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Q4 2021 Occidental Petroleum Corp Earnings Call

EVENT DATE/TIME: FEBRUARY 25, 2022 / 6:00PM GMT

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PRESENTATION

Operator

Good afternoon, and welcome to Occidental's Fourth Quarter 2021 Earnings Conference Call. (Operator Instructions) Please note that this event is being recorded.

I would now like to turn the conference over to Jeff Alvarez, Vice President of Investor Relations. Please go ahead.

Jeff Alvarez ***Occidental Petroleum Corporation - VP of IR***

Thank you, Rocco. Good afternoon, everyone, and thank you for participating in Occidental's Fourth Quarter 2021 Conference Call. On the call with us today are Vicki Hollub, President and Chief Executive Officer; Rob Peterson, Senior Vice President and Chief Financial Officer; Ken Dillon, President, International Oil and Gas Operations; and Richard Jackson, President, Operations, U.S. Onshore Resources and Carbon Management.

This afternoon, we will refer to slides available on the Investors section of our website. The presentation includes a cautionary statement on Slide 2 regarding forward-looking statements that will be made on the call this afternoon.

I'll now turn the call over to Vicki. Vicki, please go ahead.

Vicki Hollub ***Occidental Petroleum Corporation - President, CEO & Director***

Thank you, Jeff, and good afternoon, everyone. The fourth quarter of 2021 was a fitting way to end the year where Oxy's operational and financial performance advanced from strong to stronger.

Our focus on consistently delivering outstanding operational results, combined with our steadfast dedication and patience in improving our balance sheet, has positioned us to begin increasing the amount of capital returned to shareholders. Our new shareholder return framework, which we will detail today, includes a dividend that is sustainable in a low-price environment. We are pleased to implement this new framework, beginning with an increase in the quarterly common dividend to $0.13 per share.

The position of strength that we are in today stems from our team's hard work and accomplishments last year. Throughout 2021, we strived tirelessly to improve our already exceptional operational performance. We capitalized on efficiency improvements by embedding innovative techniques across our operations. Our focus on learning, implementing change, where needed, and maximizing opportunities for improvement enabled us to accelerate time to market for our products while generating notable capital savings. We will continue to maximize operational efficiencies in 2022 by executing on the capital plan that invest in our highest-return assets to generate long-term sustainable free cash flow.

This afternoon, I will begin by covering our fourth quarter and full year 2021 highlights and achievements, before detailing our 2022

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capital budget. Rob and I will then discuss our shareholder return framework, and Rob will provide guidance for the first quarter and year ahead. Before turning to Q&A at the end, I will provide a preview of the Low Carbon Ventures Investor Update that we have planned for next month.

Now to talk about delivering cash flow priorities. Those who have followed us, Oxy's journey, over the past several quarters know that our cash flow priorities have centered around de-risking our balance sheet and reducing debt. We diligently delivered on these cash flow priorities throughout 2021, including the repayment of approximately $6.7 billion of debt. We now expect that our net debt will be below $25 billion by the end of the first quarter of 2022, which will mark a change in how excess cash flow will be allocated going forward.

Before I detail our updated cash flow priorities and shareholder return framework, I would like to first touch on a few of the many operational and financial successes that enabled us to reach this significant turning point.

2021 was a year of continuous operational improvements, which drove record free cash flow generation, rapid debt reduction, and a return to profitability. One of Oxy's core strengths is our ability to develop assets in a way that efficiently maximizes production and recovery while generating significant cash flow, and that is just what we did in 2021. Multiple drilling and completion records were set across our domestic and international businesses as our production for the year averaged 1.167 million BOE per day. That's 27,000 BOE per day higher than our initial guidance.

2021 was also a more conventional year in terms of commodity prices, operations, and planning, all of which was helpful in providing a reserve update that reflects a more normalized price environment. Our reserves for year-end 2021 increased to 3.5 billion BOE, representing a reserve replacement ratio of 241%. Our reserves position means that we have a vast supply of low-breakeven projects and inventory available. We have included updated inventory information for our U.S. onshore operations in the appendix to this presentation.

Over the last year, we significantly advanced our commitments toward a low-carbon future. We are proud to be one of only a few oil and gas companies with net-zero goals that are aligned with the Paris Agreement's 1.5 degree Celsius pathway. In December, Oxy became the first U.S. upstream oil and gas company to enter into a sustainability-linked revolving credit facility, which includes absolute reductions in our combined Scopes 1 and 2 CO_2 equivalent emissions as the key performance indicator.

We set additional interim emission targets to further refine our net-zero pathway, including a short-term target to reduce our CO_2 equivalent emissions to approximately 3.7 million metric tons per year below our 2021 level and to accomplish that by 2024. We set a medium-term target to facilitate the geologic storage or use of 25 million metric tons per year of CO_2 in Oxy's value chain by 2032.

We also endorsed the Methane Guiding Principles and Oil and Gas Methane Partnership 2.0, a climate and clean air coalition initiative led by the United Nations Environment Programme. This is consistent with our commitment to enhance methane emissions reporting and reducing those emissions.

Our journey towards net zero is underway, and we look forward to discussing in greater detail at our Low Carbon Ventures Investor Day next month.

Now the fourth quarter highlights. The strong operational and financial performance that we delivered throughout last year continued in the fourth quarter. We set a fourth consecutive record for quarterly free cash flow generation before working capital, which contributed to generating our highest-ever annual level of free cash flow in 2021. We continue to apply free cash flow towards reducing debt and strengthening our balance sheet, repaying an additional $2.2 billion of debt in the fourth quarter.

Operationally, all 3 business segments excelled in driving our robust financial performance. OxyChem delivered record earnings for the second consecutive quarter as performance throughout the year culminated in 2021 being OxyChem's strongest in over 30 years. The fourth quarter, which is typically lower due to seasonality, even exceeded the record third quarter.

