

Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

OCCIDENTAL PETROLEUM CORP /DE/  
Form 10-K/A  
July 22, 2002

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

Amendment No. 1 on Form 10-K/A

Annual Report Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act  
of 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2001

Transition Report Pursuant to Section  
of the Securities Exchange Act of 1934  
FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER 1-9210

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

State or other jurisdiction of incorporation or organization	Delaware
I.R.S. Employer Identification No.	95-4035997
Address of principal executive offices	10889 Wilshire Blvd., Los Angeles
Zip Code	90024
Registrant's telephone number, including area code	(310) 208-8800

Securities registered pursuant to Section 12(b) of the Act:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON
10 1/8% Senior Debentures due 2009	New York Stock Exchange
9 1/4% Senior Debentures due 2019	New York Stock Exchange
Oxy Capital Trust I 8.16% Trust Originated Preferred Securities	New York Stock Exchange
Common Stock	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements the past 90 days.

YES  NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

The aggregate market value of the voting stock held by nonaffiliates of the registrant on February 28, 2002, was approximately \$10.0 billion, based on the closing price on the New York Stock Exchange composite tape of \$26.84 per share of Common Stock on February 28, 2002. Shares of Common Stock held by each

## Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

executive officer and director have been excluded from this computation in that such persons may be deemed to be affiliates. This determination of affiliate status is not a conclusive determination for other purposes.

At February 28, 2002, there were approximately 374,455,513 shares of Common Stock outstanding.

### DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement, filed in connection with its May 3, 2002, Annual Meeting of Stockholders, are incorporated by reference into Part III.

### EXPLANATORY NOTES

-----  
As reported in Occidental's 8-K filing dated March 22, 2002, effective that date the Board of Directors of Occidental Petroleum Corporation (the "Company") decided to no longer engage Arthur Andersen LLP ("Arthur Andersen" or "AA") as the Company's independent auditors and engaged KPMG LLP ("KPMG") to serve as the Company's independent auditors for the fiscal year 2002, in accordance with the recommendation of the Board's Audit Committee.

Arthur Andersen's audit reports on the Company's consolidated financial statements for each of the fiscal years ended December 31, 2001, 2000 and 1999 did not contain an adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles. Subsequent to the appointment of KPMG, Occidental requested that they perform audits of the Company's consolidated financial statements for the fiscal years ended December 31, 2001, 2000 and 1999 to avoid administrative requirements attendant to using those financial statements in the future. The audits by KPMG were made in accordance with generally accepted auditing standards and included a review of the system of internal controls to the extent considered necessary to determine the audit procedures required to support their opinion on the consolidated financial statements. Their report dated June 25, 2002 is included herein. There were no changes in the balance sheet, net income, cash flow or earnings per share as a result of the audits performed by KPMG. The only modifications made in connection with the re-audits are to update the Management's Discussion and Analysis and the Notes to the Consolidated Financial Statements to reflect disclosures about accounting pronouncements issued and effective after the dates the original audits were completed, and to update the Management's Discussion and Analysis and the Notes to Consolidated Financial Statements to 1) disclose the period in which a transaction is expected to close, and 2) to disclose the actual redemption of certain oil and gas partnership interests which occurred subsequent to the Company's filing of its 2001 Annual Report on Form 10-K. These modifications, as outlined below, appear in Items 1 and 2, and Items 7, 8 and 14 of the 10-K/A. There were no other changes in the statements.

#### ITEMS 1 AND 2 - BUSINESS AND PROPERTIES -

##### CHEMICAL OPERATIONS, ALLIANCES AND STRATEGIC DEVELOPMENTS

With respect to the Lyondell/Equistar transaction, the transaction is now expected to close in the third quarter of 2002.

#### ITEM 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS -

##### 2002 OUTLOOK, CHEMICAL, PETROCHEMICALS (EQUISTAR PARTNERSHIP)

With respect to the Lyondell/Equistar transaction, the transaction is now expected to close in the third quarter of 2002.

##### ACQUISITIONS, DISPOSITIONS AND COMMITMENTS, ALTURA ACQUISITION

## Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

With respect to Altura Energy Ltd., the sellers retained a preferred limited partnership interest of approximately \$2.0 billion and were entitled to certain distributions from the partnership. The partnership exercised an option in May 2002 to redeem the remaining partnership interests of \$1.9 billion held by BP Amoco and Shell in exchange for their existing note payable of \$1.9 billion to the partnership.

### ADDITIONAL ACCOUNTING CHANGES -

#### EITF ISSUE NO. 02-3

In June 2002, the Emerging Issues Task Force (EITF) reached consensus on certain issues in EITF Issue No. 02-3, "Accounting for Contracts Involved in Energy Trading and Risk Management Activities." Consensus was reached on two issues: 1) that gains and losses on energy trading contracts (whether realized or unrealized) should be shown net in the income statement, and 2) that entities should disclose the types of contracts that are accounted for as energy trading contracts along with a variety of other data regarding values, sensitivity to changes in estimates, maturity dates and other factors. Occidental is required to implement this consensus in the third quarter 2002 and all comparative financial statements will be reclassified to conform to the consensus on the first issue. Occidental has concluded the impact of this recent consensus will not have any effect on net income, cash flow or earnings per share. However, Occidental expects the consensus will require significant reductions in sales and cost of sales by equal amounts.

i

#### SFAS NO. 145

In April 2002, the Financial Accounting Standards Board (FASB) issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." In addition to amending or rescinding other existing authoritative pronouncements to make various technical corrections, clarify meanings, or describe their applicability under changed conditions, SFAS No. 145 precludes companies from recording gains and losses from the extinguishment of debt as an extraordinary item. Occidental must implement SFAS No. 145 in the first quarter of 2003 and all comparative financial statements will be reclassified to conform to the 2003 presentation. The anticipated effects of the statement include the reclassification of an extraordinary loss to net income from continuing operations of \$8 million (\$0.02 per share) in 2001 and of \$107 million (\$0.30 per share) in 1999. There will be no effect on net income or basic earnings per common share.

#### SFAS NO. 142

In June 2001, the FASB issued SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 142 changes the accounting and reporting requirements for acquired goodwill and intangible assets. The provisions of this statement must be applied starting with fiscal years beginning after December 15, 2001. At December 31, 2001, the balance sheet included approximately \$108 million of goodwill and intangible assets with annual amortization expense of approximately \$6 million recorded in each of the years' income statements for the three-year period ended December 31, 2001. As a result, elimination of goodwill amortization would not have had a material impact on net income or earnings per share of any of the years presented and, as a result, the transitional disclosures of adjusted net income excluding goodwill amortization described by SFAS No. 142 have not been presented. Occidental implemented SFAS No. 142 in the first quarter of

# Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

2002. The adoption of this accounting standard resulted in a cumulative effect of changes in accounting principles after-tax reduction in net income of approximately \$95 million due to the impairment of the goodwill. Occidental now has no remaining goodwill on its financial statements.

## ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA - REPORT OF INDEPENDENT AUDITORS

**NOTE 3 BUSINESS COMBINATIONS AND ASSET ACQUISITIONS AND DISPOSITIONS**  
With respect to Altura Energy Ltd., the sellers retained a preferred limited partnership interest of approximately \$2.0 billion and were entitled to certain distributions from the partnership. The partnership exercised an option in May 2002 to redeem the remaining partnership interests of \$1.9 billion held by BP Amoco and Shell in exchange for their existing note payable of \$1.9 billion to the partnership.

**NOTE 4 ASSET WRITE-DOWNS, EXTRAORDINARY ITEMS AND ACCOUNTING CHANGES**  
With respect to the Lyondell/Equistar transaction, the transaction is now expected to close in the third quarter of 2002.

## ITEM 14 - EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K - EXHIBIT 23 - CONSENT OF INDEPENDENT AUDITORS

ii

### TABLE OF CONTENTS

	Explanatory Notes.....	
PART I		
ITEMS 1 AND 2	Business and Properties.....	
	General.....	
	Segment Information.....	
	Oil and Gas Operations.....	
	Chemical Operations.....	
	Capital Expenditures.....	
	Employees.....	
	Environmental Regulation.....	
PART II		
ITEM 7	Management's Discussion and Analysis of Financial Condition and Results of Operations (Incorporating Item 7A).....	
	2001 Business Environment.....	
	Strategic Overview and Review of Business Results - 1999 - 2001.....	
	2002 Outlook.....	
	Income Summary.....	
	Segment Operations.....	
	Special Items.....	
	Consolidated Operations - Revenues.....	
	Consolidated Operations - Expenses.....	
	Liquidity and Capital Resources.....	
	Analysis of Financial Position.....	
	Acquisitions, Dispositions and Commitments.....	
	Derivative and Hedging Activities.....	

## Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

	Taxes.....
	Lawsuits, Claims, Commitments, Contingencies and Related Matters.....
	Environmental Expenditures.....
	Foreign Investments.....
	Critical Accounting Policies.....
	Additional Accounting Changes.....
	Safe Harbor Statement Regarding Outlook and Other Forward-Looking Data...
	Report of Management.....
ITEM 8	Financial Statements and Supplementary Data.....
	Report of Independent Auditors.....
	Consolidated Statements of Operations.....
	Consolidated Balance Sheets.....
	Consolidated Statements of Stockholders' Equity.....
	Consolidated Statements of Comprehensive Income.....
	Consolidated Statements of Cash Flows.....
	Notes to Consolidated Financial Statements.....
	Quarterly Financial Data (Unaudited).....
	Supplemental Oil and Gas Information (Unaudited).....
	Financial Statement Schedule:
	Schedule II - Valuation and Qualifying Accounts (Unaudited).....
PART IV	
ITEM 14	Exhibits, Financial Statement Schedules and Reports on Form 8-K.....

### PART I

#### ITEMS 1 AND 2 BUSINESS AND PROPERTIES

In this report, the term "Occidental" refers to Occidental Petroleum Corporation, a Delaware corporation, and/or one or more entities in which it owns a majority voting interest (subsidiaries).

#### GENERAL

Occidental explores for, develops, produces and markets crude oil and natural gas. Occidental also manufactures and markets basic chemicals, including chlorine, caustic soda and ethylene dichloride (EDC), vinyls, including polyvinyl chloride (PVC) resins and vinyl chloride monomer (VCM), through its 76-percent interest in Oxy Vinyls, LP (OxyVinyls), and performance chemicals. Occidental conducts its operations through various oil and gas and chemical subsidiaries and affiliates. Occidental also has an interest in petrochemicals through its 29.5-percent ownership in Equistar Chemicals, LP (Equistar), which it intends to sell to Lyondell Chemical Company (Lyondell). See further information in the "Chemical Operations" section. Occidental's executive offices are located at 10889 Wilshire Boulevard, Los Angeles, California 90024; telephone (310) 208-8800.

During 2001, Occidental continued its program to redeploy assets in its worldwide oil and gas and chemical segments. For information regarding these developments, see the information under "Oil and Gas Operations", "Chemical Operations" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" (MD&A) in this report.

For information on foreign investments, see the information under "Foreign Investments" in the MD&A section of this report.

For information on acquisitions and dispositions, see the information under "Acquisitions, Dispositions and Commitments" in the MD&A section of this report.

#### SEGMENT INFORMATION

Occidental's principal businesses constitute two industry segments, the operations of which are described below. For information with respect to the revenues, net income and assets of Occidental's industry segments and of its operations in various geographic areas for each of the three years in the period

## Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

ended December 31, 2001, see Note 15 to the Consolidated Financial Statements of Occidental (Consolidated Financial Statements), which is included in this report, and the information appearing in the MD&A section of this report.

### OIL AND GAS OPERATIONS

#### EXPLORATION AND PRODUCTION GENERAL

Occidental produces or participates in the production of crude oil, condensate and natural gas in the United States, Colombia, Ecuador, Oman, Pakistan, Qatar, Russia and Yemen. Occidental also conducts exploration and/or development activities in several of these countries, as well as in Albania and Peru.

#### COMPARATIVE OIL AND GAS RESERVES AND PRODUCTION

Oil in millions of barrels; natural gas in billions of cubic feet

	2001			2000		
	OIL	GAS	TOTAL (A)	OIL	GAS	TOTAL (A)
U.S. Reserves	1,371	1,962	1,698	1,346	2,094	1,695
International Reserves	526	106	543	457	116	476
Total	1,897	2,068	2,241	1,803	2,210	2,171
U.S. Production	78	223	115	63	241	104
International Production	55	18	59	62	18	65
Total	133	241	174	125	259	169

(a) Natural gas volumes have been converted to equivalent barrels based on energy content of 6,000 cubic feet (one thousand cubic feet is referred to as an "Mcf") of gas to one barrel of oil.

#### RESERVES

At December 31, 2001, Occidental's oil and gas reserve base, on a barrels of oil equivalent (BOE) basis, was 2.241 billion equivalent barrels, compared with 2.171 billion equivalent barrels at December 31, 2000. In 2001, excluding the effect of acquisitions and sales, Occidental replaced 138 percent of 2001 worldwide combined oil and natural gas production of 174 million barrels, on a BOE basis. Proved reserve additions from all sources, including the net effect of acquisitions and property sales, replaced 141 percent of 2001 production. Occidental's consolidated worldwide net proved developed and undeveloped reserves of crude oil and condensate were 1.897 billion barrels at year-end 2001, compared with 1.803 billion barrels at year-end 2000. Domestic reserves of crude oil and condensate increased to 1.371 billion barrels at year-end 2001, compared with 1.346 billion barrels at year-end 2000, and international crude oil reserves increased to 526 million barrels from 457 million barrels at year-end 2000. Worldwide net proved developed and undeveloped reserves of natural gas were approximately 2.1 trillion cubic feet (Tcf) at year-end 2001, with 2.0 Tcf attributable to domestic operations. Worldwide net proved developed and undeveloped natural gas reserves were about 2.2 Tcf at the end of 2000.

## Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

### COMPETITION

As a producer of crude oil and natural gas, Occidental competes with numerous other producers, as well as with non-petroleum energy producers. Crude oil and natural gas are commodities that are sensitive to prevailing conditions of supply and demand and generally are sold at "spot", contract prices or on futures markets. Occidental competes through the cost-efficient development and production of its worldwide oil and gas reserves and through acquiring contracts for the exploration of blocks in areas with known oil and gas deposits. Occidental also pursues opportunities to increase production through enhanced oil recovery projects and strategic acquisitions. In recent years, Occidental has focused domestic exploration and development efforts on core assets in California, the Permian Basin and Hugoton, and has focused its international exploration and development efforts on core assets in the Middle East and Latin America.

Occidental's oil and gas operations are affected by foreign, federal, state and local laws and regulations relating to, among other things, increases in taxes and royalties, production limits and environmental matters.

### OIL AND GAS PRODUCTION AND MARKETING

Net daily worldwide oil and condensate production in 2001 averaged 366,000 barrels per day, compared with 343,000 barrels per day in 2000, and net worldwide natural gas production averaged 660 million cubic feet (MMcf) per day, compared with 708 MMcf per day in 2000. U.S. operations accounted for approximately 58 percent of Occidental's oil production and 92 percent of gas production. On a BOE basis, Occidental produced 476,000 net barrels per day in 2001 from operations in 8 countries, including the United States. For production information by country, see the production table appearing under the caption "Segment Operations - Oil and Gas" in the MD&A section of this report.

Set forth below are descriptions of the producing areas for Occidental. The core producing areas for Occidental are the United States, the Middle East and Latin America.

### UNITED STATES

Occidental produces crude oil and natural gas, principally in California, the Permian Basin and the Hugoton area encompassing portions of Kansas, Oklahoma and Texas.

Occidental is the operator of the Elk Hills oil and gas field in California with an approximate 78-percent interest. The field, which is the tenth largest in the lower-48 states, encompasses 75 square miles and is located in the southern portion of the prolific oil-producing San Joaquin Valley.

The THUMS oil property offshore Long Beach, CA was purchased in 2000. The THUMS operation encompasses a portion of the Wilmington field, the fourth largest oil field in the continental U.S.

Including the Elk Hills and THUMS properties, Occidental has mineral rights on approximately 850,000 acres in California, including exploration properties near Elk Hills and Buena Vista Hills. Occidental also has gas production in the Sacramento Valley.

Occidental owns a 33-percent interest in the Horn Mountain prospect in the deepwater Gulf of Mexico (GOM), with first production expected late in 2002. BP p.l.c. (BP) is the operator.

Occidental has integrated the Altura properties purchased in April 2000 from BP and the Royal Dutch/Shell Group (Shell) with its previously existing Permian Basin operation (Oxy Permian) in Southwest Texas and Southeast New Mexico. Over half of Oxy Permian's production is from fields into which carbon dioxide (CO<sub>2</sub>) is injected as a tertiary recovery technique.

In late 2000, Occidental purchased BP's 75-percent working interest in the

## Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

Bravo Dome CO2 unit in northern New Mexico, which has gross CO2 production of approximately 320 MMcf per day.

Occidental also owns a large concentration of gas reserves, production interests and royalty interests in the Hugoton area of Kansas and Oklahoma. The Hugoton field is the largest natural gas field ever discovered in North America.

4

### MIDDLE EAST

In Qatar, Occidental is the operator of the Idd el Shargi North and South Dome fields under separate production-sharing contracts.

In Yemen, Occidental owns working interests in the Masila field in Block 14 (38 percent) and the East Shabwa field in Block 10 (28.6 percent). In addition, Occidental has interests in seven exploration blocks encompassing nearly 15 million acres. Of these, Occidental is the operator of Blocks 44 and 20 with working interests of 75 percent and 50 percent, respectively, and has a 40-percent working interest in each of five blocks - Blocks 11, 12, 36, 56 and 59 - on the border with Saudi Arabia.

In Oman, Occidental is the operator of Block 9, with a 65-percent working interest, which contains the Safah oil field and six small oil fields along the southern border of the block. Occidental also is pursuing exploration opportunities in Block 27.

Operations in Qatar, Oman and Yemen are all conducted under production-sharing contracts. Occidental's contractual net share of production in each of these operations varies annually depending on the market price of oil and the level of investment.

In 2001, Occidental was selected to participate in Core Venture Two of the Kingdom of Saudi Arabia's Natural Gas Initiative, which includes exploration acreage, appraisal and development of discovered gas fields, a power plant and an optional petrochemical plant. Final agreements are currently expected to be signed in 2002.

### OTHER EASTERN HEMISPHERE

In southern Pakistan, Occidental has working interests, which vary from 25 to 30 percent, in the three Badin Blocks.

In Russia, Occidental owns a 50-percent interest in a joint venture company, Vanyoganneft, in the western Siberian oil basin.

### LATIN AMERICA

Occidental has a 35-percent working interest and is operator of the Cano Limon oil field in Colombia. Occidental also has an approximately 44-percent interest in the Cano Limon-Covenas oil pipeline and a marine export terminal operated by Colombia's national oil company, Ecopetrol. The pipeline transports oil produced from the Cano Limon field for export to international markets. In addition, Occidental has an 88-percent working interest in three exploration blocks encompassing 9,325 square miles in the Central Llanos Basin.

In Ecuador, Occidental has a 60-percent working interest and is operator of Block 15, in the Oriente Basin, under a production-sharing agreement, converted in 1999 from a risk-service contract.

Occidental also has an approximately 12-percent interest in a 500-kilometer heavy oil pipeline being constructed to transport oil from the Oriente Basin to the port of Esmeraldas. The pipeline is expected to be operational in the first half of 2003.



## Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

### RESERVES, PRODUCTION AND RELATED INFORMATION

See Note 16 to the Consolidated Financial Statements and the information under the caption "Supplemental Oil and Gas Information" in Item 8 of this report for information regarding Occidental's oil and gas reserves, the production from and other changes in these reserves, the discounted present value of estimated future net cash flows from these reserves, certain costs and other financial and statistical information regarding Occidental's oil and gas exploration and production operations. Estimates of reserves have been made by Occidental engineers and include reserves under which Occidental holds an economic interest under service contracts and other arrangements. Occidental's crude oil reserves include natural gas liquids and condensate. The reserves are stated after applicable royalties. The definitions used are in accordance with applicable Securities and Exchange Commission regulations. Accordingly, proved oil and gas reserves are those estimated quantities of crude oil, natural gas and natural gas liquids that geological and engineering data demonstrate, with reasonable certainty, will be recoverable in future years from known reservoirs under existing economic and operating conditions. Proved developed oil and gas reserves are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods. Unless otherwise stated, all references to reserves are made on a net basis. On May 1, 2001, Occidental reported to the U.S. Department of Energy on Form EIA-28 proved oil and gas reserves at December 31, 2000.

### CHEMICAL OPERATIONS

#### GENERAL

Occidental conducts its chemical operations through Occidental Chemical Corporation and its various subsidiaries and affiliates (collectively, OxyChem). OxyChem is a chemical manufacturer, with interests in basic chemicals, vinyls, petrochemicals and performance chemicals. OxyChem's operations are affected by cyclical economic factors and by specific chemical-industry conditions.

5

OxyChem's products are commodity in nature. They are equivalent to products manufactured by others that are generally available in the marketplace and are produced and sold in large volumes to industrial customers for use as raw materials. Many of OxyChem's products are both sold to others and further processed by OxyChem into other chemical products. OxyChem's operations are affected by environmental regulation and associated costs. See the information appearing under the caption "Environmental Expenditures" in the MD&A section of this report.

#### ALLIANCES AND STRATEGIC DEVELOPMENTS

In 1998, Occidental became a partner in Equistar by contributing certain assets. Lyondell owns 41 percent of Equistar, while Millennium Chemicals, Inc. and Occidental each own 29.5 percent. Equistar is one of the largest producers of ethylene, propylene and polyethylene in the world today with an annual capacity of more than 11 billion pounds of ethylene and more than six billion pounds of polyethylene.

In January 2002, Occidental and Lyondell agreed in principle for Occidental to sell its share of Equistar to Lyondell and to purchase an equity interest of approximately 21 percent in Lyondell. These transactions are subject to the execution of definitive documents and corporate and regulatory approvals. In connection with the agreement in principle, Occidental wrote down its investment in the Equistar partnership by \$240 million, after tax, in December 2001. The transactions are expected to close in the third quarter of 2002.

Because of decreased demand for its products and deteriorating prices, on June 1, 2001, OxyChem temporarily idled the Ingleside, TX EDC plant and on

## Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

December 27, 2001, OxyChem temporarily idled the Deer Park chlor-alkali plant in Houston, TX. These facilities will remain idle until market conditions improve.

In June 2000, OxyChem announced its decision to withdraw from several of its chemical intermediates businesses principally located in Niagara Falls, NY and Ashtabula, OH. As part of the initiative, OxyChem sold its Chlorowax(R) chlorinated paraffins business in October 2000 and the Ashtabula facility in June 2001. Although a few products continue to be manufactured for sale, almost all of the Niagara Falls chemical intermediates production units have been shut down, and the sale or disposal of these assets is underway.

In April 1999, OxyChem and The Geon Company, now known as PolyOne Corporation (PolyOne), formed the OxyVinyls partnership, combining the commodity PVC resin and VCM assets of both companies, and two chlor-alkali and cogeneration plants of OxyChem. Ownership is shared between OxyChem and PolyOne on a 76-percent and 24-percent basis, respectively. The partners also formed a smaller partnership, PVC Powder Blends, LP, a powder compounding business in which OxyChem owns a 10-percent interest.

OxyVinyls has annual capacities of 4.4 billion pounds of PVC resin, 4.9 billion pounds of VCM and 1.0 million tons of chlor-alkali electrochemical units. Because chlorine and caustic soda are co-products, the chemical industry uses electrochemical units as a standard metric corresponding to one ton of chlorine and approximately 1.1 tons of caustic soda.

### BASIC CHEMICALS

OxyChem's basic chemicals group manufactures and markets inorganic chemicals, including high-volume commodity products, primarily consisting of chlorine, caustic soda and their derivatives. Chlorine and caustic soda are supplied to a number of manufacturers, including those in the pulp and paper, plastics, water-purification, bleach and sanitation industries. EDC plants at Ingleside, TX (currently idle), and Convent, LA, use part of the chlorine production from OxyChem's adjacent chlor-alkali facilities and ethylene from Equistar's nearby olefins plants. EDC is used primarily in making VCM, the raw material used in the production of PVC. Potassium hydroxide, or caustic potash, is used by fertilizer, soap and detergent and rubber manufacturers. It also is used by an OxyChem joint venture with Church & Dwight Co., Inc. to produce potassium carbonate.

### PERFORMANCE CHEMICALS

OxyChem produces organic and inorganic chemicals that are used as raw materials by customers to enhance the performance of their end products. OxyChem also produces chlorinated isocyanurates for use in swimming pools and as cleaning compounds. In addition, OxyChem produces antimony trioxide, used in the production of polyethylene terephthalate resins and as a flame retardant, and resorcinol, which is used mainly as an adhesive in tire manufacturing. Other facilities produce chrome chemicals, which are used in leather tanning, metal plating and wood preservation and sodium silicates, which are used for detergents, adhesives and numerous other applications. OxyChem also produces mercaptans that are used as warning agents in natural gas and propane.

6

### PRINCIPAL PRODUCTS

OxyChem produces the following chemical products:

Principal Products	Major Uses
-----	-----

Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

Basic Chemicals	Chlor-alkali chemicals: Chlorine	Raw material for vinyl chlor manufacturing, pulp and pape treatment
	Caustic soda	Chemical manufacturing, pulp cleaning products
	Potassium chemicals (including potassium hydroxide and, through its Armand Products joint venture with Church & Dwight Co., Inc., potassium carbonate)	Glass, fertilizers, cleaning
	Ethylene dichloride (EDC)	Raw material for vinyl chlor
Performance Chemicals	Sodium silicates	Soaps and detergents, cataly
	Chrome chemicals	Metal and wood treatments, l
	Chlorinated isocyanurates	Swimming pool, household and and sanitizing products
	Mercaptans	Warning agents for natural g material for agricultural ch
	Antimony oxide	Flame retardant synergist an
	Resorcinol	Tire manufacture, wood adhes synergist
Vinyls	Vinyl chloride monomer (VCM)	Raw material for polyvinyl c
	Polyvinyl chloride resin	PVC pipe for municipal, plum External construction materi door profiles, fencing, and and automotive products, wir and packaging.
Specialty Vinyls	Polyvinyl chloride (PVC) resin and films	Resins for flooring, medical vinyl applications. Calender packaging and consumer produ

RAW MATERIALS

Nearly all raw materials used in OxyChem's operations are readily available from a variety of sources. Most of OxyChem's key raw materials purchases are made through both short and long-term contracts. OxyChem is not dependent on any single nonaffiliated supplier for a material amount of its raw-material or energy requirements. Equistar supplies virtually all of the ethylene requirements (up to 2.55 billion pounds per year) for OxyChem's chlor-alkali business and OxyVinyls' business. Although earnings have been adversely affected by higher natural gas, electricity and feedstock prices for most of the past year, operations have not been curtailed as a result of any supply interruptions.

