

# Fourth Quarter 2009 Earnings Conference Call

January 28, 2010

Oxy





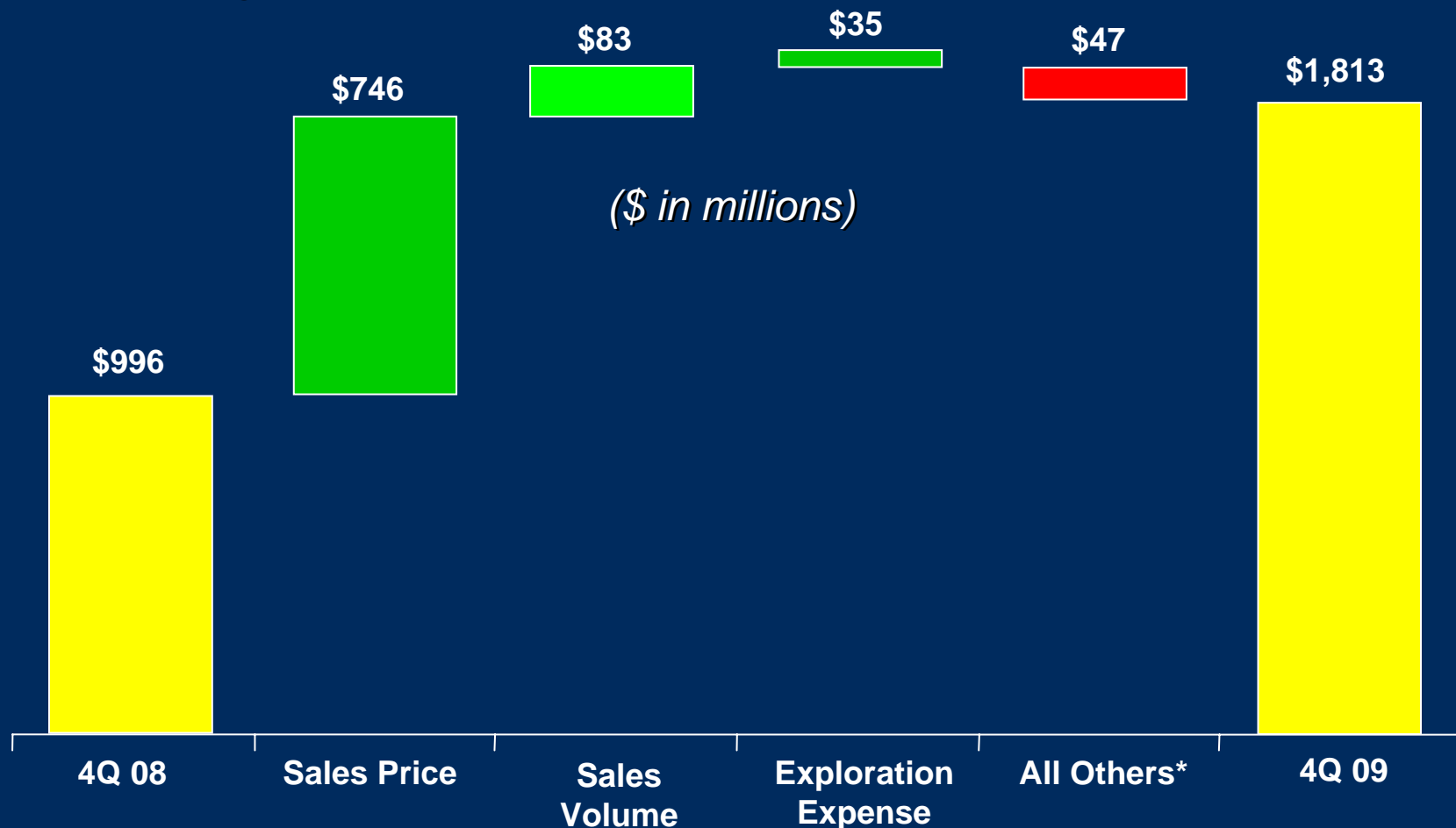
## Fourth Quarter 2009 Earnings – Highlights

- *Core Results - \$1.1 Billion vs. \$957 Million in 4Q08*
  - *Core EPS \$1.30 (diluted) vs. \$1.18 in 4Q08.*
- **Net Income - \$938 Million vs. \$443 Million in 4Q08**
  - EPS \$1.15 (diluted) vs. \$0.55 in 4Q08.
  - 4Q09 net income includes after-tax non-core charges mostly consisting of a \$115 mm impairment of certain Argentine producing properties.