And in our oil and gas segment, our Permian, Rockies, and Oman teams set new operational records and efficiency benchmarks in the

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fourth quarter, further improving on their third quarter records.

Our Midstream business outperformed by maximizing gas margins during the fourth quarter. While short-term opportunities in the commodity markets are difficult to predict, our Midstream team excels at finding and taking full advantage of such opportunities when they arise.

Now I'm pleased to say that our fourth quarter results continued to demonstrate the commitment of all of our employees, no matter their position or location, to find ways to further create value by lowering costs, improving efficiencies, and maximizing recoveries. They truly are driving our strong financial results and providing a solid foundation for free cash flow generation.

Now on to 2021 oil and gas operational excellence. On each of our last several calls, I've enjoyed highlighting the many operational achievements our teams continuously deliver. The magnitude of these achievements is striking when viewed on a combined basis over the last year. We established record drilling cycle times in the Gulf of Mexico, the Permian, Rockies, and in Oman, and set new efficiency benchmarks across our portfolio in 2021. We intend to maintain our focus on continuous improvement in the year ahead as we work to maximize the value our portfolio can generate for shareholders.

Now our 2022 capital plan. Our 2022 capital plan invests in cash flow longevity while building on the capital intensity leadership we demonstrated in 2021. We have sized our capital plan to sustain production in 2022 at 1.155 million BOE per day while investing in high-return projects that will provide cash flow stability throughout the cycle. We have also incorporated an expectation for inflation and a capital range to reflect the potential for fluctuations in our third-party operated assets and our low carbon opportunities during the year.

Our sustaining capital, which we define as the capital required to sustain production in the $40 WTI environment over a multi-year period, remains industry-leading. Our multi-year sustaining capital is expected to increase from our 2021 capital budget of $2.9 billion due to the reduced inventory of drilling uncompleted wells, and additional investment in our Gulf of Mexico and EOR assets to optimize the long-term productivity of our reservoirs and facilities. If the macro environment requires spending below our multi-year sustaining capital, we have the ability to reduce it further and hold production flat for shorter periods of time, as we've demonstrated.

We're also investing in attractive mid-cycle projects that will provide cash flow stability through the cycle in future years. For example, these projects include the Al Hosn expansion, which began last year. And OxyChem is in the process of completing a FEED study to modernize certain Gulf Coast chlor-alkali assets from diaphragm to membrane technology.

Our capital plan also includes investments to advance our net zero pathway, including reducing emissions, improving energy efficiency, and developing our carbon sequestration initiative. We're allocating capital in the budget to 1PointFive to begin construction on the first direct air capture facility.

We continue to make progress on both the engineering and commercial needs for direct air capture development. We're improving both of these aspects and believe Oxy's capital helps retain value for our shareholders. As the construction phase and technology of this new project advance, we will continue to consider strategic capital partnerships and structures to address financing. We'll provide more comprehensive update on 1PointFive and direct air capture at our March 23 LCV Investor Update.

We benefited greatly from commodity price rebound last year and appreciate how swiftly the price environment can change. The optionality that our scale and asset base provide enables us to retain a high degree of flexibility in our capital and spending plans. The majority of our capital program is comprised of short-cycle investments, meaning that we have the ability to quickly adapt to changes in the macro environment.

Within 6 months or less, if necessary, we can reduce capital spending to sustaining levels. And if oil prices remain supportive this year, our intent is to follow our cash flow priorities and capital framework that we will share with you today. We have no need and no intent to invest in production growth this year.

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Having a flexible capital budget that includes investment and cash flow longevity puts us in a strong position to implement shareholder return framework that will benefit shareholders over the long term. With respect to cash flow priorities, our priorities for 2022 remain largely unchanged, with a continuing emphasis on reducing debt while maintaining our asset base integrity and sustainability.

The objective of strengthening our financial position remains the same; to enable us to confidently increase the amount of capital that we may sustainably return to shareholders throughout the cycle. As we expect net debt to fall below $25 billion by the end of the first quarter, our focus has expanded to returning capital to shareholders, beginning with the increase in our common dividend to $0.13 per share and the reactivation and expansion of our share repurchase program. The increase in the dividend to $0.13 per share is consistent with our intention to initially increase the dividend to a level that approximates the yield of the S&P 500.

We believe establishing framework for returning capital to shareholders through a sustainable common dividend, combined with an active share repurchase program, and continued debt reduction, creates an attractive value proposition for shareholders while also improving the company's long-term financial position.

For the first phase of our shareholder return framework initiated, we have the option in future years to invest in cash flow growth. We have the ability to grow oil and gas cash flow through higher production, but also have multiple investment opportunities across our other businesses. As evidenced by our guidance for 2022, we do not intend to grow production in 2022. At the point where it is appropriate to invest in future cash flow growth, we will only do so if supported by long-term demand. Any future production growth will be limited to an average annual rate of approximately 5%.

I'll now turn the call over to Rob, who will walk you through our shareholder return framework.

Rob Peterson ***Occidental Petroleum Corporation - Senior VP & CFO***

Thank you, Vicki, and good afternoon. As Vicki mentioned, the first phase of our shareholder return framework consists of continued debt reduction, an increase in the common dividend to $0.13 per share, and the reactivation and expansion of our share repurchase program.

With net debt expected to be below $25 billion by the end of the first quarter, we are ready to begin returning more capital to shareholders, but we'll continue to prioritize debt reduction to focus on our medium-term goal of regaining our investment-grade credit ratings. We place high importance on debt reduction for the reasons I highlighted last quarter, mainly that as debt is reduced, our company's enterprise value will rebalance to the benefit of our shareholders.

We recognize that oil prices are uncertain and may remain volatile, particularly in the current environment. We intend to prioritize the retirement of an additional $5 billion of debt to drive our net debt towards our next milestone of $20 billion. When this milestone is achieved, our balance sheet will have improved significantly even from where we are today.