PATENTS, TRADEMARKS AND PROCESSES

OxyChem owns and licenses a large number of patents and trademarks and uses a variety of processes in connection with its operations, some of which are proprietary and some of which are licensed. OxyChem does not regard its business as being materially dependent on any single patent, trademark or process.

## Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

### SALES AND MARKETING

OxyChem's products are sold to industrial users or distributors located in the United States, largely by its own sales force. OxyChem sells its products principally at current market or current market-related prices through both short and long-term sales agreements.

No significant portion of OxyChem's business is dependent on a single third-party customer. However, OxyChem has entered into significant supply arrangements with certain of its affiliates. In 2001, PolyOne purchased raw materials pursuant to PVC resin and VCM sale contracts at market-related prices from OxyVinyls valued at approximately \$184 million. Consequently, changes in demand by PolyOne will affect OxyVinyls. In addition, in 2001, OxyChem and OxyMar purchased a combined total of approximately \$490 million of ethylene at market-related prices from Equistar. Finally, OxyMar, which is OxyChem's affiliate, sold VCM resin at market-related prices valued at approximately \$291 million to OxyChem affiliates in 2001. In general, OxyChem does not manufacture its products against a backlog of firm orders.

7

### COMPETITION

The chemical business is very competitive. Since most of OxyChem's products are commodity in nature, they compete primarily on the basis of price, quality characteristics and timely delivery. Because OxyChem's products generally do not occupy proprietary positions, OxyChem endeavors to be an efficient, low-cost producer. OxyChem's size and the number and location of its plants also produce competitive advantages, principally in its ability to meet customer delivery requirements.

### PROPERTIES

As of December 31, 2001, OxyChem, which is headquartered in Dallas, Texas, operated 27 chemical-manufacturing plants in the United States. Many of the larger facilities are located in the Gulf Coast areas of Texas and Louisiana. In addition, OxyChem operates six chemical-manufacturing plants in four foreign countries; its largest investment is in Brazil. A number of additional facilities process, blend and store the chemical products. OxyChem owns or leases an extensive fleet of railroad cars.

All of OxyChem's chemical-manufacturing plants are owned, except for a portion of OxyVinyls' plant at La Porte, Texas, which is leased. The charts below list OxyChem's principal facilities and plant capacities.

### CHLOROVINYLS

Principal Products and U.S. Production Capacities at December 31, 2001

Plants (a)	Chlorine (tons)	Caustic Soda (tons)	Caustic Potash (tons)
BASIC			
Mobile, Alabama	49,000		77,000
Muscle Shoals, Alabama	154,000		242,000
Delaware City, Delaware	146,000	123,000	110,000
Convent, Louisiana	389,000	435,000	
Taft, Louisiana	743,000	846,000	
Niagara Falls, New York	335,000	371,000	
Ingleside, Texas (b, c)	604,000	676,000	
Total	2,420,000	2,451,000	429,000

Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

- (a) All of the volumes listed in the table above are based on estimated capacities only. Actual results of production may differ materially from capacities listed.
- (b) Plant assets also comprise an interest in an electric power cogeneration facility.
- (c) As of June 1, 2001, the Ingleside EDC plant was temporarily idled.

Plants (a)	Chlorine (tons)	Caustic Soda (tons)	VCM (millions of pounds)
OXYVINYL			
Louisville, Kentucky			
Pedricktown, New Jersey			
Deer Park, Texas (b, d)	410,000	471,000	1,300
Ingleside, Texas (c)			2,400
LaPorte, Texas (b)	546,000	628,000	2,400
Pasadena, Texas			
Total	956,000	1,099,000	6,100

- (a) All of the volumes listed in the table above are based on estimated capacities only. Actual results of production may differ materially from capacities listed.
- (b) Plant assets also comprise an electric power cogeneration facility.
- (c) OxyMar owns plant (78.6% with OxyChem affiliates; 21.4% with Marubeni affiliate).
- (d) As of December 27, 2001, the Deer Park chlor-alkali facility was temporarily idled.

Plants (a)

SPECIALTY VINYL

Pottstown, Pennsylvania

Total

- (a) All of the volumes listed in the table above are based on estimated capacities only. Actual results of production may differ materially from capacities listed.

PERFORMANCE CHEMICALS

Principal Products and U.S. Production Capacities(a)

Plants	Product	Cap
ACL; Illinois and Louisiana	Chlorinated Isocyanurates	

## Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

Chrome; North Carolina	Chromic Acid
Chrome; North Carolina	Sodium Bichromate
INDSPEC; Pennsylvania	Resorcinol
Laurel Industries; Texas	Antimony Oxide
Natural Gas Odorizing; Texas	Mercaptans
Silicates; Georgia/Ohio/Texas/Illinois/New Jersey/Alabama	Sodium Silicates

(a) All of the volumes listed in the table above are based on estimated capacities only. Actual results of production may differ materially from capacities listed.

### INTERNATIONAL

Principal Products and Production Capacities (in metric tons) (a)

Country	Location	% Oxy Ownership	Chlorine	Caustic Soda	Vinyl Film	EDC
Brazil	Cubatao	50%	253,000	284,000		144,000
Brazil	Rio de Janeiro	100%			32,000	
Canada	Niagara Falls, Ontario	76%				
Canada	Scotford, Alberta	76%				
Chile	Talcahuano	100%	55,000	62,000		
Thailand	Bangkok	49%				
Total			308,000	346,000	32,000	144,000

(a) All of the volumes listed in the table above are based on estimated capacities only. Actual results of production may differ materially from capacities listed.

### CAPITAL EXPENDITURES

Occidental's oil and gas operations, based on depletable resources, are capital intensive, involving large-scale expenditures. In particular, in the search for and development of new reserves, long lead times are often required. In addition, Occidental's oil and gas and chemical businesses require capital expenditures to remain competitive and to comply with safety and environmental laws. For additional information on capital expenditures, see the information under the caption "Capital Expenditures" in the MD&A section of this report.

### EMPLOYEES

Occidental employed 8,235 people at December 31, 2001, 6,338 of whom were located in the United States. Occidental employed 2,645 people in oil and gas operations and 4,555 people in chemical operations. An additional 1,035 people were employed in administrative and headquarters functions. Approximately 733 U.S.-based employees are represented by labor unions.

Occidental has a long-standing policy to ensure that fair and equal employment opportunities are extended to all people without regard to race, color, religion, ethnicity, gender, national origin, disability, age, sexual orientation, veteran status or any other legally impermissible factor. Occidental maintains diversity and outreach programs.

### ENVIRONMENTAL REGULATION

For environmental regulation information, see "Environmental Expenditures" in the MD&A section of this report.

ITEM 7

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (INCORPORATING ITEM 7A)

2001 BUSINESS ENVIRONMENT

In this report, the term "Occidental" refers to Occidental Petroleum Corporation and/or one or more entities in which it owns a majority voting interest (subsidiaries). Occidental is divided into two major operating businesses.

OIL AND NATURAL GAS INDUSTRY

The market price of West Texas Intermediate (WTI) declined considerably during 2001, falling from around \$30/bbl in January to less than \$20/bbl in December. The fourth quarter was the weakest for oil prices since the third quarter of 1999. Overall, the crude oil market continued to indicate both long-term and short-term price uncertainty.

NYMEX domestic natural gas prices were subject to greater volatility in 2001. Natural gas prices, which were over \$5/thousand cubic feet (Mcf) in the fourth quarter of 2000, rose to \$7/Mcf in the first quarter of 2001 and then declined significantly to less than \$3/Mcf by year-end. Increased supply from heavy investment in drilling by the industry in 2000 and 2001, higher inventories and decreased demand combined to lower gas prices back to the level last seen in the first quarter of 2000.

The number of U.S. onshore rigs in use climbed from under 500 in mid-1999 to over 1,100 in mid-2001, but the decline in oil and gas prices resulted in fewer than 800 rigs in use by the end of the year.

CHEMICAL INDUSTRY

The chemical industry experienced a significant decrease in demand as the decade-long U.S. economic expansion gave way to a recession in March 2001 following a slowdown that began midway through 2000. Due to a pessimistic outlook and no near-term signs of economic recovery, customers and distributors continued with inventory reduction and limited purchases. Most Asian, European and South American countries also experienced an economic downturn similar to North American trends. Record-high energy prices and feedstock costs began to drop in the second quarter, but poor product demand for the year resulted in overall weaker prices and profit margins.

Domestic chlorine demand decreased significantly in 2001, compared with 2000, due to poor demand for chlorine derivatives including vinyls, polyurethane chemicals, epichlorohydrin and others, which are primarily used in durable goods and consumer products. The poor chlorine demand resulted in chlorine prices declining throughout the year. Caustic soda prices peaked in the first half of the year due to major cutbacks in chlorine production. Demand was stable in the first half of the year but began to soften in the third quarter. Polyvinyl chloride (PVC) prices, but not margins, improved for a short time reflecting higher energy and feedstock prices during the first few months before reaching a peak in April, but weakened throughout the remainder of the year due to poor demand and increased industry capacity.

STRATEGIC OVERVIEW AND REVIEW OF BUSINESS RESULTS - 1999 - 2001

STRATEGY

Occidental's overall strategy to add value for shareholders consists of three basic elements:

- >> Shift corporate assets to large, long-lived oil and gas assets with growth potential
- >> Maintain financial discipline and strengthen the balance sheet

## Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

>> Harvest cash from chemicals

Implementation of this strategy included divesting interests in the natural gas pipeline segment and buying large "legacy" oil and gas assets in California and Texas that are expected to provide stable production, strong earnings and cash flow and a solid platform for new growth initiatives.

At Occidental, financial discipline means prudently investing capital in projects that are expected to produce superior returns while strengthening the balance sheet to reduce both risk and earnings volatility.

The chemicals business is being used to provide free cash flow.

### SPECIFIC ACTIONS

#### OIL AND GAS

The oil and gas business strategy has three parts that, together, are focused on adding new oil and natural gas reserves at a pace well ahead of production, while simultaneously keeping finding and development costs among the lowest in the industry.

- >> Continue to add commercial reserves in and around core areas in the U.S., Middle East and Latin America through a combination of focused exploration and development programs.
- >> Pursue commercial opportunities with host governments in core areas to enhance the development of mature fields with large volumes of remaining oil in place by applying appropriate technology and innovative reservoir-management practices.
- >> Maintain a disciplined approach in buying and selling assets at attractive prices.

10

Occidental's oil and gas business is currently concentrated in five U.S. states and nine foreign countries.

The asset mix within each of these areas has been strengthened by the sale of properties with low or no current return and investment in assets with much higher performance potential. The results of these changes are discussed below in "Business Review - Oil & Gas."

#### CHEMICAL

Occidental conducts its chemical operations through Occidental Chemical Corporation and its various subsidiaries and affiliates (collectively, OxyChem). OxyChem focuses on the chlorovinyls chain where it begins with ethylene and chlorine, which is co-produced with caustic soda, and converts them through a series of intermediate products into PVC. In order to strengthen its position along the chlorovinyls chain, Occidental entered into a major business alliance in 1999, a vinyls partnership with Geon (now known as PolyOne) named OxyVinyls, LP (OxyVinyls).

#### CORPORATE

In July 2001, Occidental sold its interests in a subsidiary that owned a Texas intrastate pipeline and its interest in a liquefied natural gas (LNG) project in Indonesia. After-tax proceeds of approximately \$750 million from these transactions were used to reduce debt.

In April 2000, Occidental sold its interest in Canadian Occidental Petroleum Ltd., renamed Nexen Inc. (CanadianOxy or Nexen). After-tax proceeds, together with tax benefits from the disposition of oil-producing properties in Peru, totaling \$700 million were used to reduce debt following the Altura



## Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

acquisition.

Occidental received \$775 million from Chevron in a litigation settlement in November 1999, which was used mainly to reduce high-cost debt.

### DEBT STRUCTURE

Occidental's total debt comprises three components, as shown in the table below (amounts in millions):

Date	Occidental Public Debt	Other Recourse Debt	Altura Non- Recourse Debt	Total Debt (a)
=====	=====	=====	=====	=====
12/31/97	\$ 4,965	\$ 1,361	\$ --	\$ 6,326
12/31/98	\$ 5,402	\$ 776	\$ --	\$ 6,178
12/31/99	\$ 4,401	\$ 1,047	\$ --	\$ 5,448
April 2000 (b)	\$ 5,766	\$ 1,009	\$ 2,400	\$ 9,175
12/31/00	\$ 3,544	\$ 912	\$ 1,900	\$ 6,356
12/31/01	\$ 4,119	\$ 771	\$ --	\$ 4,890
-----	-----	-----	-----	-----

- (a) Includes Trust Preferred Securities, natural gas delivery commitment, preferred stock and capital lease obligations.
- (b) Reflects, on a pro-forma basis, the effect of \$1.2 billion in debt from the Altura acquisition on Occidental's debt as of April 2000.

Occidental took full advantage of its increased production profile and high oil and gas prices over an eighteen-month period in 2000 and 2001 to reduce total debt. The Altura purchase increased pro-forma debt to nearly \$9.2 billion in April 2000. By the end of 2001, total debt had been lowered to \$4.9 billion, \$1.4 billion below the year-end total in 1997. Occidental's public debt at year-end 2001 is more than \$800 million below the year-end 1997 level and more than \$275 million below year-end 1999.

Occidental's other recourse debt, which includes preferred stock and Trust Preferred Securities in the above table, decreased from \$1.4 billion in 1997 to \$771 million in 2001.

### Total Debt/Capitalization Ratio (%)

Date	Total Debt/Capitalization Ratio
=====	=====
12/31/97	67%
12/31/98	66%
12/31/99	61%
April 2000 (a)	71%
12/31/00	57%
12/31/01	46%
-----	-----

- (a) Reflects, on a pro-forma basis, the effect of \$1.2 billion in debt from the Altura acquisition on Occidental's public debt as of April 2000.

Occidental's year-end 2001 total debt-to-capitalization ratio has declined to approximately 46 percent from the 67-percent level that existed at the end of 1997. The debt-to-capitalization ratio is computed by dividing total debt by total capitalization, excluding minority interest.

BUSINESS REVIEW - OIL AND GAS

## Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

Occidental's overall performance during the past three years reflected the successful implementation of its oil and gas business strategy, beginning with the 1998 \$3.5 billion acquisition of the Elk Hills oil and gas field in California. Elk Hills is one of the top ten oil and gas fields in the U.S. and the largest source of gas in California. The Elk Hills acquisition was followed in April 2000 by the purchases of Altura Energy in Texas for \$3.6 billion and the much smaller THUMS property in Long Beach for \$110 million.

At the end of 2001, these three assets made up 65 percent of Occidental's worldwide proven oil reserves and 52 percent of its proven gas reserves. On a barrel of oil equivalent (BOE) basis, they accounted for 63 percent of worldwide reserves. In 2001, the combined production from these assets averaged approximately 266,000 BOE per day, which represents 56 percent of Occidental's total worldwide production.

### ALTURA ACQUISITION

Occidental completed the acquisition of the Altura properties on April 19, 2000. In the relatively short period since the acquisition, the Altura properties have generated nearly \$1.2 billion in operating cash flow after capital expenditures of approximately \$350 million.

Net production averaged 140,000 BOE per day in 2001.

The Altura properties were successfully integrated with Occidental's existing Permian operations, making Occidental the largest oil producer in Texas.

With the Altura acquisition, Occidental has become a world leader in carbon dioxide (CO<sub>2</sub>) flood technology, an enhanced oil recovery technique that involves injecting CO<sub>2</sub> into oil reservoirs where it acts as a solvent causing the oil to flow more freely so it can be pumped to the

11

surface. Currently, Occidental's CO<sub>2</sub> floods provide about half of its oil production in the Permian Basin.

### MILNE POINT - BRAVO DOME SWAP

In late 2000, Occidental swapped its 9-percent interest in the Milne Point oil field in Alaska operated by BP p.l.c. (BP) for BP's 75-percent working interest in the Bravo Dome CO<sub>2</sub> unit in northern New Mexico. Bravo Dome CO<sub>2</sub> production averaged approximately 320 million cubic feet per day in 2001.

Because of third-party sales commitments, Bravo Dome currently meets approximately one-third of Occidental's CO<sub>2</sub> demand in the Permian Basin.

### THUMS

At year-end 2001, net production from the THUMS oil property in Long Beach, CA was averaging 30,000 barrels per day, an increase from approximately 25,000 barrels per day at the end of 2000.

In December 2001, work began on a 3-D vertical seismic profile survey, which is expected to be completed in the first quarter of 2002. The results of this survey are expected to assist in planning for the future development of the properties.

Occidental plans to build a 45-megawatt gas-fired power plant to enhance THUMS' value. Since production at THUMS depends on electric submersible pumps, electricity is the single largest component of this operation's cost structure. Moreover, the supply of electricity is interruptible, meaning that when power is in short supply, service may be interrupted to accommodate other users such as domestic households. The new power plant will allow THUMS to generate its own secure supply of electricity from its untapped natural gas resources, while simultaneously lowering operating costs. Any excess electricity can be sold back to the local electricity grid. The permitting process and pre-construction activities are progressing well, and construction is expected to commence in the first half of 2002.

## Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

### GULF OF MEXICO

In July 2000, Occidental monetized its interests on the Continental Shelf in the Gulf of Mexico (GOM) and the proceeds were used to reduce debt. Also refer to "Acquisitions, Dispositions and Commitments - 2000" for further information.

The development in the GOM is currently focused on the deep water Horn Mountain oil discovery in which Occidental has a one-third interest and BP is the operator. The discovery well, which was drilled to a depth of nearly 14,000 feet, is located about 60 miles off the Louisiana-Mississippi coast in 5,400 feet of water.

Gross proved reserves exceed 100 million BOE with production scheduled to begin late in 2002. Production is expected to peak in 2003 with Occidental's peak share estimated at 21,000 BOE per day.

### ELK HILLS

As a result of sustained capital investment, production increased in 2001 to approximately 99,000 BOE per day from approximately 96,000 BOE per day in 1999 and 2000. Elk Hills has generated total free cash flow, after capital expenditures, of approximately \$2.4 billion since Occidental acquired the asset in early 1998.

Since the date of acquisition, Occidental has replaced 108 percent of its total Elk Hills oil and gas production of 136 million BOE. At the end of 2001, the property still had an estimated 437 million BOE of proved reserves, compared to the 425 million BOE that were recorded at the time of the acquisition.

### MIDDLE EAST

#### OMAN

Occidental's Oman business centers on its 300-million barrel discovery in Block 9. Occidental has produced more than 150 million gross barrels from the Block, most of it from the Safah field.

Net production to Occidental averaged 14,000 barrels of oil per day in the fourth quarter, and Occidental expects to expand its Oman business over the next few years.

Occidental uses multi-lateral horizontal wells to increase production and recovery rates and to minimize the number of wells needed. Today, 60 percent of Occidental's production in Oman relies on horizontal wells. A new waterflood program is currently under way at Safah that will enhance production and improve the ultimate recovery of reserves from the field.

#### YEMEN

In Yemen, Occidental's net production averaged 33,000 barrels of oil per day in 2001, with 29,000 coming from the Masila field and the remainder from East Shabwa. A series of step-out wells are planned for Masila in 2002 that are expected to add new reserves.

In 2001, Occidental completed a 3-D seismic program in Block 20. Preliminary analysis of these data was completed, and plans are under way to begin drilling two exploratory wells in Block 20 in late 2002. In addition, a 3-D seismic program is beginning in the first quarter of 2002 in Block 44. Analysis of seismic data for Block 59, which is part of the under-explored southern portion of the Rub al Khali desert, has been completed and a test well began drilling in January 2002.

#### QATAR

In Qatar, Occidental successfully reversed 25 years of declining production in the Idd el Shargi North Dome field. By introducing advanced drilling systems and by applying new waterflooding and reservoir characterization techniques, gross production increased from 20,000 barrels per day to more than 100,000 barrels per day, peaking at 138,000 barrels in 1998.

## Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

Occidental is developing the South Dome field as a satellite to the North Dome, which reduces the overall capital requirement of the two projects. Combined production from the two fields in the fourth quarter of 2001 was 43,000 barrels per day, net to Occidental.

Occidental also has implemented a waterflood program in the North Dome's Shuaiba Reservoir and is currently evaluating a second-generation redevelopment project.

Occidental is also pursuing new exploration opportunities in Qatar.

### SAUDI ARABIA

In Saudi Arabia, Occidental has a 20-percent interest in the Core Venture Two consortium, which expects to invest in the Red Sea area to help the Kingdom identify and develop new natural gas reserves for the domestic market.

The Red Sea venture currently consists of development of discovered gas from the Midyan and Barqan fields in the northwest part of the Kingdom, and construction of related gas-processing and pipeline facilities. The consortium expects to build at least one power plant and possibly a water-desalination unit and will also evaluate the potential for a petrochemical plant.

The project also calls for onshore and offshore exploration in Blocks 40 to 49 located in and along the Red Sea. Exploration success in these blocks will lay the foundation for additional investment opportunities in power generation, water desalination and petrochemicals in the western part of the Kingdom.

An initial agreement was signed with the Kingdom on June 3, 2001. Final agreements are currently expected to be signed in 2002.

### OTHER EASTERN HEMISPHERE

#### PAKISTAN

Occidental holds oil and gas interests in the Badin Blocks in Pakistan, which BP operates. Current gross production is 65,000 BOE per day. Occidental's net share is approximately 16,000 BOE per day.

Current plans call for drilling 13 to 15 wells per year to develop new and existing fields by the end of 2003, and Occidental continues to evaluate additional exploration opportunities.

#### RUSSIA

In Russia, Occidental's 50-percent joint venture company, Vanyoganneft, produced approximately 28,000 BOE, net to Occidental, in the fourth quarter of 2001.

#### INDONESIA

In July 2001, Occidental sold its interest in the Tangguh LNG project in Indonesia, which was in its initial phase of development, to Mitsubishi Corporation of Japan for a sale price of \$480 million. The proceeds were used in Occidental's debt-reduction program.

### LATIN AMERICA

#### COLOMBIA

In 2001, production from Occidental's Cano Limon operations in Colombia was substantially reduced from 2000 and 1999 levels due to a record number of attacks by local left-wing terrorist groups on the pipeline, which is operated by Ecopetrol. Nevertheless, Occidental's net share of 2001 production averaged 18,000 barrels of oil per day and this operation continues to be profitable. This operation accounts for less than one percent of Occidental's worldwide assets and only three percent of total worldwide reserves and four percent of worldwide oil and gas production at year-end 2001. Occidental presently anticipates that it will recover the proved reserves attributable to its contract. The potential rewards are significant when the pipeline is fully operational.

The Gibraltar exploration well, which was drilled approximately 100 miles west of Cano Limon, did not encounter commercial quantities of hydrocarbons, and

## Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

the \$66 million cost of the well was written off in 2001.

### ECUADOR

In 2000, Occidental farmed out a 40-percent economic interest in Block 15 in Ecuador to Alberta Energy Company Ltd. (AEC). This transaction reduced Occidental's exposure in Ecuador and is expected to largely fund its capital program in-country through 2004.

Gross production in Block 15 is currently flat with 2001 average production of approximately 30,000 barrels of oil per day, with 13,000 barrels net to Occidental.

Occidental has begun development of the Eden-Yuturi oil field in the southeastern corner of Block 15. The start-up of production is scheduled to coincide with the completion of the Oleoducto de Crudos Pesados (OCP) Ltd. heavy-oil pipeline in 2003. In addition, work is being carried out in the western portion of the block in and around fields currently in production. The combined effect of these projects is expected to add net incremental production of 30,000 barrels per day to Occidental's production profile.

In addition, Occidental is expanding its exploration activities in Block 15 with an aggressive 3-D seismic program.

13

Foreign oil companies, including Occidental, have been paying Value Added Tax (VAT), generally calculated on the basis of 10-12 percent of expenditures for goods and services used in the production of oil for export. Until 2001, these VAT payments were reimbursed to the oil companies because they are incurred for the production of an export product. In 2001, the Ecuador tax authority announced that these VAT payments do not qualify for reimbursement. In response, the affected oil companies filed actions in the Ecuador Tax Court to seek a judicial determination that the expenditures are subject to reimbursement. Occidental believes that it has a valid claim for reimbursement under applicable Ecuador tax law and historic precedent.

### BUSINESS REVIEW - CHEMICAL

Although industry volumes improved in early 2001 following weak second-half 2000 demand, PVC resin sales in North America lagged 2000 levels by 8 percent through June 2001. Overall demand declined 2.6 percent from 2000 to 2001. Significant oversupply of PVC resin combined with continued inventory reductions by customers resulted in North American PVC industry operating rates of around 80 percent in 2001, versus 85 percent in 2000.

PVC resin prices increased only slightly in the first half of 2001, but declined throughout the remainder of the year. Higher exports in 2001 prevented operating rates from falling lower, but export sales returned only minimal margins.

On June 1, 2001, OxyChem temporarily idled its Ingleside, TX ethylene dichloride (EDC) plant and on December 27, 2001, OxyChem temporarily idled the Deer Park chlor-alkali plant in Houston, TX due to a combination of deteriorating prices and weak demand. These facilities will remain idle until economic conditions improve.

In Occidental's chlor-alkali business, reduced demand for chlorine led to significantly reduced operating rates. OxyChem's operating rate, as a percent of capacity, fell from 92 percent in 2000 to 84 percent in 2001. The chlorine industry's 2001 operating rate was 85 percent compared to 92 percent for 2000. Despite reduced liquid caustic production, caustic prices declined in the second half of the year on weak demand. As 2001 progressed, chlorine prices fell due to declining demand, especially in the global vinyls market. Operations at the Convent chlor-alkali and EDC plant, which had been curtailed, were recommenced in 2001.

Record-high energy costs in the first quarter of 2001 adversely affected earnings. For the total year, energy costs were higher than 2000, but well below

## Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

first quarter levels. Feedstock costs followed the same trend as energy costs.

Petrochemical margins were under pressure throughout 2001 due to weak demand and significant capacity additions by BASF/AtoFina, Formosa Plastics and Union Carbide/Nova Chemical. Lower feedstock costs in the fourth quarter were offset by lower prices due to continued weak demand.

The primary goal of Occidental's chemical business is to provide free cash flow. From 1995 through 2001, total cash flow from the chemicals business was \$3.8 billion, including asset sales, net of acquisitions, of \$1.0 billion.

