

OCCIDENTAL PETROLEUM CORP /DE/  
Form 8-K  
July 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) July 24, 2007**

**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 July 24, 2007, Occidental Petroleum Corporation released information regarding its results of operations for the three and six months ended June 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 July 24, 2007, Occidental Petroleum Corporation announced net income for the second quarter 2007 was \$1.412 billion (\$1.68 per diluted share), compared with \$860 million (\$0.99 per diluted share) for the second quarter 2006. The second quarter 2007 net income includes \$419 million after-tax gains (\$0.50 per diluted share) from the sale of non-core assets. The second quarter 2006 net income includes a \$347 million after-tax loss (\$0.40 per diluted share) from the write-off of assets and income from the operations of assets written off and held for sale.

## QUARTERLY RESULTS

### Oil and Gas

Oil and gas segment earnings, excluding the results of Pakistan, which was sold, and Horn Mountain, which was exchanged, at the end of June, were \$1.682 billion for the second quarter 2007, compared with \$1.857 billion for the same period in 2006. The decline in the second quarter 2007 earnings reflected decreases from lower crude oil prices, increased DD&A rates and higher exploration and operating expenses, partially offset by higher production and natural gas prices.

The average price for West Texas Intermediate crude oil in the second quarter 2007 was \$65.05 per barrel compared to \$70.70 per barrel in the second quarter 2006. Oxy's realized price for worldwide crude oil was \$59.11 per barrel for the second quarter 2007, compared with \$61.66 per barrel for the second quarter 2006. The average price for NYMEX gas in the second quarter 2007 was \$7.56 per MCF, compared with \$7.26 per MCF in the second quarter 2006. Domestic realized gas prices increased from \$6.23 per MCF in the second quarter 2006 to \$7.07 per MCF for the second quarter 2007.

### Production

For the second quarter 2007, daily oil and gas production averaged 583,000 barrels of oil equivalent (BOE), compared with 609,000 BOE per day produced in the second quarter 2006. Daily production, excluding Horn Mountain, Pakistan and Russia, was 558,000 BOE for the second quarter 2007, compared with 551,000 BOE for the second quarter 2006.

### Chemicals

Chemical segment earnings for the second quarter of 2007 were \$158 million, compared with second quarter 2006 segment earnings of \$251 million. The second quarter 2007 results reflect lower margins for chloro-vinyl products.

### Items Affecting Net Income

The second quarter 2007 net income includes after-tax gains of \$419 million, consisting of: a \$181 million gain resulting from the sale of 18.6 million shares of the investment in Lyondell common stock, a \$116 million gain from the sale of Pakistan assets to BP, a \$107 million gain from the swap of Horn Mountain assets with BP and a \$15 million gain from the sale of domestic mineral interests.

The second quarter 2006 net income includes a net after-tax loss of \$347 million, consisting of: a \$415 million loss from the write-off of assets, \$45 million income for the operations of assets written off and \$23 million income from the Vintage properties held for sale.

In addition to the second quarter items affecting net income, net income for the six months of 2007 includes, net of tax: a \$112 million gain for litigation settlements, a \$412 million gain resulting from the sale of Oxy's 50-percent investment in the Russian Vanyoganneft joint venture, a \$107 million charge for the completion of cash tender offers for various debt issues, and a \$30 million provision for a plant closure and related environmental remediation reserve. The six months of 2006 includes an additional \$78 million income from operations of assets held for sale.

### SIX-MONTHS RESULTS

Net income for the six months of 2007 was \$2.624 billion (\$3.11 per diluted share), compared with \$2.091 billion (\$2.42 per diluted share) for the six months of 2006.

### Oil and Gas

Oil and gas segment earnings, excluding Pakistan and Horn Mountain results, were \$3.690 billion for the six months of 2007, compared with \$3.668 billion for the same period and on the same basis in 2006. Oil and gas earnings were \$3.143 billion for the six months of 2007, after also excluding gains from the sale of Oxy's investment in the Russian Vanyoganneft joint venture, sale of mineral interests and litigation settlements. The decline in the six months of 2007 reflected \$284 million of decreases from 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 six months of 2007 was \$61.61 per barrel compared to \$67.09 per barrel in the six months of 2006. Oxy's realized price for worldwide crude oil was \$55.34 per barrel for the six months of 2007, compared with \$58.53 per barrel for the six months of 2006. The average price for NYMEX gas in the six months of 2007 was \$7.37 per MCF, compared with \$9.34 per MCF in the six months of 2006. Domestic realized gas prices decreased from \$7.25 per MCF in the six months of 2006 to \$6.74 per MCF for the same period of 2007.

