Occidental Petroleum Corporation

Fourth Quarter 2011 Earnings Conference Call

January 25, 2012

Fourth Quarter 2011 Earnings – Highlights

- **Net Income - $1.6 Billion in 4Q11 vs. $1.2 Billion in 4Q10**
  - **EPS $2.01 (diluted) vs. $1.49 in 4Q10.**

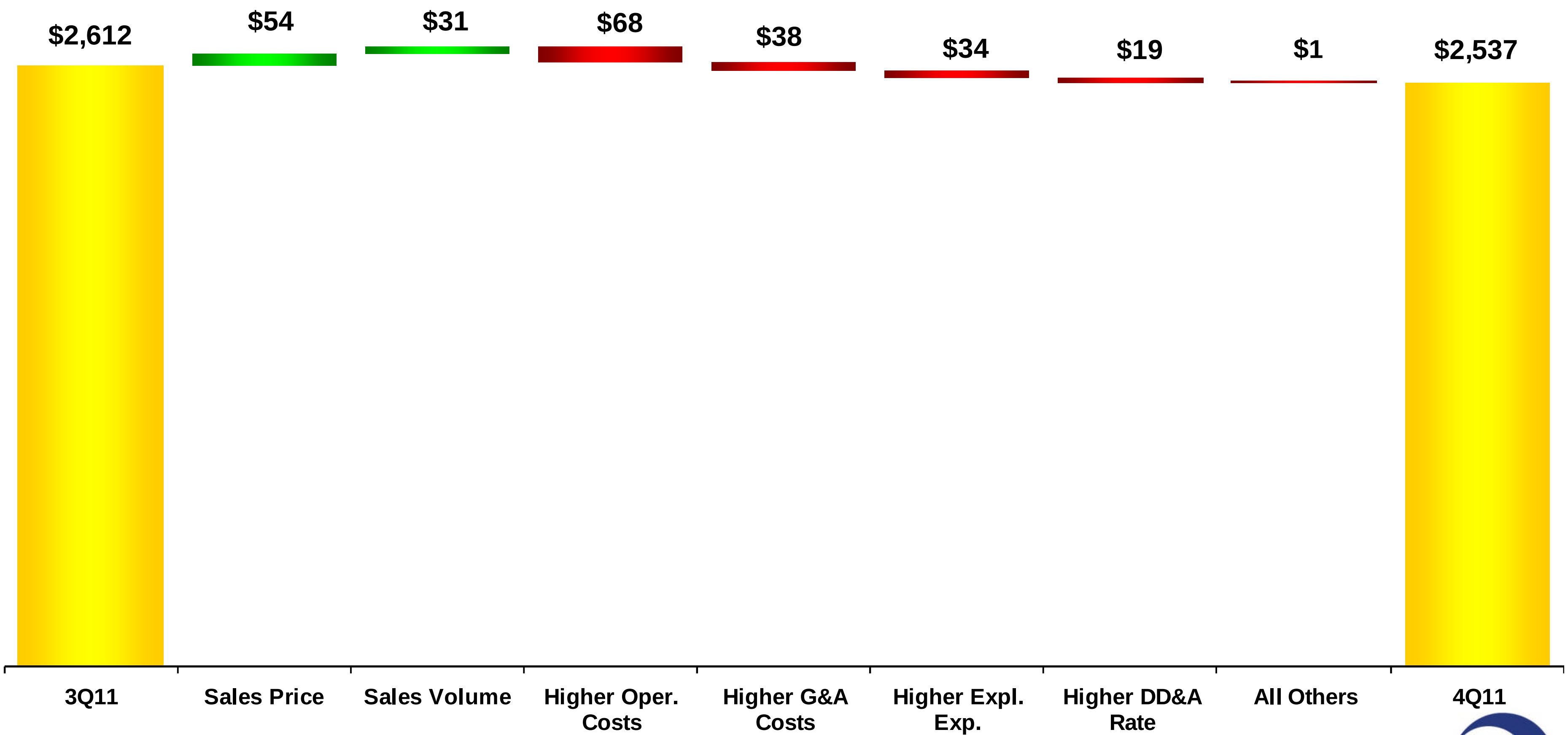
- ***Consolidated pre-tax income from continuing operations - $2.6 Billion in 4Q11 vs. $2.9 Billion in 3Q11***

- **3Q11 EPS $2.18 (diluted after tax)**
  - ***Major items resulting in the difference between 3Q11 and 4Q11 income included:***
    - » ***higher oil volumes and prices, +$0.07 per share;***
    - » ***lower 4Q chemical and midstream income, -$0.08 per share;***
    - » ***higher equity-based compensation costs, -$0.05 per share;***
    - » ***higher exploration expense, -$0.02 per share, and;***
    - » ***higher 4Q operating costs, -$0.08 per share.***

- ***4Q11 EPS $2.02 (diluted after tax)***

Fourth Quarter 2011 Earnings – Oil & Gas Segment Variance Analysis – 4Q11 vs. 3Q11

