

OCCIDENTAL PETROLEUM CORP /DE/  
Form 10-Q  
August 05, 2010

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2010

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 Filer R Accelerated Filer £ Non-Accelerated Filer £ Smaller Reporting Company £

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

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, 2010 |
|------------------------------|------------------------------|
| Common stock \$.20 par value | 812,243,611 shares           |

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, 2010 AND DECEMBER 31, 2009  
(Amounts in millions)

|                                                                                                                                                                    | 2010      | 2009      |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|-----------|
| ASSETS                                                                                                                                                             |           |           |
| CURRENT ASSETS                                                                                                                                                     |           |           |
| Cash and cash equivalents                                                                                                                                          | \$ 2,322  | \$ 1,230  |
| Trade receivables, net                                                                                                                                             | 4,335     | 4,142     |
| Marketing and trading assets and other                                                                                                                             | 872       | 1,203     |
| Inventories                                                                                                                                                        | 1,220     | 1,081     |
| Prepaid expenses and other                                                                                                                                         | 440       | 430       |
| Total current assets                                                                                                                                               | 9,189     | 8,086     |
| INVESTMENTS IN UNCONSOLIDATED ENTITIES                                                                                                                             | 1,786     | 1,732     |
| PROPERTY, PLANT AND EQUIPMENT, net of<br>accumulated<br>depreciation, depletion and amortization of \$21,205 at<br>June 30, 2010 and \$19,486 at December 31, 2009 | 34,514    | 33,645    |
| LONG-TERM RECEIVABLES AND OTHER<br>ASSETS, NET                                                                                                                     | 770       | 766       |
| TOTAL ASSETS                                                                                                                                                       | \$ 46,259 | \$ 44,229 |
| The accompanying notes are an integral part of these consolidated financial statements.                                                                            |           |           |

OCCIDENTAL PETROLEUM CORPORATION AND SUBSIDIARIES  
CONSOLIDATED CONDENSED BALANCE SHEETS  
JUNE 30, 2010 AND DECEMBER 31, 2009  
(Amounts in millions)

|                                                                                         | 2010      | 2009      |
|-----------------------------------------------------------------------------------------|-----------|-----------|
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>                                             |           |           |
| <b>CURRENT LIABILITIES</b>                                                              |           |           |
| Current maturities of long-term debt                                                    | \$ 12     | \$ 239    |
| Accounts payable                                                                        | 3,952     | 3,379     |
| Accrued liabilities                                                                     | 1,923     | 2,341     |
| Domestic and foreign income taxes                                                       | 72        | 28        |
| Liabilities of discontinued operations                                                  | 103       | 105       |
| Total current liabilities                                                               | 6,062     | 6,092     |
| <b>LONG-TERM DEBT, NET</b>                                                              | 2,511     | 2,557     |
| <b>DEFERRED CREDITS AND OTHER LIABILITIES</b>                                           |           |           |
| Deferred and other domestic and foreign income taxes                                    | 3,321     | 3,125     |
| Long-term liabilities of discontinued operations                                        | 126       | 136       |
| Other                                                                                   | 3,327     | 3,160     |
|                                                                                         | 6,774     | 6,421     |
| <b>STOCKHOLDERS' EQUITY</b>                                                             |           |           |
| Common stock, at par value                                                              | 177       | 177       |
| Treasury stock                                                                          | (4,172)   | (4,161)   |
| Additional paid-in capital                                                              | 7,193     | 7,127     |
| Retained earnings                                                                       | 28,083    | 26,534    |
| Accumulated other comprehensive loss                                                    | (483)     | (596)     |
| Total equity attributable to common stock                                               | 30,798    | 29,081    |
| Noncontrolling interest                                                                 | 114       | 78        |
| Total equity                                                                            | 30,912    | 29,159    |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>                                       | \$ 46,259 | \$ 44,229 |
| The accompanying notes are an integral part of these consolidated financial statements. |           |           |

OCCIDENTAL PETROLEUM CORPORATION AND SUBSIDIARIES  
CONSOLIDATED CONDENSED STATEMENTS OF INCOME  
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2010 AND 2009  
(Amounts in millions, except per-share amounts)

|                                                                                | Three months ended<br>June 30 |                | Six months ended<br>June 30 |                 |
|--------------------------------------------------------------------------------|-------------------------------|----------------|-----------------------------|-----------------|
|                                                                                | 2010                          | 2009           | 2010                        | 2009            |
| <b>REVENUES AND OTHER INCOME</b>                                               |                               |                |                             |                 |
| Net sales                                                                      | \$ 4,761                      | \$ 3,687       | \$ 9,532                    | \$ 6,760        |
| Interest, dividends and other income                                           | 40                            | 28             | 61                          | 58              |
| Gains (losses) on disposition of assets, net                                   | (6)                           | 7              | (5)                         | 7               |
|                                                                                | 4,795                         | 3,722          | 9,588                       | 6,825           |
| <b>COSTS AND OTHER DEDUCTIONS</b>                                              |                               |                |                             |                 |
| Cost of sales                                                                  | 2,432                         | 2,059          | 4,874                       | 4,123           |
| Selling, general and administrative<br>and other operating expenses            | 309                           | 362            | 684                         | 632             |
| Taxes other than on income                                                     | 127                           | 110            | 250                         | 215             |
| Exploration expense                                                            | 73                            | 54             | 129                         | 112             |
| Interest and debt expense, net                                                 | 32                            | 32             | 70                          | 59              |
|                                                                                | 2,973                         | 2,617          | 6,007                       | 5,141           |
| Income before income taxes and other items                                     | 1,822                         | 1,105          | 3,581                       | 1,684           |
| Provision for domestic and foreign<br>income taxes                             | 800                           | 455            | 1,529                       | 696             |
| (Income) from equity investments                                               | (59)                          | (46)           | (124)                       | (88)            |
| Income from continuing operations                                              | 1,081                         | 696            | 2,176                       | 1,076           |
| Discontinued operations, net                                                   | (6)                           | (2)            | (13)                        | (5)             |
| Net income                                                                     | 1,075                         | 694            | 2,163                       | 1,071           |
| Less: Net income attributable to<br>noncontrolling<br>interest                 | (12)                          | (12)           | (36)                        | (21)            |
| <b>NET INCOME ATTRIBUTABLE TO<br/>COMMON STOCK</b>                             | <b>\$ 1,063</b>               | <b>\$ 682</b>  | <b>\$ 2,127</b>             | <b>\$ 1,050</b> |
| <b>BASIC EARNINGS PER COMMON<br/>SHARE</b><br>(attributable to common stock)   |                               |                |                             |                 |
| Income from continuing operations                                              | \$ 1.31                       | \$ 0.84        | \$ 2.63                     | \$ 1.30         |
| Discontinued operations, net                                                   |                               |                | (0.02)                      | (0.01)          |
| <b>BASIC EARNINGS PER COMMON<br/>SHARE</b>                                     | <b>\$ 1.31</b>                | <b>\$ 0.84</b> | <b>\$ 2.61</b>              | <b>\$ 1.29</b>  |
| <b>DILUTED EARNINGS PER COMMON<br/>SHARE</b><br>(attributable to common stock) |                               |                |                             |                 |
| Income from continuing operations                                              | \$ 1.31                       | \$ 0.84        | \$ 2.63                     | \$ 1.30         |
| Discontinued operations, net                                                   |                               |                | (0.02)                      | (0.01)          |
| <b>DILUTED EARNINGS PER COMMON<br/>SHARE</b>                                   | <b>\$ 1.31</b>                | <b>\$ 0.84</b> | <b>\$ 2.61</b>              | <b>\$ 1.29</b>  |

|                            |    |      |    |      |    |      |    |      |
|----------------------------|----|------|----|------|----|------|----|------|
| DIVIDENDS PER COMMON SHARE | \$ | 0.38 | \$ | 0.33 | \$ | 0.71 | \$ | 0.65 |
|----------------------------|----|------|----|------|----|------|----|------|

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, 2010 AND 2009  
(Amounts in millions)

|                                                                                   | 2010     | 2009     |
|-----------------------------------------------------------------------------------|----------|----------|
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>                                        |          |          |
| Net income                                                                        | \$ 2,163 | \$ 1,071 |
| Adjustments to reconcile net income to net cash provided by operating activities: |          |          |
| Discontinued operations, net                                                      | 13       | 5        |
| Depreciation, depletion and amortization of assets                                | 1,750    | 1,528    |
| Deferred income tax provision                                                     | 129      | 128      |
| Other noncash charges to income                                                   | 263      | 205      |
| Losses (gains) on disposition of assets, net                                      | 5        | (7)      |
| Income from equity investments                                                    | (124)    | (88)     |
| Dry hole and impairment expense                                                   | 72       | 90       |
| Changes in operating assets and liabilities, net                                  | 285      | (555)    |
| Other operating, net                                                              | (217)    | (154)    |
| Operating cash flow from continuing operations                                    | 4,339    | 2,223    |
| Operating cash flow from discontinued operations                                  | (62)     | (22)     |
| Net cash provided by operating activities                                         | 4,277    | 2,201    |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>                                        |          |          |
| Capital expenditures                                                              | (1,716)  | (1,902)  |
| Purchases of assets                                                               | (743)    | (534)    |
| Sale of assets                                                                    | 17       | 45       |
| Equity investments and other, net                                                 | 93       | (51)     |
| Net cash used by investing activities                                             | (2,349)  | (2,442)  |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>                                        |          |          |
| Proceeds from long-term debt                                                      |          | 740      |
| Payments of long-term debt                                                        | (299)    | (8)      |
| Proceeds from issuance of common stock                                            | 5        | 13       |
| Purchases of treasury stock                                                       | (11)     | (9)      |
| Excess share-based tax benefits and other                                         | 7        | 5        |
| Distributions to noncontrolling interest                                          |          | (2)      |
| Cash dividends paid                                                               | (538)    | (520)    |
| Net cash (used) provided by financing activities                                  | (836)    | 219      |
| Increase (decrease) in cash and cash equivalents                                  | 1,092    | (22)     |
| Cash and cash equivalents—beginning of period                                     | 1,230    | 1,777    |
| Cash and cash equivalents—end of period                                           | \$ 2,322 | \$ 1,755 |

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, 2010

1. General

In these unaudited consolidated condensed financial statements, "Occidental" means Occidental Petroleum Corporation, a Delaware corporation (OPC), and/or one or more entities in which it owns a majority voting interest (subsidiaries). Occidental has made its disclosures in accordance with accounting principles generally accepted in the United States of America 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. The 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, 2009.

