

OCCIDENTAL PETROLEUM CORP /DE/
Form 8-K
October 24, 2007

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 24, 2007

OCCIDENTAL PETROLEUM CORPORATION

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation) 10889 Wilshire Boulevard	1-9210 (Commission File Number)	95-4035997 (I.R.S. Employer Identification No.)
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Los Angeles, California (Address of principal executive offices) Registrant's telephone number, including area code: (310) 208-8800	90024 (ZIP code)
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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 24, 2007, Occidental Petroleum Corporation released information regarding its results of operations for the three and nine months ended September 30, 2007. 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 speeches given by Dr. Ray R. Irani and 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 24, 2007, Occidental Petroleum Corporation announced net income of \$1.324 billion (\$1.58 per diluted share) for the third quarter of 2007, compared with \$1.170 billion (\$1.36 per diluted share) for the third quarter of 2006. Core results for the third quarter of 2007 were a record high of \$1.210 billion (\$1.45 per diluted share), after excluding after-tax gains of \$72 million from the sale of exploration properties, net of asset impairments, \$34 million from the sale of non-core assets and \$8 million from discontinued operations; compared with \$1.103 billion (\$1.28 per diluted share) for the third quarter of 2006. See the attached schedule for a reconciliation of net income to core results.

QUARTERLY RESULTS

Oil and Gas

Oil and gas segment earnings were \$2.029 billion for the third quarter of 2007, compared with \$1.790 billion for the same period in 2006. The third quarter of 2007 core results were \$1.988 billion, after excluding pre-tax gains of \$12 million from the sale of domestic interests and \$103 million from the sale of exploration properties, partially offset by a \$74 million pre-tax loss from the impairment of assets, primarily exploration properties. The \$198 million increase in the third quarter 2007 core results to \$1.988 billion from \$1.790 billion in 2006 reflected increases from higher crude oil prices and production volumes, partially offset by increased DD&A rates and higher operating expenses.

The average price for West Texas Intermediate crude oil in the third quarter of 2007 was \$75.38 per barrel compared to \$70.53 per barrel in the third quarter of 2006. Oxy's realized price for worldwide crude oil was \$67.81 per barrel for the third quarter of 2007, compared with \$61.83 per barrel for the third quarter of 2006. The average price for NYMEX gas in the third quarter of 2007 was \$6.69 per MCF, compared with \$6.33 per MCF in the third quarter of 2006. Domestic realized gas prices increased slightly from \$5.88 per MCF in the third quarter of 2006 to \$5.90 per MCF for the third quarter of 2007.

Production

For the third quarter of 2007, daily oil and gas production averaged 570,000 barrels of oil equivalent (BOE), compared with 533,000 BOE per day produced in the third quarter of 2006. The increased production included 15,000 BOE per day from Dolphin, 12,000 BOE per day from domestic operations and the remainder primarily from the Middle East.

Chemicals

Chemical segment earnings for the third quarter of 2007 were \$212 million, compared with \$248 million for the same period in 2006. The third quarter of 2007 results reflect lower margins for polyvinyl chloride.

NINE-MONTHS RESULTS

Net income for the nine months of 2007 was \$3.948 billion (\$4.69 per diluted share), compared with \$3.261 billion (\$3.78 per diluted share) for the nine months of 2006.

Core results were \$2.941 billion (\$3.50 per diluted share) for the nine months of 2007, compared with \$3.332 billion (\$3.86 per diluted share) for the nine months of 2006. Net income for the nine months of 2007 includes, after-tax: a \$72 million gain from the sale of exploration properties, net of asset impairments, a \$22 million gain from the sale of domestic oil and gas interests, a \$112 million gain for litigation settlements, a \$208 million gain from the sale of 21 million shares of Lyondell Chemical Corporation, a \$412 million gain resulting from the sale of Oxy's 50-percent investment in Russia, a \$107 million charge for the completion of cash tender offers for various debt issues, a \$30 million provision for a plant closure and related environmental remediation reserve and \$318 million income from discontinued operations. Net income for the nine months of 2006 includes a \$71 million after-tax loss from discontinued operations. See the attached schedule for a reconciliation of net income to core results.

Oil and Gas

Oil and gas segment earnings were \$5.719 billion for the nine months of 2007, compared with \$5.458 billion for the same period of 2006. Oil and gas core results were \$5.131 billion for the nine months of 2007 after excluding gains from the sale of Oxy's investment in Russia, sales of exploration properties, net of asset impairments, sales of domestic oil and gas interests, and litigation settlements. The decline of \$327 million in the nine months of 2007 core results from \$5.458 billion in 2006 reflected lower crude oil and natural gas prices, increased DD&A rates and higher exploration and operating expenses, partially offset by higher crude oil and natural gas production.

