining the Company, he served as an associate principle for McKinsey & Company, a global management consulting firm, and held engineering and planning management roles in the Permian Basin for Amoco and Altura Energy Ltd.

JON A. GRAHAM, 58, was appointed vice president environmental, health and safety in May 2011, having served as the Company s region vice president and country manager in Argentina since June 2009. He joined the company in 1994 as reservoir engineering manager in the Rockies Region. He was also vice president for reservoir engineering in Canada, reservoir engineering manager for the Western and Gulf of Mexico regions, Gulf Coast Onshore Region vice president, and engineering general manager for Apache Egypt Companies. Prior to joining Apache, he was associated with Hunt Oil Co., Pacific Enterprises Oil Co., Santa Fe Minerals, and Amoco.

RODNEY A. GRYDER, 64, was appointed vice president, audit in November 2010. He previously served as the Company s director, internal audit and business analysis since December 2001 and director, internal audit since 1998. Prior to joining Apache, Mr. Gryder was the director of corporate audit services at Western Atlas, Inc., manager of internal audit at TransTexas Gas Corporation, finance manager at Occidental International Exploration & Production, and held various audit positions at Tenneco Oil Exploration & Production.

MARGERY M. HARRIS, 52, was appointed executive vice president human resources in December 2011, having been senior vice president human resources since February 2011, and vice president human resources since September 2007. Prior to joining the Company, she was consultant/principal of MMH Consulting Services, a privately-held human resources consulting firm, from 2006 to September 2007, executive vice president and senior vice president human resources with Texas Genco LLC, a wholesale power generator, from 2005 to 2006, and senior vice president human resources and administration of Integrated Electrical Services, Inc., from 2000 to 2005. Ms. Harris worked for Santa Fe Snyder (successor to Santa Fe Energy Resources) from 1995 to 2000 in a variety of human resources capacities, including vice president human resources.

REBECCA A. HOYT, 48, was appointed vice president, chief accounting officer, and controller in November 2010. She previously served as the Company s vice president and controller since November 2006, assistant controller since 2003, and held positions of increasing responsibility within the accounting area since joining the Company in 1993. Previously, Ms. Hoyt was an audit manager with Arthur Andersen LLP, an independent public accounting firm, from 1992 to 1993.

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JON A. JEPPESEN, 65, was appointed executive vice president Gulf of Mexico regions in May 2011, having been executive vice president since August 2009, senior vice president since February 2003, regional vice president for the Gulf Coast region since 2002, and regional vice president for the Offshore region since 1996. He served as the Company s vice president of exploration and development for North America from 1994 to 1996, and exploration and development manager of the Offshore region from 1993 to 1994. Prior to joining the Company, Mr. Jeppesen was vice president of exploration and development for Pacific Enterprises Oil Company, Dallas, Texas, from 1989 to 1992.

P. ANTHONY LANNIE, 58, was appointed executive vice president and general counsel in August 2009, having been senior vice president and general counsel since May 2004, and vice president and general counsel since March 2003. Prior to joining the Company, he was president of Kinder Morgan Power Company, Houston, Texas, from 2000 through February 2003, and president of Coral Energy Canada in 1999. Mr. Lannie was senior vice president and general counsel of Coral Energy, an affiliate of Shell Oil Company and Tejas Gas Corporation, from 1995 through 1999, and of Tejas Gas Corporation from 1994 until its combination with Coral Energy in 1998.

ALFONSO LEON, 36, was appointed senior vice president chief of staff in August 2012, having been the Company s vice president planning and strategy since November 2011, vice president planning, strategy, and investor relations since November 2010, and director of strategic planning since March 2009. Prior to joining Apache, Mr. Leon was a director and head of energy investment banking at Perella Weinberg Partners from 2006 until 2009. Prior to that, he served in various corporate strategy, planning, and business development roles at Royal Dutch Shell.

JANINE J. MCARDLE, 52, was appointed senior vice president gas monetization in September 2010, having been vice president oil and gas marketing since November 2002. Prior to joining the Company, she served as managing director for Aquila Europe Ltd from November 2001 to October 2002, and held executive and management positions with Aquila Energy Marketing from 1993 to November 2001, including vice president trading and vice president mergers and acquisitions. Previously, she was a partner in Hesse Gas from 1991 to 1993 and was a member of the board of directors of Intercontinental Exchange, the electronic trading platform, from 2000 to October 2002.

AARON S. G. MERRICK, 50, was appointed vice president information technology in August 2009, having served as director of information technology since March 2006. Prior to joining the Company, he was president of Merrick Applied Consulting, Inc. from July 2005 to March 2006, and owner of Aaron Merrick Computer Consulting from 2002 to 2005, consulting with Apache on the development of its data warehouse. He served as vice president of T-NETIX, Inc., a specialized telecommunications company, from 1995 to 2000, and was previously employed by the Company as assistant director of gas flow management from 1991 to 1994. From 1984 to 1990, Mr. Merrick was with KPMG Peat Marwick, an independent public accounting firm.

URBAN F. O BRIEN, 59, was appointed vice president governmental affairs in August 2009, having previously served as director of governmental, regulatory and community affairs since 1992. Prior to joining the Company, Mr. O Brien served as governmental affairs manager for Mitchell Energy, special projects director for U.S. Representative Lloyd Bentsen, and projects coordinator for U.S. Representative Michael A. Andrews.

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W. KREGG OLSON, 59, was appointed executive vice president corporate reservoir engineering in August 2009, having been senior vice president corporate reservoir engineering since September 2007, and vice president corporate reservoir engineering since January 2004. Prior to that, Mr. Olson served as director of technical services from 1995 through 2003, and held positions of increasing responsibility within corporate reservoir engineering since joining the Company in 1992. Previously, he was associated with Grace Petroleum Corporation.

F. BRADY PARISH, JR. 47, was appointed vice president investor relations in September 2012. Prior to joining the Company, he served as a managing director at Moelis & Company, leading its oil and gas advisory practice, from March 2011 to September 2012, and a managing director in the Global Natural Resources Group at Goldman, Sachs & Co. from June 2005 to June 2010. Previously, Mr. Parish was a director in the Global Energy & Power Group at Merrill Lynch & Co., from 1999 to 2005.

CHERI L. PEPER, 59, was appointed corporate secretary in May 1995, having previously served as assistant secretary since 1992. Prior to joining the Company, she was assistant secretary for Panhandle Eastern Corporation (subsequently PanEnergy Corp.) since 1988. Ms. Peper is a certified public accountant and a director of MemberSource Credit Union, formerly known as PT&T Federal Credit Union.

ROGER B. PLANK, 56, was appointed president and chief corporate officer in February 2011, having served as president since February 2009, and the Company s principal financial officer until November 2010. He previously served as the Company s executive vice president and chief financial officer since May 2000, and vice president and chief financial officer since July 1997. Since joining the Company in 1981, Mr. Plank has also served as vice president planning and corporate development, vice president corporate planning, and vice president corporate communications. He serves as chairman of the board of the Alley Theatre, Houston, Texas, and is a past president of Texas Independent Producers and Royalty Owners Association (TIPRO), a large independent trade association. Mr. Plank is a director of Parker Drilling Company, Houston, Texas, and chaired its audit committee until January 1, 2013, at which time he became chairman of its compensation committee.

JON W. SAUER, 52, was appointed vice president tax in May 2001, having previously served as director of tax since March 1997, and manager of tax since August 1992. Prior to joining the Company, Mr. Sauer was tax manager with Swift Energy Company, Houston, Texas, from 1989 to 1992, and a manager in the tax practice of Arthur Andersen & Co., an independent public accounting firm, from 1983 to 1989. Mr. Sauer is a certified public accountant and past chairman of the American Exploration & Production Council (formerly Domestic Petroleum Council) tax committee, and he serves on the tax committee of the American Petroleum Institute.

SARAH B. TESLIK, 59, was appointed senior vice president policy and governance in October 2006. Prior to joining the Company, she was chief executive officer of the Certified Financial Planner Board of Standards, Inc. from November 2004 to October 2006, and executive director of the Council of Institutional Investors from July 1988 to October 2004.

THOMAS E. VOYTOVICH, 56, was appointed executive vice president, international operations, on February 6, 2013, having previously served as regional vice president and general manager in Egypt since June 2009. He also served as regional vice president for the Central region in Tulsa, Oklahoma, since March 2006, regional exploration manager for the Central region since May 2004, and in various technical positions with the Company in Tulsa beginning in March 1993. Prior to joining the Company, Mr. Voytovich held positions of increasing responsibility with Hillin-Simon Oil Company, Berexco Inc., Petro-Lewis Corporation, and Shell Oil Company from 1978 to 1993.

COMPENSATION DISCUSSION AND ANALYSIS

The Compensation Discussion and Analysis section is organized as follows:

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OVERVIEW

Our approach to executive compensation is simple: the pay that our executive officers ultimately take home should be aligned with the performance of our stock price. The compensation we reported in our proxy statement for our chairman and chief executive officer for 2010, the year that we introduced our total shareholder return program, provides a clear example of our philosophy in action. To date, our chairman and chief executive officer has permanently forfeited nearly 51 percent of his reported 2010 compensation and has only realized 31 percent of the reported amount. This reduction was caused solely by our poor stock price performance since 2010.

Is this because we failed to meet our goals? It is not. Prior to our most recent three-year measurement period that began in 2010, our chief executive officer s tenure had produced a 317 percent total shareholder return from May 29, 2002 to December 31, 2009. During the past three years, despite a challenging environment for Apache, he has overseen increased production of approximately 34 percent and increased revenues of approximately 98 percent. However, our stock price has not reflected this performance, largely due to factors outside our control.

Our chairman and chief executive officer s realized pay to date has declined a dramatic 69 percent when compared to reported compensation because his and our commitment to the long-term alignment of pay and performance is working. In this case, it is that simple.

Turmoil in Egypt and low North American natural gas prices both completely beyond our control impacted our stock price in the short term. Moreover, Apache s undertaking of new, mission-critical, long-term projects that have significant up-front capital costs unavoidably creates a gap period before their promise is realized.

As the following pages will make clear, our executive pay philosophy and practices do indeed align with long-term shareholder interests. We are walking the walk; read on.

Background

Our compensation programs link our executives compensation to our business model and shareholders interest. We are a global oil and gas exploration and production company with significant operations in six countries and, like others in our industry, are impacted in the short-term by cyclical commodity prices that are set in a global oil and gas market. Our goal is to manage our business for the long-term by focusing on steadily increasing reserves and production throughout the commodity cycle. We have increased our reserves 23 out of the last 27 years while increasing our production 32 of the last 34 years. We do this by maintaining a diversified portfolio, a conservative balance sheet, and a relentless focus on rate of return growth. Our portfolio is balanced across geographic regions and commodities (oil and gas), allowing us to allocate our exploration and development capital to areas that offer the most return on our investment. We strive to fund our exploration and development program with operating cash flow so that we retain the financial flexibility to pursue acquisitions when opportunities arise. In 2012, we invested approximately $10 billion in our capital program, while making acquisitions like Cordillera Energy Partners III, LLC, which doubled our acreage in the Anadarko basin. Over the past three years we have invested approximately $17 billion in some of our most productive regions to acquire production and acreage that we expect will allow us to accelerate our production growth in the next several years for the economic benefit of our shareholders.

Our industry is characterized by significant up-front capital investment and long time lags from investment to returns. For example, our liquefied natural gas (LNG) Wheatstone project in Australia, which is designed to monetize natural gas discovered in 2007, achieved final investment decision in 2011, and will require billions of dollars in capital investment before first production, expected in late

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2016. Similarly, in the Gulf of Mexico, our non-operated Lucius project, discovered in 2009, was sanctioned in the fourth quarter of 2011, with first production projected in the second quarter of 2014.

