

OCCIDENTAL PETROLEUM CORP /DE/
Form 8-K
October 28, 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) October 28, 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 October 28, 2008, Occidental Petroleum Corporation released information regarding its results of operations for the three months ended September 30, 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 October 28, 2008, Occidental Petroleum Corporation announced net income of \$2.271 billion (\$2.78 per diluted share) for the third quarter of 2008, compared with \$1.324 billion (\$1.58 per diluted share) for the third quarter of 2007.

QUARTERLY RESULTS

Oil and Gas

Oil and gas segment earnings were \$3.618 billion for the third quarter of 2008, compared with \$1.955 billion for the same period in 2007. The \$1.7 billion increase in the third quarter 2008 segment earnings reflected \$1.8 billion of increases from higher crude oil and natural gas prices, higher oil and gas production and lower exploration expense, partially offset by increased DD&A rates and higher operating expenses.

For the third quarter of 2008, daily oil and gas production averaged 588,000 barrels of oil equivalent (BOE), compared with 570,000 BOE per day produced in the third quarter of 2007. The bulk of the production increase was the result of 31,000 BOE per day higher production from the Dolphin project, which began production in the third quarter of 2007, partially offset by 5,000 BOE per day lower production resulting from Hurricane Ike and 13,000 BOE per day lower production in Libya as a result of the new contract that became effective in the third quarter of 2008.

Oxy's realized price for worldwide crude oil was \$104.15 per barrel for the third quarter of 2008, compared with \$67.81 per barrel for the third quarter of 2007. Domestic realized gas prices increased from \$5.90 per MCF in the third quarter of 2007 to \$9.35 per MCF for the third quarter

of 2008.

Chemicals

Chemical segment earnings for the third quarter of 2008 were \$219 million, compared with \$212 million for the same period in 2007. The third quarter of 2008 results reflect higher caustic soda margins, partially offset by lower volumes and margins for chlorine and polyvinyl chloride.

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Midstream, Marketing and Other

Midstream segment earnings were \$66 million for the third quarter of 2008, compared with \$86 million for the third quarter of 2007. The third quarter of 2008 reflects lower margins in crude oil marketing, partially offset by higher pipeline income from Dolphin, which came on line in the second half of 2007, and higher margins in gas processing and power generation.

NINE MONTHS RESULTS

Net income for the nine months of 2008 was \$6.414 billion (\$7.79 per diluted share), compared with \$3.948 billion (\$4.69 per diluted share) for the nine months of 2007.

Core results were \$6.391 billion (\$7.76 per diluted share) for the nine months of 2008, compared with \$2.941 billion (\$3.50 per diluted share) for the nine months of 2007. See the attached schedule for a reconciliation of net income to core results.

Oil and Gas

Oil and gas segment earnings were \$10.312 billion for the nine months of 2008, compared with \$5.496 billion for the same period of 2007. Oil and gas core results were \$4.908 billion for the nine months of 2007 after excluding a \$412 million gain from the sale of Occidental's Russian joint venture interests, a \$35 million gain from the sale of other oil and gas interests, \$112 million income from the resolution of certain legal disputes and a \$29 million gain from the sale of exploration properties, net of impairments. The \$5.4 billion increase in the 2008 core results from \$4.9 billion in 2007 reflected \$5.5 billion from higher crude oil and natural gas prices, increased oil and gas production and lower exploration expense, partially offset by higher operating expenses and increased DD&A rates.

Daily oil and gas production for the first nine months was 594,000 BOE per day for 2008, compared with 563,000 BOE per day for the same 2007 period. The 5.5 percent increase was largely the result of 44,000 BOE per day higher production from the Dolphin project, partially offset by 5,000 BOE per day lower production in Libya resulting from the new contract.

Oxy's realized price for worldwide crude oil was \$100.39 per barrel for the nine months of 2008, compared with \$59.47 per barrel for the nine months of 2007. Domestic realized gas prices increased from \$6.45 per MCF in the nine months of 2007 to \$9.18 per MCF in the nine months of 2008.

Chemicals

Chemical segment earnings were \$542 million for the nine months of 2008, compared with \$507 million for the nine months of 2007. The 2008 results reflect higher margins for caustic soda, partially offset by lower volumes and margins for chlorine and polyvinyl chloride.

Midstream, Marketing and Other

Midstream segment earnings were \$350 million for the nine months of 2008, compared with \$229 million for the same period in 2007. The improvement in 2008 reflected higher pipeline income from the Dolphin Pipeline and higher margins in gas processing and power generation, partially offset by lower margins in crude oil marketing.

