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Form DEF 14A
March 28, 2005

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WASHINGTON, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

Filed by the Registrant ☐
Filed by a Party other than the Registrant ☐

Check the appropriate box:

- ☐ Preliminary Proxy Statement
☐ CONFIDENTIAL, FOR USE OF THE COMMISSION ONLY (AS PERMITTED BY
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☒ Definitive Proxy Statement
☐ Definitive Additional Materials
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Apache Corporation

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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(APACHE LOGO)

ONE POST OAK CENTRAL
2000 POST OAK BOULEVARD, SUITE 100
HOUSTON, TEXAS 77056-4400

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO THE STOCKHOLDERS OF APACHE CORPORATION:

The 2005 annual meeting of stockholders of Apache Corporation, a Delaware corporation, will be held on Thursday, May 5, 2005, at 10:00 a.m. (Houston time), at the Hilton Houston Post Oak (formerly the Doubletree Hotel Houston -- Post Oak), 2001 Post Oak Boulevard, Houston, Texas, for the following purposes:

1. Election of four directors to serve until the Company's annual meeting in 2008;
2. Approval of the 2005 Stock Option Plan;

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3. Approval of the 2005 Share Appreciation Plan;
4. Consideration of two stockholder proposals, if presented at the meeting;
and
5. Transaction of any other business that may properly come before the
meeting or any adjournment thereof.

Holders of record of the Company's common stock as of the close of business on March 16, 2005 are entitled to notice of, and to vote at, the annual meeting. The Company's stock transfer books will not be closed. A complete list of stockholders entitled to vote at the annual meeting will be available for examination by any Apache stockholder at 2000 Post Oak Boulevard, Suite 100, Houston, Texas, for purposes relating to the annual meeting, during normal business hours for a period of ten days before the 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

APACHE CORPORATION

/s/ C. L. PEPER
C. L. PEPER
Corporate Secretary

Houston, Texas
March 28, 2005

PROXY STATEMENT TABLE OF CONTENTS

	PAGE

General.....	1
Purpose of the Annual Meeting.....	1
Who Can Vote.....	1
How to Vote.....	1
Voting 401(k) Plan Shares.....	2
Revoking a Proxy.....	2
Quorum and Votes Needed.....	2
How the Votes are Counted.....	2
Election of Directors (Item No. 1).....	3
Nominees for Election as Directors.....	4
Continuing Directors.....	5
Director Independence.....	7
Standing Committees and Meetings of the Board of Directors.....	8
Criteria for New Board Members and Re-Election of Existing Board Members.....	10
Report of the Audit Committee.....	11
Director Compensation.....	13
Securities Ownership and Principal Holders.....	15
Section 16(a) Beneficial Ownership Reporting Compliance.....	16
Equity Compensation Plan Information.....	17

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Executive Officers of the Company.....	18
Summary Compensation Table.....	21
Option/SAR Exercises and Year-End Value Table.....	23
Long-Term Incentive Plan Awards Table.....	24
The Management Development and Compensation Committee Report on Executive Compensation.....	25
Performance Graph.....	30
Employment Contracts and Termination of Employment and Change-in-Control Arrangements.....	31
Compensation Committee Interlocks and Insider Participation.....	32
Certain Business Relationships and Transactions.....	32
Approval of the 2005 Stock Option Plan (Item No. 2).....	34
Approval of the 2005 Share Appreciation Plan (Item No. 3)...	38
Consideration of Stockholder Proposals.....	42
Proposal 1 -- Director Election Majority Vote Standard (Item No. 4).....	42
Proposal 2 -- Auditor Independence (Item No. 5).....	44
Independent Public Accountants.....	47
Future Stockholder Proposals.....	48
Solicitation of Proxies.....	48
Appendix A -- Governance Principles.....	A-1
Appendix B -- 2005 Stock Option Plan.....	B-1
Appendix C -- 2005 Share Appreciation Plan.....	C-1

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 stockholders 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 stockholders 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 stockholders of record on December 31, 2001.

APACHE CORPORATION
ONE POST OAK CENTRAL
2000 POST OAK BOULEVARD, SUITE 100
HOUSTON, TEXAS 77056-4400

March 28, 2005

PROXY STATEMENT

GENERAL

This proxy statement contains information about the 2005 annual meeting of stockholders of Apache Corporation. In this proxy statement "Apache" and "the Company" both 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 March 28, 2005.

PURPOSE OF THE ANNUAL MEETING

At the Company's annual meeting, stockholders will vote on the election of directors, approval of the 2005 Stock Option Plan, approval of the 2005 Share Appreciation Plan, and two stockholder proposals as outlined in the accompanying notice of meeting, and on 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

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similar rights of dissenters arising from matters to be acted on at the meeting.

WHO CAN VOTE

Only stockholders of record holding shares of Apache common stock at the close of business on the record date, March 16, 2005, are entitled to receive notice of the annual meeting and to vote the shares of Apache common stock they held on that date. As of February 28, 2005, there were 328,095,581 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.

Apache currently has outstanding one series of preferred stock -- the 5.68% Cumulative Preferred Stock, Series B (the "Series B Preferred Stock"). The holders of the depositary shares, each representing 1/10th of a share of Series B Preferred Stock, are not entitled to any voting rights, except under certain circumstances relating to non-payment of dividends on the Series B Preferred Stock. As of the date of this proxy statement, all dividend payments on the Series B Preferred Stock were current.

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

- using the toll-free telephone number or internet voting site listed on the enclosed proxy card. Specific directions for using the telephone and internet voting systems are shown on the proxy card.

1

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

When using telephone or internet voting, the systems verify that you are a stockholder through the use of a company number for Apache and a unique control number for you. IF YOU VOTE BY TELEPHONE OR INTERNET, PLEASE DO NOT MAIL THE ENCLOSED PROXY CARD.

Whichever of these methods 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 will be voted FOR the election of the nominees for director, approval of the 2005 Stock Option Plan and the 2005 Share Appreciation Plan, and AGAINST the stockholder proposals. If other matters of business not presently known are properly raised at the meeting, the proxies will vote on the matters in accordance with their best judgment.

VOTING 401(K) 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) plan is Fidelity Management Trust Company.

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The trustee will vote the shares in your plan account in accordance with your instructions. If you do not send instructions (by voting your shares as provided above under "How to Vote") or if your proxy card is not received by May 2, 2005, 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 mail, telephone or Internet), by voting at the meeting, or by filing a written revocation with Apache's corporate secretary. Your attendance at the annual meeting will not automatically revoke your proxy.

QUORUM AND VOTES NEEDED

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. The affirmative vote of a plurality of the votes cast at the annual meeting is required for the election of directors. For each of the 2005 Stock Option Plan and the 2005 Share Appreciation Plan, the affirmative vote of the holders of a majority of the shares represented in person or by proxy and entitled to vote on such matters will be required for approval. For each of the stockholder proposals, the affirmative vote of the holders of a majority of the shares represented in person or by proxy and entitled to vote on such matters will be required for approval.

HOW THE VOTES ARE COUNTED

Representatives of Wells Fargo Bank, N.A. will tabulate the votes and act as inspectors of election. A properly signed proxy marked to "withhold" authority for the election of one or more directors will be counted for quorum purposes but not for voting purposes. A properly signed proxy

2

marked "abstain" with respect to the 2005 Stock Option Plan, the 2005 Share Appreciation Plan, or either of the stockholder proposals will be counted for quorum purposes but not for voting purposes, and such abstention will have the effect of a vote against the applicable plan or stockholder proposal.

If you hold your shares in "street name" through a broker or other nominee, your broker or nominee may not have discretionary authority to vote certain shares of Apache common stock on a matter. Thus, if you do not give your broker or nominee specific instructions, your shares may not be voted on a matter to be acted upon and will not be counted in determining the number of shares necessary for approval. However, the shares of Apache common stock represented by such "broker non-votes" will be counted for quorum purposes.

ELECTION OF DIRECTORS (ITEM NO. 1 ON PROXY CARD)

The Company's certificate of incorporation provides that, as near as numerically possible, one-third of the directors shall be elected at each annual meeting of stockholders. 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 present terms of directors G. Steven Farris, Randolph M. Ferlic, A. D. Frazier, Jr. and John A. Kocur will expire at the 2005 annual meeting. Messrs.

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Farris, Ferlic, Frazier, and Kocur have been recommended by the Company's corporate governance and nominating committee and nominated by the board of directors for election by the stockholders to an additional three-year term. If elected, Messrs. Farris, Ferlic, Frazier, and Kocur will serve beginning upon election until the annual meeting of stockholders in 2008.

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 four nominees. The board of directors knows of no nominee for director who is unwilling or unable to serve.

3

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.

DIRECTOR
SINCE

G. STEVEN FARRIS, 57, was appointed president, chief executive officer and chief operating officer in May 2002, having been president and chief operating officer of the Company since May 1994. He was senior vice president of the Company from 1991 to 1994, and vice president -- exploration and production from 1988 to 1991. Prior to joining Apache, Mr. Farris was vice president of finance and acquisitions for Terra Resources, Inc., a Tulsa, Oklahoma oil and gas company, from 1983 to 1988. He is a member of the executive committee.

1994

RANDOLPH M. FERLIC, 68, retired in December 1993 from his practice as a thoracic and cardiovascular surgeon. He is the founder of Surgical Services of the Great Plains, P.C., and served as its president from 1974 to 1993. Dr. Ferlic was elected as a Regent of the University of Nebraska in November 2000. At Apache, he is chairman of the audit committee and a member of the executive committee.

