

Occidental Petroleum Corporation

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President and Chief Financial Officer

– Conference Call –

Third Quarter 2009 Earnings Announcement

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Los Angeles, California

Thank you Ray.

Net income was \$927 million in the third quarter of 2009, compared to \$2.3 billion in the third quarter of 2008.

Here's the segment breakdown for the **third quarter**.

Oil and gas third quarter 2009 segment earnings were \$1.5 billion, compared to \$3.6 billion for the third quarter of 2008.

- The \$2.1 billion decrease in the third quarter of 2009 earnings was due to lower crude oil and natural gas prices, partially offset by higher sales volumes and lower operating expenses. Occidental's average realized crude oil price in the 2009 third quarter was \$62.79 per barrel, a decrease of 40 percent from the \$104.15 per barrel in the comparable period of 2008. Oxy's domestic average realized gas price for the quarter was \$3.04 per mcf, compared with \$9.35 per mcf for the third quarter of 2008.

- Worldwide oil and gas sales volumes for the third quarter of 2009 were 628,000 barrels of oil equivalent per day, an increase of nearly seven percent, compared with 588,000 BOE per day in the third quarter of last year. The increase includes 22,000 BOE per day from domestic operations, 16,000 BOE per day from Oman and 10,000 BOE per day from Dolphin, partially offset by 8,000 BOE per day lower volumes from Argentina.
 - The domestic volume increases occurred in California and the Permian. The California production increase was largely a result of new wells from the Kern County discovery we announced last quarter.
 - The Middle East included higher production in Oman and higher production sharing volumes compared to last year's third quarter.
 - The Argentina decrease includes 9,000 BOE per day loss from a strike in Santa Cruz in the third quarter of 2009.
- Third quarter of 2009 worldwide oil and gas sales volumes decreased three percent or 21,000 BOE per day from the second quarter 2009 sales volumes of 649,000 BOE per day.
 - Dolphin volumes were lower by 10,000 BOE per day resulting mainly from higher catch-up cost-recovery volumes in the second quarter.
 - Argentina volumes decreased by 7,000 BOE per day due in large part to the Santa Cruz strike.
 - Qatar and Libya volumes declined by 8,000 BOE per day due to the timing of liftings.

- Midcontinent/Rockies volumes were lower by 4,000 BOE per day which reflects the natural decline in gas production.
- California volumes increased by 8,000 BOE per day, largely the result of new wells from the Kern County discovery.
- Exploration expense was \$56 million in the quarter, in line with our guidance of \$50 million.

Oil and gas cash production costs, excluding production and property taxes, were \$10.27 a barrel for the first nine months of 2009, a 15 percent decline from last year's twelve-month costs of \$12.13 a barrel. In the third quarter of 2009, Oil & Gas cash production costs were \$10.15 per BOE, essentially flat with the second quarter of 2009 run rate.

Taxes – other than on income were \$1.75 per barrel for the first nine months of 2009 compared to \$2.62 per barrel for all of 2008. These costs, which are sensitive to product prices, reflect lower crude oil and gas prices in the first nine months of 2009. In the third quarter of 2009 these taxes decreased to \$1.73 per BOE, compared to the second quarter of 2009 rate of \$1.82 per BOE, due to reductions in 2009 – 2010 property taxes.

Chemical segment earnings for the third quarter of 2009 were \$72 million, compared to \$219 million in last year's third quarter. The third quarter 2009 results reflect the continued weakness in the U.S. housing, automotive and durable goods sectors resulting in lower margins for caustic soda and polyvinyl chloride and lower volumes for chlorine, caustic soda, potassium hydroxide and polyvinyl chloride.

Midstream segment earnings for the third quarter of 2009 were \$77 million, compared to \$66 million in the third quarter of 2008. The increase

in earnings was due to higher margins in the marketing business, partially offset by lower NGL realized prices in the gas processing business.

The worldwide effective tax rate was 37 percent for the third quarter of 2009, compared with our guidance of 40 to 42 percent. The decrease in rate reflects tax benefits resulting from the relinquishment of international exploration contracts and a higher proportion of expected total year domestic source pre-tax income. Occidental generally records no tax benefit on foreign expensed exploration until the project is relinquished.

Let me now turn to Occidental's performance during the **first nine months**.

Net income was \$2.0 billion for the first nine months of 2009, compared with \$6.4 billion for the first nine months of 2008.

Capital spending for the third quarter of 2009 was \$746 million and \$2.6 billion for the first nine months. We currently anticipate total year 2009 capital spending to be \$3.7 billion. The \$100 million increase from our last estimate is allocated to domestic Oil & Gas operations. Portions of the increase will be used to complete 130 previously drilled wells in the Piceance Basin. This work will be completed by the end of the first quarter of 2010 and is expected to add about 40 MMCF per day to our production.