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

| (Millions, except per-share amounts) | Third Quarter | | Nine Months | |
|--|-----------------|-----------------|-----------------|-----------------|
| | 2008 | 2007 | 2008 | 2007 |
| SEGMENT NET SALES | | | | |
| Oil and Gas | \$ 5,422 | \$ 3,401 | \$ 15,441 | \$ 9,182 |
| Chemical | 1,454 | 1,241 | 4,107 | 3,530 |
| Midstream, Marketing and Other | 381 | 337 | 1,204 | 975 |
| Eliminations | (197) | (138) | (556) | (420) |
| Net sales | \$ 7,060 | \$ 4,841 | \$ 20,196 | \$ 13,267 |
| SEGMENT EARNINGS | | | | |
| Oil and Gas (a) | \$ 3,618 | \$ 1,955 | \$ 10,312 | \$ 5,496 |
| Chemical | 219 | 212 | 542 | 507 |
| Midstream, Marketing and Other | 66 | 86 | 350 | 229 |
| | 3,903 | 2,253 | 11,204 | 6,232 |
| Unallocated Corporate Items | | | | |
| Interest expense, net (b) | (3) | (11) | (10) | (186) |
| Income taxes | (1,546) | (862) | (4,511) | (2,450) |
| Other (c) | (82) | (64) | (292) | 34 |
| Income from Continuing Operations | 2,272 | 1,316 | 6,391 | 3,630 |
| Discontinued operations, net (d) | (1) | 8 | 23 | 318 |
| NET INCOME | \$ 2,271 | \$ 1,324 | \$ 6,414 | \$ 3,948 |
| BASIC EARNINGS PER COMMON SHARE | | | | |
| Income from continuing operations | \$ 2.79 | \$ 1.58 | \$ 7.79 | \$ 4.34 |
| Discontinued operations, net (d) | | 0.01 | 0.03 | 0.38 |
| | \$ 2.79 | \$ 1.59 | \$ 7.82 | \$ 4.72 |
| DILUTED EARNINGS PER COMMON SHARE | | | | |
| Income from continuing operations | \$ 2.78 | \$ 1.57 | \$ 7.76 | \$ 4.31 |
| Discontinued operations, net (d) | | 0.01 | 0.03 | 0.38 |
| | \$ 2.78 | \$ 1.58 | \$ 7.79 | \$ 4.69 |
| AVERAGE COMMON SHARES OUTSTANDING | | | | |
| BASIC | 815.3 | 833.1 | 820.1 | 837.0 |
| DILUTED | 817.7 | 837.0 | 823.8 | 840.9 |

See footnotes on following page.

- (a) **Oil and Gas** - The third quarter of 2007 includes a \$103 million pre-tax gain from the sale of exploration properties, partially offset by a \$74 million pre-tax charge for exploration impairments. The nine months of 2007 also includes an after-tax gain of \$412 million from the sale of Occidental's Russian joint venture interests, a \$112 million after-tax gain resulting from the resolution of certain legal disputes and a \$35 million pre-tax gain from the sale of oil and gas interest.
- (b) **Interest Expense, net** - The first nine months of 2007 includes \$167 million of pre-tax interest charges for the purchase of various debt issues in the open market. The net interest expense of \$10 million for the first nine months of 2008 included interest expense of \$94 million offset by \$84 million of interest income. The net interest expense of \$186 million for the first nine months of 2007 included interest expense of \$297 million offset by \$111 million of interest income.
- (c) **Unallocated Corporate Items - Other** - Includes a \$42 million pre-tax gain from the sale of Lyondell shares for the third quarter of 2007 and an additional \$284 million pre-tax gain in the first nine months of 2007. The first nine months of 2007 also includes a \$47 million pre-tax charge for a plant closure and related environmental remediation reserve.
- (d) **Discontinued Operations, net** - In the first nine months of 2008, Occidental received payment from Ecuador for 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) | Third Quarter | | Nine Months | |
|---|-----------------|--------|-----------------|----------|
| | 2008 | 2007 | 2008 | 2007 |
| CAPITAL EXPENDITURES | \$ 1,239 | \$ 880 | \$ 3,223 | \$ 2,510 |
| DEPRECIATION, DEPLETION AND AMORTIZATION OF ASSETS | \$ 683 | \$ 602 | \$ 1,957 | \$ 1,740 |

SUMMARY OF OPERATING STATISTICS

| | Third Quarter 2008 | 2007 | Nine Months 2008 | 2007 |
|--|-----------------------|------------|---------------------|------------|
| NET OIL, GAS AND LIQUIDS PRODUCTION PER DAY | | | | |
| United States | | | | |
| Crude Oil and Liquids (MBBL) | | | | |
| California | 87 | 90 | 86 | 89 |
| Permian | 166 | 171 | 168 | 167 |
| Midcontinent and Rockies | 8 | 4 | 6 | 3 |
| Total | 261 | 265 | 260 | 259 |
| Natural Gas (MMCF) | | | | |
| California | 236 | 264 | 239 | 254 |
| Permian | 169 | 182 | 179 | 189 |
| Midcontinent and Rockies | 165 | 158 | 166 | 154 |
| Total | 570 | 604 | 584 | 597 |
| Latin America | | | | |
| Crude Oil (MBBL) | | | | |
| Argentina | 38 | 31 | 32 | 33 |
| Colombia | 43 | 42 | 43 | 43 |
| Total | 81 | 73 | 75 | 76 |
| Natural Gas (MMCF) | | | | |
| Argentina | 24 | 22 | 19 | 24 |
| Bolivia | 21 | 18 | 21 | 17 |
| Total | 45 | 40 | 40 | 41 |
| Middle East/North Africa | | | | |
| Crude Oil and Liquids (MBBL) | | | | |
| Oman | 23 | 18 | 21 | 20 |
| Dolphin | 18 | 3 | 20 | 1 |
| Qatar | 49 | 46 | 47 | 46 |
| Yemen | 20 | 22 | 22 | 26 |
| Libya | 7 | 20 | 17 | 22 |
| Total | 117 | 109 | 127 | 115 |
| Natural Gas (MMCF) | | | | |
| Oman | 25 | 34 | 24 | 31 |
| Dolphin | 165 | 69 | 176 | 23 |
| Total | 190 | 103 | 200 | 54 |
| Barrels of Oil Equivalent (MBOE) | | | | |
| Subtotal consolidated subsidiaries | 593 | 572 | 599 | 566 |
| Colombia-minority interest | (7 |) (4 |) (7 |) (5 |
| Yemen-Occidental net interest | 2 | 2 | 2 | 2 |
| Total Worldwide Production - MBOE | 588 | 570 | 594 | 563 |