- ***Core Results for 4Q11 of $2.537 B vs. $2.612 B in 3Q11***
  - **Higher oil volumes and prices, were offset by higher operating costs, higher equity- based compensation costs, and higher exploration expense.**



Fourth Quarter 2011 Earnings – Oil & Gas Segment

	4Q11	3Q11
Reported Segment Earnings ($mm)	**$2,537**	**$2,612**
WTI Oil Price ($/bbl)	**$94.06**	**$89.76**
Brent Oil Price ($/bbl)	**$109.07**	**$112.22**
NYMEX Gas Price ($/mcf)	**$3.68**	**$4.28**

Oxy's Realized Prices

	4Q11	3Q11
Worldwide Oil ($/bbl) ***+ 2½% quarter-to-quarter***	***$99.62***	***$97.24***
Worldwide NGLs ($/bbl) ***- 1½% quarter-to-quarter***	***$55.25***	***$56.06***
US Natural Gas ($/mcf) ***- 15% quarter-to-quarter***	***$3.59***	***$4.23***

Fourth Quarter 2011 Earnings – Oil & Gas Production

	4Q11	3Q11
Oil and Gas Production Volumes (mboe/d)	**748**	**739**

- ***Domestically, production was 449 mboe/d, representing the highest ever domestic production volumes for the company, compared to our guidance of 442 to 444 mboe/d.***
- ***Our production rose by 13 mboe/d compared to 3Q11, with the Permian and California contributing the bulk of the sequential increase in our overall domestic production volumes.***
- **Our better-than-expected 4Q11 domestic production reflected the effect of the ramp up in capital spending as well as higher levels of workover and well maintenance activity.**
- **In addition, 4Q11 was relatively free of significant operational disruptions, which also contributed to the better than expected results.**

Fourth Quarter 2011 Earnings – Oil & Gas Production

- ***Latin America volumes were 31 mboe/d.***
  - ***Colombia volumes increased slightly from 3Q11 while both periods included pipeline interruptions caused by insurgent activity.***
- ***In the Middle East region:***
  - ***We recorded 1 mboe/d production in Libya.***
  - ***In Iraq, we produced 9 mboe/d, an increase of 5 mboe/d from 3Q11 volumes. The higher volume is the result of higher spending levels.***
  - ***Yemen production was 23 mboe/d, a decrease of 5 mboe/d from 3Q11. The decrease reflected the timing of cost recovery and the expiration of the Masila Field contract in mid-December.***
  - ***In Oman, 4Q11 production was 76 mboe/d, a decrease of 3 mboe/d from 3Q11 volumes. The decrease was attributable to down time from operational issues.***
  - ***In Qatar, 4Q11 production was 76 mboe/d, an increase of 3 mboe/d over 3Q11.***
  - ***In Dolphin and Bahrain combined, production decreased 6 mboe/d from 3Q11. Dolphin volumes declined 9 mboe/d because, during the quarter, it reached annual maximum volumes allowed under its contract.***
- ***4Q11 sales volumes were 749 mboe/d, compared to our guidance of 740 mboe/d. The improvement resulted from higher US production.***