Such a capital intensive, highly complex industry requires that we attract, motivate, and retain technically competent, experienced executives who can significantly impact our results. The competition to attract and retain this top talent throughout the commodity cycle is fierce. We meet this challenge by having a vibrant workplace with a unique culture and by providing excellent training, compensation, and benefits. We begin with a market competitive base salary, benefits, and worldwide opportunities for employment. We also provide a cash bonus opportunity that annually rewards executives based on their performance. Finally, in recognition of our long capital investment profiles, more than half of an executive s total compensation is paid in equity-based long-term compensation. Therefore, the amount of compensation an executive actually realizes is dependent on our stock price performance over time. Our four-year vesting time frames for restricted stock units (RSUs) and stock options, and five-year total shareholder return programs are designed to align the interests of our executives with those of our shareholders and to reflect the long-term nature of our business.

Over 95 percent of our shareholders who voted on our say on pay proposal at our 2012 Annual Meeting approved the compensation of our named executive officers. Our Board of Directors has built on this endorsed approach in 2012 by adding these new provisions to further improve our compensation and governance practices:

- Adopting a policy that limits the maximum annual incentive bonus to 200 percent of target for all executives beginning with the 2012 annual cash incentive bonus award;

- Adopting a pledging policy that prohibits Apache s directors and Section 16 officers from holding Apache securities in a margin account or pledging any Apache securities as collateral for a loan;

- Eliminating dividend equivalent payments on unvested RSUs granted after July 2012;

- Reviewing our clawback provisions to ensure they comply with current law and determining that, subject to changes in regulation, no changes are required at this time; and

- Including a management proposal in this 2013 proxy statement supporting the annual election of our directors.

2012 Corporate Performance Highlights

In 2012, while Apache was focused on drilling wells on its existing inventory, we also increased our global exploration activity and continued to pursue acquisitions when opportunities arose, acquiring strategic acreage to position Apache for future long-term growth. While lower natural gas prices in North America impacted Apache s financial results, we achieved record operational results in 2012.

Significant highlights for Apache in 2012 include:

Achieving record average production of 778,679 barrels of oil equivalent (boe) per day (51% oil and liquids), a 4 percent increase over 2011;

Receiving record oil and gas revenues of $16.9 billion;

Delivering cash flow[1] of $10.2 billion comparable to the previous year s record;

Posting year-end reserves of approximately 2.9 billion boe;

Earning $1.9 billion, after absorbing the impact of an aggregate $1.4 billion after-tax, non-cash write-down of the carrying value of the Company s Canadian proved oil and gas properties as a result of low gas prices in 2012;

1 See footnote 4 on page 41.

Entering into an agreement with Chevron, a company with extensive experience developing LNG projects, LNG marketing expertise, and financial wherewithal, to partner with us in the Kitimat LNG facility in Canada, which is intended to monetize a material portion of our Canadian gas reserves;

Continuing for the second consecutive year uninterrupted operations in Egypt through a period of political turmoil;

Increasing our oil production and expanding our operations in the Permian and Anadarko basins; and

Being recognized as one of Fortune Magazine s Most Admired Companies for 2012, receiving one of the highest scores in the Mining, Crude Oil Production category of companies.

Chief Executive Officer Compensation

The compensation structure for our chairman and chief executive officer is specifically designed so that a large portion of his realized compensation directly aligns his interests with those of our shareholders. We focus on his realized compensation because we believe that it is important that the amount he eventually takes home correlates with our Company s performance. Therefore, a very substantial percentage of his compensation is long-term, equity-based, the realized value of which will be determined in the future by the long-term performance of Apache and its common stock. Some of this long-term compensation is in the form of RSUs the value of which is tied to our stock price, some is in stock options that will have no value except to the extent that the stock price increases, and some is in conditional grants of RSUs under our TSR Program (Performance Shares) that may or may not have value depending on how the total return to our shareholders compares to that of our peers.

Using grant date values, 58 percent of his total compensation is equity-based, the ultimate value of which is related directly to common stock performance.

81 percent of his total compensation is performance based, the value of which is determined by his and/or our stock s performance.

For the second consecutive year, he did not receive a base salary increase.

His 2012 bonus was $4 million, modestly above target, but approximately 16 percent lower than his bonus in 2011.

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Apache Total Shareholder Return

Our chairman and chief executive officer was appointed president, chief executive officer, and chief operating officer in May 2002, and was appointed chairman of the board in January 2009. Under his leadership, we have adhered to our core principles of portfolio balance, financial prudence, and rate of return focus. This approach has resulted in competitive, long-term returns to our shareholders as illustrated by the graph below, which compares Apache s total shareholder return to our shareholders relative to the S&P 500 index and to the average total shareholder return of our Compensation Peer Group and our Performance Peer Group during his tenure as chief executive officer.

* Note that Royal Dutch Shell has been excluded from this illustration, as data was not available for the full measurement period.

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Performance Relative to Peers

The graphs below compare Apache s production growth, cash-flow-from-operations[2] growth, and reserves growth as well as reported pay relative to Apache s Compensation Peer Group (see p. 45) over the previous three-year and five-year time periods.[3] They demonstrate that during those time periods, our operational performance as compared to that of our peers was well above median while the compensation of our chairman and chief executive officer was well below the median of that of our peers.

* Apache s rank for the purposes of these graphs was determined using the three-year and five-year compound annual growth rate for production, cash-flow-from-operations, and reserves for the respective periods. Reported chief executive officer compensation reflects aggregate three-year and five-year compensation reported in the Summary Compensation Table.

The following graph compares Apache s chairman and chief executive officer s total compensation as reported in our proxy statements for 2011 and 2012 versus the total 2011 compensation of his peers in our Compensation Peer Group.

[2] See footnote 4 on page 41.

[3] Reflects market data through 2011, the last year of publicly available data at printing date.

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Reported Pay vs. Realized Pay

The pay our chairman and chief executive officer ultimately realizes is aligned with the future performance of our common stock. The calculation of total compensation as reported in the Summary Compensation Table includes the grant date fair value of the long-term compensation on the day it is granted; this is only a starting point and is not necessarily indicative of the pay that he will actually realize.

The year 2010, when we initiated our total shareholder return program to further align our executives with our shareholders, is illustrative.

Since our chairman and chief executive officer was named our chief executive officer in 2002, our total shareholder return until 2010 was 317 percent. However, since 2010, although we have increased production by approximately 34 percent and revenues by approximately 98 percent, our stock price has declined, largely due to low North American natural gas prices and concerns over political turmoil in Egypt. Even though these events were outside the control of Apache, they have impacted our stock price and, consequently, our chairman and chief executive officer s realized pay.

As a result of the decline in Apache stock price since 2010, at the conclusion of the three-year performance period of our 2010 TSR Program on December 31, 2012, none of the Performance Shares granted to our eligible employees, including our chairman and chief executive officer, in 2010 vested and all were permanently forfeited with no value. Because the exercise price of the stock options granted in 2010 was $99.30, they also do not have any intrinsic value at this time. Therefore, while our chairman and chief executive officer s reported pay in 2010 was $19,294,429, to date he has realized only $6,021,644 31 percent of this reported pay. This demonstrates the alignment of his compensation with our shareholders.

The table below shows the difference between our chairman and chief executive officer s 2010 pay as reported in the proxy statement for that year and his actual realized pay for that year as of February 28, 2013:

Category	**2010 Reported Pay**[(1)]	**2010 Realized Pay as of February 28, 2013**	**2010 Realized Pay plus Current Value of LTC as of February 28, 2013**
Salary	$1,750,000	$1,750,000	$1,750,000
Annual Cash Incentive Bonus	$3,250,000	$3,250,000	$3,250,000
Performance Shares	$9,774,154	$0[(2)]	$0
Stock Options	$3,498,631	$0[(3)]	$1,774,950[(4)]
RSUs	$0	$0	$0
Other Compensation	$1,021,644	$1,021,644	$1,021,644
Total Compensation	**$19,294,429**	**$6,021,644**	**$7,796,594**

(1) Compensation as reported in the Summary Compensation table.

(2) These conditional grants were issued under our 2010 TSR Program. The performance period for the 2010 Performance Program began on January 1, 2010, and ended on December 31, 2012. Apache was ranked 14th amongst its peer group, which resulted in a zero percent payout factor.

(3) Stock option exercise price of $99.30. Apache stock price at February 28, 2013, was $74.27.

(4) Valuing vested and unvested options using Black Scholes and stock price as of February 28, 2013. Based on the remaining life of the stock options granted in May 2010, at an exercise price of $99.30.

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2012 Shareholder Advisory Vote on Executive Compensation and Shareholder Feedback

We annually submit an advisory vote to our shareholders to approve the compensation of our named executive officers. At the 2012 annual meeting, our shareholders overwhelmingly approved the compensation of our named executive officers for fiscal 2011, with over 95 percent of the shareholders who voted on the compensation (excluding broker non-votes), approving such compensation. In 2012, the Board continued to review and evaluate our compensation programs and made modifications to address evolving best practices and changes in the regulatory environment. No dividend equivalents will be paid on unvested RSUs (including Performance Shares) granted after July 2012. In addition, a maximum annual incentive payout not to exceed 200 percent of target for all executives was established beginning with the 2012 annual cash incentive bonus award.

In addition to the advisory vote on the compensation of our named executive officers, the board encourages feedback from our shareholders and carefully considers such feedback. Apache is one of a select few companies with a senior vice president of policy and governance who, along with our chairman and chief executive officer, regularly engages with our shareholders on important issues and concerns.

Compensation Best Practices

Our compensation programs, practices, and policies are constantly reviewed to ensure that we stay abreast of compensation best practices and, when necessary or desirable, we make modifications to our compensation programs. Listed below are some of our more significant practices and policies including the recent modifications described above.

Performance-Based Pay: Performance-based compensation comprised 81 percent of our named executive officers total compensation for fiscal year 2012 in accordance with our pay for performance philosophy.

Multiple Performance Measures: We use multiple performance measures that include short- and long-term objectives to evaluate executive performance.

Equity Compensation: Apache has a long-standing practice of awarding equity-based pay to substantially all of our employees.

Stock Ownership Requirements: Our stock ownership requirements apply to the Board of Directors and our officers to ensure that directors and officers are meaningfully invested in our stock, and have personal financial interests that are strongly aligned with those of our shareholders.

Pledging Policy: Our pledging policy prohibits Apache s directors and Section 16 officers from holding Apache securities in a margin account or pledging any Apache securities as collateral for a loan.

Compensation Risk Assessment: We monitor our compensation policies and practices to avoid encouraging excessive or unnecessary risk-taking and mitigate the likelihood that they will have a material adverse effect on

Apache.

Independent Compensation Committee: Each member of the MD&C Committee is independent as defined in the corporate governance listing standards of the NYSE and NASDAQ.

Independent Consultant: The MD&C Committee utilizes the services of an independent outside compensation consultant, currently Pearl Meyer & Partners (the Consultant).

Clawback: Our 2011 Omnibus Plan provides that each equity award is conditioned on repayment or forfeiture as required by existing law, including the Sarbanes-Oxley Act of 2002 and the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

Employment Contracts: With the sole exception of our chairman and chief executive officer whose employment contract dates back to 1988, all of our employees, including each of our other executive officers, are employed at will, with no employment contracts.

Forfeiture at Retirement: All unvested long-term compensation awards are currently forfeited upon termination or retirement.

Double Trigger: Accelerated vesting of equity compensation upon a change of control requires a double trigger (both a change of control and termination).

No Repricing: Our stock options cannot be repriced or reset.

No Gross-Ups: We do not make tax gross-up payments to executive officers except for those related to life insurance premiums and our expatriate tax-equalization policy.

EXECUTIVE COMPENSATION PHILOSOPHY

Our compensation philosophy is designed to attract, retain, motivate, and reward top talent. Our long-standing practice of awarding equity-based pay to substantially all employees reflects our view that each employee has the opportunity to contribute to our success. Our executive compensation programs are designed to reward excellent performance over the long-term and to align the interests of our executives with those of our shareholders. Both data and judgment play important roles in the design and implementation of our compensation programs.

