

# First Quarter 2009 Earnings Conference Call

April 23, 2009

Oxy





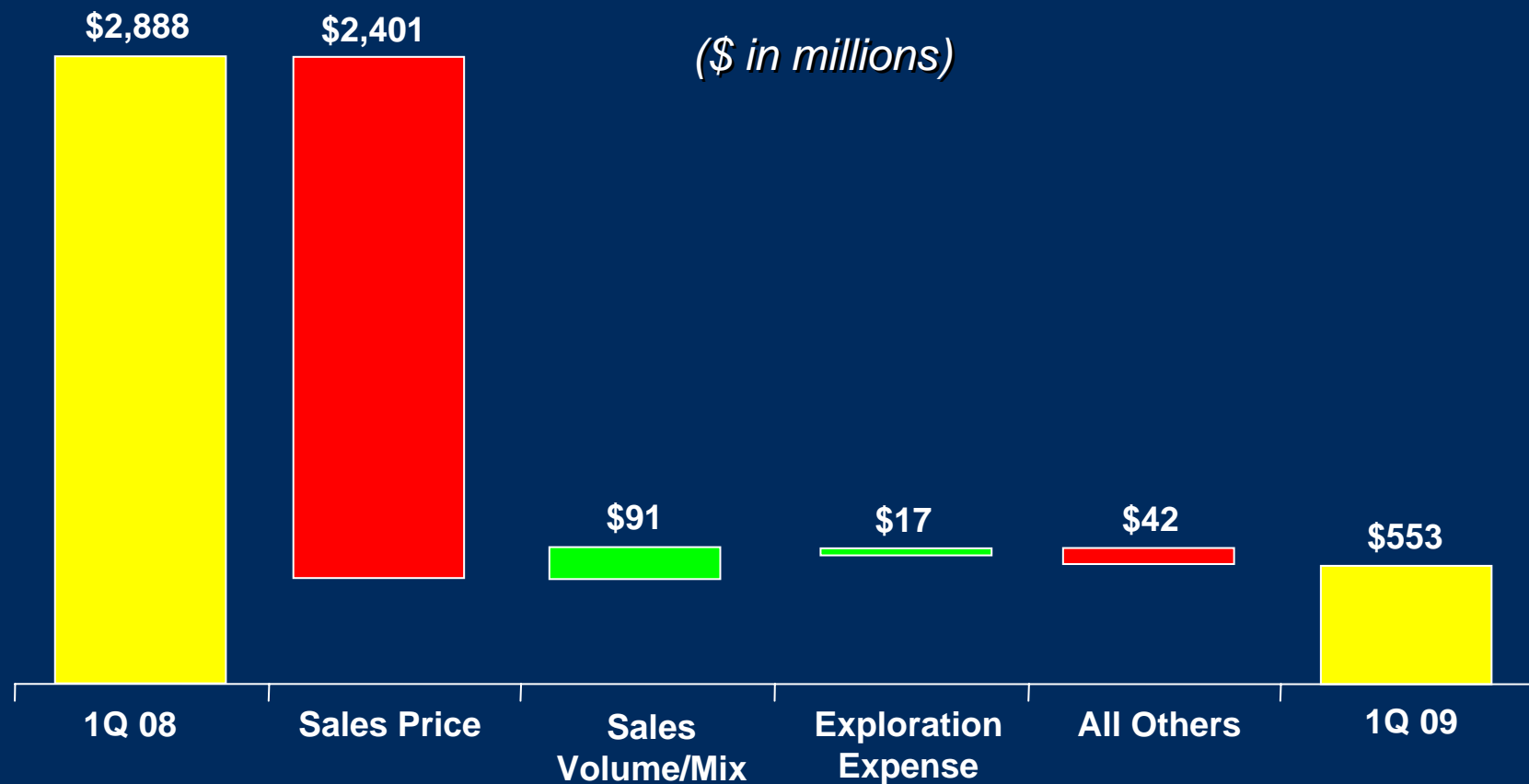
# First Quarter 2009 Earnings – Highlights

- *Core Results - \$407 Million vs. \$1.8 Billion in 1Q08*
  - *Core EPS \$0.50 (diluted) vs. \$2.19 in 1Q08.*
- Net Income - \$368 Million vs. \$1.8 Billion in 1Q08
  - EPS \$0.45 (diluted) vs. \$2.22 in 1Q08.
- Net Income for 1Q09 includes after-tax non-core charges of \$39 mm consisting of:
  - \$21 mm for severance;
  - \$10 mm for railcar leases;
  - \$5 mm for rig termination costs, and;
  - \$3 mm for discontinued operations.



