BANK OF CHILE
Form 6-K
February 03, 2015

FORM 6-K
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16
of the Securities Exchange Act of 1934

For the month of February, 2015

Commission File Number 001-15266

BANK OF CHILE

(Translation of registrant s name into English)

Ahumada 251
Santiago, Chile
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F x Form 40-F o

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): o

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): o

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes o No x

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-

BANCO DE CHILE
REPORT ON FORM 6-K

Attached is a Press Release issued by Banco de Chile (the Bank) on February 3rd, 2015, regarding its financial results for the Fourth Quarter and Full Year 2014.

Santiago, Chile, February 3rd, 2015, Banco de Chile (NYSE: BCH), a full service Chilean financial institution, market leader in a wide variety of lending and non-lending products and services across all segments of the Chilean financial market, today announced its results for the fourth quarter and year-end 2014.

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Credit Ratings

(LT Foreign Currency)

Moody s

Standard & Poors

2014 4th Qtr and Full Year | Earnings Report

It s All About Beliefs and Consistency

HIGHLIGHTS

- **For third year in a row BCH led the market in results by recording a net income of Ch$591 Bn., which represents a 15% YoY increase.**

- **Positive 4Q14. We posted a net income of Ch$128 Bn., in spite of non-recurrent expenses linked to collective bargaining agreements.**

- **Trading volumes of BCH s stock increased by 86% YoY in 2014 (excluding LQIF s secondary offering).**

From the Desk of Arturo Tagle (CEO)

The past year began with uncertainty about the economic outlook. This particularly affected investment and growth of commercial loans in the first half. Instead, consumer and mortgage loans kept growing, although they slid by the end of the year, in line with smoothing consumer confidence. However, we were able to successfully cope with this scenario by staying aligned with our strategy, cashing in on competitive advantages and improving customer experience through both cutting-edge mobile banking solutions and business intelligence. Also, we kept the scope on credit risk and watched the risk-return relationship closely, in all of the markets we compete. Similarly, we continued to diversify our funding, which benefited from new placements abroad and a 16% YoY increase in demand deposits. Lastly, a higher than expected inflation and favourable shifts in interest rates boosted our revenues. Consequently, we kept leading the industry by reaching a record net income of Ch$591 Bn. and a ROAE of 24%. These figures were reflected by our stock, which posted an 86% YoY increment in trading volumes, the highest for Chilean banks. The year ahead will be as demanding as 2014. In fact, we will have to deal with the speed of economic recovery and its effects on business activity. However, we are confident that based on our strengths and managerial skills, we will grow profitably once again .

Selected Financial Data (1) **(in millions of Ch$, except %)**	**Dec-13**	**Dec-14**	**%** **Chg.**
Income Statement *(Millions of Ch$)*			
Net Financial income(2)	1,141,710	**1,344,742**	17.8%
Net Fees and Commissions	287,094	**272,188**	(5.2)%
Other operating income	27,221	**29,472**	8.3%
Total Operating Revenues (2)	1,456,025	**1,646,402**	13.1%
Provisions for loan losses	(241,613)	**(283,993)**	17.5%
Operating expenses	(622,944)	**(714,662)**	14.7%
Net income (3)	513,603	**591,081**	15.1%
Earnings per Share			
Net income per share (Ch$)	5.51	**6.24**	13.3%
Book value per share (Ch$)	24.52	**26.78**	9.2%
Shares Outstanding (Millions)	93,175	**94,655**	1.6%
Balance Sheet *(Millions of Ch$)*			
Loans to Customers	20,869,511	**21,876,648**	4.8%
Total Assets	25,933,870	**27,645,828**	6.6%
Demand Deposits	5,984,332	**6,934,373**	15.9%
Equity	2,284,316	**2,535,156**	11.0%
Profitability Ratios			
Return on average assets (ROAA)	2.13%	**2.25%**	+12bp
Return on average equity (ROAE)	23.51%	**24.43%**	+92bp
Net Financial Margin(4)	5.08%	**5.56%**	+48bp
Efficiency ratio	42.78%	**43.41%**	+63bp
Credit Quality Ratios			
Total Past Due / Total Loans	1.13%	**1.25%**	+12bp
Allowances / Total loans	2.30%	**2.42%**	+12bp
Allowances / Total Past Due	2.03x	**1.94x**	-0.09x
Provisions / Avg. Loans	1.23%	**1.34%**	+11bp
Capital Adequacy Ratios			
BIS Ratio (Regulatory Capital / RWA)	13.05%	**13.32%**	+27bp
Tier I Ratio (Capital / RWA)	9.94%	**10.39%**	+45bp

(1) See pages 13 to 15.

(2) Net interest income, Net fees and commissions, foreign exchange transactions, net financial operating income and other operating income.

(3) Net Income attributable to Bank s owners (adjusted by minority interest).

(4) Net financial income divided by average interest earning assets.

4Q and FY 2014 | Business Environment:

Chilean Economy

The Chilean economy completed a sluggish 2014 by posting a 1.7%(e) YoY GDP expansion. Deceleration in consumption and contraction in investment were the key drivers for this performance. Under this scenario, the Central Bank promoted an easing monetary policy by cutting interest rates. This stimulus finished by the end of the year, though additional reductions cannot be discarded.

- In the 4Q14 the Chilean economy experienced a tiny rebound. As a result, market expectations set GDP growth at 1.4% YoY for the 4Q14. Even though, this figure does not improve the overall performance for 2014. In fact, the Central Bank (CB) is expecting a modest 1.7% YoY growth this year, which is well below the expansion observed in the last three years. As for 2015, growth expectations have continued being revised downwards. Thus, market forecasts set GDP growth at 3% or even lower.

- The economic slowdown has been mainly steered by the delay of diverse key investment projects associated with mining and manufacturing sectors, as well as soaring energy and labour costs. On the other hand, these drivers have been accompanied by a bundle of reforms proposed by the recently elected government. Accordingly, business sentiment and consumer confidence indexes have remained in pessimistic levels.

- Due to the above, we expect a contraction in private investment for fifth quarter in a row. On the whole, investment should decrease by approximately 6% this year, while rebounding moderately in 2015, based on recently announced public investment projects.

- Conversely, private consumption has continued slowing down though maintaining a positive expansion. Also, the deceleration has been slower than expected, which could be explained by mixed trends in employment. Actually, while the unemployment rate declined in the 4Q14 (6.0% on average), job creation remains modest and the quality of jobs seems to be deteriorating. In addition, credit conditions have continued tightening, which is aligned with a less favourable economic environment. According to the CB total consumption should grow by 2.4% in 2014 and 2.8% in 2015.

