

OCCIDENTAL PETROLEUM CORP /DE/
Form 8-K
July 30, 2013

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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) July 30, 2013

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

Delaware
(State or other jurisdiction
of incorporation)

1-9210
(Commission
File Number)

95-4035997
(I.R.S. Employer
Identification No.)

10889 Wilshire Boulevard
Los Angeles, California
(Address of principal executive offices)

90024
(ZIP code)

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

Not Applicable
(Former name or former address, if changed since last report)

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

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Section 2 – Financial Information

Item 2.02. Results of Operations and Financial Condition

On July 30, 2013, Occidental Petroleum Corporation released information regarding its results of operations for the three and six months ended June 30, 2013. The exhibits to this Form 8-K and the information set forth in this Item 2.02 are being furnished pursuant to Item 2.02, Results of Operations and Financial Condition. The full text of the press release is attached to this report as Exhibit 99.1. The full text of the speeches given by Cynthia L. Walker and Stephen Chazen are attached to this report as Exhibit 99.2. Investor Relations Supplemental Schedules are attached to this report as Exhibit 99.3. Earnings Conference Call Slides are attached to this report as Exhibit 99.4. Forward-Looking Statements Disclosure for Earnings Release Presentation Materials is attached to this report as Exhibit 99.5. The information in this Item 2.02 and Exhibits 99.1 through 99.5, inclusive, shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing.

Section 8 – Other Events

Item 8.01. Other Events

On July 30, 2013, Occidental Petroleum Corporation announced net income for the second quarter of 2013 of \$1.3 billion (\$1.64 per diluted share), compared with \$1.3 billion (\$1.64 per diluted share) for the second quarter of 2012. The second quarter of 2013 included non-core items amounting to a net after-tax benefit of \$46 million. After excluding the non-core items, core income was slightly less than \$1.3 billion (\$1.58 per diluted share) for the second quarter of 2013, compared with \$1.3 billion (\$1.64 per diluted share) for the second quarter of 2012.

QUARTERLY RESULTS

The non-core items in the second quarter of 2013 included an \$85 million after-tax gain from the sale of an investment in Carbocloro, a Brazilian chemical facility, and a \$34 million after-tax charge for the estimated cost related to the employment and post-employment benefits for the Company's former Executive Chairman and the termination of certain other employees and consulting arrangements.

Oil and Gas

Oil and gas segment earnings were \$2.1 billion for the second quarter of 2013, compared with \$2.0 billion for the second quarter of 2012. The current quarter results reflected higher liquids volumes, lower operating costs and higher domestic realized prices for oil and natural gas, partially offset by higher DD&A rates and lower Middle East/North Africa realized oil prices.

Operating costs dropped significantly during the second quarter of 2013, compared with the second quarter of 2012. The second quarter of 2013 domestic operating costs were \$14.28 per barrel, compared to \$17.73 in the second quarter of 2012 and \$17.43 for the full year 2012. For the entire company, the second quarter 2013 costs were \$13.40 per barrel, compared to \$14.99 for both the second quarter of 2012 and full year 2012.

For the second quarter of 2013, daily oil and gas production volumes averaged 772,000 barrels of oil equivalent (BOE), compared with 766,000 BOE in the second quarter of 2012. The second quarter

2013 production increase resulted from an 8,000 BOE per day increase in volumes from domestic operations, partially offset by lower volumes of 2,000 BOE per day from international operations. Domestic production increases were achieved in California and the Permian. Our second quarter domestic production was negatively impacted by 3,000 BOE per day due to severe storms in West Texas and the effect of planned turnarounds in the Permian. Internationally, Colombian production was lower due to higher insurgent activity. The impact of full cost recovery and other adjustments reduced production by 8,000 BOE per day. Daily sales volumes increased from 759,000 BOE in the second quarter of 2012 to 764,000 BOE in the second quarter of 2013. Sales volumes were lower than production volumes due to the timing of liftings in Middle East/North Africa and Colombia, which lowered pre-tax earnings for the second quarter by approximately \$75 million.