1986

A. D. FRAZIER, JR., 60, is chairman of WolfCreek Broadcasting, Inc. and is of counsel with the law firm of Balch & Bingham LLP, Atlanta, Georgia. He retired as a director, president and chief operating officer of Caremark Rx, Inc., a publicly-traded pharmacy benefit management company, in March 2004 having served in that role since August 2002. From March 2001 until August 2002, Mr. Frazier was chairman and chief executive officer of the Chicago Stock Exchange. He had been a global partner of AMVESCAP PLC, a London-based independent global investment management firm and the parent company of INVESCO, Inc., from 1997 to March 2001, having served INVESCO as president and chief executive officer of its U.S. institutional business from 1997 to December 2000, and executive vice president from 1996 to 1997. He is a director and chairman of the board of

1997

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Gold Kist, Inc., Atlanta, Georgia, a publicly-traded integrated chicken production, processing and marketing company, and a director of Gevity HR, Inc., Bradenton, Florida, a publicly-traded human resources outsourcing firm. At Apache, Mr. Frazier is a member of the management development and compensation committee and the stock option plan committee.

JOHN A. KOCUR, 77, is engaged in the private practice of law. He served as vice chairman of the Company's board of directors from 1988 to 1991. Mr. Kocur was employed by the Company from 1969 until his retirement in 1991, and served as the Company's president from 1979 to 1988. He is chairman of the executive committee and a member of the management development and compensation committee. 1977

4

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 2005 annual meeting is set forth below. Unless otherwise stated, the principal occupation of each director has been the same for the past five years.

	DIRECTOR SINCE -----	TERM EXPIRES -----
FREDERICK M. BOHEN, 67, returned to serve as executive vice president and chief operating officer of The Rockefeller University in February 2002, having previously served in those capacities from 1990 through September 1999. He was senior vice president of Brown University from 1983 to 1990, and served as vice president of finance and operations at the University of Minnesota from 1981 to 1983. Mr. Bohlen was with the U.S. Department of Health and Human Services as assistant secretary for management and budget from 1977 to 1981. He is a director of American Council of Learned Societies and a member of its executive committee. Mr. Bohlen is also a director of the Polish American Freedom Foundation and chairman of its investment committee, as well as a director of the Teak Fellowship, a not-for-profit organization that mentors and assists gifted adolescent children from disadvantaged circumstances. At Apache, he is chairman of the management development and compensation committee and chairman of the stock option plan committee.	1981	2006
EUGENE C. FIEDOREK, 73, is a private investor. Formerly, he was 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. 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.	1988	2007
PATRICIA ALBJERG GRAHAM, 69, joined the Company's board of	2002	2007

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directors in September 2002. She is the Charles Warren Research Professor of the History of American Education at Harvard University. Dr. Graham joined the faculty of Harvard Graduate School of Education in 1974, and was its dean from 1982 to 1991. From 1991 to 2000, she served as president of the Spencer Foundation, which supports research into educational improvement. Dr. Graham is also a director of Northwestern Mutual Life Insurance Company, as well as a director of Rural School Community Trust, the Center for Advanced Study in the Behavioral Sciences, Central European University, the Higher Education Support Sub-Board of the Open Society Institute, and the Josiah Macy, Jr. Foundation. At Apache, she is a member of the corporate governance and nominating committee.

GEORGE D. LAWRENCE, 54, is a private investor, and joined the Company's board of directors in May 1996. Formerly, he was president, chief executive officer and a director of The Phoenix Resource Companies, Inc. from 1990 until May 1996, when Phoenix became a wholly-owned subsidiary of Apache. Mr. Lawrence is a member of the executive committee and the management development and compensation committee.

1996

2006

5

F. H. MERELLI, 68, became chairman of the board, chief executive officer, president, and a director of Cimarex Energy Co., a Denver, Colorado independent oil and gas exploration and production company, on September 30, 2002, upon the acquisition by Cimarex of Key Production Company, Inc. and the exploration and production division of Helmerich & Payne, Inc. He was chairman of the board and chief executive officer of Key from 1992 until October 2002, and served as Key's president from 1992 to September 1999 and from March 2002 to October 2002. Formerly, Mr. Merelli served as Apache's president and chief operating officer from 1988 to 1991. Prior to that, he was president of Terra Resources, Inc., a Tulsa, Oklahoma oil and gas company, from 1979 to 1988. At Apache, Mr. Merelli is a member of the audit committee and the executive committee.

DIRECTOR
SINCE

TERM
EXPIRES

1997

2007

RODMAN D. PATTON, 61, joined the Company's board of directors in December 1999. Mr. Patton has nearly 30 years experience in oil and gas investment banking and corporate finance activity, most recently serving as managing director of the Merrill Lynch Energy Group from 1993 until April 1999. Previously, he was with First Boston and Eastman Dillon, Union Securities (later Blyth Eastman Dillon). Mr. Patton is a director of Valero GP, LLC, San Antonio, Texas, and is chairman of their audit committee. Valero GP, LLC is the general partner of Valero LP, owner and operator of crude oil and refined products pipeline, terminalling, and storage assets. At Apache, Mr. Patton is a member of the

1999

2006

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audit committee.

<p>CHARLES J. PITMAN, 62, joined the Company's board of directors in May 2000. He retired from BP Amoco plc in late 1999, having served as regional president -- Middle East/Caspian/Egypt/India and business unit leader for new business development -- Middle East/Caspian since December 1998. Prior to the merger of British Petroleum and Amoco Corporation, Mr. Pitman served as chairman and president of Amoco Eurasia Petroleum Company from 1997 to 1998, and was president of Amoco Egypt Oil Company from 1992 to 1996. He is the sole member of Shaker Mountain Energy Associates LLC, a consulting company formed in September 1999. At Apache, Mr. Pitman is chairman of the corporate governance and nominating committee.</p>	2000	2006
---	------	------

<p>RAYMOND PLANK, 82, has been chairman of the Company's board of directors since 1979, having served as the company's chief executive officer from 1966 until May 2002, and president from 1954 to 1979. Mr. Plank founded the Company and is a member of the executive committee.</p>	1954	2007
---	------	------

<p>JAY A. PRECOURT, 67, rejoined the Company's board of directors in February 2003, having been a member of the Company's board from July 1992 to August 1995. He has been since 2000, chairman of the board and chief executive officer of Scissor Tail Energy, LLC, a Denver, Colorado gatherer, transporter, and processor of natural gas and natural gas liquids, and since 1999, chairman of the board of Hermes Consolidated, Inc., a Denver, Colorado gatherer, transporter, and refiner of crude oil and crude oil products. Formerly, Mr. Precourt was vice chairman and chief executive officer of Tejas Gas Corporation from 1986 to 1999 and president from 1996 to 1998, and was chairman of the board of Coral Energy L.P. from 1996 to 1999. He is a director of Halliburton Company and a member of its compensation committee, a director of The Timken Company and chairman of its audit committee, and a director of Founders Funds, Inc. At Apache, Mr. Precourt is a member of the corporate governance and nominating committee.</p>	2003	2006
--	------	------

DIRECTOR INDEPENDENCE

During 2004 and the first two months of 2005, 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 Mr. Plank) and all other relevant facts and circumstances and, as required by the Company's Governance Principles, determined that each such 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").

Subject to some exceptions, these standards generally provide that a director will not be independent if (a) the director is, or in the past three years has been, an employee of the Company; (b) a member of the director's immediate family is, or in the past three years has been, an executive officer of the

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Company; (c) the director or a member of the director's immediate family has received more than \$60,000 per year in direct compensation from the Company other than for service as a director (or for a family member, as a non-executive employee); (d) the director or a member of the director's immediate family is, or in the past three years has been, employed in a professional capacity by Ernst & Young LLP, the Company's independent public accountants, or who worked for such firm in any capacity on the Company's audit; (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.

The Company's Governance Principles require that the independent directors meet in executive session at least twice each year and, in 2004, they met three times in executive session. Also included in the Company's Governance Principles are the procedure by which a presiding director is chosen for each meeting of independent directors and the method established for communication of concerns to the independent directors. The Company's Governance Principles are attached to this proxy statement as Appendix A and are available on the Company's website (www.apachecorp.com).

7

STANDING COMMITTEES AND MEETINGS OF THE BOARD OF DIRECTORS

The board of directors has an audit committee, a management development and compensation ("MD&C") committee, a stock option plan committee, an executive committee, and a corporate governance and nominating ("CG&N") committee. Actions taken by these committees are reported to the board of directors at the next board meeting. During 2004, each of the Company's directors attended at least 75 percent of all meetings of the board of directors and committees of which they were members.

2004 MEMBERSHIP ROSTER					
NAME	BOARD	AUDIT	MD&C	STOCK OPTION	EXECUTIVE
Frederick M. Bohen	X		X*	X*	
G. Steven Farris	X				X
Randolph M. Ferlic	X	X*			X
Eugene C. Fiedorek	X	X			
A. D. Frazier, Jr.	X		X	X	
Patricia Albjerg Graham	X				
John A. Kocur	X		X		X*
George D. Lawrence	X		X		X

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F. H. Merelli	X	X			X
Rodman D. Patton	X	X			
Charles J. Pitman	X				
Raymond Plank	X*				X
Jay A. Precourt	X				
No. of Meetings in 2004	6	9	4	4	0

* Chairman

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 accounting controls. The audit committee makes recommendations to the board of directors concerning the Company's independent public accountants and their engagement or discharge.