Fourth Quarter 2011 Earnings – Oil & Gas Segment – Realized Prices

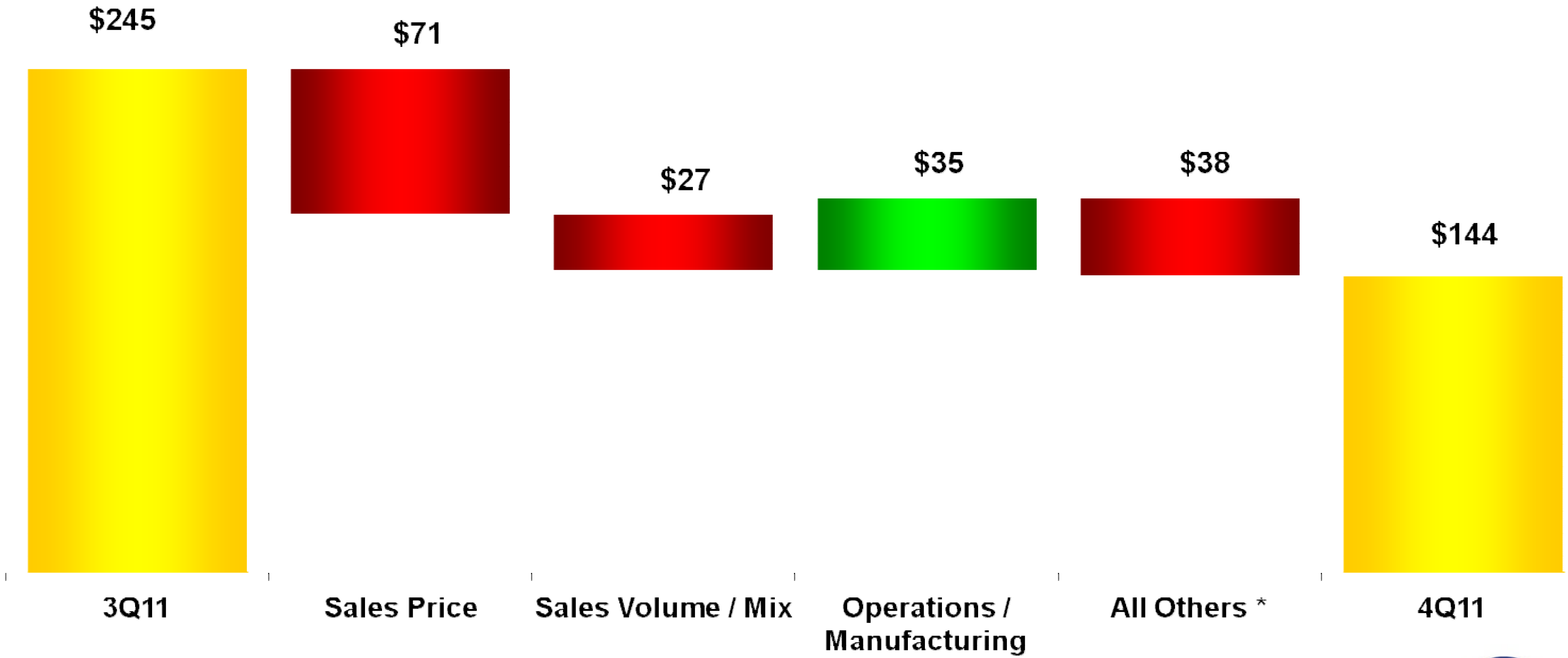
- ***Realized oil prices for the quarter represented 106% of the average WTI and 91% of the average Brent price.***
- ***Realized NGL prices were 59% of WTI and realized domestic gas prices were 98% of NYMEX.***
- ***Price changes at current global prices affect our quarterly earnings before income taxes by $38 mm for a $1.00 p/b change in oil prices and $8 mm for a $1.00 p/b change in NGL prices.***
- ***A swing of $0.50 per mm BTUs in domestic gas prices affects quarterly pre-tax earnings by about $31 million.***

Fourth Quarter 2011 Earnings – Oil & Gas Segment – Production Costs and Taxes

- ***4Q11 operating costs were about $130 mm higher than 3Q11 as a result of higher workover and well maintenance activity driven by our program to increase production at these higher levels of oil prices.***
- ***Oil and gas cash production costs were $12.84 a boe for the twelve months of 2011, compared with last year's twelve-month costs of $10.19 a barrel.***
  - **The cost increase reflects higher workover and maintenance activity mentioned earlier.**
- **Taxes other than on income, which are directly related to product prices, were $2.21 per boe for the twelve months of 2011, compared to $1.83 per boe for all of 2010.**
- ***4Q11 exploration expense, which included the impairment of several small leases, was $73 mm.***

Fourth Quarter 2011 Earnings – Chemical Segment Variance Analysis – 4Q11 vs. 3Q11

- ***Core Results for 4Q11 were $144 mm vs. $245 mm in 3Q11.***
  - **The sequential drop in income was the result of seasonal factors.**