Use of an Industry Peer Group and Survey Data

We consider multiple sources of internal and external data in making individual and plan-level compensation decisions. Peer group data plays an important role in our compensation decision making. For our 2012 compensation analysis, we focused on a peer group comprised of the companies that we most often compete with for executive talent. The companies in this group are U.S. companies with North American as well as global oil and/or natural gas operations and are comparable based on relevant financial factors, such as revenue, market capital, net income, oil and gas revenue, and total assets. Our peer group for 2012 (the Compensation Peer Group) and comparable financial data is reflected in the table below:

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Compensation Peer Group

($ in billions, except TSR)

Company	Market Cap as of Dec. 31, 2012	Assets	Net Income	Revenues	Oil & Gas Revenue	1 Yr.* TSR	3 Yr.* TSR
Occidental Petroleum Corporation	62.05 (1)	64.2 (1)	4.6 (1)	24.2 (3)	18.9 (1)	-12.18% (7)	3.23% (5)
Anadarko Petroleum Corporation	37.14 (2)	52.6 (3)	2.4 (2)	13.4 (6)	12.4 (4)	-5.84% (4)	15.50% (3)
EOG Resources, Inc.	32.72 (3)	27.3 (8)	0.6 (7)	11.7 (8)	8.0 (6)	23.71% (1)	31.77% (2)
Apache Corporation	**30.72 (4)**	**60.7 (2)**	**1.9 (4)**	**17.1 (4)**	**16.9 (2)**	**-14.19% (8)**	**-17.38% (8)**
Marathon Oil Company	21.63 (5)	35.3 (7)	1.6 (5)	15.6 (5)	14.1 (3)	16.88% (2)	62.75% (1)
Devon Energy Corporation	21.05 (6)	43.3 (5)	(0.2) (8)	9.5 (9)	7.2 (7)	-10.66% (5)	-16.29% (7)
Hess Corporation	18.09 (7)	43.6 (4)	2.2 (3)	38.4 (1)	10.9 (5)	-10.79% (6)	-8.46% (6)
Murphy Oil Corporation	11.57 (8)	17.5 (9)	1.0 (6)	28.6 (2)	4.6 (9)	16.76% (3)	10.80% (4)
Chesapeake Energy Corporation	11.06 (9)	41.6 (6)	(0.9) (9)	12.3 (7)	6.3 (8)	-27.24% (9)	-25.78% (9)
(rankings in parenthesis)							

* One-year TSR calculations use a 60-day beginning and end price for the period from January 1, 2012 through December 31, 2012. The three-year TSR calculations use a 60-day beginning and end price for the period from January 1, 2010 through December 31, 2012. Dividends have been reinvested on the ex-dividend date for the purposes of these calculations.

Each of our Compensation Peer Companies also lists Apache as one of its peers in their most recently filed proxy statement. In addition to the Compensation Peer Group, we have created a broader peer group that we use for the limited purpose of our total shareholder return program (TSR Program). For additional information on our TSR Program, please see Long-Term Compensation Performance Shares Total Shareholder Return Program.

In addition to data pertaining to the Compensation Peer Group, we use the latest available data provided by the Consultant from published energy-sector surveys and from published, general industry size-based surveys. We review the Consultant s benchmarking data and its process for assimilating the data used in this competitive benchmarking process, which is a blend of data from our Compensation Peer Group and the applicable survey data. Additionally, we review Fortune 500 proxy data for companies with market capitalization similar to ours to compare the compensation of the chairman and chief executive officer.

Use of Judgment

The Board of Directors and the MD&C Committee believe that the application of our collective experiences and business judgment is as important to the compensation decision process as is the application of data and formulae. Our compensation policies and practices reflect this belief.

While market data provides an important tool for analysis and decision-making, we realize that over-reliance on data can give a false illusion of precision. Consequently, we also give consideration to an individual s personal contributions to the organization, as well as his or her leadership qualities, skill sets, qualifications, experience, and demonstrated performance. We also value and seek to reward performance that develops talent from within, embraces the sense of urgency that defines us, and demonstrates the qualities of imagination and drive that enable an Apache officer to resolve longer-term challenges and important new issues. While these qualities and competencies are not easily correlated to typical compensation data, they deserve, and are given, consideration in reaching compensation decisions. Market data provides us with the foundation for application of the above principles and the ensuing decisions.

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ELEMENTS OF OUR COMPENSATION PROGRAM

Our people are crucial to our success. This should be said again. Our people are crucial to our success. We compete in a highly technical and complex industry where available talent is in high demand and valuable. Our business involves high up-front capital investment, risky operations, and long investment lead times. Therefore, we strive to attract, motivate, and retain technically proficient executives with extensive experience in the industry. The market for such executives is tight. To ensure our continued success, we must attract and retain superior talent in this competitive market. To provide competitive compensation packages for our executives, we reference the middle range of the market, while accounting for individual factors that allow us to be competitive in attracting and retaining the right talent. Our executive compensation program has four elements:

- Base salary;
- Annual cash incentive bonus;
- Long-term compensation; and
- Benefits.

Our approach to total compensation begins with an analysis of executive base salaries relative to the market for their talent and experience. In addition to the external markets, we consider the importance of each role as it is valued internally within our organization. Factors such as experience in the industry, length of service with Apache, accountability, and any added functions not included in the market benchmark are also evaluated. This is the fundamental step in the benchmarking of our executive pay as both the annual cash incentive bonus and long-term compensation targets operate as a function of salary. Once the base salary is established, market comparable bonus, and long-term compensation target values are derived based on salary ranges. This tiered approach to setting compensation ensures our executives are well aligned with the market as well as internally to each other. Once each component of pay is evaluated on an individual basis, total compensation for each executive is then compared to the market to ensure overall alignment. In addition, we perform an annual review of our benefits programs to ensure that we provide competitive benefits to our employees.

For 2012, our named executive officers were:

- G. Steven Farris, chairman and chief executive officer;
- Roger B. Plank, president and chief corporate officer;
- Rodney J. Eichler, president and chief operating officer;

P. Anthony Lannie, executive vice president and general counsel; and

Thomas P. Chambers, executive vice president and chief financial officer.

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The chart below sets forth each element as a proportion of the named executive officers total compensation and reflects the following: base salary earnings for 2012, annual cash incentive bonus for 2012, the grant date fair value of the 2012 long-term compensation awards, and all other compensation. For a discussion of the 2012 compensation of the named executive officers, see Compensation Decisions in 2012 below.

The chart above illustrates that 78 percent of our named executive officers total compensation is performance-based and that 59 percent of our named executive officers total compensation is equity-based, long-term compensation that rewards them only to the extent that our shareholders are also rewarded.

Base Salary

A competitive base salary for each of our employees is the essential foundation to our ability to compete. To review and establish base salary ranges for our executives, we analyze each executive officer position by:

Examining the scope of the job, the nature and complexity of the responsibilities, the financial impact of the position, the training, knowledge, and experience required to perform the job, the recruiting challenges and opportunities associated with the position, the risks and opportunities associated with hiring at the higher and lower ranges of the position skill sets, the expected autonomy of the job, and, for current executives, the Apache-specific experience, seniority, performance, and compatibility.

Utilizing energy-industry and company-size general surveys to establish salary ranges for comparable executives, where the mid-point of the range reflects the 50th percentile of the market data.

Evaluating the executive positions on the basis of these factors.

Using judgment to determine where a particular executive s salary falls within the salary ranges.

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We review base salaries continually with a view towards considering adjustment every 12 to 18 months, but base salary reviews may occur more or less frequently depending on Apache, market conditions, and individual performance.

Annual Cash Incentive Bonus

Our executive officers are eligible to earn an annual cash incentive bonus. We set annual cash incentive bonus targets hierarchically as a multiple of base salary, with target multiples increasing with the level of responsibility of the executive. The percentage of target actually awarded to our corporate executive officers is determined as a function of a combination of (i) our achievement of a variety of financial, operational, and management objectives, which we refer to as corporate performance goals and corporate management objectives, respectively, and (ii) each officer s individual achievement of job-specific goals and overall performance. The chairman and chief executive officer evaluates officers with regional responsibilities based on their region s production, revenue, costs, and other regional results.

Corporate Performance Element

We equally weight the achievement of our corporate performance goals and our corporate management objectives in our evaluation of the annual incentive award for each of the named executive officers.

Corporate Performance Goals: The corporate performance goals are a set of objective standards that are established each year for production growth, reserve growth, earnings, cash flow, and lifting costs per boe. These goals may be modified from time to time by the MD&C Committee to appropriately reflect acquisitions, dispositions, and other major events. Each corporate performance goal represents approximately 5 to 15 percent of an officer s annual cash incentive bonus. For each corporate performance goal, the executive officers can be awarded full credit if Apache achieves the goal, potential partial credit if Apache makes significant progress towards the goal, and extra credit if Apache exceeds the goal due to the extraordinary nature of these achievements. The ambitious corporate performance goals we set for 2012 were impacted by the considerable decline in natural gas prices experienced in North America that led to write downs of our natural gas reserves in Canada. These non-cash write downs negatively impacted our earnings and reserves. Accordingly, we partially met only one of the five corporate performance goals.

Production: Our goal was to grow production 6 percent (after accounting for 2011 divestitures). In 2012, we grew production 5.4 percent (after accounting for 2011 divestitures), partially meeting this goal.

Earnings: Our goal was earning at least $4.5 billion. Largely as a result of the write down of natural gas reserves in Canada, we did not achieve our earnings goal.

Reserves: Our goal was to grow reserves by 5 percent. In 2012, we did not meet this goal as a result of the write down of the reserves in Canada.

Cash Flow: Our goal was to generate annual cash flow[4] of at least $10.23 billion. While our cash flow was impacted by the depressed North American natural gas prices, we generated $10.25 billion, which however, was just shy of this goal on a per share basis.

[4] Adjusted earnings and cash flow are non-GAAP financial measures, as defined in Regulation G promulgated by the SEC. Adjusted earnings is net income (loss) attributable to common stock adjusted for certain items that management believes affect the comparability of operating results, such as foreign currency fluctuation impact on deferred tax expense, merger, acquisitions and transitions costs, net of tax, deferred tax adjustments, commodity derivative mark-to-market gains or losses, and additional depletion, net of tax. A reconciliation of adjusted earnings to net income for the year ended December 31, 2012, is contained in item 7 of our Annual Report on Form 10-K for the year ended December 31, 2012. Cash flow is cash from operations before changes in operating assets and liabilities. A reconciliation of cash flow to net cash provided by operating activities for the year ended December 31, 2012, was previously furnished to the SEC in our Current Report on Form 8-K dated February 14, 2013.

LOE per BOE: Our goal was to maintain direct lifting costs per boe produced at the 2011 levels of $9.54 per boe. In 2012, we did not achieve this goal as our lifting costs were $10.41/boe.

Corporate Management Objectives: Our corporate management objectives include a comprehensive list of strategic and tactical goals developed and weighted by management and approved by the MD&C Committee at the beginning of each year. These objectives are then reviewed and, if appropriate, modified through the year as circumstances dictate and as approved by the MD&C Committee. Each basic corporate management objective represents no more than 4 percent of an officer s annual cash incentive bonus. The MD&C Committee has discretion in determining the relative success of the corporate management objectives. Points for each goal vary based on the relative importance of each goal, and are awarded upon achievement. In the case of certain objectives, partial or extra credit may be awarded based on the extent of goal achievement. In addition to the tactical goals, executives are eligible to receive extra credit for attainment of extraordinary objectives.

Individual Performance Element

The foundation of our annual cash incentive bonuses is our achievement of the corporate performance goals and corporate management objectives. We believe that annual cash incentive bonuses are most effective when they are carefully tailored to job responsibilities of individual executives. The MD&C Committee receives input from the chairman and chief executive officer on the individual performance of each executive officer other than himself.