# Fourth Quarter 2009 Earnings – Oil & Gas Segment Variance Analysis – 4Q09 vs. 4Q08

- **Core Results for 4Q09 of \$1.8 B vs. \$1.0 B in 4Q08**
  - The increase was due to higher crude oil prices and sales volumes and lower operating expenses.



\*All Others include: Lower FX gains and higher DD&A rate partially offset by lower operating costs.

# Fourth Quarter 2009 Earnings – Oil & Gas Segment



	<u>4Q09</u>	<u>4Q08</u>
Reported Segment Earnings (\$ mm)	\$1,643	\$339
WTI Oil Price (\$/bbl)	\$76.19	\$58.73
NYMEX Gas Price (\$/mcf)	\$4.29	\$6.97

## *Oxy's Realized Prices*

<i>Worldwide Oil (\$/bbl)</i>	<i>\$69.39</i>	<i>\$53.52</i>
<i>US Natural Gas (\$/mcf)</i>	<i>\$4.37</i>	<i>\$4.67</i>



# Fourth Quarter 2009 Earnings – Oil & Gas Segment – Production

- |  | <u>4Q09</u> | <u>4Q08</u> |
|--|-------------|-------------|
| • Oil and Gas Sales Volumes (mboe/d)   | 650         | 620         |
| – <i>+ 4.8% year-over-year or 30 mboe/d.</i>   |             |             |
| • Year-over-year sales volume increase includes:   |             |             |
| – + 23 mboe/d from Oman and Bahrain;   |             |             |
| – + 6 mboe/d from Argentina, and;  |             |             |
| – + 13 mboe/d from California operations, excluding Long Beach;  |             |             |
| – partially offset by - 7 mboe/d of volumes in the Middle East caused by higher oil prices affecting our PSCs. |             |             |



# Fourth Quarter 2009 Earnings – Oil & Gas Segment – Production

- |  | <u>4Q09</u>                                      | <u>3Q09</u> |
|--|--|-------------|
| • Oil and Gas Sales Volumes (mboe/d)   | 650  | 628         |
| –  | <i>+ 3.5% quarter-over-quarter or 22 mboe/d.</i> |             |
| • Sequential sales volume increase includes:   |  |             |
| – Bahrain production and development activities began on 12/1/09;                                      |  |             |
| – Argentina volumes increased by 8 mboe/d. 3Q09 included a 9 mboe/d loss due to the Santa Cruz strike; |  |             |
| – California volumes, excluding Long Beach, increased by 3 mboe/d;                                     |  |             |
| – Oman volumes increased by 4 mboe/d from the Mukhaizna field.   |  |             |
| • Exploration expense was \$99 million in 4Q09.  |  |             |

# Fourth Quarter 2009 Earnings – Chemical Segment Variance Analysis – 4Q09 vs. 4Q08



- **Core Results for 4Q09 of \$33 mm vs. \$217 mm in 4Q08**
  - Reflects the continued weakness in most domestic markets, but in particular U.S. housing, durable goods and agricultural sectors.

(\$ in millions)