Oxy's realized price for worldwide crude oil declined by over 1 percent to \$97.91 per barrel for the second quarter of 2013, compared with \$99.34 per barrel for the second quarter of 2012. Domestic crude oil prices improved 3 percent in the second quarter of 2013 to \$95.08 per barrel, compared to \$92.34 per barrel in the second quarter of 2012. Middle East/North Africa prices declined 7 percent on a year-over-year basis to \$101.83 per barrel in the second quarter of 2013, compared to \$109.70 in the second quarter of 2012. Worldwide NGL prices were \$38.78 per barrel in the second quarter of 2013, compared with \$42.06 per barrel in the second quarter of 2012. Domestic gas prices increased 83 percent in the second quarter of 2013 to \$3.82 per MCF, compared with \$2.09 in the second quarter of 2012.

On a sequential quarterly basis, prices were about flat for worldwide oil, down 4 percent for NGLs and up 24 percent for domestic natural gas. Domestic realized oil prices increased by about 4 percent while Middle East/North Africa prices decreased by about 5 percent, collectively resulting in flat prices worldwide.

Chemical

Chemical core earnings for the second quarter of 2013, after exclusion of the \$131 million pre-tax gain from the sale of the investment in Carbocloro, were \$144 million, compared with \$194 million in the second quarter of 2012. The lower earnings resulted from lower caustic soda export volumes due to continued weak economic conditions in Europe and slowing demand in Asia, particularly within the pulp and paper and alumina segments; reduced alumina demand in South America; continued weak export chlorinated organics pricing resulting from new organics production in Asia; and higher energy and feedstock costs.

Midstream, Marketing and Other

Midstream segment earnings were \$48 million for the second quarter of 2013, compared with \$77 million for the second quarter of 2012. The decrease in earnings was caused by lower marketing and trading performance.

SIX-MONTH RESULTS

Net income for the first six months of 2013 was \$2.7 billion (\$3.32 per diluted share), compared with \$2.9 billion (\$3.55 per diluted share) for the same period in 2012. Year-to-date 2013 core income was \$2.6 billion (\$3.27 per diluted share), compared with \$2.9 billion (\$3.56 per diluted share) for the same period in 2012.

Oil and Gas

Oil and gas segment earnings were \$4.0 billion for the six months of 2013, compared with \$4.5 billion for the same period of 2012. The \$500 million decrease reflected lower worldwide oil and NGL prices and higher DD&A rates, partially offset by higher domestic gas prices and lower operating costs.

Oil and gas production volumes for the six months were 768,000 BOE per day for 2013, compared with 760,000 BOE per day for the 2012 period. Year-over-year, our domestic production increased by about 3.5 percent or 16,000 BOE per day. In the second quarter of 2013, volumes were negatively impacted by severe storms in West Texas and the planned turnarounds in the Permian. International production was 8,000 BOE per day lower due to a first quarter 2013 planned maintenance turnaround in Qatar, the impact of full cost recovery at our Dolphin operations and higher insurgent activity in Colombia. Daily sales volumes were 755,000 BOE in the first six months of 2013, compared with 752,000 BOE for 2012. Sales volumes were lower than production volumes due to the timing of liftings in Middle East/North Africa.

Oxy's realized prices declined for crude oil and NGLs but increased for domestic natural gas on a year-over-year basis. Worldwide realized crude oil prices were \$97.99 per barrel for the six months of 2013, compared with \$103.63 per barrel for the six months of 2012. Worldwide NGL prices were \$39.52 per barrel for the six months of 2013, compared with \$47.52 per barrel for the six months of 2012. Domestic gas prices increased from \$2.46 per MCF in the six months of 2012 to \$3.44 per MCF in the six months of 2013.

Chemical

Chemical core earnings were \$303 million for the six months of 2013, compared with \$378 million for the same period in 2012. The lower 2013 earnings were primarily the result of higher energy and feedstock prices and continued weak export chlorinated organics pricing resulting from new organics production in Asia, partially offset by modest volume improvements across most products.

Midstream, Marketing and Other

Midstream segment earnings were \$263 million for the six months of 2013, compared with \$208 million for the same period in 2012. The 2013 results reflected improved performance in marketing and trading in the first quarter of 2013 and better results in the power generation business, offset by weaker results in the gas processing and foreign pipeline businesses.