- Concerning to prices, inflation peaked in Oct-2014 by pointing 5.7% in 12 months. However, CPI variation decreased sharply after that, as a result of changes in local stabilisation system for oil prices. All in all, inflation was 4.6% in 2014, which is above the mid-term target defined by the CB (2%-4%). During 2014, inflation has been influenced by a sharp depreciation of the Ch$, given changes in local interest rates, copper price and expectations on changes on the FED s policies. For 2015, the market is setting inflation at 2.8%, in consistency with the deceleration expected for private consumption.

- As for monetary policy, the CB ended the stimulus by keeping the standing facility rate at 3.00% during the 4Q14, after four consecutive monthly cuts. The Central Bank expects inflation to slide in 2015, in line with a weaker economic activity. Nevertheless, market analysts do not discard additional cuts in the monetary policy rate in the next quarters.

KEY ECONOMIC INDICATORS

GDP & Domestic Demand

(12m % change)

Inflation and Monetary Policy Rate

(12m % change and %)

4Q and FY 2014 | Business Environment:

Local Banking Industry (1)(2)

The industry posted a 4.8% YoY (real terms) expansion in total loans. This growth was particularly fostered by residential mortgage loans, while commercial and consumer loans were affected by the economic slowdown. Nevertheless, the banking system recorded a significant increase in net income. This was given by a positive effect of higher than expected inflation and favourable shifts in the yield curve.

- The loan book of the industry recorded a 4.8% YoY growth (real terms) in 2014, which reflected the slowdown in economic activity, especially towards the end of the year. Nevertheless, the positive thing is that loan growth seems to have recovered from the dramatic curb observed in the 1Q14 and the 2Q14, with QoQ real growth rates of 0.8% and 0.2%, respectively. A key driver for this trend was the delay in investment projects in mining and energy sectors, due to both uncertainty and the closing of output gaps.

- When looking at the different product families, the behavior is mixed. On the one hand, mortgage loans maintained a solid trend by growing 10.5% YoY (real terms) in 2014. This was above the 12-month expansions of both the 3Q14 (10.1%) and the FY2013 (9.0%). This trend has been explained by attractive interest rates and a strong demand for credits boosted by increasing house prices. In contrast, consumer loans grew by 3.5% YoY in 2014. This figure was below the 12-month growths of 8.7% achieved in 2013 and 5.1% in the 3Q14. This tendency was in line with smoothing figures in private consumption, supported by annual sales in the commerce that had increased by only 1.4% YoY as of Nov. 14 (10% as of Nov. 13) as reported by the National Chamber of Commerce. Accordingly, the demand for consumer loans scaled down. On the other hand, commercial loans recorded a modest 2.8% YoY growth (real terms) in 2014, significantly lower than the 6.8% recorded in the 4Q13 YoY. This behavior was aligned with the uncertainty caused by political and economic reforms, as well as the end of the investment cycle in mining.

- Concerning to net income, the bottom line of the industry boosted by 41.7% YoY, from Ch$1,655 Bn. as of Nov. 13 to Ch$2,345 Bn. as of Nov. 14. This was explained by operating revenues increasing from Ch$6,569 Bn. as of Nov.13 to Ch$7,907 Bn. as of Nov.14, principally boosted by higher contribution of the structural UF net asset position held by the industry (given higher inflation). This was supplemented by greater income from term gapping and liabilities repricing caused by lower short-term interest rates, as well as a positive impact of the tax reform passed this year on the industry s deferred taxes.

- The upward trend in revenues allowed the industry to effectively cope with increasing loan loss provisions, which climbed from Ch$1,272 Bn. as of Nov.13 to Ch$1,465 Bn. as of Nov.14. This annual rise involved an increase of Ch$123 Bn. in additional provisions, given the industry s expectation on the economy. The rise in risk expenses was in conjunction with operating expenses that rose 16.5% YoY, from Ch$3,267 Bn. as of Nov.13 to Ch$3,806 Bn. as of Nov.14, as a result of higher personnel and administrative expenses. The industry s cost base is somewhat indexed to inflation and, therefore, part of the increase was explained by such factor.

- Based on the above, the banking system posted a ROAE of 18.8% as of Nov.14, which favorably compares with the 15.1% obtained as of Nov.13.

INDUSTRY S KEY FIGURES

Total Loan Growth (1)(2)

(% change, in real terms)

Net Income & ROAE

(In billions of Ch$ and %, as of each date)

(1) Quarterly growth for the 4Q14 considers quarterlised growth based on monthly data for October and November 2014. Also 12-month growth for the 3Q14 considers the period Nov13/Nov14.

(2) Figures exclude operations of subsidiaries abroad and the effect (estimate) of the consolidation of a retailer s credit card portfolio into its banking subsidiary, which added ~Ch$430 billion in consumer loans to the industry s balance sheet in December 2013.

4Q and FY 2014 | Earnings Report:

Net Income

Our bottom line was 15% up YoY by totalling Ch$591 Bn. in 2014. Positive effects of higher than expected inflation, changes in interest rates and loan growth were key factors for this performance. These drivers enabled us to cope with extraordinary operating and risk expenses. As for the 4Q14, extraordinary expenses related to collective bargaining agreements and higher loan loss provisions hit our net income.

As in previous years, our bottom line posted a new record in 2014 by posting Ch$591 Bn. This figure beat by 15.1% the amount of Ch$514 Bn. registered in 2013 and has been mainly attributable to an increase in operating revenues and controlled risk and operating expenses. Also, this performance permitted us to remain the leader bank in terms of net income generation by reaching a 24.1% market share as of Nov-14 (latest available data). Then, our excellent results for the FY2014 principally relied on:

- Significantly higher contribution of our UF net asset position, based on higher inflation (measured as UF) in 2014 as compared to 2013.

- Favourable downward shifts in interest rates that positively impacted term gapping, short-term liabilities repricing and mark-to-market of our securities portfolio.

- Higher income from loans as a result of both loan book expansion and also due to extraordinary revenues associated with a commercial loan settled in advance.

- A positive one-off effect on deferred taxes, as a result of a corporate tax rate increase caused by the tax reform passed in Chile this year.