We intend to provide our shareholders with a competitive common dividend while maintaining a long-cycle cash flow breakeven at $40 WTI or less. The long-term sustainability of our dividend will be enhanced by continued deleveraging and share repurchases as well as our best-in-class capital efficiency and a deep low-cost portfolio of assets. As debt is retired, our cash interest payments will decrease, freeing up cash that can be used to support future common dividend growth.

In addition to increasing the common dividend to $0.13 per share, we intend to purchase approximately $3 billion of outstanding shares of common stock. Maintaining an active share repurchase program with the benefit of a healthy balance sheet will potentially enable us to grow the dividend on a per share basis at a faster rate.

As evidenced by our progress reducing debt last year, debt retirement remains a higher cash flow priority than the share repurchase program. We intend to make substantial progress towards retiring an additional $5 billion of debt before initiating share repurchases.

It is our goal to reward shareholders with the triple benefit of a sustainable common benefit, an active share repurchase program, and a continuously strengthening financial position. We believe the shareholder return framework we have detailed this afternoon delivers these benefits in a manner that is transparent for shareholders.

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I'll now turn to our fourth quarter results. In the fourth quarter, we announced an adjusted profit of $1.48 and a reported profit of $1.37 per diluted share. Our adjusted income improved significantly through 2021, with the fourth quarter being the strongest quarter of the year. The increase in earnings was primarily driven by higher commodity prices and volumes as well as OxyChem's excellent financial performance.

Our domestic oil and gas expenses experienced a sizable reduction on a BOE basis from the previous quarter and reflected a more normalized environment absent any significant weather disruptions. The strong performance of our businesses, combined with the benefit of a healthy commodity price, enabled us to deliver another consecutive quarter of record free cash flow.

On our third quarter call, we announced the completion of our large-scale divestiture program, but reiterated our intention to continue seeking opportunities to optimize our portfolio to create shareholder value. In November, we completed a bolt-on acquisition to increase our working interest in EOR assets that we operate. And in January 2022, we divested a small package of Permian acreage that we had no immediate plans to develop. The purchase and sale prices of these transactions largely offset each other, while the EOR acquisition added approximately 5,000 BOE per day of low-decline production as well as increasing our inventory of potential CCUS opportunity.

We exited the fourth quarter with approximately $2.8 billion of unrestricted cash on the balance sheet after repaying approximately $2.2 billion of debt in the quarter. In total, last year, we paid approximately $6.7 billion of debt and retired $750 million of notional interest rate swaps. Our debt reduction continues to drive a pronounced improvement in our credit profile. Since our last call, both Fitch and S&P upgraded our credit ratings to BB+, 1 notch below investment grade, while Moody's assigned us a positive outlook on our debt.

Reducing the amount of cash that is committed to interest payments today places us in a stronger position for a sustainable return of capital in the future. We estimate that the balance sheet improvements executed in 2021 will reduce interest and financing costs by almost $250 million per year going forward, which will fund approximately half of the increase in our common dividend.

Our business incurred a negative working capital change in the fourth quarter. It was primarily driven by higher accounts receivable balance due to higher commodity prices and, to a lesser extent, an increase in inventories including a higher number of barrels on the water at year-end.

The oil and gas hedges we had in place rolled off at the end of the fourth quarter, and we are now positioned to take full advantage of the current commodity price environment. We recognize the possibility of a swift change in commodity prices always exists.

The debt maturity profile we have today is far more manageable than it was two years ago, and our liquidity profile remains robust. In addition to cash on hand, we have $4.4 billion of committed unutilized bank facilities. We continue to believe that reducing debt and maintaining maximum flexibility in our capital plans is the most effective long-term solution to managing risk while providing shareholders with the benefits of commodity price gains.

We expect our full year production to average 1.155 million BOE per day in 2022. Production in the first quarter of 2022 is expected to be lower than the fourth quarter of 2021 due to the timing impact of wells that are brought online in 2021, severe winter weather in the Permian earlier this month, and the impact of significant planned international turnaround activities this quarter. Algeria, Al Hosn, and Dolphin are all undergoing scheduled maintenance in the first quarter, which is reflected in our international production guidance.

The downtime associated with Al Hosn is notably larger than typical years as the plant is undergoing the first full shut-down since its inception to substantially complete the tie-ins associated with the expansion project, and to enhance plant sustainability and reliability. Additionally, a portion of our international production is subject to production-sharing contracts, where we typically receive fewer barrels in a higher-price environment, the impact of which is captured in our full year and first quarter guidance.

The Permian activity we added late in the fourth quarter is expected to replace the production benefit we received in 2021 from completing our DJ Basin inventory of drilled, uncompleted wells in the early part of last year. Our 2022 Permian capital allocation is expected to provide benefits that will last into 2023.

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We anticipate that our activity this year will provide us the flexibility to either hold Permian production flat at our 2022 exit rate for similar capital next year, or spend less capital in 2023 to hold production relatively flat to our 2022 average. We also expect that our production in 2022 will increase throughout the year to achieve our full year guidance as our international operations will resume their normal production levels and our activity in the Permian brings new production online.

Additionally, the trajectory of our Permian production is anticipated to offset lower production in the Rockies this year as our activity in the DJ Basin is tapered, reflecting development planning timing to ensure efficient operations as new permits are obtained. Partially offsetting lower Rockies production with higher Permian production, combined with an increase in EOR activity, will result in a slightly higher domestic operating expense as the DJ Basin has one of the lowest operating costs on a BOE basis in our portfolio. The increase in Permian production is expected to result in domestic cash margins improving in 2022 as the company-wide oil cut increases to approximately 54.5%.

The mid-cycle level of capital we intend to spend this year provides flexibility to sustain production in 2023 and beyond at our multi-year sustaining capital level of $3.2 billion in a $40 price environment.