Forward-Looking Statements

Portions of this press release contain forward-looking statements and involve risks and uncertainties that could materially affect expected results of operations, liquidity, cash flows and business prospects. Actual results may differ from anticipated results, sometimes materially, and reported results should not be considered an indication of future performance. Factors that could cause results to differ materially include, but are not limited to: global commodity pricing fluctuations; supply and demand considerations for Occidental's products; higher-than-expected costs; the regulatory approval environment; not successfully completing, or any material delay of, field developments, expansion projects, capital expenditures, efficiency projects, acquisitions or dispositions; lower-than-expected production from development projects or acquisitions; exploration risks; general economic slowdowns domestically or internationally; political conditions and events; liability under environmental regulations including remedial actions; litigation; disruption or interruption of production or manufacturing or facility damage due to accidents, chemical releases, labor unrest, weather, natural disasters, cyber attacks or

insurgent activity; failure of risk management; changes in law or regulations; or changes in tax rates. Words such as "estimate", "project", "predict", "will", "would", "should", "could", "may", "might", "anticipate", "plan", "intend", "believe", "expect", "aim", "goal", "target", "objective", "likely" or similar expressions that convey the prospective nature of events or outcomes generally indicate forward-looking statements. You should not place undue reliance on these forward-looking statements, which speak only as of the date of this release. Unless legally required, Occidental does not undertake any obligation to update any forward-looking statements, as a result of new information, future events or otherwise. Material risks that may affect Occidental's results of operations and financial position appear in Part 1, Item 1A "Risk Factors" of the 2012 Form 10-K. Occidental posts or provides links to important information on its website at www.oxy.com.

SUMMARY OF SEGMENT NET SALES AND EARNINGS

| (\$ millions, except per-share amounts) | Second Quarter | | Six Months | |
|--|----------------|----------|------------|-----------|
| | 2013 | 2012 | 2013 | 2012 |
| SEGMENT NET SALES | | | | |
| Oil and Gas | \$ 4,721 | \$ 4,495 | \$ 9,161 | \$ 9,397 |
| Chemical | 1,187 | 1,172 | 2,362 | 2,320 |
| Midstream, Marketing and Other | 269 | 262 | 722 | 655 |
| Eliminations | (215) | (161) | (411) | (336) |
| Net Sales | \$ 5,962 | \$ 5,768 | \$ 11,834 | \$ 12,036 |
| SEGMENT EARNINGS | | | | |
| Oil and Gas | \$ 2,100 | \$ 2,043 | \$ 4,020 | \$ 4,547 |
| Chemical (a) | 275 | 194 | 434 | 378 |
| Midstream, Marketing and Other | 48 | 77 | 263 | 208 |
| | 2,423 | 2,314 | 4,717 | 5,133 |
| Unallocated Corporate Items | | | | |
| Interest expense, net | (29) | (25) | (59) | (53) |
| Income taxes | (901) | (875) | (1,745) | (2,014) |
| Other (b) | (166) | (82) | (227) | (174) |
| Income from Continuing Operations | 1,327 | 1,332 | 2,686 | 2,892 |
| Discontinued operations, net | (5) | (4) | (9) | (5) |
| NET INCOME | \$ 1,322 | \$ 1,328 | \$ 2,677 | \$ 2,887 |
| BASIC EARNINGS PER COMMON SHARE | | | | |
| Income from continuing operations | \$ 1.65 | \$ 1.64 | \$ 3.33 | \$ 3.56 |
| Discontinued operations, net | (0.01) | - | (0.01) | (0.01) |
| | \$ 1.64 | \$ 1.64 | \$ 3.32 | \$ 3.55 |
| DILUTED EARNINGS PER COMMON SHARE | | | | |
| Income from continuing operations | \$ 1.64 | \$ 1.64 | \$ 3.33 | \$ 3.56 |
| Discontinued operations, net | - | - | (0.01) | (0.01) |
| | \$ 1.64 | \$ 1.64 | \$ 3.32 | \$ 3.55 |
| AVERAGE COMMON SHARES OUTSTANDING | | | | |
| BASIC | 804.9 | 810.3 | 804.8 | 810.4 |
| DILUTED | 805.4 | 811.0 | 805.3 | 811.2 |

(a) Chemical - The second quarter and six months of 2013 include a \$131 million pre-tax gain for the sale of an investment in Carbocloro, a Brazilian chemical facility.

(b) Unallocated Corporate Items - Other - The second quarter and six months of 2013 include a \$55 million pre-tax charge for the estimated cost related to the employment and post-employment benefits for the Company's former Executive Chairman and termination of certain other employees and consulting arrangements.