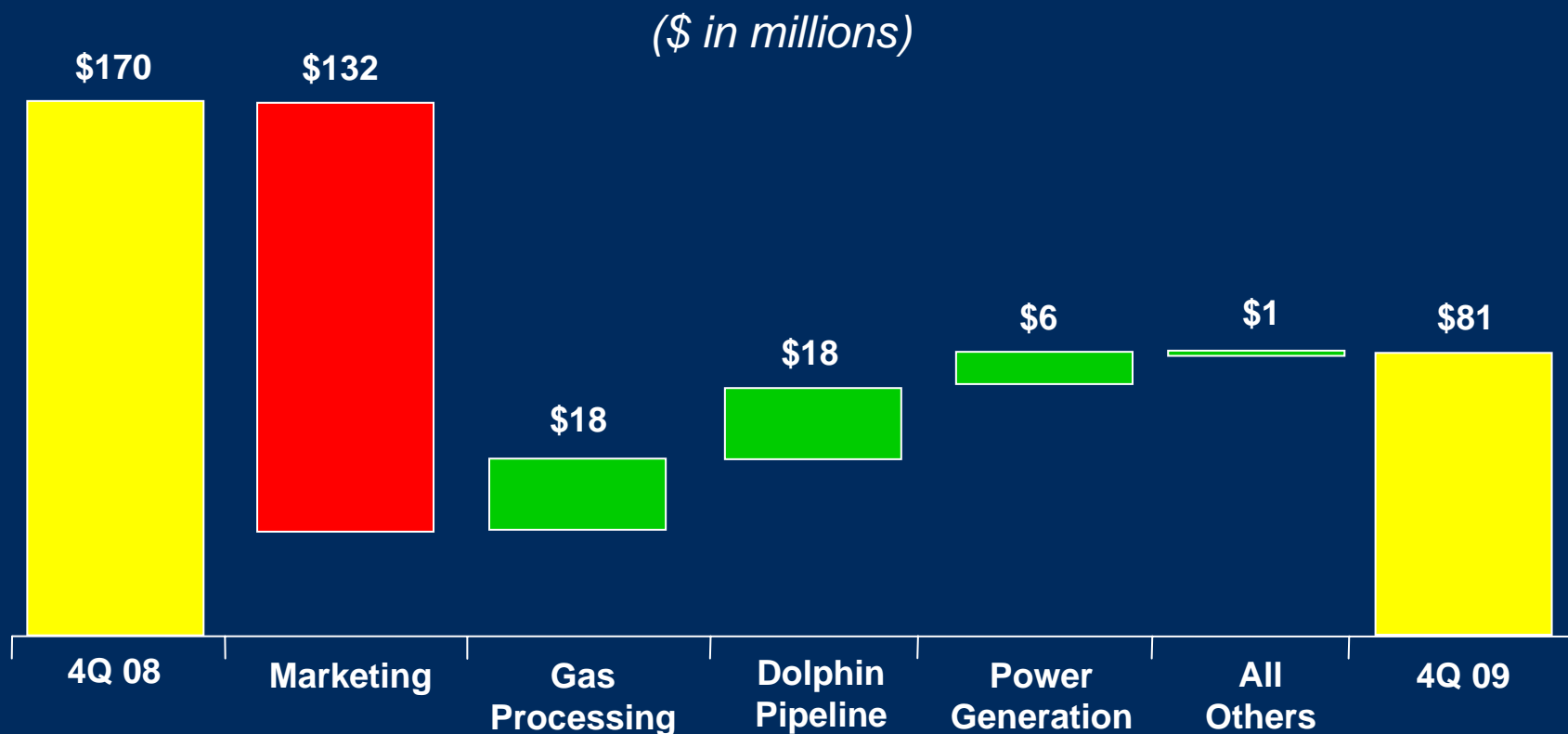


\*Lower energy costs.

# Fourth Quarter 2009 Earnings – Midstream Segment Variance Analysis – 4Q09 vs. 4Q08



- **Core Results for 4Q09 of \$81 mm vs. \$170 mm in 4Q08**
  - The decrease was due to lower year-over-year margins in the marketing business, partially offset by improved NGL margins resulting from lower maintenance expenses, energy costs and property taxes in the gas processing business and higher income from the Dolphin Pipeline.