We expect that OxyChem's 2022 earnings will exceed even 2021. OxyChem continues to benefit from continued demand improvement for caustic soda, while PVC pricing remains strong. Additionally, as I mentioned on our last call, we expect chlorine markets to remain tight as chlor-alkali producers seek the highest value for their products. OxyChem's integration across multiple chlorine derivatives enables us to optimize our production mix to supply the products the market requires, whether this is for chlorine for water treatment, vinyls, or PVC for example.

This year, we will make an incremental capital investment as we complete a FEED study for the modernization of certain Gulf Coast chlor-alkali assets from diaphragm to membrane technology. Modernizing these assets would result in a material energy efficiency improvement, which will also lower the carbon intensity per ton of the product produced and delivered. The project would also provide the opportunity for a significant expansion of our existing capacity to meet growing demand for our key products. We expect to reach final investment decision later this year, at which time, we will be prepared to share additional details.

To assist investors to reconcile our guidance with our segment earnings, we have made a change in how we guide Midstream going forward. Our Midstream guidance now includes income from WES, which is a change to how we've guided Midstream previously. Quarterly guidance now includes Oxy's portion of WES income using the average of the previous four publicly available quarters. Our annual guidance now includes Oxy's portion of WES income using the sum of the previous four publicly available quarters.

As we look to the year ahead, we will work to continue to improve on the numerous operational and financial successes of 2021, including making additional inroads on reducing debt, implementing our shareholder return framework, and advancing our low-carbon aspirations.

I'll now turn the call back over to Vicki.

Vicki Hollub ***Occidental Petroleum Corporation - President, CEO & Director***

Thank you, Rob. When we established Low Carbon Ventures in 2018, we knew we were ahead of the curve in recognizing the opportunity and necessity of building a carbon management business, both to help reduce global emissions and to enhance our business. At that time, we were focused on key technologies and projects that would reduce Oxy's emissions and provide a more sustainable future business.

Today, we have advanced that vision and fully appreciate the vast scope of the carbon management opportunity as well as the cross-industry support and partnership in front of us. On past earnings calls, we had discussed several of the initiatives Low Carbon Ventures is developing and Oxy's ambition to achieve net zero before 2050. We've been working on key technology developments and important commercial needs to advance LCV's projects that are now in a position to more fully detail our low carbon business and how it positions us to realize our net-zero ambition and improve our long-term business.

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On March 23, we will host a Low Carbon Ventures Investor Update, where we will provide a detailed update on our low-carbon strategy, with a focus on the technology and commercial development of carbon-capture projects, specifically direct air capture. The event, which we expect may last up to 2.5 hours, will be accessible through our website.

As I've said before, we are excited about our unique position and capabilities as a company. We value our broader low-carbon and business partnerships that are growing, and our workforce is energized to advance this immense opportunity before us.

We'll now open the call for your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Today's first question comes from Jeanine Wai with Barclays.

Jeanine Wai ***Barclays Bank PLC, Research Division - Research Analyst***

Our first question is on the gross debt reduction. We're assuming that the $5 billion that you're planning on getting through, that can be executed through tenders. And so just any idea on what the timing of that could look like for you to complete that, given what you've seen in the market.

And do you need to get through the full $5 billion of tenders before you begin the buybacks? We were looking back at your prior tender, and you almost got the whole thing done, but that was only about $1.5 billion.

Rob Peterson ***Occidental Petroleum Corporation - Senior VP & CFO***

Yes. Good question, Jeanine. And so I guess, first, let me comment on the tender that we did at the end in December. We were pretty aggressive on the premiums we've put in that tender because we knew we had an additional $700 million of callable debt available to us at the time. And so we were pretty happy with the ultimate outcome that came out of that.

As we moved forward since then, we have a lot of opportunities to reduce the debt. Last year, we were able to reduce, of the $6.7 billion of debt we did last year, we only paid a 1.5% premium for that. And within that, $4.7 billion of that was actually concentrated in maturities that were 2024 or newer.

And so when I look at the opportunities to retire debt this year, as we indicated, we already retired the remaining in January the last of our 2022 maturities, for $101 million, already this quarter.

So we do have tenders, make-whole provisions. We have the ability to build cash on a net debt basis as maturities come forward. We do have the option to settle the February '23 notes, which is the bulk of our 2023 maturities, come callable in November. But overall, when I look at our debt, it is actually even cheaper than it was at the end of the year, largely because as interest rates have risen in the perspective of interest rates rising again.

And so certainly, the next dollar we put forward will be towards debt reduction. And with the cash we ended the year at and the cash we're adding during the quarter, it's pretty safe to say that's probably not too far in the future that we initiate that process again. We don't need to have all of that completed before we initiate the share purchase program, but we need it to be substantially completed or have line-of-sight on it being completed before we begin repurchasing shares.

Jeanine Wai ***Barclays Bank PLC, Research Division - Research Analyst***

Okay. Great. That's really helpful information. Maybe just going forward a little bit beyond that on your future cash flow priorities. Oxy has got a real high-class problem. Assuming oil prices stay anywhere close to where they are today, you'll be building a significant amount of cash on the balance sheet over the next few years even after you do the $5 billion of debt reduction and the $3 billion of buybacks.

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So I guess, have you started to assess the next steps in capital allocation after hitting your debt goals and the buyback? And I guess specifically, do you have any thoughts on potentially trying to tackle the preferreds early and doing that versus either other debt reduction or production growth? And just how you're thinking about the preferreds.

Rob Peterson ***Occidental Petroleum Corporation - Senior VP & CFO***

So we have discussed previously provisions with regards to the Berkshire agreement related to shareholder return, enabling us to begin redemption of the Berkshire to $4 per share common dividend to our shareholders. Assuming we repurchased $3 billion of shares in a 12-month period and then you combine that with $0.52 of dividend payments over 4 consecutive quarters, we still won't have distributed enough to reach a $4 per share distribution trigger. It would be about $3.72 at that point.

