OCCIDENTAL PETROLEUM CORP /DE/
Form 8-K
April 26, 2005

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED) APRIL 26, 2005

OCCIDENTAL PETROLEUM CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE	1-9210	95-4035997
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

10889 WILSHIRE BOULEVARD LOS ANGELES, CALIFORNIA	90024
(Address of principal executive offices)	(ZIP code)

Registrant's telephone number, including area code:
(310) 208-8800

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Check the appropriate box below if the Form 8-K is intended to simultaneously satisfy the filing obligation of the Registrant under any of the following provisions (see General Instruction A.2. below):

[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

SECTION 2 - FINANCIAL INFORMATION

Item 2.02. Results of Operations and Financial Condition

On April 26, 2005, Occidental Petroleum Corporation released information regarding its results of operations for the fiscal period ended March 31, 2005. The exhibits to this Form 8-K and the information set forth in this Item 2.02

are being furnished pursuant to Item 2.02, Results of Operations and Financial Condition. The full text of the press release is attached to this report as Exhibit 99.1. The full text of the speeches given by Dr. Ray R. Irani and Stephen I. Chazen are attached to this report as Exhibit 99.2. Investor Relations Supplemental Schedules are attached to this report as Exhibit 99.3.

SECTION 8 - OTHER EVENTS

Item 8.01. Other Events

On April 26, 2005, Occidental Petroleum Corporation announced net income for the first quarter 2005 of $846 million ($2.11 per share), compared with $487 million ($1.24 per share) for the first quarter 2004. Core earnings for the first quarter 2005 were $866 million ($2.16 per share), compared with $476 million ($1.22 per share) for the same period in 2004.

Oil and Gas

Oil and gas segment earnings were a record $1.3 billion for the first quarter 2005, which was 47 percent higher than the $915 million in earnings for the first quarter 2004. The first quarter 2005 earnings reflected a $529 million improvement from the impact of higher energy prices, partially offset by higher operating expenses and increased DD&A rates.

For the quarter, oil and gas production averaged 565,000 barrels of oil equivalent, which was essentially flat with the 568,000 equivalent barrels per day produced in the first quarter 2004, and up slightly compared to the fourth quarter 2004 rate of 558,000 equivalent barrels per day. Compared to a year ago, production under the company's production sharing contracts in Oman, Qatar, Yemen and Long Beach was negatively impacted by higher prices. The average price for West Texas Intermediate crude oil in the first quarter 2005 was $49.84 per barrel compared to $35.15 per barrel in the first quarter 2004. If prices had remained at first quarter 2004 levels, production in the first quarter 2005 would have been more than 13,000 equivalent barrels per day higher.

Earlier this year, Occidental's executive management said that it expected to exit 2005 with a production level of approximately 600,000 equivalent barrels per day. That expectation is unchanged.

At the end of the first quarter, Occidental completed two acquisitions in the Permian Basin. These acquisitions are expected to contribute 10,000 equivalent barrels per day to the 2005 production exit rate and keep the company on track in meeting its year-end production target.

Chemicals

Chemical segment earnings were $214 million for the first quarter 2005, nearly four times higher than the $56 million earned in the first quarter 2004. The improvement was due to higher margins in all major products resulting from higher sales prices, partially offset by higher energy and feedstock costs.

Financial

During the first quarter, $450 million of 7.65 percent senior notes were redeemed with a related charge of $10 million to interest expense. At March 31, Occidental's debt was $3.5 billion compared to $3.9 billion at the end of 2004.

After taking into account the $450 million in debt retirement costs and $300 million in acquisition costs, the company had cash and short-term investments of $1.4 billion at the end of the quarter, which was approximately the same level as the end of 2004. Stockholders' equity was $11.2 billion, up by nearly $700 million compared to year-end 2004.

Statements in this presentation that contain words such as "will," "expect" or "estimate," or otherwise relate to the future, are forward-looking and involve risks and uncertainties that could significantly affect expected results. Factors that could cause results to differ materially include, but are not limited to: exploration risks such as drilling of unsuccessful wells, global commodity pricing fluctuations and supply/demand considerations for oil, gas and chemicals; higher-than-expected costs; political risk; and not successfully completing (or any material delay in) any expansion, capital expenditure, acquisition, or disposition. Occidental disclaims any obligation to update any forward-looking statements.

SUMMARY OF SEGMENT NET SALES AND EARNINGS

	First Quarter	
(In millions, except per-share amounts)	2005	2004(c)
SEGMENT NET SALES		
Oil and Gas	$ 2,219	$ 1,693
Chemical	1,061	834
Other	23	30
Net sales	$ 3,303	$ 2,557
SEGMENT EARNINGS		
Oil and Gas	$ 1,349	$ 915
Chemical	214	56
	1,563	971
Unallocated Corporate Items		
Interest expense, net (a)	(61)	(68)
Income taxes (b)	(601)	(363)
Other	(51)	(51)
Income from Continuing Operations	850	489
Discontinued operations, net	(4)	(2)
NET INCOME	$ 846	$ 487
BASIC EARNINGS PER COMMON SHARE		
Income from continuing operations	$ 2.12	$ 1.25
Discontinued operations, net	(.01)	(.01)
	$ 2.11	$ 1.24

DILUTED EARNINGS PER COMMON SHARE		
Income from continuing operations	$ 2.09	$ 1.24
Discontinued operations, net	(.01)	(.01)
	$ 2.08	$ 1.23
AVERAGE BASIC COMMON SHARES OUTSTANDING	400.4	391.5

See footnotes on following page.

