

OCCIDENTAL PETROLEUM CORP /DE/
Form 8-K
January 26, 2011

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) January 26, 2011

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)

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 January 26, 2011, Occidental Petroleum Corporation released information regarding its results of operations for the three and twelve months ended December 31, 2010. 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 are 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. Forward-Looking Statements Disclosure for Earnings Release Presentation Materials is attached to this report as Exhibit 99.5. The information in this Item 2.02 and Exhibits 99.1 through 99.5, inclusive, shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing.

Section 8 – Other Events

Item 8.01. Other Events

On January 26, 2011, Occidental Petroleum Corporation announced net income of \$1.2 billion (\$1.49 per diluted share) for the fourth quarter of 2010, compared with \$938 million (\$1.15 per diluted share) for the fourth quarter of 2009. Core income for the fourth quarter of 2010 was \$1.3 billion (\$1.58 per diluted share), compared with \$1.1 billion (\$1.35 per diluted share) for the fourth quarter of 2009.

Net income for the twelve months of 2010 was \$4.5 billion (\$5.56 per diluted share), compared with \$2.9 billion (\$3.58 per diluted share) for 2009. Full year 2010 core results were \$4.7 billion (\$5.72 per diluted share), compared with \$3.2 billion (\$3.92 per diluted share) for 2009.

QUARTERLY RESULTS

Oil and Gas

Oil and gas segment earnings were \$1.7 billion for the fourth quarter of 2010 and included \$275 million of domestic asset impairments. After excluding these asset impairments, oil and gas core results of \$1.9 billion for the fourth quarter of 2010 were slightly higher than 2009. The fourth quarter of 2010 results reflect higher crude oil prices, partially offset by higher operating costs and DD&A rates.

For the fourth quarter of 2010, daily oil and gas production volumes, including Argentina, averaged 753,000 barrels of oil equivalent (BOE), compared with 717,000 BOE in the fourth quarter of 2009. Volumes increased 5 percent, primarily in the Middle East/North Africa, with a smaller increase coming from Domestic gas production. The Middle East/North Africa increase included new production from the Bahrain start-up and increased production from the Mukhaizna field in Oman. Production was negatively impacted in the Middle East/North Africa, Long Beach and Colombia resulting from higher year-over-year average oil prices affecting production sharing and similar contracts by 13,000 BOE per day. Daily sales volumes from continuing operations were 699,000 BOE in the fourth quarter of 2010 compared to 680,000 BOE in the fourth quarter of 2009.

Oxy's realized price for worldwide crude oil was \$79.96 per barrel for the fourth quarter of 2010, compared with \$71.74 per barrel for the fourth quarter of 2009. Domestic realized gas prices dropped from \$4.37 per MCF in the fourth quarter of 2009 to \$4.13 per MCF for the fourth quarter of 2010.

Chemicals

Chemical segment earnings for the fourth quarter 2010 were \$111 million, compared with \$33 million for the same period in 2009. The fourth quarter of 2010 results reflect improved margins and volumes across all products.

Midstream, Marketing and Other

Midstream segment earnings were \$202 million for the fourth quarter of 2010, compared with \$81 million for the fourth quarter of 2009. Earnings for the fourth quarter of 2010 reflect higher margins in the trading and marketing businesses.

TWELVE-MONTH RESULTS

Oil and Gas

Oil and gas segment earnings were \$7.2 billion for the twelve months of 2010, compared with \$5.1 billion for the same period of 2009. Oil and gas core results, after excluding asset impairments and rig termination costs, were \$7.4 billion for the twelve months of 2010, compared with \$5.1 billion for the same period of 2009. The \$2.3 billion increase in the 2010 results reflected higher crude oil and natural gas prices and higher volumes, partially offset by higher operating costs and DD&A rates.

Daily oil and gas production volumes for the twelve months, including Argentina, were 748,000 BOE for 2010, compared with 712,000 BOE for the 2009 period, an increase of 5 percent. Volume increases in the Middle East/North Africa, resulting from the new production in Bahrain and higher production in the Mukhaizna field in Oman, and gas production from the domestic assets were partially offset by a decline in Colombia. Production was negatively impacted in the Middle East/North Africa, Long Beach and Colombia resulting from higher year-over-year average oil prices affecting production sharing and similar contracts by 16,000 BOE per day. Daily sales volumes, from continuing operations, were 701,000 BOE in the twelve months of 2010, compared with 672,000 BOE for 2009.

Oxy's realized price for worldwide crude oil was \$75.16 per barrel for the twelve months of 2010, compared with \$57.31 per barrel for the twelve months of 2009. Domestic realized gas prices increased from \$3.46 per MCF in the twelve months of 2009 to \$4.53 per MCF in the twelve months of 2010.

