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OXY.N - Q4 2025 Occidental Petroleum Corp Earnings Call

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OVERVIEW:

Company Summary

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PRESENTATION

Operator

Good afternoon, and welcome to Occidental's fourth quarter 2025 earnings conference call. (Operator Instructions) Please note this event is being recorded.

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

Jordan Tanner - *Occidental Petroleum Corp - Vice President, Investor Relations*

Thank you, Drew. Good afternoon, everyone, and thank you for participating in Occidental's fourth quarter 2025 earnings conference call. On the call with us today are Vicki Hollub, President and Chief Executive Officer; Sunil Matthew, Senior Vice President and Chief Financial Officer; Richard Jackson, Senior Vice President and Chief Operating Officer; and Ken Dillon, Senior Vice President and President, International Oil and Gas Operations.

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. We'll also reference a few non-GAAP financial measures today. Reconciliations to the nearest corresponding GAAP measure can be found in the schedules to our earnings release and on our website.

I'll now turn the call over to Vicki.

Vicki Hollub - *Occidental Petroleum Corp - President and Chief Executive Officer*

Thank you, Jordan, and good afternoon, everyone. 2025 was an exceptional year for Oxy, made possible by the focus, discipline and commitment of our people. Our teams worked safely, executed consistently and delivered outstanding operational performance all while driving meaningful cost reductions and efficiency improvements and increasing our financial flexibility.

We took decisive actions to strengthen the company and position Oxy for long-term value creation. The sale of OxyChem made possible by the quality of our portfolio was a deliberate step to strengthen our balance sheet and enable us to deliver greater value from our high-return oil and gas assets. As a result, the portfolio we have today is the strongest Oxy has ever had.

Built around high-margin, lower-decline and long-lasting conventional assets, we developed a world-class unconventional portfolio and achieved the technical excellence to maximize and expand its value. Now with our operational excellence and our differentiated enhanced oil recovery expertise we are perfectly positioned to drive sustainable free cash flow growth and deliver long-term value to our shareholders for decades to come.

This afternoon, I will walk through our 2025 financial and operational performance, the actions we took to strengthen Oxy, and our priorities and capital plans for 2026. Richard will then cover our operations in more detail, and Sunil will review our fourth quarter results and outlook for the year ahead.

Starting with our financial performance. 2025 demonstrated the resilience of our business. Even with oil prices down around 14% from 2024, we generated \$4.3 billion in free cash flow before working capital. On a normalized basis and excluding OxyChem, we increased cash flow from operations by 27% year-over-year. This improvement came from exceptional execution in multiple areas, including reduced operating costs, increased capital efficiency and strong production performance.

Debt reduction continued to remain a top priority in 2025. We repaid \$4 billion in debt from multiple sources, and with the completion of OxyChem sale earlier this year, our principal debt now stands at \$15 billion, about \$3 billion lower than before the CrownRock acquisition.

Just this morning, we announced a tender offer that is expected to further reduce principal debt to \$14.3 billion, reaching the target we set when we announced the OxyChem transaction. This progress reflects disciplined capital allocation and a sustained focus on strengthening the balance sheet. It gives us the flexibility to invest in our best opportunities and continue delivering value to our shareholders.

Now I'll discuss our operational achievements. Operational execution was a clear differentiator for us in 2025. We set a new annual production record of 1.4 million barrels of oil equivalent per day, exceeding the high end of our guidance while spending \$300 million less in oil and gas capital than originally planned. We reduced annual operating expenses by \$275 million and achieved our lowest lease operating expense per barrel of oil equivalent since 2021.

Reserves replacement remains critical to the sustainability of our business. Every year, we strive to add at least as many reserves as we produce. This is getting tougher across the industry, but once again, our teams delivered. In 2025, we achieved a 107% organic reserves replacement ratio and a 98% all-in reserves replacement ratio at a finding and development cost below our DD&A rate. Including the 2.5 billion barrels of resource we shared last quarter, our total resource base now stands at 16.5 billion barrels of oil equivalent, providing more than 30 years of low-cost opportunity. Importantly, 84% of our total resource base breaks even below \$50 per barrel. Our leadership in enhanced oil recovery and advanced recovery techniques continues to extend resource life and improved capital efficiency. Midstream also delivered strong results with adjusted pre-tax income surpassing the midpoint of guidance by more than \$500 million, driven by gas marketing optimization in the Permian and higher sulfur prices at Al Hosn. More importantly, our employees achieved record safety performance across our global operations in 2025.

In the fourth quarter, we launched our Remote Operations Command Center in the Gulf of America, which complements our Rockies and Permian remote operations command centers. These utilize advanced AI and remote monitoring and have further enhanced our safety, reliability and operational efficiency.

In 2025, our strategic actions improved our balance sheet and showcased our team's innovation and operational expertise. With the sale of OxyChem, our 10-year journey to build the best and most diverse oil and gas portfolio is complete, yielding a larger, higher-quality resource base, now at 16.5 billion BOE, up from 8 billion BOE in 2015, and increasing production from 668,000 BOE per day in 2015 to 1.43 million barrels of oil equivalent per day this year.

U.S. assets now provide 83% of our production compared to 50% in 2015, while our international assets remain high quality and high performing with upside potential. Our mix of conventional and unconventional assets provides a complementary balance that offers investment flexibility and downside production through the cycles.