# First Quarter 2009 Earnings – Oil & Gas Segment Variance Analysis – 1Q09 vs. 1Q08

- *Core Results for 1Q09 of \$553 Million vs. \$2.9 B in 1Q08*
  - Excludes rig termination costs.



\*All Others include: Higher DD&A rate.

# First Quarter 2009 Earnings – Oil & Gas Segment



	<u>1Q09</u>	<u>1Q08</u>
Reported Segment Earnings (\$ mm)	\$545	\$2,888
WTI Oil Price (\$/bbl)	\$43.08	\$97.90
NYMEX Gas Price (\$/mcf)	\$5.08	\$7.94

## *Oxy's Realized Prices*

<i>Worldwide Oil (\$/bbl)</i>	<i>\$39.29</i>	<i>\$86.75</i>
<i>US Natural Gas (\$/mcf)</i>	<i>\$3.54</i>	<i>\$8.15</i>



# First Quarter 2009 Earnings – Oil & Gas Segment

- |                                      | <u>1Q09</u> | <u>1Q08</u> |
|--------------------------------------|-------------|-------------|
| • Oil and Gas Sales Volumes (mboe/d) | 654         | 607         |
| • <i>+ 7.7% year-over-year</i>       |             |             |
- Year-over-year sales volume increase includes:
    - + 22 mboe/d from US operations (roughly half attributable to acquisitions in 2008);
    - + 15 mboe/d from Oman;
    - + 10 mboe/d from Argentina.
  - Middle East/North Africa included higher PSC volumes net of the change in Libya contract terms, of 10 mboe/d.
  - Sales volumes in 1Q09 increased by 34 mboe/d vs. 4Q08, or 5.5%.
  - Exploration expense was \$58 mm in 1Q09.

# First Quarter 2009 Earnings – Oil & Gas Segment

## California Exploration



- Oxy has drilled 35 wells seeking non-traditional hydrocarbon bearing zones in CA over the course of a little over a year.
  - Of these wells, 13 are commercial and 12 are currently being evaluated.
  - Four of these wells currently account for approximately 28 mmcf/d feet of gas and 3 mb/d of gross liquids production.
- While too early to speculate on the ultimate reserves and production tied to this activity, it is progressing nicely.
- We will continue to invest in this program despite weak natural gas prices as we currently believe that total costs (F&D and lifting) will be less than \$10 per boe.
- We expect to drill approximately 20 exploration wells in CA this year.
- Oxy holds approximately 1.1 mm acres of net fee minerals and leasehold in CA which have been acquired mostly in the last few years to exploit these opportunities.