- The above allowed us to effectively cope with: (i) an annual decrease in fee income given by the impact of regulations affecting insurance brokerage business, as well as commercial decisions intended to increase transactionality in credit cards, (ii) greater operating and risk expenses that were mostly explained by extraordinary effects, such as collective bargaining agreements and additional allowances, respectively, and (iii) lower contribution of our DDA balances due to the decrease in short-term interest rates

As for profitability, we maintained our market-leading position in 2014 by posting a ROAE of 24.4% as of Dec.2014. This favourably compares with the 23.5% posted last year and the average of 18.8% recorded by the industry as of Nov.14 (latest available data).

NET INCOME: YEARLY AND QUARTERLY EVOLUTION

(In billions of Ch$, except for %)

Regarding the 4Q14, we posted a bottom line of Ch$128 Bn. This figures is only 3.6% below the amount obtained in the 4Q13. The YoY decrease had mainly to do with: (i) higher operating expenses owing to the recognition of a special bonus linked to bargaining agreements negotiated this quarter, (ii) higher loan loss provisions as a result of greater additional allowances set in the 4Q14. By excluding these two extraordinary effects, our net income would have been 28% (app. Ch$172 Bn.) above the figure posted in the 4Q13. This increase has to do mainly with higher income from loans, due to loan growth and the positive effect of higher inflation on our UF net asset position, in the 4Q14 with respect to the 4Q13.

4Q and FY 2014 | Earnings Report:

Operating Revenues

We posted a 13% YoY growth in operating revenues in 2014. This increment relied on positive effects of inflation, interest rates and FX, as well as loan growth. Similarly, the 12% YoY increase posted by our revenues in the 4Q14 was also explained by inflation and loan growth.

Our operating revenues amounted to Ch$1,646 Bn. in the FY2014, which was 13.1% above the figured posted in the FY2013. Income from lending continued to be our main source of revenues and enabled us to offset lower fees and commissions. One by one, the following are the main drivers explaining our excellent performance in revenues:

- Significantly higher contribution of our UF net asset position by approximately Ch$155.9 Bn. This was the result of higher than expected inflation in 2014 as compared to 2013, which translated in a UF variation of 5.7% and 2.1%, respectively.

- An annual increase of roughly Ch$37.9 Bn. in income from loans, steered by a 7.0% YoY expansion in our loan book (average balances) and a proactive management of spreads that stayed flat YoY, despite strong competition.

- Higher revenues from asset and liability management by nearly Ch$20.8 Bn. YoY. This was the result of both term gapping due to a steepening in the yield curve and a repricing effect on short-term liabilities. Both effects were fostered by consecutive cuts to the reference rate, which averaged 4.92% in 2013 as compared to a mean of 3.75% in 2014.

- Approximately Ch$7.6 Bn. of higher income from our long position in US$ that hedges our US$-denominated loan loss allowances, in 2014 as compared to 2013. This variance was produced by higher Ch$ depreciation (15.3%) in 2014 when compared to 2013 (9.6%).

- An increase of roughly Ch$3.2 Bn. in revenues from the management of our AFS portfolio. This was the result of higher sales of AFS securities, prompted by a decrease in long-term interest rates, which translated into higher market value adjustments.

The above factors enabled us effectively deal with:

- An annual decrease of approximately Ch$14.9 Bn. in fee income. This relied on: (i) lower fees from credit cards (Ch$11.5 Bn.) due to commercial decisions intended to increase transactionality, (ii) fees from insurance brokerage hit by regulations (Ch$8.0 Bn.), and (iii) a decline in fees from stock brokerage (Ch$2.2 Bn.). These effects were partly offset by greater fees from fees from mutual funds (Ch$10.4 Bn.), given a 20.5% YoY rise in AUM in 2014 vis-à-vis 2013. Also, worth mentioning is the higher fee income from financial advisory (Ch$2.0 Bn.), associated with important deals conducted by the end of 2014.

• Lower contribution of our DDA by roughly Ch$1.1 Bn. in 2014 as compared to 2013. This reflected the trend followed by the reference rate, which reduced the benefit of these deposits, despite a 15.0% YoY increase in average balances.

As a result of the increase in revenues, and particularly due to the positive effect of inflation, our NIM rose from 4.71% in 2013 to 5.15% in 2014.

TOTAL OPERATING REVENUES

	Quarters		**Year End**		**YoY Chg.**	
(in millions of Ch$ and %)	**4Q13**	**4Q14**	**Dec-13**	**Dec-14**	**4Q13/4Q14**	**Dec13/Dec14**
Net Interest Income	**290,476**	15.46		10.67	7.07	

DESCRIPTION OF SENIOR DEBT SECURITIES

General

We may issue one or more series of senior debt securities pursuant to this prospectus. We may issue the senior debt securities under the senior indenture, dated as of April 1, 1998 (the "Senior Indenture"), between us and The Bank of New York Mellon Trust Company, N.A., as successor to The Bank of New York, as trustee ("Senior Indenture Trustee"). The Senior Indenture is incorporated by reference as an exhibit to the registration statement of which this prospectus is a part.

Below is a description of certain general terms of the senior debt securities. The description is not complete and is subject to and qualified in its entirety by reference to the Senior Indenture. The particular terms of a series of senior debt securities will be described in a prospectus supplement and, if applicable, a pricing supplement. Capitalized terms used but not defined in this summary have the meanings specified in the Senior Indenture.

The senior debt securities will rank equally with all of our senior and unsubordinated debt. The Senior Indenture is subject to the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"). The Senior Indenture does not limit the amount of senior debt securities which we may issue, nor does it limit us or our subsidiaries from issuing any other debt.