But I want to say, the Berkshire common provision isn't a limit on our ability to return value to shareholders. It simply means, if the circumstance arrives and the macro puts us in a place where we have exceeded $4 per share on a trailing 12-month basis, we would just be in a position where we have to redeem an equal portion of Berkshire at a 10% premium as we return to shareholders above and beyond that.

And so as we sit here today in February, agreeing that, yes, there's a lot of potential for elevated oil prices over an extended period of time to create a constructive macro for going beyond our debt focus. But it's a little too early, I think, to speculate on what we would do at that point in time.

Operator

Our next question today comes from Phil Gresh at JPMorgan.

Phil Gresh ***JPMorgan Chase & Co, Research Division - Senior Equity Research Analyst***

Yes, I guess just a follow up on that question around the net debt, the $20 billion next step, so to speak. What is the ultimate goal with the balance sheet? Is it $10 billion to $15 billion? I mean, how do you think about that today?

Rob Peterson ***Occidental Petroleum Corporation - Senior VP & CFO***

^ Yes, Bill. I think we've already seen in notes published from the various rating agencies that their expectations would be investment grade is somewhere in the mid- to high teens. And so I think getting to that point -- getting to a level at some point, that is, in that $15 billion or less net debt is an ultimate goal for the company.

That would put us in a place -- there -- it also depends sort of on their long-term price horizon. If you take their $60, getting down to a net of $20 billion puts us close to a 2 multiple at that point, depending on EBITDA going on a year in year out basis. So we know we've got to do a little further than that in order to get consideration for investment grade.

Phil Gresh ***JPMorgan Chase & Co, Research Division - Senior Equity Research Analyst***

Okay. That makes a lot of sense. And then, Rob, you made a comment just about the Permian exit rate in '22 and into 2023. And I was just wondering, where do you stand in terms of the CapEx carry with the EcoPetrol JV? Is there any spending in 2022 that kind of moves into the full 50-50 split? Or is that a 2023 event? I'm just curious, based on your comments you're making, how you incorporated how that could flip to the 50-50 and when?

Rob Peterson ***Occidental Petroleum Corporation - Senior VP & CFO***

Based on the activity level we have planned for this year, we would probably consume the balance of the carry this year, but we don't anticipate really flipping in 2022.

Operator

And our next question today comes from Doug Leggate with Bank of America.

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Doug Leggate ***BofA Securities, Research Division - MD and Head of US Oil & Gas Equity Research***

Rob or Vicki, I wonder if I could follow-up first on the buyback just so I understand it correctly. So $3 billion, is that an annual number that, depending on when you start the buyback, would you still expect to execute the full $3 billion in 2022? Irrespective of when you hit, you get that line-of-sight, which I'm guessing is a matter of months.

And I guess related, you're kind of front-running yourself a little bit. And one could argue, taking the stock is heavily discounted because of your capital structure, why not consider something like an ASR?

Rob Peterson ***Occidental Petroleum Corporation - Senior VP & CFO***

So Doug, I think the first way I'd answer part of your question is the -- once we begin to initiate the share repurchases, it will be done both in an open-market repurchase basis when the market is open; and when it's closed, through a 10b5 type programmatic program.

The stock, as you know, is extremely liquid. I mean, we can easily purchase $1 billion of shares in less than 14 trading days without -- I mean, close to 15% of the average daily trading volume. So that's a pretty safe way that, over a fairly short period of time, if we wanted to, we could accomplish $3 billion goal.

But that goal, certainly be dictated by our free cash flow generation. That's largely related to the commodity prices. And it's -- we're in an environment right now where we've -- the hedges have rolled off, we're giving our shareholders full exposure to commodity prices, which we think over the cycle of the commodities, will deliver the most value to the company and ultimately the most value to shareholders.

But along with that, we realized that the macro can change for a lot of different risk factors that can cause prices to go unconstructive for us in a rapid fashion also. And so we can't find ourselves in a position where maybe we'd tackled the stock ahead of time, and the price environment changed for whatever reason, and we haven't addressed the debt first.

And that's part of the reason why we understand that, over the long -- over the course of the year, we may end up paying more for the stock to retire it. But in aligning risks and opportunities for shareholders, we think the approach are taking the most prudent way to do it.

Doug Leggate ***BofA Securities, Research Division - MD and Head of US Oil & Gas Equity Research***

Okay. So just to be clear, so if you started the buy back in May, you'd still expect to get $3 billion done this year? That's just for clarity, that's not my follow-up.

Rob Peterson ***Occidental Petroleum Corporation - Senior VP & CFO***

Well, the timeline is going to be dependent upon the availability of cash, Doug. That's what's going to be the driver of it. But in terms of ability to execute, with the liquidity of the stock, a timeframe of being we complete it in the second half of the year, even if we didn't initiate until the second half of the year, would not be a challenge.

Doug Leggate ***BofA Securities, Research Division - MD and Head of US Oil & Gas Equity Research***

Okay. My follow-up is a resource question. Vicki, I'm guessing this was deliberate, but you've given -- you've kind of laid out the inventory depth for the onshore portfolio, looks at the current rate, something around 15 years, assuming not a lot of growth. What about the Gulf of Mexico and the rest of the portfolio? Can you give us a kind of an update as to how you see the resource depth or sustainability that goes along with the sustaining capital number that you gave us?

Vicki Hollub ***Occidental Petroleum Corporation - President, CEO & Director***

Yes. I'll let Ken answer that. He's got his team actually working on that in view of some of the challenges we've had with the recent lease sale. Actually, we have a great news story on that.

Ken Dillon ***Occidental Petroleum Corporation - Senior VP and President of International Oil & Gas Operations***

Doug, in terms of Gulf of Mexico, we recently completed our field architecture studies. As you know, we have a 179 blocks, wherein 90 of those are tagged as exploration. When we look at the risk portfolio and the opportunities we have, we have substantial work, hundreds of millions of risk barrels, opportunities going forward.

