

OCCIDENTAL PETROLEUM CORP /DE/
Form 8-K
April 24, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

**Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported) April 24, 2008

OCCIDENTAL PETROLEUM CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

1-9210
(Commission
File Number)

95-4035997
(I.R.S. Employer
Identification No.)

10889 Wilshire Boulevard

Los Angeles, California
(Address of principal executive offices)

90024
(ZIP code)

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Registrant's telephone number, including area code:

(310) 208-8800

Check the appropriate box below if the Form 8-K is intended to simultaneously satisfy the filing obligation of the Registrant under any of the following provisions (see General Instruction A.2. below):

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Section 2 Financial Information

Item 2.02. Results of Operations and Financial Condition

On April 24, 2008, Occidental Petroleum Corporation released information regarding its results of operations for the three months ended March 31, 2008. The exhibits to this Form 8-K and the information set forth in this Item 2.02 are being furnished pursuant to Item 2.02, Results of Operations and Financial Condition. The full text of the press release is attached to this report as Exhibit 99.1. The full text of the speech given by Stephen I. Chazen is attached to this report as Exhibit 99.2. Investor Relations Supplemental Schedules are attached to this report as Exhibit 99.3. Earnings Conference Call Slides are attached to this report as Exhibit 99.4.

Section 8 Other Events

Item 8.01. Other Events

On April 24, 2008, Occidental Petroleum Corporation announced net income of \$1.846 billion (\$2.23 per diluted share) for the first quarter of 2008, compared with \$1.212 billion (\$1.43 per diluted share) for the first quarter of 2007.

Core results for the first quarter of 2008 were \$1.819 billion (\$2.20 per diluted share), compared with \$788 million (\$0.93 per diluted share) for the first quarter of 2007.

Oil and Gas

Oil and gas segment earnings were \$2.888 billion for the first quarter of 2008, compared with \$1.883 billion for the same period in 2007. Oil and gas core results for the first quarter of 2007 were \$1.362 billion, after excluding a \$412 million gain from the sale of Occidental's Russian joint venture and \$109 million gain from the resolution of certain legal disputes. The \$1.5 billion increase in the first quarter 2008 core results reflected \$1.6 billion of increases from record crude oil and higher natural gas prices, production from the Dolphin project coming on line in the second half of 2007, partially offset by increased DD&A rates and higher operating expenses.

For the first quarter of 2008, daily oil and gas production averaged 607,000 barrels of oil equivalent (BOE), compared with 560,000 BOE per day produced in the first quarter of 2007. The bulk of the production increase was the result of 55,000 BOE per day from the Dolphin project, which began production in the third quarter of 2007, partially offset by lower volumes from our production sharing contracts due to higher prices.

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Oxy's realized price for worldwide crude oil was \$86.75 per barrel for the first quarter of 2008, compared with \$51.67 per barrel for the first quarter of 2007. Domestic realized gas prices increased from \$6.38 per MCF in the first quarter of 2007 to \$8.15 per MCF for the first quarter of 2008.

Chemicals

Chemical segment earnings for the first quarter of 2008 were \$179 million, compared with \$137 million for the same period in 2007. The first quarter of 2008 results reflect higher margins for caustic soda.

Midstream, Marketing and Other

Occidental's midstream, marketing and other segment gathers, processes, transports, stores, and markets crude oil, natural gas, natural gas liquids and CO₂. The transportation and storage systems primarily serve operations from New Mexico across the Permian Basin to Cushing, Oklahoma. Occidental's 24.5-percent equity interest in the Dolphin pipeline project is also included in this segment. Additionally, this segment also generates electricity at facilities in Texas, Louisiana and California.

Midstream segment preliminary earnings were approximately \$123 million for the first quarter of 2008, compared with approximately \$119 million for the first quarter of 2007. Prior period oil and gas segment earnings have been revised to remove these midstream results.