We no longer require transformative acquisitions. Instead, our teams are focused on what they do best and that is execution, including cost reduction, capital efficiency and well performance, resulting in higher production, better margins and greater financial flexibility. I'm confident that our teams will continue to innovate in all these areas into the future.

While we are pleased with this pivotal achievement, we are not yet satisfied. There's still more work to be done. So looking ahead, our priorities for 2026 will build on the progress we made last year. First, we plan to maintain our production base through safe, reliable operations because safety and operational excellence are foundational to everything we do. Second, delivering a sustainable and growing dividend remains central to our strategy, including the 8% increase to our quarterly dividend announced yesterday. Third, we will continue to strengthen our financial position and remain opportunistic in terms of share repurchases and further net debt reductions.

Our value proposition is rooted in investing in high-return oil and gas projects that generate strong cash flow today, while advancing mid-cycle projects to reduce sustaining capital requirements over time. We're also progressing integrated technologies in CO₂, power and midstream to drive resource recovery and long-term value. Bringing STRATOS online this year is an important step in this strategy.

Turning to our capital plan. We're entering 2026 from a position of strength. We expect capital spending to range from \$5.5 billion to \$5.9 billion, representing a \$550 million reduction from 2025, excluding OxyChem. This reflects a leaner, more efficient Oxy and continued capital discipline. Even with lower spend, we expect production to average approximately 1.45 million barrels of oil equivalent per day. Approximately 70% of our oil and gas capital will be directed to our U.S. Onshore portfolio, providing flexibility to respond to commodity price improvements, while maximizing near-term cash flow.

I'll now turn the call over to Richard to discuss operations in more detail.

Richard Jackson - Occidental Petroleum Corp - Senior Vice President and Chief Operating Officer

Okay. Thank you, Vicki. 2025 was a standout year for Oxy, and I'm proud to share the progress we've made across our operations.

Last year, our focus on cost efficiency and well performance continue to deliver positive results. As Vicki noted, our teams delivered record annual production of 1.434 million BOE per day production while reducing total spending by \$575 million, including a 7% beat in domestic operating expenses. In U.S. Onshore, our new well capital costs were down 15% compared to 2024 with Permian unconventional costs down 16% and the Rockies down 13%.

These new well cost improvements are part of our ongoing track record of oil and gas cost efficiencies. Since 2023, we've achieved approximately \$2 billion in annual oil and gas cost savings across our capital and operating expense categories.

At the same time, last year across all U.S. Onshore basins, our new wells performed more than 10% better than the industry, measured on a six-month cumulative oil per foot basis. We also achieved record production from Al Hosn and record uptimes in Algeria, Gulf of America, Al Hosn and our U.S. Onshore EOR facilities, adding strong base production delivery to our production beat.

I want to recognize our teams for the relentless drive to improve cost efficiency and performance while also delivering record safety results across our operations. As we look towards 2026, our operational priorities continue to center on three key focus areas: extending and improving our low-cost resource base, further driving cost efficiency, and generating resilient free cash flow at any price.

Last quarter, we highlighted the significant resource opportunities ahead of us, including our 16.5 billion BOE and 30-plus years of low-cost development runway. This included our advanced recovery opportunities like Unconventional EOR that position Oxy for the future.

Today, I want to expand on our cost efficiency progress, which is central to our 2026 plan. The significant cost efficiencies and strong well performance we achieved in our oil and gas operations have positioned us to deliver another \$500 million of cost savings in 2026 with \$300 million from capital and \$200 million from operating and transportation costs. This includes about 7% lower well costs, 5% less facility cost and a 4% reduction in domestic operating expenses. These structural savings are a result of a focused cross-functional effort from our teams over the last several years.

Moving forward, we aim to deliver further efficiency gains with an ongoing focus on enhancing cash flow from operations and lowering sustaining capital. These efficiencies, combined with changes in our program allocation have enabled us to reduce our 2026 capital plan by \$550 million compared to 2025 without Chemicals. This includes \$300 million capital reduction for oil and gas and a \$250 million reduction in LCV as STRATOS construction winds down.

On STRATOS, we've made great progress. Phase 1 is in the final stage of startup and is expected online in Q2. Phase 2, which incorporates the learnings from our R&D and Phase 1 construction activities will also begin commissioning in Q2, with operational ramp-up continuing through the rest of the year. Last quarter, we discussed the potential to reallocate up to \$400 million of capital to U.S. Onshore operations as capital rolled off in other areas. However, further cost savings and higher productivity from both base and new wells eliminated the need for this reallocation. Ultimately, these efficiencies further enabled us to reduce U.S. Onshore capital by \$400 million compared to 2025, while still delivering a 1% production growth.

This year, we plan to invest in key mid-cycle projects, including Gulf of America waterflood projects and Unconventional EOR, where we've increased capital by \$200 million from 2025. We view mid-cycle projects as an important part of our strategy to improve and extend resources, lower total company decline rate, and ultimately lower our sustaining capital.

In GOA, we are beginning our Horn Mountain waterflood project, which has potential to provide significant incremental recovery with initial uplift to begin in late 2027. We believe our pipeline of GOA waterflood projects, combined with our ongoing focus on production reliability can meaningfully lower our base decline rate and operating expenses.