Long-Term Compensation

Long-term, equity-based compensation is regularly made available to substantially all of our employees to ensure a company-wide ethic of ownership and entrepreneurialism. Properly designed long-term, equity-based compensation aligns the interests of executive officers and employees with those of our shareholders and plays an important role in our overall compensation structure.

We annually grant a combination of RSUs, stock options, and Performance Shares, the overall grant value of which is based on a hierarchical multiple of salary. The multiple of salary for each executive is determined based on the executive s level in the organization and is adjusted periodically as necessary to align the total compensation of our executives with the market. The multiples for long-term compensation increase as the level of responsibility rises.

Long-term compensation awarded to our executive officers is presently apportioned in accordance with targeted grant date values as follows: Performance Shares (35 percent), RSUs (35 percent), and stock options (30 percent).

Performance Shares

Each January, our named executive officers receive Performance shares under our TSR Program. Under the TSR Program:

We issue conditional awards to substantially all of our management and senior level professional employees, including each named executive officer, based on a target percentage of the grantee s then annual base salary;

Each TSR Program has a three-year performance period, at the end of which a calculation of total shareholder return (TSR) performance is determined for Apache and each member of the Performance Peer Group (defined below) by dividing (i) the sum of the cumulative amount of each company s dividends for the performance period (assuming same-day reinvestment into the

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company s common stock on the ex-dividend date) and the average per share closing price of each company s stock for the 60 trading days at the end of the performance period minus the average per share closing price of each company s stock for the 60 trading days preceding the beginning of the performance period; by (ii) the average per share closing price of each company s stock for the 60 trading days preceding the beginning of the performance period;

Our TSR performance is directly ranked against the Performance Peer Group, resulting in the application of a payout factor to the target number of Performance Shares to derive the adjusted number of RSUs that will actually be paid at the end of the performance period;

The resulting shares vest over time, with 50 percent of the shares vesting at the end of the three-year performance period, and the remaining 50 percent vesting equally over the following two years;

Employees must be employed at the time of each vesting to receive vested shares; and

If a change of control and a recipient s involuntary termination or voluntary termination with cause (double trigger) occur (i) during the performance period, the TSR is calculated and our TSR performance is ranked within the Performance Peer Group as of the date of termination; (ii) during the vesting period, the entire amount of the award vests as of the date of termination.

The peer companies for each performance period (the Performance Peer Group) are determined prior to commencement of the period and comprise a larger group of companies than our Compensation Peer Group. We use an expanded list of performance peer companies for the following reasons:

Comparison: The broader Performance Peer Group provides a more appropriate basis for judging our corporate performance than the more narrowly focused Compensation Peer Group. The Compensation Peer Group consists, in large part, of companies whose principle business is North American oil and/or natural gas and who are our predominant competition for executive talent. As approximately 44 percent of our production is outside of North America and approximately 45 percent of our production is crude oil, it is more appropriate to have a larger, more diversified peer group to benchmark our corporate performance. The expanded Performance Peer Group includes many companies we compete against internationally. The overall risks and opportunities faced by this larger group more closely match ours than those faced by the less diverse Compensation Peer Group.

Continuation: Because it is not unusual that one or two companies in our Compensation Peer Group may cease to exist during a three-year performance period through merger or otherwise, the expanded group provides more stability and longevity to the TSR Program.

Statistical Reliability and Validity: The larger Performance Peer Group provides a more stable and valid statistical yardstick for the TSR Program.

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The Performance Peer Group for our 2012 TSR Program and comparable financial data is reflected in the table below:

Performance Peer Group

($ in billions, except TSR)

Company	**Market Cap as of Dec. 31, 2012**	**Assets**	**Net Income**	**Revenues**	**Oil & Gas Revenue**	**1 Yr.++ TSR**	**3 Yr.++ TSR**
ExxonMobil Corporation	399.51 (1)	333.8 (2)	44.9 (1)	482.3 (1)	96.6 (2)	15.38% (5)	33.21% (5)
Royal Dutch Shell plc	218.94 (2)	360.3 (1)	26.6 (2)	481.7 (2)	107.4 (1)	2.66% (11)	31.35% (7)
Chevron Corporation	212.19 (3)	233.0 (4)	26.2 (3)	241.9 (4)	77.2 (3)	9.81% (8)	56.28% (3)
BP plc	132.09 (4)	301.0 (3)	17.6 (4)	383.6 (3)	71.9 (4)	3.95% (10)	-19.19 (16)
EniSpA +	89.01 (5)	185.4 (5)	10.2 (5)	165.6 (5)	46.2 (6)	17.14% (2)	10.52% (10)
ConocoPhillips Company	70.43 (6)	117.1 (6)	8.4 (6)	62.0 (6)	58.0 (5)	12.31% (7)	62.87% (1)
Occidental Petroleum Corporation*	62.05 (7)	64.2 (7)	4.6 (7)	24.2 (9)	18.9 (7)	-12.18% (16)	3.23% (11)
Anadarko Petroleum Corporation*	37.14 (8)	52.6 (9)	2.4 (8)	13.4 (13)	12.4 (11)	-5.84% (12)	15.50% (8)
EOG Resources, Inc.*	32.72 (9)	27.3 (15)	0.6 (15)	11.7 (15)	8.0 (13)	23.71% (1)	31.77% (6)
Canadian Natural Resources Ltd.+	31.61 (10)	49.0 (10)	1.9 (10)	16.3 (11)	13.3 (10)	-15.56% (18)	-11.99% (13)
Apache Corporation	**30.72 (11)**	**60.7 (8)**	**1.9 (10)**	**17.1 (10)**	**16.9 (8)**	**-14.19% (17)**	**-17.38% (15)**
Marathon Oil Company*	21.63 (12)	35.3 (14)	1.6 (12)	15.6 (12)	14.1 (9)	16.88% (3)	62.75% (2)
Devon Energy Corporation*	21.05 (13)	43.3 (12)	(0.2) (17)	9.5 (16)	7.2 (14)	-10.66% (14)	-16.29% (14)
Hess Corporation*	18.09 (14)	43.6 (11)	2.2 (9)	38.4 (7)	10.9 (12)	-10.79% (15)	-8.46% (12)
Noble Energy, Inc.	18.10 (15)	17.6 (18)	1.0 (13)	4.2 (19)	4.0 (19)	7.86% (9)	44.58% (4)
EnCana Corporation	14.55 (16)	18.7 (17)	(2.8) (19)	5.2 (18)	6.1 (17)	13.22% (6)	-23.62% (17)
Talisman Energy Inc.	11.69 (17)	21.9 (16)	0.1 (16)	7.3 (17)	6.6 (15)	-7.76% (13)	-30.99% (19)
Murphy Oil Corporation*	11.57 (18)	17.5 (19)	1.0 (13)	28.6 (8)	4.6 (18)	16.76% (4)	10.80% (9)
Chesapeake Energy Corporation*	11.06 (19)	41.6 (13)	(0.9) (18)	12.3 (14)	6.3 (16)	-27.24% (19)	-25.78% (18)
(rankings in parenthesis)							

* These companies are also included in our Compensation Peer Group.

\+ Converted to US$ as of December 31, 2012

++ One-year TSR calculations use a 60-day beginning and end price for the period from January 1, 2012 through December 31, 2012. The three-year TSR calculations use a 60-day beginning and end price for the period from January 1, 2010 through December 31, 2012. Dividends have been reinvested on the ex-dividend date for the purposes of these calculations.

2012 TSR Program Payout Factor: Under our 2012 TSR Program, a rank of one results in a multiple of 2.5 with the multiple grading down to 0.5 for a ranking of 13, and a multiple of 0.0 for a ranking below 13.

2013 TSR Program

The Performance Peer Group for the 2013 TSR Program, pursuant to which grants were awarded in January 2013, is the same as the one for our 2012 TSR Program. Under our 2013 TSR Program a rank of one results in a multiple of 2.0 with the multiple grading down to 0.55 for a ranking of 15, and a multiple of 0.0 for a ranking below 15. We adjusted the payout multiples for our 2013 TSR Program to drive the grant date value of the payout as close to 1.0 as possible.

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Restricted Stock Units

Each May, our employees, including our named executive officers, receive RSUs, currently under the 2011 Omnibus Equity Compensation Plan. Generally, the RSUs:

- Are granted to substantially our entire employee population, including our executive officers, based on a target percentage of the grantee s then annual base salary;
- Vest ratably over four years;
- Upon vesting, allow each grantee to receive one share of common stock for each RSU;
- Require a double trigger for accelerated vesting (both a change of control and a recipient s involuntary termination or voluntary termination with cause); and
- Are forfeited if they are unvested and the executive voluntarily terminates or is terminated for cause prior to the vesting date.

Stock Options

Each May, our employees, including our named executive officers, also receive stock option grants, currently under the 2011 Omnibus Equity Compensation Plan. Generally, our stock options:

- Are granted to approximately half of our employees, including our named executive officers, based on a target percentage of the grantee s then annual base salary;
- Benefit the recipient only if shareholders also benefit from appreciating stock prices;
- Become exercisable ratably over a four-year period;
- Have an exercise price equal to the closing price of our common stock on the date of grant and expire 10 years after grant;
- Require a double trigger for accelerated vesting (both a change of control and a recipient s involuntary termination or voluntary termination with cause); and

Cannot be repriced or reset or exchanged for cash, if they are underwater (exercise price is greater than current stock price).

The grants of Performance Shares, RSUs, and stock options made in 2012 to the named executive officers are reflected in the Grants of Plan-Based Awards Table.

Stock Ownership Requirements

To further align the interests of our directors and officers with those of our shareholders, we have stock ownership requirements for both directors and officers. Since 2007, we have had minimum stock ownership requirements for our Board of Directors, and in November 2009, we adopted a two-part stock ownership policy for our officers. Officers are expected to meet these requirements within three years of being appointed or promoted to their position. In the event of a base salary increase, officers have one year to meet their increased requirement. All of the directors and the named executive officers currently meet these requirements.

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Salary Multiple Requirement

One part of the stock ownership policy requires that each officer own at least the number of shares of our common stock equal to a multiple of the officer s base salary, measured against the value of the officer s holdings, based on the average per share closing price of our common stock for the previous year. After achieving the minimum stock ownership requirements, each officer must continue to meet the minimum stock ownership requirements for his or her current office. The ownership requirements are:

Position	Requirement
Chief Executive Officer	5.0x Base Salary
Presidents	3.0x Base Salary
Executive Vice Presidents and Senior Vice Presidents	2.5x Base Salary
Vice Presidents, Regional Vice Presidents, and Staff Vice Presidents	2.0x Base Salary

In determining stock ownership levels, we include: Shares purchased in the open market; vested shares in qualified and non-qualified plans; shares obtained through stock option exercises that the officer continues to hold; the vested portion of RSUs and restricted stock; shares beneficially owned in a trust or partnership, by a spouse, and/or minor child; and shares held in the Apache s Deferred Delivery Plan. Unearned Performance Shares, unvested RSUs, unvested shares of restricted stock, and unexercised stock options are not counted toward meeting the requirements.

Percentage of Equity Award Requirement

A second stock ownership test requires each officer to hold at least 15 percent of all restricted and performance shares he or she receives, net of tax withholding, until such officer retires or otherwise terminates his or her employment.

Benefits

Our named executive officers receive the standard benefits received by all employees including: group health (medical, dental, pharmacy and vision), group life, accidental death and dismemberment, business travel accident, disability plans, defined contribution retirement plans (a Money Purchase Retirement Plan and a 401(k) Savings Plan), and vacation.

General Executive Policies

As part of their total compensation, our named executive officers are eligible for additional benefits that are designed to maintain market competitiveness. These include a comprehensive annual physical examination, an individual cash-value-based variable universal life insurance policy of two times base salary, an enhanced individual long-term disability policy of 75 percent of eligible earnings, and continued Apache and employee tax deferred contributions to a non-qualified retirement/savings plan once limits are reached in qualified retirement plans.