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, 2010, and the consolidated statements of income and cash flows for the three and six months ended June 30, 2010 and 2009, as applicable. The income and cash flows for the periods ended June 30, 2010 and 2009 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 2010 presentation.

2. Asset Acquisitions, Dispositions and Other Transactions

In January 2010, Occidental and its partners signed a technical service contract with the government of Iraq to develop the Zubair Field in Iraq.

During the six months ended June 30, 2010, Occidental acquired various interests in domestic oil and gas properties for approximately \$460 million. Occidental also obtained a ten-year extension for its hydrocarbon concessions in the Santa Cruz province of Argentina.

3. Accounting and Disclosure Changes

Fair Value Measurements – Beginning in the quarter ended March 31, 2010, Occidental enhanced its fair value measurement disclosures as a result of adopting new disclosure requirements issued by the Financial Accounting Standards Board (FASB) in January 2010. The new rules require interim and year-end disclosures of: (i) fair value measurements by classes of assets and liabilities; (ii) valuation techniques and inputs used for Level 2 or 3 fair value measurements; and (iii) significant transfers into and out of Level 1 and 2

measurements and the reasons for the transfers.

Variable Interest Entities – Beginning January 1, 2010, Occidental modified its method of assessing the consolidation of variable interest entities as a result of adopting new accounting requirements issued by the FASB in June 2009. This new rule had no impact on Occidental's financial statements upon adoption and will require assessment on an ongoing basis.

## 4. Comprehensive Income

The following table presents Occidental's comprehensive income (loss) for the three and six months ended June 30, 2010 and 2009 (in millions):

|                                                                           | Three months |        | Periods ended June 30 |          |
|---------------------------------------------------------------------------|--------------|--------|-----------------------|----------|
|                                                                           | 2010         | 2009   | 2010                  | 2009     |
| Net income attributable to common stock                                   | \$ 1,063     | \$ 682 | \$ 2,127              | \$ 1,050 |
| Other comprehensive income (loss) items                                   |              |        |                       |          |
| Foreign currency translation adjustments                                  | (1)          | 17     | (4)                   | 18       |
| Pension and post-retirement adjustments                                   | 6            | 6      | 13                    | 12       |
| Unrealized gains (losses) on derivatives                                  | 37           | (81)   | 60                    | (46)     |
| Reclassification of realized losses (gains) on derivatives and securities | 23           | 12     | 44                    | (22 )    |
| Other comprehensive income (loss), net of tax                             | 65           | (46)   | 113                   | (38)     |
| Comprehensive income attributable to common stock                         | \$ 1,128     | \$ 636 | \$ 2,240              | \$ 1,012 |

There were no "other comprehensive income (loss) items" or changes to equity other than net income related to noncontrolling interests for the three and six months ended June 30, 2010 and 2009.

## 5. Supplemental Cash Flow Information

Occidental paid U.S. federal, state and foreign income taxes of approximately \$1.4 billion and \$517 million during the six months ended June 30, 2010 and 2009, respectively. Net payments for taxes included amounts related to discontinued operations of \$44 million and \$8 million for the six months ended June 30, 2010 and 2009, respectively. Interest paid totaled approximately \$83 million and \$81 million for the six months ended June 30, 2010 and 2009, respectively.

## 6. 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, 2010 and December 31, 2009 consisted of the following (in millions):

|                        | 2010     | 2009     |
|------------------------|----------|----------|
| Raw materials          | \$ 57    | \$ 63    |
| Materials and supplies | 506      | 515      |
| Finished goods         | 738      | 584      |
|                        | 1,301    | 1,162    |
| LIFO reserve           | (81)     | (81)     |
| Total                  | \$ 1,220 | \$ 1,081 |

## 7. Environmental Liabilities and Expenditures

Occidental's operations are subject to stringent federal, state, local and foreign laws and regulations relating to improving or maintaining environmental quality. Occidental's environmental compliance costs have generally increased over time and could continue to rise in the future. Occidental factors environmental expenditures for its operations into its business planning process as an integral part of producing quality products responsive to market demand.

The laws that require or address environmental remediation, including the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) and similar federal, state, local and foreign laws, may apply retroactively and regardless of fault, the legality of the original activities or the current ownership or control of sites. OPC or certain of its subsidiaries participate in or actively monitor a range of remedial activities and government or private proceedings under these laws with respect to alleged past practices at operating, closed and third-party sites. Remedial activities may include one or more of the following: investigation involving sampling, modeling, risk assessment or monitoring; cleanup measures including removal, treatment or disposal; or operation and maintenance of remedial systems. The environmental proceedings seek funding or performance of remediation and, in some cases, compensation for alleged property damage, punitive damages, civil penalties, injunctive relief and government oversight costs.

As of June 30, 2010, Occidental participated in or monitored remedial activities or proceedings at 169 sites. The following table presents Occidental's environmental remediation reserves as of June 30, 2010, the current portion of which is included in accrued liabilities (\$84 million) and the remainder in deferred credits and other liabilities – other (\$294 million). The reserves are grouped as environmental remediation sites listed or proposed for listing by the U.S. Environmental Protection Agency on the CERCLA National Priorities List (NPL sites) and three categories of non-NPL sites — third-party sites, Occidental-operated sites and closed or non-operated Occidental sites.

|                                         | Number of Sites | Reserve Balance<br>(in millions) |
|-----------------------------------------|-----------------|----------------------------------|
| NPL sites                               | 40              | \$ 54                            |
| Third-party sites                       | 81              | 97                               |
| Occidental-operated sites               | 19              | 118                              |
| Closed or non-operated Occidental sites | 29              | 109                              |
| Total                                   | 169             | \$ 378                           |

As of June 30, 2010, Occidental's environmental reserves exceeded \$10 million at 14 of the 169 sites described above, and 120 of the sites had reserves from \$0 to \$1 million each. Occidental expects to expend funds corresponding to about half of the current environmental reserves over the next four years and the balance over the subsequent ten or more years. Occidental believes its range of reasonably possible additional loss beyond those liabilities recorded for environmental remediation at the sites described above could be up to \$375 million. The status of Occidental's involvement with the sites and related significant assumptions have not changed materially since December 31, 2009. For management's opinion with respect to environmental matters, refer to Note 8.

8. Lawsuits, Claims, Commitments, Contingencies and Related Matters

OPC or certain of its subsidiaries are named, in the normal course of business, in lawsuits, claims and other legal proceedings that seek, among other things, compensation for alleged personal injury, breach of contract, property damage, punitive damages, civil penalties or other losses, or injunctive or declaratory relief. OPC or certain of its subsidiaries also have been named in proceedings under CERCLA and similar federal, state, local and foreign environmental laws. These environmental proceedings seek funding or performance of remediation and, in some cases, compensation for alleged property damage, punitive damages, civil penalties and injunctive relief; however, Occidental is usually one of many companies in these proceedings and has to date been successful in sharing response costs with other financially sound companies. With respect to all such lawsuits, claims and proceedings, including environmental proceedings, Occidental accrues reserves when it is probable a liability has been incurred and the amount of loss can be reasonably estimated.

Lawsuits filed in Nicaragua against Occidental Chemical Corporation (OxyChem) and other companies that once manufactured or used the pesticide dibromochloropropane (DBCP) claim damages of several billion dollars for alleged personal injuries. In the opinion of management, the claims against OxyChem are without merit because, among other things, the DBCP it manufactured was never sold or used in Nicaragua. Nicaraguan courts have entered judgments of approximately \$900 million against four defendants, including OxyChem, which, if affirmed and ultimately enforced, would be shared equally among the defendants. When the plaintiffs attempted to enforce one judgment in Miami, the federal district court granted summary judgment in favor of OxyChem and refused to enforce the judgment, finding the Nicaraguan court lacked personal jurisdiction because OxyChem DBCP was not used in Nicaragua, OxyChem did not have sufficient contacts with Nicaragua, and other grounds for dismissal. Although the Plaintiffs have appealed that dismissal as to other defendants, the Plaintiffs have not appealed as to OxyChem. OxyChem has no assets in Nicaragua and, in the opinion of management, no such Nicaraguan judgment would be enforceable in the United States.

During the course of its operations, Occidental is subject to audit by tax authorities for varying periods in various federal, state, local and foreign tax jurisdictions. While the audits of corporate tax returns for taxable years through 2008 have concluded for U.S. federal income tax purposes, the 2009 and 2010 taxable years are currently under review by the U.S. Internal Revenue Service pursuant to its Compliance Assurance Program. Taxable years from 2000 through 2009 remain subject to examination by foreign and state government tax authorities in certain jurisdictions. In certain of these locations, tax authorities are in various stages of auditing Occidental's income taxes. During the course of tax audits, disputes have arisen and other disputes may arise as to facts and matters of law.