Each prospectus supplement, together with a pricing supplement, if applicable, will describe the terms relating to a series of senior debt securities, which may include:

- the title;
- any limit on the amount that may be issued;
- whether or not that series of senior debt securities will be issued as registered securities, bearer securities or both;
- the price at which that series of senior debt securities will be issued, which may be at a discount;
- whether or not that series of senior debt securities will be issued in global form, the terms and who the depositary will be;
- the maturity date(s) or the method of determining the maturity date(s);
- the person to whom any interest will be payable on any registered security, if other than the person in whose name that security is registered at the close of business on the regular record date;
- the interest rate(s), if any, (which may be fixed or variable) or the method for determining the rate(s) and the date(s) interest will begin to accrue, the date(s) interest will be payable and the regular record date(s) for interest payment date(s);
- the place(s) where payments shall be payable, registered securities may be surrendered for registration of transfer, securities may be surrendered for exchange, and notices and demands to or upon us may be served;
- the period(s) within which, and the price(s) at which, that series of senior debt securities may, pursuant to any optional or mandatory redemption provisions, be redeemed, in whole or in part, and other related terms and conditions;

any mandatory or optional sinking fund provisions or any provisions for remarketing that series of senior debt securities and other related terms and provisions;

the denominations in which that series of senior debt securities will be issued, if other than denominations of $1,000 in the case of registered securities and any integral multiple thereof, and in the case of bearer securities, if other than denominations of $5,000 and $100,000;

the currency or currencies, including composite currencies or currency units, in which that series of senior debt securities may be denominated or in which payment of the principal of and interest on, if any, that series of senior debt securities shall be payable, if other than the currency of the United States of America, and, if so, whether that series of senior debt securities may be satisfied and discharged other than as provided in Article Four of the Senior Indenture;

if the amounts of payments of principal of and interest on, if any, that series of senior debt securities are to be determined by reference to an index, formula or other method, or based on a coin or currency other than that in which that series of senior debt securities are stated to be payable, the manner in which such amounts shall be determined and the calculation agent, if any, with respect thereto;

if other than the principal amount thereof, the portion of the principal amount of that series of senior debt securities that will be payable upon declaration of acceleration of the maturity thereof pursuant to an event of default;

whether we will pay additional amounts on any of the senior debt securities and coupons, if any, of the series to any non-United States holder in respect of any tax, assessment or governmental charge withheld or deducted, and under what circumstances and with what procedures we will pay such additional amounts;

if other than as defined in the Senior Indenture, the meaning of "Business Day" when used with respect to that series of senior debt securities;

if that series of senior debt securities may be issued or delivered (whether upon original issuance or upon exchange of a temporary security of such series or otherwise), or any installment of principal or interest is payable, only upon receipt of certain certificates or other documents or satisfaction of other conditions in addition to those specified in the Senior Indenture, the forms and terms of those certificates, documents or conditions;

any addition to, or modification or deletion of, any event of default, covenant or other term or provision specified in the Senior Indenture with respect to that series of senior debt securities; and

any other terms (which terms may be inconsistent with the Senior Indenture).

Each prospectus supplement or pricing supplement, as applicable, may describe certain United States federal income tax considerations applicable to the purchase, holding and disposition of the senior debt securities that the prospectus supplement or pricing supplement covers, as applicable.

Limitation on Liens

We will not, nor will we permit any Consolidated Subsidiary (as defined below), to incur, create, assume, guarantee or otherwise become liable with respect to any Secured Debt (as defined below), unless the senior debt securities are secured equally and ratably with (or prior to) such Secured Debt. This covenant will not apply to:

(1) Liens (as defined below) existing on the date of the Senior Indenture;

(2) Liens existing on property of, or on any shares of stock or Indebtedness (as defined below) of, any corporation at the time such corporation becomes a Consolidated Subsidiary;

(3) Liens in favor of us or a Consolidated Subsidiary;

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(4) Liens in favor of governmental bodies to secure progress, advance or other payments pursuant to any contract or provision of any statute;

(5) Liens existing on property, shares of stock or Indebtedness at the time of acquisition thereof (including acquisition through merger or consolidation) or Liens to secure the payment of all or any part of the purchase price thereof or the cost of construction, installation, renovation, improvement or development thereon or thereof or to secure any Indebtedness incurred prior to, at the time of, or within 360 days after the later of the acquisition, completion of such construction, installation, renovation, improvement or development or the commencement of full operation of such property or within 360 days after the acquisition of such shares or Indebtedness for the purpose of financing all or any part of the purchase price or cost thereof; and

(6) certain extensions, renewals or refundings of any Liens referred to in the foregoing clauses (1) through (5).

Notwithstanding the foregoing, we and one or more Consolidated Subsidiaries may incur, create, assume, guarantee or otherwise become liable with respect to Secured Debt that would otherwise be subject to the foregoing restrictions if, after giving effect thereto, the aggregate amount of all Secured Debt, together with the Discounted Rental Value (as defined below) in respect of sale and leaseback transactions subject to the restrictions discussed in the following paragraph (excluding sale and leaseback transactions exempted from such restrictions pursuant to clause (1) or (2) of the last sentence of such paragraph), would not exceed 10% of consolidated Net Tangible Assets (as defined below) of us and our Consolidated Subsidiaries.

Limitations on Sale and Leaseback Transactions

We will not, nor will we permit any Consolidated Subsidiary to, sell and lease back any Principal Domestic Property (as defined below) unless:

(1) the sale has occurred within 360 days after the later of the acquisition, completion of construction or commencement of full operations of the Principal Domestic Property;

(2) we or such Consolidated Subsidiary could subject such Principal Domestic Property to a Lien pursuant to the provisions described above under " Limitation on Liens" in an amount equal to the Discounted Rental Value with respect to the sale and leaseback transaction without equally and ratably securing the senior debt securities; or

(3) we or such Consolidated Subsidiary, within 120 days after such sale, applies or causes to be applied to the retirement of our or its Funded Debt (as defined below) an amount (subject to credits for certain voluntary retirements of Funded Debt) not less than the greater of (a) the net proceeds of the sale of the Principal Domestic Property leased pursuant to such arrangement or (b) the fair value (as determined in any manner approved by our Board of Directors) of the Principal Domestic Property so leased.

This restriction will not apply to any sale and leaseback transaction (1) between us and a Consolidated Subsidiary or between Consolidated Subsidiaries or (2) involving the sale or transfer of any Principal Domestic Property with a lease for a period, including renewals, of not more than three years.

Certain Definitions

"Consolidated Subsidiary" means any Subsidiary included in our and our Subsidiaries' financial statements prepared on a consolidated basis in accordance with generally accepted accounting principles.

"Current Liabilities" means all Indebtedness that may properly be classified as current liabilities in accordance with generally accepted accounting principles.