Importantly, our agile operations and 2026 plans provide flexibility to deliver resilient free cash flow even in a lower oil price environment. We have the ability to continue to adjust spend and activity across capital and operating expenses while delivering mid-cycle investments as needed to preserve near-term cash flow and position Oxy for reinvestment only when market fundamentals are clear.

In closing, our operational strength and financial progress in 2025 has positioned us for a strong year in 2026. We've proven that our execution, relentless cost focus and operational agility can deliver outstanding results even in a dynamic market. Our teams have set new benchmarks in safety, efficiency, and well performance, and we're carrying that momentum into 2026. I'm confident that by maintaining our focus on improving resources and cost efficiency, we will continue to deliver durable results and enable a stronger, more resilient Oxy that will create lasting value.

Thank you. Now I'll turn it over to Sunil.

Sunil Mathew - Occidental Petroleum Corp - Senior Vice President and Chief Financial Officer

Thank you, Richard. In the fourth quarter, we delivered strong operational and financial results. We generated an adjusted profit of \$0.31 per diluted share and a reported loss of \$0.07 per diluted share. The difference was largely driven by charges and transaction costs related to the sale of OxyChem. Our sustained focus on cost efficiencies and operational improvements enabled us to generate approximately \$1 billion in free cash flow despite lower realized oil prices.

As Vicki and Richard shared, we had an excellent quarter operationally and strengthened our financial position. Production exceeded the midpoint of guidance by 21,000 BOE per day, driven by strong U.S. Onshore performance. We also achieved our lowest quarterly domestic operating expense since 2021 at \$7.77 per BOE.

Momentum across our oil and gas portfolio is accelerating, demonstrated by our exceptional operational performance throughout 2025. We remain highly confident in our ability to unlock further value for our shareholders, driven by our disciplined capital allocation and strong operational performance.

Our Midstream segment delivered outstanding results with adjusted pre-tax income in the fourth quarter, exceeding guidance by \$172 million. This was largely driven by our team success in optimizing transportation around unplanned maintenance on third-party pipelines out of the Permian as well as higher sulfur prices at Al Hosn.

As shared last quarter, OxyChem and legacy environmental liabilities are reported under discontinued operations. Our strategic actions and targeted focus on efficiencies further lowered our cost structure and enhanced our financial flexibility. The successful completion of the OxyChem sale at the start of the year accelerated our deleveraging, strengthened our balance sheet and enabled us to reduce principal debt to approximately \$15 billion.

Over the last 20 months, we have repaid \$13.9 billion in debt. As a result, our leverage metrics have improved significantly, and our near-term debt maturity profile is fairly minimal with approximately \$450 million due over the next four years. In addition, this morning, we launched a \$700 million debt tender offer that is expected to reduce principal debt to \$14.3 billion, a reduction of over 40% since year-end 2024.

As a result of our disciplined execution and ongoing focus on cost efficiencies we have driven our sustaining capital requirement lower. We are taking purposeful steps to enhance our cost structure and financial resilience as demonstrated by the operational efficiency gains realized in 2025 and expected savings for 2026.

We expect to improve free cash flow by more than \$1.2 billion in 2026. This is largely driven by expected annual operational savings of \$500 million in oil and gas and \$400 million in Midstream savings, partially driven by improved crude transportation costs. In addition, we expect to realize approximately \$365 million in interest savings in 2026 compared to 2025. These initiatives will continue to strengthen our cost structure, supporting resilient free cash flow in a lower price environment.

Our improved financial strength, lower sustaining capex, and lower cost structure support our 8% dividend increase. Our cash flow priorities remain disciplined with a clear commitment to delivering long-term value for our shareholders.

As I shared before, as we build cash on our balance sheet, we will be opportunistic in terms of share repurchases and/or of further net debt reductions. We believe this balanced and opportunistic approach will serve us better as we prepare to resume redemption of the preferred equity in August 2029 when it becomes callable without a \$4 per share return of capital trigger and at a lower redemption premium. As Vicki and Richard highlighted, our commitment to cost improvements and prudent capital allocation in 2026 allows us to further reduce costs while maintaining relatively flat production. Total capital for the year is expected to range between \$5.5 billion and \$5.9 billion weighted to the first half. The midpoint represents an 8% reduction from 2025, excluding OxyChem, primarily driven by efficiency gains and optimization of activity levels. Our capital plan is structured to maintain flexibility and support long-term value creation, enabling us to adapt to oil price uncertainty.

We continue to prioritize short-cycle, high-return assets to maximize near-term cash flow, while investing in mid-cycle projects to balance base decline. Approximately 70% of our capital program remains focused on U.S. Onshore assets, preserving significant flexibility to respond to market changes.

Related to 2025, spend in U.S. Onshore is expected to decrease by \$400 million, reflecting ongoing efficiency gains and a reduction in Permian activity levels. We plan to increase investment in the Gulf of America, Permian EOR, and International by approximately \$200 million, supporting our long-term base decline rates through mid-cycle investments. Investment in these projects will support future sustaining capital improvements.

We have reduced our exploration budget by approximately \$100 million, with lower spend in the Gulf of America. Investment in Low Carbon Ventures will be approximately \$250 million lower year-over-year with STRATOS anticipated completion of both phases this year. As Richard mentioned, we expect 2026 production to grow approximately 1%, averaging 1.45 million BOE per day, even at lower capital levels.

