

First Quarter 2010 Earnings Conference Call

April 29, 2010

Oxy





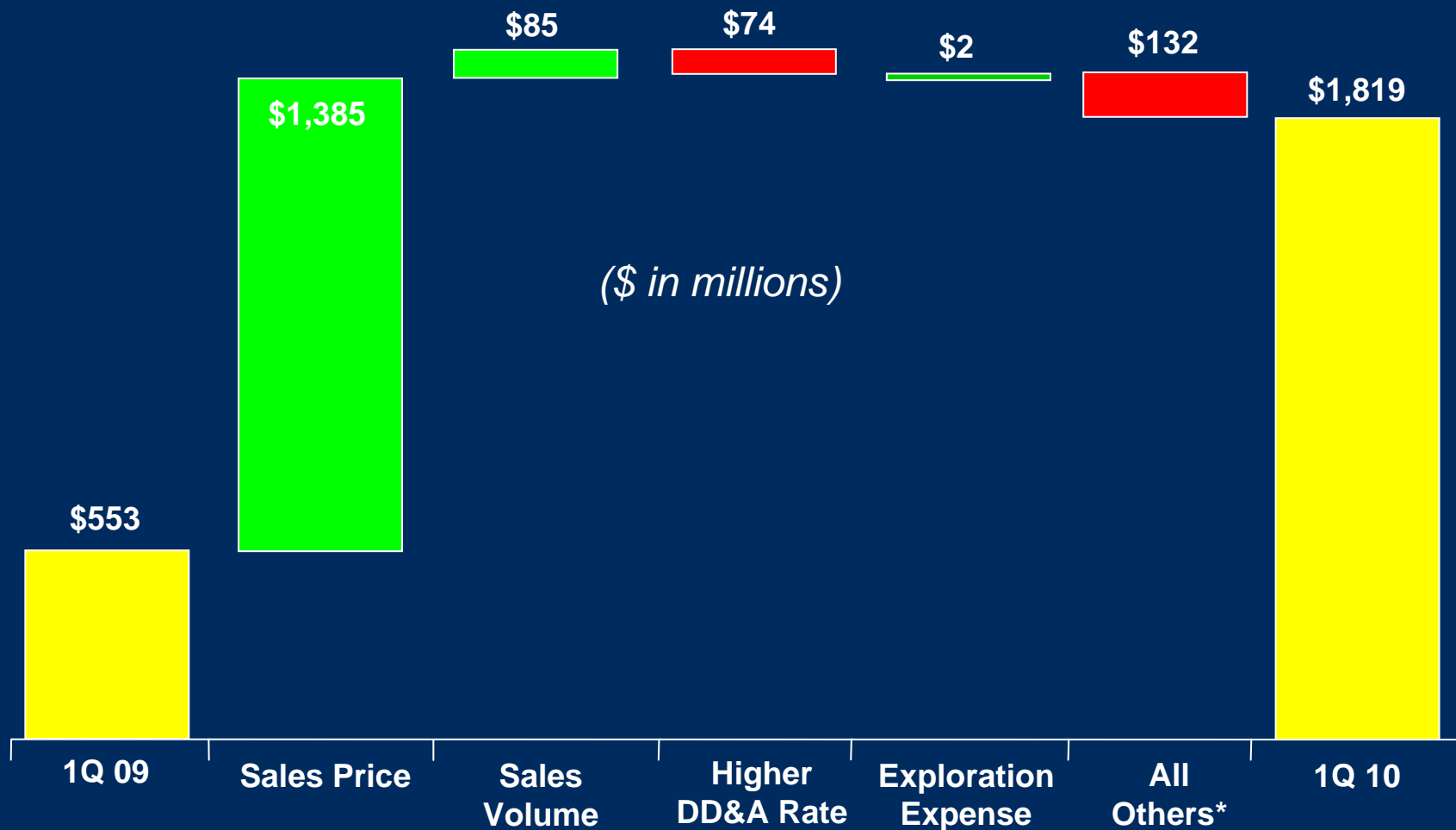
First Quarter 2010 Earnings – Highlights

- *Core Results - \$1.1 Billion vs. \$407 Million in 1Q09*
 - *Core EPS \$1.32 (diluted) vs. \$0.50 in 1Q09.*
- Net Income - \$1.1 Billion vs. \$368 Million in 1Q09
 - EPS \$1.31 (diluted) vs. \$0.45 in 1Q09.
 - For comparability purposes, all prior period volumes, and volume based statistics, such as operating costs per barrel, are being stated on a pretax basis as previously discussed.