### 2002 OUTLOOK

#### OIL AND GAS

The petroleum industry is highly competitive and subject to significant volatility due to numerous market forces. Crude oil and natural gas prices are affected by market fundamentals such as weather, inventory levels, competing fuel prices, overall demand and the availability of supply.

In the fourth quarter of 2001, worldwide oil prices weakened considerably and have remained lower than their ten-year averages in the first quarter of 2002. Sustained low prices will significantly impact profitability and returns for Occidental and other upstream producers. However, the industry has historically experienced wide fluctuations within price cycles.

While fundamentals are a decisive factor affecting crude oil prices over the long term, day-to-day prices may be more volatile in the futures markets; such as on the NYMEX and other exchanges, which make it difficult to accurately predict oil and natural gas prices. In the short term, other factors such as weather patterns do have a significant effect, particularly on natural gas prices. In the United States, increased gas supplies from large capital investment over the past year, combined with a later winter, resulted in inventory levels at the end of 2001 exceeding the average of the preceding five years by 20 percent.

The combination of higher gas supplies and lower demand, which is continuing into the first quarter of 2002, is expected to result in significantly lower average gas price realizations for Occidental in 2002 than in 2001.

#### CHEMICAL

The performance of the chemical business is difficult to forecast, but this business is capable of contributing significant earnings and cash flow when demand is strong.

Industry operating rates in the chlor-alkali/vinyls business are expected to recover gradually in 2002.

#### CHLOR-ALKALI

Domestic chlorine demand is expected to increase by nearly 2 percent in 2002, which should allow the industry's operating rates to improve in the absence of capacity additions. Liquid caustic pricing is expected to continue to be weak.

The domestic chlorine market price is expected to improve gradually throughout 2002 as the vinyls demand for chlorine increases. Liquid caustic pricing peaked in the second quarter of 2001 and is expected to decline through the second quarter of 2002. In late 2001, OxyChem temporarily idled its Deer Park, TX chlor-alkali facility until economic conditions improve.

#### VINYLS

While the beginning of a weak recovery is expected in the second half of 2002, continued supply/demand imbalances in PVC markets will likely prevent all but seasonal product price increases. Continued pressure on raw materials, particularly ethylene, should result in relatively stable, albeit low, price spreads over raw materials.

## Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

Overall, North American PVC growth is expected to average only 2.6 percent in 2002, reflecting weak consumer confidence and low GDP growth. While PVC will continue to make inroads into new markets, the high-volume construction and automotive end markets for PVC products will likely remain well below peak demand levels. North American PVC industry operating rates are expected to average between 80-85 percent for the year.

### PETROCHEMICALS (EQUISTAR PARTNERSHIP)

In January 2002, Occidental and Lyondell Chemical Company (Lyondell) agreed, in principle, for Occidental to sell its share of Equistar to Lyondell and to purchase an equity interest of approximately 21 percent in Lyondell. These transactions are subject to the execution of definitive documents and corporate and regulatory approvals. In connection with the agreement in principle, Occidental wrote down its investment in the Equistar partnership by \$240 million, after tax, in December 2001. Occidental will continue to reflect its share of Equistar's results until the transaction closes, which is expected in the third quarter of 2002.

### INCOME SUMMARY

Occidental reported net income of \$1.2 billion (\$3.10 per share) in 2001, on net sales of \$14.0 billion, compared with net income of \$1.6 billion (\$4.26 per share) in 2000, on net sales of \$13.6 billion. Earnings before special items were \$1.3 billion in 2001 and 2000.

### SEGMENT OPERATIONS

The following discussion of Occidental's two operating segments and corporate items should be read in conjunction with Note 15 to the Consolidated Financial Statements.

Segment earnings exclude interest income, interest expense, unallocated corporate expenses and extraordinary items, but include gains and losses from dispositions of segment assets and results from equity investments.

Foreign income and other taxes and certain state taxes are included in segment earnings on the basis of operating results. U.S. federal income taxes are not allocated to segments except for amounts in lieu thereof that represent the tax effect of operating charges resulting from purchase accounting adjustments, and the tax effects resulting from major, infrequently occurring transactions, such as asset dispositions and legal settlements that relate to segment results. Segment earnings in 2001 were affected by \$14 million of net charges allocated comprising \$56 million of charges and \$42 million of credits in oil and gas and chemical, respectively. The oil and gas amount included a charge for the sale of the Indonesian Tangguh LNG project. The chemical amount included credits for the sale of certain chemical operations. Segment earnings in 2000 were affected by \$25 million from net charges allocated comprising \$32 million of charges and \$7 million in credits in oil and gas and chemical, respectively. The oil and gas amount included a charge for the monetization of the GOM Continental Shelf assets. The chemical amount included a net charge for the sale of certain chemical operations. Segment earnings in 1999 were affected by \$212 million from net charges allocated comprising \$228 million of charges and \$16 million of credits in oil and gas and chemical, respectively. The oil and gas amount included a charge related to the income on the Chevron litigation settlement and a credit for losses on sales of assets.

The following table sets forth the sales and earnings of each operating segment and corporate items:

### SEGMENT OPERATIONS

In millions

For the years ended December 31,	2001	2000	1999
=====	=====	=====	=====

Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

SALES			
Oil and Gas	\$ 10,893	\$ 9,779	\$ 4,599
Chemical	3,092	3,795	3,221
	-----	-----	-----
	\$ 13,985	\$ 13,574	\$ 7,820
	=====	=====	=====
EARNINGS (LOSS)			
Oil and Gas	\$ 2,845	\$ 2,417	\$ 1,267
Chemical	(394)	169	(37)
	-----	-----	-----
	2,451	2,586	1,230
Unallocated corporate items			
Interest expense, net (a)	(263)	(380)	(468)
Income taxes (c)	(366)	(861)	(68)
Trust preferred distributions and other	(56)	(67)	(62)
Other (b)	(580)	291	(64)
	-----	-----	-----
Income before extraordinary items and effect of changes in accounting principles			
	1,186	1,569	568
Extraordinary gain (loss), net	(8)	1	(107)
Cumulative effect of changes in accounting principles, net	(24)	--	(13)
	-----	-----	-----
Net Income	\$ 1,154	\$ 1,570	\$ 448
	=====	=====	=====

- (a) The 2001 and 2000 amounts are net of \$102 million and \$106 million, respectively, of interest income on notes receivable from Altura partners.
- (b) The 2001 amount includes the after-tax loss of \$272 million related to the sale of the entity that owns pipelines in Texas that were leased to a former subsidiary, a \$109 million charge for environmental remediation expenses and \$104 million of preferred distributions to the Altura partners. The 2000 amount includes the pre-tax gain on the sale of the CanadianOxy investment of \$493 million, partially offset by preferred distributions to the Altura partners of \$107 million. The preferred distributions are essentially offset by the interest income discussed in (a) above.
- (c) The 2001 amount excludes the income tax benefit of \$188 million attributed to the sale of the entity that owns pipelines in Texas.

15

OIL AND GAS

In millions, except as indicated	2001	2000	1999
=====	=====	=====	=====
SEGMENT SALES	\$ 10,893	\$ 9,779	\$ 4,599
SEGMENT EARNINGS	\$ 2,845	\$ 2,417	\$ 1,267
EARNINGS BEFORE SPECIAL ITEMS (a)	\$ 2,439	\$ 2,404	\$ 841
NET PRODUCTION PER DAY			
UNITED STATES			
Crude oil and liquids (MBBL)			
California	76	70	52
Permian	137	101	13
U.S. Other	--	1	8



Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

Total	213	172	73
Natural Gas (MMCF)			
California	303	306	287
Hugoton	159	168	172
Permian	148	119	55
U.S. Other	--	66	148
Total	610	659	662
LATIN AMERICA			
Crude oil & condensate (MBBL)			
Colombia	18	32	43
Ecuador	13	17	15
Peru	--	--	38
Total	31	49	96
EASTERN HEMISPHERE			
Crude oil & condensate (MBBL)			
Oman	12	9	15
Pakistan	7	6	5
Qatar	43	49	58
Russia	27	26	27
Yemen	33	32	32
Total	122	122	137
Natural Gas (MMCF)			
Bangladesh	--	--	8
Pakistan	50	49	44
Total	50	49	52
BARRELS OF OIL EQUIVALENT (MBOE)	476	461	425
AVERAGE SALES PRICES			
CRUDE OIL PRICES (per barrel)			
U.S.	\$ 21.74	\$ 26.66	\$ 15.81
Latin America	\$ 19.95	\$ 26.01	\$ 13.20
Eastern Hemisphere	\$ 21.32	\$ 25.14	\$ 15.86
GAS PRICES (per thousand cubic feet)			
U.S.	\$ 6.40	\$ 3.66	\$ 2.09
Eastern Hemisphere	\$ 2.29	\$ 1.99	\$ 1.17
EXPENSED EXPLORATION(b)	\$ 184	\$ 94	\$ 75
CAPITAL EXPENDITURES			
Development	\$ 918	\$ 582	\$ 302
Exploration	\$ 171	\$ 132	\$ 103
Acquisitions and other(c, d)	\$ 134	\$ 77	\$ 69

- (a) Earnings before special items represents segment earnings adjusted for the effect of certain infrequent transactions that may affect comparability between years. Earnings before special items is not considered to be an alternative to operating income in accordance with generally accepted accounting principles. See "Special Items" table for a list of special items affecting earnings.
- (b) Includes certain amounts previously shown in exploration capital expenditures. The 2001 amount includes a \$66 million write-off of the Gibraltar well in Colombia.
- (c) Includes mineral acquisitions but excludes significant acquisitions individually discussed in this report.
- (d) Includes capitalized portion of injected CO<sub>2</sub> of \$48 million and \$44 million in 2001 and 2000, respectively.

Occidental explores for and produces oil and natural gas, domestically and

## Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

internationally. Occidental seeks long-term growth and improvement in profitability and cash flow through a combination of increased operating efficiencies in core assets, enhanced oil recovery projects, focused exploration opportunities and complementary property acquisitions.

Earnings before special items in 2001 were \$2.44 billion compared with \$2.40 billion in 2000. The increase in earnings before special items reflected primarily the impact of higher natural gas prices and higher production volumes, partially offset by lower worldwide crude oil prices and higher exploration expense.

Approximately 54 percent of oil and gas sales revenues for 2001 were attributable to oil and gas trading activity, compared with approximately 50 percent in 2000 and 43 percent in 1999. These trading activities focus on obtaining the highest sale price available. Occidental also occasionally engages in hedging activities for relatively small parts of its total production to reduce exposure to price risk, thereby mitigating cash-flow volatility. Refer to "Derivative and Hedging Activities" for a complete discussion. Other than the positive effect on oil and gas realized prices, the results of trading activities are not significant.

The increase in oil and gas trading revenues from 2000 to 2001 was due to a 14-percent increase in the volume of oil and gas trades and a 49-percent increase in gas prices. The revenue was also positively affected by an increase in the volume of Natural Gas Liquids (NGLs), although this impact was not significant. These positive effects were partially offset by an 18-percent decrease in oil prices associated with the trading contracts.

### CHEMICAL

In millions, except as indicated =====	2001 =====	2000 =====	1999 =====
SEGMENT SALES	\$ 3,092	\$ 3,795	\$ 3,221
SEGMENT (LOSS) EARNINGS	\$ (394)	\$ 169	\$ (37)
EARNINGS BEFORE SPECIAL ITEMS (a)	\$ 41	\$ 293	\$ 147
KEY PRODUCT INDEXES (1987 through 1990 average price = 1.0)			
Chlorine	0.74	1.58	0.79
Caustic soda	1.33	0.69	0.66
Ethylene Dichloride	0.61	1.37	0.97
PVC commodity resins(c)	0.68	0.95	0.70
KEY PRODUCT VOLUMES			
Chlorine (thousands of tons)	2,847	2,977	3,230
Caustic soda (thousands of tons)	2,857	3,168	3,223
Ethylene Dichloride (thousands of tons)	735	979	1,080
PVC commodity resins (millions of pounds)	3,950	3,902	3,454
CAPITAL EXPENDITURES (b)			
Basic chemicals	\$ 37	\$ 49	\$ 35
Vinyls	\$ 55	\$ 61	\$ 25
Specialty businesses	\$ 25	\$ 41	\$ 50
Other	\$ 3	\$ 4	\$ 6
-----	-----	-----	-----

(a) Earnings before special items represents segment earnings adjusted for the effect of certain infrequent transactions that may affect comparability between years. Earnings before special items is not considered to be an alternative to operating income in accordance with generally accepted accounting principles. See "Special Items" table for a list of special items affecting earnings.

(b) Excludes the formation of OxyVinyls and the acquisition of the balance of INDSPEC in 1999.

## Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

- (c) Product volumes produced at PolyOne facilities contributed to OxyVinyls are excluded from the product indexes.

Earnings before special items were \$41 million in 2001, compared with \$293 million in 2000. The decrease in earnings before special items reflected the impact of lower average prices for chlorine, EDC and PVC resins and a loss from the Equistar equity investment compared with income from the prior year, partially offset by higher prices for caustic soda and lower raw-material and feedstock costs.

16

Earnings before special items were \$293 million in 2000, compared with \$147 million in 1999. The increase in earnings before special items primarily reflected the impact of higher average prices for chlorine, EDC and PVC resins, partially offset by higher raw-material and feedstock costs.

### SPECIAL ITEMS

Special items are significant, infrequent items reflected in the Consolidated Statements of Operations that may affect comparability between years. These items are listed below to assist in understanding the results of Occidental's operations on an ongoing basis. The special items included in the 2001, 2000 and 1999 results are detailed below. For further information, see Note 15 to the Consolidated Financial Statements and the discussion above.

### SPECIAL ITEMS

Benefit (Charge) In millions	2001	2000	1999
=====	=====	=====	=====
<b>OIL AND GAS</b>			
Gain on sale of interest in the Indonesian Tangguh LNG project(a)	\$ 399	\$ --	\$ --
Gain on sale of additional interests in Gulf of Mexico assets(a)	7	--	--
Gain on partial sale of Gulf of Mexico assets(a)	--	39	--
Write-down of various assets, real estate and investments	--	(53)	(9)
Loss on sale of office building(a)	--	(14)	--
Chevron litigation settlement(a)	--	--	488
Write-down of Peru producing operations(a)	--	--	(29)
Claims, settlements, reorganization and other	--	--	(35)
Gain on buyout of contingency payment (a)	--	41	--
Gain on receipt of contingency payment	--	--	11
-----	-----	-----	-----
<b>CHEMICAL</b>			
Write-down of Equistar investment	\$ (412)	\$ --	\$ --
Credit from state tax rate adjustment	14	--	--
Write-down of chemical intermediate businesses and various assets	--	(135)	(159)
Gain on sale of Durez business(a)	--	13	--
Loss on foreign investment abandonment (a)	--	(2)	--
Write-downs by Equistar	--	--	(28)

Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

Severance, plant shutdown, idling and plant write-down costs	(37)	--	--
Gain on sale of chemical plant by Equistar	--	--	12
Claims and settlements	--	--	(9)
-----			
CORPORATE			
Loss on sale of pipeline-owning entity (a)	\$ (272)	\$ --	\$ --
Environmental remediation	(109)	--	--
Settlement of state tax issue	70	--	--
Gain on sale of CanadianOxy investment	--	493	--
Claims and settlements	--	(17)	--
Extraordinary (loss)gain on debt redemption(a)	(8)	1	(107)
Insurance dividend	6	11	18
Changes in accounting principles(a)	(24)	--	(13)
Tax effect of pre-tax adjustments	192	(133)	55
-----			

(a) These amounts are shown after-tax.

CONSOLIDATED OPERATIONS - REVENUES

SELECTED REVENUE ITEMS

In millions	2001	2000	1999
=====	=====	=====	=====
Net sales	\$ 13,985	\$ 13,574	\$ 7,820
Interest, dividends and other income	\$ 223	\$ 263	\$ 913
Gains(losses) on disposition of assets, net	\$ 10	\$ 639	\$ (13)
(Loss)income from equity investments	\$ (92)	\$ 67	\$ 41
-----			

The increase in sales in 2001, compared to 2000, primarily reflected higher natural gas prices and higher oil and gas trading revenue, in turn, due to higher oil and gas trading volumes and higher gas prices, partially offset by lower crude oil and chemical prices. The increase in sales in 2000, compared with 1999, primarily reflected higher worldwide crude oil and natural gas prices, higher domestic oil production, mainly from the Altura and THUMS acquisitions, higher oil and gas trading activity and the inclusion of the full year revenues from OxyVinyls, partially offset by lower international oil production.

Interest, dividends and other income in 2001 and 2000 included interest income on the notes receivable from the Altura partners of \$102 million and \$106 million, respectively. Interest, dividends and other income in 1999 included the favorable litigation settlement of \$775 million.

Gains on disposition of assets in 2001 included the pre-tax gain of \$454 million on the sale of the interest in the Tangguh LNG project and the pre-tax loss on the sale of an interest in the subsidiary that leased a pipeline to Occidental's former MidCon subsidiary of \$459 million. Gains on disposition of assets in 2000 included the pre-tax gain of \$493 million on the sale of the CanadianOxy investment, the pre-tax gain of \$61 million on the partial sale of the Gulf of Mexico assets, the pre-tax gain of \$63 million on the receipt of contingency payments related to a prior-year sale of a Dutch North Sea subsidiary and the pre-tax gain of \$34 million on the sale of the Durez business.

The loss from equity investments in 2001, compared with income from equity

## Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

investments in 2000, was primarily due to a loss of \$89 million from the Equistar equity investment in 2001. The increase in income from equity investments in 2000, compared with 1999, was due to higher earnings at Equistar.

### CONSOLIDATED OPERATIONS - EXPENSES

#### SELECTED EXPENSE ITEMS

In millions =====	2001 =====	2000 =====	1999 =====
Cost of sales	\$ 9,488	\$ 8,963	\$ 5,269
Selling, general and administrative and other operating expenses	\$ 675	\$ 691	\$ 645
Write-down of assets	\$ 415	\$ 180	\$ 212
Minority interest	\$ 143	\$ 185	\$ 58
Exploration expense	\$ 184	\$ 94	\$ 75
Interest and debt expense, net -----	\$ 392 -----	\$ 518 -----	\$ 498 -----

17

The increase in cost of sales in 2001, compared with 2000, primarily reflected higher costs related to increased oil and gas trading volumes, higher prices for gas trading and higher production volumes. The increase in cost of sales in 2000, compared with 1999, primarily reflected the higher costs related to oil and gas trading, higher domestic oil production volumes and higher raw-material and energy costs in the chemical segment.

Selling, general and administrative and other operating expenses decreased in 2001, compared to 2000, due mainly to a decrease in chemical selling costs. Selling, general and administrative and other operating expenses increased in 2000, compared to 1999, due to the increase in oil and gas production taxes resulting from higher oil and gas prices and the acquisition-related higher production, partially offset by lower other costs.

Write-down of assets in 2001 included the write-down of the Equistar equity investment. The 2000 amount includes the write-down of certain oil and gas investments and the write-down of the chemical intermediate businesses. The 1999 amount includes the write-down of the Peru producing operations and the write-down of the chemical intermediate business.

Minority interest in 2001 and 2000 included preferred distributions to the Altura partners of \$104 million and \$107 million, respectively.

Exploration expense in 2001 included expensing higher-cost exploration wells, primarily the Gibraltar well in Colombia of \$66 million.

The decrease in interest and debt expense in 2001, compared with 2000, reflected lower outstanding debt levels and lower interest rates. The increase in interest and debt expense, net in 2000, compared to 1999, reflected the interest on the Altura non-recourse debt, partially offset by lower outstanding corporate debt levels.

### LIQUIDITY AND CAPITAL RESOURCES

#### OPERATING ACTIVITIES

In millions	2001 =====	2000 =====	1999 =====
NET CASH PROVIDED	\$ 2,652	\$ 2,401	\$ 1,044

## Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

The higher operating cash flow in 2001, compared with 2000, resulted from higher recurring non-cash charges, including depreciation, depletion and amortization, exploration expenses and a loss from equity investments.

The higher operating cash flow in 2000, compared with 1999, resulted mainly from higher earnings before special items. Depreciation, depletion and amortization of assets increased due to the increase in property, plant and equipment from the Altura acquisition.

Other non-cash charges in 2001 included the write-down of the Equistar investment and environmental remediation accruals. Other non-cash charges in 2000 included the write-down of the chemical intermediate businesses and other miscellaneous items. Other non-cash charges in 1999 included the write-down of chemical assets and other miscellaneous items. See the "Special Items" table on page 19. Each of the three years also included charges for employee benefit plans and other items.

### INVESTING ACTIVITIES

In millions	2001 =====	2000 =====	1999 =====
NET CASH(USED) PROVIDED	\$ (736)	\$ (3,097)	\$ 1,591

The 2001 amount included the gross proceeds of \$863 million from the sale of the entity that owns pipelines in Texas and the sale of Occidental's interest in the Tangguh LNG project in Indonesia.

The 2000 amount included the gross proceeds of approximately \$800 million from the sale of the CanadianOxy investment, gross proceeds of \$150 million from the sale of the Durez business and approximately \$342 million from the monetization of the GOM assets. The 2000 amount also included approximately \$3.7 billion for the purchases of Altura and THUMS.

The 1999 amount included the proceeds from the \$1.4 billion note receivable and the \$775 million proceeds from the Chevron litigation settlement. The 1999 amount reflected lower capital expenditures and also reflected net cash used of \$113 million in connection with the formation of OxyVinyls.

### CAPITAL EXPENDITURES

IN MILLIONS =====	2001 =====	2000 =====	1999 =====
Oil and Gas	\$ 1,223	\$ 791	\$ 474
Chemical	120	155	116
Corporate and other	58	6	11
TOTAL	\$ 1,401	\$ 952	\$ 601

Oil and gas capital expenditures were significantly higher in 2001 reflecting higher oil field service costs and higher development spending resulting, primarily, from a larger asset base. Amounts from all three years exclude any significant acquisitions.

Occidental's capital spending budget for 2002 is \$1.1 billion. Of the total, approximately \$1 billion will be allocated to oil and gas, with Qatar, Elk Hills and the Permian Basin receiving the highest priority.

### FINANCING ACTIVITIES

## Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

In millions	2001 =====	2000 =====	1999 =====
NET CASH (USED) PROVIDED	\$(1,814)	\$ 579	\$(2,517)

The 2001 amount reflected the repayment of \$2.3 billion of long-term and non-recourse debt, partially offset by proceeds of \$861 million from new long-term debt.

The 2000 amount reflected the proceeds from the \$2.4 billion non-recourse debt offset by repayments of \$1.4 billion on the long-term and non-recourse debt. The 2000 amount also includes the first year of purchases made to satisfy delivery commitments under the gas pre-sale commitment that was signed in 1998.

18

The 1999 amount reflected the repayment of commercial paper and long-term debt.

Occidental paid common stock dividends of \$372 million in 2001 and \$369 million in 2000 and paid preferred and common stock dividends of \$363 million in 1999. In 1999, a total of 4,847,130 shares of CXY-indexed convertible preferred stock were converted by the holders into 15,708,176 shares of Occidental's common stock. At the end of 2001, 2000 and 1999, Occidental had no preferred stock outstanding. However, most of the Trust Preferred Securities issued in January 1999 by Oxy Capital Trust I, a wholly-owned subsidiary of Occidental, remain outstanding at December 31, 2001.

Occidental has a centralized cash-management system that funds the working capital and capital expenditure requirements of its various subsidiaries. There are no provisions under existing debt agreements that significantly restrict the ability to move funds among operating entities.

### ADDITIONAL CONSIDERATIONS REGARDING FUNDING AND LIQUIDITY

In the course of its business activities, Occidental pursues a number of projects and transactions to meet its core business objectives. The accounting and financial statement treatment of these transactions is a result of the varying methods of funding employed. Occidental also makes commitments on behalf of unconsolidated entities. These transactions, or groups of transactions, are recorded in compliance with generally accepted accounting principles and, unless otherwise noted, are not recorded on Occidental's balance sheets. The following is a description of the business purpose and nature of these transactions.

#### >> CHEMICAL TRANSACTIONS TAFT COGENERATION FACILITY

Occidental has undertaken certain commitments in connection with the construction and leasing of a cogeneration facility in Taft, LA. This facility will supply all the steam and electric power requirements for Occidental's Taft chlor-alkali plant for less cost than if the plant were to generate its own steam and purchase electricity from a public utility. An owner trust with investors as participating beneficiaries owns the project, with Occidental acting as general contractor during construction. The equity participant in the owner trust has committed to fund the owner trust with equity in the amount of three percent of the total project cost during construction and 13 percent of the total project cost upon commencement of the lease term. During the construction period, Occidental is fully liable for total project costs if an event of termination occurs due to its willful misconduct or bankruptcy, and Occidental is liable to pay up to 89.9 percent of the eligible construction costs if an event of termination occurs for reasons other than force majeure. Upon completion of construction and satisfaction of certain other conditions,

## Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

expected to occur by December 31, 2002, Occidental will enter into a 26-year operating lease of the facility. The total cost of the project at the inception of the lease is expected to be approximately \$450 million. The total accumulated costs of the project as of December 31, 2001 amount to approximately \$328 million. If these costs were recorded as liabilities on Occidental's balance sheet, either during construction or during the lease term, the Taft cogeneration facility would also be recorded as an asset on the balance sheet.

### LEASES

Occidental has entered into various operating lease agreements, mainly for railcars, manufacturing facilities and office space. The leased assets are used in Occidental's operations where leasing offers advantages of greater operating flexibility and generally costs less than alternative methods of funding. Lease payments are charged to Occidental's operations, mainly as cost of sales. Occidental estimates the present value of the remaining lease payments to be \$310 million at December 31, 2001. Occidental has fixed-price purchase options associated with certain leases at various dates ranging from 2003 to 2015, with an estimated present value of \$285 million. These obligations are not recorded as liabilities on Occidental's consolidated balance sheets. If they were so recorded, the leased properties also would be included on the balance sheets as assets.