# First Quarter 2009 Earnings – Oil & Gas Segment

## Cash Production Costs and Taxes



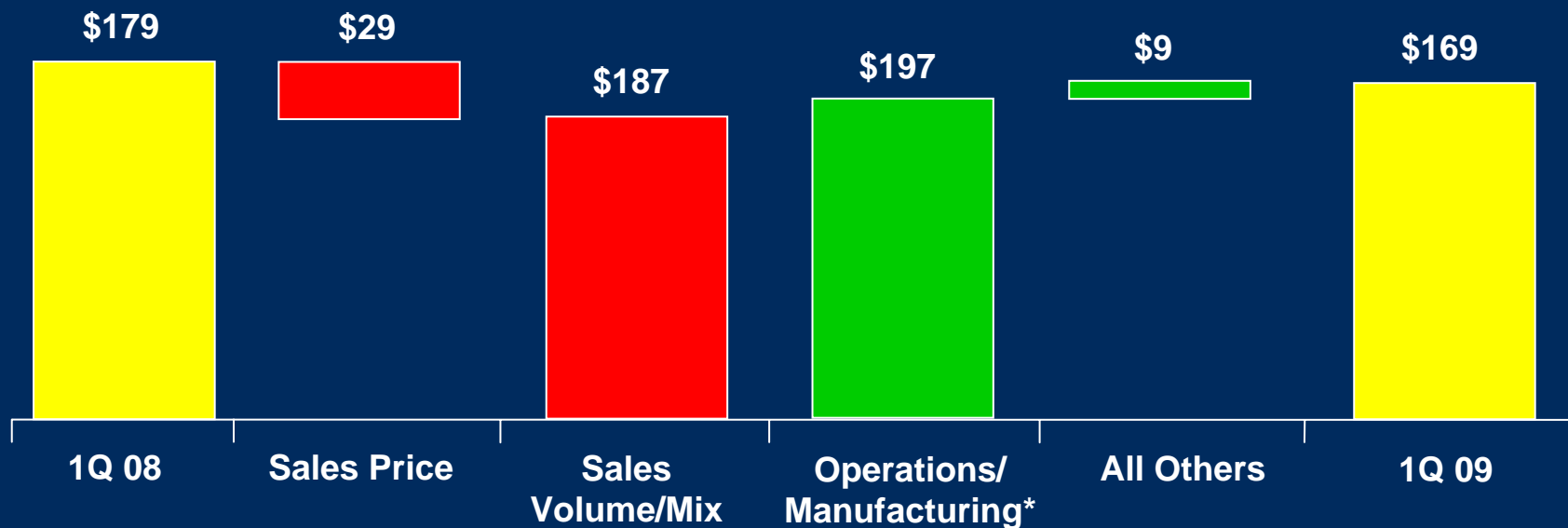
- Oil and gas cash production costs, excluding production and property taxes, were \$10.48 per boe in 1Q09.
  - *This represents a 13.6% decline from 2008 full-year costs of \$12.13 per boe.*
  - This decline is due to lower workover, maintenance and utilities costs, and the effect of higher PSC volumes.
  - These lower costs are in line with our 4Q08 guidance where we indicated we are actively renegotiating our supplier contracts and laying down rigs.
- Taxes – other than on income were \$1.71 per boe for 1Q09 vs. \$2.62 per boe for all of 2008.
  - These costs, which are sensitive to product prices, reflect lower crude oil and gas prices during 1Q09.

# First Quarter 2009 Earnings – Chemical Segment Variance Analysis – 1Q09 vs. 1Q08



- **Core Results for 1Q09 of \$169 Million**
  - Higher than our earlier guidance of \$100 mm due to higher caustic soda margins.

(\$ in millions)



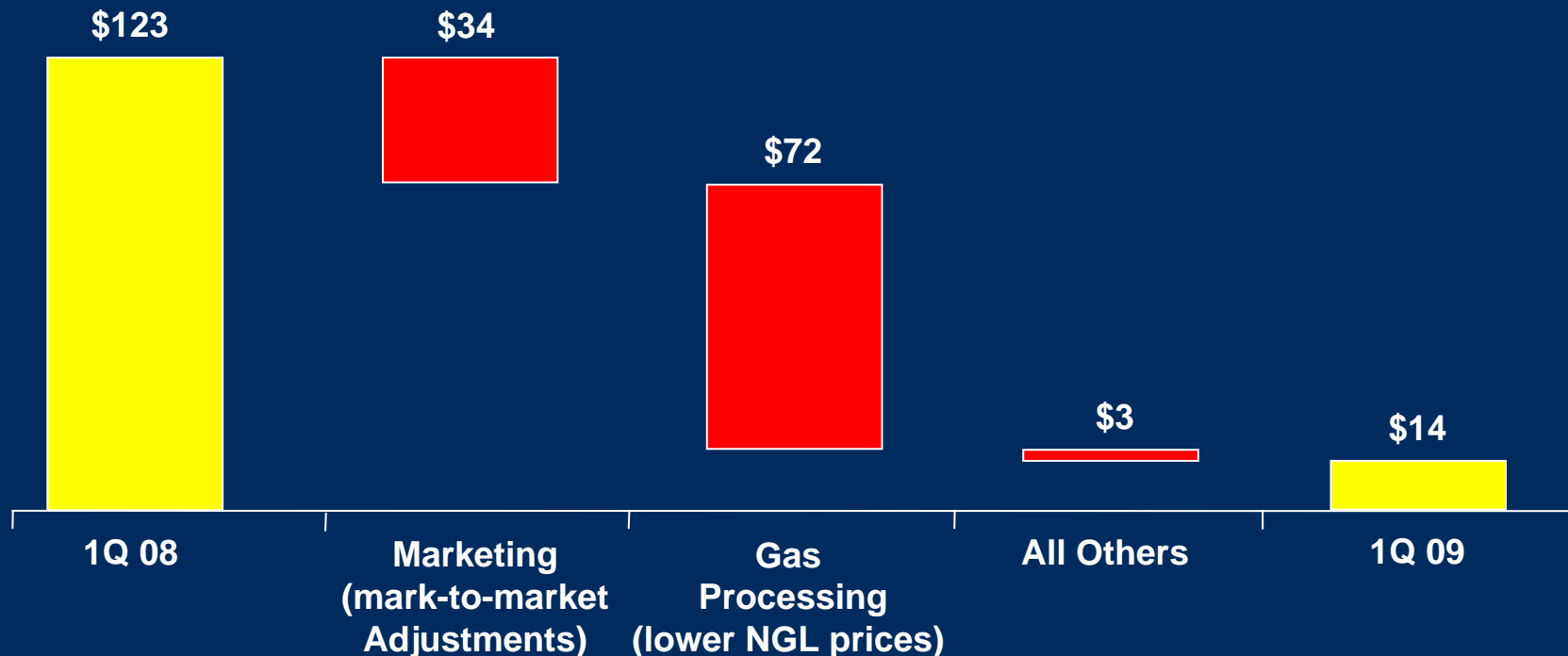
\*Lower energy and feedstock costs.