Occidental has indemnified various parties against specified liabilities that those parties might incur in the future in connection with purchases and other transactions that they have entered into with Occidental. These indemnities usually are contingent upon the other party incurring liabilities that reach specified thresholds. As of June 30, 2010, Occidental is not aware of circumstances that it believes would reasonably be expected to lead to future indemnity claims against it in connection with these transactions that would result in payments materially in excess of reserves.

The ultimate amount of losses and the timing of any such losses that OPC and its subsidiaries may incur resulting from currently outstanding lawsuits, claims and proceedings, audits, commitments, contingencies and related matters cannot be determined reliably at this time. If these matters were ultimately resolved unfavorably at amounts substantially exceeding Occidental's reserves, an outcome not currently expected, it is possible that such outcome could have a material adverse effect upon Occidental's consolidated financial position or results of operations. However, after taking into account reserves, management does not expect the ultimate resolution of any of these matters to have a material adverse effect upon Occidental's consolidated financial position or results

of operations.

## 9. Retirement Plans and Postretirement Benefits

The following table sets forth the components of the net periodic benefit costs for Occidental's defined benefit pension and postretirement benefit plans for the three and six months ended June 30, 2010 and 2009 (in millions):

| Three months ended June 30         | 2010            |                        | 2009            |                        |
|------------------------------------|-----------------|------------------------|-----------------|------------------------|
|                                    | Pension Benefit | Postretirement Benefit | Pension Benefit | Postretirement Benefit |
| Net Periodic Benefit Costs         |                 |                        |                 |                        |
| Service cost                       | \$ 5            | \$ 4                   | \$ 4            | \$ 4                   |
| Interest cost                      | 7               | 11                     | 7               | 10                     |
| Expected return on plan assets     | (8)             |                        | (7)             |                        |
| Amortization of prior service cost | 1               |                        |                 |                        |
| Recognized actuarial loss          | 3               | 7                      | 4               | 6                      |
| Total                              | \$ 8            | \$ 22                  | \$ 8            | \$ 20                  |
| Six months ended June 30           | 2010            |                        | 2009            |                        |
|                                    | Pension Benefit | Postretirement Benefit | Pension Benefit | Postretirement Benefit |
| Net Periodic Benefit Costs         |                 |                        |                 |                        |
| Service cost                       | \$ 9            | \$ 9                   | \$ 8            | \$ 8                   |
| Interest cost                      | 15              | 22                     | 14              | 20                     |
| Expected return on plan assets     | (16)            |                        | (13)            |                        |
| Amortization of prior service cost | 1               |                        |                 |                        |
| Recognized actuarial loss          | 6               | 13                     | 8               | 11                     |
| Total                              | \$ 15           | \$ 44                  | \$ 17           | \$ 39                  |

Occidental contributed \$3 million in the three month periods ended June 30, 2010 and 2009, and \$5 million in each of the six month periods then ended, to its defined benefit pension plans.

## 10. Fair Value Measurements

Occidental has categorized its assets and liabilities that are measured at fair value, based on the priority of the inputs to the valuation techniques, in a three-level fair value hierarchy: Level 1 – using quoted prices in active markets for identical assets or liabilities; Level 2 – using observable inputs other than quoted prices; and Level 3 – using unobservable inputs.

## Fair Values – Recurring

Occidental primarily applies the market approach for recurring fair value measurements, maximizes its use of observable inputs and minimizes its use of unobservable inputs. Occidental utilizes the mid-point price between bid and ask prices for valuing the majority of its assets and liabilities measured and reported at fair value. In addition to using market data, Occidental makes assumptions in valuing its assets and liabilities, including assumptions about risk and the risks inherent in the inputs to the valuation technique. For assets and liabilities carried at fair value, Occidental measures fair value using the following methods:

Trading equity securities – Quoted prices in active markets exist and are used to provide fair values for these instruments. These securities are classified as Level 1.

Commodity derivatives – Occidental values exchange-cleared commodity derivatives using closing prices provided by the exchange as of the balance sheet date. These derivatives are classified as Level 1. Over-the-Counter (OTC) financial commodity contracts, options and physical commodity forward purchase and sale contracts are generally valued using quotations provided by brokers or industry-standard models that consider various inputs, including quoted forward prices for commodities, time value, volatility factors, credit risk and current market and contractual prices for the underlying instruments, as well as other relevant economic measures. Substantially all of these inputs are observable in the marketplace throughout the full term of the instrument, can be derived from observable data or are supported by observable prices at which transactions are executed in the marketplace. Occidental classifies these measurements as Level 2.

The following tables provide fair value measurement information for such assets and liabilities that are measured on a recurring basis as of June 30, 2010 and December 31, 2009 (in millions):

Fair Value Measurements at  
June 30, 2010 Using

| Description                 | Level 1 | Level 2 | Level 3 | Netting and<br>Collateral | (a) | Total Fair<br>Value |
|-----------------------------|---------|---------|---------|---------------------------|-----|---------------------|
| <b>Assets:</b>              |         |         |         |                           |     |                     |
| Trading equity securities – |         |         |         |                           |     |                     |
| natural resources industry  | \$ 84   | \$      | \$      | \$                        | \$  | 84                  |
| Commodity derivatives       | 282     | 654     |         | (636)                     |     | 300                 |
| Total assets                | \$ 366  | \$ 654  | \$      | \$ (636)                  | \$  | 384                 |
| <b>Liabilities:</b>         |         |         |         |                           |     |                     |
| Commodity derivatives       | \$ 198  | \$ 856  | \$      | \$ (673)                  | \$  | 381                 |
| Total liabilities           | \$ 198  | \$ 856  | \$      | \$ (673)                  | \$  | 381                 |

Fair Value Measurements at  
December 31, 2009 Using

| Description                 | Level 1 | Level 2 | Level 3 | Netting and<br>Collateral | (a) | Total Fair<br>Value |
|-----------------------------|---------|---------|---------|---------------------------|-----|---------------------|
| <b>Assets:</b>              |         |         |         |                           |     |                     |
| Trading equity securities – |         |         |         |                           |     |                     |
| natural resources industry  | \$ 230  | \$      | \$      | \$                        | \$  | 230                 |
| Commodity derivatives       | 243     | 612     |         | (645)                     |     | 210                 |
| Total assets                | \$ 473  | \$ 612  | \$      | \$ (645)                  | \$  | 440                 |
| <b>Liabilities:</b>         |         |         |         |                           |     |                     |
| Commodity derivatives       | \$ 280  | \$ 920  | \$      | \$ (665)                  | \$  | 535                 |
| Total liabilities           | \$ 280  | \$ 920  | \$      | \$ (665)                  | \$  | 535                 |

(a) Represents the impact of netting assets, liabilities and collateral when a legal right of offset exists.

**Fair Values - Nonrecurring**

During the three and six months ended June 30, 2010 and 2009, Occidental did not have any assets or liabilities measured at fair value on a non-recurring basis.



### Other Financial Instruments

The carrying amounts of cash and cash equivalents and other on-balance-sheet financial instruments, other than fixed-rate debt, approximate fair value. The cost, if any, to terminate off-balance-sheet financial instruments is not significant. Occidental estimates the fair value of fixed-rate debt based on the quoted market prices for those instruments or on quoted market yields for similarly rated debt instruments, taking into account such similar instruments' maturities. The estimated fair values of Occidental's debt, as of June 30, 2010 and December 31, 2009, were approximately \$2.9 billion and \$3.1 billion, respectively, compared to carrying values of \$2.5 billion and \$2.8 billion, respectively.

## 11. Derivatives

Derivatives are carried at fair value and on a net basis when a legal right of offset exists with the same counterparty. Occidental applies hedge accounting when transactions meet specified criteria for such treatment. If a derivative does not qualify or is not designated and documented as a hedge, any fair value gains or losses are recognized in earnings in the current period.

Occidental has used derivatives to reduce its long-term exposure to price volatility on a small portion of its oil and gas production. Through its low-risk marketing and trading activities and within its established policy controls and procedures, Occidental has also used derivative instruments, including a combination of short-term futures, forwards, options and swaps, to improve realized prices for its oil and gas. Additionally, Occidental, through its Phibro trading unit, engages in trading activities using derivatives for the purpose of generating profits mainly from market price changes of commodities, in part using similar derivative instruments.

### Cash-Flow Hedges

As of June 30, 2010 and December 31, 2009, Occidental held a series of collar agreements that qualify as cash-flow hedges for the sale of approximately 2 percent of its crude oil production. These agreements continue to the end of 2011. The following table presents the daily quantities and weighted-average strike prices of Occidental's collar positions as of June 30, 2010 and December 31, 2009:

| Crude Oil – Collars | Daily Volume (barrels) | Average Floor | Average Cap |
|---------------------|------------------------|---------------|-------------|
| July 2010           |                        |               |             |
| December 2010 (a)   | 12,000                 | \$33.00       | \$46.35     |
| January 2011        |                        |               |             |
| December 2011 (a)   | 12,000                 | \$32.92       | \$46.27     |

In 2009, Occidental entered into financial swap agreements related to the sale of a portion of its natural gas production from the Rockies that qualify as cash-flow hedges. The following table presents the daily quantities and weighted-average prices that will be received by Occidental as of June 30, 2010 and December 31, 2009:

| Natural Gas – Swaps            | Daily Volume (cubic feet) | Average Price |
|--------------------------------|---------------------------|---------------|
| July 2010 – December 2010 (a)  | 40 million                | \$5.03        |
| December 2010 – March 2012 (a) | 50 million                | \$6.07        |

(a) At December 31, 2009, these contracts were outstanding with the same daily volumes and terms indicated and also covered the period from January 1, 2010 to June 30, 2010.