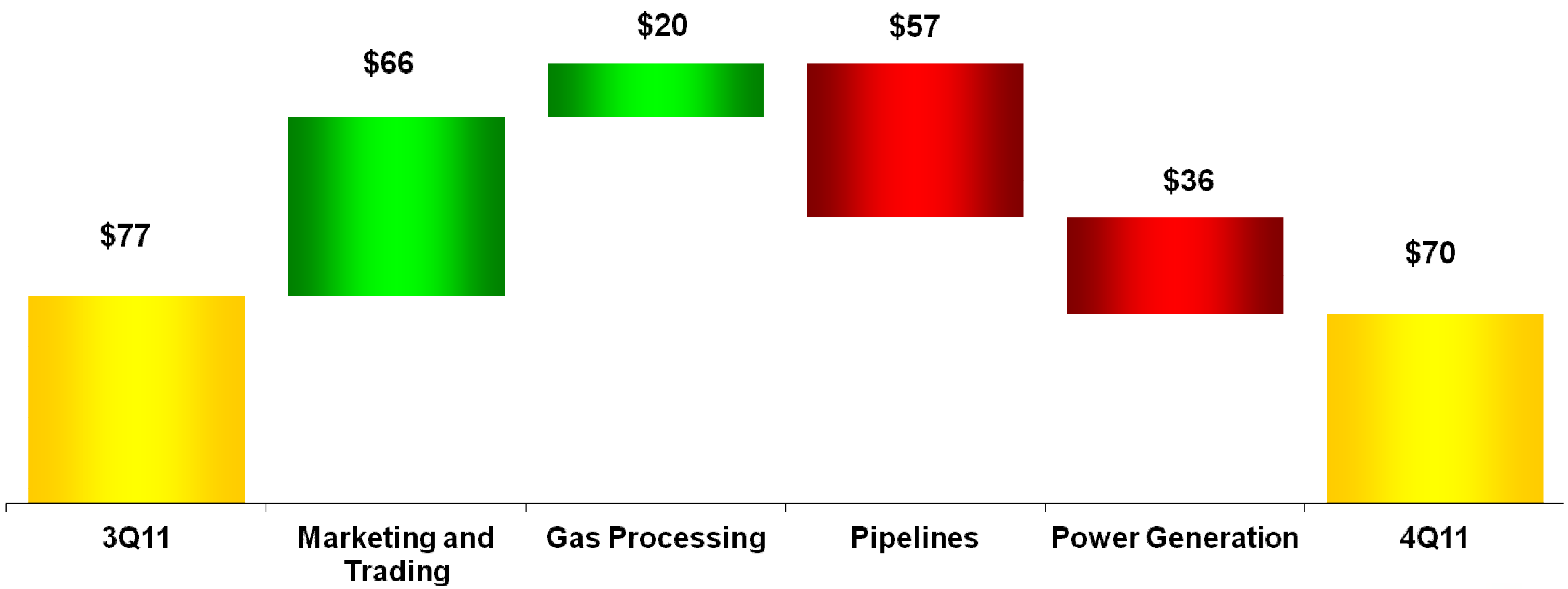


***Power sold to the grid during Texas power shortage in 3Q11.**

Fourth Quarter 2011 Earnings – Midstream Segment Variance Analysis – 4Q11 vs. 3Q11

- ***Core Results for 4Q11 were $70 mm vs. $77 mm in 3Q11.***

($ in millions)



Fourth Quarter 2011 Earnings – Taxes and Other

- ***The significantly higher year-end Oxy stock price, compared to the distressed levels at the end of 3Q11, affected the quarterly valuation of equity-based compensation plans reducing 4Q11 pre-tax income of the company, compared to 3Q11, by $80 mm.***

- ***The worldwide effective tax rate was 37% for 4Q11.***

- ***Our 4Q11 US and foreign tax rates are included in the "Investor Relations Supplemental Schedules."***

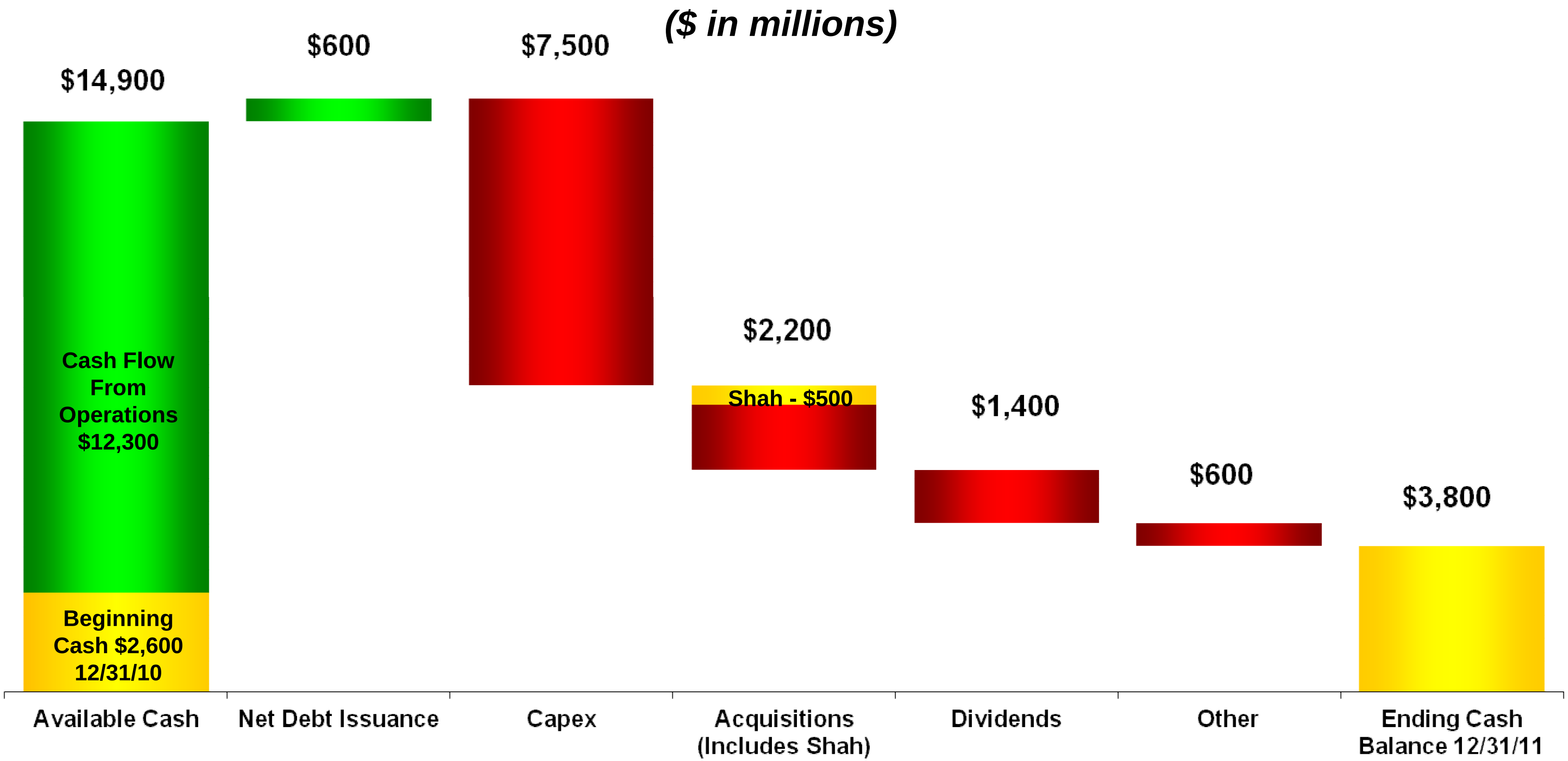
Fourth Quarter 2011 Earnings – Full Year 2011 Results