During 2004 and the first two months of 2005, 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. During 2000, the audit committee adopted a charter, which was approved by the board of directors on May 4, 2000, and which reflects the NYSE's rules and the regulations of the SEC. On February 4, 2004, the audit committee adopted an amended and restated charter, which was approved by the board of directors on February 5, 2004. The audit committee charter is available on the Company's website

8

(www.apachecorp.com). The board of directors has determined that members of the audit committee qualify as financial experts, as defined in Item 401 of Regulation S-K under the Securities Act of 1933.

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. The duties of the stock option plan committee include the award and administration of option grants under the Company's stock option plans, of grants under the executive restricted stock plan, of stock unit grants under the deferred delivery plan, and of conditional grants under the 2000 Share Appreciation Plan. During 2004 and the first two months of 2005, 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).

The duties of the CG&N committee include recommending to the board of directors the slate of director nominees submitted to the stockholders for election at the annual meeting and proposing qualified candidates to fill vacancies on the board of directors. The CG&N committee is also responsible for developing corporate

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governance principles for the Company and overseeing the evaluation of the board of directors. During 2004 and the first two months of 2005, the board of directors reviewed the composition of the CG&N committee pursuant to the rules of the NYSE and NASDAQ governing 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 stockholders of the Company. The CG&N committee may also retain an outside search firm to assist it in finding appropriate nominee candidates. Stockholder recommendations for director nominees received by Apache's corporate secretary (at the address and by the deadline for submitting stockholder proposals set forth under the heading "Future Stockholder Proposals") are forwarded to the CG&N committee for consideration.

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 power and authority by resolution of the board of directors.

9

CRITERIA FOR NEW BOARD MEMBERS AND RE-ELECTION OF EXISTING BOARD MEMBERS

The CG&N committee considers the following criteria in recommending new nominees or the re-election of existing directors to the Company's board of directors and its committees from time to time:

- Expertise and perspective needed to govern the business and strengthen and support top management -- for example: strong financial expertise, knowledge of international operations, or knowledge of the petroleum industry and/or the electrical power industry.
- Sound business judgment and a sufficiently broad perspective to make meaningful contributions, under pressure if necessary.
- 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.
- Constructive participation 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 regarding whether to recommend the nomination of a new nominee for election to the board of directors or for the re-election of an existing director shall be within the sole discretion of the CG&N committee.

All new nominees and directors for re-election will be evaluated without regard to race, sex, age, religion, or physical disability.

REPORT OF THE AUDIT COMMITTEE

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 the financial statements, for maintaining effective internal control over financial reporting, and for assessing the effectiveness of internal control over financial reporting. In fulfilling its oversight responsibilities, the Committee reviewed the audited consolidated financial statements in the Annual Report on Form 10-K 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 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 Committee by Statement on Auditing Standards No. 61 (as amended), other standards of the Public Company Accounting Oversight Board (United States), rules of the Securities and Exchange Commission, and other applicable regulations. In addition, the 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 Independence Standards Board Standard No. 1, and considered the compatibility of non-audit services with the independent registered public accounting firm's independence.

The Committee also reviewed management's report on its assessment of the effectiveness of the Company's internal control over financial reporting as well as the independent registered public accounting firm's report on (a) management's assessment and (b) the effectiveness of the Company's internal control over financial reporting.

The Committee discussed with the Company's internal auditors and independent registered public accounting firm the overall scope and plans for their respective audits. At each of the four Committee meetings held in person during 2004, the 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 control, including internal control over financial reporting; and the overall quality of the Company's financial reporting.

In reliance on the reviews and discussions referred to above, the 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 control over financial reporting be included in the Annual Report on Form 10-K for the year ended December 31, 2004, filed by the Company with the Securities and Exchange Commission.

The Committee is governed by a charter which is available on the Company's website (www.apachecorp.com). The Committee held nine meetings during fiscal year 2004. The 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.

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March 7, 2005

Members of the Audit Committee

Randolph M. Ferlic, Chairman
Eugene C. Fiedorek
F. H. Merelli
Rodman D. Patton

12

DIRECTOR COMPENSATION

Employee directors do not receive additional compensation for serving on the board of directors or any committee of the board. During 2004, non-employee directors received an annual retainer of \$50,000, of which \$10,000 in value was paid in the form of shares of Apache common stock, plus \$1,500 for each board of directors or committee meeting attended in person or \$1,000 for each meeting attended by telephone. Non-employee directors are reimbursed for expenses incurred in attending meetings. Non-employee directors receive an annual retainer of \$2,000 for each committee of which they are members. In addition, the chairman of each committee receives \$4,000 annually for chairing their respective committees.

Under the terms of the Company's non-employee directors' compensation plan, as amended in 2003, non-employee directors can elect to defer receipt of all or any portion of their retainers or meeting attendance fees and, subject to certain parameters, can defer those amounts in the form of cash or in the form of shares of Apache common stock. Amounts deferred in the form of cash accrue interest equal to the Company's rate of return on its short-term marketable securities; 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 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. Five non-employee directors deferred all or a portion of their fees during 2004.

An unfunded retirement plan for non-employee directors was established in December 1992. The plan is administered by the MD&C committee and pays retired non-employee directors benefits equal to two-thirds of the annual retainer for a period based on length of service. Payments are made on an annual basis, for a maximum of ten years, 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 2004, benefits were paid under this plan to, or on behalf of, five former directors who retired from the Company's board of directors during 1997, 1998, 2000, and 2001.

The Company established an equity compensation plan for non-employee directors in February 1994, which is administered by the MD&C committee. 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 through July 1, 2003, each non-employee director was awarded 1,000 restricted shares of common stock, with one-third of the shares vesting annually. Except as noted below, any unvested shares are forfeited at the time the non-employee director ceases to be

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a member of the board. The unvested portion of any award is automatically vested upon retirement or death while still serving as a member of the board; provided that the non-employee director (a) is at least 60 years old and has completed at least ten years of service at the time of retirement, or (b) has completed at least ten years of service at the time of death. Awards are made from shares of common stock held in the Company's treasury, and are automatic and non-discretionary.

13

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 during the period July 1, 2004 through July 1, 2009. New non-employee directors will receive awards of 2,310 shares of common stock on the July 1 next succeeding their election to the board. All shares of common stock awarded under the plan have full dividend and voting rights. The plan expires on 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) that may be awarded during the term of the plan. An award of 2,310 shares was made to each of nine non-employee directors during 2004.

14

SECURITIES OWNERSHIP AND PRINCIPAL HOLDERS

The following tables set forth, as of February 28, 2005, the beneficial ownership of each director or nominee for director of the Company, the chief executive officer, the four other most highly compensated executive officers, and 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. (All share numbers in the table and footnotes have been adjusted for the stock dividends and stock split.)

TITLE OF CLASS	NAME OF BENEFICIAL OWNER	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP (1)
Common Stock, par value \$0.625	Frederick M. Bohen	21,627 (2) (3)
	G. Steven Farris	788,281 (4) (5) (6) (7) (8)
	Randolph M. Ferlic	472,091 (2) (9)
	Eugene C. Fiedorek	38,995 (2)
	A. D. Frazier, Jr.	16,958 (2)
	Patricia Albjerg Graham	5,857 (2) (3)
	John A. Kocur	38,438 (2)
	George D. Lawrence	33,280 (2) (3)
	F. H. Merelli	26,661 (2) (3) (6)

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Rodman D. Patton	21,589 (2) (3)
Charles J. Pitman	17,016 (2)
Raymond Plank	750,832 (4) (5) (6) (7) (8)
Jay A. Precourt	2,496 (2) (3)
Roger B. Plank	484,126 (4) (5) (6) (7) (8)
John A. Crum	185,738 (4) (5) (6) (7) (8)
Rodney J. Eichler	162,240 (4) (5) (6) (7) (8)
All directors, nominees, and executive officers as a group (including the above named persons)	4,244,386 (4) (5) (6) (7) (8)

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

(footnotes continued on following page)

15

- (3) Includes the following common share equivalents related to retainer fees deferred under the Company's Non-Employee Directors' Compensation Plan: Mr. Bohen -- 8,390; Dr. Graham -- 2,838; Mr. Lawrence -- 5,613; Mr. Merelli -- 861; Mr. Patton -- 1,575; and Mr. Precourt -- 216.
- (4) Includes the following common stock equivalents held through the Company's Deferred Delivery Plan: Mr. Farris -- 8,141; Mr. Raymond Plank -- 121,109; Mr. Roger Plank -- 36,994; Mr. Crum -- 2,855; Mr. Eichler -- 8,098; and all directors and executive officers as a group -- 240,862.
- (5) Includes the following common shares issuable upon the exercise of outstanding employee stock options which are exercisable within 60 days: Mr. Farris -- 177,736; Mr. Raymond Plank -- 271,654; Mr. Roger Plank -- 208,938; Mr. Crum -- 112,610; Mr. Eichler -- 112,499; and all directors and executive officers as a group -- 1,546,127.
- (6) Includes shares held by the trustee of the Company's 401(k) Savings Plan and related Non-Qualified Retirement/Savings Plan: Mr. Farris -- 69,604; Mr. Merelli -- 16,296; Mr. Raymond Plank -- 7,588; Mr. Roger Plank -- 52,252; Mr. Crum -- 32,383; Mr. Eichler -- 12,364; and all directors and executive officers as a group -- 272,381.
- (7) Includes the following restricted stock units (each equivalent to one share of common stock) granted under the Company's Executive Restricted Stock Plan: Mr. Farris -- 35,846; Mr. Raymond Plank -- 35,846; Mr. Roger Plank -- 17,235; Mr. Crum -- 12,755; Mr. Eichler -- 11,105; and all

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directors and executive officers as a group -- 242,328.