Forward-Looking Statements

Statements in this release that contain words such as "will," "expect" or "estimate," or otherwise relate to the future, are forward-looking and involve risks and uncertainties that could significantly affect expected results. Factors that could cause results to differ materially include, but are not limited to: exploration risks, such as drilling of unsuccessful wells; global commodity pricing fluctuations and supply/demand considerations for oil, gas and chemicals; higher-than-expected costs; political risk; operational interruptions; changes in tax rates and not successfully completing (or any material delay in) any expansion, capital expenditure, acquisition, or disposition. You should not place undue reliance on these forward-looking statements which speak only as of the date of this release. Unless legally required, Occidental does not undertake any obligation to update any forward-looking statements as a result of new information, future events or otherwise. U.S. investors are urged to consider carefully the disclosure in our Form 10-K, available through the following toll-free telephone number, 1-888-OXYPETE (1-888-699-7383) or on the Internet at <http://www.oxy.com>. You also can obtain a copy from the SEC by calling 1-800-SEC-0330.

SUMMARY OF SEGMENT NET SALES AND EARNINGS

| (In millions, except per-share amounts) | First Quarter 2008 | 2007 |
|--|------------------------------|----------|
| SEGMENT NET SALES | | |
| Oil and Gas | \$ 4,518 | \$ 2,720 |
| Chemical | 1,267 | 1,060 |
| Midstream, marketing and other | 405 | 358 |
| Eliminations | (170) | (123) |
| Net sales | \$ 6,020 | \$ 4,015 |
| SEGMENT EARNINGS | | |
| Oil and Gas (a) | \$ 2,888 | \$ 1,883 |
| Chemical | 179 | 137 |
| Midstream, marketing and other | 123 | 119 |
| | 3,190 | 2,139 |
| Unallocated Corporate Items | | |
| Interest expense, net (b) | | (181) |
| Income taxes | (1,294) | (684) |
| Other (c) | (77) | (105) |
| Income from Continuing Operations | 1,819 | 1,169 |
| Discontinued operations, net (d) | 27 | 43 |
| NET INCOME | \$ 1,846 | \$ 1,212 |
| BASIC EARNINGS PER COMMON SHARE | | |
| Income from continuing operations | \$ 2.21 | \$ 1.39 |
| Discontinued operations, net | 0.03 | 0.05 |
| | \$ 2.24 | \$ 1.44 |
| DILUTED EARNINGS PER COMMON SHARE | | |
| Income from continuing operations | \$ 2.20 | \$ 1.38 |
| Discontinued operations, net | 0.03 | 0.05 |
| | \$ 2.23 | \$ 1.43 |
| AVERAGE BASIC COMMON SHARES OUTSTANDING | | |
| BASIC | 823.6 | 841.0 |
| DILUTED | 828.2 | 846.5 |

See footnotes on following page.

- (a) **Oil and Gas** - Prior period oil and gas segment results have been revised to remove midstream results. The first quarter of 2007 includes after-tax gains of \$412 million from the sale of Occidental's Russian joint venture and \$109 million resulting from the resolution of certain legal disputes.
- (b) **Interest Expense, net** - The first quarter of 2008 includes \$3 million pre-tax interest charges for the defeasance of various debt issues. The first quarter of 2007 includes \$172 million of pre-tax interest charges for the purchase of various debt issues in the open market.
- (c) **Unallocated Corporate Items - Other** - The first quarter of 2007 includes a \$47 million pre-tax charge for a plant closure and related environmental remediation reserve.
- (d) **Discontinued Operations, net** - In the first quarter of 2008, Occidental received payment from Ecuador for disputed tax refunds. In 2007, Occidental completed an exchange of oil and gas interests in Horn Mountain with BP p.l.c. (BP) for oil and gas interests in the Permian Basin and a gas processing plant in Texas. Occidental also sold its oil and gas interests in Pakistan to BP.

SUMMARY OF CAPITAL EXPENDITURES AND DD&A EXPENSE

| (\$ millions) | First Quarter | |
|---|---------------|--------|
| | 2008 | 2007 |
| CAPITAL EXPENDITURES | \$ 868 | \$ 780 |
| DEPRECIATION, DEPLETION AND AMORTIZATION OF ASSETS | \$ 653 | \$ 574 |