Occidental's marketing and trading operations store natural gas purchased from third parties at Occidental's leased storage facilities. Derivative instruments are used to fix margins on the future sales of the stored

volumes. These derivative agreements continue through April 2011. As of June 30, 2010 and December 31, 2009, Occidental had approximately 20 billion cubic feet and 28 billion cubic feet of natural gas held in storage, respectively. As of June 30, 2010 and December 31, 2009, Occidental had designated the forecasted sale of approximately 11 billion cubic feet and 24 billion cubic feet of natural gas from storage as cash-flow hedges, respectively.

The following table presents the pre-tax gains and losses recognized in, and reclassified from, Accumulated Other Comprehensive Income (AOCI) and recognized in income (net sales), including any hedge ineffectiveness, for derivative instruments classified as cash-flow hedges for the three and six months ended June 30, 2010 and 2009 (in millions):

|                                                           |        | Three Months |       | Periods ended June 30 |                    |
|-----------------------------------------------------------|--------|--------------|-------|-----------------------|--------------------|
|                                                           | 2010   | 2009         |       | 2010                  | Six Months<br>2009 |
| Commodity Contracts                                       |        |              |       |                       |                    |
| Unrealized gains (losses) recognized in AOCI –            |        |              |       |                       |                    |
| effective portion                                         | \$ 58  | \$ (127)     | \$ 95 | \$ (72)               |                    |
| Amount of (gains) losses reclassified from AOCI           |        |              |       |                       |                    |
| into income – effective portion                           | \$ 31  | \$ 18        | \$ 63 | \$ (36)               |                    |
| (Losses) gains recognized in income – ineffective portion | \$ (1) | \$ 6         | \$ 1  | \$ 9                  |                    |

The following table summarizes net after-tax derivative activity recorded in AOCI for the three and six months ended June 30, 2010 and 2009 (in millions):

|                                                     |          | Three Months |          | Periods ended June 30 |                    |
|-----------------------------------------------------|----------|--------------|----------|-----------------------|--------------------|
|                                                     | 2010     | 2009         |          | 2010                  | Six Months<br>2009 |
| Beginning balance                                   | \$ (183) | \$ (149)     | \$ (227) | \$ (150)              |                    |
| Unrealized gains (losses) from changes in cash flow |          |              |          |                       |                    |
| hedges                                              | 37       | (81)         | 60       | (46)                  |                    |
| Losses (gains) reclassified to income               | 19       | 12           | 40       | (22)                  |                    |
| Ending balance                                      | \$ (127) | \$ (218)     | \$ (127) | \$ (218)              |                    |

During the next twelve months, Occidental expects that approximately \$75 million of net after-tax derivative losses included in AOCI, based on their valuation as of June 30, 2010, will be reclassified into income.

#### Derivatives Not Designated as Hedging Instruments

Occidental's third-party marketing and trading activities focus on purchasing crude oil and natural gas for resale from partners, producers and third parties whose oil and gas supply is located near the midstream and marketing assets, such as pipelines, processing plants and storage facilities, that are owned or leased by Occidental. These purchases allow Occidental to aggregate volumes to maximize prices received for Occidental's production. The aggregate volumes and durations of these third-party marketing and trading purchase and sales contracts generally approximate each other. In addition, Occidental's Phibro trading unit uses derivative instruments, including forward purchases and sales for physical delivery, futures, swaps and options, in its strategy to profit from market price changes.

The following table presents gross volumes of Occidental's commodity derivatives not designated as hedging instruments as of June 30, 2010 and December 31, 2009:

| Commodity                                    | 2010  | Volumes | 2009  |
|----------------------------------------------|-------|---------|-------|
| Occidental's production sales contracts      |       |         |       |
| Crude oil (million barrels)                  | 10    |         | 9     |
| Third-party marketing and trading activities |       |         |       |
| Purchase contracts                           |       |         |       |
| Crude oil (million barrels)                  | 147   |         | 161   |
| Natural gas (billion cubic feet)             | 1,230 |         | 1,391 |
| Sales contracts                              |       |         |       |
| Crude oil (million barrels)                  | 147   |         | 182   |
| Natural gas (billion cubic feet)             | 1,296 |         | 1,561 |

In addition, Occidental has certain other commodity trading contracts, including agricultural products, metals, precious metals, electricity and foreign exchange contracts, which were not material to Occidental as of June 30, 2010 and December 31, 2009.

Approximately \$10 million and \$24 million of net gains from derivatives not designated as hedging instruments were recognized in net sales for the three months ended June 30, 2010 and 2009, respectively. Approximately \$53 million of net gains and \$39 million of net losses from derivatives not designated as hedging instruments were recognized in net sales for the six months ended June 30, 2010 and 2009, respectively.

# Fair Value of Derivatives

The following table presents the gross fair value of Occidental's outstanding derivatives as of June 30, 2010 and December 31, 2009 (in millions):

| June 30, 2010                                         | Asset Derivatives                           |    | Fair Value | Liability Derivatives                  |    | Fair Value |
|-------------------------------------------------------|---------------------------------------------|----|------------|----------------------------------------|----|------------|
|                                                       | Balance Sheet Location                      |    |            | Balance Sheet Location                 |    |            |
| Cash-flow hedges (a)                                  |                                             |    |            |                                        |    |            |
| Commodity contracts                                   | Marketing and trading assets and other      | \$ | 21         | Accrued liabilities                    | \$ | 139        |
|                                                       | Long-term receivables and other assets, net |    | 17         | Deferred credits and other liabilities |    | 75         |
|                                                       |                                             |    | 38         |                                        |    | 214        |
| Derivatives not designated as hedging instruments (a) |                                             |    |            |                                        |    |            |
| Commodity contracts                                   | Marketing and trading assets and other      |    | 834        | Accrued liabilities                    |    | 775        |
|                                                       | Long-term receivables and other assets, net |    | 64         | Deferred credits and other liabilities |    | 65         |
|                                                       |                                             |    | 898        |                                        |    | 840        |
| Total gross fair value                                |                                             |    | 936        |                                        |    | 1,054      |
| Less: counterparty netting and cash collateral (b)    |                                             |    | (636)      |                                        |    | (673)      |
| Total net fair value                                  |                                             | \$ | 300        |                                        | \$ | 381        |
|                                                       |                                             |    |            |                                        |    |            |
| December 31, 2009                                     | Asset Derivatives                           |    | Fair Value | Liability Derivatives                  |    | Fair Value |
|                                                       | Balance Sheet Location                      |    |            | Balance Sheet Location                 |    |            |
| Cash-flow hedges (a)                                  |                                             |    |            |                                        |    |            |
| Commodity contracts                                   | Marketing and trading assets and other      | \$ | 2          | Accrued liabilities                    | \$ | 168        |
|                                                       | Long-term receivables and other assets, net |    | 5          | Deferred credits and other liabilities |    | 174        |
|                                                       |                                             |    | 7          |                                        |    | 342        |
| Derivatives not designated as hedging instruments (a) |                                             |    |            |                                        |    |            |
| Commodity contracts                                   | Marketing and trading assets and other      |    | 776        | Accrued liabilities                    |    | 789        |
|                                                       | Long-term receivables and other assets, net |    | 72         | Deferred credits and other liabilities |    | 69         |
|                                                       |                                             |    | 848        |                                        |    | 858        |
| Total gross fair value                                |                                             |    | 855        |                                        |    | 1,200      |
| Less: counterparty netting and cash collateral (c)    |                                             |    | (645)      |                                        |    | (665)      |
| Total net fair value                                  |                                             | \$ | 210        |                                        | \$ | 535        |

- (a) The above fair values are presented at gross amounts, including when the derivatives are subject to master netting arrangements and qualify for net presentation in the consolidated balance sheet.
- (b) As of June 30, 2010, collateral received of \$53 million has been netted against derivative assets and collateral paid of \$90 million has been netted against derivative liabilities.
- (c) As of December 31, 2009, collateral received of \$23 million has been netted against derivative assets and collateral paid of \$43 million has been netted against derivative liabilities.

See Note 10 for fair value measurement disclosures on derivatives.

#### Credit Risk

A majority of Occidental's derivative transactions are exchange-traded contracts, which are subject to nominal credit risk as a significant portion of these transactions are executed on a daily margin basis. Collateral of \$178 million and \$222 million deposited by Occidental for such contracts with clearing houses and brokers, which has not been reflected in the derivative fair value tables, is included in the marketing and trading assets and other balance as of June 30, 2010 and December 31, 2009, respectively.

In addition, Occidental executes a portion of its derivative transactions in the OTC market. Occidental is subject to counterparty credit risk to the extent the counterparty to the derivatives is unable to meet its settlement commitments. Occidental manages this credit risk by selecting counterparties that it believes to be financially strong, by spreading the credit risk among many such counterparties, by entering into master netting arrangements with the counterparties and by requiring collateral as appropriate. Occidental actively monitors the creditworthiness of each counterparty and records valuation adjustments to reflect counterparty risk, if necessary. Certain of Occidental's OTC derivative instruments contain credit risk contingent features, primarily tied to credit ratings for Occidental or its counterparties, which may affect the amount of collateral that each would need to post. As of June 30, 2010 and December 31, 2009, Occidental had a net liability of \$246 million and \$350 million, respectively, for which the amount of collateral posted was not material. Occidental believes that if it had received a one-notch reduction in its credit rating, it would not have resulted in a material change in its collateral-posting requirements as of June 30, 2010 and December 31, 2009.