Use of Property

Our operations are spread around the globe, including in locations that present a variety of physical and geo-political risks. For both business efficiency and security reasons, we require the chairman and chief executive officer to use Apache s aircraft for all air travel, unless good business judgment would require otherwise.

More details on the above benefits are presented under All Other Compensation following the Summary Compensation Table.

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COMPENSATION DECISIONS IN 2012

The following discussion sets forth decisions regarding 2012 compensation for our named executive officers: Messrs. Farris, Plank, Eichler, Lannie, and Chambers.

Experience and Responsibilities

Chairman and Chief Executive Officer

Mr. Farris joined Apache in 1988, and was named chief executive officer in May 2002 and chairman of the board in January 2009. His leadership responsibilities include developing sustainable global strategies, recommending and implementing our capital expenditure programs, developing and maintaining sound business relationships with many of the world s major energy companies, developing and maintaining good relationships with the shareholder, investment, and policy-making communities, guiding and developing senior management, and overseeing our major business and staff units.

Mr. Farris direct reports include each of the other named executive officers, except for Mr. Chambers, who reports to Mr. Plank. Also reporting directly to Mr. Farris are our executive vice president and chief technology officer, executive vice president of corporate reservoir engineering, executive vice president of human resources, executive vice president of international operations, vice president of worldwide exploration and new ventures, senior vice president and chief of staff, planning and strategy, and vice president of environmental health and safety.

Other Named Executive Officers

Messrs. Plank, Eichler, Lannie, and Chambers have served us for a combined 78 years. During this period, each of them has made significant contributions to Apache.

- Mr. Plank, our president and chief corporate officer, has been employed by Apache for 31 years and has been instrumental in managing our financial health, including management of complex financial matters related to our expansion into a global enterprise. The scope of his responsibilities has continued to grow as Apache has grown and as the number of legal and financial jurisdictions in which we operate has multiplied.

- Mr. Eichler, our president and chief operating officer, has been employed by Apache for 19 years and oversees our worldwide operations. Under his leadership, Apache obtained record production results this year despite facing economic and operational challenges in some of its regions. Previously, he had responsibility for our international operating regions consisting of Egypt, Australia, United Kingdom, and Argentina, and prior to that time he headed our operations in Egypt for 12 years.

- Mr. Lannie, our executive vice president and general counsel, has been employed by Apache for 10 years. Prior to his tenure at Apache, he held leadership positions throughout his career in both legal and business roles in the energy industry, including having served as president of divisions of two energy companies. While at Apache, Mr. Lannie has led our legal group and has been instrumental in the numerous transactions that have advanced our growth.

Mr. Chambers, our executive vice president and chief financial officer, has been employed by Apache for 18 years. He has an exceptional knowledge of Apache and our industry. Mr. Chambers has been an integral contributor in industry trend and acquisition analysis, commodity price analysis, monthly and long-range financial budgeting and forecasting, business segment and corporate performance forecasting and analysis, investor communications, and hedging strategy.

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Base Salary Actions

Chairman and Chief Executive Officer

Mr. Farris base salary for 2012 was $1,750,000. He did not receive an increase in his base salary during 2012 or 2011.

Other Named Executive Officers

To make base salary adjustment recommendations for the named executive officers other than the chairman and chief executive officer, the MD&C Committee begins with input from the chairman and chief executive officer concerning the individual performance of each executive and his input concerning the optimal application of the data and policies used (and summarized above) to establish salary ranges more generally. The MD&C Committee reviews this information and analyzes how the base salary and contemplated adjustments for each named executive officer aligns with market data, our performance, market conditions, and internal pay parity considerations. In November 2012, the Committee awarded salary increases to Messrs. Lannie and Chambers in conjunction with their periodic salary review.

The table below reflects the base salaries of our named executive officers approved by the board in 2012:

Name	Salary as of January 1, 2012	Salary as of January 1, 2013
Mr. Farris	$ 1,750,000	$ 1,750,000
Mr. Plank	$ 900,000	$ 900,000
Mr. Eichler	$ 900,000	$ 900,000
Mr. Lannie	$ 600,000	$ 650,000
Mr. Chambers	$ 535,000	$ 600,000

2012 Annual Cash Incentive Bonus Awards

The 2012 annual cash incentive bonus for the named executive officers was comprised of a corporate performance element and an individual performance element.

Corporate Performance Element

The corporate performance element is composed of our achievement of our:

- Corporate performance goals, and
- Corporate management objectives.

For a discussion of each element please see Annual Cash Incentive Bonus *Corporate Performance Goals* *Corporate Management Objectives* .

After its evaluation, the MD&C Committee determined that we achieved 22 percent of our corporate performance goals in 2012, and 110 percent of our corporate management objectives. As a result, the total aggregate achievement of our corporate performance goals and corporate management objectives was 66 percent, comprised of 11 percent for our corporate performance goals and 55 percent for our corporate management objectives.

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Individual Performance Element

Chairman and Chief Executive Officer

In recommending the 2012 annual cash incentive bonus for our chairman and chief executive officer to the Board, the MD&C Committee also evaluated him using an individual performance component that is specific to the position of the chief executive officer. In 2012, the Committee formalized a list of factors that it will consider to enhance its evaluation of the chairman and chief executive officer. While the MD&C Committee does not assign specific weights to the factors below, it uses them to gain additional perspective in evaluating the individual performance of the chairman and chief executive officer. The factors include:

- Regional goal achievements
- Compensation peer group TSR ranking
- Strategy development and implementation
- Increase in reserves per share
- Health, safety, and environmental protection
- Board relationship
- Performance peer group TSR ranking
- Mitigation of Apache s reputational risk
- Increase in production per share
- Succession planning
- Crisis management preparedness
- Other factors as deemed appropriate

The MD&C Committee also considered other subjective factors including the scope of our chairman and chief executive officer s responsibilities, the leadership qualities exhibited by him among the executive team and the organization in general, the relationships nurtured by him with shareholders, industry partners, governments, and other stakeholders, the soundness of judgment exhibited by him in the development and execution of corporate strategy, the effectiveness of his judgment in the allocation of financial capital, the deployment and development of human capital, the management of risk, the long-term realization of our corporate management objectives, our multi-year comprehensive performance, the position and strength of Apache relative to peers, and the level of annual earnings, cash flow and direct lifting costs.

Our chairman and chief executive officer s annual cash incentive bonus was targeted at 200 percent of his base salary earnings. We considered all of the above factors when setting his annual cash incentive bonus without assigning specific weights to each of them. The Board, pursuant to the recommendation of the MD&C Committee, awarded our chairman and chief executive officer an annual cash incentive bonus for 2012 of $4 million, which was 114 percent of his target and approximately 16 percent lower than his cash incentive bonus for 2011. In awarding his 2012 cash incentive bonus, our most important considerations were: (i) the low achievement of corporate performance goals, (ii) the above target achievement of management objectives, (iii) the overall target achievement of regional performance goals, (iv) the record amount of production, (v) the increase in reserves excluding price-related adjustments, (vi) the critical realignment of the Kitimat project, and (vii) his exemplary performance on other factors considered by the MD&C Committee including the ones described above.

Other Named Executive Officers

The individual performance component for the remaining named executive officers was based on the individual achievement of each executive, as determined by the chairman and chief executive officer and recommended by him to the MD&C Committee. A variety of qualitative and quantitative goals and performance results were taken into account, including leadership and management skills, job responsibility, job complexity, and successful performance of an executive officer s business unit. There was no attempt to quantify, rank, or otherwise assign relative weights to these subjective factors. The chairman and chief executive officer conducted an overall analysis of these factors and considered the totality of the information available to him.

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For Messrs. Plank, Eichler, and Lannie, the chairman and chief executive officer qualitatively assessed the performance of their respective groups, considering 2012 results for various categories, including exploration, production, and drilling, and made recommendations to the MD&C Committee as to the appropriate credit that should be given for regional achievements. Mr. Chambers was evaluated by Mr. Plank and our chairman and chief executive officer who then made recommendations to the MD&C Committee.

The named executive officers annual cash incentive bonus awards are set forth below and reflected in the Summary Compensation Table.

Name	2012 Annual Cash Incentive Bonus	Target as Percent of 2012 Base Salary Earnings	Annual Cash Incentive Bonus as Percent of Target
Mr. Farris	$ 4,000,000	200%	114%
Mr. Plank	$ 653,400	110%	66%
Mr. Eichler	$ 653,400	110%	66%
Mr. Lannie	$ 650,000	100%	107%
Mr. Chambers	$ 359,000	100%	66%

Long-Term Compensation Awards in 2012

In 2012, we granted Performance Shares, RSUs, and stock options to the named executive officers under our 2011 Omnibus Plan. The targeted grant date value of long-term compensation for all named executive officers was allocated as follows: 35 percent Performance Shares, 35 percent RSUs, and 30 percent stock options.

In 2012, we awarded the following equity-based long-term incentive awards. Additional detail on these awards is provided in the Grants of Plan Based Awards Table.

Name	Performance Shares	RSU Grants	Stock Options
Mr. Farris	45,481	43,303	114,700
Mr. Plank	17,542	16,702	44,241
Mr. Eichler	17,542	16,702	44,241
Mr. Lannie	7,239	6,893	18,258
Mr. Chambers	6,455	6,146	16,280
Total	**94,259**	**89,746**	**237,720**

The targeted grant date values of long-term compensation and the actual grant date values shown in the tables in this proxy vary somewhat due to the prospective nature of targets. The amounts that will be actually realized by the named executive officers from these awards may differ substantially from the targeted amounts.

Historical Performance Share Results

2010 TSR Program: The performance period for the 2010 Performance Program began on January 1, 2010, and ended on December 31, 2012. The Stock Plan Committee certified the performance results of the 2010 Performance Program in January 2013. Apache was ranked 14th amongst its peer group, which resulted in a cancellation of the shares under this plan for all eligible employees.

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2008 Share Appreciation Program: On May 7, 2008, we established the 2008 Share Appreciation Program (2008 SAP) under which, one-time conditional grants of approximately 2,773,000 shares of our common stock were made to substantially all of our full-time employees and eligible part-time employees. The conditional grants were to vest only upon attainment of an initial price threshold of $162 per share of our common stock prior to year-end 2010 and a final price threshold of $216 per share prior to year-end 2012. The conditional grants issued under the 2008 SAP expired and were forfeited for all eligible employees because neither price threshold was achieved.

EXECUTIVE COMPENSATION DECISION MAKING PROCESS

Role of the Board of Directors

Compensation decision making for executives is both a core Board responsibility and an effective tool for shaping our strategy and performance. The MD&C Committee provides recommendations to the Board for the named executive officers (including the chairman and chief executive officer s) base salary, annual cash incentive bonus, and long-term compensation multiples and components. The Board actively reviews the recommendations and approves them as recommended or with modifications.

Role of the Management Development and Compensation Committee

The MD&C Committee, which met six times in 2012, plays a key role in the Board s compensation oversight and decision making.

The MD&C Committee, on behalf of the Board of Directors, is responsible for reviewing and assessing the effectiveness of our compensation programs, in general, and our executive compensation programs in particular. In performing these duties, the Committee reviews compensation programs and policies to avoid the incentivizing of excessive risk.

The MD&C Committee s key responsibilities are:

- To review our goals and objectives, evaluate performance in light of such goals, and recommend the chairman and chief executive officer s compensation to the Board for approval by the independent directors. This review is handled in independent sessions.

- To make recommendations to the Board concerning the base salary, incentive and equity-based compensation plans for executive officers other than the chairman and chief executive officer.

- To review and recommend to the Board broad-based, long-term compensation programs for executive and non-executive employees.

Each of the MD&C Committee s four members meets the independence requirements of the New York Stock Exchange and NASDAQ listing standards. The MD&C Committee s charter is available on our website.

Role of the Stock Plan Committee

The principal purpose of the Stock Plan Committee is to assist the Board of Directors in the discharge of its responsibilities relating to equity-based compensation of our employees. The Stock Plan Committee s key responsibilities are:

Administration of our equity-based compensation plans and programs and the approval, award, and administration of grants under the same, including certification of performance goals and their achievement.

