

OCCIDENTAL PETROLEUM CORP /DE/  
Form 10-Q  
August 05, 2013

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q  
þ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2013  
OR  
.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-9210

\_\_\_\_\_  
OCCIDENTAL PETROLEUM CORPORATION  
(Exact name of registrant as specified in its charter)  
Delaware  
(State or other jurisdiction of  
incorporation or organization)

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

10889 Wilshire Boulevard  
Los Angeles, California  
(Address of principal executive offices)

90024  
(Zip Code)

(310) 208-8800  
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. R Yes £ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). R Yes £ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. (See definition of "accelerated filer", "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act):

Large Accelerated FilerR Accelerated Filer£ Non-Accelerated Filer£ Smaller Reporting Company£

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) £ Yes R No

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Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

| Class                        | Outstanding at June 30, 2013 |
|------------------------------|------------------------------|
| Common stock \$.20 par value | 805,763,948 shares           |

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OCCIDENTAL PETROLEUM CORPORATION AND SUBSIDIARIES

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## PART I FINANCIAL INFORMATION

## Item 1. Financial Statements (unaudited)

OCCIDENTAL PETROLEUM CORPORATION AND SUBSIDIARIES  
CONSOLIDATED CONDENSED BALANCE SHEETS  
JUNE 30, 2013 AND DECEMBER 31, 2012  
(Amounts in millions)

|   | 2013     | 2012     |
|---|----------|----------|
| ASSETS  |          |          |
| CURRENT ASSETS  |          |          |
| Cash and cash equivalents   | \$3,069  | \$1,592  |
| Trade receivables, net  | 5,221    | 4,916    |
| Inventories   | 1,340    | 1,344    |
| Other current assets  | 1,229    | 1,640    |
| Total current assets  | 10,859   | 9,492    |
| INVESTMENTS IN UNCONSOLIDATED ENTITIES  | 1,808    | 1,894    |
| PROPERTY, PLANT AND EQUIPMENT, net of accumulated depreciation, depletion and amortization of \$30,536 at June 30, 2013 and \$28,032 at December 31, 2012 | 53,949   | 52,064   |
| LONG-TERM RECEIVABLES AND OTHER ASSETS, NET   | 806      | 760      |
| TOTAL ASSETS  | \$67,422 | \$64,210 |

The accompanying notes are an integral part of these consolidated financial statements.

OCCIDENTAL PETROLEUM CORPORATION AND SUBSIDIARIES  
CONSOLIDATED CONDENSED BALANCE SHEETS  
JUNE 30, 2013 AND DECEMBER 31, 2012  
(Amounts in millions)

|   | 2013            | 2012            |
|---|-----------------|-----------------|
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>       |                 |                 |
| <b>CURRENT LIABILITIES</b>                        |                 |                 |
| Current maturities of long-term debt              | \$600           | \$600           |
| Accounts payable                                  | 5,274           | 4,708           |
| Accrued liabilities                               | 2,331           | 1,966           |
| Domestic and foreign income taxes                 | 29              | 16              |
| Total current liabilities                         | 8,234           | 7,290           |
| LONG-TERM DEBT, NET                               | 7,026           | 7,023           |
| <b>DEFERRED CREDITS AND OTHER LIABILITIES</b>     |                 |                 |
| Deferred domestic and foreign income taxes        | 6,658           | 6,039           |
| Other   | 3,654           | 3,810           |
|   | 10,312          | 9,849           |
| <b>STOCKHOLDERS' EQUITY</b>                       |                 |                 |
| Common stock, at par value                        | 178             | 178             |
| Treasury stock                                    | (5,113 )        | (5,091 )        |
| Additional paid-in capital                        | 7,510           | 7,441           |
| Retained earnings                                 | 39,634          | 37,990          |
| Accumulated other comprehensive loss              | (456 )          | (502 )          |
| Total equity attributable to common stock         | 41,753          | 40,016          |
| Noncontrolling interest                           | 97              | 32              |
| Total stockholders' equity                        | 41,850          | 40,048          |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b> | <b>\$67,422</b> | <b>\$64,210</b> |

The accompanying notes are an integral part of these consolidated financial statements.