First Quarter 2010 Earnings – Oil & Gas Segment Variance Analysis – 1Q10 vs. 1Q09



- **Core Results for 1Q10 of \$1.819 B vs. \$553 mm in 1Q09**
 - Results reflect significantly higher commodity prices and higher volumes, partially offset by fully expensing CO₂ costs in 2010, and higher DD&A rates.



*All Others include: Lower FX gains and higher operating costs.

First Quarter 2010 Earnings – Oil & Gas Segment Variance Analysis – 1Q10 vs. 4Q09



- **Core Results for 1Q10 of \$1.819 B vs. \$1.813 B in 4Q09**
 - Similar sequential results reflect higher oil and natural gas prices, partially offset by increased DD&A rates, the effect of fully expensing CO₂, and lower total volumes.



*All Others include: Lower operating and administrative costs, partially offset by higher CO₂ costs.



First Quarter 2010 Earnings – Oil & Gas Segment

	<u>1Q10</u>	<u>4Q09</u>
Reported Segment Earnings (\$ mm)	\$1,819	\$1,643
WTI Oil Price (\$/bbl)	\$78.71	\$76.19
NYMEX Gas Price (\$/mcf)	\$5.39	\$4.29

Oxy's Realized Prices

<i>Worldwide Oil (\$/bbl)</i>	<i>\$71.88</i>	<i>\$69.39</i>
<i>US Natural Gas (\$/mcf)</i>	<i>\$5.62</i>	<i>\$4.37</i>

First Quarter 2010 Earnings – Oil & Gas Segment Variance Analysis – 1Q10 vs. 4Q09



- | | <u>1Q10</u> | <u>4Q09</u> |
|--|-------------|-------------|
| • Oil and Gas Production Volumes (mboe/d) | 743 | 717 |
| – <i>sequential increase of over 3.5%.</i> | | |
| • Sequential production volume increase includes: | | |
| – In Bahrain, daily volume increases of 2,000 bbl of oil and 126 mmcf of gas; | | |
| – Domestic operations + 5 mboe/d largely in the Kern County discovery area; | | |
| – Partially offsetting these increases were 5 mboe/d of lower volumes resulting from the Dolphin gas plant maintenance, which shut-in 50% of the production for approximately two weeks. | | |

First Quarter 2010 Earnings – Oil & Gas Segment Variance Analysis – 1Q10 vs. 4Q09



	<u>1Q10</u>	<u>4Q09</u>
• Oil and Gas Sales Volumes (mboe/d)	726	722
• Sales volumes were lower than the production volumes due to the timing of liftings of 13 mboe/d in the Middle East/North Africa and Latin America, of which 11 mboe/d were in Libya.		
• Exploration expense was \$56 million in 1Q10.		
• Oil and gas cash production costs, excluding production and property taxes, were \$10.05 per boe for 1Q10, compared to last year's twelve-month costs of \$9.37 per boe. The increase reflects \$0.32 per boe higher CO ₂ costs, due to our decision to expense 100% of CO ₂ injected beginning in 2010, and higher field support operations and maintenance costs.		
• Taxes – other than on income were \$1.82 per boe for 1Q10 compared to \$1.60 per boe for all of 2009. These costs, which are sensitive to product prices, reflect the effect of higher crude oil and gas prices in 2010.		

First Quarter 2010 Earnings – Oil & Gas Segment Variance Analysis – 1Q10 vs. 4Q09