# First Quarter 2009 Earnings – Midstream Segment Variance Analysis – 1Q09 vs. 1Q08



- **Core Results for 1Q09 of \$14 mm vs. \$123 mm in 1Q08**
  - Decline due to significantly lower NGL realized prices in the gas processing business, and negative mark-to-market adjustments in crude oil marketing.

(\$ in millions)





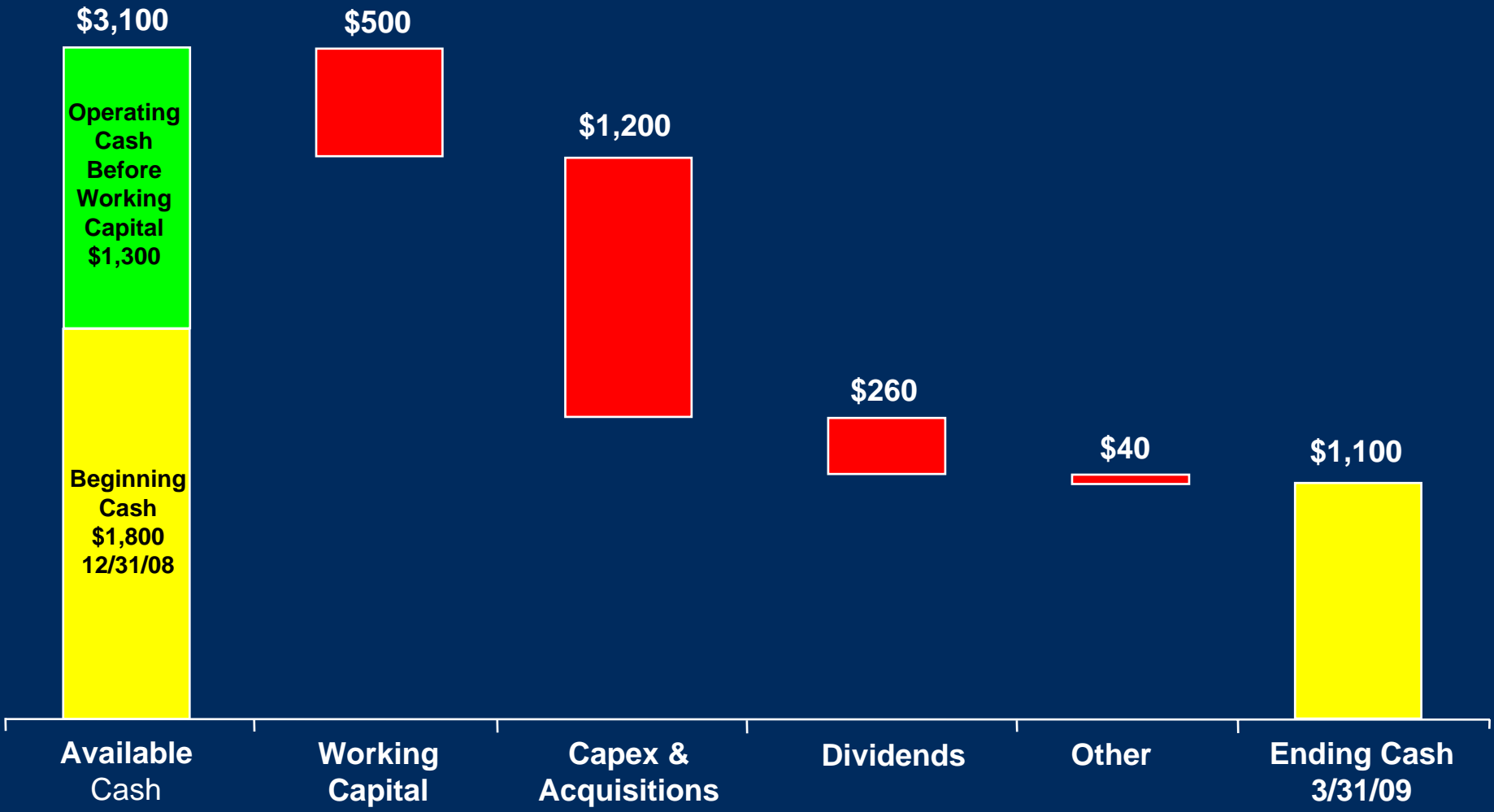
# First Quarter 2009 Earnings – Non-core Adjustments, Taxes and Capital Spending