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Make recommendations to the Board with respect to our equity-based compensation plans and programs.

Prepare a summary of the grants and awards made under our equity-based compensation plans and programs for the MD&C Committee for use in our proxy statement.

Any other duties or responsibilities expressly delegated to the Stock Plan Committee by the Board from time to time relating to our equity-based compensation plans and programs.

Each member of the Stock Plan Committee meets the independence requirements of the New York Stock Exchange and NASDAQ listing standards and is an outside director within the meaning of Section 162(m) of the Internal Revenue Code. The Stock Plan Committee s charter is available on our website.

Role of the Compensation Consultant

The Board and the MD&C Committee have broad access to information to perform their compensation functions. The Board has authorized the MD&C Committee to retain an independent compensation consultant. In 2012, the MD&C Committee retained the Consultant, Pearl Meyer & Partners, to provide independent compensation advice and data to the MD&C Committee and the Board. The Consultant performs an annual review of executive total compensation relative to the market. In addition, the Consultant assesses the competitiveness of our compensation programs versus the practices of our compensation peers and reviews these programs for any potential risk. Except for limited work for management in connection with the Consultant s published industry-specific surveys, for which the Consultant received *de minimis* compensation, the Consultant did not provide any services to Apache other than the executive compensation-related services to the Board. After its review, the MD&C Committee determined that no conflict of interest arose from the work performed by the Consultant.

Also, each year the MD&C Committee reviews the independence of the Consultant to ensure that the Consultant is indeed independent. Among other things, this review includes a certification from the Consultant in which the Committee is provided with written evidence of compliance with the Consultant s own rules regarding independence, which already include the newly adopted independence rules. This certification from the Consultant was provided to the MD&C Committee, and after its review, the MD&C Committee determined that the Consultant was independent.

Role of Management

In addition to the use of the Consultant, the MD&C Committee receives compensation recommendations and evaluations of the executive group from the chairman and chief executive officer. The MD&C Committee, along with each of the independent directors, is authorized by the Board to obtain information from and work directly with any employee in fulfilling its responsibilities. Our executive vice president of human resources prepares information and materials for the chairman and chief executive officer and the MD&C Committee for the exercise of their distinct, but interrelated, compensation responsibilities. The MD&C Committee also utilizes the data provided by the Consultant, including recommendations for the associated compensation values derived from their reports. The MD&C Committee carefully considers the chairman and chief executive officer s recommendations on these matters, reaches final determination, and reports these outcomes to the Board of Directors in the form of recommended actions.

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TAX LEGISLATION RELATED TO COMPENSATION

Section 162(m) of the Internal Revenue Code of 1986, as amended, imposes a limit, with certain exceptions, on the amount that a publicly held corporation may deduct in any tax year commencing on or after January 1, 1994, for the compensation paid or accrued with respect to its chief executive officer and its three highest compensated officers for the year (other than the principal executive officer or the principal financial officer). The MD&C Committee continues to review our compensation plans based upon these regulations and, from time to time, determines what further actions or changes to our compensation plans, if any, would be appropriate. It is the intention of the MD&C Committee for us to receive shareholder approval for all future stock-based compensation plans so that they may qualify for the performance-based compensation exemption.

Our 2005 Stock Option Plan, 2005 Share Appreciation Plan, 2007 Omnibus Equity Compensation Plan (including the 2008 Share Appreciation Program and the 2010 and 2011 TSR Programs), and 2011 Omnibus Equity Compensation Plan (including the 2012 and 2013 TSR Programs) were approved by our shareholders and grants made under such plans qualify as performance-based under the regulations. Our existing annual cash incentive compensation plan, special achievement bonuses, and 2000 Stock Option Plan do not meet the requirements of the regulations, as the shareholder approvals necessary for exemption were not sought. However, these plans operate similarly to prior or other existing plans and are designed to reward the contribution and performance of employees and to provide a meaningful incentive for achieving Apache s goals, which in turn enhances shareholder value. No further grants can be made under the 2000 and 2005 Stock Option Plans, the 2005 Share Appreciation Plan, or the 2007 Omnibus Equity Compensation Plan. While the MD&C Committee cannot predict with certainty how our compensation policies may be further affected by this limitation, it is anticipated that executive compensation paid or accrued pursuant to our compensation plans that have not met the requirements of the regulations will not result in any material loss of tax deductions in the foreseeable future.

On June 24, 2011, the Internal Revenue Service issued proposed regulations clarifying that performance-based compensation attributable to stock options and stock appreciation rights must specify the maximum number of shares with respect to which options or rights may be granted to each individual employee during a specified period in order to meet the performance-based compensation exemption. These proposed regulations would apply to tax years ending on or after the date final regulations are issued. Our compensation plans currently include this provision.

Internal Revenue Code section 409A requires nonqualified deferred compensation plans to meet requirements in order to avoid acceleration of the recipient s federal income taxation of the deferred compensation. The Internal Revenue Service issued final regulations in April 2007 regarding the application of Section 409A, which were generally effective January 1, 2009. Prior to effectiveness, companies were expected to comply in good faith with the statute, taking note of the interim guidance issued by the Internal Revenue Service. We amended several of our benefit plans in order for them to be exempt from Section 409A, while we continue to provide benefits through several plans that remain subject to Section 409A. The terms of these plans were amended before January 1, 2009, as necessary, to meet the requirements of the final regulations.

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MANAGEMENT DEVELOPMENT AND COMPENSATION COMMITTEE REPORT

The Management Development and Compensation Committee of the Board of Directors of Apache Corporation reviewed and discussed with management the Compensation Discussion and Analysis set forth above, and based upon such review and discussion, recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement.

February 28, 2013

Members of the Management Development and

Compensation Committee

George D. Lawrence, Chairman

A. D. Frazier, Jr.

John A. Kocur

William C. Montgomery

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SUMMARY COMPENSATION TABLE

The table below summarizes the compensation for the individuals listed below for all services rendered to the Company and its subsidiaries during fiscal years 2012, 2011 and 2010. The persons included in this table are the Company s principal executive officer, principal financial officer, and the three other most highly compensated executive officers (the Named Executive Officers) who served as executive officers of the Company during 2012.

Name and Principal Position (a)	Year(b)	Salary ($)(c)	Bonus(1) ($)(d)	Stock Awards (2) ($)(e)	Option Awards(2) ($)(f)	Non-Equity Incentive Plan Compensation(3) ($)(g)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (4) ($)(h)	All Other Compensation(5) ($)(i)	Total ($)(j)
G. Steven Farris	2012	1,750,000		6,775,441	3,028,080	4,000,000		1,537,783	17,091,304
Chairman and	2011	1,750,000		5,731,487	2,610,154	4,750,000		1,114,535	15,956,176
Chief Executive Officer	2010	1,750,000		9,774,154	3,498,631	3,250,000		991,561	19,264,346
Roger B. Plank	2012	900,000		2,613,289	1,167,962	653,400		398,376	5,733,027
President and	2011	782,292		1,833,939	835,222	900,000		300,467	4,651,920
Chief Corporate Officer	2010	634,375		3,392,338	833,006	750,000		297,076	5,906,795
Rodney J. Eichler	2012	900,000		2,613,289	1,167,962	653,400		443,707	5,778,358
President and	2011	782,292		1,833,939	835,222	900,000		450,706	4,802,159
Chief Operating Officer	2010	634,375		3,392,338	833,006	750,000		623,334	6,233,053
P. Anthony Lannie	2012	606,899		1,078,470	482,011	650,000		264,013	3,081,393
Executive Vice President and	2011	565,833		818,662	372,879	600,000		220,176	2,577,550
General Counsel	2010	500,000		1,582,424	356,998	550,000		166,526	3,155,948
Thomas P. Chambers	2012	543,969		961,630	429,792	359,000		207,943	2,502,334
Executive Vice President and	2011	449,034		3,002,515	309,453	450,000		135,645	4,346,647
Chief Financial Officer	2010	320,661		743,727	168,485	250,000		90,305	1,573,178

(1) The Named Executive Officers were not entitled to receive payments that would be characterized as bonus payments. See footnote (3) for payments under the Company s incentive compensation plan.

(2) Value of stock awards and option awards made during the fiscal year based upon aggregate grant date fair value, determined in accordance with applicable FASB ASC Topic 718. The discussion of the assumptions used in calculating these values can be found in the footnotes to the Grants of Plan Based Awards Table below and in Note 10 of the Notes to Consolidated Financial Statements included in the Company s Form 10-K for the year ended December 31, 2012. The value of these stock awards and option awards is expensed ratably over the term of the award.

(3) Amounts reflected under column (g) are paid pursuant to the Company s incentive compensation plan as described under Annual Cash Incentive Bonus in the Compensation Discussion and Analysis.

(4) Earnings from Non-Qualified Deferred Compensation Table are not included as they are not above-market or preferential earnings.

(5) For additional information on All Other Compensation, see discussion, table, and footnotes below.

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All Other Compensation

Officers participate in two qualified retirement plans. The 401(k) Savings Plan provides a match up to the first six percent of base pay and incentive bonus. The Money Purchase Retirement Plan provides an annual eight percent company contribution into the same investment choices as the 401(k) Savings Plan with the exception of Company stock. Additionally, officers can elect to participate in the Non-Qualified Retirement/Savings Plan to defer beyond the limits in the 401(k) Savings Plan and continue Company contributions which exceed the limits in the qualified plans. The investment choices mirror those in the 401(k) Savings Plan and the Money Purchase Retirement Plan. The Deferred Delivery Plan allows officers the ability to defer income in the form of deferred units from the vesting of restricted stock units under the Company s Executive Restricted Stock Plan, 2007 Omnibus Equity Compensation Plan, and 2011 Omnibus Equity Compensation Plan. The contributions into both non-qualified plans are reported in the Non-Qualified Deferred Compensation Table. The Company does not have a defined benefit plan for U.S. employees.

Apache provides U.S. employees with two times their base salary under group term life insurance. Executives receive the first $50,000 of coverage under the same group term life insurance plan, and the remaining amount to bring them up to two times salary is provided in the form of whole life insurance policies.

The Board requires G. Steven Farris to use the Company s aircraft for all air travel for security reasons and to facilitate efficient business travel, unless good business judgment requires otherwise. Even though the Company considers these costs a necessary business expense rather than a perquisite for Mr. Farris, in line with SEC guidance, the following table includes the amounts attributable to each Named Executive Officer s personal aircraft usage. Executives are not reimbursed for the taxes on the income attributable to the personal use of corporate aircraft. The methodology for the valuation of non-integral use of corporate aircraft for disclosure in the Summary Compensation Table, in compliance with SEC guidance, calculates the incremental cost to the Company for personal use of the aircraft based on the cost of fuel and oil per hour of flight; trip-related inspections, repairs and maintenance; crew travel expenses; on-board catering; trip-related flight planning services; landing, parking, and hanger fees; supplies; passenger ground transportation; and other variable costs. Additionally, the value of trips attributable to philanthropic interests was included, even though they are seen as contributing to the goodwill of the Company. In addition, Standard Industry Fare Level (SIFL) tables, published by the Internal Revenue Service, are used to determine the amount of compensation income that is imputed to the executive for tax purposes for personal use of corporate aircraft.

In addition to the benefits for which all employees are eligible, the Company also covers the cost of an annual physical and pays 50 percent of health/fitness club membership dues and the full cost of enhanced long-term disability coverage for executive officers.

The Company provides various forms of compensation related to expatriate assignment that differ according to location and term of assignment, including: foreign service premium, foreign assignment tax equalization, location pay, housing and utilities, home leave and travel, goods and services allowance, relocation expense, and tax return preparation. These items have been reflected in the following table under Foreign Assignment Allowances for the amounts that pertain to Mr. Eichler. Mr. Eichler, as executive vice president Egypt, resided in Egypt during 2007, 2008, and January to June 2009.