(a) The first quarter 2005 includes a $10 million pre-tax interest charge to redeem all the outstanding 7.65 percent senior notes, which were due in February 2006. The first quarter 2004 includes an $11 million pre-tax interest charge to redeem all the outstanding 8.16 percent Trust Preferred Redeemable Securities.

(b) The first quarter 2005 includes a $10 million charge, net, related to a state income tax issue. The first quarter 2004 includes a $20 million credit related to the settlement of an issue with the Internal Revenue Service.

(c) As of January 1, 2005, Occidental revised its reporting of segment earnings to show segment earnings before income taxes. All domestic and foreign income tax expense is now reflected under Unallocated Corporate Items in the income taxes line. This reporting change has been retrospectively applied to prior period results.

SUMMARY OF CAPITAL EXPENDITURES AND DD&A EXPENSE

	First Quarter	
($ millions)	2005	2004
CAPITAL EXPENDITURES	$ 536	$ 343
DEPRECIATION, DEPLETION AND AMORTIZATION OF ASSETS	$ 344	$ 324

SUMMARY OF OPERATING STATISTICS

	First Quarter	

	2005	2004
NET OIL, GAS AND LIQUIDS PRODUCTION PER DAY		
United States		
Crude oil and liquids (MBBL)		
California	77	77
Permian	148	153
Horn Mountain	18	25
Hugoton	4	3
Total	247	258
Natural Gas (MMCF)		
California	241	243
Hugoton	129	127
Permian	146	140
Horn Mountain	12	17
Total	528	527
Latin America		
Crude oil (MBBL)		
Colombia	32	36
Ecuador	42	43
Total	74	79
Middle East		
Crude oil (MBBL)		
Oman	23	14
Qatar	43	42
Yemen	35	39
Total	101	95
Natural Gas (MMCF)		
Oman	56	11
Other Eastern Hemisphere		
Crude oil (MBBL)		
Pakistan	5	9
Natural Gas (MMCF)		
Pakistan	78	75
BARRELS OF OIL EQUIVALENT (MBOE)		
Subtotal consolidated subsidiaries	537	543
Colombia-minority interest	(4)	(4)
Russia-Occidental net interest	30	28
Yemen-Occidental net interest	2	1
TOTAL WORLDWIDE PRODUCTION	565	568

SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTING EARNINGS

Occidental's results of operations often include the effects of significant transactions and events affecting earnings that vary widely and unpredictably in nature, timing and amount. Therefore, management uses a measure called "core earnings," which excludes those items. This non-GAAP measure is not meant to disassociate those items from management's performance, but rather is meant to provide useful information to investors interested in comparing Occidental's earnings performance between periods. Reported earnings are considered representative of management's performance over the long term. Core earnings is not considered to be an alternative to operating income in accordance with generally accepted accounting principles.

The following table sets forth the core earnings and significant items affecting earnings for each operating segment and corporate:

($ millions, except per-share amounts)	First Quarter 2005	EPS	2004	EPS
TOTAL REPORTED EARNINGS	$ 846	$ 2.11	$ 487	$ 1.24
OIL AND GAS				
Segment Earnings	$ 1,349		$ 915	
Less:				
None	--		--	
Segment Core Earnings	$ 1,349		$ 915	
CHEMICALS				
Segment Earnings	$ 214		$ 56	
Less:				
None	--		--	
Segment Core Earnings	$ 214		$ 56	
CORPORATE				
Results	$ (717)		$ (484)	
Less:				
Trust preferred redemption charge	--		(11)	
7.65% debt redemption charge	(10)		--	
Settlement of tax issues	--		20	
State tax charge	(10)		--	
Tax effect of pre-tax adjustments	4		4	
Discontinued operations, net*	(4)		(2)	
Corporate Core Results	$ (697)		$ (495)	
TOTAL CORE EARNINGS	$ 866	$ 2.16	$ 476	$ 1.22

* These amounts are shown after-tax.

ITEMS AFFECTING COMPARABILITY OF CORE EARNINGS BETWEEN PERIODS

The item(s) below are included in core earnings but are shown in this table because they affect the comparability of core earnings between periods.

	First Quarter	
($ millions)	2005	2004
PRE-TAX INCOME / (EXPENSE)		
Corporate		
Environmental remediation	(9)	--

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

OCCIDENTAL PETROLEUM CORPORATION
(Registrant)

DATE: April 26, 2005

S. P. Dominick, Jr.

S. P. Dominick, Jr., Vice President and Controller
(Chief Accounting and Duly Authorized Officer)

EXHIBIT INDEX

99.1	Press release dated April 26, 2005.
99.2	Full text of speeches given by Dr. Ray R. Irani and Stephen I. Chazen
99.3	Investor Relations Supplemental Schedules