- (8) Includes shares issuable pursuant to conditional grants made under the Company's 2000 Share Appreciation Plan: Mr. Farris -- 35,034; Mr. Raymond Plank -- 40,424; Mr. Roger Plank -- 18,055; Mr. Crum -- 14,821; Mr. Eichler -- 12,662; and all directors and executive officers as a group -- 275,441.
- (9) Includes 13,860 common shares owned directly by Ferlic Investments, Ltd. in which Dr. Ferlic owns a 36-percent interest. Also includes a total of 21,090 common shares held by Dr. Ferlic's daughters, son and grandchildren, as to which he has some power of disposition, but disclaims beneficial ownership.

The following table sets forth the only person known to the Company, as of February 28, 2005, to be the owner of more than five percent of 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
Common Stock, par value \$0.625....	FMR Corp. 82 Devonshire Street Boston, Massachusetts 02109	17,639,280*

* Per Schedule 13G filed with the SEC, dated February 14, 2005. Does not include 1,682,442 shares held by Fidelity Management Trust Company ("FMTC") as trustee of the Company's 401(k) Savings Plan. FMTC is a wholly-owned subsidiary of FMR Corp.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 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 2004, it appears that: (a) Raymond Plank, an officer and director of the Company, filed a late report relating to a charitable gift of shares of the Company's common stock, (b) G. Steven Farris, an officer and director of the Company, filed two late reports relating to four charitable gifts of shares of the Company's common stock, and (c) Matthew W. Dundrea, an officer of the Company, filed a late report relating to two automatic grants made under the Company's 2000 Stock Option Plan.

16

EQUITY COMPENSATION PLAN INFORMATION

The following table summarizes information as of December 31, 2004, 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.

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PLAN CATEGORY	(A)	(B)	
	NUMBER OF SECURITIES TO BE ISSUED UPON EXERCISE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS	WEIGHTED-AVERAGE EXERCISE PRICE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS	NUMBER OF REMAINING FUTURE IS EQUITY C PLANS (C SECURITIES COLU
Equity compensation plans approved by security holders(1).....	3,107,112	\$ 19.618 (3)	
Equity compensation plans not approved by security holders(2).....	7,796,867	\$ 22.764 (3)	3,9
Total.....	10,903,979	\$ 21.422 (3)	3,9

(1) Includes the Company's 1995 Stock Option Plan and 1998 Stock Option Plan.

(2) Includes the Company's 1996 Performance Stock Option Plan, 2000 Stock Option Plan, 2000 Share Appreciation Plan, Executive Restricted Stock Plan, Non-Employee Directors' Compensation Plan, Equity Compensation Plan for Non-Employee Directors, and Deferred Delivery Plan.

See Note 8 of the Notes to Consolidated Financial Statements, included in the Company's Form 10-K for the year ended December 31, 2004, for the material features of the 1996 Performance Stock Option Plan, 2000 Stock Option Plan, 2000 Share Appreciation Plan, and Executive Restricted Stock Plan.

The Company's Deferred Delivery Plan (i) allows officers and certain key employees to defer income from certain equity compensation plans (such as the stock option and restricted stock plans) in the form of deferred units, and (ii) provides for grants 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) As of February 10, 2005, the Company's ability to issue option grants under its existing stock option plans terminated. At the time of termination, 2,537,877 shares of the Company's common stock that were previously authorized for new grants became unavailable for such purpose. The only provisions of these plans that are still effective are those governing grants previously made under the applicable plan.

EXECUTIVE OFFICERS OF THE COMPANY

Biographical information concerning the executive officers of the Company is set forth below. Biographical information concerning Raymond Plank and G. Steven Farris is set forth above under the captions "Nominees for Election as

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Directors" and "Continuing Directors."

MICHAEL S. BAHORICH, 48, was appointed executive vice president -- exploration and production technology in May 2000, having been the Company's vice president -- exploration and production technology since January 1999, vice president -- exploration technology since December 1997, and the Company's chief geophysicist since 1996. From 1981 until joining the Company, he held positions of increasing responsibility at Amoco Corporation in Denver, Colorado and Tulsa, Oklahoma. Mr. Bahorich is a past president of the Society of Exploration Geophysicists and serves on an advisory board at Stanford University.

JEFFREY M. BENDER, 53, was appointed vice president -- human resources in September 2000. Prior to joining the Company, he served as vice president of human resources for Vastar Resources, Inc., Houston, Texas, since June 1994, having helped manage its transition from an operating division of Atlantic Richfield Company (ARCO) to an independent organization following Vastar's initial public offering in mid 1994. Previously, Mr. Bender held positions of increasing responsibility with ARCO since 1975.

MICHAEL J. BENSON, 52, was appointed vice president -- corporate security in December 2002, having been director of corporate security since joining the Company in 1996. From 1988 until 1996, he owned and operated an international security consulting company advising large corporations and high profile individuals. Previously, Mr. Benson was with the Cheshire Police in the United Kingdom for 14 years.

THOMAS P. CHAMBERS, 49, was appointed vice president -- corporate planning in September 2001, having been director of 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.

JOHN J. CHRISTMANN, 38, was appointed vice president -- business development in January 2004, having been production manager for the Gulf Coast region since April 2003. Prior to that, Mr. Christmann held various positions of increasing responsibility in the business development area since joining the Company in 1997. Previously, he was employed by Vastar Resources/ARCO Oil and Gas Company.

JOHN A. CRUM, 52, was appointed executive vice president -- Apache North Sea in April 2003, having served as executive vice president -- Eurasia and new ventures since May 2000, and as the Company's regional vice president in Australia since 1995. Prior to joining the Company, he served in executive and management roles with Aquila Energy Resources Corporation, Pacific Enterprises Oil Company and Southland Royalty Company.

MATTHEW W. DUNDREA, 51, was appointed vice president and treasurer in July 1997, having been the Company's treasurer since March 1996 and assistant treasurer since 1994. Prior to joining the Company, he held positions of increasing responsibility at Union Texas Petroleum Holding, Inc. from 1982 to 1994.

ROBERT J. DYE, 49, was appointed vice president -- investor relations in May 1997, having been director of investor relations since 1995. Prior to that, Mr. Dye held positions of increasing responsibility in the corporate planning area since joining the Company in 1992. Previously, he was planning manager for the offshore division of BP Exploration, Houston, Texas, from 1988 to 1992.

RODNEY J. EICHLER, 55, was appointed executive vice president in February 2003, having been the Company's regional vice president in Egypt since 1999, and vice president of exploration and production in Egypt since 1997. Prior to that, Mr. Eichler was regional vice president for the Western region in Houston since 1996, and regional exploration and development manager for the Rocky Mountain

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region in Denver since 1993. Prior to joining the Company, Mr. Eichler was vice president-exploration for Axem Resources, LLC in Denver, Colorado, since 1989.

18

JANICE K. HARTRICK, 52, was appointed vice president and associate general counsel in July 2003, having been assistant general counsel since March 2003. Previously, she was of counsel with the law firm of Thompson & Knight from February 2002 and a solo practitioner from July 1, 2001. Prior to practicing law as outside counsel, Ms. Hartrick was senior vice president and general counsel of EEX Corporation from October 1997 until June 2001. She was chief counsel and vice president, environmental affairs for Seagull Energy Corporation, since 1992, having held positions of increasing responsibility there from 1987. Ms. Hartrick has been vice-chairman of the executive committee of the advisory board, Institute for Energy Law of the Center for American and International Law (formerly Southwestern Legal Foundation) since 1998, and representative trustee for the Rocky Mountain Mineral Law Foundation since 2000.

JON A. JEPPESEN, 57, was appointed senior vice president in February 2003, having been the Company's regional vice president for the Gulf Coast region since 2002 and 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 manager of the Company's offshore exploration and development 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, 51, was appointed senior vice president and general counsel in May 2004, having been 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.

ANTHONY R. LENTINI, JR., 55, has been vice president -- public and international affairs since January 1995. Prior to joining the Company, he was vice president of public affairs for Mitchell Energy & Development Corp., The Woodlands, Texas, from 1988 through 1994.

JANINE J. MCARDLE, 44, was appointed vice president -- oil and gas marketing in 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 since 1993, including vice president -- trading and vice president -- mergers and acquisitions. Previously, she was a partner in Hesse Gas from 1991 to 1993. Ms. McArdle was a member of the board of directors of Intercontinental Exchange, the electronic trading platform, from 2000 to October 2002.

THOMAS L. MITCHELL, 44, was appointed vice president and controller in July 1997, having been the Company's controller and chief accounting officer since February 1996. He held various positions in the Company's natural gas marketing operation from 1990 through 1995, and served as accounting manager for the Company's Gulf Coast operations from 1989 to 1990. Prior to joining the Company, Mr. Mitchell was a manager with Arthur Andersen & Co., an independent public accounting firm, from 1982 through 1988.

W. KREGG OLSON, 51, was appointed vice president -- corporate reservoir engineering in January 2004, having been director of technical services since 1995. Prior to that, Mr. Olson held positions of increasing responsibility

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within corporate reservoir engineering since joining the Company in 1992. Previously, he was associated with Grace Petroleum Corporation.

CHERI L. PEPER, 51, was appointed corporate secretary of the Company in May 1995, having been 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 director of MemberSource Credit Union, formerly known as PT&T Federal Credit Union.