### OXYMAR

Occidental has a 78.6-percent ownership interest in OxyMar, a general partnership that owns a vinyl chloride monomer (VCM) facility in Texas operated by OxyChem. Marubeni Corporation (Marubeni) owns the remaining 21.4 percent of OxyMar, but has a 50-percent voting interest. The OxyMar VCM plant is a modern, efficient manufacturing facility. Occidental's chlorovinyls business derives economic benefit as the supplier of chlorine, a major raw material, to OxyMar. OxyMar, in turn, supplies VCM required by Occidental to manufacture PVC, one of its major products. This investment in OxyMar is recorded as an equity investment on the consolidated balance sheet. Occidental owns 28.6 percent of OxyMar directly and the OxyVinyls partnership, which is 76-percent owned by Occidental, owns 50 percent. Therefore, because of the effect of a third party's minority ownership interest, Occidental's total share of OxyMar's results is only approximately 67 percent. Occidental guarantees 50 percent of OxyMar's \$165 million private placement bonds due 2016 and 100 percent of a \$220 million revolving line of credit which matures in 2005, under which \$105 million was outstanding at December 31, 2001. These amounts are reflected as debt on OxyMar's balance sheet. Marubeni has a right to put its interest in OxyMar to Occidental in 2004 by paying approximately \$30 million to Occidental and, in connection with this transfer, require Occidental to assume Marubeni's guarantee of OxyMar's debt. If Occidental acquires the Marubeni interest, it will consolidate OxyMar. If OxyMar were to be consolidated, its assets, including the VCM facility, and its liabilities, including debt to third parties, would be recorded on Occidental's consolidated balance sheets. As of December 31, 2001, Occidental had advanced \$144 million to OxyMar and had a net equity investment of \$52 million.

### INGLESIDE

Occidental and Conoco Inc. (Conoco) each has a 50-percent interest in Ingleside Cogeneration Limited Partnership, a limited partnership (Ingleside LP), which operates a cogeneration plant in Texas. The cogeneration facility supplies all of the steam and electric power requirements to Occidental's Ingleside chlor-alkali plant and the VCM plant Occidental owns with Marubeni, at less cost than if these facilities were to produce their own steam and purchase electric power from a public utility. At December 31, 2001, Ingleside LP had approximately \$178 million in debt, which is secured by its assets. Occidental



## Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

has not guaranteed this debt; however, Occidental and Conoco currently each guarantee half of a debt service reserve amount of approximately \$8.5 million. Occidental accounts for this investment using the equity method.

### EQUISTAR

Occidental has entered into an indemnity agreement with Equistar, its 29.5-percent equity investee, to contribute to Equistar an amount equal to the lesser of approximately \$420 million or the principal amount of Equistar's notes due 2009 then outstanding, together with interest. At December 31, 2001, the outstanding principal amount of Equistar's notes due 2009 was almost \$600 million. Occidental is only required to pay this amount to Equistar if the holders of the notes have not been able to obtain payment after having pursued and exhausted all their remedies to compel payment by Equistar, including the liquidation of assets. The indemnity expressly does not create any right in the holders of the notes or any person other than Occidental, Equistar and the partners of Equistar. Occidental may elect to terminate the indemnity in certain circumstances.

### v OIL AND GAS TRANSACTIONS ECUADOR

In Ecuador, Occidental has a 12-percent interest in a company currently constructing a pipeline, which is expected to be completed in 2003. Construction of the pipeline has made it feasible for Occidental to begin developing the Eden Yuturi field it discovered several years ago in the southeastern corner of Block 15. The development of Eden Yuturi, together with ongoing work in the western portion of the block that is currently in production, is expected to add net incremental production of 30,000 barrels per day, all of which is expected to be shipped through the new pipeline. Occidental has committed to make capital contributions up to its share (approximately \$148 million) of the estimated total project costs, less an equivalent percentage (up to approximately \$110 million under existing financing arrangements) of any senior project debt incurred by the pipeline company. The pipeline company's senior project debt is to be repaid with the proceeds of ship-or-pay tariffs of certain upstream producers in Ecuador, including Occidental. Under their ship-or-pay commitments, Occidental and the other upstream producers have each assumed their respective share of project-specific risks, including construction risk, operating risk and force-majeure risk. Under certain circumstances, Occidental could be required to pay an advanced tariff payment that would in turn be used by the pipeline company to service or prepay project debt. As of December 31, 2001, Occidental has contributed \$9 million to the company. Occidental reports this investment in its consolidated financial statements using the equity method of accounting.

### ELK HILLS POWER

Occidental and Sempra Energy (Sempra) each has a 50-percent interest in Elk Hills Power LLC, a limited liability company that is currently constructing a gas-fired, power-generation plant in California. Occidental accounts for this investment using the equity method. In January 2002, Elk Hills Power LLC entered into a \$400 million construction loan facility. Occidental guarantees \$200 million (50 percent) of the loan facility. At January 31, 2002, approximately \$94 million of the \$200 million guaranteed amount was outstanding.

### v OTHER TRANSACTIONS RECEIVABLES SALE PROGRAM

Occidental has an agreement in place to sell, under a revolving sale program, an undivided interest in a designated pool of trade receivables. This program is used by Occidental as a low-cost source of working capital funding. The amount of proceeds, which totaled \$360 million outstanding in each of 2001 and 2000, that Occidental has received on the sale of the undivided interest and the related accounts receivable that have been sold, are not included in the debt and trade receivables accounts, respectively, on Occidental's consolidated balance sheets. Fees and expenses under this program are included in selling, general and administrative and other operating expense. Under the program,

## Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

receivables must meet certain criteria. The program terminates upon certain events, including Occidental's senior debt rating falling below investment grade. In such an event, the amount of proceeds outstanding at that time would have to be funded through other means, which could result in an increase in debt recorded on the consolidated balance sheets along with a corresponding increase in the accounts receivable balance. The consolidated income statement effect of such an event would not be significant.

20

### v CONTRACTUAL OBLIGATIONS

The table below summarizes and cross-references certain contractual obligations that are disclosed in the Consolidated Balance Sheets (CBS) and/or the accompanying Notes.

(In millions)		Payments Due by Year			
Contractual Obligations	Total	2002	2003 to 2004	2005 to 2006	2007 and thereafter
Long-Term Debt (CBS and Note 6) (a)	\$ 4,065	\$ --	\$ 829	\$ 852	\$ 2,384
Capital Leases (CBS and Note 8)	27	1	1	1	24
Operating Leases (Note 8) (b)	426	67	102	70	187
Fixed and Determinable Purchase Obligations (Note 9) (c)	81	15	26	22	18
Other Long-Term Contracts (Notes 1, 7 and 12) (e)	1,105	137	145	360 (d)	463
<b>TOTAL</b>	<b>\$ 5,704</b>	<b>\$ 220</b>	<b>\$ 1,103</b>	<b>\$ 1,305</b>	<b>\$ 3,076</b>

- (a) Includes principal payments, unamortized discounts and mark-to-market adjustments related to fair-value hedges.
- (b) Offset by sub lease rental income.
- (c) Excludes capital commitments.
- (d) The \$360 million receivable securitization amount is reflected in the 2005-2006 year column since Occidental could finance the amount with its committed credit line, which becomes due in 2006, if the program was terminated.
- (e) Includes the \$282 million natural gas delivery commitment (CBS), the \$360 million receivable securitization program and the \$463 million Trust Preferred Securities (CBS).

### COMMITMENTS

In addition to those discussed above, Occidental has entered into commitments on behalf of entities, whether or not affiliated with Occidental,

## Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

including performance bonds and guarantees of environmental, financial or other obligations. Occidental's liability under these commitments arises only if the entity primarily responsible fails to perform its contractual obligations. In management's opinion, it is unlikely that any of these commitments will have a material adverse effect upon Occidental's consolidated financial position or results of operations.

### ANALYSIS OF FINANCIAL POSITION

The changes in the following components of Occidental's balance sheet are discussed below:

#### SELECTED BALANCE SHEET COMPONENTS

In millions =====	2001 =====	2000 =====
Trade receivables, net	\$ 360	\$ 809
Receivables from joint ventures, partnerships and other	\$ 327	\$ 517
Long-term receivables, net	\$ 2,186	\$ 2,119
Equity investments	\$ 993	\$ 1,327
Property, plant and equipment, net	\$ 12,858	\$ 13,471
Current maturities of long-term debt and capital lease liabilities	\$ --	\$ 258
Accounts payable	\$ 720	\$ 1,091
Accrued liabilities	\$ 858	\$ 1,089
Current obligation under natural gas delivery commitment	\$ 137	\$ 129
Long-term debt, net	\$ 4,065	\$ 3,285
Altura non-recourse debt	\$ --	\$ 1,900
Long-term obligation under natural gas delivery commitment	\$ 145	\$ 282
Other deferred credits and liabilities	\$ 2,326	\$ 2,415
Minority interest	\$ 2,224	\$ 2,265
Trust Preferred Securities	\$ 463	\$ 473
Stockholders' equity	\$ 5,634	\$ 4,774
-----	-----	-----

The lower balance in trade receivables at December 31, 2001, compared with December 31, 2000, reflected lower product prices during the fourth quarter of 2001 versus 2000. The decrease in receivables from joint ventures, partnerships and other was due to lower mark-to-market adjustments on derivative financial instruments in the oil and gas trading group. The lower balance in equity investments primarily reflected the write-down of the equity investment in Equistar in December 2001. The decrease in the net balance in property, plant and equipment reflected depreciation, depletion and amortization and the sale of the entity that owns pipelines in Texas, offset in part by capital spending.

The decrease in current maturities of long-term debt reflected a reclassification of the current portion of long-term debt, since it is management's intention to refinance the amount on a long-term basis by issuing long-term debt. The decrease in accounts payable was due to lower trade payable balances in the oil and gas marketing and trading operations. The decrease in accrued liabilities was due to lower mark-to-market adjustments on derivative financial instruments in the oil and gas trading group, a lower accrual for interest expense and other miscellaneous items. The increase in

## Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

long-term debt primarily reflected the \$800 million senior notes that were issued in 2001 mainly to extinguish the non-recourse debt, which was originally incurred as a result of the Altura acquisition. The non-recourse debt was extinguished in 2001 using free operating cash flow and senior-note proceeds. The long-term balance of the obligations under the natural gas delivery commitment decreased from December 31, 2000, which reflected the reduction in the overall amount of the obligation. Other deferred credits and liabilities included deferred compensation, primarily other post-retirement benefits, environmental reserves, contract advances, deferred revenue and other deferred items. The decrease in this account was primarily the result of the decrease in deferred revenue from the GOM monetization. The increase in stockholders' equity primarily reflected net income, partially offset by dividends on common stock.

The table below presents principal amounts, by currency and by year of maturity for Occidental's long-term debt obligations, excluding \$9 million in unamortized discount, at December 31, 2001:

### DEBT CURRENCY DENOMINATIONS AND INTEREST RATES

In millions of U.S. dollars, except rates

Year of Maturity =====	U.S. Dollar Fixed Rate =====	U.S. Dollar Variable Rate(a) =====	Grand Total(b) =====
2003	\$ 507	\$ --	\$ 507
2004	324	--	324
2005	1	157	158
2006	246	450	696
2007	2	300	302
Thereafter	1,576	510	2,086
	-----	-----	-----
TOTAL	\$ 2,656	\$ 1,417	\$ 4,073
	=====	=====	=====
Average interest rate =====	7.67%	3.48%	6.21%
	=====	=====	=====

(a) Includes fixed-rate debt with fair-value hedges.

(b) Excludes \$9 million of unamortized discounts.

The estimated fair value of Occidental's long-term debt at December 31, 2001 was \$4.3 billion. Occidental has the option to call certain issues of long-term debt before their maturity dates.

In February 2002, Occidental filed a shelf registration statement for up to \$1 billion of its senior debt securities, subordinated debt securities, preferred stock, common stock, depositary shares, warrants, stock purchase contracts, stock purchase units, preferred securities of two subsidiary trusts and Occidental's guarantees of such preferred securities. Occidental, at its option, may issue the entire \$1 billion under its medium-term notes program, which includes its Medium-Term Senior Notes, Series C and its Medium-Term Subordinated Notes, Series A. Currently, no notes are issued and outstanding under the program.

In December 2001, Occidental issued \$300 million of 5.875-percent senior notes due 2007 and \$500 million of 6.750-percent senior notes due 2012 for net combined proceeds of approximately \$794 million. Approximately \$700 million of the net proceeds were used to extinguish the Altura non-recourse debt. Occidental recorded an after-tax extraordinary loss of \$4 million from this transaction. The remaining proceeds were used for general corporate purposes.

On March 5, 2001, Occidental retired \$20.5 million of 7.8-percent pollution control revenue bonds due on December 1, 2005. As a result of this transaction, Occidental recognized an after-tax extraordinary loss of \$3 million in the first quarter of 2001.

On December 20, 2000, Occidental redeemed all \$270 million of its

## Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

outstanding floating-rate extendible notes due 2008 at par.

During the third and fourth quarters of 2000, Occidental repurchased some of its outstanding public debt securities in open market transactions, with principal balances totaling \$154 million, at current market prices. Occidental recorded an after-tax extraordinary gain of \$1 million that resulted from these purchases.

On June 1, 2000, Occidental redeemed all of its outstanding 11.125-percent senior debentures due June 1, 2019, at a redemption price of 100 percent of the principal amount thereof. The outstanding aggregate principal amount of the debentures, which were issued on May 15, 1989, was \$75 million.

In December 1999, Occidental repurchased for cash, \$240 million principal amount of its 10.125-percent senior notes due November 15, 2001, and \$138 million principal amount of its 11.125-percent senior notes due August 1, 2010 and redeemed all of OXY USA's \$274 million principal amount of 7-percent debentures due 2011, for a total of \$722 million, including premium, expenses and accrued interest. Occidental recorded an after-tax extraordinary loss of \$104 million in the fourth quarter of 1999 related to these transactions.

In September 1999, Occidental redeemed \$250 million of its 8.5-percent medium-term notes due 2004 at par.

In August 1999, Occidental called for redemption all of the outstanding shares of its \$3.00 cumulative CXY-indexed convertible preferred stock. Holders of 3,125,837 shares of such preferred stock converted their shares into approximately 9.9 million shares of Occidental common stock. Occidental redeemed the remaining outstanding shares in September 1999.

Also in June 1999, Occidental redeemed \$68.7 million of its 11.125-percent senior debentures due June 1, 2019, at a redemption price of 105.563 percent of their principal amount. Occidental recorded an after-tax extraordinary loss of \$3 million in the second quarter of 1999 related to the redemption.

In February 1999, Occidental issued \$450 million of 7.65-percent senior notes due 2006 and \$350 million of 8.45-percent senior notes due 2029 for net proceeds of approximately \$792 million. The net proceeds were used for general corporate purposes, which included the repayment of commercial paper and the redemption of other debt.

In January 1999, Occidental issued \$525 million of 8.16-percent Trust Preferred Securities due in 2039, and callable in 2004, for net proceeds of \$508 million. The net proceeds were used to repay commercial paper. The Trust Preferred Securities balance reflects the issuance of preferred securities, net of unamortized issue costs and repurchases.

22

At December 31, 2001, Occidental had approximately \$2.1 billion of committed credit lines, which are all available and are utilized, as needed, for daily operating and other purposes. These lines of credit are primarily used to back up the issuance of commercial paper. Occidental has reclassified \$199 million of maturities due 2002 to long-term debt based on its ability to refinance this debt on a long-term basis utilizing the committed credit lines mentioned above.

Occidental expects to have sufficient cash in 2002 from operations, and from proceeds from existing credit facilities, as necessary, for its operating needs, capital expenditure requirements, dividend payments and mandatory debt repayments. In the event of fluctuations in operating cash flow, Occidental has the ability to vary its discretionary cash outflow, such as capital expenditures.

### ACQUISITIONS, DISPOSITIONS AND COMMITMENTS

2001

#### SALE OF INTRASTATE PIPELINE

On August 31, 2001, Occidental sold the entity that owns pipelines in Texas

## Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

that are leased to a former subsidiary. The entity was sold to Kinder Morgan Energy Partners, L.P. Occidental recorded an after-tax loss of approximately \$272 million in connection with this transaction.

### SALE OF INDONESIA GAS PROPERTIES

On July 10, 2001, Occidental completed the sale of its interest in the Tangguh LNG project in Indonesia to Mitsubishi Corporation of Japan. Occidental recorded an after-tax gain of approximately \$399 million for this transaction.

2000

### MILNE POINT ASSET SWAP

On December 4, 2000, Occidental completed an agreement with BP to obtain BP's interest in a carbon dioxide field in New Mexico and related pipelines in exchange for Occidental's interest in the Milne Point oil field in Alaska, together with additional cash consideration. The gain on this transaction was not significant.

### OXYMAR PURCHASE

On November 29, 2000, OxyChem purchased a 28.6-percent interest in OxyMar, a Texas general partnership that owns the Ingleside, Texas VCM facility operated by OxyChem. The interest was purchased from U.S. VCM Corporation, an affiliate of Marubeni Corporation, which continues to own a 21.4-percent interest and remains a 50-percent partner for corporate-governance purposes. OxyVinyls owns the remaining 50-percent interest.

### ECUADOR FARM OUT TO AEC

On November 1, 2000, Occidental agreed to farm out a partial economic interest in its Block 15 operations in Ecuador to AEC. AEC will earn a 40-percent interest in the block and will assume certain capital costs through 2004. Occidental will remain the operator of Block 15. The gain on this transaction was not significant.

### SALE OF DUREZ

On November 1, 2000, Occidental completed the sale of its Durez phenolic resins and compounding businesses and assets to Sumitomo Bakelite Co., Ltd. for gross proceeds of approximately \$150 million. There was a \$13 million after-tax gain on this transaction.

### GULF OF MEXICO ASSETS MONETIZED

On August 15, 2000, Occidental completed agreements with respect to two transactions with Apache Corporation (Apache) involving Occidental's interests in the Continental Shelf of the GOM. Occidental entered into a transaction to deliver, over four years, substantially all of its share of future gas production from these GOM interests to Apache for approximately \$280 million. Occidental also agreed to sell an interest in the subsidiary that holds the GOM assets for approximately \$62 million, with an option for Apache to purchase additional interests for \$44 million over the next four years. As a result of these transactions, and the consequent elimination of a portion of Occidental's responsibility for abandonment liabilities, Occidental recorded an after-tax gain of \$39 million.

### SALE OF PERU PROPERTIES

On May 8, 2000, Occidental completed an agreement to sell its producing properties in Peru to Pluspetrol. In connection with this transaction, Occidental recorded an after-tax charge of approximately \$29 million in December 1999 to write-down the properties to their fair values.

### THUMS ACQUISITION

On April 24, 2000, Occidental completed the acquisition of THUMS, an oil producing entity, for approximately \$68 million. The acquisition added approximately 95 million barrels of net oil reserves and approximately 25,000 barrels per day of net oil production to Occidental's growing California

## Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

operations.

### ALTURA ACQUISITION

On April 19, 2000, Occidental completed its acquisition of all of the common interest in Altura, the largest oil producer in Texas. Occidental, through its subsidiaries, paid approximately \$1.2 billion to the sellers, affiliates of BP and Shell, to acquire the common limited partnership interest and control of the general partner which manages, operates and controls 100 percent of the Altura assets. The partnership borrowed approximately \$2.4 billion, which had recourse only to the Altura assets. The partnership also loaned approximately \$2.0 billion to affiliates of the sellers, evidenced by two notes, which provide credit support to the partnership. The sellers retained a preferred limited partnership interest of approximately \$2.0 billion and were entitled to certain distributions from the partnership. The partnership exercised an option in May 2002 to redeem the remaining partnership interests of \$1.9 billion held by BP Amoco and Shell in exchange for their

23

existing note payable of \$1.9 billion to the partnership. The acquisition is valued at approximately \$3.6 billion. The \$2.4 billion loan had been completely paid by the end of 2001. Proved reserves at Altura were 882 million barrels of oil equivalent at December 31, 2001.

### SALE OF CANADIANOXY INVESTMENT

On April 18, 2000, Occidental completed the sale of its 29.2-percent stake in CanadianOxy for gross proceeds of approximately \$1.2 billion Canadian. Of Occidental's 40.2 million shares of CanadianOxy, 20.2 million were sold to the Ontario Teachers Pension Plan Board and 20 million to CanadianOxy. In addition, Occidental and CanadianOxy exchanged their respective 15-percent interests in joint businesses of approximately equal value, resulting in Occidental owning 100 percent of an oil and gas operation in Ecuador and CanadianOxy owning 100 percent of sodium chlorate operations in Canada and Louisiana. After-tax proceeds from the CanadianOxy disposition together with tax benefits from the disposition of the Peru producing properties totaled approximately \$700 million.

1999

### ASSET SWAP WITH EOG

In December 1999, Occidental and EOG Resources, Inc. (EOG) exchanged certain oil and gas assets. Occidental received producing properties and exploration acreage in its expanding California asset base, as well as producing properties in the western Gulf of Mexico near existing operations, in exchange for oil and gas production and reserves in east Texas. The exchange increased Occidental's exploration acreage in California from approximately 89,000 acres to approximately 850,000 acres.

Occidental also farmed out Oklahoma panhandle properties to EOG, retaining a carried interest, and expects to benefit from EOG's drilling program. Occidental was not planning on drilling this acreage and, under this program, EOG will fund all the capital and Occidental will share in the results.

### INDSPEC ACQUISITION

In the third quarter of 1999, Occidental acquired the remaining ownership of INDSPEC through the issuance of approximately 3.2 million shares of Occidental common stock at an estimated value of approximately \$68 million and the assumption of approximately \$80 million of bank debt. As a result of the transactions, Occidental owns 100 percent of the stock of INDSPEC.

### YEMEN ASSET SWAP WITH UNOCAL

In the third quarter of 1999, Occidental acquired oil and gas interests in Yemen from Unocal International Corporation (UNOCAL) and UNOCAL acquired

## Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

Occidental's properties in Bangladesh. The results, after tax benefits, did not have a significant impact on earnings.

### OXYVINYL PARTNERSHIP

Effective April 30, 1999, Occidental and PolyOne formed two partnerships. Occidental has a 76-percent interest in OxyVinyls, the PVC commodity resin partnership, which is the larger of the partnerships, and a 10-percent interest in a PVC powder compounding partnership. OxyVinyls also has entered into long-term agreements to supply PVC resin to PolyOne and VCM to Occidental and PolyOne. In addition, Occidental sold its pellet compounding plant in Pasadena, Texas and its vinyl film assets in Burlington, New Jersey to PolyOne. As part of the transaction, PolyOne received \$104 million through the retention of working capital and the distribution of cash from OxyVinyls, and OxyVinyls undertook approximately \$180 million in obligations, for certain PolyOne plant facilities, which are treated as operating leases for accounting purposes. Occidental did not record a significant gain or loss on the transaction.

### CAPITAL EXPENDITURES

Commitments at December 31, 2001 for major capital expenditures during 2002 and thereafter were approximately \$167 million. Total capital expenditures for 2002 are estimated to be approximately \$1.1 billion. Occidental will fund these commitments and capital expenditures with cash from operations and proceeds from existing credit facilities as necessary.

### DERIVATIVE AND HEDGING ACTIVITIES

#### GENERAL

Occidental's market-risk exposures relate primarily to commodity prices, and, to a lesser extent, interest rates and foreign currency exchange rates. Occidental's results are sensitive mainly to crude oil and natural gas prices and fluctuations in those prices have an impact on Occidental's results. Based on current levels of production, if oil prices vary overall by \$1 per barrel, they would have approximately a \$108 million annual affect, before U.S. income tax. If natural gas prices vary by \$0.25 per million Btu (MMBtu), they would have approximately a \$60 million annual effect, before U.S. income tax. If production levels change in the future, the sensitivity of Occidental's results to oil and gas prices also would change. Occidental may periodically use different types of derivative instruments to achieve the best prices for oil and gas, to reduce its exposure to price volatility and thus mitigate fluctuations in commodity-related cash flows. Usually Occidental remains unhedged to long-term oil and gas prices. Overall, Occidental's use of derivatives in hedging activity remains at a relatively low level. However, current rules require extensive disclosure regarding any level of derivative use. The following disclosures describe each area of Occidental's derivative activity in detail.

24

Effective January 1, 1999, Occidental adopted the provisions of Emerging Issues Task Force (EITF) Issue No. 98-10, "Accounting for Contracts Involved in Energy Trading and Risk Management Activities", which establishes accounting and reporting standards for certain energy trading contracts. EITF 98-10 requires that energy trading contracts must be marked to fair value with gains and losses included in earnings and separately disclosed in the financial statements or accompanying footnotes. The initial adoption of EITF 98-10 resulted in a first quarter non-cash after-tax benefit of \$2 million, recorded as a cumulative effect of a change in accounting principle in 1999.

Effective January 1, 2001, Occidental adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended by SFAS No. 137 and SFAS No. 138 (collectively SFAS No. 133, as amended). These statements establish accounting



## Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

and reporting standards for derivative instruments and hedging activities and require an entity to recognize all derivatives in the statement of financial position and measure those instruments at fair value unless the instrument qualifies as a normal purchase or sale contract. Changes in the derivative instrument's fair value must be recognized in earnings unless specific hedge accounting criteria are met. Changes in the fair value of derivative instruments that meet specific cash-flow hedge accounting criteria are reported in other comprehensive income (OCI). The gains and losses on cash-flow hedge transactions that are reported in OCI are reclassified to earnings in the periods in which earnings are affected by the variability of the cash flows of the hedged item. Gains and losses from derivatives that qualify for fair-value hedge accounting are recorded in earnings along with the change in fair value of the hedged item. The ineffective portions of all hedges are recognized in current period earnings. Prior to the adoption of SFAS No. 133, gains and losses on commodity futures contracts that qualified for hedge accounting, essentially those associated with equity production or purchases, were deferred until recognized as an adjustment to sales revenue or purchase costs when the related transaction being hedged was finalized.

Occidental's initial adoption of SFAS No. 133, as amended, resulted in a first quarter after-tax reduction in net income of \$24 million recorded as a cumulative effect of a change in accounting principles and an after-tax reduction in OCI of approximately \$27 million. The adoption also increased total assets by \$588 million and total liabilities by \$639 million as of January 1, 2001.

### COMMODITY PRICE DERIVATIVES

#### GENERAL

With respect to derivatives used in its oil and gas marketing operations, Occidental used a combination of futures, options and swaps to offset various open price positions.

The fair value recorded for derivative instruments is based on quoted market prices, dealer quotes or synthetic price curves established from quoted prices (adjusted for time, location and quality differentials).

#### CASH-FLOW COMMODITY HEDGES

Occidental used cash-flow hedges for the sale of crude oil and natural gas in 2001, with the objective of mitigating price risk arising from fluctuating values for these commodities. Crude oil hedges were executed for Occidental's West Texas production. Its strategy to achieve these objectives included a combination of purchased put options and written call options resulting in no net premium received for crude oil hedging. Purchased put options were used for natural gas hedging and were executed for the Mid-continent production area to establish a minimum sales price for its production. Occidental used no fair-value hedges for crude oil or natural gas production during 2001.