#### 12. Industry Segments

Occidental conducts its continuing operations through three segments: (1) oil and gas; (2) chemical; and (3) midstream, marketing and other (midstream and marketing). The oil and gas segment explores for, develops, produces and markets crude oil, including natural gas liquids (NGLs) and condensate, as well as natural gas. The chemical segment manufactures and markets basic chemicals, vinyls and other chemicals. The midstream and marketing segment gathers, treats, processes, transports, stores, purchases and markets crude oil (including NGLs and condensate), natural gas, CO<sub>2</sub> and power. The segment also trades around its assets, including pipelines and storage facilities, and trades commodities and securities.

Segment earnings generally exclude income taxes, interest income, interest expense, environmental remediation expenses, unallocated corporate expenses and discontinued operations, but include gains and losses from dispositions of segment assets and income from the segments' equity investments.

The following table presents Occidental's industry segment and corporate disclosures (in millions):

|                                                       | Oil and Gas | Chemical | Midstream,<br>Marketing<br>and Other | Corporate<br>and<br>Eliminations | Total    |
|-------------------------------------------------------|-------------|----------|--------------------------------------|----------------------------------|----------|
| Six months ended<br>June 30, 2010                     |             |          |                                      |                                  |          |
| Net sales                                             | \$ 7,322    | \$ 1,969 | \$ 605                               | \$ (364)(a)                      | \$ 9,532 |
| Pretax operating profit<br>(loss)                     | \$ 3,708    | \$ 138   | \$ 107                               | \$ (248)(b)                      | \$ 3,705 |
| Income taxes                                          |             |          |                                      | (1,529)(c)                       | (1,529)  |
| Discontinued operations,<br>net                       |             |          |                                      | (13)                             | (13)     |
| Net income attributable to<br>noncontrolling interest | (36)        |          |                                      |                                  | (36)     |
| Net income (loss)<br>attributable to common<br>stock  | \$ 3,672    | \$ 138   | \$ 107                               | \$ (1,790)                       | \$ 2,127 |
| Six months ended<br>June 30, 2009                     |             |          |                                      |                                  |          |
| Net sales                                             | \$ 4,863    | \$ 1,603 | \$ 478                               | \$ (184)(a)                      | \$ 6,760 |
| Pretax operating profit<br>(loss)                     | \$ 1,649    | \$ 284   | \$ 77                                | \$ (238)(b)                      | \$ 1,772 |
| Income taxes                                          |             |          |                                      | (696)(c)                         | (696)    |
| Discontinued operations,<br>net                       |             |          |                                      | (5)                              | (5)      |
| Net income attributable to<br>noncontrolling interest | (21)        |          |                                      |                                  | (21)     |
| Net income (loss)<br>attributable to common<br>stock  | \$ 1,628    | \$ 284   | \$ 77                                | \$ (939)                         | \$ 1,050 |

(a) Intersegment sales are generally made at prices approximating those that the selling entity is able to obtain in third-party transactions.

(b) Includes net interest expense, administration expense, environmental remediation and other pre-tax items.

(c) Includes all foreign and domestic income taxes from continuing operations.

## 13. Earnings Per Share

Occidental's instruments containing rights to nonforfeitable dividends granted in share-based payment transactions are considered participating securities prior to vesting, and therefore, have been included in the earnings allocations in computing basic and diluted EPS under the two-class method.

Basic EPS was computed by dividing net income attributable to common stock by the weighted-average number of common shares outstanding during each period, net of treasury shares and including vested but unissued shares and share units. The computation of diluted EPS further reflected the dilutive effect of stock options and unvested stock awards.

The following table presents the calculation of basic and diluted EPS for the three and six months ended June 30, 2010 and 2009:

| (in millions, except per-share amounts)                                         | Three months |         | Periods Ended June 30 |          |
|---------------------------------------------------------------------------------|--------------|---------|-----------------------|----------|
|                                                                                 | 2010         | 2009    | 2010                  | 2009     |
| Basic EPS                                                                       |              |         |                       |          |
| Income from continuing operations                                               | \$ 1,081     | \$ 696  | \$ 2,176              | \$ 1,076 |
| Less: Income from continuing operations attributable to noncontrolling interest | (12)         | (12)    | (36)                  | (21)     |
| Income from continuing operations attributable to common stock                  | 1,069        | 684     | 2,140                 | 1,055    |
| Discontinued operations                                                         | (6)          | (2)     | (13)                  | (5)      |
| Net income attributable to common stock                                         | 1,063        | 682     | 2,127                 | 1,050    |
| Less: Net income allocated to participating securities                          | (1)          | (1)     | (3)                   | (1)      |
| Net income attributable to common stock, net of participating securities        | \$ 1,062     | \$ 681  | \$ 2,124              | \$ 1,049 |
| Weighted average number of basic shares                                         | 812.6        | 811.0   | 812.3                 | 810.8    |
| Basic EPS                                                                       | \$ 1.31      | \$ 0.84 | \$ 2.61               | \$ 1.29  |
| Diluted EPS                                                                     |              |         |                       |          |
| Net income attributable to common stock, net of participating securities        | \$ 1,062     | \$ 681  | \$ 2,124              | \$ 1,049 |
| Weighted average number of basic shares                                         | 812.6        | 811.0   | 812.3                 | 810.8    |
| Dilutive effect of potentially dilutive securities                              | 1.2          | 3.0     | 1.4                   | 2.9      |
| Total diluted weighted average common shares                                    | 813.8        | 814.0   | 813.7                 | 813.7    |
| Diluted EPS                                                                     | \$ 1.31      | \$ 0.84 | \$ 2.61               | \$ 1.29  |

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Consolidated Results of Operations

Occidental (which means Occidental Petroleum Corporation (OPC) and/or one or more entities in which it owns a majority voting interest) reported net income of \$1.1 billion for the second quarter of 2010 on net sales of \$4.8 billion, compared to net income of \$682 million on net sales of \$3.7 billion for the same period of 2009. Diluted earnings per share (EPS) were \$1.31 for the second quarter of 2010 compared to \$0.84 for the same period of 2009. Occidental reported net income of \$2.1 billion for the first six months of 2010 on net sales of \$9.5 billion, compared to net income of \$1.1 billion on net sales of \$6.8 billion for the same period of 2009. Diluted EPS were \$2.61 and \$1.29 for the first six months of 2010 and 2009, respectively.

Net income for the three and six months ended June 30, 2010, compared to the same periods of 2009, reflected higher worldwide crude oil and natural gas prices and volumes, partially offset by caustic soda price erosion, higher taxes (largely a result of higher pretax income), higher chemical raw materials prices, trading losses in Phibro, Occidental's trading unit, higher depreciation, depletion and amortization (DD&A) rates and higher oil and gas operating expenses, partly resulting from the effects of fully expensing CO2 costs in 2010.

Net income for the six months ended June 30, 2009 included after-tax charges of \$41 million for severance, railcar leases and rig termination costs.

Unless indicated otherwise, net income and EPS reflect net income attributable to common stock.

Selected Income Statement Items

The increase in net sales for the three and six months ended June 30, 2010, compared with the same periods of 2009, reflected higher worldwide crude oil and natural gas prices and volumes, and higher volumes in chemical segment products, partially offset by lower caustic soda prices.

The increase in cost of sales for the three and six months ended June 30, 2010, compared with the same periods of 2009, reflected higher product volumes, raw materials costs, DD&A rates and oil and gas operating expenses, partly resulting from the effects of fully expensing CO2 costs in 2010, as well as third party product purchases in the midstream, marketing and other (midstream and marketing) segment.

The increase in provision for domestic and foreign income taxes for the three and six months ended June 30, 2010 compared with the same periods of 2009, reflected higher pre-tax income and higher tax rates in 2010 than 2009, which included a tax benefit from the relinquishment of international exploration contracts during 2009.

Selected Analysis of Financial Position

See "Liquidity and Capital Resources" for discussion about the change in cash and cash equivalents. The increase in trade receivables, net, reflected higher volumes during the second quarter of 2010, compared to the fourth quarter of 2009. The decrease in marketing and trading assets and other reflected a decrease in trading securities held and timing of collections from joint venture partners. The increase in inventories reflected higher third-party product marketing activity. The increase in property, plant and equipment reflected capital expenditures and purchases of assets, partially offset by DD&A.



The decrease in current maturities of long-term debt reflected payments of amounts due on senior notes. The increase in accounts payable reflected higher third-party product marketing and trading activity. The decrease in accrued liabilities reflected payments made in the first six months of 2010 related to the Phibro trading unit acquisition and scheduled foreign contract payments. The increase in deferred and other domestic and foreign income taxes reflected higher federal deferred taxes. The increase in stockholders' equity reflected net income for the first six months of 2010, partially offset by dividend payments.

### Segment Operations

Occidental conducts its continuing operations through three segments: (1) oil and gas; (2) chemical; and (3) midstream and marketing. The oil and gas segment explores for, develops, produces and markets crude oil, including natural gas liquids (NGLs) and condensate (together with NGLs, "liquids"), as well as natural gas. The chemical segment manufactures and markets basic chemicals, vinyls and other chemicals. The midstream and marketing segment gathers, treats, processes, transports, stores, purchases and markets crude oil (including liquids), natural gas, CO2 and power. The segment also trades around its assets, including pipelines and storage capacity, and trades commodities and securities.