"Discounted Rental Value" means, as to any particular lease under which any Person is at the time liable and at any date as of which the amount thereof is to be determined, the total net amount of rent (after deducting the amount of rent to be received by such Person under noncancelable subleases) required to be paid by such Person under such lease during the remaining noncancelable term thereof (including any such period for which such lease has been extended or may, at the option of the lessor, be extended), discounted from the respective due dates thereof to such date at a rate per annum of $11^3/_4$%. The net amount of rent required to be paid under any such lease for any such period shall be the aggregate amount of the rent payable by the lessee with respect to such period, after excluding amounts required to be paid on account of maintenance and repairs, insurance, taxes, water rates and similar charges. In the case of any lease which is terminable by the lessee upon the payment of a penalty, such net amount shall also include the amount of such penalty, but no rent shall be considered as required to be paid under such lease subsequent to the first date upon which it may be so terminated. If and to the extent the amount of any rent during any future period is not definitely determinable under the lease in question, the amount of such rent shall be estimated in such reasonable manner as our Board of Directors may in good faith determine.

"Funded Debt" means all Indebtedness maturing one year or more from the date of the creation thereof, all Indebtedness directly or indirectly renewable or extendible, at the option of the debtor, by its terms or by the terms of any instrument or agreement relating thereto, to a date one year or more from the date of the creation thereof, and all Indebtedness under a revolving credit or similar agreement obligating the lender or lenders to extend credit over a period of one year or more, even though such Indebtedness may also conform to the definition of Short-Term Borrowing.

"Indebtedness" as applied to a Person, means, as of the date on which Indebtedness is to be determined (a) all items (except items of capital stock or of surplus or of deferred credits or minority interest in Subsidiaries) which, in accordance with generally accepted accounting principles in effect from time to time, would be included in determining total liabilities, as shown on the liability side of a balance sheet of such Person; (b) all indebtedness secured by any mortgage on any property or asset owned or held by such Person subject thereto, whether or not the indebtedness secured thereby has been assumed; and (c) all indebtedness of others which such Person has directly or indirectly guaranteed, endorsed (otherwise than for collection or deposit in the ordinary course of business), discounted with recourse, agreed (contingently or otherwise) to purchase or repurchase or otherwise acquire, or in respect of which such Person has otherwise become directly or indirectly liable. For purposes of computing Indebtedness of any Person, there shall be excluded any particular Indebtedness which meets one or more of the following categories:

(i) Indebtedness with respect to which sufficient cash or cash equivalents or securities have been deposited in trust to provide for the full payment, redemption or satisfaction of the principal of, premium, if any, and interest to accrue on, such Indebtedness to the stated maturity thereof or to the date of prepayment thereof, as the case may be, and, as a result of such deposit, such particular Indebtedness, in accordance with generally accepted accounting principles, is no longer required to be reported on a balance sheet of such Person as a liability, and such cash or cash equivalents or securities are not required to be reported as an asset;

(ii) Indebtedness which is not classified as Indebtedness under clause (a) of this definition and which arises from any commitment of such Person relating to pipeline operations to pay for property or services substantially without regard to the non-delivery of such property or the non-furnishing of such services; or

(iii) Indebtedness which is not classified as Indebtedness under clause (a) of this definition and which is payable solely out of certain property or assets of such Person, or is secured by a mortgage on certain property or assets owned or held by such Person, in either case without any further recourse to or liability of such Person, to the extent such Indebtedness exceeds (x) if such Person records such property or assets on its books, the value for such property or assets recorded on such books or (y) if such Person does not record such property or assets on its books, (1) if such Indebtedness is a general obligation of the entity which does record such property or assets on its books, the net investment in or advances to such entity as recorded on the books of such Person or (2) if such Indebtedness is payable solely out of certain property or assets of such entity, the lesser of the value for such property or assets recorded on the books of such entity or the net investment in or advances to such entity as recorded on the books of such Person, in each case determined in accordance with generally accepted accounting principles.

"Lien" means and includes any mortgage, pledge, lien, security interest, conditional sale or other title retention agreement or other similar encumbrance to secure Indebtedness for borrowed money but excluding any security interest which a lessor may be deemed to have under a lease and any lien which may be deemed to exist under a Production Payment or under any subordination arrangement.

"Net Tangible Assets" of any specified Person means the total of all assets properly appearing on a balance sheet of such Person prepared in accordance with generally accepted accounting principles, after deducting from such total, without duplication of deductions, (1) all Current Liabilities of such Person; (2) that portion of the book amount of all such assets which would be treated as intangibles under generally accepted accounting principles, including, without limitation, all such items as goodwill, trademarks, trade names, brands, copyrights, patents, licenses and rights with respect to the foregoing and unamortized debt discount and expense; and (3) the amount, if any, at which any stock of such Person appears on the asset side of such balance sheet.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Principal Domestic Property" means any (1) developed oil or gas producing property or (2) processing or manufacturing plant, in each case which we or any Consolidated Subsidiary own or lease as of the date of the Senior Indenture or thereafter and which is located in the continental United States (provided, however, that any such property or plant declared by our Board of Directors by board resolution not to be of material importance to our or our Consolidated Subsidiaries' business, taken as a whole, will be excluded from the foregoing definition).

"Production Payment" means any economic interest in oil, gas or mineral reserves which (1) entitles the holder thereof to a specified share of future production from such reserves, free of the costs and expenses of such production, and (2) terminates when a specified quantity of such share of future production from such reserves has been delivered or a specified sum has been realized from the sale of such share of future production from such reserves.

"Secured Debt" means any Indebtedness of us or any Consolidated Subsidiary, secured by a Lien on any Principal Domestic Property or on any shares of stock or on any Indebtedness of any Consolidated Subsidiary which owns any Principal Domestic Property.

"Short-Term Borrowing" means all Indebtedness in respect of borrowed money maturing on demand or within one year from the date of the creation thereof and not directly or indirectly renewable or extendible, at the option of the debtor, by its terms or by the terms of any instrument or agreement relating thereto, to a date one year or more from the date of the creation thereof; provided that Indebtedness in respect of borrowed money arising under a revolving credit or similar agreement which obligates the lender or lenders to extend credit over a period of one year or more will constitute Funded Debt and not Short-Term Borrowing, even though it matures on demand or within one year from the date as of which such Short-Term Borrowing is to be determined.

"Subsidiary" means a corporation, association, partnership or other business entity more than 50% of the outstanding voting stock of which is owned, directly or indirectly, by us or by one or more of our other Subsidiaries, or by us and one or more of our other Subsidiaries. For the purposes of this definition, "voting stock" means stock which ordinarily has voting power for the election of directors or persons performing similar functions, whether at all times or only so long as no senior class of stock has such voting power by reason of any contingency.