Occidental's cash-flow-hedging instruments, which consist of natural gas put option contracts, are highly effective. During 2001, net gains of \$0.6 million were recorded to OCI relating to changes in current cash-flow hedges and net losses of \$7.6 million were reclassified from OCI into earnings as a reduction to net sales revenue, as the forecasted transactions actually occurred. The fair value at December 31, 2001 of derivative financial instruments that have been designated and have qualified as cash-flow-hedging instruments was \$0.2 million. The gain was recorded as an increase to OCI and will be reclassified into earnings during 2002 when the forecasted transactions actually occur.

#### MARKETING AND TRADING OPERATIONS

The fair value at December 31, 2001 of derivative instruments used in marketing and trading operations is a net gain of \$9 million. Gains of \$24 million were recorded in earnings due to the change in fair value of these financial derivative instruments during 2001. Offsetting the value of these instruments are related physical positions with a fair value of \$2 million loss at December 31, 2001. Gains of \$15 million were recorded in earnings due to the

Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

change in the fair value of related physical positions during 2001. The net positions mostly expire in 2002. Additionally, a long-term sales contract volume commitment is 38,100 MMBtu per day through October 2010. The approximate \$39 million net gain from the change in fair value during 2001 of derivative instruments used in marketing and trading operations was reflected in the income statement. The \$39 million net gain represents a reversal of negative mark-to-market adjustments resulting from the adoption of SFAS No. 133, as amended.

At December 31, 2001, total assets and liabilities include \$108 million and \$101 million for the fair value of derivative instruments used in marketing and trading operations.

Prior to the physical settlement of any energy contract held for trading purposes, favorable or unfavorable price movement is reported in the income statement. An offsetting amount is recorded on the balance sheet as unrealized gains or unrealized losses on trading transactions. When a contract to sell energy is physically settled, the above entries are reversed and the gross amount invoiced to the customer is included as net sales in the income statement. Similarly, when a contract to purchase energy is physically settled, the

25

purchase price is included as cost of sales in the income statement. Until a contract is physically settled, the unrealized gain or loss is reclassified to a receivable or payable account. Other than the positive effect on oil and gas realized prices, the results of trading activities are not significant.

RECONCILIATION OF FAIR VALUE OF CONTRACTS FROM  
JANUARY 1, 2001 TO DECEMBER 31, 2001 (in millions)

```

=====
Fair value of contracts outstanding at January 1, 2001          $   (66)
Contracts realized or otherwise settled during the period
  gains/(losses)                                              (30)
Changes in fair value attributable to changes in valuation
  techniques and assumptions                                   --
Other changes in fair values                                  103
-----
Fair value of contracts outstanding at December 31, 2001     $    7
=====

```

Source of Fair Value	Maturity Periods				Total Fair Value
	2002	2003 to 2004	2005 to 2006	2007 and thereafter	
Prices actively quoted	\$ (12)	\$ --	\$ --	\$ --	\$ (12)
Prices provided by other external sources	20	1	--	--	21
Prices based					

Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

on models and other valuation methods	--	(1)	(1)	--	(2)
TOTAL	\$ 8	\$ --	\$ (1)	\$ --	\$ 7
=====	=====	=====	=====	=====	=====

GAS PRESALE

In November 1998, Occidental entered into a natural gas delivery commitment for proceeds of \$500 million, which obligates Occidental to deliver 263 billion cubic feet of natural gas over a four-year period ending in December 2003. This transaction resulted in less expensive financing and enables Occidental to satisfy the delivery commitment at a fixed price with open market purchases without reducing its own natural gas reserves. The imputed interest rate in the transaction is approximately 6 percent. The current portion of Occidental's natural gas delivery commitment (\$137 million at December 31, 2001) is shown as a current liability on Occidental's consolidated balance sheets. The present value of the non-current commitment (\$145 million at December 31, 2001) is shown under deferred credits and other liabilities on Occidental's consolidated balance sheets. In connection with this transaction, Occidental simultaneously entered into a natural gas price swap based on identical volumes of natural gas and a delivery schedule that corresponds to the natural gas delivery commitment. Under the terms of the swap, Occidental will pay an average fixed price of \$2.27 per MMBtu of gas and will receive a floating price that will approximate market, which essentially eliminates Occidental's exposure to commodity price fluctuations that could affect this transaction. At December 31, 2001, the fair value of this price swap is an \$84 million gain, which is offset by an \$84 million loss applicable to the related physical positions.

ACTIVITIES PRIOR TO SFAS 133 IMPLEMENTATION

At December 31, 2000, Occidental was a party to commodity-exchange and over-the-counter forward obligations. The instruments held for purposes other than trading expire during the period from January 2001 to December 2003, and relate to the hedging of natural gas and crude oil prices. The fair value of these instruments at December 31, 2000 was \$511 million. Offsetting the value of these instruments were related physical positions with a \$528 million loss. The principal components of these instruments and related physical positions are the related natural gas price swap and the natural gas delivery commitment, which is discussed above. At December 31, 2000, the difference between the carrying value and the fair value of these obligations was an unrealized loss of approximately \$17 million. The instruments held or issued for trading purposes mostly expired in 2001, with the exception of a long-term sales contract that expires in 2010. The fair value of these instruments at December 31, 2000 was \$31 million. Offsetting the value of these instruments were related physical positions with a \$12 million loss. The net gain of approximately \$19 million was reflected in the income statement. The majority of the gain was from the mark-to-market adjustment under EITF Issue No. 98-10 of a long-term sales contract.

INTEREST-RATE DERIVATIVES  
FAIR-VALUE HEDGES

Interest-rate swaps, forward locks and futures contracts are entered into as part of Occidental's overall strategy to manage interest-rate exposure. During 2001, Occidental entered into several interest-rate swaps that qualified for fair-value hedge accounting. These derivatives effectively convert approximately \$1.3 billion of fixed-rate debt to variable-rate debt with maturities ranging from 2005 to 2008. In 2000 and 1999, Occidental also had interest-rate swaps converting fixed-rate debt to floating-rate debt that matured in November 2000. Net interest expense was impacted by \$6.6 million of income in 2001, \$1.0 million of expense in 2000 and income of almost \$1.0 million in 1999 to reflect the effects of the fair-value hedges.

#### CASH-FLOW HEDGES

Occidental is a party to a series of forward interest-rate locks, which qualified as a cash-flow hedge, that are required to be settled on or prior to December 31, 2002. These financial instruments relate to debt raised by a third party to construct a cogeneration plant that will be subject to a long-term operating lease to OxyChem. As the lease payments will be directly related to the amount of interest paid on the underlying debt, the forward rate locks were put in place to hedge the future lease payments. The lease payments are expected to commence on or before January 15, 2003. The fair value of these financial instruments at December 31, 2001 was an unrealized loss of \$28 million, that would be offset by potentially lower lease payments due to the lower interest-rate environment.

26

Occidental and its equity investees have also entered into additional derivative instruments that qualified as cash-flow hedges. The amounts related to these hedges are included below.

For the year ended 2001, a \$4 million gain was reclassified from OCI to income due to the expiration of cash-flow hedges and a \$3 million loss was recorded to OCI relating to changes in current cash-flow hedges. During the next twelve months, Occidental expects that less than about \$0.1 million of net derivative losses included in OCI, based on their valuation at December 31, 2001, will be reclassified into earnings. Hedge ineffectiveness did not have a significant impact on earnings for the year.

#### FOREIGN CURRENCY DERIVATIVES

Many of Occidental's foreign oil and gas operations and foreign chemical operations are located in countries whose currencies generally depreciate against the U.S. dollar on a continuing basis. Generally, an effective currency forward market does not exist for these countries. Therefore, Occidental attempts to manage its exposure primarily by balancing monetary assets and liabilities and maintaining cash positions only at levels necessary for operating purposes. Additionally, all of Occidental's oil and gas foreign entities have the U.S. dollar as the functional currency since the cash flows are mainly denominated in U.S. dollars. However, in one foreign chemical subsidiary where the local currency is the functional currency, Occidental has exposure on debt that is denominated in U.S. dollars that is not material. At December 31, 2001 and 2000, Occidental had not entered into any foreign currency derivative instruments. The effect of exchange-rate transactions in foreign currencies is included in periodic income.

#### CREDIT RISK

Occidental's derivative contracts are spread among numerous banks and market leaders in the industry. Creditworthiness is reviewed before doing business with a new counterparty and on an on-going basis. Occidental monitors aggregated counter-party exposure relative to credit limits, and manages credit-enhancement requirements such as collateral, parental guarantees and letters of credit. Credit limits for all customers (whether financial or physical) are established and entered into Occidental's risk-management systems, and these limits are monitored for compliance on an aggregated basis across all traded commodities. Credit exposure for each customer is monitored for outstanding balances, current month activity, and forward mark-to-market exposure. The credit-determination process takes into consideration the creditworthiness of the counter-party, the counter-party's parent, parental guarantees, letters of credit, and other credit-enhancing instruments.

#### TAXES

Deferred tax liabilities were \$989 million at December 31, 2001, net of

## Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

deferred tax assets of \$768 million. The current portion of the deferred tax assets of \$114 million is included in prepaid expenses and other. The net deferred tax assets are expected to be realized through future operating income and reversal of taxable temporary differences.

### LAWSUITS, CLAIMS, COMMITMENTS, CONTINGENCIES AND RELATED MATTERS

Occidental and certain of its subsidiaries have been named as defendants in a substantial number of lawsuits, claims and proceedings. They have also been named as potentially responsible parties (PRPs) in governmental proceedings under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) and corresponding state acts. These governmental proceedings seek funding, remediation and, in some cases, compensation for alleged property damage, punitive damages and civil penalties, aggregating substantial amounts. Occidental is usually one of many companies in these proceedings, and has to date been successful in sharing response costs with other financially sound companies. Occidental has accrued reserves at the most likely cost to be incurred in those proceedings where it is probable that Occidental will incur remediation costs which can be reasonably estimated.

During the course of its operations, Occidental is subject to audit by taxing authorities for varying periods in various tax jurisdictions.

It is impossible at this time to determine the ultimate liabilities that Occidental and its subsidiaries may incur resulting from any lawsuits, claims and proceedings, audits, commitments, contingencies and related matters. Several of these matters may involve substantial amounts, and if these were to be ultimately resolved unfavorably to the full amount of their maximum potential exposure, an event not currently anticipated, it is possible that such event could have a material adverse effect upon Occidental's consolidated financial position or results of operations. However, in management's opinion, after taking into account reserves, it is unlikely that any of the foregoing matters will have a material adverse effect upon Occidental's consolidated financial position or results of operations.

### ENVIRONMENTAL EXPENDITURES

Occidental's operations in the United States are subject to stringent federal, state and local laws and regulations relating to improving or maintaining the quality of the environment. Foreign operations also are subject to environmental-protection laws. Costs associated with environmental compliance have increased over time and may continue to rise in the future. Environmental expenditures related to current operations are factored into the overall business planning process. These expenditures are mainly considered an integral part of production in manufacturing quality products responsive to market demand.

### ENVIRONMENTAL REMEDIATION

The laws that require or address environmental remediation may apply retroactively to previous waste-disposal practices. In many cases, the laws apply regardless of fault, legality of the original activities or

ownership or control of sites. Occidental is currently participating in environmental assessments and cleanups under these laws at federal CERCLA sites, comparable state sites and other remediation sites, including Occidental facilities and previously owned sites. Also, Occidental and certain of its subsidiaries have been involved in a substantial number of governmental and private proceedings involving historical practices at various sites including, in some instances, having been named as defendants and/or as PRPs under the federal CERCLA law. These proceedings seek funding and/or remediation and, in some cases, compensation for alleged personal injury or property damage, punitive damages and civil penalties, aggregating substantial amounts.

## Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

Occidental does not consider the number of CERCLA and similar state sites at which it has been notified that it has been identified as being involved to be a relevant measure of exposure. Although the liability of a PRP may be joint and several, Occidental is usually one of many companies cited as a PRP at these sites and has, to date, been successful in sharing cleanup costs with other financially sound companies. Also, many of these sites are still under investigation by the Environmental Protection Agency (EPA) or the equivalent state agencies. Before actual cleanup, the parties involved assess site conditions and responsibility and determine the appropriate remedy. The majority of remediation costs are incurred after the parties obtain EPA or equivalent state agency approval to proceed. The ultimate future cost of remediation of certain of the sites for which Occidental has been notified that it has been identified as being involved cannot be reasonably determined at this time.

As of December 31, 2001, Occidental had been notified by the EPA or equivalent state agencies, or otherwise had become aware, that it had been identified as being involved at 126 CERCLA or comparable state sites. (This number does not include those sites where Occidental has been successful in resolving its involvement.) The 126 sites include 34 former Diamond Shamrock Chemical sites as to which Maxus Energy Corporation has retained all liability. Of the remaining 92 sites, Occidental has denied involvement at 9 sites and has yet to determine involvement in 20 sites. With respect to the remaining 63 of these sites, Occidental is in various stages of evaluation, and the extent of liability retained by Maxus Energy Corporation is disputed at 2 of these sites. For 54 of these sites, where environmental remediation efforts are probable and the costs can be reasonably estimated, Occidental has accrued reserves at the most likely cost to be incurred. The 54 sites include 11 sites as to which present information indicates that it is probable that Occidental's aggregate exposure is insignificant. In determining the reserves, Occidental uses the most current information available, including similar past experiences, available technology, regulations in effect, the timing of remediation and cost-sharing arrangements. For the remaining 9 of the 63 sites being evaluated, Occidental does not have sufficient information to determine a range of liability, but Occidental does have sufficient information on which to base the opinion expressed above in the "Lawsuits, Claims, Commitments, Contingencies and Related Matters" section of this "Management's Discussion and Analysis of Financial Condition and Results of Operations." For management's opinion on lawsuits and proceedings and on other environmental loss contingencies, see the above-noted section.

### ENVIRONMENTAL COSTS

Occidental's environmental costs, some of which may include estimates, relating to compliance with environmental laws and regulations are shown below for each segment:

In millions	2001	2000	1999
=====	=====	=====	=====
OPERATING EXPENSES			
Oil and Gas	\$ 22	\$ 17	\$ 13
Chemical	47	51	51
	-----	-----	-----
	\$ 69	\$ 68	\$ 64
	=====	=====	=====
CAPITAL EXPENDITURES			
Oil and Gas	\$ 60	\$ 27	\$ 19
Chemical	19	20	17
	-----	-----	-----
	\$ 79	\$ 47	\$ 36
	=====	=====	=====
REMEDIATION EXPENSES			

## Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

Corporate	\$ 109	\$ --	\$ --
	=====	=====	=====
ENVIRONMENTAL RESERVES			
Corporate	\$ 454	\$ 402	\$ 454
=====	=====	=====	=====

Operating expenses are incurred on a continual basis. Capital expenditures relate to long-lived improvements in currently operating facilities. Remediation expenses relate to existing conditions caused by past operations and do not contribute to current or future revenue generation. Although total costs may vary in any one year, over the long term, segment operating and capital expenditures for environmental compliance generally are expected to increase.

Occidental manages its environmental remediation efforts through a wholly owned subsidiary, Glenn Springs Holdings, Inc. (GSH). GSH has full management authority over all remediation sites and reports directly to Occidental's corporate management. The environmental reserves, as shown in the table above, have been provided for environmental remediation liabilities at the Superfund and comparable state sites discussed above, and for Resource Conservation and Recovery Act and other sites where Occidental has environmental remediation responsibility.

Eight counties in the Houston-Galveston area are subject to a federal EPA mandate to adopt a plan for implementing certain requirements of the federal Clean Air Act, known as a State Implementation Plan. In October 2001, the EPA approved a State Implementation Plan for the Houston Galveston area (the Plan). The Plan contains provisions requiring the reduction of 80 - 90 percent of current nitrogen oxide (NOx) emissions in the Houston-Galveston area by November 2007. Occidental operates five facilities that will be subject to the Plan's NOx-reduction requirements. Occidental estimates that its capital expenditures will increase by between \$80 - \$120 million for environmental control and monitoring equipment necessary to comply with the Plan's enacted or proposed NOx-reduction requirements.

28

Occidental began expending the capital necessary to comply with the Plan in 2001 and expects expenditures to end in 2007, although the timing of the expenditures will vary by facility.

Occidental presently estimates that divisional capital expenditures for environmental compliance (including the SIP discussed above) will be in the range of \$38 million for 2002 and \$46 million for 2003.

### FOREIGN INVESTMENTS

Portions of Occidental's assets outside North America are exposed to political and economic risks. Occidental conducts its financial affairs so as to mitigate its exposure against those risks. At December 31, 2001, the carrying value of Occidental's assets in countries outside North America aggregated approximately \$2.0 billion, or approximately 11 percent of Occidental's total assets at that date. Of such assets, approximately \$1.3 billion was located in the Middle East, approximately \$502 million was located in Latin America, and substantially all of the remainder were located in Pakistan and Russia.

### CRITICAL ACCOUNTING POLICIES

Generally accepted accounting principles require the use of management judgments and estimates in addition to the rules and regulations established by accounting pronouncements.

Occidental has adopted a number of accounting policies, the most important of which are discussed in Note 1 to the Consolidated Financial Statements, "Summary of Significant Accounting Policies." Occidental believes the most

## Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

critical accounting policy, including judgments in its application, that may have an impact on Occidental's financial statements relates to the accounting for capitalized, long-term assets. The rates at which these assets are depreciated or otherwise written off are subject to a number of judgments about future events, many of which are beyond management's control.

Oil and gas properties are accounted for using the successful-efforts method. Costs of acquiring proved and unproved properties, costs of drilling successful exploration wells and development costs are capitalized. Annual lease rentals and exploration costs, including geological and geophysical costs and exploratory dry-hole costs, are expensed as incurred. Depreciation and depletion of oil and gas producing properties is determined principally by the unit-of-production method and is based on estimated recoverable reserves. These reserves are subject to revision based upon actual performance as well as changes in the price of oil and gas. Significantly higher or lower product prices will lead to changes in the amount of reserves due to economic limits or the effects of production-sharing contracts. The process of estimation of reserves is inherently judgmental, especially during the early life of a field. Estimation of future production and development costs is also subject to change partially due to factors beyond Occidental's control, such as energy costs and inflation or deflation of oil field service costs. Thus, Occidental's depreciation and depletion expense could change in the future. At December 31, 2001, the costs attributable to unproved properties were approximately \$1.6 billion, as shown in Note 16 to the Consolidated Financial Statements. These costs are not subject to depreciation or depletion on a current basis. As development work progresses and the reserves on these properties are proven, capitalized cost of the properties will be subject to depreciation and depletion. If the development work were to be unsuccessful, the capitalized cost of the properties related to this unsuccessful work would be expensed in the year in which the determination was made. The rate at which these unproven properties are written off, therefore, depends upon future exploration and development activities as well as the product price environment. Occidental believes its development and exploration efforts will result in the addition of sufficient reserves to fully realize this investment in unproved properties.

Chemical facilities are depreciated using either the unit-of-production method or straight-line method, both based upon the estimated productive life of the facilities. Occidental makes annual capital renewal expenditures for its chemical plants on a continual basis while the plants are in operation. Impairment reserves are provided when a decision is made to dispose of a property or when operations have been curtailed on other than a temporary basis. Judgments about the useful life of a chemical plant can change depending on a number of factors, such as sustained higher or lower energy prices, environmental regulations, foreign competition and technological change. Thus, Occidental's depreciation expense could be higher or lower depending on these and other factors.

### ADDITIONAL ACCOUNTING CHANGES

Listed below are additional changes in accounting principles applicable to Occidental.

#### EITF ISSUE NO. 02-3

In June 2002, the Emerging Issues Task Force (EITF) reached consensus on certain issues in EITF Issue No. 02-3, "Accounting for Contracts Involved in Energy Trading and Risk Management Activities." Consensus was reached on two issues: 1) that gains and losses on energy trading contracts (whether realized or unrealized) should be shown net in the income statement, and 2) that entities should disclose the types of contracts that are accounted for as energy trading contracts along with a variety of other data regarding values, sensitivity to changes in estimates, maturity dates and other factors. Occidental is required to implement this consensus in the third quarter 2002 and all comparative financial statements will be reclassified to conform to the consensus on the first issue. Occidental has concluded the impact of this recent consensus will not have any effect on net income, cash flow or earnings per share. However,



## Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

Occidental expects the consensus will require significant reductions in sales and cost of sales by equal amounts.

29

### SFAS NO. 145

In April 2002, the Financial Accounting Standards Board (FASB) issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." In addition to amending or rescinding other existing authoritative pronouncements to make various technical corrections, clarify meanings, or describe their applicability under changed conditions, SFAS No. 145 precludes companies from recording gains and losses from the extinguishment of debt as an extraordinary item. Occidental must implement SFAS No. 145 in the first quarter of 2003 and all comparative financial statements will be reclassified to conform to the 2003 presentation. The anticipated effects of the statement include the reclassification of an extraordinary loss to net income from continuing operations of \$8 million (\$0.02 per share) in 2001 and of \$107 million (\$0.30 per share) in 1999. There will be no effect on net income or basic earnings per common share.

### SFAS NO. 144

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets. The provisions of this statement are effective for financial statements issued for fiscal years beginning after December 15, 2001. Occidental will adopt this statement in the first quarter of 2002 and it is not expected to have an impact on the financial statements.

### SFAS NO. 143

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The provisions of this statement are effective for financial statements issued for fiscal years beginning after June 15, 2002. Occidental must implement SFAS No. 143 in the first quarter of 2003 and has not yet determined its impact on the financial statements.

### SFAS NO. 142

In June 2001, the FASB issued SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 142 changes the accounting and reporting requirements for acquired goodwill and intangible assets. The provisions of this statement must be applied starting with fiscal years beginning after December 15, 2001. At December 31, 2001, the balance sheet included approximately \$108 million of goodwill and intangible assets with annual amortization expense of approximately \$6 million recorded in each of the years' income statements for the three-year period ended December 31, 2001. As a result, elimination of goodwill amortization would not have had a material impact on net income or earnings per share of any of the years presented and, as a result, the transitional disclosures of adjusted net income excluding goodwill amortization described by SFAS No. 142 have not been presented. Occidental implemented SFAS No. 142 in the first quarter of 2002. The adoption of this accounting standard resulted in a cumulative effect of changes in accounting principles after-tax reduction in net income of approximately \$95 million due to the impairment of the goodwill. Occidental now has no remaining goodwill on its financial statements.

### SFAS NO. 141

In June 2001, the FASB issued SFAS No. 141, "Business Combinations." SFAS No. 141 establishes new standards for accounting and reporting business

## Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

combinations including eliminating the pooling method of accounting. The standard applies to all business combinations initiated after June 30, 2001. Occidental has implemented the provisions of SFAS No. 141, which had no impact on the financial statements.

### EITF ISSUE NO. 00-10

In the fourth quarter of 2000, Occidental adopted the provisions of EITF Issue No. 00-10, "Accounting for Shipping and Handling Fees and Costs", which establishes accounting and reporting standards for the treatment of shipping and handling costs. Among its provisions, EITF Issue No. 00-10 requires that transportation costs that had been accounted for as deductions from revenues should now be recorded as an expense. The implementation of EITF Issue No. 00-10 had no effect on net income. All prior-year balances have been adjusted to reflect this accounting change. The transportation costs that have been removed as deductions from revenues and included in cost of sales on Occidental's Statements of Operations totaled \$245 million in 2000 and \$210 million in 1999.

### SFAS NO. 140

In the fourth quarter of 2000, Occidental adopted the disclosure provisions of SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities - a Replacement of FASB Statement No. 125", which revises disclosure standards for asset securitizations and other financial asset transfers. SFAS No. 140 also contains provisions which revise certain criteria for accounting for securitizations, financial-asset transfers and collateral. These accounting provisions were adopted by Occidental on April 1, 2001. The implementation of all of the provisions of SFAS No. 140 did not have an impact on Occidental's consolidated financial positions or results of operations.

### SAB NO. 101

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin (SAB) No. 101, "Revenue Recognition in Financial Statements." SAB No. 101 summarizes the Staff's views in applying generally accepted accounting principles to revenue recognition in the financial statements. The bulletin was effective in the fourth quarter of 2000. Occidental was in compliance with these standards; accordingly, the adoption of SAB No. 101 did not have an impact on its consolidated financial statements.

30

### SOP NO. 98-5

Effective January 1, 1999, Occidental adopted the provisions of American Institute of Certified Public Accountants Statement of Position (SOP) 98-5, "Reporting on the Costs of Start-Up Activities", which requires that costs of start-up activities, including organizational costs, be expensed as incurred. The initial application of the statement resulted in a charge to income for costs of previously capitalized start-up activities that have not yet been fully amortized. The initial adoption of SOP 98-5 resulted in a first quarter noncash after-tax charge of \$15 million, net of \$8 million in taxes, which has been recorded as a cumulative effect of a change in accounting principle.

### SAFE HARBOR STATEMENT REGARDING OUTLOOK AND OTHER FORWARD-LOOKING DATA

Portions of this report, including Items 1 and 2 and the information appearing under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations," including the information under the sub-caption "2002 Outlook," contain forward-looking statements and involve risks and uncertainties that could significantly affect expected results of operations, liquidity, cash flows and business prospects. Factors that could cause results to differ materially include, but are not limited to: global commodity pricing fluctuations; competitive pricing pressures; higher than

## Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

expected costs including feedstocks; crude oil and natural gas prices; chemical prices; potential liability for remedial actions under existing or future environmental regulations and litigation; potential liability resulting from pending or future litigation; general domestic and international political conditions; potential disruption or interruption of Occidental's production or manufacturing facilities due to accidents, political events or insurgent activity; potential failure to achieve expected production from existing and future oil and gas development projects; the supply/demand considerations for Occidental's products; any general economic recession or slowdown domestically or internationally; regulatory uncertainties; and not successfully completing, or any material delay of, any development of new fields, expansion, capital expenditure, efficiency improvement project, acquisition or disposition. Forward-looking statements are generally accompanied by words such as "estimate", "project", "predict", "will", "anticipate", "plan", "intend", "believe", "expect" or similar expressions that convey the uncertainty of future events or outcomes. Occidental undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed might not occur.

### REPORT OF MANAGEMENT

The management of Occidental Petroleum Corporation is responsible for the integrity of the financial data reported by Occidental and its subsidiaries. Fulfilling this responsibility requires the preparation and presentation of consolidated financial statements in accordance with generally accepted accounting principles. Management uses internal accounting controls, corporate-wide policies and procedures and judgment so that such statements reflect fairly the consolidated financial position, results of operations and cash flows of Occidental.

