

OCCIDENTAL PETROLEUM CORP /DE/
Form 8-K
July 27, 2010

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 27, 2010

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 27, 2010, Occidental Petroleum Corporation released information regarding its results of operations for the three and six months ended June 30, 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 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. Forward-Looking Statements Disclosure for Earnings Release Presentation Materials is attached to this report as Exhibit 99.5.

Section 8 – Other Events

Item 8.01. Other Events

On July 27, 2010, Occidental Petroleum Corporation announced net income of \$1.1 billion (\$1.31 per diluted share) for the second quarter of 2010, compared with \$682 million (\$0.84 per diluted share) for the second quarter of 2009.

QUARTERLY RESULTS

Oil and Gas

Oil and gas segment earnings were \$1.9 billion for the second quarter of 2010, compared with \$1.1 billion for the same period in 2009. The increase in the second quarter of 2010 results was due to higher crude oil and natural gas prices and higher volumes.

For the second quarter of 2010, daily oil and gas sales volumes averaged 747,000 barrels of oil equivalent (BOE), compared with 719,000 BOE in the second quarter of 2009. Volumes increased in the Middle East/North Africa and California and were partially offset by decreases in Colombia. The Middle East/North Africa increase included new production from the Bahrain start-up and increased production from the Mukhaizna field in Oman. Underlying daily production volumes were 743,000 BOE in the second quarter of 2010 compared to 717,000 BOE in the second quarter of 2009, an increase of over three and one-half percent. Production was negatively impacted in the Middle East/North Africa, Long Beach and Colombia due to higher oil prices affecting our production sharing and similar contracts by a total of 29,000 BOE per day.

Oxy's realized price for worldwide crude oil was \$72.13 per barrel for the second quarter of 2010, compared with \$52.97 per barrel for the second quarter of 2009. Domestic realized gas prices rose from \$2.87 per MCF in the second quarter of 2009 to \$4.19 per MCF for the second quarter of 2010.

Chemicals

Chemical segment earnings for the second quarter 2010 were \$108 million, compared with \$115 million for the same period in 2009. The second quarter of 2010 results continue to reflect the significant caustic soda price erosion and higher raw material prices experienced in the second half of 2009 offset by improved volumes across most product lines.

Midstream, Marketing and Other

Midstream segment earnings were \$13 million for the second quarter of 2010, compared with \$63 million for the second quarter of 2009. Earnings for the second quarter of 2010 reflect lower margins in the marketing and trading businesses, partially offset by higher margins in the gas processing business and pipelines businesses.

SIX-MONTH RESULTS

Net income for the first six months of 2010 was \$2.1 billion (\$2.61 per diluted share), compared with \$1.1 billion (\$1.29 per diluted share) for the same period in 2009. Year-to-date 2010 core results were \$2.1 billion (\$2.63 per diluted share), compared with \$1.1 billion (\$1.34 per diluted share).

Oil and Gas

Oil and gas segment earnings were \$3.7 billion for the six months of 2010, compared with \$1.6 billion for the same period of 2009. The \$2.1 billion increase in the 2010 results reflected higher crude oil and natural gas prices and higher volumes.

Daily oil and gas sales volumes for the six months were 737,000 BOE per day for 2010, compared with 716,000 BOE per day for the 2009 period. Volumes increased in the Middle East/North Africa, resulting from the new production in Bahrain and higher production in the Mukhaizna field in Oman, and domestically in California. Volumes declined in Latin America, mainly in Colombia. Underlying daily production volumes were 743,000 BOE in the first six months of 2010, compared with 713,000 BOE for 2009, an increase of over four percent. Production was negatively impacted in the Middle East/North Africa, Long Beach and Colombia resulting from higher year-over-year average oil prices affecting our production sharing and similar contracts by 28,000 BOE per day.

Oxy's realized price for worldwide crude oil was \$72.01 per barrel for the six months of 2010, compared with \$46.05 per barrel for the six months of 2009. Domestic realized gas prices increased from \$3.20 per MCF in the six months of 2009 to \$4.90 per MCF in the six months of 2010.

Chemicals

Chemical segment earnings were \$138 million for the six months of 2010, compared with \$284 million for the same period in 2009. The 2010 six-month results reflect the significant margin erosion in caustic soda, which began in 2009 due to the economic downturn, particularly in the housing and construction sectors, combined with higher raw material costs primarily for ethylene. Volumes and prices across most product lines are gradually recovering, resulting in the improvement in earnings from first quarter \$30 million to second quarter of \$108 million.