# Fourth Quarter 2009 Earnings – Full Year 2009 Results

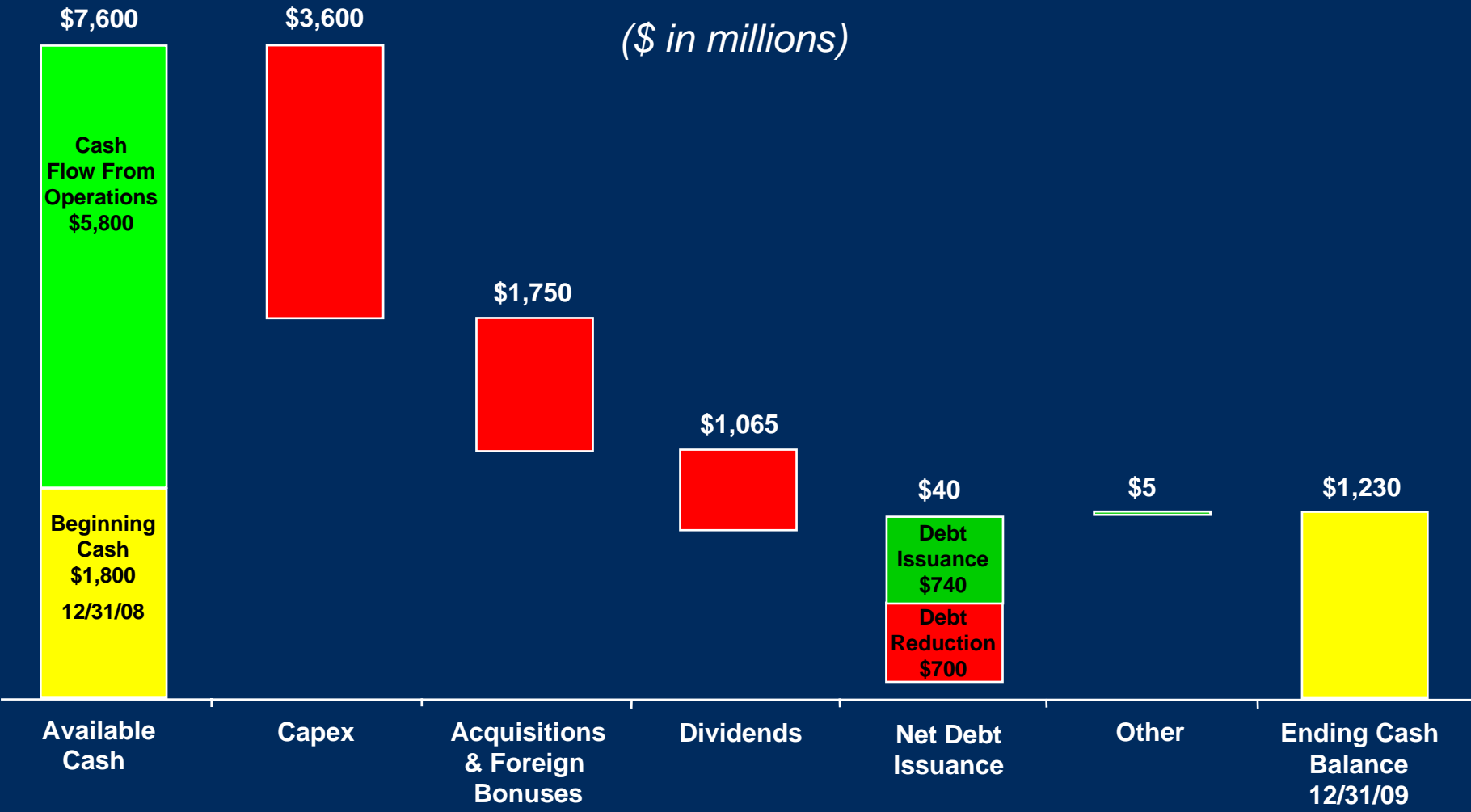


	<u>YTD2009</u>	<u>YTD2008</u>
• Net Income (\$ mm)	\$2,915	\$6,857
EPS (diluted)	\$3.58	\$8.34
• Core Results (\$ mm)	\$3,083	\$7,348
<i>EPS (diluted)</i>	<i>\$3.78</i>	<i>\$8.94</i>
• Oil and Gas Sales Volumes (mboe/d)	645	601
– <i>+7.3% year-over-year</i>		
• Oil and gas cash production costs, excluding production and property taxes, were \$10.37 p/boe for 2009, a 15% decline from 2008 full year costs of \$12.13 p/boe.		
• Taxes – other than on income were \$1.77 p/boe for 2009 compared to \$2.62 p/boe for all of 2008. These costs, which are sensitive to product prices, reflect lower crude oil and gas prices in 2009.		
• Capex for 2009 was \$3.6 billion.		
– Capital expenditures by segment were 79% in Oil and Gas, 6% in Chemical and 15% in Midstream.		
– The Oil and Gas expenditures were 56% in foreign operations and 44% domestically.		



# Fourth Quarter 2009 Earnings – Full Year 2009 Cash Flow

(\$ in millions)





# Fourth Quarter 2009 Earnings – Shares Outstanding, Debt and Returns

Shares Outstanding (mm)	<u>2009</u>	<u>12/31/09</u>
Weighted Average Basic	811.3	
Weighted Average Diluted	813.8	
Basic Shares Outstanding		812.0
Diluted Shares Outstanding		814.4
	<u>2009</u>	
Debt/Capital	9%	
ROE	10.3%	
ROCE	9.6%	