Chemicals

Chemical segment earnings were \$438 million for the twelve months of 2010, compared with \$389 million for the same period in 2009. The 2010 twelve-month results reflect improved market conditions, particularly for exports, driven by favorable feedstock costs in North America versus Europe and Asia. Vinyls exports for 2010 were 125% higher compared to 2009.

Midstream, Marketing and Other

Midstream segment earnings were \$472 million for the twelve months of 2010, compared with \$235 million for the same period in 2009. The 2010 results reflect higher margins in the marketing and trading businesses.

Forward-Looking Statements

Portions of this press release contain forward-looking statements and involve risks and uncertainties that could materially affect expected results of operations, liquidity, cash flows and business prospects. Factors that could cause results to differ materially include, but are not limited to: global commodity pricing fluctuations; supply and demand considerations for Occidental's products; not successfully completing, or any material delay of, any development of new fields, expansion projects, capital expenditures, efficiency-improvement projects, acquisitions or dispositions; potential failure to achieve expected production from existing and future oil and gas development projects or acquisitions; exploration risks such as drilling unsuccessful wells; any general economic recession or slowdown domestically or internationally; higher-than-expected costs; potential liability for remedial actions under existing or future environmental regulations and litigation; potential liability resulting from pending or future litigation; general domestic and international political conditions; potential disruption or interruption of Occidental's production or manufacturing or damage to facilities due to accidents, chemical releases, labor unrest, weather, natural disasters, political events or insurgent activity; failure of risk management; changes in laws or regulations; or changes in tax rates. Words such as "estimate", "project", "predict", "will", "would", "should", "could", "may", "might", "anticipate", "plan", "believe", "expect" or similar expressions that convey the uncertainty of future events or outcomes generally indicate forward-looking statements. You should not place undue reliance on these forward-looking statements, which speak only as of the date of this press 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. Material risks that may affect Occidental's results of operations and financial position appear in Part 1, Item 1A "Risk Factors" of the 2009 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) | Fourth Quarter | | Twelve Months | |
|------------------------------------------------|----------------|----------|---------------|-----------|
| | 2010 | 2009 | 2010 | 2009 |
| SEGMENT NET SALES | | | | |
| Oil and Gas | \$ 3,759 | \$ 3,489 | \$ 14,276 | \$ 11,009 |
| Chemical | 996 | 780 | 4,016 | 3,225 |
| Midstream, Marketing and Other | 478 | 253 | 1,471 | 1,016 |
| Eliminations | (170) | (140) | (718) | (436) |
| Net Sales | \$ 5,063 | \$ 4,382 | \$ 19,045 | \$ 14,814 |
| SEGMENT EARNINGS | | | | |
| Oil and Gas (a), (b) | \$ 1,666 | \$ 1,869 | \$ 7,151 | \$ 5,097 |
| Chemical | 111 | 33 | 438 | 389 |
| Midstream, Marketing and Other | 202 | 81 | 472 | 235 |
| | 1,979 | 1,983 | 8,061 | 5,721 |
| Unallocated Corporate Items | | | | |
| Interest expense, net | (20) | (31) | (93) | (102) |
| Income taxes (c) | (618) | (743) | (2,995) | (2,063) |
| Other (d) | (149) | (107) | (404) | (405) |
| Income from Continuing Operations | | | | |
| (a) | 1,192 | 1,102 | 4,569 | 3,151 |
| Discontinued operations, net | 20 | (164) | (39) | (236) |
| NET INCOME (a) | \$ 1,212 | \$ 938 | \$ 4,530 | \$ 2,915 |
| BASIC EARNINGS PER COMMON SHARE | | | | |
| Income from continuing operations | \$ 1.47 | \$ 1.35 | \$ 5.62 | \$ 3.88 |
| Discontinued operations, net | 0.02 | (0.20) | (0.05) | (0.29) |
| | \$ 1.49 | \$ 1.15 | \$ 5.57 | \$ 3.59 |
| DILUTED EARNINGS PER COMMON SHARE | | | | |
| Income from continuing operations | \$ 1.47 | \$ 1.35 | \$ 5.61 | \$ 3.87 |
| Discontinued operations, net | 0.02 | (0.20) | (0.05) | (0.29) |
| | \$ 1.49 | \$ 1.15 | \$ 5.56 | \$ 3.58 |
| AVERAGE BASIC COMMON SHARES OUTSTANDING | | | | |
| BASIC | 812.6 | 811.8 | 812.5 | 811.3 |
| DILUTED | 813.7 | 813.5 | 813.8 | 813.8 |

(a) Net Income - Net income and income from continuing operations represent amounts attributable to Common Stock, after deducting non-controlling interest of \$14 million for the fourth quarter of 2010 and \$16 million for the

fourth quarter of 2009 and \$72 million and \$51 million for the twelve months of 2010 and 2009, respectively. Oil and gas segment earnings are presented net of these non-controlling interest amounts.