ROGER B. PLANK, 48, was appointed executive vice president and chief financial officer in May 2000, having been vice president and chief financial officer since July 1997. Previously, he was vice president -- planning and corporate development since March 1996, vice president -- corporate planning since 1994, vice president -- external affairs from 1993 to 1994, and vice president -- corporate communications from 1987 to 1993. Mr. Plank is a director of Parker Drilling Company and a member of its audit committee, and is past president of Texas Independent Producers and Royalty Owners Association (TIPRO), a large independent trade association. The chairman of the Company's board of directors is Mr. Plank's father.

19

FLOYD R. PRICE, 55, was appointed executive vice president -- Eurasia, Latin America and New Ventures in May 2004, having been executive vice president -- Canada since February 2003. He was president of Apache Canada Ltd from October 1999 to May 2004, and was president of the Company's international exploration and production subsidiaries from 1995 to 1999. Mr. Price served as exploration manager from 1991 to 1994, and geologic manager from 1990 to 1991, for the Company's Mid-continent region. Prior to joining the Company, he was vice president of exploration and development from 1988 to 1989, and vice president of mid-continent exploration from 1989 to 1990, for Pacific Enterprises Oil Company, Dallas, Texas.

JON W. SAUER, 44, was appointed vice president -- tax in May 2001, having been director of tax since March 1997, and manager of tax from August 1992. Prior to joining the Company, Mr. Sauer was tax manager with Swift Energy Company, Houston, Texas, and a manager in the tax practice of Arthur Andersen & Co.

20

SUMMARY COMPENSATION TABLE

The table below summarizes the annual and long-term compensation paid to the individuals listed below for all services rendered to the Company and its subsidiaries during the last three fiscal years, in accordance with SEC rules relating to disclosure of executive compensation. The persons included in this table are the Company's chief executive officer and the four other most highly compensated executive officers who were serving as executive officers of the Company at year-end 2004.

NAME AND PRINCIPAL POSITION	YEAR	ANNUAL COMPENSATION			LONG-TERM COMPENSATION	
		SALARY (\$)	BONUS (\$)(1)	OTHER ANNUAL COMPEN-SATION (\$)	RESTRICTED STOCK AWARDS (\$)	LT PAY (

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Raymond Plank	2004	900,000	1,200,000	15,748	452,408 (7)	1,031,
Chairman of the Board	2003	881,250	1,100,000	12,126 (5)	448,890 (7)	
	2002	750,000	900,000	177,408 (5)	752,313 (7)	
G. Steven Farris	2004	900,000	1,200,000	37,701	452,408 (7)	894,
President, Chief Executive Officer	2003	881,250	1,100,000	30,225 (5)	448,890 (6) (7)	
and Chief Operating Officer	2002	750,000	900,000	95,760 (5)	2,215,443 (6) (7)	
Roger B. Plank	2004	417,292	239,900	14,599	204,864 (7)	460,
Executive Vice President						
and	2003	407,500	254,300	11,153 (5)	207,180 (7)	
Chief Financial Officer	2002	390,000	220,000	51,766 (5)	390,703 (7)	
John A. Crum	2004	312,885	165,900	516,857 (5) (8)	149,380 (7)	378,
Executive Vice President --	2003	300,000	175,000	78,566 (5) (8)	149,630 (7)	
Apache North Sea	2002	300,000	170,000	3,008 (5)	297,415 (7)	
Rodney J. Eichler	2004	291,106	180,000	601,723 (5) (8)	136,576 (7)	323,
Executive Vice President --	2003	271,875	175,000	57,955 (5) (8)	138,120 (7)	
Apache Egypt	2002	240,625	154,000	204,632 (5) (8)	238,991 (7)	

- (1) Includes amounts awarded under the Company's incentive compensation plans for performance in the year indicated.
- (2) There were no stock options granted to any of the named executive officers during 2004, 2003, or 2002. There were no adjustments or amendments during the last fiscal year to the exercise price of stock options previously granted to any of the named executive officers, except for the stock dividends and stock split.
- (3) Includes Company contributions under the Company's 401(k) Savings Plan, the Company's Money Purchase Retirement Plan, and related Non-Qualified Retirement/Savings Plan for 2004, 2003, and 2002, respectively, in the following amounts: Mr. Raymond Plank -- \$136,000, \$118,875, and \$96,000; Mr. Farris -- \$240,000, \$213,750, and \$168,000; Mr. Roger Plank -- \$80,592, \$75,300, and \$70,800; Mr. Crum -- \$58,546, \$56,400, and \$54,530; and Mr. Eichler -- \$55,932, \$51,105, and \$41,476.
- (4) Includes premium for executive life insurance benefits for 2004, 2003, and 2002, respectively, in the following amounts: Mr. Farris -- \$36,588, \$32,370, and \$28,092; Mr. Roger Plank -- \$6,303, \$7,148, and \$3,400; Mr. Crum -- \$7,467, \$4,949, and \$4,428; and Mr. Eichler -- \$10,435, \$7,585, and \$6,728.
- (5) For Mr. Farris, Mr. Roger Plank, Mr. Crum, and Mr. Eichler, includes amounts reimbursed for the payment of taxes relating to executive life insurance benefits. For Mr. Raymond Plank, Mr. Farris, and Mr. Roger Plank, includes amounts reimbursed for the payment of taxes on income attributable to use of Company property as approved by the board of directors. Includes amounts for foreign assignment tax equalization for Mr. Crum and Mr. Eichler.
- (6) On December 17, 1998, the Company's board of directors granted a conditional stock award to Mr. Farris for a total of 100,000 shares of the Company's common stock (230,992 shares after adjustment for the stock dividends and stock split). The award is composed of five periodic installments, commencing on January 1st of each of the next five years, and vesting on the fifth anniversary following the applicable commencement date

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(subject to acceleration under specific circumstances). To receive each installment, which is payable 40 percent

(footnotes continued on following page)

21

in cash and 60 percent in stock, Mr. Farris must be employed by the Company on the applicable commencement and vesting dates. For December 31, 2002, the last business day preceding the January 1, 2003 commencement date, the per share closing price of the Company's common stock was \$56.99 (\$28.4950 after adjustment); for December 31, 2001, the last business day preceding January 1, 2002, the per share closing price was \$49.88 (\$23.7524 after adjustment); for December 29, 2000, the last business day preceding January 1, 2001, the per share closing price was \$70.0625 (\$30.3301 after adjustment); for December 31, 1999, the last business day preceding January 1, 2000, the per share closing price was \$36.9375 (\$15.9903 after adjustment); and for December 31, 1998, the last business day preceding January 1, 1999, the per share closing price was \$25.3125 (\$10.9578 after adjustment). Mr. Farris has all voting, dividend and liquidation rights for each installment of shares as of the applicable commencement date listed below:

6,667 shares (15,398 shares after adjustment) commencing January 1, 1999, vesting January 1, 2004
13,333 shares (30,798 shares after adjustment) commencing January 1, 2000, vesting January 1, 2005
20,000 shares (46,200 shares after adjustment) commencing January 1, 2001, vesting January 1, 2006
26,667 shares (61,598 shares after adjustment) commencing January 1, 2002, vesting January 1, 2007
33,333 shares (76,998 shares after adjustment) commencing January 1, 2003, vesting January 1, 2008

On January 1, 2004, the first periodic installment of 15,398 shares vested, of which 9,238 shares (60 percent) were paid to Mr. Farris in the form of stock. The value of the remaining 6,160 shares (40 percent) was paid in cash, based on the per share closing price of the Company's common stock of \$40.55 (after adjustment) for December 31, 2003. Required tax withholding on the full amount of the vested installment was deducted from the portion paid in cash.

At year-end 2004, the aggregate number of shares of conditional stock held by Mr. Farris was 215,594 shares (after adjustment) with a value of \$10,902,589 based on the per share closing price of the Company's common stock of \$50.57 for December 31, 2004.

- (7) Dollar value of restricted stock units granted during 2004, 2003, and 2002 under the terms of the Executive Restricted Stock Plan, based on the closing price of the Company's common stock as of the date of grant. Such restricted stock units vest ratably over four years and no dividends are paid on such units until vested.

At year-end 2004, the aggregate number of restricted stock units and value, based on the closing price of the Company's common stock as of December 31, 2004, was: Mr. Raymond Plank -- 35,846 units and \$1,812,732; Mr. Farris -- 35,846 units and \$1,812,732; Mr. Roger Plank -- 17,235 units and \$871,574; Mr. Crum -- 12,755 units and \$645,020; and Mr. Eichler -- 11,105 units and \$561,580.

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- (8) For Mr. Crum, includes foreign assignment housing allowance of \$59,598 and \$51,599 for 2004 and 2003, respectively. For Mr. Eichler, includes foreign assignment housing allowance of \$46,117, \$47,503, and \$40,297 for 2004, 2003, and 2002, respectively.
- (9) For 2004 and 2003, respectively, includes foreign service premium of \$46,933 and \$30,000, and foreign service cost of living allowance of \$59,512 and \$29,568. For 2003, includes relocation allowance of \$25,000.
- (10) Includes \$50 cash award paid to each of the Company's employees in connection with the Company's 50th anniversary.
- (11) Dollar value of shares distributed during 2004 under the terms of the 2000 Share Appreciation Plan, based on the closing price of the Company's common stock as of the vesting date. See the footnotes to the Long-Term Incentive Plan Awards table for the material terms of the awards.
- (12) For 2004, 2003, and 2002, respectively, includes foreign service premium of \$43,666, \$40,781, and \$36,094, location premium of \$58,221, \$54,375, and \$48,125, and home leave and travel allowance of \$35,088, \$52,202, and \$18,345. For 2003 and 2002, respectively, includes foreign service cost of living allowance of \$5,994 and \$5,182.