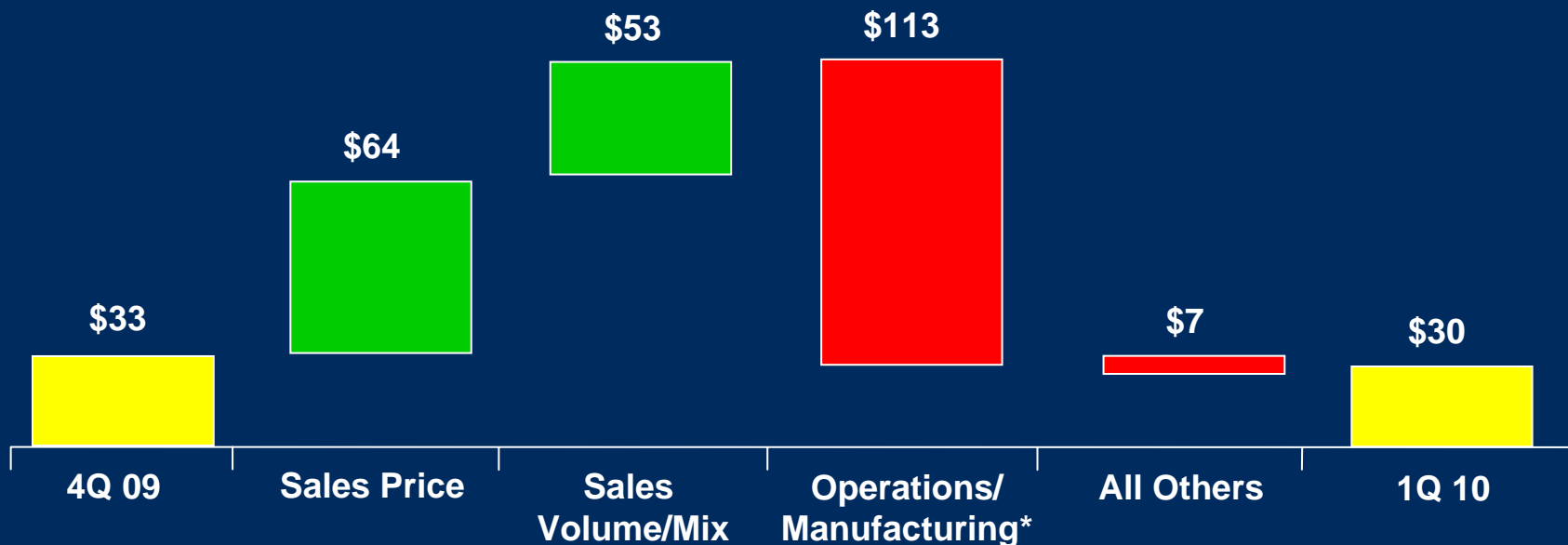
- As a result of the factors discussed above 1Q10, compared to 4Q09 benefitted by:
 - \$174 million from higher prices;
 - \$43 million lower exploration expense and,
 - \$62 million of lower cash operating costs and G&A expense.
- These gains were offset by:
 - the effect of lower liftings of \$102 million;
 - the effect of two fewer sales days of \$77 million;
 - higher DD&A rates of \$69 million and,
 - higher CO₂ costs of \$25 million.

First Quarter 2010 Earnings – Chemical Segment Variance Analysis – 1Q10 vs. 4Q09



- **Core Results for 1Q10 of \$30 mm vs. \$33 mm in 4Q09**
 - Reflects the continued weakness in domestic markets, particularly in the housing and construction sectors, and the significant margin erosion that was experienced through 2009 that carried into 1Q10.

(\$ in millions)



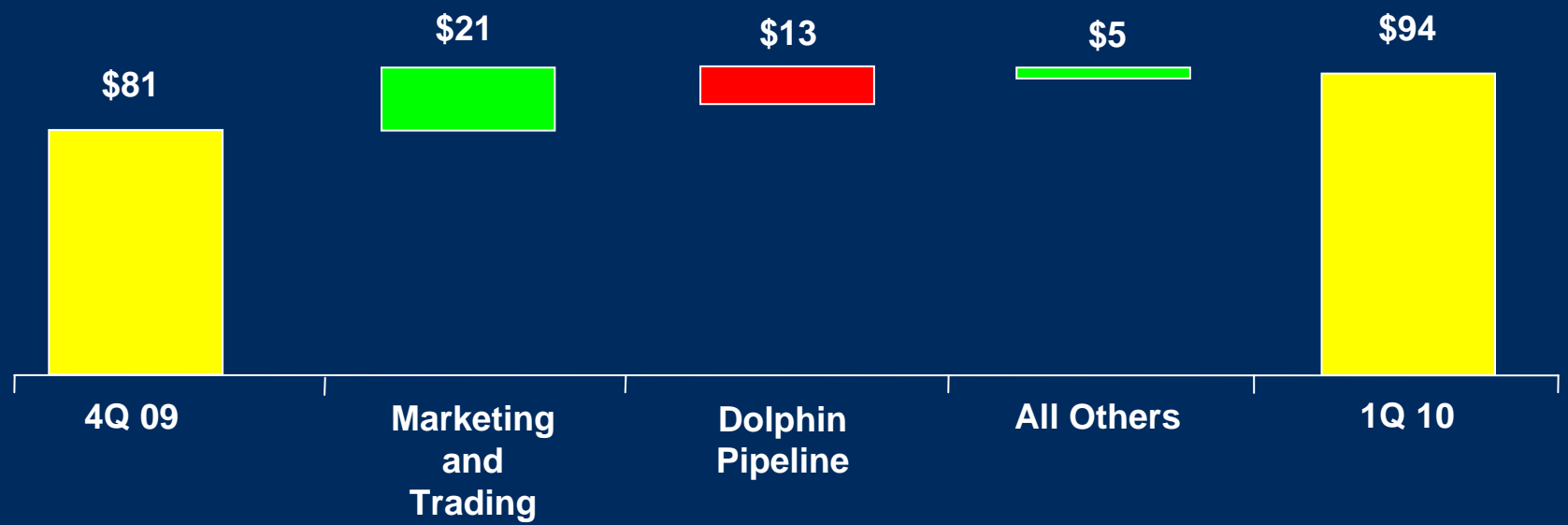
*Higher energy and feedstock costs.