The following table sets forth the sales and earnings of each operating segment and corporate items for the three and six months ended June 30, 2010 and 2009 (in millions):

|                                       | Three Months |          | Periods Ended June 30 |          |
|---------------------------------------|--------------|----------|-----------------------|----------|
|                                       | 2010         | 2009     | 2010                  | 2009     |
| Net Sales (a)                         |              |          |                       |          |
| 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)    |
|                                       | \$ 4,761     | \$ 3,687 | \$ 9,532              | \$ 6,760 |
| Segment Earnings (b)                  |              |          |                       |          |
| Oil and Gas (c)                       | \$ 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 (b)             | (22)         | (23)     | (58)                  | (43)     |
| Income taxes                          | (800)        | (455)    | (1,529)               | (696)    |
| Other expense, net (b)                | (83)         | (99)     | (190)                 | (195)    |
| Income from continuing operations (c) | 1,069        | 684      | 2,140                 | 1,055    |
| Discontinued operations, net (b)      | (6)          | (2)      | (13)                  | (5)      |
| Net income (c)                        | \$ 1,063     | \$ 682   | \$ 2,127              | \$ 1,050 |

(a) Intersegment sales are generally made at prices approximating those that the selling entity is able to obtain in third-party transactions.

(b) Refer to "Significant Items Affecting Earnings," "Oil and Gas Segment," "Chemical Segment," "Midstream, Marketing and Other Segment" and "Corporate" discussions that follow.

(c)

Represents amounts attributable to common stock shown after deducting noncontrolling interest amounts of \$12 million for each of the three month periods ended June 30, 2010 and 2009, and \$36 million and \$21 million for the six months ended June 30, 2010 and 2009, respectively.

## Significant Transactions and Events Affecting Earnings

The following table sets forth, for the three and six months ended June 30, 2010 and 2009, the effects of significant transactions and events affecting Occidental's earnings that vary widely and unpredictably in nature, timing and amount (in millions):

|                                         | Three Months |        | Periods Ended June 30 |                    |
|-----------------------------------------|--------------|--------|-----------------------|--------------------|
|                                         | 2010         | 2009   | 2010                  | Six Months<br>2009 |
| Oil & Gas                               |              |        |                       |                    |
| Rig terminations                        | \$           | \$     | \$                    | \$ (8)             |
| Total Oil and Gas                       | \$           | \$     | \$                    | \$ (8)             |
| Chemical                                |              |        |                       |                    |
| No significant items affecting earnings | \$           | \$     | \$                    | \$                 |
| Total Chemical                          | \$           | \$     | \$                    | \$                 |
| Midstream, Marketing and Other          |              |        |                       |                    |
| No significant items affecting earnings | \$           | \$     | \$                    | \$                 |
| Total Midstream, Marketing and Other    | \$           | \$     | \$                    | \$                 |
| Corporate                               |              |        |                       |                    |
| Severance accrual                       | \$           | \$ (8) | \$                    | \$ (40)            |
| Railcar leases                          |              |        |                       | (15)               |
| Tax effect of pre-tax adjustments       |              | 3      |                       | 22                 |
| Discontinued operations, net*           | (6)          | (2)    | (13)                  | (5)                |
| Total Corporate                         | \$ (6)       | \$ (7) | \$ (13)               | \$ (38)            |
| Total                                   | \$ (6)       | \$ (7) | \$ (13)               | \$ (46)            |

\*Amounts shown after tax.

## Worldwide Effective Tax Rate

The following table sets forth the calculation of the worldwide effective tax rate for income from continuing operations for the three and six months ended June 30, 2010 and 2009 (in millions):

|                                         | Three Months |          | Periods Ended June 30 |                    |
|-----------------------------------------|--------------|----------|-----------------------|--------------------|
|                                         | 2010         | 2009     | 2010                  | Six Months<br>2009 |
| Oil & Gas earnings (a)                  | \$ 1,853     | \$ 1,083 | \$ 3,672              | \$ 1,628           |
| Chemical earnings                       | 108          | 115      | 138                   | 284                |
| Midstream, Marketing and Other earnings | 13           | 63       | 107                   | 77                 |
| Unallocated corporate items             | (105)        | (122)    | (248)                 | (238)              |
| Pre-tax income (a)                      | 1,869        | 1,139    | 3,669                 | 1,751              |
| Income tax expense                      |              |          |                       |                    |
| Federal and state                       | 329          | 148      | 636                   | 160                |
| Foreign                                 | 471          | 307      | 893                   | 536                |
| Total                                   | 800          | 455      | 1,529                 | 696                |
| Income from continuing operations (a)   | \$ 1,069     | \$ 684   | \$ 2,140              | \$ 1,055           |
| Worldwide effective tax rate            | 43%          | 40%      | 42%                   | 40%                |

(a)

Represents amounts attributable to common stock shown after deducting noncontrolling interest amounts of \$12 million for each of the three month periods ended June 30, 2010 and 2009, and \$36 million and \$21 million for the six months ended June 30, 2010 and 2009, respectively.

## Oil and Gas Segment

The following tables set forth the sales and production volumes of crude oil and liquids and natural gas per day for the three and six months ended June 30, 2010 and 2009. The differences between the sales volumes and production per day are generally due to the timing of shipments at Occidental's international locations where product is loaded onto tankers. Sales at these locations are not recognized until title passes.

|                                | Three Months |      | Periods Ended June 30 |                    |
|--------------------------------|--------------|------|-----------------------|--------------------|
|                                | 2010         | 2009 | 2010                  | Six Months<br>2009 |
| Sales Volumes per Day          |              |      |                       |                    |
| Crude Oil and Liquids (MBBL)   |              |      |                       |                    |
| United States                  | 269          | 267  | 269                   | 271                |
| Middle East/North Africa       | 219          | 206  | 206                   | 200                |
| Latin America (a)              | 68           | 85   | 72                    | 88                 |
| Natural Gas (MMCF)             |              |      |                       |                    |
| United States                  | 681          | 621  | 678                   | 621                |
| Middle East                    | 444          | 332  | 445                   | 309                |
| Latin America                  | 47           | 49   | 45                    | 49                 |
| Total sales volumes (MBOE) (b) | 751          | 725  | 742                   | 722                |
| Production per Day             |              |      |                       |                    |
| Crude Oil and Liquids (MBBL)   |              |      |                       |                    |
| United States                  | 269          | 267  | 269                   | 271                |
| Middle East/North Africa       | 210          | 204  | 209                   | 200                |
| Latin America (a)              | 73           | 85   | 75                    | 85                 |
| Natural Gas (MMCF)             |              |      |                       |                    |
| United States                  | 681          | 621  | 678                   | 621                |
| Middle East                    | 444          | 332  | 445                   | 309                |
| Latin America                  | 47           | 49   | 45                    | 49                 |
| Total production (MBOE) (b)    | 747          | 723  | 748                   | 719                |

(a) Includes volumes per day of 4 mbbl and 6 mbbl for the three months ended June 30, 2010 and 2009, respectively, and 5 mbbl and 6 mbbl for the six months ended June 30, 2010 and 2009, respectively, related to the noncontrolling interest in a Colombian subsidiary.

(b) Natural gas volumes have been converted to barrels of oil equivalent (BOE) based on energy content of 6,000 cubic feet (one thousand cubic feet is referred to as "Mcf") of gas to one barrel of oil.

|                          |      |              |    | Periods Ended June 30 |      |       |    |       |
|--------------------------|------|--------------|----|-----------------------|------|-------|----|-------|
|                          |      |              |    | Six Months            |      |       |    |       |
|                          |      | Three Months |    |                       |      |       |    |       |
| Average Sales Prices     | 2010 | 2009         |    | 2010                  | 2009 |       |    |       |
| Crude Oil (\$/BBL)       |      |              |    |                       |      |       |    |       |
| United States            | \$   | 71.66        | \$ | 55.55                 | \$   | 72.38 | \$ | 46.43 |
| Middle East/North Africa | \$   | 77.50        | \$ | 53.43                 | \$   | 76.31 | \$ | 47.60 |
| Latin America            | \$   | 57.57        | \$ | 46.08                 | \$   | 59.37 | \$ | 42.71 |
| Worldwide                | \$   | 72.13        | \$ | 52.97                 | \$   | 72.01 | \$ | 46.05 |
| Natural Gas (\$/MCF)     |      |              |    |                       |      |       |    |       |
| United States            | \$   | 4.19         | \$ | 2.87                  | \$   | 4.90  | \$ | 3.20  |
| Latin America            | \$   | 3.90         | \$ | 2.75                  | \$   | 3.63  | \$ | 3.11  |
| Worldwide                | \$   | 2.90         | \$ | 2.34                  | \$   | 3.30  | \$ | 2.61  |

Oil and gas segment earnings for the three and six months ended June 30, 2010, were \$1.9 billion and \$3.7 billion, respectively, compared to \$1.1 billion and \$1.6 billion, respectively, for the same periods of 2009. The increase in oil and gas segment earnings for the three and six months ended June 30, 2010, compared to the same periods of 2009, reflected higher crude oil and natural gas prices and volumes, partially offset by higher DD&A rates and higher operating expenses, partly resulting from fully expensing CO2 costs in 2010.