# Fourth Quarter 2009 Earnings – 2010 Reporting Changes

- *Beginning in 2010, we are making three reporting changes which will impact comparability between years.*
- *#1 — Historically, our production volumes have been reported as a mix of pre-tax and after tax volumes while our revenues have reflected only pre-tax sales.*
  - Difference is caused by our PSCs in the Middle East and North Africa where production is immediately taken and sold to pay the local income tax.
  - We have treated this as additional revenues but not additional production.
  - To simplify our reporting and to conform with industry practice, our production and our revenues will now be tied.
  - Beginning this year we will refer to production on this more accurate and consistent basis.
  - All references to growth and volume comparisons will be against these reformatted production volumes.
  - For example, the production from last year will be referred to as 714 mboe/d rather than 645 mboe/d for the year.
  - This change will have no effect on the company's financial statements.



# Fourth Quarter 2009 Earnings – 2010 Reporting Changes

- *#2 — We have combined most of our gas production in the mid-continental regions of the US into a single business unit called Midcontinent Gas.*
  - This was done in order to take advantage of common development methods and production optimization opportunities.
  - This business unit will include:
    - the Hugoton field;
    - the Piceance basin;
    - and the bulk of the Permian basin non-associated gas assets, which had been reported as part of the Permian business unit through the end of 2009.
  - Starting in 2010, these assets will be reported in Midcontinent Gas.
  - As a result, Midcontinent Gas unit's production will be approximately 75% gas and 25% liquids.
  - Permian's production will go from 84% liquids and 16% gas, to 89% liquids and 11%, mostly associated, gas.



# Fourth Quarter 2009 Earnings – 2010 Reporting Changes

- **#3 — Capitalized CO<sub>2</sub>**
  - Oxy's policy regarding tertiary recovery is to capitalize costs, such as CO<sub>2</sub>, when they support development of proved reserves and generally expense these costs when they support current production.
  - In 2009, we capitalized approximately 50% of the CO<sub>2</sub> injected in the Permian basin.
  - As the CO<sub>2</sub> program matures, a larger portion of the injected gas supports current production.
  - Beginning in 2010, we will be expensing 100% of the CO<sub>2</sub> injected, in order to simplify the process of determining the portion that should be capitalized versus expensed.
  - In 2009, \$69 million of CO<sub>2</sub> costs were capitalized.



## Fourth Quarter 2009 Earnings – 1Q10 Outlook

- We expect oil and gas sales volumes to increase from the reformatted 4Q09 amount of 722 mboe/d to about 730 to 740 mboe/d in 1Q10 at about current oil prices.
  - Production increases will come from California, Bahrain and Oman.
- Commodity Price Sensitivity – Earnings
  - At current market prices, a \$1.00 per barrel change in oil prices impacts oil and gas quarterly earnings before income taxes by about \$36 mm;
  - A swing of \$0.50 per mm BTU in domestic gas prices has a \$24 mm impact on quarterly earnings before income taxes;
- We expect 1Q10 exploration expense to be about \$75 mm for seismic and drilling for our exploration programs.



## Fourth Quarter 2009 Earnings – 1Q10 Outlook

- For the Chemical segment:
  - The international markets remain solid;
  - In the U.S., we have a competitive advantage against foreign products; however, the housing and construction markets remain weak, which will limit improvement in sales volumes and margins.
  - Chemical earnings for 1Q10 are expected to be in the range of \$30 mm to \$50 mm.
- We expect our combined worldwide tax rate in 1Q10 to be in the range of 42 to 43 percent depending on the split between domestic and foreign sourced income.