	FY2011	FY2010
• *Core Income ($mm)*	*$6,828*	*$4,664*
• *Core EPS (diluted)*	*$8.39*	*$5.72*
• Net Income ($mm)	$6,771	$4,530
• EPS (diluted)	$8.32	$5.56

- ***Cash flow from operations for the twelve months of 2011 was $12.3 billion.***

Fourth Quarter 2011 Earnings – Full Year 2011 Cash Flow

– ***Free cash flow from continuing operations after capex and dividends, but before acquisition and debt activity, was about $3.4 billion.***



Note: See attached GAAP reconciliation.

Fourth Quarter 2011 Earnings –
One and Two Year Simplified Cash Flow

One year cash flow 12/31/11

Total debt, net of cash at 12/31/10	**$2.5 B**
Total debt, net of cash at 12/31/11	**$2.1 B**
Net cash generated	**$0.4 B**
Cash returned to shareholders	
• **Dividends**	**$1.4 B**
• **Share buybacks**	**$275 mm**

Two year cash flow 12/31/11

Total debt, net of cash at 12/31/09	**$1.6 B**
Total debt, net of cash at 12/31/11	**$2.1 B**
Net cash used	**$0.5 B**
Cash outlays	
• **Capital**	**$11.5 B**
• **Acquisitions**	**$6.9 B**
Cash returned to shareholders	
• **Dividends &**	
• **share buybacks**	**$2.9 B**

Fourth Quarter 2011 Earnings – 2011 Capital Expenditures

- **Capital expenditures for 2011 were approximately $7.5 billion, of which about $2.6 billion was incurred in 4Q11.**
- ***Higher 4Q11 capital partially reflected the gradual ramp-up of our program during 2011.***
  - ***The increases were mostly at Williston domestically, and Iraq, Oman and Qatar internationally.***
  - ***4Q11 capital also included spending for several midstream projects, such as the Elk Hills gas processing plant, which will drop significantly during 1H12 as these projects are completed.***
- **Total 2011 capital expenditures by segment were 82% in oil and gas, 14% in midstream and the remainder in chemicals.**

Fourth Quarter 2011 Earnings – Net Acquisition Expenditures

- ***Our net acquisition expenditures in the twelve months were $2.2 billion, which are net of proceeds from the sale of our Argentina operations.***

- **The acquisitions included the South Texas purchase, properties in California, the Permian and Williston, and a payment in connection with the signing of the Al Hosn Gas project in Abu Dhabi, which is the gas development of the Shah field.**
  - **This payment was for Oxy's share of development expenditures incurred by the project prior to the date the final agreement was signed.**

Fourth Quarter 2011 Earnings – Shares Outstanding, Debt and ROE & ROCE

Shares Outstanding (mm)	2011	12/31/11
Weighted Average Basic	812.1	
Weighted Average Diluted	812.9	
Basic Shares Outstanding		810.5
Diluted Shares Outstanding		811.3

	12/31/11	12/31/10
Debt/Capital	13%	14%

- ***Our return on equity for 2011 was 19.3% and the return on capital employed was 17.2%.***

Fourth Quarter 2011 Earnings – DD&A, Oil and Gas Operating Costs

- **Oil and Gas DD&A expense was $11.48 per BOE for 2011.**
- ***We expect the Oil and Gas segment DD&A rate to be about $14 per barrel in 2012.***
- ***The total Chemical and Midstream DD&A expense is expected to be about $650 million for 2012.***
- ***We expect operating costs per barrel to be about $13.75 in 2012.***
  - **The 2012 expected costs reflect higher levels of workovers and well maintenance activity.**
  - ***However, significant and substantial product price changes, and changes in activity levels and inflation resulting from product prices, may affect this cost estimate during the course of the year.***