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We have a solid assembly line of projects. We've got 3 projects in flight at the moment. Caesar Tonga expansion, Horn Mountain expansion, K2 subsea pumping.

And the recent -- as Vicki alluded to, our recent lease round attempt, our goal there was to try and obtain acreage close by our existing infrastructure to accelerate simple tiebacks. But that doesn't inhibit us. We have a large portfolio, and we feel comfortable going forward within the plans that have been presented in the slides.

Operator

Our next question today comes from Neil Mehta with Goldman Sachs.

Neil Mehta ***Goldman Sachs Group, Inc., Research Division - VP and Integrated Oil & Refining Analyst***

So the first question is on the production profile. Vicki, you had made the comment, as you think about the long term, you want to see growth somewhere between 0% and 5%. Is that sort of -- why is -- how do you think about the long-term profile? And based on the way you've you view normal, that's a big range. Where do you see yourselves planning in the context of that range?

Vicki Hollub ***Occidental Petroleum Corporation - President, CEO & Director***

Well, it really depends on the projects. And what we always do is we try to design our capital programs to deliver the best returns. And so it's always -- as we develop our areas, it's always with that in mind and to build the facilities that require a pace of development that delivers the maximum return.

So we could have lumpy -- a little bit lumpy growth going out. The Gulf of Mexico is a little bit lumpy. In the shale play, depending on whether you're starting a new area or not, it would be a little bit lumpy. But certainly, our capital intensity, we believe, is going to continue over time to be the best in the industry. And the development that we'll have, and whether or not we're at 0% or 5%, will depend on how the program lays out to maximize returns.

So we have, as you see, inventory onshore, inventory in the Gulf of Mexico. We have as well some international projects that could add value. And as I mentioned in my script, we do have in our chemicals business opportunities to grow there. And so the efficiencies and opportunities that we see really will depend on how we can piece it together to deliver the best possible return.

Neil Mehta ***Goldman Sachs Group, Inc., Research Division - VP and Integrated Oil & Refining Analyst***

Certainly an evolving situation. Let me ask you about chemicals, Vicki, because the '22 guide was stronger than what we anticipated. I think a lot of investors expected chemicals to be sequentially lower. Just talk about some of the moving pieces that allows for some profitability to improve year-over-year. And what are the biggest risks to actually achieving the guide?

Rob Peterson ***Occidental Petroleum Corporation - Senior VP & CFO***

Yes, Neil, I'll take the one on chemicals. And so what I'd point to first, I know you understand the business well, is obviously, if you look at Slide 39 in the deck, the 2 business profit drivers in the business are the PVC business or the vinyls business and the caustic soda business. And both of those did materially improve throughout 2021. And when we have favorable conditions in both, the impact to earnings is pretty significant.

And so what you're seeing is -- first, let me just say that where the market is at right now, as the PVC business is still quite tight, very tight supply/demand balance. We think operating rates for the industry were in 80%, 81% in January. Demand was slightly higher in January of '22 relative to January '21, less than 1%, but a little bit better. Producers are attempting to build inventory in PVC right now in advance of outages that are scheduled, but you've got this situation where they're already at low inventories and the pull from the construction sector remains strong. And so you've got attempts to grow inventories while demand is still quite strong.

We expect demand to remain strong in the PVC business throughout 2022. There's a very favorable housing-starts outlook. Mortgage rates obviously remain pretty low, and the remodeling sector also remains very attractive.

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And so you can look at the export side of the business. So in January, there's only about 250 million pounds of export, which is about 30% less than '21. That's reflective of the lack of product available right now.

And so we certainly see -- you're not going to have an opportunity for inventory to really replenish itself and exports to even return until probably the latter part of the second quarter when resin supply might be normalized in the wake of outages, assuming there's no unplanned outages over that period.

And then in case of the chlor-alkali side, we're seeing a very tight supply/demand market, largely because of production challenges. Operating rates, we think, in the industry are going to be somewhere in the low 80s for the first quarter. There's a lot of planned outages scheduled between now and May of '22, but there's been a significant number of unplanned outages still in the industry impacting product availability.

And on the chlorine side, we think we'll see growth at least 3% to 4% this year. Again, all the sector markets are strong with the similar markets to the PVC that draw on the chlor-alkali side of the business. We think that will be also supplemented by there's improving travel and then business spending, return to office will drive pulp and paper usage for caustic soda, et cetera. So a lot of things that we think are going to be positive on that.

And on the international side of the caustic business, certainly rising natural gas prices and availability in Europe and Asia will have already impacted operating rates or chlor-vinyl producers overseas, which is driving up values to that.

And so the biggest change year-over-year and why I think there's maybe a surprise because conditions were so remarkable in 2021. And why would we be guiding to something higher than that?

Is that if you go back and look at the beginning of the year, caustic soda at the beginning of 2021 was still coming out of the really low values at the post-COVID drop in 2020. PVC has recovered very quickly on the construction side, but caustic was dragging its way up a little by a little out of the lows experienced during 2020. And so caustic prices improved sequentially quarter after quarter throughout 2021, which is why you'll see the earnings for the segment in the fourth quarter was -- typically, the first and fourth are the shoulder quarters and the strong ones are the midyear, Q2, Q3. But you had almost doubled the earnings in the chemicals segment in the fourth quarter compared to the first quarter.

And so we're coming in with so much more momentum, which is why our guide for Q1 is so strong for the chemical business. And so it's not that we're predicting those conditions persist all the way through the entire year, we're just going to start from a higher point. How long that these conditions persist will impact whether that guidance actually could increase over the balance of the year potentially, if it holds on longer than we're anticipating. We do anticipate that things, as I said, will start to normalize maybe the middle part of the year.