SUMMARY OF OPERATING STATISTICS

| | First Quarter 2008 | 2007 |
|--|------------------------------|------|
| NET OIL, GAS AND LIQUIDS | | |
| PRODUCTION PER DAY | | |
| United States | | |
| Crude Oil and Liquids (MBBL) | | |
| California | 87 | 85 |
| Permian | 170 | 165 |
| Hugoton and other | 4 | 4 |
| Total | 261 | 254 |
| Natural Gas (MMCF) | | |
| California | 245 | 232 |
| Hugoton and other | 158 | 150 |
| Permian | 177 | 198 |
| Total | 580 | 580 |
| Latin America | | |
| Crude Oil (MBBL) | | |
| Argentina | 37 | 33 |
| Colombia | 42 | 42 |
| Total | 79 | 75 |
| Natural Gas (MMCF) | | |
| Argentina | 22 | 21 |
| Bolivia | 21 | 14 |
| Total | 43 | 35 |
| Middle East/North Africa | | |
| Crude Oil (MBBL) | | |
| Oman | 20 | 22 |
| Dolphin | 22 | |
| Qatar | 46 | 46 |
| Yemen | 25 | 32 |
| Libya | 17 | 26 |
| Total | 130 | 126 |
| Natural Gas (MMCF) | | |
| Oman | 23 | 26 |
| Dolphin | 200 | |
| | 223 | 26 |
| Barrels of Oil Equivalent (MBOE) | | |
| Subtotal consolidated subsidiaries | 611 | 562 |
| Colombia-minority interest | (6 |) (5 |
| Yemen-Occidental net interest | 2 | 3 |
| Total Worldwide Production (MBOE) | 607 | 560 |

SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTING EARNINGS

Occidental's results of operations often include the effects of significant transactions and events affecting earnings that vary widely and unpredictably in nature, timing and amount. Therefore, management uses a measure called "core results," which excludes those items. This non-GAAP measure is not meant to disassociate those items from management's performance, but rather is meant to provide useful information to investors interested in comparing Occidental's earnings performance between periods. Reported earnings are considered representative of management's performance over the long term. Core results is not considered to be an alternative to operating income in accordance with generally accepted accounting principles.

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| (\$ millions, except per-share amounts) | First Quarter | | 2007 | Diluted EPS |
|--|-----------------|----------------|---------------|----------------|
| | 2008 | Diluted EPS | | |
| TOTAL REPORTED EARNINGS | \$ 1,846 | \$ 2.23 | \$ 1,212 | \$ 1.43 |
| Oil and Gas | | | | |
| Segment Earnings | \$ 2,888 | | \$ 1,883 | |
| Less: | | | | |
| Russia joint venture | | | 412 | |
| Legal settlements** | | | 109 | |
| Segment Core Results | 2,888 | | 1,362 | |
| Chemicals | | | | |
| Segment Earnings | 179 | | 137 | |
| No significant items affecting earnings | | | | |
| Segment Core Results | 179 | | 137 | |
| Midstream, marketing and other | | | | |
| Segment Earnings | 123 | | 119 | |
| No significant items affecting Earnings | | | | |
| Segment Core Results | 123 | | 119 | |
| Total Segment Core Results | 3,190 | | 1,618 | |
| Corporate | | | | |
| Corporate Results Non Segment* | (1,344) |) | (927) |) |
| Less: | | | | |
| Debt purchase expense | | | (172) |) |
| Facility closure | | | (47) |) |
| Tax effect of pre-tax adjustments | | | 79 | |
| Discontinued operations, net** | 27 | | 43 | |
| Corporate Core Results Non Segment | (1,371) |) | (830) |) |
| TOTAL CORE RESULTS | \$ 1,819 | \$ 2.20 | \$ 788 | \$ 0.93 |

* Interest expense, income taxes, G&A expense and other, and non-core items.

** Amounts shown after tax.

Section 9 Financial Statements and Exhibits

Item 9.01. Financial Statements and Exhibits

(d) Exhibits

- 99.1 Press release dated April 24, 2008.
- 99.2 Full text of speech given by Stephen I. Chazen.
- 99.3 Investor Relations Supplemental Schedules.
- 99.4 Earnings Conference Call Slides.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

OCCIDENTAL PETROLEUM CORPORATION
(Registrant)

DATE: April 24, 2008

/s/ JIM A. LEONARD
Jim A. Leonard, Vice President and Controller

(Principal Accounting and Duly Authorized Officer)

EXHIBIT INDEX

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