Oxy's Three Main Performance Criteria – Production Growth, Strong Returns & Dividend Growth

- ***We finished a strong year in terms of the three main performance criteria outlined last quarter.***
- ***Our domestic oil and gas production grew by about 12% for 2011 to 428 mboe/d.***
  - **4Q11 domestic production of 449 mboe/d was the highest U.S. total production volume in Oxy's history, reflecting the highest ever quarterly volume for liquids of 310 mb/d and the second highest quarterly volume for gas.**
  - **Total company production increased about 4% for the year.**
- **Our chemical business delivered exceptional results for the year, achieving one of their highest earnings levels ever.**
- ***Our return on equity was 19% for the year and return on capital was 17%.***

Oxy's Three Main Performance Criteria – Production Growth, Strong Returns & Dividend Growth

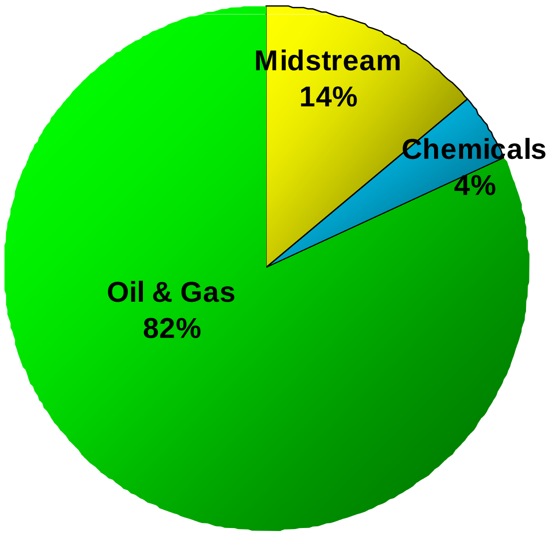
- ***We increased our annual dividends by $0.32 or by 21%, to $1.84 per share.***
- ***We expect to announce a further dividend increase after the meeting of our Board of Directors in the second week of February.***

2012 Capital Program

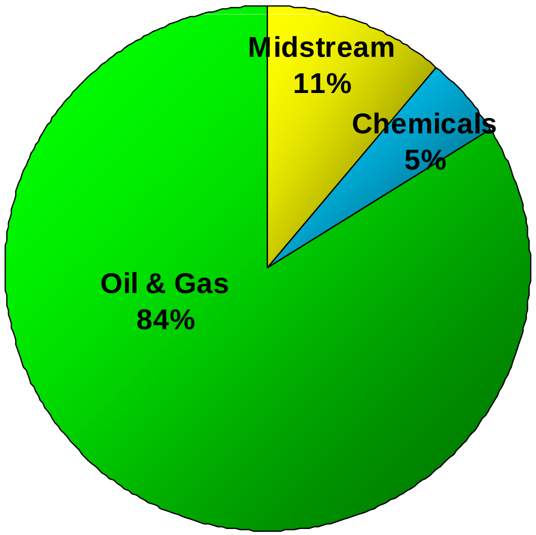
- ***We have ample legitimate opportunities in our domestic oil and gas business where we could deploy capital.***
- ***We have tried to manage the program to a level that is realistic at current price levels, and as a result, have deferred some projects that otherwise would have met our hurdle rates.***
- ***We continue to have substantial inventory of high return projects going forward to fulfill our growth objectives.***

Capital Program – 2012E vs. 2011 Actual

- ***We are increasing our capital program approximately 10% in 2012 to $8.3 billion from the $7.5 billion we spent in 2011.***
- **About $500 million of this increase will be in the US, mainly in the Permian basin, and the rest in international projects including the Al Hosn sour gas project and Iraq.**
- ***We will review our capital program around mid-year and adjust as conditions dictate.***



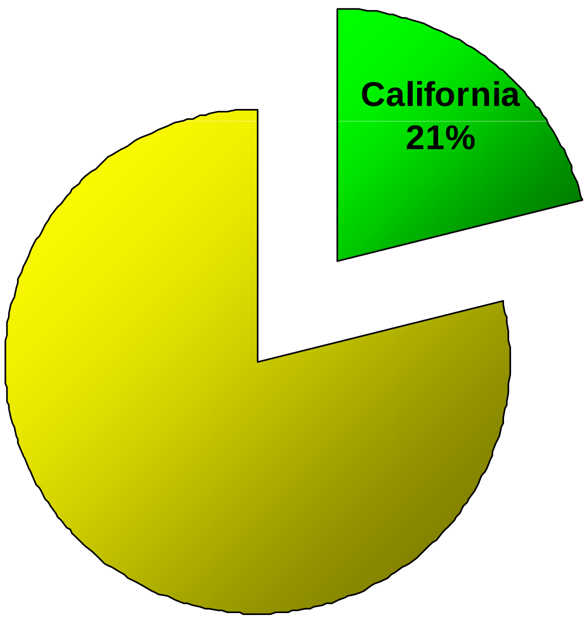
2011A Capital - $7.5 Billion



2012E Capital - $8.3 Billion

2012 Capital Program –
Domestic Oil & Gas and Related Midstream Projects

- **In domestic oil gas and related midstream projects, development capital will be about 55% of our total program.**
- ***In CA, we expect to spend about 21% of our total capital program.***