22

OPTION/SAR EXERCISES AND YEAR-END VALUE TABLE

The table below provides supplemental information relating to the value realized upon the exercise of stock options during the last fiscal year by the executive officers named in the Summary Compensation Table above and the number and intrinsic value of stock options held at year end. Year-end values are based arbitrarily on the closing price of the Company's common stock for December 31, 2004, do not reflect the actual amounts, if any, which may be realized upon the future exercise of remaining stock options, and should not be considered indicative of future stock performance. (All share numbers in the table and footnotes have been adjusted for the stock dividends and stock split.)

AGGREGATED OPTION/SAR EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR-END OPTION/SAR VALUES

NAME	SHARES ACQUIRED ON EXERCISE (#) (1)	VALUE REALIZED (\$) (2)	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS/SARS AT FY-END (#) (3)	
			EXERCISABLE	UNEXERCISABLE
Raymond Plank	103,488	2,842,960	440,284	0
G. Steven Farris	76,838	1,905,169	395,550	0
Roger B. Plank	34,200	1,110,330	297,166	0
John A. Crum	0	0	112,610	0
Rodney J. Eichler	0	0	114,686	0
NAME	UNEXERCISABLE			
Raymond Plank	0			
G. Steven Farris	0			
Roger B. Plank	0			
John A. Crum	0			
Rodney J. Eichler	0			

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- (1) Number of shares with respect to which stock options were exercised during 2004.
- (2) Fair market value on date of exercise minus the exercise price of stock options.
- (3) There were no SARs settled or outstanding at any time during the last fiscal year for any of the named executive officers.
- (4) Based on the closing price of \$50.57 per share of the Company's common stock as reported on The New York Stock Exchange, Inc. Composite Transactions Reporting System for December 31, 2004, minus the exercise price of the stock options.

23

LONG-TERM INCENTIVE PLAN AWARDS TABLE

The table below provides supplemental information regarding each award made during the last fiscal year to the executive officers named in the Summary Compensation Table under any long-term incentive plan ("LTIP"). (All share numbers in the table and footnotes have been adjusted for the stock dividends and stock split.)

LONG-TERM INCENTIVE PLANS AWARDS IN LAST FISCAL YEAR

NAME	NUMBER OF SHARES, UNITS OR OTHER RIGHTS (#) (1)	PERFORMANCES OR OTHER PERIOD UNTIL MATURATION OR PAYOUT
Raymond Plank	17,324 (2) 43,312 (3)	(4)
G. Steven Farris	15,014 (2) 37,536 (3)	(4)
Roger B. Plank	7,738 (2) 19,344 (3)	(4)
John A. Crum	6,352 (2) 15,880 (3)	(4)
Rodney J. Eichler	5,424 (2) 13,568 (3)	(4)

- (1) In October 2000, the Company established the 2000 Share Appreciation Plan, under which essentially all regular, full-time employees in the United States, Canada, and Australia, including each of the executives named in the Summary Compensation Table were granted the right to receive shares of the Company's common stock upon the attainment of certain share price goals. The 2000 Share Appreciation Plan is intended to provide specific individual incentives toward achieving (i) significant price appreciation for the Company's common stock based on attainment of per share price goals of \$100,

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\$120 and \$180 (after adjustment for the Company's stock dividends and stock split, the price goals became \$43.29, \$51.95, and \$77.92, respectively) prior to January 1, 2005, and (ii) a separate goal, not tied to share price, of doubling production per share from the 2000 level during any quarter ended prior to January 1, 2005. The first (\$43.29) and the second (\$51.95) price goals were attained on April 28, 2004 and October 26, 2004, respectively. The third (\$77.92) price goal and the separate production goal were not attained prior to January 1, 2005, and the conditional grants relating to those goals expired on December 31, 2004. Pursuant to the terms of the plan, no right to receive shares existed until the attainment of the applicable price goal.

- (2) Conditional grant relating to attainment of the \$43.29 price goal covering the indicated number of shares of the Company's common stock.
- (3) Conditional grant relating to attainment of the \$51.95 price goal covering the indicated number of shares of the Company's common stock.
- (4) Benefits are payable in three equal installments over a two-year period, with the first installment payable no later than 30 days after attainment of the price goal. The first installment for the \$43.29 price goal was paid on May 19, 2004, and the first installment on the \$51.95 price goal was paid on November 9, 2004. The remaining installments will be payable no later than 30 days after the first and second anniversaries of attainment of the applicable price goal. Payment of benefits will be subject to the condition that the grant recipient remain continuously employed from the date of the conditional grant through the dates of vesting, which occur upon attainment of the relevant price goal and the subsequent installment dates, as described above.

24

THE MANAGEMENT DEVELOPMENT AND COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

This report is issued by the Management Development and Compensation Committee of the board of directors to set out the executive compensation policies and programs of the Company. The objective of the Company's executive compensation program is to attract and retain executives capable of leading the Company in a complex, competitive, and changing industry. A capable, highly-motivated senior management is an integral part of the Company's continued success. The Company's financial performance is in large part due to the talent and efforts of the Company's executive officers. The program ties a significant portion of executive compensation to the Company's success and is primarily comprised of a base salary, an incentive bonus, and a long-term incentive component.

BASE SALARY

The Committee believes that the most effective way to compete in the executive labor market is to offer executives a competitive base salary. To achieve this balance, the Committee analyzes each executive's compensation using a four-step process. First, the key executive positions within the Company are defined in terms of scope and responsibility, job complexity, knowledge and experience required, and other relevant factors. Second, the positions are ranked internally on the basis of these definitions to establish a logical relationship among them. Third, the Committee identifies the Company's direct competitors which it believes share comparable operations, employee composition, and capitalization, and obtains comparative compensation data about the identified companies from independent compensation resources. Finally, easily-compared positions are priced in terms of salary ranges by reviewing the comparative industry data and other surveys to establish relative salary ranges for all key

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executive positions in the Company. Base salaries are targeted to fall at or above the median of executive salaries paid by comparable companies, and for 2004 they generally correspond to that practice. The Committee reviews the salary of each of the Company's 21 executive officers, taking into account the individual's contribution to the Company's success, how well the individual's responsibilities are fulfilled, the individual's specific performance, growth in qualifications for the individual's job, and other relevant aspects of performance.

Base salaries of all executives are generally reviewed every 12 to 24 months. Salary adjustments are made within updated, market-confirmed salary ranges according to the Committee's assessment of the executive's individual performance and the performance of the Company as a whole. However, changes in the circumstances of a particular executive can prompt an interim compensation adjustment. The Committee retained the services of an outside compensation consultant, who was proposed by management and approved by the Committee, to review the base salaries of the Company's executives and confirm that the salaries are competitive with those of comparable companies. The review included comparative data from part, but not all, of the companies comprising the U.S. Exploration and Production Index (formerly the Secondary Oils Index) reflected in the stock performance chart set forth below. The exclusion from the review of some of the companies in the Index was due to their integrated operations or operations in diversified industries.

Based on the factors discussed above, plus additional compensation data available to the Company from other sources, 18 of the Company's officers received increases in compensation during 2004 to reflect market changes and increased responsibilities, including three of the executives named in the Summary Compensation Table.

25

INCENTIVE BONUS

Executives, other than the Company's chairman of the board and the Company's chief executive officer (separate plan described below), are eligible to receive a cash incentive bonus tied directly to the Company's achievement of specified financial, operational, and strategic objectives and the executive's personal achievements. In the early months of the year, the Committee establishes a listing of corporate objectives based on those submitted by senior management. The objectives are approved by the Committee and, in 2004, 75 percent of each executive's bonus depended upon the Company's achievement of these specified objectives. The remaining 25 percent of the executive's eligible bonus depended upon personal achievements related to financial strategies, operational improvements, program or project enhancements, or other objectively determinable criteria. This incentive compensation plan effectively correlates a large portion of executive compensation to predetermined corporate objectives and other objectively determinable goals, all designed to translate into value for the Company's stockholders. Committee policy provides for bonuses to be targeted at 50 percent of each executive's base salary and to exceed 50 percent if the Company's performance warrants.

Executive bonuses for 2004 were based on management's achievement during the year of specific corporate objectives established by the Committee based on accepted measures of performance in the oil and gas industry including (a) increases in cash flow and earnings, (b) growth in reserves and production while maintaining an acceptable ratio of debt to capitalization, and (c) control of costs throughout the Company. Additionally, the Committee approved 13 operational, financial and administrative strategic objectives considered important to the Company's long-term success and to maximizing stockholder value. The Company has elected not to detail the individual items within the

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specified strategic corporate objectives as disclosure of such information could provide a competitive advantage to one or more of the Company's peers; however, the objectives were annualized for incentive purposes and were broad enough to have potential impact beyond 2004. As a result of the Company's outstanding overall performance in 2004, as well as substantial achievement of a majority of the objectives approved for 2004, the Committee recommended and the full board of directors unanimously approved an incentive bonus payment in excess of the targets set for executive officers participating in the corporate plan.

The chairman and the chief executive officer are each eligible to receive a cash incentive bonus under a separate incentive compensation plan, which functions and is administered in the same way as the plan described above, except that their performance goals are tied directly to the Company's annual financial and operational results, including the performance of the Company's common stock, all as compared to the results of a group of its peer companies. The goals include earnings, production, cash flow, reserves and ratio of debt to capitalization. The Committee determined to pay the chairman and the president bonuses of 133 percent of their base salaries in recognition of their leadership and for the Company's outstanding performance during 2004.