First Quarter 2010 Earnings – Midstream Segment Variance Analysis – 1Q10 vs. 4Q09

- **Core Results for 1Q10 of \$94 mm vs. \$81 mm in 4Q09**
 - Increase in earnings was due to improved margins in the marketing and trading business, partially offset by lower pipeline income from Dolphin from the two-week partial shutdown of the gas plant for maintenance.
 - Phibro’s earnings for 1Q10 were not significant.

(\$ in millions)





First Quarter 2010 Earnings – Capital Spending

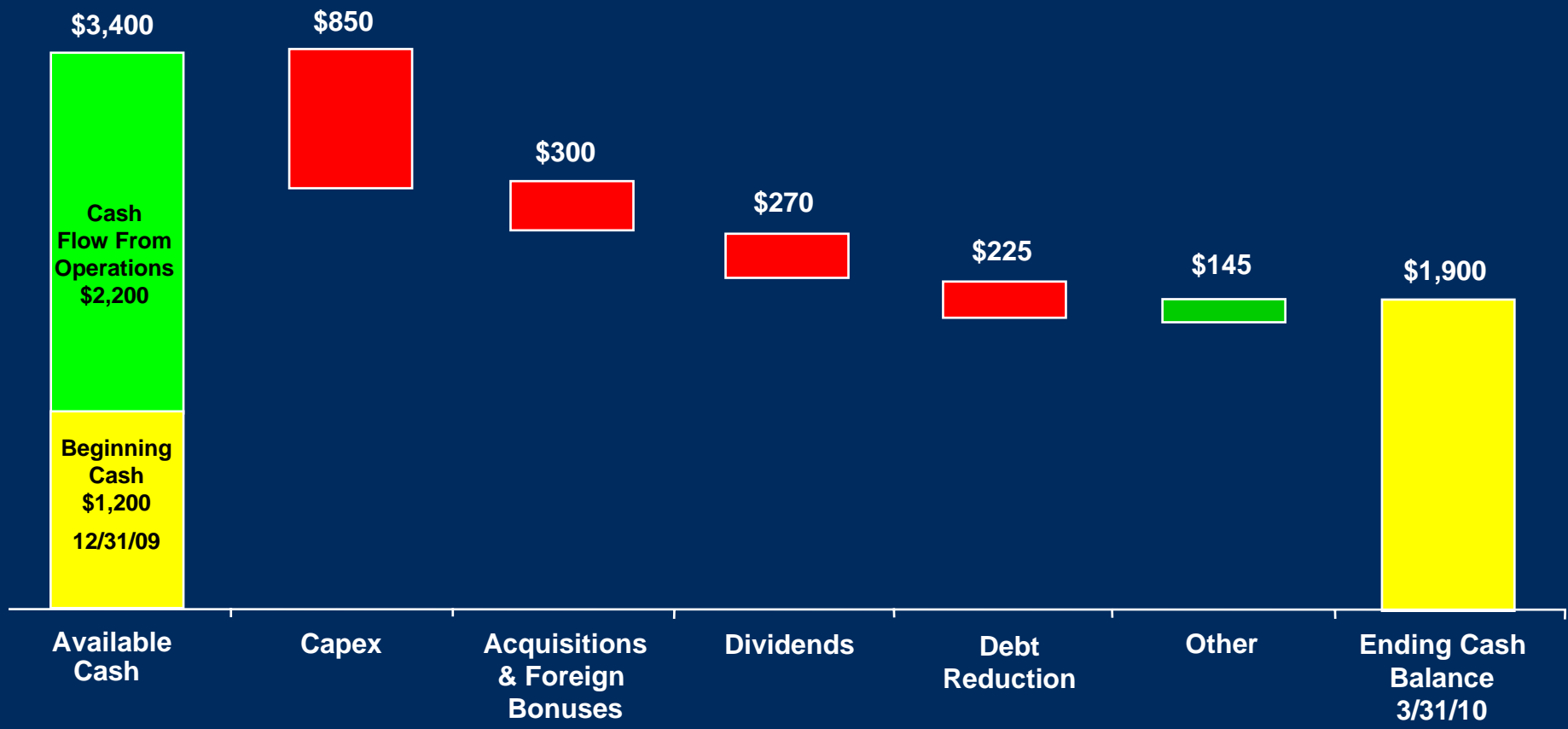
- Capital spending for the first quarter of 2010 was about \$850 million.
 - Capital expenditures by segment were 80 percent in Oil and Gas, 15 percent in Midstream with the remainder in Chemicals.
 - The spending run rate will increase through the year as we ramp up in California, Bahrain and Iraq.
 - Our total year forecast for capital spending has been increased by \$200 million to \$4.5 billion.