The average price for West Texas Intermediate crude oil in the nine months of 2007 was \$66.20 per barrel compared to \$68.24 per barrel in the nine months of 2006. Oxy's realized price for worldwide crude oil was \$59.47 per barrel for the nine months of 2007, compared with \$59.61 per barrel for the nine months of 2006. The average price for NYMEX gas in the nine months of 2007 was \$7.14 per MCF, compared with \$8.34 per MCF in the nine months of 2006. Domestic realized gas prices decreased from \$6.79 per MCF in the nine months of 2006 to \$6.45 per MCF for the same period of 2007.

Production

For the nine months of 2007, daily oil and gas production averaged 563,000 BOE, compared with 539,000 BOE per day produced in the nine months of 2006.

Chemicals

Chemical segment earnings for the nine months of 2007 were \$507 million, compared with \$749 million for the same period in 2006. The 2007 results reflect lower margins for polyvinyl chloride.

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; 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	
	2007	2006	2007	2006
=====				
SEGMENT NET SALES				
Oil and Gas	\$ 3,536	\$ 3,087	\$ 9,597	\$ 9,244
Chemical	1,241	1,265	3,530	3,779
Other	64	50	140	114
	-----	-----	-----	-----
Net sales	\$ 4,841	\$ 4,402	\$13,267	\$13,137
=====				
SEGMENT EARNINGS				
Oil and Gas (a)	\$ 2,029	\$ 1,790	\$ 5,719	\$ 5,458
Chemical	212	248	507	749
	-----	-----	-----	-----
	2,241	2,038	6,226	6,207
Unallocated Corporate Items				
Interest expense, net (b)	(11)	(18)	(186)	(80)
Income taxes	(862)	(858)	(2,450)	(2,583)
Other (c)	(52)	(59)	40	(212)
	-----	-----	-----	-----
Income from Continuing Operations	1,316	1,103	3,630	3,332
Discontinued operations, net (d)	8	67	318	(71)
	-----	-----	-----	-----
NET INCOME	\$ 1,324	\$ 1,170	\$ 3,948	\$ 3,261
=====				
BASIC EARNINGS PER COMMON SHARE				
Income from continuing operations	\$ 1.58	\$ 1.29	\$ 4.34	\$ 3.90
Discontinued operations, net (d)	0.01	0.08	0.38	(0.08)
	-----	-----	-----	-----
	\$ 1.59	\$ 1.37	\$ 4.72	\$ 3.82
=====				
DILUTED EARNINGS PER COMMON SHARE				
Income from continuing operations	\$ 1.57	\$ 1.28	\$ 4.31	\$ 3.86
Discontinued operations, net (d)	0.01	0.08	0.38	(0.08)
	-----	-----	-----	-----
	\$ 1.58	\$ 1.36	\$ 4.69	\$ 3.78
=====				
AVERAGE BASIC COMMON SHARES OUTSTANDING				
BASIC	833.1	852.8	837.0	854.2
DILUTED	837.0	860.3	840.9	863.0
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See footnotes on following page.

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- (a) **Oil and Gas** - The third quarter of 2007 includes pre-tax gains of \$12 million from the sale of domestic oil and gas interests and \$103 million from the sale of exploration properties, partially offset by a pre-tax loss of \$74 million for the impairment of properties. The nine months of 2007 also includes an after-tax gain of \$412 million from the sale of Occidental's Russian investment, a \$112 million after-tax gain resulting from the resolution of certain legal disputes and an additional \$23 million pre-tax gain from the sale of domestic oil and gas interests.
- (b) **Interest Expense, net** - The nine months of 2007 includes a \$167 million pre-tax interest charge for the purchase of various debt issues in the open market.
- (c) **Unallocated Corporate Items - Other** - The third quarter of 2007 includes a \$42 million pre-tax gain from the sale of the remaining 2.4 million shares of Occidental's investment in Lyondell Chemical Company. The nine months of 2007 also includes an additional \$284 million pre-tax gain from the sale of 18.6 million shares and a \$47 million pre-tax charge for a plant closure and related environmental remediation reserve.
- (d) **Discontinued Operations, net** - In June 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. The nine months of 2007 includes after-tax gains of \$316 million related to these transactions and their operating results and \$2 million from assets classified to discontinued operations in 2006.

In January 2006, Occidental completed the merger of Vintage into a subsidiary and classified certain assets and liabilities as held for sale. In May 2006, Ecuador terminated Occidental's contract for the operation of Block 15. The nine months of 2006 includes a \$415 million after-tax loss for the write-off of assets, \$109 million after-tax income for the first five months of operations which were written off, \$46 million after-tax income for the properties held for sale and \$189 million after-tax income for the operations of Horn Mountain and Pakistan.