SUMMARY OF CAPITAL EXPENDITURES AND DD&A EXPENSE

| (\$ millions) | Second Quarter | | Six Months | |
|--|----------------|----------|------------|----------|
| | 2013 | 2012 | 2013 | 2012 |
| CAPITAL EXPENDITURES | \$ 2,210 | \$ 2,713 | \$ 4,280 | \$ 5,125 |
| DEPRECIATION, DEPLETION AND AMORTIZATION OF ASSETS | \$ 1,303 | \$ 1,087 | \$ 2,562 | \$ 2,172 |

SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTING EARNINGS

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

| (\$ millions, except per-share amounts) | Second Quarter | | 2012 | Diluted EPS |
|---|----------------|---------|----------|-------------|
| | 2013 | | | |
| TOTAL REPORTED EARNINGS | \$ 1,322 | \$ 1.64 | \$ 1,328 | \$ 1.64 |
| Oil and Gas Segment Earnings | \$ 2,100 | | \$ 2,043 | |
| Add: | | | | |
| No significant items affecting earnings | - | | - | |
| Segment Core Results | 2,100 | | 2,043 | |
| Chemicals Segment Earnings | 275 | | 194 | |
| Add: | | | | |
| Carbocloro sale gain | (131) | | - | |
| Segment Core Results | 144 | | 194 | |
| Midstream, Marketing and Other Segment Earnings | 48 | | 77 | |
| Add: | | | | |
| No significant items affecting earnings | - | | - | |
| Segment Core Results | 48 | | 77 | |
| Total Segment Core Results | 2,292 | | 2,314 | |
| Corporate Corporate Results -- | | | | |
| Non Segment * | (1,101) | | (986) | |
| Add: | | | | |
| Charge for former executives and consultants ** | 55 | | - | |
| Tax effect of pre-tax adjustments | 25 | | - | |

| | | | | |
|--------------------------------------|-----------------|----------------|-----------------|----------------|
| Discontinued operations, net *** | 5 | | 4 | |
| Corporate Core Results - Non Segment | (1,016) | | (982) | |
| TOTAL CORE RESULTS | \$ 1,276 | \$ 1.58 | \$ 1,332 | \$ 1.64 |

* Interest expense, income taxes, G&A expense and other.

** Reflects pre-tax charge for the estimated cost related to the employment and post-employment benefits for the Company's former Executive Chairman and termination of certain other employees and consulting arrangements.

*** Amounts shown after tax.

SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTING EARNINGS (continued)

| (\$ millions, except per-share amounts) | Six Months | | 2012 | Diluted EPS |
|---|------------|-------------|----------|-------------|
| | 2013 | Diluted EPS | | |
| TOTAL REPORTED EARNINGS | \$ 2,677 | \$ 3.32 | \$ 2,887 | \$ 3.55 |
| Oil and Gas Segment Earnings | \$ 4,020 | | \$ 4,547 | |
| Add: | | | | |
| No significant items affecting earnings | - | | - | |
| Segment Core Results | 4,020 | | 4,547 | |
| Chemicals Segment Earnings | 434 | | 378 | |
| Add: | | | | |
| Carbocloro sale gain | (131) | | - | |
| Segment Core Results | 303 | | 378 | |
| Midstream, Marketing and Other Segment Earnings | 263 | | 208 | |
| Add: | | | | |
| No significant items affecting earnings | - | | - | |
| Segment Core Results | 263 | | 208 | |
| Total Segment Core Results | 4,586 | | 5,133 | |
| Corporate Corporate Results -- Non Segment * | (2,040) | | (2,246) | |
| Add: | | | | |
| Charge for former executives and consultants ** | 55 | | - | |
| Tax effect of pre-tax adjustments | 25 | | - | |
| Discontinued operations, net *** | 9 | | 5 | |
| Corporate Core Results - Non Segment | (1,951) | | (2,241) | |
| TOTAL CORE RESULTS | \$ 2,635 | \$ 3.27 | \$ 2,892 | \$ 3.56 |

* Interest expense, income taxes, G&A expense and other.

- ** Reflects pre-tax charge for the estimated cost related to the employment and post-employment benefits for the Company's former Executive Chairman and termination of certain other employees and consulting arrangements.
- *** Amounts shown after tax.