In the second quarter of 2010, the average West Texas Intermediate (WTI) price was \$78.03 per barrel and the average New York Mercantile Exchange (NYMEX) price for natural gas was \$4.18 per million British Thermal Units (BTUs), compared to \$59.62 per barrel and \$3.83 per million BTUs, respectively, for the second quarter of 2009. Occidental's realized crude oil price for the second quarter of 2010 was \$72.13 per barrel, compared to \$52.97 per barrel for the second quarter of 2009. Based on the current levels of production and prices, if domestic natural gas prices vary by \$0.50 per million BTUs, it would have an estimated effect on quarterly pre-tax income of approximately \$30 million, while a \$1.00 per-barrel change in oil prices would have a quarterly pre-tax impact of approximately \$37 million. If production levels change, the sensitivity of Occidental's results to oil and gas prices also would change.

Oil and gas production (net of noncontrolling interest) in the second quarter of 2010 was 743,000 BOE per day, compared with 717,000 BOE per day for the same period of 2009. This increase reflected volumes in Bahrain of 3,000 barrels of oil per day and 161 million cubic feet of gas per day as well as 16,000 BOE per day of higher volumes in the Mukhaizna field of Oman. Occidental's domestic operations added 11,000 BOE per day. Gains in the Kern County discovery area were moderated by production declines in Elk Hills, which were caused by gas gathering and processing issues. Production was negatively impacted for the second quarter of 2010, compared to the same period of 2009, by 29,000 BOE per day in the Middle East/North Africa, Long Beach and Colombia as a result of higher oil prices affecting Occidental's production sharing and similar contracts (PSCs). Sales volumes (net of noncontrolling interest) for the second quarter of 2010 were 747,000 BOE per day, compared with 719,000 BOE per day for the same period of 2009. Oil and gas production in the first six months of 2010 was 743,000 BOE per day, compared with 713,000 BOE per day for the same period of 2009. This increase reflected new production from the Bahrain start-up and increased production from the Mukhaizna field. Production was negatively impacted for the first six months of 2010, compared to the same period of 2009, by 28,000 BOE per day in the Middle East/North Africa, Long Beach and Colombia as a result of higher oil prices affecting Occidental's PSCs. Sales volumes for the first six months of 2010 were 737,000 BOE per day, compared with 716,000 BOE per day for the same period of 2009. Sales volumes generally differ from production volumes due to the timing of liftings in Occidental's international operations.

Oil and gas cash production costs, excluding production and property taxes, increased from \$9.37 per BOE for the total year 2009 to \$9.90 per BOE for the six months ended June 30, 2010. The second quarter 2010 per barrel production costs were slightly lower than the corresponding amount for the six months ended June 30, 2010. These increases reflected higher field support operations and maintenance costs and the change to expensing 100 percent of injected CO2 costs beginning in 2010.

In January 2010, Occidental and its partners signed a technical service contract with the government of Iraq to develop the Zubair Field in Iraq. During the six months ended June 30, 2010, Occidental acquired various interests in domestic oil and gas properties for approximately \$460 million. Occidental also obtained a ten-year extension for its hydrocarbon concessions in the Santa Cruz province of Argentina.

#### Chemical Segment

Chemical segment earnings for the three and six months ended June 30, 2010, were \$108 million and \$138 million, respectively, compared to \$115 million and \$284 million, respectively, for the same periods of 2009. The three and six month results reflected the margin erosion in caustic soda, which began in 2009 due to the economic downturn in the United States, particularly in the housing and construction sectors, combined with higher raw materials costs, primarily for ethylene. The decrease in the second quarter of 2010 earnings as compared to the same period in 2009 was partially offset by improved volumes across most product lines.

#### Midstream, Marketing and Other Segment

Midstream and marketing segment earnings for the three months ended June 30, 2010 and 2009 were \$13 million and \$63 million, respectively. The second quarter of 2010 results reflected a \$104 million loss from Phibro, Occidental's trading unit, which included the marking of open positions to market. This was partially offset by higher margins in the marketing, gas processing and pipeline businesses.

Midstream and marketing segment earnings for the six months ended June 30, 2010 and 2009 were \$107 million and \$77 million, respectively. The 2010 results reflected 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, including the second-quarter loss from Phibro. Phibro's first quarter results were insignificant.

#### Corporate

During the six months ended June 30, 2009, Occidental recorded pre-tax charges of \$55 million for severance and railcar leases, of which \$8 million was recorded for severance in the three months ended June 30, 2009.

#### Liquidity and Capital Resources

At June 30, 2010, Occidental had approximately \$2.3 billion in cash on hand. Available but unused lines of committed bank credit totaled approximately \$1.5 billion at June 30, 2010. Income and cash flows are largely dependent on crude oil and gas prices and sales volumes, all of which increased in the first six months of 2010 as compared to the same period of 2009. Occidental believes that cash on hand and cash generated from operations will be sufficient to fund its operating needs and planned capital expenditures, dividends and debt payments.

Occidental's cash flow from operations for the six months ended June 30, 2010 was approximately \$4.3 billion, compared to \$2.2 billion for the same period in 2009. The most important sources of the increase in operating cash flow in 2010, compared to 2009, were higher worldwide crude oil and domestic natural gas prices. In the first six months of 2010, compared to the same period in 2009, Occidental's average worldwide realized crude oil price was higher by 56 percent and Occidental's average realized natural gas price increased 53 percent in the U.S., where approximately 58 percent of Occidental's natural gas was produced. The overall impact of the chemical and midstream and marketing segments' margins on cash flow was less significant than the increases in oil and gas prices because the chemical and midstream and marketing segments' earnings and cash flows are significantly smaller than those for the oil and gas segment.

Occidental's net cash used by investing activities was \$2.3 billion for the first six months of 2010, compared to \$2.4 billion for the same period of 2009. The 2010 amount included payments of \$460 million for acquisitions of various interests in domestic oil and gas properties and \$300 million for foreign contracts. The 2009 amount included cash payments for foreign contracts and acquisitions of various oil and gas and chemical interests of

\$534 million. Capital expenditures for the first six months of 2010 were \$1.7 billion, including \$1.4 billion for oil and gas. Capital expenditures for the first six months of 2009 were \$1.9 billion, including \$1.5 billion for oil and gas.

Occidental's net cash used by financing activities was \$836 million in the first six months of 2010, compared to net cash provided by financing activities of \$219 million for the same period of 2009. The 2010 amount included the repayment of Occidental's debt of \$299 million and dividend payments of \$538 million. The 2009 amount included net proceeds of \$740 million from the issuance of senior notes and dividend payments of \$520 million.

As of June 30, 2010, under the most restrictive covenants of its financing agreements, Occidental had substantial capacity for additional unsecured borrowings, the payment of cash dividends and other distributions on, or acquisitions of, Occidental stock.

Occidental's capital spending estimate for 2010 is approximately \$4.5 billion and Occidental will focus on the goal of keeping Occidental's returns well above its cost of capital.

#### Environmental Liabilities and Expenditures

Occidental's operations are subject to stringent federal, state, local and foreign laws and regulations relating to improving or maintaining environmental quality. Occidental's environmental compliance costs have generally increased over time and could continue to rise in the future. Occidental factors environmental expenditures for its operations into its business planning process as an integral part of producing quality products responsive to market demand.

The laws that require or address environmental remediation, including the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) and similar federal, state, local and foreign laws, may apply retroactively and regardless of fault, the legality of the original activities or the current ownership or control of sites. OPC or certain of its subsidiaries participate in or actively monitor a range of remedial activities and government or private proceedings under these laws with respect to alleged past practices at operating, closed and third-party sites. Remedial activities may include one or more of the following: investigation involving sampling, modeling, risk assessment or monitoring; cleanup measures including removal, treatment or disposal; or operation and maintenance of remedial systems. The environmental proceedings seek funding or performance of remediation and, in some cases, compensation for alleged property damage, punitive damages, civil penalties, injunctive relief and government oversight costs.

As of June 30, 2010, Occidental participated in or monitored remedial activities or proceedings at 169 sites. The following table presents Occidental's environmental remediation reserves as of June 30, 2010, the current portion of which is included in accrued liabilities (\$84 million) and the remainder in deferred credits and other liabilities — other (\$294 million). The reserves are grouped as environmental remediation sites listed or proposed for listing by the U.S. Environmental Protection Agency on the CERCLA National Priorities List (NPL sites) and three categories of non-NPL sites — third-party sites, Occidental-operated sites and closed or non-operated Occidental sites.

|                                         | Number of Sites | Reserve Balance<br>(in millions) |
|-----------------------------------------|-----------------|----------------------------------|
| NPL sites                               | 40              | \$ 54                            |
| Third-party sites                       | 81              | 97                               |
| Occidental-operated sites               | 19              | 118                              |
| Closed or non-operated Occidental sites | 29              | 109                              |
| Total                                   | 169             | \$ 378                           |



As of June 30, 2010, Occidental's environmental reserves exceeded \$10 million at 14 of the 169 sites described above, and 120 of the sites had reserves from \$0 to \$1 million each. Occidental expects to expend funds corresponding to about half of the current environmental reserves over the next four years and the balance over the subsequent ten or more years. Occidental believes its range of reasonably possible additional loss beyond those liabilities recorded for environmental remediation at the sites described above could be up to \$375 million. The status of Occidental's involvement with the sites and related significant assumptions have not changed materially since December 31, 2009.

Refer to the "Environmental Liabilities and Expenditures" section of Management's Discussion and Analysis of Financial Condition and Results of Operations in Occidental's Annual Report on Form 10-K for the year ended December 31, 2009 for additional information regarding Occidental's environmental expenditures.