Cash flow from operations for the nine months of 2009 was \$3.8 billion. We used \$2.6 billion of the company's cash flow to fund capital expenditures and \$0.6 billion on acquisitions and foreign bonuses. These items amounted to \$3.2 billion of cash use. We also used \$794 million to pay dividends and in the third quarter we used \$691 million to retire senior debt maturities, which was funded from the second quarter issuance of \$750 million senior notes due in 2016. These and other net cash outflows decreased our \$1.8 billion cash balance at the end of last year by \$200

million to \$1.6 billion at September 30. Third quarter free cash flow after capital spending, dividends and taxes but before financing and acquisition activity was about \$700 million.

As a result of the reduction in debt in the third quarter, our debt to capitalization ratio came down to 9 percent, which is the same level we reported last year-end.

The weighted average basic shares outstanding for the nine months were 811.1 million and the weighted average diluted shares outstanding were 813.9 million.

As we look ahead in the **current quarter**:

- We expect oil and gas sales volumes to increase to about 650,000 to 660,000 BOE/day at about current oil prices. The fourth quarter production is expected to reflect increases from California, Argentina and the Middle East / North Africa.

With regard to **prices** -

- At current market prices, a \$1.00 per barrel change in oil prices impacts oil and gas quarterly earnings before income taxes by about \$39 million. The average third quarter WTI oil price was \$68.30 per barrel and NYMEX gas price was \$3.60 per MCF.
- A swing of 50-cents per million BTUs in domestic gas prices has a \$23 million impact on quarterly earnings before income taxes. The current NYMEX gas price is around \$4.80 per MCF.

Additionally -

- We expect exploration expense to be about \$100 million for seismic and drilling for our exploration programs.

- For the chemical segment, we expect continued weakness in the U.S. housing, automotive and durable goods sectors in the fourth quarter. The fourth quarter is the weakest quarter for this business. Chemical earnings for the fourth quarter are expected to be between \$20 to \$40 million as opposed to the break-even level we had estimated last quarter. We expect increases in chlorine, caustic soda and polyvinyl chloride prices. These increases are not expected to offset the higher feedstock and energy costs.
- We expect our combined worldwide tax rate in the fourth quarter of 2009 to be in the range of 40 to 42 percent depending on the split between domestic and foreign sourced income. Our third quarter U.S. and foreign tax rates are included in the “Investor Relations Supplemental Schedule.”
- **Acquisition Activity** – Last month we announced the acquisition of Phibro from Citigroup for a price that approximates the liquidation value of its assets. As of the most recent information, the vast majority of Phibro's assets consist of cash and marketable securities. The exact amount of the purchase price will be determined at closing which is expected this quarter. We expect that our investment in Phibro will average about \$250 million depending upon their cash needs from time to time. They will operate as a stand alone entity while our current trading operations will continue selling our physical production. Our policies on hedging and risk management of our physical production remains unchanged. Phibro has an extensive system of risk controls which will be overseen by Occidental employees. The quality of Phibro's risk controls and management can be seen by their lack of any

losing years since 1997 when they were bought by Citi. With time, we expect to use Phibro's excellent reputation in the Middle East and elsewhere to enhance our position in the region.

- Property acquisition activity has picked up recently. We expect to close several hundred million dollars of property acquisitions in the fourth quarter.
- **California Exploration** – Excluding the Kern County discovery discussed in last quarter's conference call, over the course of little over a year, we have drilled 36 exploration wells seeking non-traditional hydrocarbon bearing zones in California. Of these wells, 11 are commercial and 10 are currently being evaluated. We expect to drill an additional 7 exploration wells in 2009. Occidental holds 1.1 million acres of net fee minerals and leasehold in California, which have been acquired in the last few years to exploit these opportunities. Discoveries similar to the Kern County discovery are possible in this net acre position. Additionally, we continue to pursue shale production which is expected to produce oil on this acreage.
- The Kern County discovery, which is near Elk Hills, is not below any producing zones. In this area, we are currently producing from 10 wells approximately 105 million cubic feet of gas and 8,500 barrels of liquids per day, which is 8,700 BOE per day higher production from what we disclosed last quarter. Cumulative gross production since the start of production through the end of September 2009 has been 8.5 billion cubic feet of gas and 765,000 barrels of liquids. All of this production comes from conventional zones. While there is oil production from shale zones in this area,

the bulk of the future production will come from conventional wells. During 2009, we expect to drill an additional 11 wells. In the next two quarters, the focus of our drilling will be on oil wells as we seek to further define the oil zone.

- Copies of the press release announcing our third quarter earnings and the Investor Relations Supplemental Schedules are available on our website at www.oxy.com or through the SEC's EDGAR system.

Now we're ready to take your questions.