(b) Oil and Gas - The fourth quarter and twelve months of 2010 include pre-tax charges for asset impairments for \$275 million. The twelve months of 2009 include a pretax charge of \$8 million for rig contract terminations.

(c) Unallocated Corporate Items - Taxes - The fourth quarter and twelve months of 2010 include an \$80 million benefit related to foreign tax credit carry-forwards.

(d) Unallocated Corporate Items - Other - The twelve months of 2009 includes pre-tax charges of \$40 million for severance and \$15 million for railcar leases.

SUMMARY OF CAPITAL EXPENDITURES AND DD&A EXPENSE

| (\$ millions) | Fourth Quarter | | Twelve Months | |
|-------------------------------------------------------|----------------|--------|---------------|----------|
| | 2010 | 2009 | 2010 | 2009 |
| CAPITAL EXPENDITURES | \$ 1,360 | \$ 840 | \$ 3,940 | \$ 3,245 |
| DEPRECIATION, DEPLETION AND AMORTIZATION OF ASSETS | \$ 799 | \$ 703 | \$ 3,153 | \$ 2,687 |

SUMMARY OF OPERATING STATISTICS - SALES

| | Fourth Quarter | | Twelve Months | |
|----------------------------------|----------------|------|---------------|------|
| | 2010 | 2009 | 2010 | 2009 |
| NET OIL, GAS AND LIQUIDS | | | | |
| SALES PER DAY | | | | |
| United States | | | | |
| Crude Oil and Liquids (MBBL) | | | | |
| California | 90 | 92 | 92 | 93 |
| Permian | 163 | 164 | 161 | 164 |
| Midcontinent Gas | 19 | 15 | 18 | 14 |
| Total | 272 | 271 | 271 | 271 |
| Natural Gas (MMCF) | | | | |
| California | 259 | 282 | 280 | 250 |
| Permian | 154 | 122 | 133 | 125 |
| Midcontinent Gas | 286 | 241 | 264 | 260 |
| Total | 699 | 645 | 677 | 635 |
| Latin America | | | | |
| Crude Oil (MBBL) | | | | |
| Colombia | 31 | 36 | 32 | 39 |
| Natural Gas (MMCF) | | | | |
| Bolivia | 18 | 12 | 16 | 16 |
| Middle East / North Africa | | | | |
| Crude Oil and Liquids (MBBL) | | | | |
| Bahrain | 3 | 1 | 3 | - |
| Dolphin | 23 | 26 | 24 | 25 |
| Libya | 12 | 15 | 13 | 12 |
| Oman | 63 | 54 | 61 | 50 |
| Qatar | 74 | 80 | 76 | 79 |
| Yemen | 27 | 32 | 30 | 35 |
| Total | 202 | 208 | 207 | 201 |
| Natural Gas (MMCF) | | | | |
| Bahrain | 170 | 40 | 169 | 10 |
| Dolphin | 232 | 256 | 236 | 257 |
| Oman | 47 | 42 | 48 | 49 |
| Total | 449 | 338 | 453 | 316 |
| Continuing operations | | | | |
| Barrels of Oil Equivalent (MBOE) | 699 | 680 | 701 | 672 |
| Discontinued operations | | | | |
| Crude Oil (MBBL) | 46 | 37 | 37 | 37 |

| | | | | |
|--------------------|-----|-----|-----|-----|
| Natural Gas (MMCF) | 36 | 30 | 34 | 30 |
| Total Sales - MBOE | 751 | 722 | 744 | 714 |

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SUMMARY OF OPERATING STATISTICS - PRODUCTION

| | Fourth Quarter | | Twelve Months | |
|---------------------------------------------|----------------|------|---------------|------|
| | 2010 | 2009 | 2010 | 2009 |
| NET OIL, GAS AND LIQUIDS PRODUCTION PER DAY | | | | |
| United States | | | | |
| Crude Oil and Liquids (MBBL) | 272 | 271 | 271 | 271 |
| Natural Gas (MMCF) | 699 | 645 | 677 | 635 |
| Latin America | | | | |
| Crude Oil (MBBL) | | | | |
| Colombia | 30 | 36 | 32 | 39 |
| Natural Gas (MMCF) | 18 | 12 | 16 | 16 |
| Middle East / North Africa | | | | |
| Crude Oil and Liquids (MBBL) | | | | |
| Bahrain | 3 | 1 | 3 | - |
| Dolphin | 23 | 26 | 24 | 26 |
| Iraq | 11 | - | 3 | - |
| Libya | 12 | 11 | 13 | 11 |
| Oman | 67 | 56 | 62 | 50 |
| Qatar | 75 | 78 | 76 | 79 |
| Yemen | 27 | 31 | 31 | 34 |
| Total | 218 | 203 | 212 | 200 |
| Natural Gas (MMCF) | 449 | 338 | 453 | 316 |
| Continuing operations | | | | |
| Barrels of Oil Equivalent (MBOE) | 714 | 676 | 706 | 671 |
| Discontinued operations | | | | |
| Crude Oil (MBBL) | 33 | 36 | 36 | 36 |
| Natural Gas (MMCF) | 36 | 30 | 34 | 30 |
| Total Worldwide Production - MBOE | 753 | 717 | 748 | 712 |