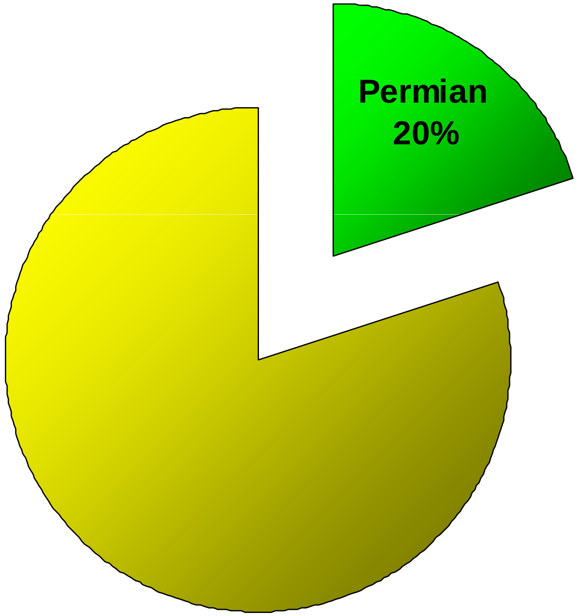


2012E Total Capital - $8.3 Billion

- **We currently expect the rig count to remain constant in 1H12 at 31, the same as what we were running at YE-2011;**
- ***We are seeing improvement with respect to permitting issues in the state;***
- ***We have received approved field rules and new permits for both injection wells and drilling locations;***
- ***The regulatory agency is responsive and committed to working through the backlog of permits;***
- **We expect to maintain our capital program at current levels for about 1H12, which will enable us to continue to grow our production volumes;**
- **We will reassess our capital program when the number of permits in hand allows it.**

2012 Capital Program – Domestic Oil & Gas and Related Midstream Projects

- **In the Permian operations, we expect to spend about 20% of our total capital.**

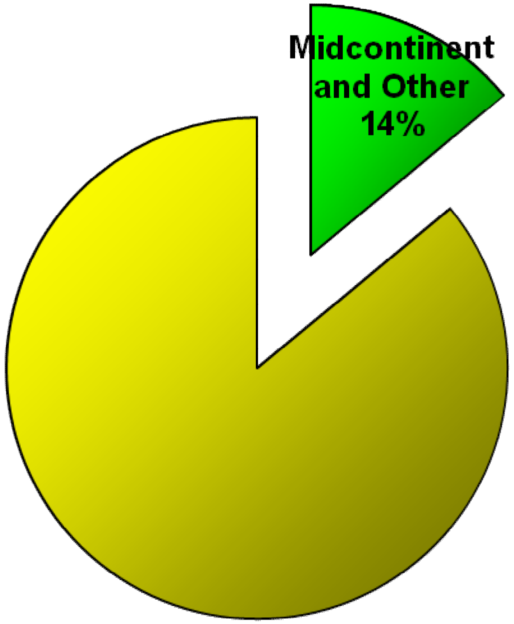


2012E Total Capital - $8.3 Billion

- ***Our rig count at year-end 2011 was 23;***
- ***We expect our rig count to ramp up during the year to around 27 rigs by year end;***
- **Our CO_2 flood capital should remain comparable to the 2011 levels;**
- **In our non-CO_2 operations we are seeing additional opportunities for good return projects;**
- ***As a result, we have stepped up their development program and 2012 capital will be about 75% higher than the 2011 levels.***

2012 Capital Program –
Domestic Oil & Gas and Related Midstream Projects

- **In the Midcontinent and other operations, we expect to spend around 14% of our total capital program.**

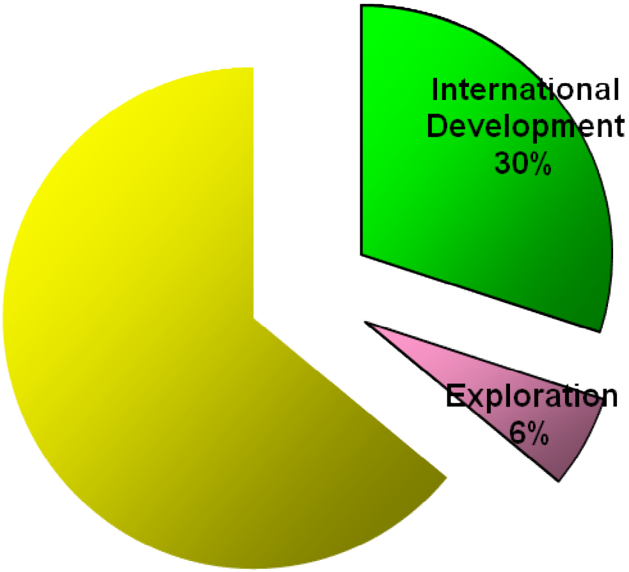


2012E Total Capital - $8.3 Billion

- ***In Williston we increased our acreage in 2011 from 204,000 to 277,000 acres.***
- ***We expect that our rig count will be about 6 by the end of 2012.***
- ***Additional capital that could reasonably be deployed here has been shifted to higher return opportunities in California and the Permian. This may also encourage Bakken well costs to decline.***
- ***Natural gas prices in the U.S. are horrible. As a result, we are cutting back our pure gas drilling in the Midcontinent, South Texas and the Permian.***