In addition to the Company's incentive compensation plans, the Committee may elect to award a special achievement bonus to an executive officer who has rendered services during the year that substantially exceed those normally required. Special achievement bonuses (a) reflect the Committee's decision to reward any executive whose extraordinary effort has substantially benefited the Company and its stockholders during the year, (b) are awarded only in exceptional circumstances, and (c) are in amounts relative to the benefit provided to the Company. No special achievement bonuses were paid during 2004 to any of the Company's executive officers, including the executive officers named in the Summary Compensation Table.

26

LONG-TERM INCENTIVES

Long-term incentives in forms relating to the Company's common stock serve to align the interests of executive officers with the Company's stockholders by tying a significant portion of each executive's total long-term compensation to the continued growth of the Company and appreciation of its common stock. No stock options were granted to any of the executives named in the Summary Compensation Table during 2004. In lieu of stock options, the Company's executive officers received grants of restricted stock units under the Company's Executive Restricted Stock Plan. Grants of restricted stock units covering an aggregate of 75,600 shares of the Company's common stock were made in 2004 to the Company's executive officers as a group, including grants of restricted stock units covering 32,700 shares made to the Company's officers named in the Summary Compensation Table presented above. Grants of restricted stock units to executives are proportionate to each officer's base salary. In 2004, individual grants of restricted stock units were based on 50 percent of base salary and vest ratably over four years.

In October 2000, the Company established the 2000 Share Appreciation Plan, under which essentially all regular, full-time employees in the United States, Canada, and Australia, including each of the executives named in the Summary Compensation Table, were granted the right to receive shares of the Company's common stock upon the attainment of certain share price goals. The 2000 Share Appreciation Plan is intended to provide specific individual incentives toward achieving (i) significant price appreciation for the Company's common stock based on attainment of per share price goals of \$100, \$120 and \$180 (after adjustment for the Company's stock dividends and stock split, the price goals are \$43.29, \$51.95, and \$77.92, respectively) prior to January 1, 2005, and (ii)

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a separate goal, not tied to share price, of doubling production per share from the 2000 level during any quarter ended prior to January 1, 2005. The first (\$43.29) and the second (\$51.95) price goals were attained on April 28, 2004 and October 26, 2004, respectively. The conditional grants relating to the first and second price goals made to the Company's executive officers as a group cover an aggregate of 413,162 shares of the Company's common stock, including grants covering 181,492 shares made to the Company's officers named in the Summary Compensation Table presented above. Benefits are payable in three installments over a two-year period following attainment. The third (\$77.92) price goal and the separate production goal were not attained prior to January 1, 2005, and the conditional grants relating to those goals expired on December 31, 2004. Pursuant to the terms of the plan, no right to receive shares existed until the attainment of the applicable price goal.

In recognition of his past contributions and expected future contributions to the Company, Mr. Farris, the Company's chief executive officer, was granted a conditional stock award in December 1998, for a total of 100,000 shares of the Company's common stock (230,992 shares after adjustment for the stock dividends and stock split). The award is composed of five periodic installments, commencing on January 1, 1999 and on January 1st of each of the next four years (2000 through 2003). Each installment vests on the fifth anniversary following the applicable commencement date (subject to acceleration under specific circumstances), and is payable 40 percent in cash and 60 percent in the form of stock. On January 1, 2004, the first periodic installment of 15,398 shares vested, of which 60 percent was paid in stock and 40 percent was paid in cash (after deduction of required tax withholding on the full amount of the vested installment). To receive each subsequent installment, Mr. Farris must be employed by the Company on the applicable commencement and vesting dates (see footnote 6 to the Summary Compensation Table presented above). In the event Mr. Farris elects to terminate his

27

employment with the Company or his employment is terminated for cause, any unvested installments will be forfeited.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Raymond Plank, the chairman of the Company's board of directors, was chief executive officer from 1966 until May 2002. His activities include direction of Apache's intensive, on-going programs to monitor, analyze and respond creatively to the changes and new requirements in the oil and gas industry, and leadership in maintenance of sound business relationships with the management of many of the nation's large oil and gas companies. These relationships are important to Apache's strategic alliances and to its acquisition approach, which emphasizes privately negotiated transactions that develop and achieve mutual business benefits. Mr. Plank actively participates in developing the Company's strategies, and has been jointly responsible for the Company's ongoing interest and successful exploration efforts in international areas such as Egypt, Australia, and China.

G. Steven Farris, the Company's president, chief executive officer and chief operating officer, assumed the responsibilities of chief executive officer in May 2002. His activities include leadership in developing the Company's strategies, implementing the Company's capital expenditure programs, and maintenance of sound business relationships with the management of many of the nation's large oil and gas companies and with the investment community. Mr. Farris has been jointly responsible for the Company's developing interest and successful exploration efforts going forward in international areas such as Egypt, Australia, China, and the North Sea. As chief executive officer, he oversees all of the Company's major business and staff units and guides and

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develops Apache's senior management. Reporting directly to Mr. Farris are each of the executive vice presidents, corporate and regional vice presidents, including the chief financial officer and the general counsel.

Base salary, incentive bonus, and long-term incentives for each of Mr. Plank and Mr. Farris are determined in the manner previously described and are reflected in the Summary Compensation Table above. Mr. Plank's last base salary adjustment was effective February 16, 2003, and Mr. Farris' last base salary adjustment was effective February 16, 2003. Bonuses paid to Mr. Plank and Mr. Farris were based on the Company's 2004 performance, as discussed above. Mr. Plank's and Mr. Farris' employment agreements are discussed under "Employment Contracts and Termination of Employment and Change-in-Control Arrangements."

Base salaries during 2004 for Mr. Plank and Mr. Farris were within the Committee's percentile targets and took into account the following: their active roles in the Company's management and leadership of successful acquisitions; the Company's financial performance during 2003; and the challenges and expectations for the Company in 2004. As noted above, the bonuses paid to Mr. Plank and Mr. Farris for 2004 performance represented 133 percent of their base salaries.

OMNIBUS BUDGET RECONCILIATION ACT OF 1993

The Omnibus Budget Reconciliation Act of 1993 ("OBRA") 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 four most highly compensated executive officers (other than the chief executive officer). In December 1995, the Internal Revenue Service issued final regulations implementing the legislation, with the regulations effective as of January 1, 1994. Certain

28

performance-based compensation is specifically exempt from the limit if it meets the requirements contained in these final regulations. The Committee continues to review the Company's compensation plans based upon these regulations and, from time to time, determines what further actions or changes to the Company's compensation plans, if any, are appropriate. Grants of stock options made under the Company's 1990 Stock Incentive Plan, 1995 Stock Option Plan and 1998 Stock Option Plan qualify as "performance-based" under the regulations. The Company's existing incentive compensation plans, special achievement bonuses, Executive Restricted Stock Plan, 2000 Stock Option Plan, and 2000 Share Appreciation Plan do not currently meet the requirements of the regulations, as the stockholder approvals necessary for exemption have not been sought. However, these plans operate similarly to prior plans and are designed to reward the contribution and performance of employees and to provide a meaningful incentive for achieving the Company's goals, which in turn enhances stockholder value. While the Committee cannot predict with certainty how the Company's compensation policies may be further impacted by OBRA, it is anticipated that executive compensation paid or accrued pursuant to the Company's compensation plans that do not meet the requirements of the regulations will not result in any material loss of tax deductions in the foreseeable future.

SUMMARY

According to information provided to the Committee by its independent compensation consultant, the amount of the Company's compensation paid to all of its executive officers during 2004 was competitive and at or above the median for comparable companies. As shown on the Performance Graph following this report, the cumulative total return on the Company's common stock has equaled or

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outperformed that of the Dow Jones U.S. Exploration and Production Index (formerly the Dow Jones Secondary Oils Stock Index) and the Standard & Poor's Composite 500 Stock Index over the last five years. In view of the Company's competitive performance, the Committee believes that its current executive compensation policy is successful in providing stockholders with talented, dedicated executives at competitive compensation levels.

March 7, 2005

Management Development and Compensation
Committee

Frederick M. Bohen, Chairman
A. D. Frazier, Jr.
John A. Kocur
George D. Lawrence

29

PERFORMANCE GRAPH

The following stock price performance graph is included in accordance with the SEC's executive compensation disclosure rules and is intended to allow stockholders to review the Company's executive compensation policies in light of corresponding stockholder returns, expressed in terms of the appreciation of the Company's common stock relative to two broad-based stock performance indices. The information is included for historical comparative purposes only and should not be considered indicative of future stock performance. The graph compares the yearly percentage change in the cumulative total stockholder return on the Company's common stock with the cumulative total return of the Standard & Poor's Composite 500 Stock Index and of the Dow Jones U.S. Exploration and Production Index (formerly Dow Jones Secondary Oils Stock Index) from December 31, 1999 through December 31, 2004.