31

### ITEM 8 FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

#### REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Stockholders, Occidental Petroleum Corporation:

We have audited the consolidated balance sheets of Occidental Petroleum Corporation and subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of operations, stockholders' equity, comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2001 and the related financial statement schedule. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Occidental Petroleum

## Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

Corporation and subsidiaries as of December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ KPMG LLP

Los Angeles, California  
June 25, 2002

32

CONSOLIDATED STATEMENTS OF OPERATIONS In millions, except per-share amounts	Occidental Pet	
For the years ended December 31, =====	2001 =====	2 =====
<b>REVENUES</b>		
Net sales	\$ 13,985	\$ 13,
Interest, dividends and other income	223	
Gains (losses) on disposition of assets, net	10	
Income (loss) from equity investments	(92)	
	-----	-----
	14,126	14,
	-----	-----
<b>COSTS AND OTHER DEDUCTIONS</b>		
Cost of sales	9,488	8,
Selling, general and administrative and other operating expenses	675	
Write-down of assets	415	
Depreciation, depletion and amortization of assets	971	
Minority interest	143	
Environmental remediation	109	
Exploration expense	184	
Interest and debt expense, net	392	
	-----	-----
	12,377	11,
	-----	-----
<b>INCOME FROM CONTINUING OPERATIONS BEFORE TAXES</b>		
	1,749	3,
Provision for domestic and foreign income and other taxes	563	1,
	-----	-----
<b>INCOME FROM CONTINUING OPERATIONS</b>		
	1,186	1,
Extraordinary (loss) gain, net	(8)	
Cumulative effect of changes in accounting principles, net	(24)	
	-----	-----
<b>NET INCOME</b>		
	1,154	1,
Effect of repurchase of Trust Preferred Securities	--	
Preferred dividends	--	
	-----	-----

Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

EARNINGS APPLICABLE TO COMMON STOCK	\$ 1,154	\$ 1,
	=====	=====
BASIC EARNINGS PER COMMON SHARE		
Income from continuing operations	\$ 3.18	\$ 4
Extraordinary loss, net	(.02)	
Cumulative effect of changes in accounting principles, net	(.06)	
	-----	-----
BASIC EARNINGS PER COMMON SHARE	\$ 3.10	\$ 4
	=====	=====
DILUTED EARNINGS PER COMMON SHARE	\$ 3.09	\$ 4
	=====	=====

The accompanying notes are an integral part of these financial statements.

33

CONSOLIDATED BALANCE SHEETS	Occidental Petroleum Corpora	
In millions, except share amounts	and Subsidia	
Assets at December 31,	2001	
=====	=====	=====
CURRENT ASSETS		
Cash and cash equivalents	\$ 199	\$
Trade receivables, net of reserves of \$35 in 2001 and \$25 in 2000	360	
Receivables from joint ventures, partnerships and other	327	
Inventories	444	
Prepaid expenses and other	153	
	-----	-----
TOTAL CURRENT ASSETS	1,483	2
	-----	-----
LONG-TERM RECEIVABLES, NET	2,186	2
	-----	-----
EQUITY INVESTMENTS	993	1
	-----	-----
PROPERTY, PLANT AND EQUIPMENT, AT COST		
Oil and gas segment	14,414	14
Chemical segment	3,876	3
Corporate and other	273	1
	-----	-----

Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

	18,563	19
Accumulated depreciation, depletion and amortization	(5,705)	(6)
	-----	-----
	12,858	13
OTHER ASSETS	330	
	-----	-----
	\$ 17,850	\$ 19
	=====	=====

The accompanying notes are an integral part of these financial statements.

34

CONSOLIDATED BALANCE SHEETS	Occidental Petro
In millions, except share amounts	
Liabilities and Equity at December 31,	200
=====	=====
CURRENT LIABILITIES	
Current maturities of long-term debt and capital lease liabilities	\$ -
Notes payable	5
Accounts payable	72
Accrued liabilities	85
Dividends payable	9
Obligation under natural gas delivery commitment	13
Domestic and foreign income taxes	2
	-----
TOTAL CURRENT LIABILITIES	1,89
	-----
LONG-TERM DEBT, NET OF CURRENT MATURITIES AND UNAMORTIZED DISCOUNT	4,06
	-----
NON-RECOURSE DEBT	-
	-----
DEFERRED CREDITS AND OTHER LIABILITIES	
Deferred and other domestic and foreign income taxes	1,10
Obligation under natural gas delivery commitment	14
Other	2,32
	-----
	3,57
	-----
CONTINGENT LIABILITIES AND COMMITMENTS	
MINORITY INTEREST	2,22
	-----
OCCIDENTAL OBLIGATED MANDATORILY REDEEMABLE	
TRUST PREFERRED SECURITIES OF A SUBSIDIARY	
TRUST HOLDING SOLELY SUBORDINATED NOTES OF	



## Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME In millions

For the years ended December 31, =====	2001 =====	2000 =====	1999 =====
Net income	\$ 1,154	\$ 1,570	\$ 448
Other comprehensive income items:			
Foreign currency translation adjustments	(12)	2	(23)
Derivative mark-to-market adjustments	(20)	--	--
Minimum pension liability adjustments	(6)	2	--
Unrealized gains(losses) on securities	2	(3)	1
	-----	-----	-----
Other comprehensive income, net of tax	(36)	1	(22)
	-----	-----	-----
Comprehensive income	\$ 1,118	\$ 1,571	\$ 426
=====	=====	=====	=====

The accompanying notes are an integral part of these financial statements.

36

### CONSOLIDATED STATEMENTS OF CASH FLOWS In millions

For the years ended December 31, =====	2001 =====
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	
Income from continuing operations	\$ 1,186
Adjustments to reconcile income to net cash provided by operating activities:	
Depreciation, depletion and amortization of assets	971
Amortization of debt discount and deferred financing costs	5
Deferred income tax (benefit) provision	(181)
Other noncash charges to income	508
Gains on disposition of assets, net and litigation settlement	(10)
Loss(income) from equity investments	92
Exploration expense	184
Changes in operating assets and liabilities:	
Decrease(increase) in accounts and notes receivable	1,085
Decrease(increase) in inventories	37
Decrease(increase) in prepaid expenses and other assets	72
(Decrease)increase in accounts payable and accrued liabilities	(1,150)
Increase(decrease) in current domestic and foreign income taxes	4
Other operating, net	(151)
	-----
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>2,652</b>
	-----
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	
Capital expenditures	(1,401)
Sale of businesses and disposal of property, plant and equipment, net	852
Proceeds from litigation settlement	--
Collection of note receivable	--



## Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

Buyout of operating leases	--
Purchase of businesses, net	(46)
Equity investments and other, net	(141)
	-----
NET CASH(USED)PROVIDED BY INVESTING ACTIVITIES	(736)
	-----
CASH FLOW FROM FINANCING ACTIVITIES	
Proceeds from long-term debt and non-recourse debt	861
Repayments of commercial paper and revolving credit agreements, net	--
Payments of long-term debt, non-recourse debt and capital lease liabilities	(2,258)
Proceeds from issuance of common stock	18
Proceeds from issuance of Trust Preferred Securities	--
Repurchase of Trust Preferred Securities	(11)
Purchases for natural gas delivery commitment	(121)
(Payments)proceeds of notes payable, net	(2)
Cash dividends paid	(372)
Stock options exercised	72
Other financing, net	(1)
	-----
NET CASH (USED)PROVIDED BY FINANCING ACTIVITIES	(1,814)
	-----
INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	102
CASH AND CASH EQUIVALENTS--BEGINNING OF YEAR	97
	-----
CASH AND CASH EQUIVALENTS--END OF YEAR	\$ 199
	=====

The accompanying notes are an integral part of these financial statements.

37

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS                      Occidental Petroleum Corporation  
and Subsidiaries

### NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Occidental Petroleum Corporation, all entities where it owns a majority voting interest (subsidiaries) and their proportionate interests in oil and gas exploration and production ventures. In these Notes, the term "Occidental" refers to Occidental Petroleum Corporation and/or one or more of its subsidiaries. All material intercompany accounts and transactions have been eliminated. Investments in less than majority-owned enterprises, except for oil and gas exploration and production ventures, are accounted for on the equity method (see Note 14).

In addition, certain financial statements, notes and supplementary data for prior years have been changed to conform to the 2001 presentation.

#### NATURE OF OPERATIONS

Occidental is a multinational organization whose principal business segments are oil and gas exploration, production and marketing and chemicals production and marketing. In oil and gas, Occidental has active exploration and production in the United States and in nine other countries. Occidental has interests in basic chemicals (principally chlorine and caustic soda), vinyls, petrochemicals and specialty products.

#### RISKS AND UNCERTAINTIES

The process of preparing consolidated financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the consolidated financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts, generally not by material amounts. Management believes that these estimates and assumptions provide a reasonable basis for the fair presentation of Occidental's financial position and results of operations.

Included in the accompanying balance sheet is net property, plant and equipment at a carrying value of approximately \$12.9 billion as of December 31, 2001. The carrying value is based on Occidental's plans and intentions to continue to operate, maintain, develop and, where it is economically desirable, to expand its businesses. If future economic conditions result in changes in management's plans or intentions, the carrying values of the affected assets will be reviewed again and any appropriate adjustments made.

Included in the accompanying consolidated balance sheet are deferred tax assets of \$768 million as of December 31, 2001, the noncurrent portion of which is netted against deferred income tax liabilities. Realization of these assets is dependent upon Occidental generating sufficient future taxable income. Occidental expects to realize the recorded deferred tax assets through future operating income and reversal of taxable temporary differences.

The accompanying consolidated balance sheet includes assets of approximately \$2.0 billion as of December 31, 2001, relating to Occidental's operations in countries outside North America. Some of these countries may be considered politically and economically unstable. These assets and the related operations are subject to the risk of actions by governmental authorities and insurgent groups. Occidental attempts to conduct its financial affairs so as to mitigate its exposure against such risks and would expect to receive compensation in the event of nationalization.

Since Occidental's major products are commodities, significant changes in the prices of oil and gas and chemical products could have a significant impact on Occidental's results of operations for any particular year.

#### FOREIGN CURRENCY TRANSLATION

The functional currency applicable to all Occidental's foreign oil and gas operations is the U.S. dollar since cash flows are denominated principally in U.S. dollars. Occidental's chemical operations in Brazil use the Real as the functional currency. Brazil devalued the Real in January 1999. The devaluation had an unfavorable pre-tax income effect in 1999 on Occidental of approximately \$13 million. The effect of exchange-rate changes on transactions denominated in nonfunctional currencies generated a gain of less than \$1 million in both 2001 and 2000 and a loss of \$11 million in 1999.

#### CASH AND CASH EQUIVALENTS

Cash equivalents consist of highly liquid money-market mutual funds and bank deposits with initial maturities of three months or less. Cash equivalents totaled approximately \$139 million and \$46 million at December 31, 2001 and 2000, respectively.

#### TRADE RECEIVABLES

Occidental has an agreement in place to sell, under a revolving sale program, an undivided interest in a designated pool of trade receivables. This program is used by Occidental as a low-cost source of working capital funding. The amount of proceeds, which totaled \$360 million outstanding in each of 2001 and 2000, that Occidental has received on the sale of the undivided interest and

## Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

the related accounts receivable that have been sold, are not included in the debt and trade receivables accounts, respectively, on Occidental's consolidated balance sheets. Fees and expenses under this program are included in selling, general and administrative and other operating expense. Under the program, receivables must meet certain criteria. The program terminates upon certain events, including Occidental's senior debt rating falling below investment grade. In such an event, the amount of proceeds outstanding at that time would have to be funded through other means, which could result in an increase in debt recorded on the consolidated balance sheets along with a corresponding increase in the accounts receivable balance. The consolidated income statement effect of such an event would not be significant.

Under this program, Occidental serves as the collection agent with respect to the receivables sold. An interest in new receivables is sold as collections are made from customers. Fees and expenses under this program are included in selling, general and administrative and other operating expenses. During the years ended December 31, 2001, 2000 and 1999, the cost of this program amounted to approximately 4.5 percent, 6.7 percent and 5.5 percent, respectively, of the weighted average amount of proceeds received.

### INVENTORIES

Product and raw-material inventories, except certain domestic chemicals, are stated at cost determined on the first-in, first-out (FIFO) and average-cost methods and did not exceed market value. The remaining product and raw-material inventories are stated at cost using the last-in, first-out (LIFO) method and also did not exceed market value. Inventories of materials and supplies are valued at cost or less (see Note 5).

### PROPERTY, PLANT AND EQUIPMENT

Property additions and major renewals and improvements are capitalized at cost. Interest costs incurred in connection with major capital expenditures are capitalized and amortized over the lives of the related assets (see Note 15).

Oil and gas properties are accounted for using the successful-efforts method. Costs of acquiring proved and unproved properties, costs of drilling successful exploration wells and development costs are capitalized. Annual lease rentals and exploration costs, including geological and geophysical costs and exploratory dry-hole costs, are expensed as incurred. Depreciation and depletion of oil and gas producing properties is determined principally by the unit-of-production method and is based on estimated recoverable reserves. These reserves are subject to revision based upon actual performance as well as changes in the price of oil and gas. Significantly higher or lower product prices will lead to changes in the amount of reserves due to economic limits or the effects of production-sharing contracts. The process of estimation of reserves is inherently judgmental, especially during the early life of a field. Estimation of future production and development costs is also subject to change partially due to factors beyond Occidental's control, such as energy costs and inflation or deflation of oil field service costs. Thus, Occidental's depreciation and depletion expense could change in the future. At December 31, 2001, the costs attributable to unproved properties were approximately \$1.6 billion, as shown in Note 16 to the Consolidated Financial Statements. These costs are not subject to depreciation or depletion on a current basis. As development work progresses and the reserves on these properties are proven, capitalized cost of the properties will be subject to depreciation and depletion. If the development work were to be unsuccessful, the capitalized cost of the properties related to this unsuccessful work would be expensed in the year in which the determination was made. The rate at which these unproven properties are written off, therefore, depends upon future exploration and development activities as well as the product price environment. Occidental believes its development and exploration efforts will result in the addition of sufficient reserves to fully realize this investment in unproved properties.

Chemical facilities are depreciated using either the unit-of-production method or straight-line method, both based upon the estimated productive life of the facilities. Occidental makes annual capital renewal expenditures for its

## Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

chemical plants on a continual basis while the plants are in operation. Impairment reserves are provided when a decision is made to dispose of a property or when operations have been curtailed on other than a temporary basis. Judgments about the useful life of a chemical plant can change depending on a number of factors, such as sustained higher or lower energy prices, environmental regulations, foreign competition and technological change. Thus, Occidental's depreciation expense could be higher or lower depending on these and other factors.

At December 31, 2000 corporate property, plant and equipment and accumulated depreciation, depletion and amortization included \$1.2 billion and \$436 million, respectively, for an intrastate gas pipeline owned by Occidental. The entity that owned this pipeline was sold in 2001. See Note 3 for more information.

39

### OTHER ASSETS

Other assets include tangible and intangible assets, certain of which are amortized over the estimated periods to be benefited.

### GOODWILL

Goodwill, which is included in the Other Assets account, has been amortized over periods ranging from 5 to 40 years.

### NOTES PAYABLE

Notes payable at December 31, 2001 and 2000 consisted of short-term notes due to financial institutions and other corporations. The weighted average interest rate on short-term borrowings outstanding as of December 31, 2001 and 2000 was 2.9 percent and 17.4 percent, respectively.

### ACCRUED LIABILITIES--CURRENT

Accrued liabilities include the following (in millions):

Balance at December 31,	2001	2000
=====	=====	=====
Accrued payroll, commissions and related expenses	\$ 143	\$ 180
Accrued environmental reserves	\$ 96	\$ 79
Derivative financial instruments	\$ 102	\$ 250

### ENVIRONMENTAL COSTS

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Reserves for estimated costs that relate to existing conditions caused by past operations and that do not contribute to current or future revenue generation are recorded when environmental remedial efforts are probable and the costs can be reasonably estimated. In determining the reserves, Occidental uses the most current information available, including similar past experiences, available technology, regulations in effect, the timing of remediation and cost-sharing arrangements. The environmental reserves are based on management's estimate of the most likely cost to be incurred and are reviewed periodically and adjusted as additional or new information becomes available. Probable recoveries or reimbursements are recorded as an asset. The environmental reserves are included in accrued liabilities and other noncurrent liabilities and amounted to \$96 million and \$358 million, respectively, at December 31, 2001 and \$79 million and \$323 million, respectively, at December 31, 2000.

## Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

Environmental reserves are discounted only when the aggregate amount of the estimated costs for a specific site and the timing of cash payments are reliably determinable. As of December 31, 2001 and 2000, reserves that were recorded on a discounted basis were not material.

### DISMANTLEMENT, RESTORATION AND RECLAMATION COSTS

The estimated future abandonment costs of oil and gas properties and removal costs for offshore production platforms, net of salvage value, are accrued over their operating lives. Such costs are calculated at unit-of-production rates based upon estimated proved recoverable reserves and are taken into account in determining depreciation, depletion and amortization. For onshore production, Occidental assumes that the salvage value of the oil and gas property will equal the dismantlement restoration and reclamation costs so no accrual is necessary. For the chemical segment, appropriate reserves are provided when a decision is made to dispose of a property, since Occidental makes capital renewal expenditures on a continual basis while an asset is in operation. Reserves for dismantlement, restoration and reclamation costs are included in accrued liabilities and in other noncurrent liabilities and amounted to \$1 million and \$21 million, respectively, at December 31, 2001, and \$2 million and \$28 million, respectively, at December 31, 2000.

### DERIVATIVE INSTRUMENTS

Occidental's market-risk exposures relate primarily to commodity prices, and, to a lesser extent, interest rates and foreign currency exchange rates. Occidental may periodically use different types of derivative instruments to achieve the best prices for oil and gas, to reduce its exposure to price volatility and thus mitigate fluctuations in commodity-related cash flows. Usually Occidental remains unhedged to long-term oil and gas prices. Overall, Occidental's use of derivatives in hedging activity remains at a relatively low level. However, current rules require extensive disclosure regarding any level of derivative use.

40

Effective January 1, 1999, Occidental adopted the provisions of Emerging Issues Task Force (EITF) Issue No. 98-10, "Accounting for Contracts Involved in Energy Trading and Risk Management Activities", which establishes accounting and reporting standards for certain energy trading contracts. EITF 98-10 requires that energy trading contracts must be marked to fair value with gains and losses included in earnings and separately disclosed in the financial statements or accompanying footnotes. The initial adoption of EITF 98-10 resulted in a first quarter non-cash after-tax benefit of \$2 million, recorded as a cumulative effect of a change in accounting principle in 1999.

Effective January 1, 2001, Occidental adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended by SFAS No. 137 and SFAS No. 138 (collectively SFAS No. 133, as amended). These statements establish accounting and reporting standards for derivative instruments and hedging activities and require an entity to recognize all derivatives in the statement of financial position and measure those instruments at fair value unless the instrument qualifies as a normal purchase or sale contract. Changes in the derivative instrument's fair value must be recognized in earnings unless specific hedge accounting criteria are met. Changes in the fair value of derivative instruments that meet specific cash-flow hedge accounting criteria are reported in other comprehensive income (OCI). The gains and losses on cash-flow hedge transactions that are reported in OCI are reclassified to earnings in the periods in which earnings are affected by the variability of the cash flows of the hedged item. Gains and losses from derivatives that qualify for fair-value hedge accounting are recorded in earnings along with the change in fair value of the hedged item. The ineffective portions of all hedges are recognized in current period

## Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

earnings. Prior to the adoption of SFAS No. 133, gains and losses on commodity futures contracts that qualified for hedge accounting, essentially those associated with equity production or purchases, were deferred until recognized as an adjustment to sales revenue or purchase costs when the related transaction being hedged was finalized.

Except where a right of setoff exists, gains are recognized as assets and losses are recognized as liabilities.

### FINANCIAL INSTRUMENTS

Occidental values financial instruments as required by SFAS No. 107, "Disclosures about Fair Value of Financial Instruments." The carrying amounts of cash and cash equivalents and short-term notes payable approximate fair value because of the short maturity of those instruments. The carrying value of other on-balance sheet financial instruments approximates fair value and the cost, if any, to terminate off-balance sheet financial instruments is not significant.

### SUPPLEMENTAL CASH FLOW INFORMATION

Cash payments during the years 2001, 2000 and 1999 included federal, foreign and state income taxes of approximately \$472 million, \$686 million and \$105 million, respectively. Interest paid (net of interest capitalized) totaled approximately \$389 million, \$516 million and \$468 million for the years 2001, 2000 and 1999, respectively. See Note 3 for detail of noncash investing and financing activities regarding certain acquisitions.

### NOTE 2 DERIVATIVE ACTIVITIES INCLUDING FAIR VALUE OF FINANCIAL INSTRUMENTS

Occidental adopted the provisions of SFAS No. 133, as amended, in January 2001. The derivative financial instrument balances included in the consolidated balance sheets were as follows (in millions):

Balance at December 31, 2001		=====
Derivative financial instrument assets		
Current	\$ 116	
Non-current	120	
	-----	
	\$ 236	=====
Derivative financial instrument liabilities		
Current	\$ 102	
Non-current	119	
	-----	
	\$ 221	=====

### COMMODITY PRICE DERIVATIVES

#### GENERAL

With respect to derivatives used in its oil and gas marketing operations, Occidental used a combination of futures, options and swaps to offset various open price positions.

The fair value recorded for derivative instruments is based on quoted market prices, dealer quotes or synthetic price curves established from quoted prices (adjusted for time, location and quality differentials).

## Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

### CASH-FLOW COMMODITY HEDGES

Occidental used cash-flow hedges for the sale of crude oil and natural gas in 2001, with the objective of mitigating price risk arising from fluctuating values for these commodities. Crude oil hedges were executed for Occidental's West Texas production. Its strategy to achieve these objectives included a combination of purchased put options and written call options resulting in no net premium received for crude oil hedging. Purchased put options were used for natural gas hedging and were executed for the Mid-continent production area to establish a minimum sales price for its production. Occidental used no fair-value hedges for crude oil or natural gas production during 2001.

Occidental's cash-flow-hedging instruments, which consist of natural gas put option contracts, are highly effective. During 2001, net gains of \$0.6 million were recorded to OCI relating to changes in current cash-flow hedges and net losses of \$7.6 million were reclassified from OCI into earnings as a reduction to net sales revenue, as the forecasted transactions actually occurred. The fair value at December 31, 2001 of derivative financial instruments that have been designated and have qualified as cash-flow-hedging instruments was \$0.2 million. The gain was recorded as an increase to OCI and will be reclassified into earnings during 2002 when the forecasted transactions actually occur.

### MARKETING AND TRADING OPERATIONS

The fair value at December 31, 2001 of derivative instruments used in marketing and trading operations is a net gain of \$9 million. Gains of \$24 million were recorded in earnings due to the change in fair value of these financial derivative instruments during 2001. Offsetting the value of these instruments are related physical positions with a fair value of \$2 million loss at December 31, 2001. Gains of \$15 million were recorded in earnings due to the change in the fair value of related physical positions during 2001. The net positions mostly expire in 2002. Additionally, a long-term sales contract volume commitment is 38,100 MMBtu per day through October 2010. The approximate \$39 million net gain from the change in fair value during 2001 of derivative instruments used in marketing and trading operations was reflected in the income statement. The \$39 million net gain represents a reversal of negative mark-to-market adjustments resulting from the adoption of SFAS No. 133, as amended.

At December 31, 2001, total assets and liabilities include \$108 million and \$101 million for the fair value of derivative instruments used in marketing and trading operations.

Prior to the physical settlement of any energy contract held for trading purposes, favorable or unfavorable price movement is reported in the income statement. An offsetting amount is recorded on the balance sheet as unrealized gains or unrealized losses on trading transactions. When a contract to sell energy is physically settled, the above entries are reversed and the gross amount invoiced to the customer is included as net sales in the income statement. Similarly, when a contract to purchase energy is physically settled, the purchase price is included as cost of sales in the income statement. Until a contract is physically settled, the unrealized gain or loss is reclassified to a receivable or payable account. Other than the positive effect on oil and gas realized prices, the results of trading activities are not significant.

### RECONCILIATION OF FAIR VALUE OF CONTRACTS FROM JANUARY 1, 2001 TO DECEMBER 31, 2001 (in millions)

=====  
Fair value of contracts outstanding at January 1, 2001  
Contracts realized or otherwise settled during the period gains/(losses)  
Changes in fair value attributable to changes in valuation techniques and assumptions  
Other changes in fair values

## Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

Fair value of contracts outstanding at December 31, 2001

Source of Fair Value	Maturity Period		
	2002	2003 to 2004	2005 to 2006
Prices actively quoted	\$ (12)	\$ --	\$ --
Prices provided by other external sources	20	1	--
Prices based on models and other valuation methods	--	(1)	(1)
TOTAL	\$ 8	\$ --	\$ (1)

### ACTIVITIES PRIOR TO SFAS 133 IMPLEMENTATION

At December 31, 2000, Occidental was a party to commodity-exchange and over-the-counter forward obligations. The instruments held for purposes other than trading expire during the period from January 2001 to December 2003, and relate to the hedging of natural gas and crude oil prices. The fair value of these instruments at December 31, 2000 was \$511 million. Offsetting the value of these instruments were related physical positions with a \$528 million loss. The principal components of these instruments and related physical positions are the related natural gas price swap and the

42

natural gas delivery commitment, which is discussed in Note 7. At December 31, 2000, the difference between the carrying value and the fair value of these obligations was an unrealized loss of approximately \$17 million. The instruments held or issued for trading purposes mostly expired in 2001, with the exception of a long-term sales contract that expires in 2010. The fair value of these instruments at December 31, 2000 was \$31 million. Offsetting the value of these instruments were related physical positions with a \$12 million loss. The net gain of approximately \$19 million was reflected in the income statement. The majority of the gain was from the mark-to-market adjustment under EITF Issue No. 98-10 of a long-term sales contract.

### CREDIT RISK

Occidental's derivative contracts are spread among numerous banks and market leaders in the industry. Creditworthiness is reviewed before doing business with a new counterparty and on an on-going basis. Occidental monitors aggregated counter-party exposure relative to credit limits, and manages credit-enhancement requirements such as collateral, parental guarantees and letters of credit. Credit limits for all customers (whether financial or physical) are established and entered into Occidental's risk-management systems, and these limits are monitored for compliance on an aggregated basis across all traded commodities. Credit exposure for each customer is monitored for outstanding balances, current month activity, and forward mark-to-market exposure. The credit-determination process takes into consideration the creditworthiness of the counter-party, the counter-party's parent, parental guarantees, letters of credit, and other credit-enhancing instruments.