#### Lawsuits, Claims, Commitments, Contingencies and Related Matters

OPC or certain of its subsidiaries are named, in the normal course of business, in lawsuits, claims and other legal proceedings that seek, among other things, compensation for alleged personal injury, breach of contract, property damage, punitive damages, civil penalties or other losses, or injunctive or declaratory relief. OPC or certain of its subsidiaries also have been named in proceedings under CERCLA and similar federal, state, local and foreign environmental laws. These environmental proceedings seek funding or performance of remediation and, in some cases, compensation for alleged property damage, punitive damages, civil penalties and injunctive relief; however, Occidental is usually one of many companies in these proceedings and has to date been successful in sharing response costs with other financially sound companies. With respect to all such lawsuits, claims and proceedings, including environmental proceedings, Occidental accrues reserves when it is probable a liability has been incurred and the amount of loss can be reasonably estimated.

Lawsuits filed in Nicaragua against Occidental Chemical Corporation (OxyChem) and other companies that once manufactured or used the pesticide dibromochloropropane (DBCP) claim damages of several billion dollars for alleged personal injuries. In the opinion of management, the claims against OxyChem are without merit because, among other things, the DBCP it manufactured was never sold or used in Nicaragua. Nicaraguan courts have entered judgments of approximately \$900 million against four defendants, including OxyChem, which, if affirmed and ultimately enforced, would be shared equally among the defendants. When the plaintiffs attempted to enforce one judgment in Miami, the federal district court granted summary judgment in favor of OxyChem and refused to enforce the judgment, finding the Nicaraguan court lacked personal jurisdiction because OxyChem DBCP was not used in Nicaragua, OxyChem did not have sufficient contacts with Nicaragua, and other grounds for dismissal. Although the Plaintiffs have appealed that dismissal as to other defendants, the Plaintiffs have not appealed as to OxyChem. OxyChem has no assets in Nicaragua and, in the opinion of management, no such Nicaraguan judgment would be enforceable in the United States.

During the course of its operations, Occidental is subject to audit by tax authorities for varying periods in various federal, state, local and foreign tax jurisdictions. While the audits of corporate tax returns for taxable years through 2008 have concluded for U.S. federal income tax purposes, the 2009 and 2010 taxable years are currently under review by the U.S. Internal Revenue Service pursuant to its Compliance Assurance Program. Taxable years from 2000 through 2009 remain subject to examination by foreign and state government tax authorities in certain jurisdictions. In certain of these locations, tax authorities are in various stages of auditing Occidental's income taxes. During the course of tax audits, disputes have arisen and other disputes may arise as to facts and matters of law.

Occidental has indemnified various parties against specified liabilities that those parties might incur in the future in connection with purchases and other transactions that they have entered into with Occidental. These indemnities

usually are contingent upon the other party incurring liabilities that reach specified thresholds. As of June 30, 2010, Occidental is not aware of circumstances that it believes would reasonably be expected to lead to future indemnity claims against it in connection with these transactions that would result in payments materially in excess of reserves.

The ultimate amount of losses and the timing of any such losses that OPC and its subsidiaries may incur resulting from currently outstanding lawsuits, claims and proceedings, audits, commitments, contingencies and related matters cannot be determined reliably at this time. If these matters were ultimately resolved unfavorably at amounts substantially exceeding Occidental's reserves, an outcome not currently expected, it is possible that such outcome could have a material adverse effect upon Occidental's consolidated financial position or results of operations. However, after taking into account reserves, management does not expect the ultimate resolution of any of these matters to have a material adverse effect upon Occidental's consolidated financial position or results of operations.

#### Recently Adopted Accounting and Disclosure Changes

**Fair Value Measurements** – Beginning in the quarter ended March 31, 2010, Occidental enhanced its fair value measurement disclosures as a result of adopting new disclosure requirements issued by the Financial Accounting Standards Board (FASB) in January 2010. The new rules require interim and year-end disclosures of: (i) fair value measurements by classes of assets and liabilities; (ii) valuation techniques and inputs used for Level 2 or 3 fair value measurements; and (iii) significant transfers into and out of Level 1 and 2 measurements and the reasons for the transfers.

**Variable Interest Entities** – Beginning January 1, 2010, Occidental modified its method of assessing the consolidation of variable interest entities as a result of adopting new accounting requirements issued by the FASB in June 2009. This new rule had no impact on Occidental's financial statements upon adoption and will require assessment on an ongoing basis.

#### Safe Harbor Statement Regarding Outlook and Forward-Looking Information

Portions of this report 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; any general economic recession or slowdown domestically or internationally; exploration risks such as drilling unsuccessful wells; 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; potential failure to achieve expected production from existing and future oil and gas development projects; failure of risk management; changes in law or regulations; changes in tax rates; and not successfully completing, or any material delay of, any development of new fields, expansion, capital expenditure, efficiency-improvement project, acquisition or disposition. Words such as "estimate", "project", "predict", "will", "would", "should", "could", "may", "might", "anticipate", "plan", "intend", "believe", 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 report. 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.

Item 3.

Quantitative and Qualitative Disclosures About Market Risk

For the three and six months ended June 30, 2010, there were no material changes in the information required to be provided under Item 305 of Regulation S-K included under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations (Incorporating Item 7A) – Derivative Activities and Market Risk" in the 2009 Form 10-K.

The six months ended June 30, 2010 included operations of the Phibro trading unit, which Occidental acquired on December 31, 2009. Occidental determined that operations of the unit are not reasonably likely to have a material adverse effect on the Company. This conclusion is based primarily on the trading limits Occidental placed on the unit, including, among others, limits on total notional trade value, value at risk and credit, as well as the highly liquid positions the operation maintains, in which the market risk can be neutralized on very short notice.

Item 4.

Controls and Procedures

Occidental's Chairman of the Board of Directors and Chief Executive Officer and its President and Chief Financial Officer supervised and participated in Occidental's evaluation of its disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report. Based upon that evaluation, Occidental's Chairman of the Board of Directors and Chief Executive Officer and its President and Chief Financial Officer concluded that Occidental's disclosure controls and procedures were effective as of June 30, 2010.

There has been no change in Occidental's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934) during the second quarter of 2010 that has materially affected, or is reasonably likely to materially affect, Occidental's internal control over financial reporting.

## PART II OTHER INFORMATION

## Item 1. Legal Proceedings

For information regarding legal proceedings, see the information in Note 8 to the consolidated condensed financial statements in Part I of this Form 10-Q and Part II, Item I "Legal Proceedings" in the Form 10-Q for the period ended March 31, 2010.

In May 2010, a putative stockholder action, Resnik v. Abraham, purporting to allege both direct and derivative claims, was filed in the U.S. District Court (Delaware), naming the present directors, the executive officers listed in the 2010 Proxy Statement and Occidental, as defendants. The complaint alleges that the defendants made a false and misleading proxy solicitation in connection with re-approval of the performance goals for certain incentive awards, and authorized excessive compensation, which the complaint characterizes as corporate waste and a breach of the defendants' fiduciary duties. On July 29, 2010, a second purported stockholder complaint captioned Gusinsky v. Irani, alleging similar derivative claims for corporate waste and breach of fiduciary duty, was filed in the Los Angeles Superior Court. Both actions seek damages in favor of Occidental and various equitable remedies. Occidental believes that both cases are without merit, and plans to file appropriate responses in due course.

## Item 2. Share Repurchase Activities

Occidental's share repurchase activities for the three months ended June 30, 2010 were as follows:

| Period                 | Total<br>Number<br>of Shares<br>Purchased | Average<br>Price<br>Paid<br>per Share | Total Number<br>of Shares Purchased<br>as Part of Publicly<br>Announced Plans<br>or Programs | Maximum Number<br>of Shares that May<br>Yet be Purchased<br>Under the Plans<br>or Programs |
|------------------------|-------------------------------------------|---------------------------------------|----------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|
| First Quarter 2010     |                                           | \$                                    |                                                                                              |                                                                                            |
| April 1 – 30, 2010 (a) | 129,774                                   | \$ 86.60                              |                                                                                              |                                                                                            |
| May 1 – 31, 2010       |                                           | \$                                    |                                                                                              |                                                                                            |
| June 1 – 30, 2010      |                                           | \$                                    |                                                                                              |                                                                                            |
| Second Quarter 2010    |                                           |                                       |                                                                                              |                                                                                            |
| (a)                    | 129,774                                   | \$                                    |                                                                                              |                                                                                            |
| Total                  | 129,774                                   | \$ 86.60                              |                                                                                              | 27,155,575                                                                                 |

(a) Represents amounts Occidental purchased from the trustee of Occidental's defined contribution savings plan in April 2010.

Item 6. Exhibits

- 10.1 Form of Amendment to Occidental Petroleum Corporation 2005 Long-Term Incentive Plan 2007 Return on Equity Incentive Award Grant Agreement, dated as of July 18, 2007, between Occidental and each of Dr. Ray R. Irani and Stephen I. Chazen.
- 10.2 Description of Automatic Grant of Directors' Restricted Stock Awards Pursuant to the Terms of the Occidental Petroleum Corporation 2005 Long-Term Incentive Plan.
- 12 Statement regarding the computation of total enterprise ratios of earnings to fixed charges for the six months ended June 30, 2010 and 2009 and for each of the five years in the period ended December 31, 2009.
- 31.1 Certification of CEO Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of CFO Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certifications of CEO and CFO Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 101.INS XBRL Instance Document
- 101.SCH XBRL Taxonomy Extension Schema Document
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document

SIGNATURES

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 thereunto duly authorized.

OCCIDENTAL PETROLEUM  
CORPORATION

DATE: August 5, 2010

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

## EXHIBIT INDEX

### EXHIBITS

|         |                                                                                                                                                                                                                                              |
|---------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
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| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document                                                                                                                                                                                         |