COMPARISON OF FIVE YEAR CUMULATIVE TOTAL RETURN FOR THE YEAR ENDED DECEMBER 31, 2004

(PERFORMANCE GRAPH)

	1999	2000	2001	2002	2003	2004
Apache Corporation	100	190	150	173	260	326
S&P's Composite 500 Stock Index	100	91	80	62	80	89
DJ US Exploration & Production Index	100	160	147	150	196	279

30

EMPLOYMENT CONTRACTS AND TERMINATION OF EMPLOYMENT AND CHANGE-IN-CONTROL ARRANGEMENTS

Mr. Raymond Plank serves the Company under an employment agreement entered into in December 1975, amended and restated in December 1990 and amended in April 1996. The agreement has an undefined term and is terminable at will by the Company's board of directors. Mr. Plank's annual compensation under the

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agreement is determined by the board of directors, but may not be less than \$450,000. If his service as a director and an officer is terminated by the board of directors, Mr. Plank will serve as advisor and consultant to the Company for the remainder of his life at annual compensation equal to 50 percent of his then-current annual compensation and will receive health, dental and vision benefits for himself, his spouse and his eligible dependents during the remainder of his life. Pursuant to the agreement and in exchange for surrendering life insurance coverage, an annuity was purchased for Mr. Plank that pays \$31,500 annually until 2008. Mr. Plank has agreed not to render service to any of the Company's competitors for the entire period covered by the agreement. Upon Mr. Plank's death, a total of \$750,000 shall be paid (a) to his designee in equal monthly installments over ten years, or (b) if he has made no designation, in a lump sum to his estate.

Mr. Farris serves the Company pursuant to an employment agreement, dated June 6, 1988, under which he received an annual salary of \$900,000 during 2004. The agreement has an undefined term and may be terminated by either the Company or Mr. Farris on 30 days advance written notice. If Mr. Farris' employment is terminated without cause, or if he terminates his employment within 30 days of a reduction in his salary without a proportionate reduction in the salaries of all other Company executives, Mr. Farris will receive, for 36 months thereafter, (a) an amount equal to his base salary as it existed 60 days prior to termination and (b) 50 percent of the maximum amount for which he qualified under the Company's incentive compensation plan, calculated on his base compensation as it existed 60 days prior to termination. In the event of Mr. Farris' death during the 36-month period, the amounts described above shall be paid to his heirs or estate. Mr. Farris has agreed not to render service to any of the Company's competitors for the term of his employment or, unless he is terminated without cause, for 36 months thereafter.

On December 17, 1998, Mr. Farris was granted a conditional stock award, the basic provisions of which are discussed above in the footnotes to the Summary Compensation Table and under the caption "Long-Term Incentives" in the report on executive compensation. Under the terms of the agreement for this award, the vesting of one or more of the four remaining periodic installments is subject to acceleration under specific circumstances. Those circumstances generally relate to (a) termination of Mr. Farris' employment other than for cause, (b) his death or total disability, (c) an individual other than Mr. Raymond Plank or Mr. Farris becoming the Company's chief executive officer, and (d) merger, acquisition or other "change-in-control" of the Company.

In addition to the foregoing, the Company has established an income continuance plan. The plan provides that all officers of the Company, including the officers named in the Summary Compensation Table, and all employees who have either reached the age of 40, served the Company for more than ten years, or have been designated for participation based upon special skills or experience, will receive monthly payments approximating their monthly income and continued medical and health benefits from the Company for up to two years, if their employment is terminated as a result of a "change in control" of the Company, as defined in the plan.

31

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

Frederick M. Bohen, John A. Kocur, A. D. Frazier, Jr. and George D. Lawrence served on the management development and compensation committee of the Company's board of directors for all of 2004.

Mr. Kocur, a member of the committee since September 1991 and a director of the

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Company since 1977, retired as an executive officer in June 1991. Pursuant to the terms of an employment agreement in place at the time of his retirement, Mr. Kocur receives health, dental and vision benefits throughout his life.

Mr. Lawrence, a member of the committee since May 1997, is the former president and chief executive officer of The Phoenix Resource Companies, Inc. ("Phoenix"). Mr. Lawrence joined the Company's board of directors in May 1996, in conjunction with the Company's acquisition of Phoenix by a merger on May 20, 1996, through which Phoenix became a wholly-owned subsidiary of Apache. Pursuant to the terms of his employment agreement with Phoenix, Mr. Lawrence received medical and dental benefits through December 1997. Since that time, he has purchased medical and dental coverage through the Company.

CERTAIN BUSINESS RELATIONSHIPS AND TRANSACTIONS

In the ordinary course of business, Cimarex Energy Co. ("Cimarex"), formerly Key Production Company, Inc., paid to Apache during 2004 approximately \$5,942,000 for Cimarex's proportionate share of drilling and workover costs, mineral interests, and routine expenses relating to oil and gas wells in which Cimarex owns interests and of which Apache is the operator. Cimarex was paid approximately \$4,923,000 directly by Apache or related entities for its proportionate share of revenues from wells in which Cimarex marketed its revenues with Apache as operator. Apache paid to Cimarex during 2004 approximately \$4,506,000 for Apache's proportionate share of drilling and workover costs, mineral interests, and routine expenses relating to oil and gas wells in which Apache owns interests and of which Cimarex is the operator. Apache was paid approximately \$3,071,000 directly by Cimarex for its proportionate share of revenues from wells in which Apache marketed its revenues with Cimarex as operator. F. H. Merelli, a member of Apache's board of directors, is chairman of the board, chief executive officer, and president of Cimarex.

During 2004, Apache and its subsidiaries made donations of \$103,000, in cash, property, and services, to Ucross Foundation. In February 2004, Apache purchased Clear Creek Hunting Preserve, Inc. ("CCHP") from Ucross Foundation for a total purchase price of \$77,000. During 2004, Apache also paid \$22,000 to Ucross Foundation for food, lodging, and other expenses incurred in connection with executive retreats and board meetings held by Apache at Ucross Foundation facilities, and \$34,000 to Ucross Foundation for the lease of land and other services utilized by CCHP. Ucross Foundation was founded in 1981 as a non-profit organization whose primary objectives include the restoration of the historic Clear Fork headquarters of the Pratt and Ferris Cattle Company of Wyoming, the promotion of the preservation of other historical sites in the area, and the maintenance of an artists-in-residence program for writers and other artists. To help ensure that the accomplishments of Ucross Foundation are reasonably secure, Apache's board of directors has approved a conditional charitable contribution of \$10,000,000 to be made to Ucross Foundation upon a change of control of the Company, as defined in the Company's income continuance plan. Raymond Plank, chairman of Apache's board of directors, is chairman of the board of trustees of Ucross Foundation, and G. Steven Farris, a director and officer of

Apache, George D. Lawrence, a director of Apache, and Roger B. Plank, an officer of Apache, are trustees of Ucross Foundation.

During 2004, Apache and its subsidiaries made donations of \$5,033,000, in cash, property, and services to The Fund for Teachers: A Foundation to Recognize, Stimulate and Enhance, which is a Texas non-profit corporation. In addition, during 2004, Apache made a pledge to The Fund for Teachers for \$5,000,000 in cash, property and services that will be paid in 2005. The Fund for Teachers

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seeks to provide resources directly to teachers to support learning experiences of their own design to increase their effectiveness with students, and is currently focused on funding summer sabbaticals for selected applicants. The Company's board of directors also authorized additional donations to The Fund for Teachers of up to \$5,000,000 in cash, property, and services for 2005 that may be funded through the end of 2006. If a change of control of the Company occurs, as defined in the Company's income continuance plan, any and all of the donations that have not yet been made to The Fund for Teachers will become immediately due and payable to The Fund for Teachers. Raymond Plank, chairman of Apache's board of directors, is chairman of the board and president of The Fund for Teachers.

33

APPROVAL OF THE 2005 STOCK OPTION PLAN (ITEM NO. 2 ON PROXY CARD)

The board of directors recommends that the stockholders of the Company vote FOR the proposal to approve the 2005 Stock Option Plan (the "2005 Option Plan"). The affirmative vote of the holders of a majority of the shares of the Company's common stock voted, in person or by proxy, and entitled to vote at the annual meeting is required to approve the 2005 Option Plan.

The 2005 Option Plan was adopted by the board of directors on February 3, 2005, subject to approval by stockholders at the next annual meeting as required by the listing standards of the NYSE and the NASDAQ.

The 2005 Option Plan provides for the grant of stock options to eligible employees of the Company. The material features of the 2005 Option Plan are described below; however, such description is entirely subject to the detailed provisions of the 2005 Option Plan included herein as Appendix B.

As of February 10, 2005, the Company's ability to issue option grants under its existing stock option plans terminated. At the time of termination, approximately 2,538,000 shares of the Company's common stock that were previously authorized for new grants became unavailable for such purpose. The only provisions of these plans that are still effective are those governing grants previously made under the applicable plan.

PURPOSES OF THE 2005 OPTION PLAN

The board of directors believes that the Company's long-term success is dependent upon the ability of the Company to attract and retain outstanding individuals and to motivate them to exert their best efforts on behalf of the Company's interests, and that stock option plans constitute an important part of the Company's compensation structure.

The 2005 Option Plan provides eligible employees selected by the stock option plan committee (the "Committee") for participation in the 2005 Option Plan with added incentives to continue in the long-term service of the Company. It creates in the employees a more direct interest in the future success of the operations of the Company by relating incentive compensation to the Company's long-term performance and stockholder value, as reflected in the value of the Company's common stock. The 2005 Option Plan is also designed to retain and motivate participating employees by providing an opportunity for investment in the Company.

Substantially all of the Company's employees are eligible for consideration by the Committee for grants under the 2005 Option Plan. Mr. Plank and Mr. Farris, both of whom serve as officers and directors of the Company, as well as each of

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the Company's other executive officers named in the Summary Compensation Table presented above, are eligible to receive future grants under the proposed 2005 Option Plan. While the Company's officers were eligible for grants under the Company's prior stock option plans, for the last three fiscal years (2002 - 20