2012 Capital Program – International Development and, Exploration Capital

- **Total international development capital will be about 30% of the total company capital program.**
- **Exploration capital should increase about 10% over the 2011 spending levels and represent 6% of the total capital program.**



2012E Total Capital - $8.3 Billion

- ***The Al Hosn Shah gas project will continue to increase spending in 2012 as originally planned, making up about 7% of our total capital program.***
- ***The rest of the international operations capital will be comparable to 2011, with modest increases expected in Iraq and Libya.***
- ***In Iraq, the planned spending level should generate about 11 mb/d of production. Each additional $100 mm spending, incurred evenly during the year, would generate about 2,700 b/d of production at current price levels.***
- ***The focus of the exploration program domestically will continue to be in CA and in the Permian & Williston basins, with additional activity in Oman and Bahrain.***

Fourth Quarter 2011 Earnings – Oil and Gas – 2012 Production Outlook

- **As we look ahead to 2012, we expect oil and gas production to be as follows:**
  - ***In 1H12, we expect our domestic production to grow 3 to 4 mboe/d each month from the current quarterly average of 449 mboe/d, which would correspond to a 6 to 8 mboe/d increase per quarter.***
  - ***4Q11 was relatively free of significant operational disruptions resulting in better than expected domestic production. A more typical experience with respect to such issues could moderate the growth somewhat in 1Q12.***
  - ***If the production growth rate continued at a comparable pace in 2H12, our year-over-year average domestic production growth would be between 8 and 10% in 2012.***
- **Internationally,**
  - ***Colombia production should be about flat for the year compared to 2011. In 1Q12, volumes should be about 3 mboe/d higher than 4Q11, although insurgent activity has picked up recently.***

Fourth Quarter 2011 Earnings – Oil and Gas – 2012 Production Outlook

- **The Middle East region production is expected to be as follows for 1H12:**
  - ***Production has resumed in our operations in Libya, and at this point, we expect about 5 mboe/d production, with further growth to come later in the year. At this point we reasonably expect that total year Libya production will be about half the level that existed prior to the cessation of operations.***
  - ***In Iraq, as I discussed previously, production levels depend on capital spending levels. We are still unable to reliably predict the timing of spending levels, but we expect production to be similar to the past quarter.***
  - ***In Yemen, as we previously disclosed, our Masila block contract expired in December 2011. Our share of the production from Masila was about 11 mboe/d for the full year. Our remaining operations in Yemen typically have higher volumes early in the year due to the timing of cost recovery each year, which will partially offset the loss of Masila barrels in 1H12. As a result, we expect our total Yemen production to drop slightly from 4Q11 levels in 1H12.***
  - ***In the remainder of the Middle East, we expect production to be comparable to 4Q11 volumes.***

Fourth Quarter 2011 Earnings – 1Q12 Outlook – Oil and Gas

- ***At current prices, we expect total 1Q12 sales volumes to be comparable to 4Q11 volumes, depending on the scheduling of liftings.***

- **A $5.00 change in global oil prices would impact our PSC daily volumes by about 3 mboe/d.**

- **We expect exploration expense to be about $100 mm for seismic and drilling for our exploration programs in 1Q12.**

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Fourth Quarter 2011 Earnings – 1Q12 Outlook – Chemicals & Taxes

- ***The chemical segment 1Q12 earnings are expected to be about $165 mm with seasonal demand improvement expected in the second and third quarters.***
  - **We expect that lower natural gas prices and the continuing improvement in the global economy will have a positive impact on our chemical business margins, which is expected to be offset partially by higher ethylene prices.**

- ***We expect our combined worldwide tax rate in 1Q12 to increase to about 40%.***
  - **The increase from 2011 reflects a higher proportional mix of international income with higher tax rates, in particular from Libya.**

Fourth Quarter 2011 Earnings – Summary

- ***To summarize: We closed out 2011 on a solid note, with record high domestic oil and gas production in 4Q11, which was also ahead of our guidance.***
- ***We continued to generate strong financial returns well above our cost of capital.***
- ***We enter this year raising our capital program by about 10% vs. last year in order to prudently pursue our substantial inventory of high return growth projects.***
- ***The business continues to grow and generate free cash flow after capital, which should allow us to consistently grow the dividend at an attractive rate, further boosting the total return to our shareholders.***