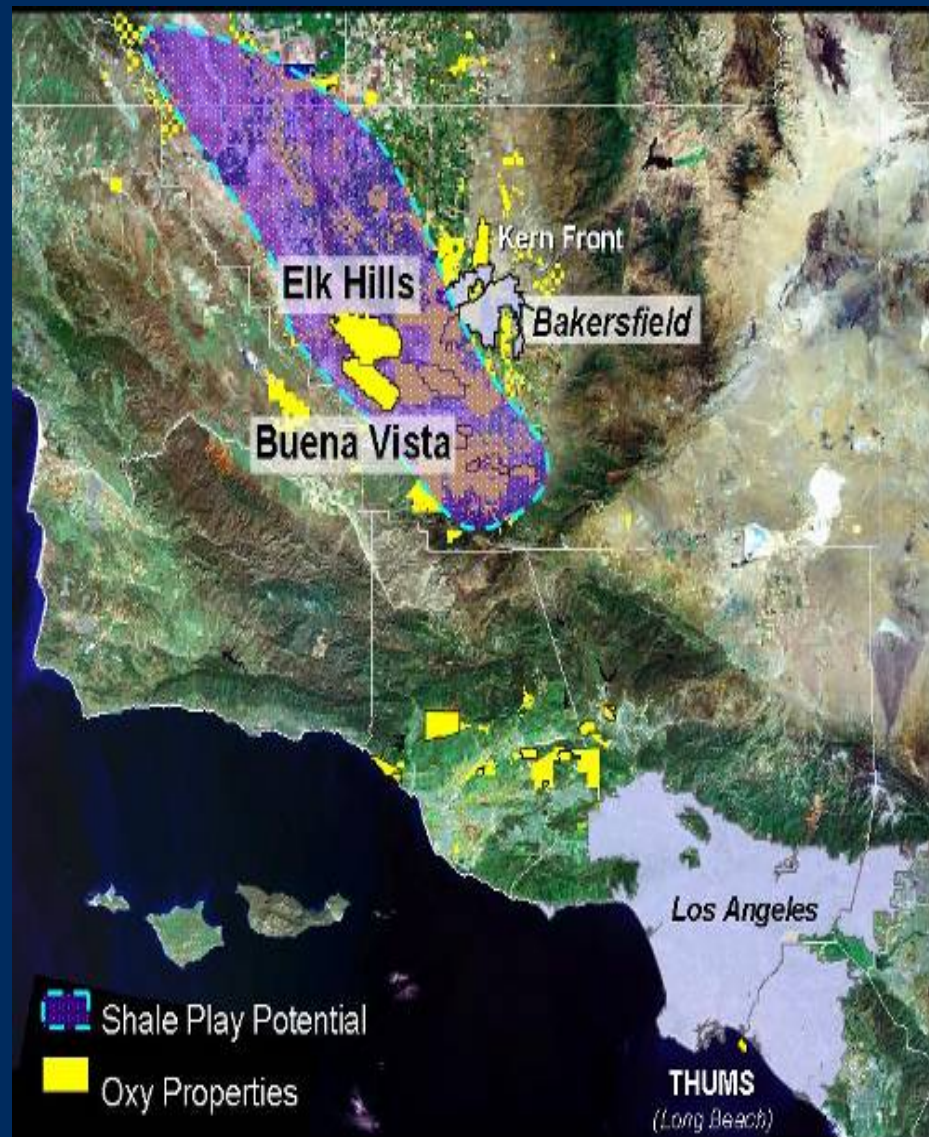
## Fourth Quarter 2009 Earnings – 2010 Capital Spending and DD&A

- We expect capital spending for the total year of 2010 to be about \$4.3 billion.
  - Our capital program will continue to focus on ensuring that our returns remain well above our cost of capital.
  - The additional capital from 2009's \$3.6 billion level will be allocated to the Oil and Gas segment.
  - Of this increase:
    - about a quarter each will go to California and Iraq;
    - about 15% to Bahrain and 10% to Midcontinent Gas.
  - As a result, the capital allocation will be approximately 82% in Oil and Gas with the remainder being spent in Midstream and Chemical.
- Our Oil and Gas DD&A expense for 2010 should be approximately \$10.75 p/boe.
- Depreciation for the other two segments should be approximately \$450 million.



# Fourth Quarter 2009 Earnings – California Exploration

- *Excluding the Kern County discovery:*
  - Over the course of a couple of years, we have drilled 39 exploration wells seeking non-traditional hydrocarbon bearing zones in California.
  - Of these wells, 12 are commercial and 10 are currently being evaluated;
  - Oxy holds 1.3 mm acres of net fee minerals and leasehold in CA, which have been acquired in the last few years to exploit these opportunities. Discoveries similar to the Kern County discovery are possible in this net acre position.
  - Additionally, we continue to pursue shale production which is expected to produce oil on this acreage.