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OCCIDENTAL PETROLEUM CORPORATION AND SUBSIDIARIES  
CONSOLIDATED CONDENSED STATEMENTS OF INCOME  
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2013 AND 2012  
(Amounts in millions, except per-share amounts)

|  | Three months ended |                | Six months ended |                |
|--|--------------------|----------------|------------------|----------------|
|  | June 30            |                | June 30          |                |
|  | 2013               | 2012           | 2013             | 2012           |
| <b>REVENUES AND OTHER INCOME</b>                                 |                    |                |                  |                |
| Net sales  | \$5,962            | \$5,768        | \$11,834         | \$12,036       |
| Interest, dividends and other income                             | 28                 | 24             | 63               | 39             |
| Gain on sale of equity investment                                | 131                | —              | 131              | —              |
|  | 6,121              | 5,792          | 12,028           | 12,075         |
| <b>COSTS AND OTHER DEDUCTIONS</b>                                |                    |                |                  |                |
| Cost of sales  | 3,180              | 3,060          | 6,317            | 6,010          |
| Selling, general and administrative and other operating expenses | 495                | 335            | 888              | 769            |
| Taxes other than on income                                       | 196                | 167            | 382              | 341            |
| Exploration expense  | 78                 | 96             | 128              | 194            |
| Interest and debt expense, net                                   | 30                 | 28             | 64               | 58             |
|  | 3,979              | 3,686          | 7,779            | 7,372          |
| Income before income taxes and other items                       | 2,142              | 2,106          | 4,249            | 4,703          |
| Provision for domestic and foreign income taxes                  | (901)              | (875)          | (1,745)          | (2,014)        |
| Income from equity investments                                   | 86                 | 101            | 182              | 203            |
| Income from continuing operations                                | 1,327              | 1,332          | 2,686            | 2,892          |
| Discontinued operations, net                                     | (5)                | (4)            | (9)              | (5)            |
| <b>NET INCOME</b>  | <b>\$1,322</b>     | <b>\$1,328</b> | <b>\$2,677</b>   | <b>\$2,887</b> |
| <b>BASIC EARNINGS PER COMMON SHARE</b>                           |                    |                |                  |                |
| Income from continuing operations                                | \$1.65             | \$1.64         | \$3.33           | \$3.56         |
| Discontinued operations, net                                     | (0.01)             | —              | (0.01)           | (0.01)         |
| <b>BASIC EARNINGS PER COMMON SHARE</b>                           | <b>\$1.64</b>      | <b>\$1.64</b>  | <b>\$3.32</b>    | <b>\$3.55</b>  |
| <b>DILUTED EARNINGS PER COMMON SHARE</b>                         |                    |                |                  |                |
| Income from continuing operations                                | \$1.64             | \$1.64         | \$3.33           | \$3.56         |
| Discontinued operations, net                                     | —                  | —              | (0.01)           | (0.01)         |
| <b>DILUTED EARNINGS PER COMMON SHARE</b>                         | <b>\$1.64</b>      | <b>\$1.64</b>  | <b>\$3.32</b>    | <b>\$3.55</b>  |
| <b>DIVIDENDS PER COMMON SHARE</b>                                | <b>\$0.64</b>      | <b>\$0.54</b>  | <b>\$1.28</b>    | <b>\$1.08</b>  |

The accompanying notes are an integral part of these consolidated financial statements.