Midstream, Marketing and Other

Midstream segment earnings were \$107 million for the six months of 2010, compared with \$77 million for the same period in 2009. The 2010 results reflect higher margins in the gas processing business and increased earnings in the pipeline and power generation businesses, partially offset by lower marketing and trading income.

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 actual results to differ materially include, but are not limited to: global commodity price fluctuations and supply/demand considerations for oil, gas and chemicals; not successfully completing (or any material delay in) any expansions, field development, capital projects, acquisitions, or dispositions; higher-than-expected costs; political risk; operational interruptions; changes in tax rates; exploration risks, such as drilling of unsuccessful wells; and commodity trading risks. 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 disclosures 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

	Second Quarter		Six Months	
(\$ millions, except per-share amounts)	2010	2009	2010	2009
SEGMENT NET SALES				
Oil and Gas	\$ 3,676	\$ 2,726	\$ 7,322	\$ 4,863
Chemical	1,013	811	1,969	1,603
Midstream, Marketing and Other	236	250	605	478
Eliminations	(164)	(100)	(364)	(184)
Net Sales	\$ 4,761	\$ 3,687	\$ 9,532	\$ 6,760
SEGMENT EARNINGS				
Oil and Gas (a)	\$ 1,853	\$ 1,083	\$ 3,672	\$ 1,628
Chemical	108	115	138	284
Midstream, Marketing and Other	13	63	107	77
	1,974	1,261	3,917	1,989
Unallocated Corporate Items				
Interest expense, net	(22)	(23)	(58)	(43)
Income taxes	(800)	(455)	(1,529)	(696)
Other (b)	(83)	(99)	(190)	(195)
Income from Continuing Operations (a)	1,069	684	2,140	1,055
Discontinued operations, net	(6)	(2)	(13)	(5)
NET INCOME (a)	\$ 1,063	\$ 682	\$ 2,127	\$ 1,050
BASIC EARNINGS PER COMMON SHARE				
Income from continuing operations	\$ 1.31	\$ 0.84	\$ 2.63	\$ 1.30
Discontinued operations, net	-	-	(0.02)	(0.01)
	\$ 1.31	\$ 0.84	\$ 2.61	\$ 1.29
DILUTED EARNINGS PER COMMON SHARE				
Income from continuing operations	\$ 1.31	\$ 0.84	\$ 2.63	\$ 1.30
Discontinued operations, net	-	-	(0.02)	(0.01)
	\$ 1.31	\$ 0.84	\$ 2.61	\$ 1.29
AVERAGE BASIC COMMON SHARES OUTSTANDING				
BASIC	812.6	811.0	812.3	810.8
DILUTED	813.8	814.0	813.7	813.7

(a) Net Income - Net income and income from continuing operations represent amounts attributable to Common Stock, after deducting non-controlling interest of \$12 million for the second quarter of 2010 and 2009 and \$36 million and \$21 million for the first six months of 2010 and 2009, respectively. Oil and gas segment earnings are presented net of these non-controlling interest amounts.

(b) Unallocated Corporate Items - Other - The second quarter of 2009 includes a pre-tax charge of \$8 million related to severance. The first six months of 2009 includes additional pre-tax charges of \$32 million for severance and \$15 million for railcar leases.

SUMMARY OF CAPITAL EXPENDITURES AND DD&A EXPENSE

(\$ millions)	Second Quarter 2010	2009	Six Months 2010	2009
CAPITAL EXPENDITURES	\$ 868	\$ 831	\$ 1,716	\$ 1,902
DEPRECIATION, DEPLETION AND AMORTIZATION OF ASSETS	\$ 876	\$ 742	\$ 1,750	\$ 1,528

ITEMS AFFECTING COMPARABILITY OF CORE EARNINGS BETWEEN PERIODS

Income / (Expense) (\$ millions)	Second Quarter 2010	2009	Six Months 2010	2009
Foreign exchange gains and (losses) *	\$ 4	\$ (6)	\$ (1)	\$ 31

* Amounts shown after tax.