First Quarter 2010 Earnings – 2010 YTD Cash Flow

– Free Cash Flow for 1Q10 after capex and dividends but before acquisitions and debt reduction was about \$1.1 billion.

(\$ in millions)





First Quarter 2010 Earnings – Shares Outstanding and Debt

Shares Outstanding (mm)	<u>1Q10</u>	<u>3/31/10</u>
Weighted Average Basic	812.1	
Weighted Average Diluted	813.5	
Basic Shares Outstanding		812.2
Diluted Shares Outstanding		813.6
	<u>3/31/10</u>	<u>12/31/09</u>
Debt/Capital	8%	9%



First Quarter 2010 Earnings – Oil and Gas Production – 2Q10 Outlook

- We expect oil and gas sales volumes to be in the range of 750 to 760 mboe/d at about current oil prices, with production slightly above these levels.
- Production volume increases in 2Q10 are expected from the following sources:
 - Domestically, the Kern County discovery area is expected to show modest improvement during 2Q10.
 - The production continues to be constrained by a lack of additional processing capacity.
 - More significant increases are expected late in 2Q10, when we add the skid mounted gas processing facilities.
 - We are continuing with drilling and have completed a number of wells.
 - We have sufficient completed wells to fill the entire capacity of the skid mounted processing facilities.
 - Our oil production is also constrained by the lack of gas processing capacity, since these wells also produce natural gas.
 - The Midcontinent Gas region where we are currently drilling shallow oil wells is also expected to show production growth.



First Quarter 2010 Earnings – Oil and Gas Production – 2Q10 Outlook

- In the Middle East, increases are expected in the Oman Mukhaizna field and in Dolphin where the plant maintenance down-time in 1Q10 is not expected to repeat.
- In Latin America, assuming no labor related stoppages, increases are expected in Argentina, where the current run rate is about 2 mboe/d higher than 1Q10, which was negatively affected by a short strike.
 - The Argentine provincial legislature passed enabling legislation in the first quarter that will allow a 10-year extension for hydrocarbon concessions.
 - We are now negotiating the specific contract terms of a 10-year extension of our concession.



First Quarter 2010 Earnings – 2Q10 Outlook

- 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 swing of \$0.50 per mm BTU in domestic gas prices has a \$31 mm impact on quarterly pretax income; the current NYMEX gas price is around \$4 p/mcf.
- We expect 2Q10 exploration expense to be about \$80 mm for seismic and drilling for our exploration programs.



First Quarter 2010 Earnings – 2Q10 Outlook

- For the Chemical segment:
 - Demand for caustic soda and vinyls is expected to continue to improve in both the US and the international markets.
 - Improving caustic soda pricing and low natural gas prices will contribute to margin improvement.
 - The Chemical segment is expected to provide about \$80 mm of earnings in 2Q10.
- We expect our combined worldwide tax rate in 2Q10 to be about 42 percent depending on the split between domestic and foreign sourced income.