INTEREST-RATE DERIVATIVES  
FAIR-VALUE HEDGES



## Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

Interest-rate swaps, forward locks and futures contracts are entered into as part of Occidental's overall strategy to manage interest-rate exposure. During 2001, Occidental entered into several interest-rate swaps that qualified for fair-value hedge accounting. These derivatives effectively convert approximately \$1.3 billion of fixed-rate debt to variable-rate debt with maturities ranging from 2005 to 2008. In 2000 and 1999, Occidental also had interest-rate swaps converting fixed-rate debt to floating-rate debt that matured in November 2000. Net interest expense was impacted by \$6.6 million of income in 2001, \$1.0 million of expense in 2000 and income of almost \$1.0 million in 1999 to reflect the effects of the fair-value hedges.

### CASH-FLOW HEDGES

Occidental is a party to a series of forward interest-rate locks, which qualified as a cash-flow hedge, that are required to be settled on or prior to December 31, 2002. These financial instruments relate to debt raised by a third party to construct a cogeneration plant that will be subject to a long-term operating lease to OxyChem. As the lease payments will be directly related to the amount of interest paid on the underlying debt, the forward rate locks were put in place to hedge the future lease payments. The lease payments are expected to commence on or before January 15, 2003. The fair value of these financial instruments at December 31, 2001 was an unrealized loss of \$28 million, that would be offset by potentially lower lease payments due to the lower interest rate environment.

Occidental and its equity investees have also entered into additional derivative instruments that qualified as cash-flow hedges. The amounts related to these hedges are included below.

For the year ended 2001, a \$4 million gain was reclassified from OCI to income due to the expiration of cash-flow hedges and a \$3 million loss was recorded to OCI relating to changes in current cash-flow hedges. During the next twelve months, Occidental expects that less than about \$0.1 million of net derivative losses included in OCI, based on their valuation at December 31, 2001, will be reclassified into earnings. Hedge ineffectiveness did not have a significant impact on earnings for the year.

### FOREIGN CURRENCY DERIVATIVES

Many of Occidental's foreign oil and gas operations and foreign chemical operations are located in countries whose currencies generally depreciate against the U.S. dollar on a continuing basis. Generally, an effective currency forward market does not exist for these countries. Therefore, Occidental attempts to manage its exposure primarily by balancing monetary assets and liabilities and maintaining cash positions only at levels necessary for operating purposes. Additionally, all of Occidental's oil and gas foreign entities have the U.S. dollar as the functional currency since the cash flows are mainly denominated in U.S. dollars. However, in one foreign chemical subsidiary where the local currency is the functional currency, Occidental has exposure on debt that is denominated in U.S. dollars that is not material. At December 31, 2001 and 2000, Occidental had not entered into any foreign currency derivative instruments. The effect of exchange-rate transactions in foreign currencies is included in periodic income.

### NOTE 3 BUSINESS COMBINATIONS AND ASSET ACQUISITIONS AND DISPOSITIONS

-----  
2001

On August 31, 2001, Occidental sold the entity that owns pipelines in Texas that are leased to a former subsidiary. The entity was sold to Kinder Morgan Energy Partners, L.P. Occidental recorded an after-tax loss of approximately \$272 million in connection with this transaction.

## Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

On July 10, 2001, Occidental completed the sale of its interest in the Tangguh LNG project in Indonesia to Mitsubishi Corporation of Japan. Occidental recorded an after-tax gain of approximately \$399 million for this transaction.

2000

On December 4, 2000, Occidental completed an agreement with BP p.l.c. (BP) to obtain BP's interest in a carbon dioxide field in New Mexico and related pipelines in exchange for Occidental's interest in the Milne Point oil field in Alaska, together with additional cash consideration. The gain on this transaction was not significant.

On November 29, 2000, an OxyChem subsidiary purchased a 28.6-percent interest in OxyMar, a Texas general partnership that owns the Ingleside, Texas vinyl chloride monomer (VCM) facility operated by OxyChem. The interest was purchased from U.S. VCM Corporation, an affiliate of Marubeni Corporation, which continues to own a 21.4-percent interest and remains a 50-percent partner for corporate governance purposes. Oxy Vinyls, LP (OxyVinyls) owns the remaining 50-percent interest.

On November 1, 2000, Occidental agreed to farm out a partial economic interest in its Block 15 operations in Ecuador to Alberta Energy Company Ltd. (AEC). AEC will earn a 40-percent interest in the block and will assume certain capital costs through 2004. Occidental will remain the operator of Block 15. The gain on this transaction was not significant.

On November 1, 2000, Occidental completed the sale of its Durez phenolic resins and compounding businesses and assets to Sumitomo Bakelite Co., Ltd. The gross proceeds of approximately \$150 million from the sale will be applied to Occidental's debt-reduction program. Manufacturing facilities included in the sale are located in Niagara Falls, New York; Kenton, Ohio; Fort Erie, Ontario, Canada; and Genk, Belgium, as well as OxyChem's share in joint ventures located in Japan, Singapore, Indonesia and Canada. There was a \$13 million after-tax gain on this transaction.

On August 15, 2000, Occidental completed agreements with respect to two transactions with Apache Corporation (Apache) involving Occidental's interests in the Continental Shelf of the Gulf of Mexico (GOM). Occidental entered into a transaction to deliver, over four years, substantially all of its share of future gas production from these GOM interests to Apache for approximately \$280 million. Occidental also agreed to sell an interest in the subsidiary that holds the GOM assets for approximately \$62 million, with an option for Apache to purchase additional interests for \$44 million over the next four years. As a result of these transactions, and the consequent elimination of a portion of Occidental's responsibility for abandonment liabilities, Occidental recorded an after-tax gain of \$39 million.

On May 8, 2000, Occidental completed an agreement to sell its producing properties in Peru to Pluspetrol. In connection with this transaction, Occidental recorded an after-tax charge of approximately \$29 million in December 1999 to write-down the properties to their fair values.

On April 24, 2000, Occidental completed the acquisition of ARCO Long Beach Inc. (THUMS), an oil producing entity, for approximately \$68 million.

On April 19, 2000, Occidental completed its acquisition of all of the common interest in Altura Energy Ltd. (Altura) (now "Occidental Permian Ltd."), the largest oil producer in Texas. Occidental, through its subsidiaries, paid approximately \$1.2 billion to the sellers, affiliates of BP Amoco plc and Shell Oil Company, to acquire the common limited partnership interest and control of the general partner which manages, operates and controls 100 percent of the Altura assets. The partnership borrowed approximately \$2.4 billion, which had recourse only to the Altura assets. The partnership also loaned approximately \$2.0 billion to affiliates of the sellers, evidenced by two notes recorded as long-term receivables, which provide credit support to the partnership. The sellers retained a preferred limited partnership interest of approximately \$2.0 billion and were entitled to certain distributions from the partnership. The partnership exercised an option in May 2002 to redeem the remaining partnership interests of \$1.9 billion held by BP Amoco and Shell in exchange for their existing note payable of \$1.9 billion to the partnership. The acquisition is

## Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

valued at approximately \$3.6 billion. Occidental's results of operations include the operations of the Altura assets from the date of acquisition. Pro-forma net income for the year ended December 31, 2000, including historical Altura results as if the acquisition had occurred on January 1, 2000, would have been \$1.6 billion (\$4.47 earnings per share). Pro-forma net income for the year ended December 31, 1999, including historical Altura results as if the acquisition had occurred on January 1, 1999, would have been \$601 million (\$1.69 earnings per share). Pro-forma revenues would have been \$14.9 billion and \$9.4 billion for the year ended December 31, 2000, and 1999, respectively. The pro-forma calculations were made with historical operating results from Altura prior to ownership by Occidental and give effect to certain adjustments, including increased depreciation, depletion and amortization to reflect the value assigned to the Altura property, plant and equipment, increased interest expense, and income tax effects. The pro-forma results are not necessarily indicative of the results of operations that would have occurred if the acquisition had been made at the beginning of the periods presented or that may be obtained in the future. Also, the pro-forma calculations do not reflect anticipated cost savings, synergies, changes in realized prices or production rates and certain other adjustments that are expected to result from the acquisition and operation of Altura.

44

On April 18, 2000, Occidental completed the sale of its 29.2-percent stake in Canadian Occidental Petroleum Ltd. (CanadianOxy) for gross proceeds of approximately \$1.2 billion Canadian, following approval of the sale by CanadianOxy stockholders. Of Occidental's 40.2 million shares of CanadianOxy, 20.2 million were sold to the Ontario Teachers Pension Plan Board and 20 million to CanadianOxy. These sales resulted in a net pre-tax gain of approximately \$493 million. In addition, Occidental and CanadianOxy sold their respective 15-percent interests in joint businesses of approximately equal value, resulting in Occidental owning 100 percent of an oil and gas operation in Ecuador and CanadianOxy owning 100 percent of sodium chlorate operations in Canada and Louisiana.

1999

In December 1999, Occidental and EOG Resources, Inc. (EOG) exchanged certain oil and gas assets. Occidental received assets that will enhance its programs to further focus exploration and production activities and achieve cost savings through operational benefits. Occidental received producing properties and exploration acreage in its expanding California asset base, as well as producing properties in the western Gulf of Mexico near existing operations in exchange for oil and gas production and reserves in east Texas. Occidental also farmed out Oklahoma panhandle properties to EOG and retained a carried interest.

In the third quarter of 1999, pursuant to a series of transactions, Occidental indirectly acquired the remaining ownership of INDSPEC Chemical Corporation (INDSPEC) through the issuance of approximately 3.2 million shares of Occidental common stock at an estimated value of approximately \$68 million and the assumption of approximately \$80 million of bank debt. As a result of the transactions, Occidental owns 100 percent of the stock of INDSPEC, which is a leading manufacturer of resorcinol, a bonding agent principally used in tires and as a flame retardant.

In the third quarter of 1999, Occidental acquired Unocal International Corporation's (UNOCAL) oil and gas interests in Yemen and UNOCAL acquired Occidental's properties in Bangladesh. The results, after tax benefits, did not have a significant impact on earnings.

Effective April 30, 1999, Occidental and The Geon Company (now known as "PolyOne") formed two partnerships. Occidental has a 76-percent interest in the polyvinyl chloride (PVC) commodity resin partnership, OxyVinyls, which is the larger of the partnerships, and a 10-percent interest in a PVC powder

## Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

compounding partnership. OxyVinyls also has entered into long-term agreements to supply PVC resin to PolyOne and VCM to Occidental and PolyOne. In addition, as part of the transaction, Occidental sold its pellet compounding plant in Pasadena, Texas and its vinyl film assets in Burlington, New Jersey to PolyOne. As part of the transaction, PolyOne received approximately \$104 million through the retention of working capital and the distribution of cash from OxyVinyls, and OxyVinyls undertook approximately \$180 million in obligations for certain PolyOne plant facilities, which are treated as operating leases for accounting purposes. Occidental did not record a significant gain or loss on the transaction.

### NOTE 4 ASSET WRITE-DOWNS, EXTRAORDINARY ITEMS AND ACCOUNTING CHANGES

---

2001

In January 2002, Occidental and Lyondell Chemical Company (Lyondell) agreed, in principle, for Occidental to sell its share of Equistar to Lyondell and to purchase an equity interest of approximately 21 percent in Lyondell. These transactions are subject to the execution of definitive documents and corporate and regulatory approvals. In connection with the agreement in principle, Occidental wrote down its investment in the Equistar partnership by \$240 million, after tax, in December 2001. The transactions are expected to close in the third quarter of 2002.

In December 2001, Occidental issued \$300 million of 5.875-percent senior notes due 2007 and \$500 million of 6.750-percent senior notes due 2012 for net combined proceeds of approximately \$794 million. Approximately \$700 million of the net proceeds were used to extinguish the Altura non-recourse debt. Occidental recorded an after-tax extraordinary loss of \$4 million from this transaction.

On March 5, 2001, Occidental retired \$20.5 million of 7.8-percent pollution control revenue bonds due on December 1, 2005. As a result of this transaction, Occidental recognized an after-tax extraordinary loss of \$3 million in the first quarter of 2001.

In August 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets. The provisions of this statement are effective for financial statements issued for fiscal years beginning after December 15, 2001. Occidental will adopt this statement in the first quarter of 2002 and it is not expected to have an impact on the financial statements.

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The provisions of this statement are effective for financial statements issued for fiscal years beginning after June 15, 2002. Occidental must implement SFAS No. 143 in the first quarter of 2003 and has not yet determined its impact on the financial statements.

In June 2001, the FASB issued SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 142 changes the accounting and reporting requirements for acquired goodwill and intangible assets. The provisions of this statement must be applied starting with fiscal years beginning after December 15, 2001. Certain transitional provisions of the statement can be implemented as late as the fourth quarter of 2002, provided that the transitional effect, if any, is recorded retroactive to the first quarter of 2002. At December 31, 2001, the balance sheet included approximately

\$108 million of goodwill and intangible assets with annual amortization expense of approximately \$6 million recorded in the income statement. Occidental expects

## Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

to implement SFAS No. 142 in the first quarter of 2002. The adoption of this accounting standard is expected to result in a cumulative effect of changes in accounting principles after-tax reduction in net income of approximately \$95 million due to the anticipated impairment of the goodwill.

In June 2001, the FASB issued SFAS No. 141, "Business Combinations." SFAS No. 141 establishes new standards for accounting and reporting business combinations including eliminating the pooling method of accounting. The standard applies to all business combinations initiated after June 30, 2001. Occidental has implemented the provisions of SFAS No. 141, which had no impact on the financial statements.

On January 1, 2001, Occidental adopted SFAS No. 133, as amended. These statements established accounting and reporting standards for derivative instruments and hedging activities and required an entity to recognize all derivatives in the statement of financial position and measure those instruments at fair value. Changes in the derivative instrument's fair value must be recognized in earnings unless specific hedge accounting criteria are met. Adoption of these new accounting standards resulted in cumulative after-tax reductions in net income of approximately \$24 million and OCI of approximately \$27 million in the first quarter of 2001. The adoption also increased total assets by \$588 million and total liabilities by \$639 million as of January 1, 2001.

### 2000

The 2000 results included pre-tax charges of \$120 million for the write-down of the chemical intermediate businesses to net realizable value, \$53 million for the write-down of various oil and gas assets and investments and \$15 million for the write-down of various chemical assets.

During the third and fourth quarters of 2000, Occidental repurchased some of its outstanding public debt securities in open market transactions, with principal balances totaling \$154 million, at current market prices. Occidental recorded an after-tax extraordinary gain of \$1 million that resulted from these purchases.

In the fourth quarter of 2000, Occidental adopted the provisions of EITF Issue No. 00-10, "Accounting for Shipping and Handling Fees and Costs", which establishes accounting and reporting standards for the treatment of shipping and handling costs. Among its provisions, EITF Issue No. 00-10 requires that transportation costs that had been accounted for as deductions from revenues should now be recorded as an expense. The implementation of EITF Issue No. 00-10 had no effect on net income. All prior-year balances have been adjusted to reflect this accounting change. The transportation costs that have been removed as deductions from revenues and included in cost of sales on Occidental's "Statements of Operations" totaled \$245 million in 2000 and \$210 million in 1999.

### 1999

The 1999 results included pre-tax charges of \$159 million for the write-down to realizable value of certain chemical assets, \$28 million for write-downs by Equistar and \$9 million for various oil and gas assets.

Effective January 1, 1999, Occidental adopted the provisions of American Institute of Certified Public Accountants Statement of Position (SOP) 98-5, "Reporting on the Costs of Start-Up Activities", which requires that costs of start-up activities, including organizational costs, be expensed as incurred. The initial application of the statement resulted in a charge to income for costs of previously capitalized start-up activities that have not yet been fully amortized. The initial adoption of SOP 98-5 resulted in a first quarter noncash after-tax charge of \$15 million, net of \$8 million in taxes, which has been recorded as a cumulative effect of a change in accounting principle.

Effective January 1, 1999, Occidental adopted the provisions of EITF Issue No. 98-10, "Accounting for Contracts Involved in Energy Trading and Risk Management Activities", which establishes accounting and reporting standards for certain energy trading contracts. EITF Issue No. 98-10 requires that energy trading contracts must be marked-to-market with gains and losses included in

## Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

earnings and separately disclosed in the financial statements or footnotes thereto. The initial adoption of EITF Issue No. 98-10 resulted in a first quarter noncash after-tax benefit of \$2 million, recorded as a cumulative effect of a change in accounting principle.

In June 1999, Occidental redeemed \$68.7 million of its 11.125 percent senior debentures due June 1, 2019 and recorded an after-tax extraordinary loss of \$3 million in the second quarter of 1999 related to the redemption.

In December 1999, OXY USA settled its long-standing litigation with Chevron U.S.A. Inc. (Chevron) for a cash payment of \$775 million from Chevron. The related pre-tax income of \$775 million is reported as interest, dividends and other income in the accompanying consolidated statements of operations. Occidental then repurchased for cash, \$240 million principal amount of its 10.125 percent senior notes due November 15, 2001, and \$138 million principal amount of its 11.125 percent senior notes due August 1, 2010 and redeemed all of OXY USA's \$274 million principal amount of 7 percent debentures due 2011 for a total of \$722 million, including premium, expenses and accrued interest. Occidental recorded an after-tax extraordinary loss of \$104 million in the fourth quarter of 1999 related to the transactions. The 1999 total year results included a net extraordinary loss of \$107 million, which resulted from the early extinguishment of high-cost debt.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin (SAB) No. 101, "Revenue Recognition in Financial Statements." SAB No. 101 summarizes the Staff's views in applying generally accepted accounting principles to revenue recognition in the financial statements. The bulletin was effective in the fourth quarter of 2000. Occidental was in compliance with these standards; accordingly, the adoption of SAB No. 101 did not have an impact on its consolidated financial statements.

46

### NOTE 5 INVENTORIES

Inventories of approximately \$214 million and \$268 million were valued under the LIFO method at December 31, 2001 and 2000, respectively. Inventories consisted of the following (in millions):

Balance at December 31,	2001
Raw materials	\$ 62
Materials and supplies	123
Work in process	2
Finished goods	268
	455
LIFO reserve	(11)
	444
TOTAL	\$ 444

### NOTE 6 LONG-TERM DEBT AND NON-RECOURSE DEBT

Long-term debt consisted of the following (in millions):

Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

Balance at December 31,	2001
=====	=====
OCCIDENTAL PETROLEUM CORPORATION	
6.75% senior notes due 2012	\$ 500
7.65% senior notes due 2006 (a)	457
6.4% senior notes due 2013, subject to remarketing April 1, 2003	450
7.375% senior notes due 2008 (a)	394
8.45% senior notes due 2029	350
9.25% senior debentures due 2019, putable August 1, 2004 at par	300
5.875% senior notes due 2007 (a)	297
10.125% senior debentures due 2009	276
7.2% senior debentures due 2028	200
6.75% senior notes due 2002	163
6.5% senior notes due 2005 (a)	155
Medium-term notes due 2002 through 2008 (7.18% to 8.34% at December 31, 2001)	120
8.5% senior notes due 2001	--
8.75% medium-term notes due 2023	100
10.125% senior notes due 2001	--
11.125% senior notes due 2010	12
	-----
	3,774
	-----
OXY USA INC.	
4.8% unsecured notes due 2006	20
7.2% unsecured notes due 2020	7
5.7% to 7.8% unsecured notes due 2001 through 2007	--
	-----
	27
	-----
OTHER SUBSIDIARY DEBT	
1.45% to 7.67% unsecured notes due 2003 through 2030	273
6% secured notes due 2001 through 2007	--
	-----
	273
	-----
	4,074
Less:	
Unamortized discount, net	(9)
Current maturities	--
	-----
TOTAL LONG-TERM DEBT	4,065
	-----
Occidental Permian Ltd. non-recourse term loan due 2005	--
	-----
TOTAL LONG-TERM DEBT AND NON-RECOURSE DEBT	\$ 4,065
=====	=====

(a) 2001 amount includes a mark-to-market adjustment due to a fair-value hedge.

At December 31, 2001, \$199 million of notes due in 2002 were classified as non-current since it is management's intention to refinance this amount on a long-term basis by issuing long-term debt. In addition, at December 31, 2001,

**Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A**

Occidental had available lines of committed bank credit of approximately \$2.1 billion. Bank fees on these committed lines of credit ranged from 0.125 percent to 0.175 percent.

At December 31, 2001, minimum principal payments on long-term debt subsequent to December 31, 2002 aggregated \$4,073 billion, of which \$507 million is due in 2003, \$324 million in 2004, \$158 million in 2005, \$696 million in 2006, \$302 million in 2007 and \$2,086 billion thereafter. These amounts do not include the mark-to-market adjustments, which netted to \$1 million, related to fair-value hedges on debt of \$1.3 billion. Unamortized discount is generally being amortized to interest expense on the effective interest method over the lives of the related issuances.

At December 31, 2001, under the most restrictive covenants of certain financing agreements, the capacity for the payment of cash dividends and other distributions on, and for acquisitions of, Occidental's capital stock was approximately \$3.4 billion, assuming that such dividends, distributions and acquisitions were made without incurring additional borrowings.

Occidental estimates the fair value of its long-term debt based on the quoted market prices for the same or similar issues or on the yields offered to Occidental for debt of similar rating and similar remaining maturities. The estimated fair value of Occidental's total debt, including the non-recourse debt and Trust Preferred Securities, at December 31, 2001 and 2000 was approximately \$4.8 billion and approximately \$6.1 billion, respectively, compared with a carrying value of approximately \$4.5 billion, and approximately \$5.9 billion, respectively.

NOTE 7      NATURAL GAS DELIVERY COMMITMENT

In November 1998, Occidental entered into a natural gas delivery commitment for proceeds of \$500 million, which obligates Occidental to deliver 263 billion cubic feet of natural gas over a four-year period ending in December 2003. This transaction resulted in less expensive financing and enables Occidental to satisfy the delivery commitment at a fixed price with open market purchases without reducing its own natural gas reserves. The imputed interest rate in the transaction is approximately 6 percent. The current portion of Occidental's natural gas delivery commitment (\$137 million at December 31, 2001) is shown as a current liability on Occidental's consolidated balance sheets. The present value of the non-current commitment (\$145 million at December 31, 2001) is shown under deferred credits and other liabilities on Occidental's consolidated balance sheets. In connection with this transaction, Occidental simultaneously entered into a natural gas price swap based on identical volumes of natural gas and a delivery schedule that corresponds to the natural gas delivery commitment. Under the terms of the swap, Occidental will pay an average fixed price of \$2.27 per MMBtu of gas and will receive a floating price that will approximate market, which essentially eliminates Occidental's exposure to commodity price fluctuations that could affect this transaction. At December 31, 2001, the fair value of this price swap is an \$84 million gain, which is offset by an \$84 million loss applicable to the related physical positions. Occidental has the ability to satisfy the delivery commitment with open market purchases and has not reduced its natural gas reserves for the commitment. At December 31, 2001, the future minimum delivery commitment under the contract expressed in dollars and in volumes is as follows (dollars in millions, volumes in billions of cubic feet):

	VALUE
=====	=====
2002	\$      150
2003	147
	-----
TOTAL	297



Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

Less:		
Imputed interest		(15)
Current portion		(137)
		-----
PRESENT VALUE OF NATURAL GAS DELIVERY COMMITMENT, NET OF CURRENT PORTION	\$	145
=====		=====

48

NOTE 8 LEASE COMMITMENTS

The present value of net minimum capital lease payments, net of the current portion, totaled \$26 million at both December 31, 2001 and 2000. These amounts are included in other liabilities.

Operating and capital lease agreements, which include leases for manufacturing facilities, office space, railcars and tanks, frequently include renewal and/or purchase options and require Occidental to pay for utilities, taxes, insurance and maintenance expense.

At December 31, 2001, future net minimum lease payments for capital and operating leases (excluding oil and gas and other mineral leases) were the following (in millions):

		CAPITAL	
		=====	
2002	\$	1	\$
2003		1	
2004		1	
2005		1	
2006		1	
Thereafter		30	
		-----	
TOTAL MINIMUM LEASE PAYMENTS		35	\$
Less:			
Imputed interest		(8)	
Current portion		(1)	
		-----	
PRESENT VALUE OF MINIMUM CAPITAL LEASE PAYMENTS, NET OF CURRENT PORTION	\$	26	
=====		=====	

Rental expense for operating leases, net of sublease rental income, was \$84 million in 2001, \$98 million in 2000 and \$93 million in 1999. Rental expense was net of sublease income of \$8 million in 2001 and 2000 and \$9 million in 1999. At December 31, 2001, sublease rental amounts included in the future operating lease payments totaled \$93 million, as follows (in millions): 2002--\$7, 2003--\$7, 2004--\$8, 2005--\$8, 2006--\$8, and 2007 and thereafter--\$55.

Occidental has guaranteed the residual value of certain leased assets of approximately \$152 million. If the assets are not purchased at the end of the lease-term, Occidental would be obligated to pay any deficiency between the fair value of the assets and the guaranteed residual; however, Occidental does not expect to make payments under this provision.

Included in the 2001 and 2000 property, plant and equipment accounts were \$11 million and \$62 million, respectively, of property leased under capital leases and \$8 million and \$57 million, respectively, of related accumulated

amortization.

Occidental has undertaken certain commitments in connection with the construction and leasing of a cogeneration facility in Taft, LA. This facility will supply all the steam and electric power requirements for Occidental's Taft chlor-alkali plant for less cost than if the plant were to generate its own steam and purchase electricity from a public utility. An owner trust with investors as participating beneficiaries owns the project, with Occidental acting as general contractor during construction. The equity participant in the owner trust has committed to fund the owner trust with equity in the amount of three percent of the total project cost during construction and 13 percent of the total project cost upon commencement of the lease term. During the construction period, Occidental is fully liable for total project costs if an event of termination occurs due to its willful misconduct or bankruptcy, and Occidental is liable to pay up to 89.9 percent of the eligible construction costs if an event of termination occurs for reasons other than force majeure. Upon completion of construction and satisfaction of certain other conditions, expected to occur by December 31, 2002, Occidental will enter into a 26-year operating lease of the facility. The total cost of the project at the inception of the lease is expected to be approximately \$450 million. The total accumulated costs of the project as of December 31, 2001 amount to approximately \$328 million. If these costs were recorded as liabilities on Occidental's balance sheet, either during construction or during the lease term, the Taft cogeneration facility would also be recorded as an asset on the balance sheet.

Occidental has entered into various operating lease agreements, mainly for railcars, manufacturing facilities and office space. The leased assets are used in Occidental's operations where leasing offers advantages of greater operating flexibility and generally costs less than alternative methods of funding. Lease payments are charged to Occidental's operations, mainly as cost of sales. Occidental estimates the present value of the remaining lease payments to be \$310 million at December 31, 2001. Occidental has fixed-price purchase options associated with certain leases at various dates ranging from 2003 to 2015, with an estimated present value of \$285 million. These obligations are not recorded as liabilities on Occidental's consolidated balance sheets. If they were so recorded, the leased properties also would be included on the balance sheets as assets.