Operator

And our next question today comes from Matt Portillo with TPH.

Matthew Portillo ***Tudor, Pickering, Holt & Co. Securities, LLC, Research Division - MD of Exploration and Production Research***

Just the first question on the DJ Basin. You mentioned in the prepared remarks some timing around permits. Just curious if you could provide some context on the permitting process as it stands today. And is this a good level of development to think about for next year? Or should we expect a rebound in the DJ in 2023 as it relates to drilling?

Richard Jackson ***Occidental Petroleum Corporation - SVP***

Matt, this is Richard. I'll take that one for us. So with respect to the permits in the DJ, really have had good progress over the last years is how I would describe it. Just looking at some of the permits in hand, we've had about 46 wells permitted, which takes us through really past half the year.

And so what we've really put in place is optionality in our program. So you dig into sort of our onshore plan for this year, we have plans to pick up a second rig in the year. And really, that's based on confidence with where we're going with our permits.

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So as you know, last year, some changes in terms of the process happened. And so we've been meaningfully engaged over the last year, importantly, at the stakeholder level and communities and then now with the state. But we've seen in our own pads approved as well as other operators. And I think the feedback that we've received, and we continue to work on together, is continuing to improve technology and things that we know that can really place us in a good place for development.

So I guess, in short, we're optimistic. We've got a rig plan to come in, in the second half of the year, but have optionality within the program to be able to adjust as needed.

Matthew Portillo ***Tudor, Pickering, Holt & Co. Securities, LLC, Research Division - MD of Exploration and Production Research***

Perfect. And maybe a follow-up on the marketing side. I know as an organization, you guys have been very thoughtful about this process through the cycle. The basin, it looks like there's possibly some solutions on the horizon for incremental gas takeaway. And just curious how you all might be thinking about potentially adding to your takeaway portfolio from a gas marketing perspective.

And then maybe dovetailing into that. On the crude oil side, could you just remind us when some of those contracts start to roll over? And if there's any tailwinds to the financials kind of moving forward over the next few years around crude oil marketing.

Vicki Hollub ***Occidental Petroleum Corporation - President, CEO & Director***

Yes. Matt, we really have enough gas capacity, and as much as we feel like we need at this point and with respect to our growth profile. And for the oil side of it, the contracts start rolling off in 2025 for the oil part of the contracts. So we have plenty of capacity. At that time, I think it will take probably a couple of years to get us down to the point where all the contracts roll off.

Operator

Our next question today comes from Neal Dingmann at Truist Securities.

Neal Dingmann ***Truist Securities, Inc., Research Division - MD***

Vicki, my first question maybe for you. You mentioned just a couple of minutes ago here that you thought you maybe would ramp the chemicals. And obviously, as a finance guy, that just continues to be. I know when I saw Rob in December, and it just continues to get better and better.

I guess my question is, as a financial guy, how much can you grow that? And would that grow in conjunction with your low carbon mission? I know you talked about that in the past. I'm just wondering how much could you push that business, given it just continues to hit the ball out of the part on that one?

Vicki Hollub ***Occidental Petroleum Corporation - President, CEO & Director***

I think we'll talk about that a little bit more as we talk about the project and the capital that we're executing to convert our diaphragm to membranes, because that's going to improve some efficiency in the areas where we're doing that conversion. So we'll actually be able to increase our capacity. And we'll outline that and detail that a little more in the next earnings call. Because right now, we're currently in the process of doing the FEED study on that.

For today, with respect to other opportunities, we will continue to consider incoming calls about potential partnerships, where it makes sense, to do projects with either customers or more from the perspective of supporting Low Carbon Ventures.

We try to be opportunistic in chemicals and not build without certainly the demand for the product. And so on the Low Carbon Ventures side, we're, as we go through this, finding opportunities where there are synergies and growing synergies between the chemicals business and the low carbon business. So it will have some growth around that.

Neal Dingmann ***Truist Securities, Inc., Research Division - MD***

No, that's great to hear. And then just the second. You talked just a minute also about the DJ. And my thought is it sounds like some of the Perm production is due to replace DJ this year. Is that going to be the case going forward? And is that because you're talking about --

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I know Richard talked about permitting is all in shape. I'm just wondering, what's sort of the reason or rationale for why not just grow both of these? I mean, I'm looking at that...

Vicki Hollub ***Occidental Petroleum Corporation - President, CEO & Director***

Yes. It just -- it really just depends on the permitting process because we do have really good inventory in the DJ Basin as well. And as we go forward and we work out the process, if we get ahead on the permitting, we would consider adding a rig or 2 to the DJ as well.

Operator

Our next question today comes from David Deckelbaum at Cowen.

David Deckelbaum ***Cowen and Company, LLC, Research Division - MD and Senior Analys***

Thanks for all the details today, Vicki and team, and congrats on the visibility to $20 billion of debt. I wanted to ask just on the sustaining capital. There were lots of in and out, particularly around the Gulf of Mexico and the EOR catch up, some normalization of Rockies DUCs.

I guess, when we think about that delta between the $2.8 billion or $2.9 billion that you guys had talked about last year, kind of in the $400 million increment this year, how do we think about that sustaining capital level progressing into the out years now? Does it have some upwards pressure on it because of catch ups? Or should we look at this as a catch-up year, and that should moderate, potentially decline, along with base declines moderating?

Richard Jackson ***Occidental Petroleum Corporation - SVP***

Maybe we'll start with onshore and speak to that a little bit. I think you've got it right. I think if you look over the last couple of years and what's happened, certainly, 2020 had a significant reset for us in terms of activity levels. And so preserving cash investment at that point and really dropped activity levels almost completely.

And so coming on the back half and into 2021, we had things like the DUCs in the DJ that allowed us that ability to add production and maximize cash flow for 2021 with a lot less capital investment. And so what happened last year was really, as we think about the transition, it went from transitioning from DUCs as we restored activity, really to drilling and completion, which is a much more steady-state pipeline for our production delivery.