Consolidation, Merger or Sale

The Senior Indenture generally permits us to consolidate with, merge into or convey, transfer or lease our properties and assets substantially as an entirety, to any Person, so long as, immediately after giving effect to such transaction, no event of default under the Senior Indenture or event which, after notice or lapse of time or both, would become an event of default shall have occurred and be continuing. However, any successor or acquiror of such assets must assume all of our obligations under the Senior Indenture and the senior debt securities and be organized and existing under U.S. laws.

Events of Default Under the Senior Indenture

The following are events of default under the Senior Indenture with respect to each series of senior debt securities issued:

- failure to pay any installment of interest upon any senior debt security of such series when it becomes due and payable, and continuance of such failure to pay for a period of 30 days; or
- failure to pay the principal of any senior debt security of such series when due;
- failure to perform or breach of any other covenant or warranty contained in the senior debt securities or the Senior Indenture (other than a covenant specifically benefiting only another series of senior debt securities), and the continuance of such failure for a period of 60 days after we receive notice from the Senior Indenture Trustee or holders of at least 25% in principal amount of the outstanding senior debt securities of that series;
- acceleration of more than $50,000,000 of our debt for borrowed money, without such debt having been discharged or such acceleration having been rescinded or annulled within a period of 20 days after we receive notice from the Senior Indenture Trustee or holders of at least 25% in principal amount of the outstanding senior debt securities of that series;
- certain events of bankruptcy, insolvency or reorganization relating to us; and
- any other event of default specified in the prospectus supplement or pricing supplement, if any, relating to that series of senior debt securities.

If an event of default with respect to senior debt securities of any series occurs and is continuing, the Senior Indenture Trustee or the holders of at least 25% in principal amount of the outstanding senior debt securities of that series, by notice in writing to us (and to the Senior Indenture Trustee if notice is given by such holders), may declare the principal of (or if such senior debt securities are discount securities, the portion of the principal amount specified in the applicable prospectus supplement or pricing supplement, if any), and accrued interest, if any, due and payable immediately.

The holders of a majority in principal amount of the outstanding senior debt securities of an affected series may waive any past default with respect to that series and its consequences, except defaults regarding:

- payment of principal or interest; or

covenants that cannot be modified or amended without the consent of the holder of each outstanding senior debt security of such series affected (as described under " Modification of Senior Indenture; Waiver" below).

Any waiver shall cure such default and the corresponding event of default.

Subject to the terms of the Senior Indenture, the Senior Indenture Trustee will be under no obligation to exercise any of its rights or powers under the Senior Indenture at the request or direction of any of the holders of the applicable series of senior debt securities, unless the holders have offered the Senior Indenture Trustee reasonable security or indemnity. The holders of a majority in principal amount of the outstanding senior debt securities of any series will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Senior Indenture Trustee, or exercising any trust or power conferred on the Senior Indenture Trustee, with respect to the senior debt securities of that series, provided that:

- the direction given to the Senior Indenture Trustee is not in conflict with any law or the Senior Indenture;

- the Senior Indenture Trustee may take any other action deemed proper by it which is not inconsistent with that direction; and

- the Senior Indenture Trustee has not determined that the action would be unjustly prejudicial to the holders not involved in the proceeding.

A holder of the senior debt securities of any series will have the right to institute a proceeding under the Senior Indenture or to appoint a receiver or trustee, or to seek other remedies only if:

- the holder has given written notice to the Senior Indenture Trustee of a continuing event of default with respect to that series;

- the holders of at least 25% in principal amount of the outstanding senior debt securities of that series have made written request to, and have offered reasonable indemnity to, the Senior Indenture Trustee to institute the proceedings as trustee; and

- the Senior Indenture Trustee does not institute the proceeding, and does not receive from the holders of a majority in principal amount of the outstanding senior debt securities of that series other conflicting directions, within 60 days after the notice, request and offer of indemnity.

The Senior Indenture provides that no holder or group of holders of senior debt securities will have any right to affect, disturb or prejudice the rights of other holders, obtain or seek priority or preference over another holder or enforce its rights under the Senior Indenture except as provided in the Senior Indenture for the equal and ratable benefit of all holders.

These limitations do not apply to a suit instituted by a holder of senior debt securities if we default in the payment of the principal of or interest on the senior debt securities.

We will periodically file statements with the Senior Indenture Trustee regarding our compliance with the conditions and covenants in the Senior Indenture.

Modification of Senior Indenture; Waiver

We and the Senior Indenture Trustee may amend or supplement the Senior Indenture without the consent of any holders to, among other things:

- evidence our succession by another person and the assumption by such person of our covenants in the Senior Indenture and the corresponding series of securities;

add to our covenants, agreements and obligations for the benefit of the holders of all senior debt securities or any series thereof, or to surrender any right or power the Senior Indenture confers upon us;

evidence and provide for the acceptance of appointment under the Senior Indenture of a successor Senior Indenture Trustee with respect to the securities of one or more series;

cure any ambiguity or correct any inconsistency in the Senior Indenture or make other provisions with respect to matters or questions arising under the Senior Indenture;

add, change or eliminate any provisions of the Senior Indenture (which addition, change or elimination may apply to one or more series of senior debt securities), provided that the addition, change or elimination neither (a) applies to any security of any series created prior to the execution of the supplemental indenture that is entitled to the benefit of the provision nor (b) modifies the rights of holders of those securities with respect to those modified provisions;

secure the senior debt securities; or

change anything else that does not adversely affect the interests of any holder of senior debt securities.

In addition, under the Senior Indenture, the rights of holders of a series of senior debt securities may be changed by us and the Senior Indenture Trustee with the written consent of the holders of at least a majority in principal amount of the outstanding senior debt securities of each series that is affected. However, no amendment or supplement may be made without the consent of the holder of each outstanding senior debt securities affected if such amendment or waiver would, among other things:

change the stated maturity of principal of, or any installment of principal or interest on, such senior debt securities;

reduce the principal amount of a discount security payable upon declaration of acceleration;

reduce the principal amount of, or the rate of interest on, or reduce any premium payable on, any of the senior debt securities;

change the place or currency of payment of principal or interest, if any, on any of the senior debt securities;

impair the right to institute suit for the enforcement of any payment on or with respect to any of the senior debt securities; and

modify any of the foregoing requirements or reduce the percentage of senior debt securities, the holders of which are required to consent to any amendment or waiver of any covenant or past default.