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.

SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTING EARNINGS

| (\$ millions, except per-share amounts) | Third Quarter | | 2007 | Diluted EPS |
|--|-----------------|----------------|----------|----------------|
| | 2008 | Diluted EPS | | |
| TOTAL REPORTED EARNINGS | \$ 2,271 | \$ 2.78 | \$ 1,324 | \$ 1.58 |
| Oil and Gas | | | | |
| Segment Earnings | \$ 3,618 | | \$ 1,955 | |
| Less: | | | | |
| Gain on sale of oil & gas interests | | | 12 | |
| Sale of exploration properties | | | 103 | |
| Exploration impairments | | | (74) |) |
| Segment Core Results | 3,618 | | 1,914 | |
| Chemicals | | | | |
| Segment Earnings | 219 | | 212 | |
| Less: | | | | |
| No significant items affecting earnings | | | | |
| Segment Core Results | 219 | | 212 | |
| Midstream, Marketing and Other | | | | |
| Segment Earnings | 66 | | 86 | |
| Less: | | | | |
| No significant items affecting earnings | | | | |
| Segment Core Results | 66 | | 86 | |
| Total Segment Core Results | 3,903 | | 2,212 | |
| Corporate | | | | |
| Corporate Results Non Segment* | (1,632) |) | (929) |) |
| Less: | | | | |
| Gain on sale of Lyondell shares | | | 42 | |
| Tax effect of pre-tax adjustments | | | 23 | |
| Discontinued operations, net** | (1) |) | 8 | |
| Corporate Core Results Non Segment | (1,631) |) | (1,002) |) |
| TOTAL CORE RESULTS | \$ 2,272 | \$ 2.78 | \$ 1,210 | \$ 1.45 |

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

** Amounts shown after tax.

SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTING EARNINGS (continued)

| (\$ millions, except per-share amounts) | Nine Months | | 2007 | Diluted EPS |
|--|------------------|----------------|----------|----------------|
| | 2008 | Diluted EPS | | |
| TOTAL REPORTED EARNINGS | \$ 6,414 | \$ 7.79 | \$ 3,948 | \$ 4.69 |
| Oil and Gas | | | | |
| Segment Earnings | \$ 10,312 | | \$ 5,496 | |
| Less: | | | | |
| Gain on sale of oil & gas interests | | | 35 | |
| Russia joint venture** | | | 412 | |
| Legal settlements** | | | 112 | |
| Sale of exploration properties | | | 103 | |
| Exploration impairments | | | (74) |) |
| Segment Core Results | 10,312 | | 4,908 | |
| Chemicals | | | | |
| Segment Earnings | 542 | | 507 | |
| Less: | | | | |
| No significant items affecting earnings | | | | |
| Segment Core Results | 542 | | 507 | |
| Midstream, Marketing and Other | | | | |
| Segment Earnings | 350 | | 229 | |
| Less: | | | | |
| No significant items affecting earnings | | | | |
| Segment Core Results | 350 | | 229 | |
| Total Segment Core Results | 11,204 | | 5,644 | |
| Corporate | | | | |
| Corporate Results Non Segment* | (4,790) |) | (2,284) |) |
| Less: | | | | |
| Debt purchase expense | | | (167) |) |
| Facility closure | | | (47) |) |
| Gain on sale of Lyondell shares | | | 326 | |
| Tax effect of pre-tax adjustments | | | (11) |) |
| Discontinued operations, net** | 23 | | 318 | |
| Corporate Core Results Non Segment | (4,813) |) | (2,703) |) |
| TOTAL CORE RESULTS | \$ 6,391 | \$ 7.76 | \$ 2,941 | \$ 3.50 |

* 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 October 28, 2008.
- 99.2 Full text of speech given by Stephen I. Chazen.
- 99.3 Investor Relations Supplemental Schedules.
- 99.4 Earnings Conference Call Slides.
- 99.5 Forward-Looking Statements Disclosure for Earnings Release Presentation Materials.

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: October 28, 2008

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

(Principal Accounting and Duly Authorized Officer)

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