First quarter volumes will be lower, reflecting reduced fourth quarter activity and working interest in U.S. Onshore, the impact of winter storm firm and planned turnarounds that will impact Gulf of America production in the first half of the year. Production is expected to increase in the second quarter, driven by stronger Permian volumes positioning us for strong full year performance.

In Midstream, we anticipate slightly lower earnings in 2026 as gas transportation optimization opportunities narrow with increased Permian gas takeaway capacity in the back half of the year. However, improvements in crude marketing out of the Permian, including the benefit from revised transportation contracts at lower rates are expected to partially offset this impact.

We expect a higher working capital use during the first quarter, which is typical for this time of the year, driven by property tax, compensation plan payments, and higher interest payments. In summary, our disciplined capital allocation, strong asset base and operational performance continue to drive resilient performance and enhance capital efficiency.

The advancement of our key portfolio initiatives and sustained cost efficiencies have reinforced Oxy's flexibility and financial resilience. As we continue to strengthen our financial position, we are confident in our ability to create long-term value for our shareholders as we move forward in 2026 and beyond.

I will now turn the call back over to Vicki.

Vicki Hollub - *Occidental Petroleum Corp - President and Chief Executive Officer*

Thank you, Sunil. In closing, 2025 was a year of strong execution and disciplined decision-making. We delivered lasting efficiency gains and higher productivity, reinforcing the capabilities and talent of our workforce. And we strengthened our balance sheet and enhanced our financial flexibility, setting the stage for strong shareholder return in the years ahead.

Before we move to Q&A, I'd like to share that Jordan Tanner, who has led our Investor Relations team for the past three years, will be taking on a leadership role in the Gulf of America, helping to advance our portfolio of exciting development opportunities. Jordan has done an outstanding job sharing our story, helping communicate our strategy and results and supporting our leadership team. We've also gotten a lot of positive feedback from many of you about Jordan and his ability to tell our story. We greatly appreciate Jordan's contributions and look forward to his continued impact in his new leadership role.

I'm also pleased to announce that Babatunde Cole will become Vice President of Investor Relations, reporting to Sunil. Babatunde brings deep operational and leadership experience, most recently as President and General Manager of our Delaware Basin business unit. In that role, he was instrumental in driving operational excellence and accelerating the growth of our unconventional development in the basin. Babatunde has 20 years of industry experience working in reservoir engineering and production operations. Please join me in thanking Jordan and welcoming Babatunde.

We'll now open the call for your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Arun Jayaram, J.P. Morgan.

Arun Jayaram - *J.P. Morgan Securities LLC - Analyst*

Vicki, I was wondering if you could maybe walk through some of the moving pieces of the much lower capex guide relative to the soft guide that you provided on the third quarter call, you did come out about \$800 million lower than that soft guide that you provided last quarter.

And maybe you could just walk through kind of the moving pieces. Richard mentioned about \$300 million of savings from efficiency gains plus you're reducing exploration capex by \$100 million. So that's about half of the delta. But maybe just walk through the other changes and perhaps what's happening with activity under the revised program.

Vicki Hollub - *Occidental Petroleum Corp - President and Chief Executive Officer*

Yes. I want to point out, Arun, that we always start our capital planning around June of each year. So we go through about three processes before we get to the point where we actually make a recommendation to the Board. And part of what happened is our teams are just getting better. Our teams came up with these ideas on what we should do and what were the best projects, but as they continue to optimize those projects, it was pretty amazing to see the cost that they were able to cut out, the efficiencies that they were able to find. So a lot of it is just the teams doing exceptional work.

And again, I have to say that we've gotten to the point where the process that Richard and the team in the U.S. and that, Ken, the offshore team and the international groups they're incredibly innovative, and they have processes that they've put together ways to look at things that differentiates us from others. I like to call it the saving process for oil and gas. It works, and it's working for our teams. And Richard, I think both of you can share a little bit of the details about the specifics around what did change.

Richard Jackson - *Occidental Petroleum Corp - Senior Vice President and Chief Operating Officer*

Yes, perfect. Thanks, Vicki. Thanks, Arun. I'll try to walk through a few of the pieces and fit Vicki's good description there. We're certainly excited about the 2026 plan. It really is a continuation of strong performance from '25.

So let me just walk through a few of the pieces. As you look at oil and gas, a few moving parts that I'll walk through, but about \$300 million of reduced oil and gas, and that's really mostly structural cost savings and a bit of reallocation, and I'll walk through that and then get into the structural piece. And then as we look at total Oxy that \$250 million lower LCV, so that was kind of the big picture.

But diving into the oil and gas within that \$300 million, the key driver of the program is really a negative or minus \$400 million of U.S. Unconventional capital. And that's against last year's capital. As I mentioned in the prepared remarks, we had kind of worked through this in total and had worked ourselves out of the reallocation, but it really was those efficiencies that drove another \$400 million. And then we are down \$100 million year-on-year on exploration as we continue to optimize that program.

And then going up in our mid-cycle \$200 million, and that's really focused on Gulf of America and the waterflood project, and a bit in our International and our Unconventional EOR. So then just let me spend the last minute on introducing this structural cost savings. So in our U.S. Unconventional, about 70% of that \$400 million reduction is a continuation of well cost. So we talked about and certainly highlight the \$2 billion the team achieved from '23 to '25 - this is an additional 7% of well cost, and an additional 5% on facilities and construction.