- Non-core adjustments for 1Q09 included:
  - \$32 mm pre-tax severance charge;
    - We do not expect to record any material additional severance charges in 2009.
  - \$15 mm pre-tax charge related to railcar sub-leases to Lyondell, which are being restructured as a result of Lyondell entering into bankruptcy.
- Worldwide effective tax rate was 39% in 1Q09 vs. our guidance of 46%
  - Decrease in rate reflects tax benefits from the relinquishment of international exploration contracts;
  - Oxy generally records no tax benefit on foreign expensed exploration until the project is relinquished.
- Capital spending was \$1.1 B in 1Q09
  - As noted on our 4Q08 conference call, our capital run rate in 1Q09 is greater than the \$3.5 B full year level, and will decline throughout 2009;
  - We expect our 2Q09 capital run rate to drop by about \$300 mm, and that this rate will be in line with the \$3.5 B annual run rate.



# First Quarter 2009 Earnings – 2009 YTD Cash Flow

(\$ in millions)





# First Quarter 2009 Earnings – Shares Outstanding

Shares Outstanding (mm)	<u>1Q09</u>	<u>3/31/09</u>
Weighted Average Basic	811.8	
Weighted Average Diluted	814.4	
Basic Shares Outstanding		811.7
Diluted Shares Outstanding		814.4



## First Quarter 2009 Earnings – 2Q09 Outlook

- We expect oil and gas production sales volumes to be in the range of 640 to 660 mboe/d in 2Q09 at current oil prices.
  - This volume range reflects increases in Dolphin, Oman, and Qatar.
- Commodity Price Sensitivity - Earnings
  - At current market prices, a \$1.00 per barrel change in oil prices impacts oil and gas quarterly earnings before income taxes by about \$36 mm;
  - A change of \$0.50 per mmBTU in domestic gas prices has a \$20 mm impact on quarterly earnings before income taxes;
  - Although current NYMEX gas price is around \$3.70 per mmBTU, gas prices in the Permian and California are currently about \$3.00 per mmBTU, while Rockies gas is in the \$2.50 per mmBTU range.
- We expect 2Q09 exploration expense to be about \$60 mm for seismic and drilling for our exploration programs.



## First Quarter 2009 Earnings – 2Q09 Outlook

- We expect 2Q09 Chemical earnings to be \$100 mm.
  - Weakness in the global alumina and pulp & paper markets are expected to result in reduced demand and margins for caustic soda;
  - Domestically, weak construction and housing markets are expected to continue to reduce demand levels for vinyl.
- We expect our combined worldwide tax rate to be about 43% in 2Q09, at current oil prices.



# First Quarter 2009 Earnings – Change In Contract Terms

- We continue to negotiate cost reductions across all areas including, but not limited to, drilling rigs, service rigs, drilling services, artificial lift, MRO, chemicals and OCTG.
  - On average, in the current price environment, we expect a 20% to 25% reduction across all areas from the 2008 peak levels.
  - The effect of these reductions is not yet in the 1Q09 run rate.
  - We have realized about one third of the reductions that we need to achieve in the current price environment, and we expect the full effect to be realized over the balance of 2009 and into 2010.
  - These cost reductions impact both capital spending and operating costs.

<u>Category</u>	<u>Reduction from Peak 2008 Level</u>
Drilling	15 – 30%
Completion & Workover	15 – 20%
Production Equipment & Chemicals	15 – 25%
Oilfield Materials	20 – 40%
Field Operations	15 – 25%