### Production

For the six months of 2007, daily oil and gas production averaged 587,000 BOE, compared with 601,000 BOE per day produced in the six months of 2006. Daily production, excluding Horn Mountain, Pakistan and Russia, was 559,000 BOE for the six months of 2007, compared with 542,000 BOE for the six months of 2006.

### Chemicals

Chemical segment earnings for the six months of 2007 were \$295 million, compared with six months of 2006 segment earnings of \$501 million. The 2007 results reflect lower margins for chloro-vinyl products.

Forward-Looking Statements

Statements in this report 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)	Second Quarter		Six Months	
	2007	2006	2007	2006
<b>SEGMENT NET SALES</b>				
Oil and Gas	\$ 3,145	\$ 3,163	\$ 6,061	\$ 6,157
Chemical	1,229	1,273	2,289	2,514
Other	37	34	76	64
Net sales	\$ 4,411	\$ 4,470	\$ 8,426	\$ 8,735
<b>SEGMENT EARNINGS</b>				
Oil and Gas (a)	\$ 1,682	\$ 1,857	\$ 3,690	\$ 3,668
Chemical	158	251	295	501
	1,840	2,108	3,985	4,169
<b>Unallocated Corporate Items</b>				
Interest expense, net (b)	6	(33)	(175)	(62)
Income taxes	(904)	(851)	(1,588)	(1,725)
Other (c)	470	(364)	402	(291)
<b>NET INCOME</b>	<b>\$ 1,412</b>	<b>\$ 860</b>	<b>\$ 2,624</b>	<b>\$ 2,091</b>
<b>EARNINGS PER COMMON SHARE</b>				
<b>BASIC</b>	<b>\$ 1.68</b>	<b>\$ 1.00</b>	<b>\$ 3.13</b>	<b>\$ 2.45</b>
<b>DILUTED</b>	<b>\$ 1.68</b>	<b>\$ 0.99</b>	<b>\$ 3.11</b>	<b>\$ 2.42</b>
<b>AVERAGE BASIC COMMON SHARES OUTSTANDING</b>				
<b>BASIC</b>	<b>837.7</b>	<b>860.2</b>	<b>839.3</b>	<b>854.5</b>
<b>DILUTED</b>	<b>841.8</b>	<b>867.7</b>	<b>843.2</b>	<b>864.3</b>

See footnotes on following page.

Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 8-K

- (a) The second quarter 2007 includes a \$23 million pre-tax gain from the sale of domestic mineral interests and a \$3 million gain resulting from the resolution of certain legal disputes. The six months 2007 also includes an after-tax gain of \$412 million from the sale of Occidental's 50-percent interest in the Russian Vanyoganneft joint venture and an additional \$109 million after-tax gain resulting from the resolution of certain legal disputes.
- (b) The second quarter 2007 includes a \$5 million pre-tax interest gain and the six months 2007 also includes a \$172 million pre-tax interest charge for the purchase of various debt issues in the open market. Decreased debt levels have resulted in lower interest expense which was entirely offset by interest income in the second quarter of 2007.
- (c) The second quarter 2007 includes a \$284 million pre-tax gain from the sale of 18.6 million shares (approximately 89%) of Occidental's investment in Lyondell Chemical Company. The remaining 2.4 million shares were sold in early July. The quarter also includes after-tax gains of \$116 million from the sale of Pakistan operations to BP, \$107 million from the swap of the Horn Mountain operations with BP and \$44 million for the operations of Horn Mountain and Pakistan. The second quarter 2006 includes a \$415 million after-tax loss for the write-off of assets, \$45 million after-tax income for the first five months of operations which were written off, \$23 million after-tax income for the Vintage properties held for sale and \$65 million after-tax income for the operations of Horn Mountain and Pakistan.