And these are really -- at a high level, we can get in through the call, but these are really development efficiencies. These are more wells per pad, a bit longer laterals, but from an activity standpoint, we're actually able to achieve this with lower activity. So we have 2.5 lower rigs, 2 frac cores. And that's all being done through operations efficiency, but the other really important part is the production improvement. And so base production had a significant beat in the fourth quarter that rolls into 2026.

And then our new wells continue to deliver not only the primary benches but the secondary benches, and I know we have a slide highlighting that continued improvement. So I just wanted to walk through that at a high level, but certainly want to spend time on these structural cost savings because we think that they're important for this year, but we'll be able to expand those as we go into the future.

Kenneth Dillon - Occidental Petroleum Corp - Senior Vice President and President, International Oil and Gas Operations

And then similarly for International, we have many examples of sustainable savings. For example, our drilling performance has improved so much in Algeria. We dropped a rig from our plan this year and we can still achieve the year's program as originally planned. And GOA and the Horn Mountain waterfloods that Richard alluded to, facilities team really did a great job of reducing capital by leveraging to the maximum of the existing systems top sites and then only augmenting the existing sea water system with new filters and pumps. While doing that, we're able to keep the original injection date, so a really good team performance.

Arun Jayaram - J.P. Morgan Securities LLC - Analyst

Great. My follow-up is just on the Horn Mountain waterflood project. We expect initial rate next year. Do you think that a project like this should be able to support kind of a sustaining production profile for the Gulf as we look out the next several years in that low 130 MBOE per day kind of range?

Kenneth Dillon - Occidental Petroleum Corp - Senior Vice President and President, International Oil and Gas Operations

Yes. Great question. I think the way I'd put it is we're really entering a new era in GOA, one with lower declines due to the water flood. So this water flood, the King dump flood, the future water floods are also improving reliability due to our ongoing initiatives and then lower opex per barrel long-term. And we have a large inventory of development wells and additional wedge layers, including some really interesting opportunities.

So it feels like we're entering GOA 2.0. In terms of declines and walk-downs, think Horn Mountain as part of it. So it will move from a 20% to sub-10% decline by 2030 and improving to below 5% in subsequent years. King will be down to low single-digit decline. And I think our portfolio level GOA average decline is projected to decrease to 12% with the potential to get below 7% as the additional water floods are brought online. And these have substantial reserves associated with them in very low F&D. So I think long-term, we have a really good runway and can sustain production for a very, very long time.

Operator

Nitin Kumar, Mizuho.

Nitin Kumar - Mizuho Securities USA, LLC - Analyst

I want to start off on slide 24. You mentioned the 16.5 BOE and the \$38 breakeven what catches my eye is the sub-\$30 bucket, how much of that is unconventional because we hear a lot about shale inventory depth and exhaustion, you're showing a big piece is quite economic. So what's driving that?

Vicki Hollub - Occidental Petroleum Corp - President and Chief Executive Officer

Let me begin again, yes, so what's happening there is in the U.S. Unconventional is the continued improvement of the inventory, starting with primary -- the primary intervals, which were amazing. The secondary benches are providing now as much value as their primary benches did. And then all the things that Richard's mentioned has lowered costs for the Resource business to down to the less than \$50. And this

is specifically talking about the Resources business, not the entire portfolio, but the rest of the portfolio is pretty competitive with U.S. Unconventional.

And you can see that the U.S. Unconventional is pretty much almost half of the total. So in GOA and in the other areas, we are doing things that are continuing to lower those costs as well. So it's -- the whole resource is the average resource is about at a \$38 per barrel breakeven.

Nitin Kumar - *Mizuho Securities USA, LLC - Analyst*

Great. Sorry about the delay – I wasn't sure if it was on my end or not. As my follow-up, Sunil, maybe for you, you mentioned the opportunistic approach to buybacks. A lot of your peers have provided formula or percentages and things like that. Could you help us understand why the reluctance to go down that path, you have a lot of room on the cash return side?

Sunil Mathew - *Occidental Petroleum Corp - Senior Vice President and Chief Financial Officer*

Hi, Nitin. So first, let me start with the progress we have made on deleveraging, just to put things in context. So when we announced the OxyChem transaction last year, we said that we'll be using \$6.5 billion of the proceeds to pay down debt, and our near-term principal debt target was \$14.3 billion. We also said that we'll be initially focused on paying down the debt maturing in the next three to four years. So where are we today with respect to debt.

Our principal debt is currently at \$15 billion and on track to get to the \$14.3 billion with the \$700 million tender that we announced this morning. So we have \$450 million of debt maturing between '26 and '29, and that was \$5.5 billion for the same period at the end of Q3 2025.

So I just want to highlight that first, we have delivered on the deleveraging goals that we outlined late last year. So how do we -- looking forward, we would like to first get our principal debt to \$10 billion, but we're not setting a time frame to get to this target as we want to have some flexibility. And we expect to have a better view of the macro in the second half of this year. And at that point, I think we will be better positioned to make the appropriate decisions on how we balance between cash build and our return of capital opportunities for 2026 and beyond.