Form, Exchange and Transfer

The senior debt securities of each series may be issued as registered securities, as bearer securities (with or without coupons) or both. Unless otherwise specified in the applicable prospectus supplement or the pricing supplement, if any, registered securities will be issued in denominations of $1,000 and any integral multiple thereof and bearer securities will be issued in denominations of $5,000 and $100,000. Subject to the terms of the Senior Indenture and the limitations applicable to global securities described in the applicable prospectus supplement or the pricing supplement, if any, registered securities will be exchangeable for other registered securities of the same series, in any authorized denomination and of like tenor and aggregate principal amount.

Subject to the terms of the Senior Indenture and the limitations applicable to global senior debt securities set forth in the applicable prospectus supplement or pricing supplement, if any, senior debt securities issued as registered securities may be presented for exchange or for registration of transfer (duly endorsed or with the form of transfer duly executed) at the office of the registrar or at the office of any transfer agent we designate for that purpose. Bearer securities will not be issued in exchange for registered securities. Unless otherwise provided in the senior debt securities to be transferred or exchanged, no service charge will be made for any registration of transfer or exchange, but we may require payment of any taxes or other governmental charges. We have appointed the Senior Indenture Trustee as registrar. Any transfer agent (in addition to the registrar) initially designated by us for any senior debt securities will be named in the applicable prospectus supplement. We may at any time designate additional transfer agents or rescind the designation of any transfer agent or approve a change in the office through which any transfer agent acts, except that we will be required to maintain a transfer agent in each place of payment for the senior debt securities of each series.

If the senior debt securities of any series are to be redeemed, we will not be required to:

- issue, register the transfer of, or exchange any senior debt securities of, that series during a period beginning at the opening of business 15 days before any selection of senior debt securities for redemption and ending, in the case of registered securities, at the close of business on the day of mailing of the relevant notice of redemption and, in the case of bearer securities, the first publication date of the notice, or if the senior debt securities of that series are also issuable as registered securities and there is no publication, at the close of business on the day of mailing of the notice;

- in the case of registered securities, register the transfer of or exchange any senior debt securities so selected for redemption, in whole or in part, except the unredeemed portion of any registered security being redeemed in part; or

- in the case of bearer securities, exchange any senior debt securities so selected for redemption, except to exchange a bearer security for a registered security that is immediately surrendered for redemption.

Global Senior Debt Securities

The senior debt securities of each series may be issued in whole or in part in global form. A senior debt security in global form will be deposited with, or on behalf of, a depositary, which will be named in an applicable prospectus supplement or pricing supplement, if any. A global senior debt security may be issued in either registered or bearer form and in either temporary or definitive form. A global senior debt security may not be transferred, except as a whole, among the depositary for that senior debt security and/or its nominees and/or successors. If any senior debt securities of a series are issuable as global senior debt securities, the applicable prospectus supplement or pricing supplement, if any, will describe any circumstances when beneficial owners of interests in that global senior debt security may exchange their interests for definitive senior debt securities of like series and tenor and principal amount in any authorized form and denomination, the manner of payment of principal of and interest, if any, on that global senior debt security and the specific terms of the depositary arrangement with respect to that global senior debt security.

Discharge

Unless otherwise indicated in an applicable prospectus supplement or pricing supplement, if any, we may terminate at any time our obligations under the Senior Indenture with respect to any series of senior debt securities (other than certain limited obligations, such as the obligation to transfer and exchange senior debt securities of that series) by (1)(a) delivering all of the outstanding securities of that series to the Senior Indenture Trustee to be cancelled or (b) depositing with the Senior Indenture Trustee in trust funds or non-callable United States government or government-guaranteed obligations sufficient without reinvestment to pay all remaining principal and interest on the series of senior debt securities and (2) complying with selected other provisions of the Senior Indenture.

If we elect to discharge our obligations by depositing United States obligations as described above, that election under present law is likely to be treated for United States federal income tax purposes as a redemption of the senior debt securities of that series prior to maturity in exchange for the property deposited in trust. If so, each holder that acquired the senior debt securities on original issuance would generally recognize, at the time of discharge, gain or loss for United States federal income tax purposes measured by the difference between (1) the sum of (a) the amount of any cash and (b) the fair market value of any property deposited in trust deemed received by such holder (unless attributable to accrued interest) and (2) such holder's tax basis in the senior debt securities deemed surrendered. After the discharge, each such holder would be treated as if it held an undivided interest in the cash (or investments made therewith) and the property held in trust. Each such holder would generally be subject to tax liability in respect of interest income and original issue discount, if applicable, thereon and would recognize any gain or loss upon any disposition, including redemption, of the assets held in trust. Although tax might be owed, the holder of a discharged senior debt security would not receive cash (except for current payments of interest on that senior debt security) until the maturity or earlier redemption (or, if applicable, repurchase by us at the option of the holder) of that senior debt security. United States federal income tax treatment of this nature could affect the purchase price that a holder would receive upon the sale of the senior debt securities. You are urged to consult with your tax advisor regarding the tax consequences of the discharge of our obligations.

Information Concerning the Senior Indenture Trustee

The Senior Indenture Trustee, other than during the occurrence and continuance of an event of default under the Senior Indenture, undertakes to perform only those duties as are specifically set forth in the Senior Indenture and, upon an event of default under the Senior Indenture, must use the same degree of care as a prudent person would exercise or use in the conduct of his or her own affairs. Subject to this provision, the Senior Indenture Trustee is under no obligation to exercise any of the rights or powers given it by the Senior Indenture at the request or direction of any holder of senior debt securities unless the Senior Indenture Trustee is offered reasonable security or indemnity by that holder against the costs, expenses and liabilities that it might incur. The Senior Indenture Trustee is not required to spend or risk its own money or otherwise become financially liable while performing its duties unless it reasonably believes that it will be repaid or receive adequate indemnity.

The Bank of New York Mellon is a participating lender under our revolving credit agreement and provides commercial banking services to us and our affiliates. The Bank of New York Mellon Trust Company, N.A. is the Senior Indenture Trustee. However, if The Bank of New York Mellon Trust Company, N.A. acquires any conflicting interest when an event of default is pending, it must (with certain exceptions) eliminate the conflict or resign.

Payment and Payment Agents

The person in whose name a senior debt security is registered will be treated as the owner of such security for the purpose of receiving payment of principal and, unless otherwise indicated in an applicable prospectus supplement or pricing supplement, if any, interest on such security and for all other purposes.