OCCIDENTAL PETROLEUM CORPORATION AND SUBSIDIARIES  
CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2013 AND 2012  
(Amounts in millions)

|   | Three months ended |         | Six months ended |         |
|---|--------------------|---------|------------------|---------|
|   | June 30            |         | June 30          |         |
|   | 2013               | 2012    | 2013             | 2012    |
| Net income  | \$1,322            | \$1,328 | \$2,677          | \$2,887 |
| Other comprehensive income (loss) items:  |                    |         |                  |         |
| Foreign currency translation gains (losses)   | 1                  | (12)    | 2                | (8)     |
| Reclassification to income of realized foreign currency translation losses <sup>(a)</sup> | 28                 | —       | 28               | —       |
| Pension and postretirement gains <sup>(b)</sup>   | 9                  | 8       | 18               | 13      |
| Unrealized gains (losses) on derivatives <sup>(c)</sup>                                   | 7                  | (2)     | 1                | 12      |
| Reclassification to income of realized losses (gains) on derivatives <sup>(d)</sup>       | 1                  | 4       | (3)              | (24)    |
| Other comprehensive income (loss), net of tax <sup>(e)</sup>                              | 46                 | (2)     | 46               | (7)     |
| Comprehensive income  | \$1,368            | \$1,326 | \$2,723          | \$2,880 |

(a) Included in the net gain on sale of the investment in Carbocloro, a Brazilian chemical facility.

(b) Net of tax of \$(6) and \$(5) for the three months ended June 30, 2013 and 2012, respectively, and \$(11) and \$(8) for the six months ended June 30, 2013 and 2012.

(c) Net of tax of \$(4) and zero for the three months ended June 30, 2013 and 2012, respectively, and \$(1) and \$(8) for the six months ended June 30, 2013 and 2012.

(d) Net of tax of zero and \$(2) for the three months ended June 30, 2013 and 2012, respectively, and \$2 and \$15 for the six months ended June 30, 2013 and 2012.

(e) There were no other comprehensive income (loss) items related to noncontrolling interests in 2013 and 2012.

The accompanying notes are an integral part of these consolidated financial statements.



OCCIDENTAL PETROLEUM CORPORATION AND SUBSIDIARIES  
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS  
FOR THE SIX MONTHS ENDED JUNE 30, 2013 AND 2012  
(Amounts in millions)

|   | 2013     | 2012     |
|---|----------|----------|
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>  |          |          |
| Net income  | \$2,677  | \$2,887  |
| Adjustments to reconcile net income to net cash provided by operating activities: |          |          |
| Discontinued operations, net  | 9        | 5        |
| Depreciation, depletion and amortization of assets                                | 2,562    | 2,172    |
| Deferred income tax provision   | 635      | 794      |
| Other noncash charges to income   | 218      | 109      |
| Gain on sale of equity investment   | (131 )   | —        |
| Undistributed earnings from equity investments                                    | (31 )    | (8 )     |
| Dry hole expenses   | 77       | 166      |
| Changes in operating assets and liabilities, net                                  | 227      | (150 )   |
| Operating cash flow from continuing operations                                    | 6,243    | 5,975    |
| Operating cash flow from discontinued operations, net of taxes                    | (18 )    | (17 )    |
| Net cash provided by operating activities   | 6,225    | 5,958    |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>  |          |          |
| Capital expenditures  | (4,280 ) | (5,125 ) |
| Payments for purchases of assets and businesses                                   | (226 )   | (1,081 ) |
| Sale of equity investment, net  | 270      | —        |
| Other, net  | (63 )    | 44       |
| Net cash used by investing activities   | (4,299 ) | (6,162 ) |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>  |          |          |
| Proceeds from long-term debt  | —        | 1,736    |
| Proceeds from issuance of common stock  | 24       | 58       |
| Purchases of treasury stock   | (28 )    | (152 )   |
| Contributions from noncontrolling interest  | 65       | —        |
| Cash dividends paid   | (517 )   | (813 )   |
| Other, net  | 7        | 4        |
| Net cash (used) provided by financing activities                                  | (449 )   | 833      |
| Increase in cash and cash equivalents   | 1,477    | 629      |
| Cash and cash equivalents—beginning of period                                     | 1,592    | 3,781    |
| Cash and cash equivalents—end of period   | \$3,069  | \$4,410  |

The accompanying notes are an integral part of these consolidated financial statements.