The other thing I want to highlight, which Vicki had mentioned in our prepared remarks, our foundational or top return of capital priority is to have a sustainable and growing dividend. So consistent with that, we increased our quarterly dividend by 8%. And we expect to continue making progress with lowering our sustaining capital through operational efficiency and also investing in the mid-cycle projects like Gulf of America and Permian EOR. Now this should also help with a sustainable and growing dividend.

So I just want to conclude by saying, as I mentioned in my prepared remarks, we believe that this balanced and opportunistic approach will serve us better as we prepare to resume redemption of the preferred equity in August 2029. And we always get the question – “What is special about August 2029?”. It is, at that point, it is callable without the \$4 per share return of capital trigger and at a lower redemption premium.

Operator

Betty Jiang, Barclays.

Betty Jiang - *Barclays Capital Inc. - Analyst*

Congrats on the efficiencies, cost savings that you've been able to achieve in 2025 and reflecting 2026 guidance. A big question that we're getting is just what does it mean for 2027? I know I'm not asking for '27 outlook, but how much of the savings is sustainable to '27? Is there anything getting deferred from '26 into 2027?

Sunil, I think you mentioned that capex will be front-end weighted, but perhaps like activity is back-end weighted. So we're just trying to figure out if production will be growing 4Q to 4Q and really just how that all flows into 2027.

Sunil Mathew - *Occidental Petroleum Corp - Senior Vice President and Chief Financial Officer*

Okay. So let me start first with the 2027 capital. Again, this is too early to provide any soft guidance, but I just want to give you some thoughts on how we are thinking about the next year's capital. So if you start with U.S. Onshore, you can assume this year's capital at sustaining capital. But like Richard said, as we have demonstrated over the last few years, we've been able to reduce the sustaining capital through cost efficiency and strong well performance. So we expect to maintain this momentum into next year. So we could see a modest growth with this year's capital depending on the efficiency and new well performance.

In Gulf of America, there will be an increase related to the waterflood project because both the injection wells for the Horn Mountain project will be drilled next year. International, you can assume it to be flat compared to this year. And on exploration, for the last few years, on an average, we have been spending around \$200 million per year. This year is lower because we don't have a new program starting in Gulf of America. And LCV, with the completion of STRATOS this year, capital should be coming in lower into 2027.

So what I would say is, overall, this year's capital range will be a good starting point as sustaining capital and depending on the exploration capital and potentially some reallocation between the assets. And the last thing I would say is if we do have a modest production growth with sustaining capital, it is primarily due to a combination of savings, not just limited to capex, but other categories too and well productivity and capital reallocation that will be driving this modest production growth. And now I'll let Richard talk about the trajectory in production.

Richard Jackson - *Occidental Petroleum Corp - Senior Vice President and Chief Operating Officer*

Yes, great. Yes, two things I'd like to take the opportunity to just walk through. One is the structural savings to just think about how that rolls into 2027. Again, it's largely structural, anything sort of year-on-year beyond that has really been optimization of our mid-cycle projects, but let me walk through that and then the production.

So from a structural standpoint, again, going back to 2023 to '25, significant improvement over 28% well cost in our U.S. Onshore. I'd characterize that as -- and as you followed our story, very focused on specific operational activities -- drilling, completion, facilities. And so we had a lot, highlights over that period of time. For example, we're drilling 50% more wells per rig per year. So twice the number of wells per rig. And so you could see that in our gross and net rig activity that we've been able to do.

So as we go forward, it's a lot more development -- what I call development efficiency. So a few highlights: wells per pad across our U.S. position has gone from 3 to 4, to 4 to 6. Our lateral length is improving 10%. And then a big part on the completion side, we've been able to really scale simul-frac. And so with these larger wells, on a pad, we've gone from 10% to near 40% across our U.S. position going in simul-frac. So again, just give some kind of underpin the structural piece of that.

From an optimization standpoint on our mid-cycle projects, as we went year-on-year, exploration is a piece of that. We continue to look at how do we optimize that program and make sure it fits on a multi-year perspective.

But the Horn Mountain project, waterflood project that Ken described, the team continued to work through that through the last several months and optimized the schedule and the cost profile. And so that was a big piece of things. So it wasn't a deferral when the injection

begins. We expect the uplift in late 2027. And that would be the same for our EOR projects. We've got an uptick in capital there, both Unconventional and opportunities in our Conventional EOR. So I just wanted to reemphasize the point of it being optimization, not deferrals.

Lastly, on production, just a couple of things to point to. Permian does grow, as you mentioned, it's about 4% year-on-year. And so there is a profile during the year to continue to grow there. And then in Rockies, while down year-on-year, it's really a transition year as we go into Powder River Basin. And so what you'll see is actually pretty stable wells online through the year. There was a bit of an opportunity in the DJ. We're moving to a greenfield project we call Bronco that has more wells per pad. We're actually deploying simul-frac in our Rockies operations. So this will kind of provide a steady outlook, but you're transitioning the Powder River Basin. And so that production from the beginning of the year to the end, has a pretty good growth trajectory. So it's almost double from first quarter to fourth quarter. So those are some of the moving parts as you look at our activity slide and try to put the pieces together. So hopefully, that helps.