SUMMARY OF CAPITAL EXPENDITURES AND DD&A EXPENSE

	Third Quarter		Nine Months	
(\$ millions)	2007	2006	2007	2006
CAPITAL EXPENDITURES	\$ 880	\$ 747	\$ 2,510	\$ 1,977
DEPRECIATION, DEPLETION AND AMORTIZATION OF ASSETS	\$ 602	\$ 516	\$ 1,740	\$ 1,446

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SUMMARY OF OPERATING STATISTICS

	Third Quarter		Nine Months	
	2007	2006	2007	2006
NET OIL, GAS AND LIQUIDS				
PRODUCTION PER DAY				
United States				
Crude oil and liquids (MBBL)				
California	90	84	89	83
Permian	171	168	167	167
Hugoton and other	4	3	3	3
Total	265	255	259	253
Natural Gas (MMCF)				
California	264	255	254	254
Hugoton and other	158	139	154	137
Permian	182	198	189	194
Total	604	592	597	585
Latin America				
Crude Oil (MBBL)				
Argentina	31	37	33	33
Colombia	42	33	43	35
Total	73	70	76	68
Natural Gas (MMCF)				
Argentina	22	19	24	18
Bolivia	18	16	17	16
Total	40	35	41	34
Middle East/North Africa				
Crude Oil (MBBL)				
Oman	18	17	20	17
Dolphin	3	--	1	--
Qatar	46	41	46	43
Yemen	22	27	26	30
Libya	20	15	22	21
Total	109	100	115	111
Natural Gas (MMCF)				
Oman	34	35	31	32
Dolphin	69	--	23	--
Total	103	35	54	32
Barrels of Oil Equivalent (MBOE)				
Subtotal consolidated subsidiaries	572	535	566	541
Colombia-minority interest	(4) (4) (5) (4
Yemen-Occidental net interest	2	2	2	2

Total Worldwide Production

MBOE (a)	570	533	563	539
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(a) Occidental sold its interest in Russia in January 2007. In June 2007, Occidental sold its Pakistan operations to BP and exchanged its Gulf of Mexico - Horn Mountain operations with BP. Production from these operations has been excluded from all periods for comparability.

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.

The following tables set forth the core results and significant items affecting earnings for each operating segment and corporate:

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SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTING EARNINGS (continued)

	Third Quarter			
(\$ millions, except per-share amounts =====	2007	Diluted EPS	2006	Diluted EPS =====
TOTAL REPORTED EARNINGS	\$ 1,324	\$ 1.58	\$ 1,170	\$ 1.36
Oil and Gas				
Segment Earnings	\$ 2,029		\$ 1,790	
Less:				
Gain on sale of oil & gas interests	12		--	
Gain on sale of exploration properties	103		--	
Impairments	(74)		--	
Segment Core Results	1,988		1,790	
Chemicals				
Segment Earnings	212		248	
Less:				
No significant items affecting earnings	--		--	
Segment Core Results	212		248	
Total Segment Core Results	2,200		2,038	
Corporate				
Corporate Results -- Non Segment*	(917)		(868)	
Less:				
Gain on sale of Lyondell shares	42		--	
Tax effect of pre-tax adjustments	23		--	
Discontinued operations, net**	8		67	
Corporate Core Results -- Non Segment	(990)		(935)	
TOTAL CORE RESULTS	\$ 1,210	\$ 1.45	\$ 1,103	\$ 1.28

* 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	2006	Diluted EPS
=====	=====	=====	=====	=====
TOTAL REPORTED EARNINGS	\$ 3,948	\$ 4.69	\$ 3,261	\$ 3.78
Oil and Gas				
Segment Earnings	\$ 5,719		\$ 5,458	
Less:				
Gain on sale of Russia investment	412		--	
Gain on sale of exploration properties	103		--	
Impairments	(74)		--	
Gain on sale of oil & gas interests	35		--	
Litigation settlements	112		--	
	-----		-----	
Segment Core Results	5,131		5,458	
	-----		-----	
Chemicals				
Segment Earnings	507		749	
Less:				
No significant items affecting earnings	--		--	
	-----		-----	
Segment Core Results	507		749	
	-----		-----	
Total Segment Core Results	5,638		6,207	
	-----		-----	
Corporate				
Corporate Results -- Non Segment*	(2,278)		(2,946)	
Less:				
Debt purchase expense	(167)		--	
Gain on sale of Lyondell shares	326		--	
Plant closure	(47)		--	
Tax effect of pre-tax adjustments	(11)		--	
Discontinued operations, net**	318		(71)	
	-----		-----	
Corporate Core Results -- Non Segment	(2,697)		(2,875)	
	-----		-----	
TOTAL CORE RESULTS	\$ 2,941	\$ 3.50	\$ 3,332	\$ 3.86
=====	=====	=====	=====	=====

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

** Amounts shown after tax.

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Section 9 Financial Statements and Exhibits

Item 9.01. Financial Statements and Exhibits

(d) Exhibits

- 99.1 Press release dated October 24, 2007.
- 99.2 Full text of speeches given by Dr. Ray R. Irani and Stephen I. Chazen.
- 99.3 Investor Relations Supplemental Schedules.
- 99.4 Earnings Conference Call Slides.

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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.

DATE: October 24, 2007

OCCIDENTAL PETROLEUM CORPORATION
(Registrant)

/s/ JIM A. LEONARD

Jim A. Leonard, Vice President and Controller

(Principal Accounting and Duly Authorized Officer)

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