# Fourth Quarter 2009 Earnings – California Exploration – Kern County Discovery



## KERN COUNTY DISCOVERY AREA

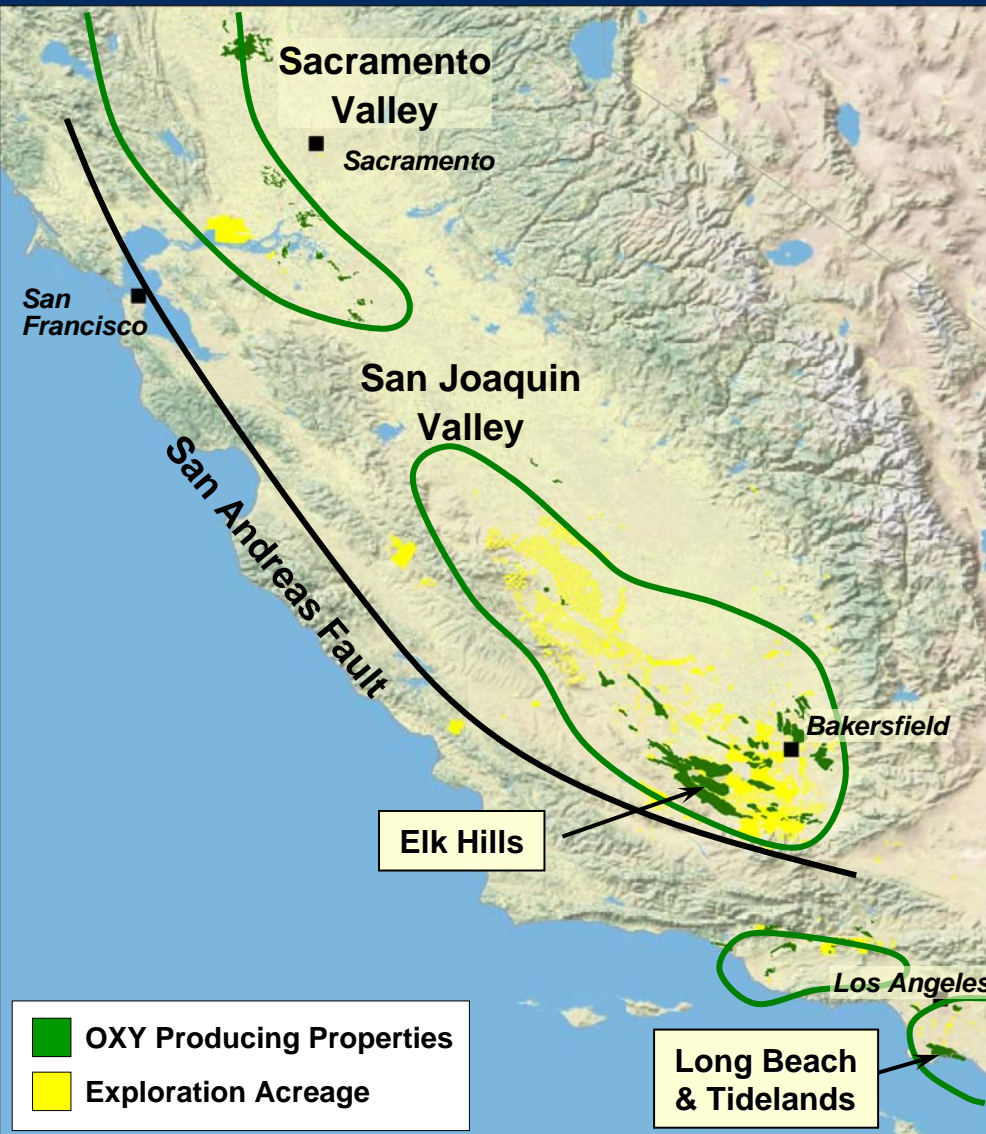
The discovery, which is near Elk Hills, is not below any producing zones.

	<u>4Q09</u>	<u>3Q09</u>	<u>2Q09</u>	<u>1Q09</u>
Gross Production*				
– Natural Gas (mmcf/d)	145	105	74	28
– Liquids (mb/d)	<u>7.5</u>	<u>8.5</u>	<u>5</u>	<u>3</u>
– Total mboe/d	<u>31.7</u>	<u>26.0</u>	<u>17.3</u>	<u>7.7</u>
Number of producing wells*	15	10	6	4

\*Production and producing wells as of each of the quarterly earnings disclosure dates.



# Fourth Quarter 2009 Earnings – California Exploration – Kern County Discovery



- Cumulative gross production since the start of production through 12/31/09 has been 19.4 bcf of gas and 1.5 mm barrels of liquids;
- We expect to drill 8 wells in the first half of 2010 focusing on oil drilling and exploring the limits of the field;
- We also expect to add skid mounted gas processing facilities by 2Q10;
- We expect to add to our gas production once these facilities are installed.