SUMMARY OF OPERATING STATISTICS - SALES

	Second Quarter 2010	2009	Six Months 2010	2009
NET OIL, GAS AND LIQUIDS				
SALES PER DAY				
United States				
Crude Oil and Liquids (MBBL)				
California	92	90	93	93
Permian	159	163	159	165
Midcontinent Gas	18	14	17	13
Total	269	267	269	271
Natural Gas (MMCF)				
California	293	232	294	224
Permian	129	124	127	124
Midcontinent Gas	259	265	257	273
Total	681	621	678	621
Latin America				
Crude Oil (MBBL)				
Argentina	37	37	37	41
Colombia	27	42	30	41
Total	64	79	67	82
Natural Gas (MMCF)				
Argentina	32	30	32	32
Bolivia	15	19	13	17
Total	47	49	45	49
Middle East / North Africa				
Crude Oil and Liquids (MBBL)				
Bahrain	3	-	3	-
Dolphin	23	29	23	26
Libya	25	14	14	10
Oman	58	49	57	48
Qatar	78	82	76	79
Yemen	32	32	33	37
Total	219	206	206	200
Natural Gas (MMCF)				
Bahrain	161	-	163	-
Dolphin	235	282	232	257
Oman	48	50	50	52
Total	444	332	445	309
Barrels of Oil Equivalent (MBOE)				

Total Sales - MBOE	747	719	737	716
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SUMMARY OF OPERATING STATISTICS - PRODUCTION

	Second Quarter 2010	2009	Six Months 2010	2009
NET OIL, GAS AND LIQUIDS PRODUCTION PER DAY				
United States				
Crude Oil and Liquids (MBBL)	269	267	269	271
Natural Gas (MMCF)	681	621	678	621
Latin America				
Crude Oil (MBBL)				
Argentina	37	38	37	38
Colombia	32	41	33	41
Total	69	79	70	79
Natural Gas (MMCF)	47	49	45	49
Middle East / North Africa				
Crude Oil and Liquids (MBBL)				
Bahrain	3	-	3	-
Dolphin	23	29	24	26
Libya	15	13	15	11
Oman	60	49	58	47
Qatar	78	78	76	79
Yemen	31	35	33	37
Total	210	204	209	200
Natural Gas (MMCF)	444	332	445	309
Barrels of Oil Equivalent (MBOE)				
Total Worldwide Production - MBOE	743	717	743	713

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)	Second Quarter			
	2010	Diluted EPS	2009	Diluted EPS
TOTAL REPORTED EARNINGS	\$ 1,063	\$ 1.31	\$ 682	\$ 0.84
Oil and Gas Segment Earnings	\$ 1,853		\$ 1,083	
Add:				
No significant items affecting earnings	-		-	
Segment Core Results	1,853		1,083	
Chemicals Segment Earnings	108		115	
Add:				
No significant items affecting earnings	-		-	
Segment Core Results	108		115	
Midstream, Marketing and Other Segment Earnings	13		63	
Add:				
No significant items affecting earnings	-		-	
Segment Core Results	13		63	
Total Segment Core Results	1,974		1,261	
Corporate Results --				
Non Segment *	(911)		(579)	
Add:				
Severance accrual	-		8	

Tax effect of pre-tax adjustments	-		(3)	
Discontinued operations, net **	6		2	
Corporate Core Results - Non Segment	(905)		(572)	
TOTAL CORE RESULTS	\$ 1,069	\$ 1.31	\$ 689	\$ 0.85

* 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)	Six Months		Diluted EPS	2009	Diluted EPS
	2010				
TOTAL REPORTED EARNINGS	\$ 2,127		\$ 2.61	\$ 1,050	\$ 1.29
Oil and Gas Segment Earnings	\$ 3,672			\$ 1,628	
Add:					
Rig Terminations	-			8	
Segment Core Results	3,672			1,636	
Chemicals Segment Earnings	138			284	
Add:					
No significant items affecting earnings	-			-	
Segment Core Results	138			284	
Midstream, Marketing and Other Segment Earnings	107			77	
Add:					
No significant items affecting earnings	-			-	
Segment Core Results	107			77	
Total Segment Core Results	3,917			1,997	
Corporate Results --					
Non Segment *	(1,790)			(939)	
Add:					
Severance accruals	-			40	
Railcar leases	-			15	
Tax effect of pre-tax adjustments	-			(22)	
Discontinued operations, net **	13			5	
Corporate Core Results - Non Segment	(1,777)			(901)	
TOTAL CORE RESULTS	\$ 2,140		\$ 2.63	\$ 1,096	\$ 1.34

* 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 July 27, 2010.

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: July 27, 2010 /s/ ROY PINECI
Roy Pineci, Vice President, Controller
and Principal Accounting Officer

EXHIBIT INDEX

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