Unless otherwise indicated in the applicable prospectus supplement or pricing supplement, if any, payment of interest on any senior debt securities (other than bearer securities) on any interest payment date will be made to the person in whose name those senior debt securities (or one or more predecessor securities) are registered at the close of business on the regular record date for the interest. Unless otherwise indicated in the applicable prospectus supplement or pricing supplement, if any, principal and interest on the senior debt securities of a particular series will be payable at the office of the paying agents that we designate, except that payments of interest (other than interest on bearer securities) may, at our option, be made by wire transfer or check mailed to the address of the person entitled thereto. Unless otherwise indicated in an applicable prospectus supplement or pricing supplement, if any, any payment of an installment of interest on any bearer security will be made only if the coupon relating to the interest installment is surrendered.

We will be required to maintain a paying agent in each place of payment for the senior debt securities of a particular series. Unless otherwise indicated in the applicable prospectus supplement or pricing supplement, if any, the corporate trust office of the Senior Indenture Trustee in The City of New York will be designated as sole paying agent for payments with respect to senior debt securities (other than bearer securities). Unless otherwise indicated in an applicable prospectus supplement or pricing supplement, if any, payment of principal and interest, if any, on bearer securities will be made subject to any applicable laws and regulations, at the office of a paying agent outside the United States as we may designate.

All moneys that we pay to a paying agent or the Senior Indenture Trustee for the payment of the principal or interest, if any, on any senior debt securities which remain unclaimed at the end of two years after that principal or interest has become due and payable will be repaid to us, and the holder of the security thereafter may look only to us for payment thereof.

Unless otherwise indicated in an applicable prospectus supplement or pricing supplement, if any, interest shall be computed, for fixed rate securities, on the basis of a 360-day year comprised of twelve 30-day months, and, for variable rate securities, on the basis of the actual number of days in the interest period divided by 360.

Governing Law

The Senior Indenture and senior debt securities will be governed by and construed in accordance with the laws of the State of New York, except to the extent that the Trust Indenture Act shall be applicable.

PLAN OF DISTRIBUTION

We may sell the senior debt securities being offered hereby in one or more of the following ways from time to time:

- to underwriters or dealers for resale to the public or to institutional investors;
- directly to institutional investors;
- directly to agents;
- directly to a limited number of purchasers or to a single purchaser;
- through agents to the public or to institutional investors;
- if indicated in the prospectus supplement, pursuant to delayed delivery contracts or by remarketing firms; or
- through a combination of any of the previous methods of sale.

The prospectus supplements and pricing supplements, if any, will set forth the terms of the offering of each series of senior debt securities, including the name or names of any underwriter, dealers or agents, the purchase price of the senior debt securities and the proceeds to us from such sale, any underwriting discounts or agency fees and other items constituting underwriters' or agents' compensation, any initial public offering price, any discounts or concessions allowed or reallowed or paid to dealers and any securities exchanges on which the senior debt securities may be listed.

If underwriters or dealers are used in the sale, the senior debt securities will be acquired by the underwriters or dealers for their own account and may be resold from time to time in one or more transactions, including privately negotiated transactions, at a fixed public offering price or prices, which may be changed, in "at the market offerings" within the meaning of Rule 415(a)(4) of the Securities Act, at prices related to prevailing market prices or at negotiated prices or varying prices determined at the time of sale.

Unless otherwise set forth in a prospectus supplement or a pricing supplement, if any, the obligations of the underwriters to purchase any series of senior debt securities will be subject to certain conditions precedent and the underwriters will be obligated to purchase all of the series of senior debt securities, if any are purchased.

If a dealer is utilized in the sale of senior debt securities, we will sell the senior debt securities to the dealer, as principal. The dealer may then resell the senior debt securities to the public at varying prices to be determined by the dealer at the time of resale. The names of the dealers and the terms of the transaction will be set forth in the prospectus supplement relating to that transaction.

Senior debt securities may also be offered and sold, if so indicated in the prospectus supplement or a pricing supplement, if any, in connection with a remarketing upon their purchase, in accordance with a redemption or repayment pursuant to their terms, or otherwise, by one or more firms ("remarketing firms") acting as principals for their own accounts or as agents for us. Any remarketing firm will be identified and the terms of its agreement, if any, with us and its compensation will be described in the prospectus supplement or a pricing supplement, if any.

Underwriters, agents, dealers and remarketing firms may be entitled under agreements entered into with us to indemnification by us against certain civil liabilities, including liabilities under the Securities Act, or to contribution with respect to payments which the underwriters or agents may be required to make in respect thereof, and to reimbursement by us for certain expenses. Underwriters, agents, dealers and remarketing firms may be customers of, engage in transactions with, or perform services for us and our affiliates in the ordinary course of business.

Each series of senior debt securities will be a new issue of senior debt securities and will have no established trading market. Unless otherwise specified in the applicable prospectus supplement or pricing supplement, the senior debt securities will not be listed on a national securities exchange. Any underwriters to whom we sell senior debt securities for public offering and sale may make a market in those senior debt securities, but such underwriters will not be obligated to do so and may discontinue any market making at any time without notice.

LEGAL MATTERS

Unless otherwise specified in a prospectus supplement accompanying this prospectus, Linda S. Peterson, our Associate General Counsel, will provide opinions regarding the authorization and validity of the senior debt securities. Any underwriters will be advised about legal matters by their own counsel, which will be named in the prospectus supplement.

EXPERTS

The consolidated financial statements and financial statement schedule of Occidental Petroleum Corporation and its subsidiaries as of December 31, 2007 and 2006, and for each of the years in the three-year period ended December 31, 2007, and management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2007 have been incorporated by reference herein and in the registration statement in reliance upon the reports of KPMG LLP, independent registered public accounting firm, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing. The audit report covering the December 31, 2007 consolidated financial statements refers to changes in accounting for uncertain tax positions, defined benefit pension and other postretirement plans and share-based payments.

Ryder Scott Company, L.P., independent petroleum engineering consultants, reviewed Occidental's oil and gas estimation process, which review information is included in Occidental's Annual Report on Form 10-K for the year ended December 31, 2007, which is incorporated by reference in this prospectus. Ryder Scott's review information is incorporated by reference herein in reliance upon the authority of said firm in such matters.

Occidental Petroleum Corporation

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% Senior Notes due

PROSPECTUS SUPPLEMENT

Joint Book-Running Managers

Barclays Capital	**Citi**	**J.P. Morgan**	**UBS Investment Bank**

May , 2009

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