OCCIDENTAL PETROLEUM CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

June 30, 2013

1. General

In these unaudited consolidated condensed financial statements, "Occidental" means Occidental Petroleum Corporation, a Delaware corporation (OPC), or OPC and one or more entities in which it owns a controlling interest (subsidiaries). Occidental has made its disclosures in accordance with United States generally accepted accounting principles as they apply to interim reporting, and condensed or omitted, as permitted by the Securities and Exchange Commission's rules and regulations, certain information and disclosures normally included in consolidated financial statements and the notes. These consolidated condensed financial statements should be read in conjunction with the consolidated financial statements and the notes thereto in Occidental's Annual Report on Form 10-K for the year ended December 31, 2012.

In the opinion of Occidental's management, the accompanying consolidated condensed financial statements contain all adjustments (consisting of normal recurring adjustments) necessary to fairly present Occidental's consolidated financial position as of June 30, 2013, and the consolidated statements of income, comprehensive income and cash flows for the three and six months ended June 30, 2013 and 2012, as applicable. The income and cash flows for the periods ended June 30, 2013 and 2012 are not necessarily indicative of the income or cash flows to be expected for the full year.

Certain financial statements and notes for the prior year have been reclassified to conform to the 2013 presentation.

2. Asset Acquisitions, Dispositions and Other

In May 2013, Occidental sold its investment in Carbocloro, a Brazilian chemical facility. Occidental received net proceeds of approximately \$270 million and recorded a pre-tax gain of \$131 million.

As previously reported, Edward Djerejian was elected Chairman of the Board of Directors on May 3, 2013, replacing Dr. Ray Irani. Dr. Irani submitted his resignation as a director, effective as of May 15, 2013 and ceased serving as an executive of Occidental. In addition, certain other employees and several consulting arrangements were terminated during the quarter. As a result of these developments and actions, Occidental recorded a \$55 million pre-tax charge in the second quarter for the currently estimated costs of Dr. Irani's employment and post-employment benefits, and the termination of other employees and consulting arrangements.

Occidental owns a 50% interest in BridgeTex Pipeline Company, LLC (BridgeTex), which is a variable interest entity that Occidental consolidates. This investment is not material to Occidental's financial statements. At June 30, 2013 and December 31, 2012, the BridgeTex assets and liabilities mainly comprised property, plant and equipment and cash and cash equivalents. At June 30, 2013 and December 31, 2012, BridgeTex held approximately \$93 million and \$50 million, respectively, of money market funds classified as cash equivalents, which approximated fair value using Level 1 inputs.

3. Accounting and Disclosure Changes

Offsetting Assets and Liabilities - Beginning in the quarter ended March 31, 2013, Occidental adopted new disclosure requirements relating to its derivatives in accordance with rules issued by the Financial Accounting Standards Board (FASB) in December 2011 and January 2013. These new rules require tabular disclosures of the outstanding derivatives' gross and net fair values, now including those that are subject to a master netting or similar arrangement

and qualify for net presentation, but are not offset in the consolidated balance sheet.

Reclassifications from Accumulated Other Comprehensive Income - Beginning in the quarter ended March 31, 2013, Occidental adopted new disclosure requirements for reporting amounts reclassified out of each component of accumulated other comprehensive income into the income statement in accordance with rules issued by the FASB in February 2013.

These new disclosures were not material to Occidental's financial statements.

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#### 4. Supplemental Cash Flow Information

Occidental paid United States federal, state and foreign income taxes for continuing operations of approximately \$0.8 billion and \$1.3 billion during the six months ended June 30, 2013 and 2012, respectively. Interest paid totaled approximately \$122 million and \$95 million for the six months ended June 30, 2013 and 2012, respectively.

#### 5. Inventories

A portion of inventories is valued under the LIFO method. The valuation of LIFO inventory for interim periods is based on Occidental's estimates of year-end inventory levels and costs. Inventories as of June 30, 2013 and December 31, 2012 consisted of the following (in millions):

|                        | 2013  | 2012  |
|------------------------|-------|-------|
| Raw materials          | \$ 75 | \$ 70 |
| Materials and supplies | 641   | 612   |
| Finished goods         | 725   |       |