SUMMARY OF OPERATING STATISTICS - PRODUCTION

| | Second Quarter 2013 | 2012 | Six Months 2013 | 2012 |
|--|------------------------|------|--------------------|------|
| NET OIL, GAS AND LIQUIDS PRODUCTION PER DAY | | | | |
| United States | | | | |
| Oil (MBBL) | | | | |
| California | 88 | 88 | 88 | 87 |
| Permian | 145 | 138 | 146 | 139 |
| Midcontinent and Other | 28 | 23 | 28 | 20 |
| Total | 261 | 249 | 262 | 246 |
| NGLs (MBBL) | | | | |
| California | 21 | 15 | 20 | 15 |
| Permian | 39 | 39 | 39 | 39 |
| Midcontinent and Other | 17 | 19 | 18 | 19 |
| Total | 77 | 73 | 77 | 73 |
| Natural Gas (MMCF) | | | | |
| California | 260 | 269 | 262 | 268 |
| Permian | 160 | 151 | 168 | 153 |
| Midcontinent and Other | 372 | 420 | 378 | 416 |
| Total | 792 | 840 | 808 | 837 |
| Latin America | | | | |
| Oil (MBBL) - Colombia | | | | |
| | 28 | 31 | 29 | 27 |
| Natural Gas (MMCF) - Bolivia | | | | |
| | 13 | 14 | 13 | 14 |
| Middle East / North Africa | | | | |
| Oil (MBBL) | | | | |
| Dolphin | 7 | 9 | 6 | 9 |
| Oman | 67 | 62 | 66 | 63 |
| Qatar | 75 | 74 | 67 | 73 |
| Other | 44 | 36 | 45 | 41 |
| Total | 193 | 181 | 184 | 186 |
| NGLs (MBBL) | | | | |
| Dolphin | 7 | 9 | 7 | 9 |
| Natural Gas (MMCF) | | | | |
| Dolphin | 145 | 194 | 139 | 183 |
| Oman | 56 | 57 | 56 | 57 |
| Other | 232 | 230 | 238 | 224 |
| Total | 433 | 481 | 433 | 464 |

| | | | | |
|----------------------------------|-----|-----|-----|-----|
| Barrels of Oil Equivalent (MBOE) | 772 | 766 | 768 | 760 |
|----------------------------------|-----|-----|-----|-----|

SUMMARY OF OPERATING STATISTICS - SALES

| | Second Quarter 2013 | 2012 | Six Months 2013 | 2012 |
|---|------------------------|------|--------------------|------|
| NET OIL, GAS AND LIQUIDS SALES PER DAY | | | | |
| United States | | | | |
| Oil (MBBL) | 261 | 249 | 262 | 246 |
| NGLs (MBBL) | 77 | 73 | 77 | 73 |
| Natural Gas (MMCF) | 795 | 835 | 810 | 835 |
| Latin America | | | | |
| Oil (MBBL) - Colombia | 26 | 31 | 28 | 27 |
| Natural Gas (MMCF) - Bolivia | 13 | 14 | 13 | 14 |
| Middle East / North Africa | | | | |
| Oil (MBBL) | | | | |
| Dolphin | 7 | 8 | 6 | 8 |
| Oman | 63 | 60 | 68 | 63 |
| Qatar | 80 | 73 | 66 | 71 |
| Other | 36 | 34 | 32 | 36 |
| Total | 186 | 175 | 172 | 178 |
| NGLs (MBBL) | | | | |
| Dolphin | 7 | 9 | 7 | 9 |
| Natural Gas (MMCF) | 433 | 481 | 433 | 464 |
| Barrels of Oil Equivalent (MBOE) | 764 | 759 | 755 | 752 |

Section 9 - Financial Statements and Exhibits

Item 9.01. Financial Statements and Exhibits

(d) Exhibits

99.1 Press release dated July 30, 2013.

99.2 Full text of speeches given by Cynthia L. Walker and Stephen Chazen.

99.3 Investor Relations Supplemental Schedules.

99.4 Earnings Conference Call Slides.

99.5 Forward-Looking Statements Disclosure for Earnings Release Presentation Materials.

SIGNATURE

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

OCCIDENTAL PETROLEUM CORPORATION
(Registrant)

DATE: July 30, 2013

/s/ ROY PINECI
Roy Pineci, Vice President, Controller
and Principal Accounting Officer

EXHIBIT INDEX

| Exhibit Number | Description |
|----------------|--|
| 99.1 | Press release dated July 30, 2013. |
| 99.2 | Full text of speeches given by Cynthia L. Walker and Stephen Chazen. |
| 99.3 | Investor Relations Supplemental Schedules. |
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