Betty Jiang - *Barclays Capital Inc. - Analyst*

Really helpful. Follow-up on the Rockies. I think the program just really stood out this year with a fairly flattish capital, actually, the D&C is lower as a percentage. But well TILs are up quite a bit, almost 45%. So maybe going forward, there's a lot of moving pieces. And as you said, going into PRB, will it be a good baseline to think about going forward, will the PRB typically higher costs as well. So maybe just unpack the dynamics there?

Richard Jackson - *Occidental Petroleum Corp - Senior Vice President and Chief Operating Officer*

Yes. Just a couple of points to that. I think, again, you'll see sort of the DJ trajectory trending down just a bit year-on-year. Now one thing to point out, if you look year-on-year, we had a non-op divestment last year. So that was a portion of the year-on-year change. But even just trajectory, DJ, declines a bit but stabilizes at the end of the year, PRB goes up. Again, I would look at the wells online and even if you go into DUC counts, those stayed very steady through the year. It just transitions.

The dynamic I'd point you to is oil cut in Powder River Basin is higher. And so on a BOE basis, that may change a bit, but that oil cut is going to pick up in the Powder River Basin. We've seen tremendous well performance. We talk about the secondary benches in the Permian, but both the Nio and Turner have had, for us, record production over the last year. That's really given us that confidence.

And to back up, it's just very similar to the way we work Delaware and Midland Basin. We like that scale across the basins to really optimize operations, but they do balance themselves even between gas and the oil production. So we'll continue to help with that is that (technical difficulty) we're excited about that PRB program going forward.

Operator

Doug Leggate, Wolfe Research.

Douglas Leggate - *Wolfe Research, LLC - Analyst*

I wonder if I could ask a couple of questions. First one is on the sustaining capital updated guidance of \$4.1 billion, that's obviously at \$40 oil. Obviously, we're a little ways away from that, what would that number look like, however you want to define it, let's say, I don't know, today's price or \$70, how would we answer that?

And then my follow-up is, obviously, LCV has still got some residual capital this year. Does that go away in 2027? And can you give us some idea whether or not we are we're starting to think about removing the drag on the Midstream business. Does that -- is that thing now at least contributing to cash flow? And I'll leave it there.

Sunil Mathew - Occidental Petroleum Corp - Senior Vice President and Chief Financial Officer

Hi, Doug, Sunil here. So let me first start with the sustaining capital. So if you look at the midpoint of our capex guidance for this year, it's \$5.7 billion. And the way we define sustaining capital is to keep production flat, like you said, in a \$40 environment and excludes multi-year projects and mid-cycle projects that does not support production in the near-term. So from \$5.7 billion, you back out LCV and exploration of \$300 million, you're at \$5.4 billion.

And then if you backed out the \$200 million of mid-cycle project, you are at \$5.2 billion and going from \$5.2 billion to \$4.1 billion at \$40, that is primarily deflation around 20% deflation. That is what we assume going from \$55 to \$40.

And another thing which I would like to highlight is, in 2025, our sustaining capital was \$4.5 billion. That was to support 1.42 million BOE per day. And so if you adjust that for OxyChem, it's around \$4.2 billion.

And for 2026, what we're seeing is sustaining capital is \$4.1 billion, but it's also supporting an additional production of 35,000. So what that tells you is that with the increased production, the sustaining capital should have been higher, but all the operational efficiency that the teams have been able to focus on, and what like Vicki and Richard highlighted, that is what has helped us reduce our sustaining capital down to \$4.1 billion. And like I mentioned earlier, our top priority in terms of return of capital is to have a sustainable and growing dividend and lowering our sustaining capital is key to have a sustainable and growing dividend.

So now I'll let Richard talk about LCV.

Richard Jackson - Occidental Petroleum Corp - Senior Vice President and Chief Operating Officer

Yes. I'll start that. I appreciate the question, Doug. STRATOS – a couple of things as you kind of pin yourself. STRATOS ramps up this year as we've discussed. So we'll begin to roll off capital for sure. So as we look into next year, that's about another \$100 million of capital that will roll off.

One thing to think about in terms of that business, is as we think about the future opportunities, both for DAC and even success we've had in our sequestration hubs, as those have been put together, we really think partnership helps move that forward. So if you're thinking about it from a capital perspective, we anticipate being able to bring in partners because of the economics and the derisking that's occurring across both of those opportunities today. And so I just wanted to mention that because I think that's one aspect that we need to think about as we go forward.

From a STRATOS standpoint, again, we'll ramp up this year. There'll be injection, really going into next year, and we'll hit more steady operations, which will then lead to more steady revenue in the mid- to later part of next year, and we think we can really start to point to a leveled EBITDA.

We told, and Sunil can help me, make any other connections. But I think we've talked about a \$90 million to \$130 million range kind of leveling as we get into late 2028. Now I'll tell you from an operational perspective, Ken and I are both optimistic that we're going to continue to find opportunities like we do another projects like Al Hosn debottleneck and add capacity. And so while that's a good run rate that we've used and communicated operationally, we're working on how do you reduce cost and add capacity. And -- so anyway, that's sort of the milestones that we're looking at in that program going forward.

Operator

Neil Mehta, Goldman Sachs.

Neil Mehta - *Goldman Sachs & Company, Inc. - Analyst*

Congratulations to everyone on the new roles and Jordan, great job in the time you were in the seat. I guess the first question actually is for you, Richard, as -- have you stepped into the COO's seat late last year, but just some initial observations of things that you think Oxy has been doing really well from an operations standpoint? And where do you think there is room for improvement just because you have some fresh eyes in the new seat?