In addition to the second quarter items described above, the six months 2007 includes an additional \$43 million after-tax income for the operations of Horn Mountain and Pakistan. The six months of 2007 also includes a \$47 million pre-tax charge for a plant closure and related environmental remediation reserve. The six months 2006 includes additional after-tax income of \$65 million for the operations which were written off, \$13 million after-tax income for the Vintage properties held for sale and \$66 million after-tax income for the operations of Horn Mountain and Pakistan.

**SUMMARY OF CAPITAL EXPENDITURES AND DD&A EXPENSE**

	Second Quarter		Six Months	
(\$ millions)	2007	2006	2007	2006
<b>CAPITAL EXPENDITURES</b>	<b>\$ 850</b>	<b>\$ 642</b>	<b>\$ 1,630</b>	<b>\$ 1,230</b>
<b>DEPRECIATION, DEPLETION AND AMORTIZATION OF ASSETS</b>	<b>\$ 564</b>	<b>\$ 483</b>	<b>\$ 1,138</b>	<b>\$ 930</b>



**SUMMARY OF OPERATING STATISTICS**

	Second Quarter		Six Months	
	2007	2006	2007	2006
<b>NET OIL, GAS AND LIQUIDS</b>				
<b>PRODUCTION PER DAY</b>				
United States				
Crude oil and liquids (MBBL)				
California	<b>93</b>	82	<b>89</b>	83
Permian	<b>163</b>	168	<b>164</b>	167
Hugoton and other	<b>3</b>	3	<b>4</b>	3
Total	<b>259</b>	253	<b>257</b>	253
Natural Gas (MMCF)				
California	<b>268</b>	258	<b>250</b>	255
Hugoton and other	<b>154</b>	136	<b>152</b>	134
Permian	<b>187</b>	199	<b>192</b>	194
Total	<b>609</b>	593	<b>594</b>	583
Latin America				
Crude Oil (MBBL)				
Argentina	<b>34</b>	38	<b>33</b>	31
Colombia	<b>44</b>	34	<b>43</b>	36
Total	<b>78</b>	72	<b>76</b>	67
Natural Gas (MMCF)				
Argentina	<b>28</b>	21	<b>25</b>	17
Bolivia	<b>18</b>	20	<b>16</b>	17
Total	<b>46</b>	41	<b>41</b>	34
Middle East/North Africa				
Crude Oil (MBBL)				
Oman	<b>19</b>	17	<b>21</b>	17
Qatar	<b>47</b>	44	<b>46</b>	44
Yemen	<b>25</b>	30	<b>28</b>	31
Libya	<b>19</b>	27	<b>23</b>	25
Total	<b>110</b>	118	<b>118</b>	117
Natural Gas (MMCF)				
Oman	<b>32</b>	35	<b>29</b>	30
<b>Barrels of Oil Equivalent (MBOE)</b>				
Subtotal consolidated subsidiaries	<b>561</b>	555	<b>562</b>	545
Colombia-minority interest	<b>(6)</b>	(5)	<b>(6)</b>	(5)
Yemen-Occidental net interest	<b>3</b>	1	<b>3</b>	2
<b>Continuing operations</b>	<b>558</b>	551	<b>559</b>	542
<b>Sold operations (a)</b>				
Horn Mountain	<b>9</b>	13	<b>9</b>	14
Pakistan	<b>16</b>	18	<b>16</b>	17

Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 8-K

Russia	--	27	3	28
	-----	-----	-----	-----
<b>Total Worldwide Production MBOE</b>	<b>583</b>	609	<b>587</b>	601
=====	=====	=====	=====	=====

(a) Occidental sold its interest in the Russian Vanyoganneft joint venture in January 2007. In June 2007, Occidental sold its Pakistan operations to BP and swapped its Gulf of Mexico - Horn Mountain operations with BP.

**Section 9 Financial Statements and Exhibits**

Item 9.01. Financial Statements and Exhibits

(d) Exhibits

- 99.1 Press release dated July 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.

7

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: July 24, 2007

OCCIDENTAL PETROLEUM CORPORATION

(Registrant)

/s/ JIM A. LEONARD

Jim A. Leonard, Vice President and Controller

(Principal Accounting and Duly Authorized Officer)

**EXHIBIT INDEX**

- |      |  |
|------|--|
| 99.1 | Press release dated July 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.                                       |