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.

| (\$ millions, except per-share amounts) | 2010 | Diluted EPS | 2009 | Fourth Quarter Diluted EPS |
|----------------------------------------------------|----------|----------------|----------|----------------------------------|
| TOTAL REPORTED EARNINGS | \$ 1,212 | \$ 1.49 | \$ 938 | \$ 1.15 |
| Oil and Gas Segment Earnings | \$ 1,666 | | \$ 1,869 | |
| Add: | | | | |
| Asset impairments | 275 | | - | |
| Segment Core Results | 1,941 | | 1,869 | |
| Chemicals Segment Earnings | 111 | | 33 | |
| Add: | | | | |
| No significant items affecting earnings | - | | - | |
| Segment Core Results | 111 | | 33 | |
| Midstream, Marketing and Other Segment Earnings | 202 | | 81 | |
| Add: | | | | |
| No significant items affecting earnings | - | | - | |
| Segment Core Results | 202 | | 81 | |
| Total Segment Core Results | 2,254 | | 1,983 | |
| Corporate Corporate Results -- Non Segment * | (767) | | (1,045) | |
| Add: | | | | |
| Benefit from foreign tax credit carry-forwards | (80) | | - | |
| Tax effect of pre-tax adjustments | (100) | | - | |

| | | | | |
|--------------------------------------|----------|---------|----------|---------|
| Discontinued operations, net ** | (20) | | 164 | |
| Corporate Core Results - Non Segment | (967) | | (881) | |
| TOTAL CORE RESULTS | \$ 1,287 | \$ 1.58 | \$ 1,102 | \$ 1.35 |

* Interest expense, income taxes, G&A expense and other.

** Amounts shown after tax.

SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTING EARNINGS (continued)

| (\$ millions, except per-share amounts) | 2010 | Diluted EPS | 2009 | Twelve Months Diluted EPS |
|----------------------------------------------------|----------|----------------|----------|---------------------------------|
| TOTAL REPORTED EARNINGS | \$ 4,530 | \$ 5.56 | \$ 2,915 | \$ 3.58 |
| Oil and Gas Segment Earnings | \$ 7,151 | | \$ 5,097 | |
| Add: | | | | |
| Asset impairments | 275 | | - | |
| Rig terminations | - | | 8 | |
| Segment Core Results | 7,426 | | 5,105 | |
| Chemicals Segment Earnings | 438 | | 389 | |
| Add: | | | | |
| No significant items affecting earnings | - | | - | |
| Segment Core Results | 438 | | 389 | |
| Midstream, Marketing and Other Segment Earnings | 472 | | 235 | |
| Add: | | | | |
| No significant items affecting earnings | - | | - | |
| Segment Core Results | 472 | | 235 | |
| Total Segment Core Results | 8,336 | | 5,729 | |
| Corporate Corporate Results -- Non Segment * | (3,531) | | (2,806) | |
| Add: | | | | |
| Severance accruals | - | | 40 | |
| Railcar leases | - | | 15 | |
| Benefit from foreign tax credit carry-forwards | (80) | | - | |
| Tax effect of pre-tax adjustments | (100) | | (22) | |
| Discontinued operations, net ** | 39 | | 236 | |
| Corporate Core Results - Non Segment | (3,672) | | (2,537) | |

| | | | | |
|--------------------|----------|---------|----------|---------|
| TOTAL CORE RESULTS | \$ 4,664 | \$ 5.72 | \$ 3,192 | \$ 3.92 |
|--------------------|----------|---------|----------|---------|

* Interest expense, income taxes,
G&A expense and other

** Amounts shown after tax.

Section 9 - Financial Statements and Exhibits

Item 9.01. Financial Statements and Exhibits

(d) Exhibits

99.1 Press release dated January 26, 2011.

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.

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: January 26, 2011

/s/ ROY PINECI
Roy Pineci, Vice President, Controller
and Principal Accounting Officer

EXHIBIT INDEX

- 99.1 Press release dated January 26, 2011.
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