Richard Jackson - *Occidental Petroleum Corp - Senior Vice President and Chief Operating Officer*

Yes, appreciate the question. Been lucky to work for Oxy for some time. So some of these I've got to observe for a while or be a part of. But I will say the new perspective in the job – a couple of things. One, the resource base that we have today is outstanding. That's continued to improve really over the last 10 or 15 years, both as we've narrowed our focus, but also through organic efforts. And that's why we're excited to talk about all the subsurface work that we've done and the well performance, how it's played out. And so that part has been reinforced as I look across the portfolio.

I would say projects like the Gulf of America waterfloods. When we think about the opportunity of EOR in Gulf of America and the contribution they can have to reduce our cost structure, lower decline, add to that sustaining capital – very exciting part of the portfolio. We're just now in a position to really take advantage of. Things like the Gulf of America working on production reliability has been impressive. So I think from a resource perspective, good from operational efficiency, I love our teams, that's where I grew up with it. And so I just have a lot of confidence in not only what we're doing today but going forward.

I'd say the last thing I would note that I think we're starting to see some momentum on and Vicki mentioned it in her prepared remarks, is really coming together on some of the technology. And so we talk about technology around CO2, power and water. But the other one is things like the digital technology or AI. I can tell you in the Rockies, through this last winter storm, we have been able to deploy this remote operations center.

So in the US -- let me just back up, in the US, about 40% of our production, we call routeless – meaning that it's covered under a remote center where we resolve or understand issues before we send a person to go check it. And so in the Rockies during this winter storm, we were able to resolve about 300 issues a day remotely. And so that's not only more efficient for cost and production, but it's also safer. And so like many of us talk today, but I think we're seeing it especially in the ranks of our operations, the ability to use this technology, things like AI to deploy our people in a more effective way are really exciting. So on top of all the drilling completion things I get excited talking about, I really do believe that's going to be a good part of our future.

Neil Mehta - *Goldman Sachs & Company, Inc. - Analyst*

And then the follow-up for you, Vicki, is your perspective on the macro, you always have great color on how you see the world, be curious on how you're thinking about the setup for 2026 for oil this year where many of us came into the year a little bit more cautious. And obviously, geopolitical volatility is creating some upside risk here in the near term. So your perspective on that? And do you think the industry is going to respond to potentially higher prices in the near-term or are folks watching the back end of the curve, and where there's been less movement. So your perspective would be great.

Vicki Hollub - *Occidental Petroleum Corp - President and Chief Executive Officer*

I think that we're still a little bit cautious about 2026 because we feel strongly that you have to look at the fundamentals. And there are going to be these scenarios where prices get driven up by things that are happening geopolitically. We don't believe those are sustainable, and we believe that could be resolved within days or it could go on for months. We don't know, but we're prepared to assume that the fundamentals don't support where prices are right now. But we do believe that toward the end of the year and into next year that the

fundamentals will start to shift a bit because when you look at what's happening in our industry, we're a big believer in trying to make sure that every year, we replace the production that we produce, so our reserves replacement ratio is important to us.

But if you look at the industry, the industries around the world, worldwide, the industry reserve replacement ratio right now is about less than 25%. So I think that means that the macro has got to become better for oil sooner rather than later. When you look at the exploration that's happening along the western side of Africa, the eastern side of South America. While those reservoirs are good, and they're going to be -- they're going to add value to the shareholders of the companies that are developing those. And by the way, we do have a block in Guyana on that ultimately we hope to develop too, is that those reservoirs are great for the company and for the shareholders, but they're not even hardly a blip on the radar for world supply. For example, if you have like a Guyana, the original forecast, I don't know what it is now, but was for 12 billion barrels of oil to be recovered, that barely replaces a third of what the world demands for use today. So the world uses 30 billion. And so these reservoirs, while good individually for companies they're not going to be what we need for world supply going forward. So our view of the macro is that ultimately, we believe by 2027, we're going to get much closer to being in balance with respect to supply and demand.

And I would say the other thing that's happening is a lot of companies have declining resources. And there are very few oil and gas companies today that can consistently maintain a better than 100% reserves replacement ratio. And those companies have to become a shrinking business, or they have to figure out what do they do about that. Some are going international when they've never been. Some are going to need to do M&A. We're doing all of that. We've done our M&A. So we're done with M&A.

We've -- we're already international, and we have experience there, and we're in three of the best countries that you can be in internationally with respect to the government and our partners. And then the third thing that needs to happen is we need to get more oil out of the reservoirs that the world has today. And we're the best at doing that.

We have the CO2 enhanced oil recovery expertise. So we are the company that can get the most out of the reservoirs we have here and internationally. So it's really important to recognize that what we've built here is something very unique and very important for our industry and for the energy independence of the United States as we start to apply our enhanced oil recovery in a bigger way for us in the Permian and then in other basins, to help extend the energy independence of the U.S.. So this is significant what the teams have accomplished here at Oxy, and we're proud of it. And we know we've got work to do, and we'll be doing that, and we'll get better every year because that's just what our teams do. That's what they're committed to do.

So with that, we're over time, and I'll let you all go. And thank you for participating in our call today.

Operator

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.

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