And so the way that played out was really, at the end of the fourth quarter, beginning of the first quarter, we were able to pick up our drilling in frac cores to sustain the production for this year, which did a couple of things.

One, it was good because as we head into inflationary period, we were able to gain activity and create that stability within our capital program. But what it does is it did create a bit of a lump that we have most of our wells online really starting late in the first quarter, and then you hit more steady state in the second and third quarter. And so as that projects into the end of the year and into 2023, you can tell from our first quarter guidance to total year, that we do have an increase of production.

But those type events as well as restoring activity, really from a cash investment perspective and EOR, adding low-decline production barrels, really gives us a much more sustainable production level across the cycle. And so I think we're restoring, as you said, a much more normal steady-state activity level and a much more robust or sustainable free cash flow capability.

Vicki Hollub ***Occidental Petroleum Corporation - President, CEO & Director***

I think, considering the rest of the portfolio, we don't see a lot of upward pressure for the $3.2 billion as a whole.

Jeff Alvarez ***Occidental Petroleum Corporation - VP of IR***

And David, just to add to your point, I mean, on top of what Richard and Vicki just went through, I mean, from a decline standpoint, as you know, we improved the base decline from 25% 2 years ago to 22% last year. And it's the same this year, it's at 22% as well. But given the things Richard said, that gives potential to flatten that out of it in the future.

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David Deckelbaum ***Cowen and Company, LLC, Research Division - MD and Senior Analys***

I appreciate all the color on that. And if I could just ask a quick follow-up. Just the -- so I'm understanding, there was $400 million, I think, that was attributed to the difference to the low end versus the high end of capital guide, which I think you talked about Low Carbon Ventures spend that would be potential and OBO. I guess for the Low Carbon Ventures spend, would that just be accelerating some projects? Or is it the contingency for things that you're considering doing but aren't sure if you want to pursue at this point? I guess how do we think about that sort of allowance that's built in to the difference in the low and the high end?

Richard Jackson ***Occidental Petroleum Corporation - SVP***

Yes. This is Richard again. I think you've got it right from the standpoint of really the LCV capital's certainly focused meaningfully on our direct air capture plant 1. So there is a project time line associated with that, where engineering is going great. The commercial aspects of the project continue to be supportive. And so there's a little bit of uncertainty there, but that component, we'll have more visibility and be able to talk more about even with you next month.

In addition to that, what's happened is really beyond strong engineering progress, we continue to have good commercial support, whether that's global policy recognition for carbon capture or even direct air capture in particular, or even with strategic net-zero businesses. And so these things support commerciality.

And so what's happened is we do see additional opportunities for direct air capture. For example, we had an opportunity in Canada to look at, with a developer, direct air capture with air-to-fuels. And so a bit of that money is, as these projects become more opportunistic, we would allocate some feasibility capital to be able to look at these other type projects.

The final piece is really our CCUS. And you've probably seen some pieces around projects that we're involved with. And so those continue moving beyond into commercial development. And so we have some capital associated to continue those. But that, again, be able to share more in March around that, but look forward to these projects advancing meaningfully this year.

Operator

And ladies and gentlemen, our final question today comes from Raphaël DuBois with Societe General.

Raphaël DuBois ***Societe Generale Cross Asset Research - Equity Analyst***

The first one is related to your EOR business. Could you maybe tell us a bit more how production in this division has trended since you stopped reporting it as a single entity? And also, I was wondering if the extra CapEx you will throw at this business is solely to stop decline, or whether you intend to restart growing this business as well.

Richard Jackson ***Occidental Petroleum Corporation - SVP***

Maybe I'll start with the EOR just a little bit. As we think about the last couple of years, I'd say the opportunity in front of us really to address any decline that we've seen is really -- and this comes to our OpEx, when we talk about that, that's really restoration of maintenance and specifically downhole maintenance. And so the ability to allocate some of that cash investment to restore down production is some of the best cash investment we have. It's very high-return even at mid-cycle prices.

And so we expect to be able to -- and have added some well service rigs, to add up to 6,000 barrels a day by year-end. And that really restores the normal backlog and maintenance schedule that we had really going back to 2019. So that's the most meaningful change in terms of the EOR business that we're approaching this year.

Raphaël DuBois ***Societe Generale Cross Asset Research - Equity Analyst***

Excellent. And my follow-up will be actually on Algeria. I see that you're going to have some activity there in 2022. I was wondering if you could tell us a bit more what you have in store for the for this part of the world, knowing that we in Europe are going to need much more gas from other suppliers. And it will be great if you had some projects, some gas projects in Algeria, for instance.

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Ken Dillon ***Occidental Petroleum Corporation - Senior VP and President of International Oil & Gas Operations***

It's Ken here. First of all, I'd say the operations team had a great year last year and achieved a 50,000 barrel a day milestone. On the contract side, we spent the time optimizing the future development plans that you're sort of alluding to. And we worked through the legal framework around the new hydrocarbon law, which is designed to encourage foreign investment in the country.

This year, we'll drill 4 wells. There'll be 2 injectors, 2 producers. And we've now started negotiations with Sonatrach and we're in early stages. As a large American company with state-of-the-art shale capabilities. We think we have a lot to offer the country going forward. And hopefully, that helps in Europe also. And we'll keep you updated on our progress at the next call.

Operator

Thank you. And ladies and gentlemen, this concludes our question-and-answer session. I'd like to turn the conference back over to Vicki Hollub for any closing remarks.

Vicki Hollub ***Occidental Petroleum Corporation - President, CEO & Director***

Thank you all for your questions and for joining our call today.

Operator

Thank you, ma'am. This concludes today's conference call. We thank you all for attending today's presentation. You may now disconnect your lines and have a wonderful day.

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