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The following table provides a detailed breakdown of the amounts for fiscal years 2012, 2011, and 2010 under All Other Compensation in the Summary Compensation Table:

DESCRIPTION	Year	G. Steven Farris	Roger B. Plank	Rodney J. Eichler	P. Anthony Lannie	Thomas P. Chambers
Company Contributions Retirement Plans	2012	$ 34,700	$ 34,700	$ 34,700	$ 34,700	$ 34,700
	2011	$ 29,400	$ 29,400	$ 29,400	$ 29,400	$ 29,400
	2010	$ 29,400	$ 29,400	$ 29,400	$ 29,400	$ 29,400
Company Contributions	2012	$ 875,300	$ 201,237	$ 201,237	$ 128,802	$ 86,760
	2011	$ 570,600	$ 154,475	$ 154,475	$ 104,500	$ 54,484
Non-Qualified Plan	2010	$ 480,600	$ 109,725	$ 109,725	$ 67,800	$ 25,939
Life Insurance Premiums	2012	$ 191,286	$ 39,851	$ 74,940	$ 34,680	$ 28,801
	2011	$ 174,932	$ 32,600	$ 100,254	$ 31,437	$ 20,748
	2010	$ 155,057	$ 27,973	$ 72,199	$ 22,766	$ 17,702
Reimbursement for Taxes on Life	2012	$ 109,715	$ 22,857	$ 53,074	$ 19,891	$ 16,519
	2011	$ 100,335	$ 18,698	$ 70,974	$ 18,031	$ 11,900
Insurance Premiums	2010	$ 88,935	$ 16,044	$ 51,113	$ 13,058	$ 10,153
Use of Company Property	2012	$ 4,446(a)	$ 18,595(b)	$	$	$
	2011	$ 4,174(a)	$	$	$	$
	2010	$	$ 15,955(b)	$	$	$
Reimbursement for Taxes on	2012	$	$	$	$	$
	2011	$	$	$	$	$
Use of Company Property	2010	$	$	$	$	$
Enhanced Long-Term Disability Coverage	2012	$ 289,336	$ 62,761	$ 67,614	$ 38,020	$ 21,003
	2011	$ 175,094	$ 40,919	$ 48,567	$ 28,530	$ 19,113
and Annual Physicals	2010	$ 147,569	$ 36,359	$ 28,370	$ 18,502	$ 5,726
Reimbursement for Taxes on	2012	$	$	$	$	$
	2011	$	$	$	$ 1,678	$
Annual Physicals	2010	$	$ 1,620	$	$	$
Club Memberships (50%)	2012	$	$	$	$	$
	2011	$	$	$	$	$
	2010	$	$	$	$	$ 1,385(c)
Dividend Equivalents Paid on Unvested	2012	$ 33,000	$ 18,375	$ 18,375	$ 7,920	$ 20,160
	2011	$ 60,000	$ 24,375	$ 24,375	$ 6,600	$
Restricted Stock Units	2010	$ 90,000	$ 60,000	$ 60,000	$ 15,000	$
Foreign Assignment Allowances	2012	$	$	$ (6,233)(d)	$	$
	2011	$	$	$ 22,661 (d)	$	$
	2010	$	$	$ 272,527 (d)	$	$
Total 2012		$ 1,537,783	$ 398,376	$ 443,707	$ 264,013	$ 207,943
Total 2011		$ 1,114,535	$ 300,467	$ 450,706	$ 220,176	$ 135,645
Total 2010		$ 991,561	$ 297,076	$ 623,334	$ 166,526	$ 90,305

(see footnotes on following page)

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(a) These amounts for 2012 and 2011 are for use of corporate aircraft.

(b) This amount for 2012 is for use of corporate aircraft.
This amount for 2010 is for use of corporate aircraft related to Company-supported charitable interests.

(c) In 2010, Mr. Chambers received taxable reimbursement for 50 percent of his country club membership dues because of his former role as vice president of investor relations. After his promotion to executive vice president and chief financial officer in November 2010, Mr. Chambers was no longer reimbursed for his country club membership.

(d) This amount for 2012 includes $6,983 in tax credits related to foreign assignment and $750 for tax return preparation.
This amount for 2011 includes $21,911 for taxes related to foreign assignment and $750 for tax return preparation.

This amount for 2010 includes $272,277 for taxes related to foreign assignment and $250 for housing and utilities.

Executives assigned to foreign countries typically incur a change in their overall tax liability because most of the components of assignment compensation that are provided in addition to base salary are taxable in the United States and in the foreign country. Therefore, the Company s expatriate assignment policy provides that it will be responsible for any additional foreign or U.S. taxes due as a direct result of the international assignment and the executive remains financially responsible for the tax which he/she would have incurred if he/she had continued to live and work in the United States. Pursuant to this policy, the Company withheld from Mr. Eichler s compensation an amount equivalent to the taxes that would have been due had he remained in the United States. Those funds were used to help pay taxes due in the United States and in Egypt during the period of his foreign assignment. The Company paid taxes due in excess of Mr. Eichler s withholding that were incurred as a result of his foreign assignment.

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GRANTS OF PLAN BASED AWARDS TABLE

The table below provides supplemental information relating to the Company s grants of stock options and restricted stock units during fiscal year 2012 to the Named Executive Officers. There were no stock appreciation rights granted during fiscal year 2012. Also included, in compliance with SEC rules on disclosure of executive compensation, is information relating to the estimated grant date fair value of the grants. For stock options, the estimated fair value is based upon principles of the Black-Scholes option pricing model. The Black-Scholes model utilizes numerous arbitrary assumptions about financial variables such as interest rates, stock price volatility and future dividend yield. Neither the values reflected in the table nor the assumptions utilized in arriving at the values should be considered indicative of future stock performance.

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units	All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards ($/Sh)	Grant Date Fair Value of Stock and Option Awards ($)
	Grant	Threshold	Target	Maxi-mum	Threshold	Target	Maximum				
Name (a)	Date (b)	($)(c)	($)(1)(d)	($)(1)(e)	(#)(f)	(#)(2)(g)	(#)(h)	(#)(3)(i)	(#)(4)(j)	(5)(k)	(3)(6)(l)
G. Steven Farris			3,500,000	7,000,000							
	01/11/2012				0	45,481	113,702				3,197,314
	05/22/2012							43,303			3,578,127
	05/22/2012								114,700	82.63	3,028,080
Roger B. Plank			990,000	1,980,000							
	01/11/2012				0	17,542	43,855				1,233,203
	05/22/2012							16,702			1,380,086
	05/22/2012								44,241	82.63	1,167,962
Rodney J. Eichler			990,000	1,980,000							
	01/11/2012				0	17,542	43,855				1,233,203
	05/22/2012							16,702			1,380,086
	05/22/2012								44,241	82.63	1,167,962
P. Anthony Lannie			606,899	1,213,798							
	01/11/2012				0	7,239	18,097				508,902
	05/22/2012							6,893			569,569
	05/22/2012								18,258	82.63	482,011
Thomas P. Chambers			543,969	1,087,938							
	01/11/2012				0	6,455	16,137				453,787
	05/22/2012							6,146			507,844
	05/22/2012								16,280	82.63	429,792

(1) Reflects estimated possible payouts under the Company s annual incentive compensation plan. The estimated amounts are calculated based on the applicable annual bonus target and base salary earnings for each Named Executive Officer in effect for the 2012 measurement period. Beginning with the 2012 annual incentive bonus awards, a maximum payout not to exceed 200 percent of target was established. The Company s annual incentive compensation plan does not contain thresholds. Actual incentive bonus awards granted for 2012 are reflected in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table.

(2) The target number assumes that the multiple described below is 1.00, while the maximum number assumes a multiple of 2.50. The threshold level shown is 0 because Company performance in the bottom quartile results in no payout.

On November 14, 2011, pursuant to the 2011 Omnibus Equity Compensation Plan, the Company established the 2012 Performance Program Specifications for all professional and management employees (excluding Egyptian nationals and non-exempt support staff and non-supervisory field staff) who are employed on or before December 31, 2011. These employees, including the executives named in the Summary

Compensation Table, were granted the right to receive restricted stock units (RSUs), the number of which will be determined and for which vesting will begin on December 31, 2014 based on the Company s total shareholder return (TSR) as compared to a peer group of 18 companies. At the conclusion of the three-year performance period, which began on January 1, 2012 and ends on December 31, 2014, the Company s performance will be directly ranked within the peer group, resulting in the

(footnotes continued on following page)

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application of a single multiplier to the target shares to derive the number of shares awarded. The number of RSUs will be based on a target multiple (or percentage) of annual base salary at January 1, 2012 derived from job level as follows:

TSR Rank	1	2	3	4	5	6	7	8	9	10	11	12	13	14-19
Payout Multiple	2.50	2.25	2.00	1.80	1.60	1.40	1.20	1.00	0.90	0.80	0.70	0.60	0.50	0.00

If the Company s TSR ranks from 1 to 13, vesting will begin on December 31, 2014, with 50 percent of the adjusted number of RSUs vesting immediately, 25 percent vesting as of December 31, 2015, and 25 percent vesting as of December 31, 2016. If the Company ranks from 14 to 19, none of the conditional RSUs will vest. Employees must be employed during the entire performance period and on the date of vesting. Newly eligible employees will enter at the beginning of the next available performance period.

TSR is determined by dividing (i) the sum of the cumulative amount of a company s dividends for the performance period (assuming same-day reinvestment into the company s common stock on the ex-dividend date) and the share price of the company at the end of the performance period minus the share price at the beginning of the performance period by (ii) the share price at the beginning of the performance period.

(3) This column reflects the number of restricted stock units granted under the terms of the 2011 Omnibus Equity Compensation Plan on May 22, 2012. The grant date fair value of these awards, calculated in accordance with FAS 123R, is based on a closing price of the Company s common stock on the date of grant. Except as discussed below, such restricted stock units are generally non-transferable, vest ratably over four years, and no dividends are paid on such units until vested.

(4) This column sets forth the number of shares of the Company s common stock subject to options granted under the terms of the 2011 Omnibus Equity Compensation Plan. The options granted under the terms of the 2011 Omnibus Equity Compensation Plan are generally nontransferable and become exercisable ratably over four years. The options were granted for a term of ten years, subject to earlier termination in specific circumstances related to termination of employment, and are not intended to qualify as incentive stock options under Section 422 of the Internal Revenue Code. The exercise price and any withholding tax requirements may be paid by cash and/or delivery or attestation of already-owned shares of the Company s common stock. The Company s stock option plans, including the 2011 Omnibus Equity Compensation Plan, are administered by the Stock Plan Committee of the Company s Board of Directors.

Options granted under the 2011 Omnibus Equity Compensation Plan are subject to appropriate adjustment in the event of reorganization, stock split, stock dividend, combination of shares, merger, consolidation or other recapitalization of the Company. Upon both a change of control of the Company and termination of employment, all outstanding options become automatically vested so as to make all such options fully vested and exercisable as of the date of such change of control. A change of control occurs when a person, partnership or corporation acting in concert, or any or all of them, acquires more than 20 percent of the Company s outstanding voting securities. A change of control shall not occur if, prior to the acquisition of more than 20 percent of the Company s voting securities, such persons, partnerships or corporations are solicited to do so by the Company s Board of Directors.

(5) The exercise price is the closing price per share of the Company s common stock on the date of grant, as reported on The New York Exchange, Inc. Composite Transactions Reporting System.

(6) The grant date present value is based on the Black-Scholes option pricing model adapted for use in calculating the fair value of executive stock options, using the following assumptions for the grants made May 22, 2012: volatility 36.94 percent; risk free rate of return 0.78 percent; dividend yield 0.82 percent; and expected option life 5.5 years. There were no adjustments made to the model for non-transferability or risk of forfeiture. The actual value, if any, an executive may realize will depend on the excess of the market price over the exercise price on the date the option is exercised. There is no assurance the value realized by an executive will be at or near the value estimated by the Black-Scholes model.

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OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END TABLE

The table below provides supplemental information relating to the stock-based awards held by the Named Executive Officers at December 31, 2012:

	Option Awards					Stock Awards			
Name(a)	Number of Securities Underlying Unexercised Options Exercisable (#)(b)	Number of Securities Underlying Unexercised Options Unexercisable (#)(c)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)(d)	Option Exercise Price ($)(e)	Option Expiration Date (f)	Number of Shares or Units of Stock That Have Not Vested (#)(g)	Market Value of Shares or Units of Stock That Have Not Vested(1) ($)(h)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)(i)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)(j)
G. Steven Farris	31,750			56.7300	05/05/2015	50,000 (2)	3,925,000	28,029 (7)	2,200,277 (7)
	28,150			71.8800	05/03/2016	2,725 (3)	213,913	45,481 (12)	3,570,259 (12)
	31,050			74.1000	05/02/2017	18,795 (6)	1,475,408		
	8,175	2,725 (3)		82.5500	05/06/2019	43,303 (10)	3,399,286		
	51,269	51,270 (5)		99.3000	05/05/2020				
	15,463	46,389 (6)		126.6100	05/04/2021				
		114,700 (9)		82.6300	05/22/2022				
Rodney J. Eichler	5,300			56.7300	05/05/2015	25,000 (4)	1,962,500	8,969 (7)	704,067 (7)
	4,600			71.8800	05/03/2016	2,275 (3)	178,588	17,542 (12)	1,377,047 (12)
	10,100			74.1000	05/02/2017	6,014 (6)	472,099		
	6,500			135.8300	05/07/2018	16,702 (10)	1,311,107		
	6,825	2,275 (3)		82.5500	05/06/2019				
	12,207	12,207 (5)		99.3000	05/05/2020				
	4,948	14,844 (6)		126.6100	05/04/2021				
		44,241 (9)		82.6300	05/22/2022				
Roger B. Plank	7,700			56.7300	05/05/2015	25,000 (4)	1,962,500	8,969 (7)	704,067 (7)
	6,600			71.8800	05/03/2016	2,275 (3)	178,588	17,542 (12)	1,377,047 (12)
	14,300			74.1000	05/02/2017	6,014 (6)	472,099		
	8,917			135.8300	05/07/2018	16,702 (10)	1,311,107		
	6,825	2,275 (3)		82.5500	05/06/2019				
	12,207	12,207 (5)		99.3000	05/05/2020				

	4,948	14,844 (6)	126.6100	05/04/2021				
		44,241 (9)	82.6300	05/22/2022				
P. Anthony Lannie	2,500		74.1000	05/02/2017	1,400 (3)	109,900	4,004 (7)	314,314 (7)
	6,417		135.8300	05/07/2018	8,000 (11)	628,000	7,239 (12)	568,262 (12)
	4,200	1,400 (3)	82.5500	05/06/2019	2,115 (5)	166,028		
	5,231	5,232 (5)	99.3000	05/05/2020	2,685 (6)	210,773		
	2,209	6,627 (6)	126.6100	05/04/2021	6,893 (10)	541,101		
		18,258 (9)	82.6300	05/22/2022				
Thomas P. Chambers	900		74.1000	05/02/2017	800 (3)	62,800	3,323 (7)	260,856 (7)
	2,208		135.8300	05/07/2018	998 (5)	78,343	6,455 (12)	506,718 (12)
	1,600	800 (3)	82.5500	05/06/2019	16,000 (8)	1,256,000		
	2,469	2,469 (5)	99.3000	05/05/2020	2,229 (6)	174,977		
	1,833	5,500 (6)	126.6100	05/04/2021	6,146 (10)	482,461		
		16,280 (9)	82.6300	05/22/2022				

(1) Based on the per share closing price of the Company s common stock of $78.50 for December 31, 2012.

(2) Vested on 1/2/2013.

(3) Vests on 5/6/2013.

(4) Vests ratably on 2/11/2013 and 2/11/2014.

(5) Vests ratably on 5/5/2013 and 5/5/2014.

(6) Vests ratably on 5/4/2013, 5/4/2014 and 5/4/2015.

(7) Amount that vests will be based on the Company s total shareholder return from 1/1/2011 12/31/2013; no payout value unless vesting occurs. Through 12/31/2012, the Company s total shareholder return rank equals 17 out of 19 for a zero multiple under the 2011 Performance Program.

(8) Vests ratably on 2/9/2013, 2/9/2014, 2/9/2015 and 2/9/2016.

(9) Vests ratably on 5/22/2013, 5/22/2014, 5/22/2015 and 5/22/2016.

(10) Vests ratably on 5/31/2013, 5/21/2014, 5/21/2015 and 5/21/2016.

(11) Vests ratably on 11/18/2013 and 11/18/2014.

(12) Amount that vests will be based on the Company s total shareholder return from 1/1/2012 12/31/2014; no payout value unless vesting occurs. Through 12/31//2012, the Company s total shareholder return rank equals 17 out of 19 for a zero multiple under the 2012 Performance Program.

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OPTION EXERCISES AND STOCK VESTED TABLE

The table below provides supplemental information relating to the value realized upon the exercise of stock options and upon the vesting of restricted stock units and conditional grants during fiscal year 2012 by each Named Executive Officer:

	Option Awards		Stock Awards	
Name(a)	Number of Shares Acquired on Exercise (#)(b)	Value Realized on Exercise ($)(c)	Number of Shares Acquired on Vesting (#)(1)(d)	Value Realized on Vesting ($)(1)(e)
G. Steven Farris			58,989 (2)	5,536,362 (2)
Roger B. Plank			21,204	2,080,986
Rodney J. Eichler			20,904 (3)	2,054,634 (3)
P. Anthony Lannie			9,818	823,213
Thomas P. Chambers			7,358 (4)	697,982 (4)

(1) Reflects restricted stock units vested under the terms of the 2007 Omnibus Equity Compensation Plan and the 2011 Omnibus Equity Compensation Plan.

(2) On May 8, 2008, G. Steven Farris was granted 250,000 restricted stock units. The closing price of the Company s common stock on May 8, 2008, was $138.18 per share. On each of July 1, 2009, January 4, 2010, and January 3, 2011, 50,000 of the restricted stock units vested. On January 3, 2012, 50,000 of the restricted stock units vested, resulting in compensation of $4,796,500. The closing price of the Company s common stock on January 3, 2012, was $95.93 per share.

The remaining 50,000 restricted stock units vested on the first business day of 2013. Upon vesting, Apache issued one share of common stock for each restricted stock unit, and 30,000 out of such 50,000 shares are not eligible for sale by Mr. Farris until such time as he retires as chief executive officer or otherwise terminates employment with the Company. At the time of grant in May 2008, Mr. Farris was granted dividend equivalent payments on the unvested restricted stock units equivalent to cash dividends on the Company s common stock.

(3) For Mr. Eichler, includes compensation of $1,589,205 that was deferred under the terms of Apache s Deferred Delivery Plan related to the vesting of 15,600 restricted stock units.

(4) For Mr. Chambers, includes compensation of $201,940 that was deferred under the terms of Apache s Deferred Delivery Plan related to the vesting of 2,000 restricted stock units.

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NON-QUALIFIED DEFERRED COMPENSATION TABLE

The table below provides supplemental information relating to compensation deferred during fiscal year 2012 under the terms of the Non-Qualified Retirement/Savings Plan and/or the Deferred Delivery Plan by the Named Executive Officers:

Name (a)		Executive Contributions in Last FY ($)(b)	Registrant Contributions in Last FY ($)(c)	Aggregate Earnings in Last FY ($)(d)		Aggregate Withdrawals/ Distributions ($)(e)	Aggregate Balance at Last FYE ($)(f)
G. Steven Farris	(1)	402,500	785,300	43,181	(3)(4)	0	5,660,925
	(2)	0	0	0		0	0
Roger B. Plank	(1)	184,500	201,237	276,714	(3)(4)	0	4,744,413
	(2)	0	0	0		0	0
Rodney J. Eichler	(1)	1,102,500	201,237	926,551	(3)(4)	0	8,404,153
	(2)	1,589,205	0	40,137	(4)	375,008	4,964,727
P. Anthony Lannie	(1)	62,052	128,802	(49,022)	(3)(4)	0	528,017
	(2)	0	0	0		0	0
Thomas P. Chambers	(1)	96,035	86,760	75,243	(3)(4)	0	728,497
	(2)	201,940	0	1,022	(4)	0	157,976

(1) Non-Qualified Retirement/Savings Plan see discussion under All Other Compensation above. The amounts in column (c) are included in the Summary Compensation Table under All Other Compensation.

(2) Deferred Delivery Plan see discussion under All Other Compensation above and footnote (2) to the table under Equity Compensation Plan Information above.

(3) Includes unrealized gains (losses) in the Non-Qualified Retirement/Savings Plan as follows: Mr. Farris ($41,679); Mr. Plank $91,132; Mr. Eichler $622,861; Mr. Lannie ($49,756); and Mr. Chambers $45,301.

(4) Earnings not included in column (h) of the Summary Compensation Table as they are not above-market or preferential earnings.

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EMPLOYMENT CONTRACTS AND TERMINATION OF

EMPLOYMENT AND CHANGE-IN-CONTROL ARRANGEMENTS

The Company has entered into certain agreements and maintains certain plans that will require the Company to provide compensation to Named Executive Officers of the Company in the event of a termination of employment or a change in control of the Company. The amount of compensation payable to each Named Executive Officer in each situation is listed in the following table for fiscal year 2012, assuming termination had occurred on December 31, 2012.

Name	Retirement or Voluntary Termination	For Cause Termination	Termination without Cause	Change of Control Termination (6)	Death
G. Steven Farris					
Employment Contract (1)	$ 0	$ 0	$ 10,500,000	$ 10,500,000	$ 0
Income Continuance Plan	$ 0	$ 0	$ 0	$ 11,500,000	N/A
Benefits Continuation					
Health	$ 0	$ 0	$ 63,612	$ 42,408	$ 3,534
Life	$ 0	$ 0	$ 0	$ 382,698	$ 0
Unvested & Accelerated					
Restricted Stock Units (2)	$ 0	$ 0	$ 0	$ 14,784,143	$ 10,859,143
Stock Options	$ 0	$ 0	$ 0	$ 0	$ 0
TOTAL	$ 0	$ 0	$ 10,563,612	$ 37,209,249	$ 10,862,677
Rodney J. Eichler					
Income Continuance Plan	$ 0	$ 0	$ 0	$ 3,106,800	$ 0
Benefits Continuation					
Health	$ 0	$ 0	$ 0	$ 42,408	$ 0
Life	$ 0	$ 0	$ 0	$ 150,066	$ 0
Unvested & Accelerated					
Restricted Stock Units (3)	$ 0	$ 0	$ 0	$ 6,005,408	$ 4,042,908
Stock Options	$ 0	$ 0	$ 0	$ 0	$ 0
TOTAL	$ 0	$ 0	$ 0(7)	$ 9,304,682	$ 4,042,908
Roger B. Plank					
Income Continuance Plan	$ 0	$ 0	$ 0	$ 3,106,800	$ 0
Benefits Continuation					
Health	$ 0	$ 0	$ 0	$ 42,408	$ 0
Life	$ 0	$ 0	$ 0	$ 79,828	$ 0
Unvested & Accelerated					
Restricted Stock Units (3)	$ 0	$ 0	$ 0	$ 6,005,408	$ 4,042,908
Stock Options	$ 0	$ 0	$ 0	$ 0	$ 0
TOTAL	$ 0	$ 0	$ 0(7)	$ 9,234,444	$ 4,042,908
P. Anthony Lannie					
Income Continuance Plan	$ 0	$ 0	$ 0	$ 2,513,798	$ 0
Benefits Continuation					
Health	$ 0	$ 0	$ 0	$ 28,260	$ 0
Life					