NOTE 9 LAWSUITS, CLAIMS, COMMITMENTS, CONTINGENCIES AND RELATED MATTERS

Occidental and certain of its subsidiaries have been named as defendants in a substantial number of lawsuits, claims and proceedings. They have also been named as potentially responsible parties in governmental proceedings under the Comprehensive Environmental Response, Compensation and Liability Act and similar state acts. These governmental proceedings seek funding, remediation and, in some cases, compensation for alleged property damage, punitive damages and civil penalties, aggregating substantial amounts. Occidental is usually one of many companies in these proceedings, and has to date been successful in sharing response costs with other financially sound companies. Occidental has accrued reserves at the most likely cost to be incurred in those proceedings where it is probable that Occidental will incur remediation costs which can be reasonably estimated.

During the course of its operations, Occidental is subject to audit by taxing authorities for varying periods in various tax jurisdictions.

At December 31, 2001, commitments for major capital expenditures during 2002 and thereafter were approximately \$167 million.

Occidental has entered into agreements providing for future payments to secure terminal and pipeline capacity, drilling services, electrical power, steam and certain chemical raw materials. At December 31, 2001, the net present value of the fixed and determinable portion of the obligations under these

Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

agreements, which were used to collateralize financings of the respective suppliers, aggregated \$81 million, which was payable as follows (in millions): 2002--\$15, 2003--\$14, 2004--\$12, 2005--\$11, 2006--\$11 and 2007 through 2018--\$18. Fixed payments under these agreements, were \$19 million in 2001, \$42 million in 2000 and \$20 million in 1999.

Occidental has certain other commitments under contracts, guarantees and joint ventures, and certain other contingent liabilities. Many of these commitments, although not fixed or determinable, involve capital expenditures and are part of the \$1.1 billion capital expenditures estimated for 2002.

It is impossible at this time to determine the ultimate liabilities that Occidental and its subsidiaries may incur resulting from the foregoing lawsuits, claims and proceedings, audits, commitments, contingencies and related matters. Several of these matters may involve substantial amounts, and if these were to be ultimately resolved unfavorably to the full amount of their maximum potential exposure, an event not currently anticipated, it is possible that such event could have a material adverse effect upon Occidental's consolidated financial position or results of operations. However, in management's opinion, after taking into account reserves, it is unlikely that any of the foregoing matters will have a material adverse effect upon Occidental's consolidated financial position or results of operations.

NOTE 10 DOMESTIC AND FOREIGN INCOME AND OTHER TAXES

The domestic and foreign components of income(loss) from continuing operations before domestic and foreign income and other taxes were as follows (in millions):

For the years ended December 31,	Domestic	
=====	=====	=====
2001	\$ 293	\$
	=====	=====
2000	\$ 1,534	\$
	=====	=====
1999	\$ 473	\$
	=====	=====

The provisions(credits) for domestic and foreign income and other taxes consisted of the following (in millions):

For the years ended December 31,	U.S. Federal	State and Local	
=====	=====	=====	=====
2001			
Current	\$ 331	\$ 17	\$
Deferred	(38)	(141)	
	-----	-----	-----
	\$ 293	\$ (124)	\$
	=====	=====	=====
2000			
Current	\$ 433	\$ 18	\$
Deferred	403	9	
	-----	-----	-----
	\$ 836	\$ 27	\$

Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

1999				
Current	\$	76	\$	26
Deferred		184		7
	\$	260	\$	33

50

The credit for deferred state and local income taxes in 2001 reflects a benefit of \$70 million related to the settlement of a state tax issue, deferred tax reversing due to the sale of the entity owning pipelines in Texas that are leased to a former subsidiary and an adjustment to reflect lower effective state tax rates.

The following is a reconciliation, stated as a percentage of pre-tax income, of the U.S. statutory federal income tax rate to Occidental's effective tax rate on income from continuing operations:

For the years ended December 31,	2001
U.S. federal statutory tax rate	35%
Operations outside the United States(a)	2
State taxes, net of federal benefit	(5)
Other	--
Tax rate provided by Occidental	32%

(a) Included in these figures is the impact of not providing U.S. taxes on the unremitted earnings of certain foreign subsidiaries. The effect of this is to reduce the U.S. federal tax rate by approximately 7 percent in 1999. The effect on 2001 and 2000 was insignificant due to distributions from these subsidiaries.

The tax effects of temporary differences resulting in deferred income taxes at December 31, 2001 and 2000 were as follows (in millions):

	2001		
	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	
Property, plant and equipment differences	\$ 100	\$ 967	\$
Equity investments including partnerships	--	694	
Environmental reserves	178	--	
Postretirement benefit accruals	180	--	
State income taxes	54	--	
All other	264	96	
Subtotal	776	1,757	
Valuation allowance	(8)	--	

Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

Total deferred taxes	\$ 768	\$ 1,757	\$
=====	=====	=====	=====

Included in total deferred tax assets was a current portion aggregating \$114 million and \$117 million as of December 31, 2001 and 2000, respectively, that was reported in prepaid expenses and other.

A deferred tax liability of approximately \$135 million at December 31, 2001 has not been recognized for temporary differences related to Occidental's investment in certain foreign subsidiaries primarily as a result of unremitted earnings of consolidated subsidiaries, as it is Occidental's intention, generally, to reinvest such earnings permanently.

The extraordinary loss that resulted from the early extinguishment of debt was reduced by an income tax benefit of \$4 million in 2001 and \$61 million in 1999.

The cumulative effect of changes in accounting principles was reduced by an income tax benefit of \$13 million in 2001 and \$7 million in 1999.

Additional paid-in capital was credited \$7 million in 2001 for a tax benefit resulting from the exercise of certain stock options.

Items included in OCI are net of a tax benefit of \$14 million in 2001 and charges of \$6 million and \$5 million in 2000 and 1999, respectively.

51

NOTE 11 STOCKHOLDERS' EQUITY

The following is an analysis of nonredeemable preferred stock and common stock (shares in thousands):

	Nonredeemable Preferred Stock	Common Stock
=====	=====	=====
BALANCE, DECEMBER 31, 1998	4,852	347,722
Issued	--	4,610
Preferred stock conversions/redemptions	(4,852)	15,708
Options exercised and other, net	--	(124)
-----	-----	-----
BALANCE, DECEMBER 31, 1999	--	367,916
Issued	--	2,244
Options exercised and other, net	--	(176)
-----	-----	-----
BALANCE, DECEMBER 31, 2000	--	369,984
Issued	--	1,064
Options exercised and other, net	--	3,078
-----	-----	-----
BALANCE, DECEMBER 31, 2001	--	374,126
=====	=====	=====

NONREDEEMABLE PREFERRED STOCK

Occidental has authorized 50,000,000 shares of preferred stock with a par value of \$1.00 per share. In February 1994, Occidental issued 11,388,340 shares

## Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

of \$3.00 cumulative CXY-indexed convertible preferred stock in a public offering for net proceeds of approximately \$557 million. The shares were convertible into Occidental common stock in accordance with a conversion formula that was indexed to the market price of the common shares of CanadianOxy. In August 1999, Occidental called for redemption all of the outstanding shares of such preferred stock. In 1999, 4,847,130 shares of CXY-indexed convertible preferred stock were converted by the holders into 15,708,176 shares of Occidental's common stock.

At December 31, 2001 and 2000, Occidental had no outstanding shares of preferred stock.

### STOCK INCENTIVE PLANS

#### STOCK OPTIONS AND STOCK APPRECIATION RIGHTS

The 1987 Stock Plan, as amended, provided for the grant of incentive stock options (ISOs), nonqualified stock options (NQSOs) and stock appreciation rights (SARs) to the executive officers and other key employees of Occidental and its subsidiaries. An aggregate of 9,000,000 shares of common stock was reserved for issuance upon exercise of ISOs, NQSOs or SARs granted. Options granted under the plan were granted at an exercise price not less than the fair market value on the date of grant and the price may not be changed except to reflect a change in capitalization. The 1987 Plan provides that outstanding options and SARs will be accelerated if Occidental enters into one or more agreements to dispose of substantially all the assets or 50 percent, or more of the capital stock, of Occidental by sale, merger, reorganization or liquidation in one transaction or a related series of transactions. In an acceleration event, optionees subject to Section 16 of the Securities Exchange Act of 1934 (the "Exchange Act") will receive a cash payment equal to the difference between the fair market value of the shares subject to the option and the exercise price. The 1987 Plan was terminated for the purposes of further grants upon the effective date of the 1995 Incentive Stock Plan.

The 1995 Incentive Stock Plan, as amended, provided for the grant of awards in the form of options, SARs, performance stock or restricted stock to salaried employees of Occidental and its subsidiaries or persons who have agreed to become salaried employees. An aggregate of 25,000,000 shares of common stock was reserved for issuance in connection with awards under the plan. Adjustments to the number of shares covered by an award or the option or base price of an option or SAR may be made by the Committee in order to prevent the dilution or expansion in participants rights due to a change in capitalization, merger, consolidation, reorganization or similar corporate transaction. Stockholder approval is required to extend the maximum period for exercising stock options or SARs (10 years from the date of grant), to reduce the option price or base price of any outstanding options or SARs, or for any material amendment of the Plan as defined in Rule 16b-3 of the Exchange Act. The 1995 Incentive Stock Plan was terminated for the purposes of further grants upon the effective date of the 2001 Incentive Stock Plan.

The 2001 Incentive Compensation Plan, as amended, provides for the grant of awards in the form of common stock, options, SARs, restricted stock, stock units or similar rights to purchase shares. Any of the awards may be granted as performance-based awards. An aggregate of 17,000,000 shares was initially reserved for issuance under the plan. The plan administrator will proportionately adjust outstanding awards in the event of an extraordinary dividend or distribution or any reclassification, recapitalization, reorganization, merger or other extraordinary corporate transaction, or a sale of substantially all of the assets of Occidental as a whole. In such events, an adjustment may be made to the number and type of shares subject to an award, the grant, purchase or exercise price of outstanding awards; the securities, cash or property deliverable upon exercise of an outstanding award or the performance goals or objectives applicable to an outstanding award. Upon the occurrence of a

Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

change of control event (the dissolution or liquidation of Occidental, consummation of a business combination, any person acquires more than 20 percent of the voting power of Occidental or, a significant change in Board composition) and unless the Administrator determines to the contrary, options and SARs become immediately exercisable, restricted stock immediately vests, performance based awards become immediately payable and any rights of a participant under any other award are accelerated to give the participant the benefit of the award. Stockholder approval is required for any reduction in the exercise price of any option or SAR below the fair market value on the date of grant and for any amendment to the plan that would materially increase the benefits to participants under the Plan or the number of securities which may be issued or materially modify the requirements for eligibility. No awards may be made under the plan after April 20, 2011. At December 31, 2001, 10,421,184 shares were available for future awards under this plan, all of which were available to issue stock options, SARs, restricted stock and performance stock awards.

Options to purchase common stock of Occidental have been granted to officers and employees under stock option plans adopted in 1987, 1995 and 2001, as discussed above. During 2001, options for 10,380,946 shares became exercisable, and options for 15,023,102 shares were exercisable at December 31, 2001 at a weighted-average exercise price of \$22.95. Generally, these options vest over three years with a maximum term of ten years and one month. At December 31, 2001, options with SARs for 235,000 shares were outstanding, all of which were exercisable.

The following is a summary of stock option transactions during 2001, 2000 and 1999 (shares in thousands):

	2001		2000		Sh
	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	Shares	Weighted Average Exercise Price	
BEGINNING BALANCE	18,217	\$ 21.532	13,033	\$ 23.249	8
Granted or issued	11,039	\$ 26.171	5,577	\$ 20.144	5
Exercised	(3,395)	\$ 22.398	(93)	\$ 19.968	
Canceled or expired	(471)	\$ 23.495	(300)	\$ 25.018	
ENDING BALANCE	25,390	\$ 23.396	18,217	\$ 21.532	13
OPTIONS EXERCISABLE AT YEAR END	15,023		8,374		5

The following is a summary of stock options outstanding at December 31, 2001 (shares in thousands):

RANGE OF EXERCISE PRICES	OUTSTANDING	OPTIONS OUTSTANDING		EXERCISABLE
		WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE	
\$14.88 to \$20.06	6,710	7.69	\$ 19.19	2,911

Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

\$20.50 to \$23.88	4,266	6.53	\$	21.17	4,041
\$24.38 to \$29.44	14,414	7.36	\$	26.01	8,071
-----	-----	-----	-----	-----	-----

RESTRICTED STOCK AWARDS

Pursuant to the 2001 Incentive Compensation Plan and the 1995 Incentive Stock Plan, employees have been awarded Occidental restricted common stock at the par value of \$.20 per share, with such shares vesting after three or four years, respectively, or earlier under certain conditions. The related expense is amortized over the vesting period. In 2001, 275,384 shares were awarded at a weighted-average grant-date value of \$24.59; in 2000, 40,000 shares were awarded at a weighted-average grant-date value of \$21.875 per share; in 1999, 223,902 shares were awarded at a weighted-average grant-date value of \$20.563 per share; 85,451 shares were awarded in 1998 at a weighted-average grant-date value of \$28.519 per share; 149,885 shares were awarded in 1997 at a weighted-average grant-date value of \$23.375 per share; 171,649 shares were awarded in 1996 at a weighted-average grant-date value of \$21.431 per share; and 21,339 shares were awarded in 1995 at a weighted-average grant-date value of \$20.875 per share.

PERFORMANCE STOCK AWARDS AND OPTIONS

Performance stock awards have been made to various executive officers pursuant to the 2001 Incentive Compensation Plan and the 1995 Incentive Stock Plan. The number of shares of common stock to be received, under these awards, by such officers at the end of the performance period will depend on the attainment of performance objectives based either on a peer company comparison of total stockholder return for such period, or in the case of segment employees, a combination of total stockholder return and return on assets of the segment. The grantees will receive shares of common stock in an amount ranging from zero to 200 percent of the Target Share Award (as such amount is defined in the grant). The shares vest or fail to vest by the end of the four-year performance term. In 2001, awards for 336,642 target shares were granted at a weighted-average grant-date value of \$24.27; in 2000, awards for 375,654 target shares were granted at a weighted-average grant-date value of \$21.625 per share; in 1999, awards for 502,531 target shares were granted at a weighted-average grant-date value of \$16.875 per share; 134,705 target shares were granted in 1998 at a weighted-average grant-date value of \$29.3125 per share; awards for 97,832 target shares were granted in 1997 at a weighted-average grant-date value of \$23.375 per share; and 101,630 target shares were granted in 1996 at a weighted-average grant-date value of \$21.375 per share. In 2001 and 2000, 47,782 and 101,630 shares, respectively, were issued for the target shares granted in 1997 and 1996, respectively.

In 1997, 4,655,000 Performance Stock Options were granted to certain executive officers at an exercise price of \$25.375. Under the terms of these grants, as amended in 1999, these options expire 10 years from the grant date and will become vested upon the earlier of the following events occurring, at which time the grants become fully vested and exercisable: (a) for twenty consecutive trading days, the New York Stock Exchange closing price of Occidental common stock must be \$25 or more per share; or (b) July 2, 2002. As of December 31, 2001, all of the Performance Stock Options were exercisable.

PRO-FORMA DISCLOSURE

Occidental accounts for these plans under Accounting Principles Board Opinion No. 25. Had the compensation expense for these plans been determined in accordance with SFAS No. 123, "Accounting for Stock Based Compensation", Occidental's pro-forma net income would have been \$1.1 billion in 2001, \$1.6 billion in 2000 and \$439 million in 1999. Basic and diluted earnings per share



## Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

would have been \$3.05 for 2001, \$4.22 for 2000 and \$1.22 for 1999. The method of accounting under SFAS No. 123 has not been applied to options granted prior to January 1, 1995; therefore, the resulting pro-forma compensation expense may not be representative of that to be expected in future years. The fair value of each option grant, for pro-forma calculation purposes, is estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions used for grants in 2001, 2000 and 1999, respectively: dividend yield of 3.74, 4.97 and 4.60 percent; expected volatility of 29.33, 28.37 and 23.57 percent; risk-free rate of return of 4.84, 6.27 and 5.86 percent; and expected lives of 5 years.

### 1996 RESTRICTED STOCK PLAN FOR NON-EMPLOYEE DIRECTORS

Under the 1996 Restricted Stock Plan for Non-Employee Directors, each non-employee Director of the Company will receive awards of restricted common stock each year as additional compensation for their services as a member of the Board of Directors. A maximum of 150,000 shares of common stock may be awarded under the Directors Plan and 21,000, 21,000 and 18,800 shares of common stock were awarded during 2001, 2000 and 1999, respectively. At December 31, 2001, 81,789 shares of common stock were available for the granting of future awards.

54

### EARNINGS PER SHARE AND ANTI-DILUTIVE COMPUTATIONS

Basic earnings per share was computed by dividing net income, less preferred dividend requirements, plus the effect of repurchase of Trust Preferred Securities by the weighted average number of common shares outstanding during each year. The computation of diluted earnings per share further assumes the dilutive effect of stock options.

The following are the share amounts used to compute the basic and diluted earnings per share for the years ended December 31 (in millions, except per-share amounts):

	2001	
	=====	
<b>BASIC EARNINGS PER SHARE</b>		
Weighted average common shares outstanding	372.4	
<b>DILUTED EARNINGS PER SHARE</b>		
Weighted average common shares outstanding	372.4	
Dilutive effect of exercise of options outstanding	1.8	
Dilutive shares	374.2	

The following items were not included in the computation of diluted earnings per share because their effect was anti-dilutive for the years ended December 31:

	2001	2000
	=====	=====
<b>STOCK OPTIONS</b>		
Number of shares (in millions)	0.02	5.64

## Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

Price range	\$ 29.063 - \$29.438	\$ 21.250 - \$29.438
Expiration range	12/1/07 - 4/29/08	4/28/03 - 11/10/09

---

ACCUMULATED OTHER COMPREHENSIVE INCOME (AOCI)  
AOCI consisted of the following (in millions):

Balance at December 31,

---

Foreign currency translation adjustments  
Derivative mark-to-market adjustments  
Minimum pension liability adjustments  
Unrealized losses on securities

TOTAL

---

55

### NOTE 12 TRUST PREFERRED SECURITIES

---

In January 1999, Oxy Capital Trust I, a wholly-owned subsidiary of Occidental, issued 21,000,000 shares of 8.16 percent Trust Originated Preferred Securities (Trust Preferred Securities) to the public and 649,485 shares of Trust Originated Common Securities (Common Securities) to Occidental. The proceeds of such issuances were invested by Oxy Capital Trust I in \$541.2 million aggregate principal amount of Occidental's 8.16 percent Subordinated Deferrable Interest Notes due 2039 (Trust Subordinated Notes). The Trust Subordinated Notes represent the sole assets of Oxy Capital Trust I. The Trust Subordinated Notes mature on January 20, 2039, bear interest at the rate of 8.16 percent payable quarterly and are redeemable in whole, or in part, by Occidental beginning on January 20, 2004 at 100 percent of the principal amount thereof, plus any accrued and unpaid interest to the redemption date. The Trust Subordinated Notes are unsecured obligations of Occidental and are junior in right of payment to all present and future senior indebtedness of Occidental and are also effectively subordinate to certain indebtedness of Occidental's consolidated subsidiaries. Occidental may defer interest payments on the Trust Subordinated Notes from time to time for a period not exceeding twenty consecutive quarters. However, any unpaid quarterly interest payments on the Trust Subordinated Notes will continue to accrue interest at 8.16 percent per annum.

Holder of the Trust Preferred Securities and Common Securities are entitled to cumulative cash distributions at an annual rate of 8.16 percent of the liquidation amount of \$25 per security. The Trust Preferred Securities and Common Securities will be redeemed upon repayment of the Trust Subordinated Notes. If Occidental defers interest payments on the Trust Subordinated Notes, Oxy Capital Trust I will defer distributions on the Trust Preferred Securities and Common Securities during any deferral period. However, any unpaid quarterly distributions on the Trust Preferred Securities and Common Securities will continue to accrue with interest at 8.16 percent per annum.

Occidental has guaranteed, on a subordinated basis, distributions and other payments due on the Trust Preferred Securities (the Guarantee). The Guarantee, when taken together with Occidental's obligations under the Trust Subordinated Notes and the indenture pursuant to which the Trust Subordinated Notes were

Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

issued and Occidental's obligations under the Amended and Restated Declaration of Trust governing Oxy Capital Trust I, provides a full and unconditional guarantee of amounts due on the Trust Preferred Securities.

The Trust Subordinated Notes and the related Oxy Capital Trust I investment in the Trust Subordinated Notes have been eliminated in consolidation and the Trust Preferred Securities are reported as Occidental Obligated Mandatorily Redeemable Trust Preferred Securities of a Subsidiary Trust Holding Solely Subordinated Notes of Occidental in the accompanying consolidated financial statements. Distributions on the Trust Preferred Securities are reported under the caption minority interest in the statement of operations. Total net proceeds to Occidental were \$508 million. The balance reflected in the accompanying consolidated financial statements at December 31, 2001 and 2000 is net of unamortized issue costs and also reflects the repurchase in 2001 and 2000 of 437,100 and 555,760 shares with a liquidation value of \$10.9 million and \$13.9 million, respectively. At December 31, 2001, 19,069,704 Trust Preferred Securities and 649,485 Common Securities were outstanding.

56

NOTE 13 RETIREMENT PLANS AND POSTRETIREMENT BENEFITS

Occidental has various defined contribution retirement plans for its salaried, domestic union and nonunion hourly, and certain foreign national employees that provide for periodic contributions by Occidental based on plan-specific criteria, such as base pay, age level and/or employee contributions. Occidental expensed \$57 million in 2001, \$55 million in 2000, and \$46 million in 1999 under the provisions of these plans.

Occidental provides medical and dental benefits and life insurance coverage for certain active, retired and disabled employees and their eligible dependents. The benefits generally are funded by Occidental as the benefits are paid during the year. The cost of providing these benefits is based on claims filed and insurance premiums paid for the period. The total benefit costs including the postretirement costs were approximately \$82 million in 2001, \$69 million in 2000, and \$67 million in 1999.

Pension costs for Occidental's defined benefit pension plans, determined by independent actuarial valuations, are generally funded by payments to trust funds, which are administered by independent trustees.

The following table sets forth the components of the net periodic benefit costs for Occidental's defined benefit pension and postretirement benefit plans for 2001, 2000 and 1999 (in millions):

For the years ended December 31, =====	Pension Benefits			Pos
	2001 =====	2000 =====	1999 =====	2001 =====
NET PERIODIC BENEFIT COSTS:				
Service cost--benefits earned during the period	\$ 9	\$ 9	\$ 4	\$ 5
Interest cost on benefit obligation	25	23	24	31
Expected return on plan assets	(24)	(23)	(19)	--
Amortization of net transition obligation	--	--	1	--
Amortization of prior service cost	1	1	3	--
Recognized actuarial loss	4	(1)	(5)	--
Curtailments and settlements	--	--	(1)	--
Currency adjustments	(1)	(5)	(6)	--
	-----	-----	-----	-----
Net period benefit cost	\$ 14	\$ 4	\$ 1	\$ 36

Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

Occidental recorded adjustments to accumulated other comprehensive income of a credit of \$6 million in 2001, a charge of \$2 million in 2000, and credits of less than \$1 million in 1999, to reflect the net-of-tax difference between the additional liability required under pension accounting provisions and the corresponding intangible asset.

Occidental's defined benefit pension and postretirement defined benefit plans are accrued based on various assumptions and discount rates, as described below. The actuarial assumptions used could change in the near term as a result of changes in expected future trends and other factors which, depending on the nature of the changes, could cause increases or decreases in the liabilities accrued.

The following table sets forth the reconciliation of the beginning and ending balances of the benefit obligation for Occidental's defined benefit pension and postretirement benefit plans (in millions):

	Pension Benefits		Pos
	2001	2000	
CHANGES IN BENEFIT OBLIGATION:			
Benefit obligation -- beginning of year	\$ 295	\$ 261	\$
Service cost--benefits earned during the period	9	9	
Interest cost on projected benefit obligation	25	23	
Actuarial (gain)loss	28	--	
Foreign currency exchange rate changes	(3)	(6)	
Benefits paid	(20)	(18)	
Plan amendments	3	--	
Businesses acquired	--	41 (a)	
Divestitures	--	(16) (b)	
Curtailments and settlements	--	1	
Benefit obligation -- end of year	\$ 337	\$ 295	\$

(a) Relates to Oxy Permian and THUMS.

(b) Primarily relates to Durez.

The following table sets forth the reconciliation of the beginning and ending balances of the fair value of plan assets for Occidental's defined benefit pension plans (in millions):

CHANGES IN PLAN ASSETS:		
Fair value of plan assets-- beginning of year		\$
Actual return on plan assets		

Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

Foreign currency exchange rate changes  
 Employer contribution  
 Benefits paid  
 Businesses acquired  
 Divestitures

Fair value of plan assets-- end of year

\$

- (a) Relates to Oxy Permian and THUMS.
- (b) Primarily relates to Durez.

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for defined benefit pension plans with accumulated benefit obligation in excess of plan assets were \$212 million, \$193 million and \$123 million, respectively, as of December 31, 2001 and \$103 million, \$84 million and \$41 million, respectively, as of December 31, 2000.

The weighted average discount rate used in determining the benefit obligation was 7 percent and 7.75 percent, respectively as of December 31, 2001 and 2000. The weighted average rate of increase in future compensation levels used in determining the benefit obligations was approximately 4.5 percent in 2001 and 2000. The expected long-term rate of return on assets was 9.0 percent in 2001 and 2000.

The postretirement benefit obligation was determined by application of the terms of medical and dental benefits and life insurance coverage, including the effect of established maximums on covered costs, together with relevant actuarial assumptions and health care cost trend rates projected at a Consumer Price Index (CPI) increase of 3.0 percent as of December 31, 2001 and 2000 (participants other than certain union employees pay for all medical cost increases in excess of increases in the CPI). For certain union employees, the health care cost trend rates were projected at annual rates ranging ratably from 12 percent in 2001 to 6.0 percent through the year 2007 and level thereafter. A 1-percent increase or a 1-percent decrease in these assumed health care cost trend rates would result in an increase of \$19 million or a reduction of \$17 million, respectively, in the postretirement benefit obligation as of December 31, 2001, and an increase or reduction of \$1 million, in interest cost in 2001. The annual service costs would not be materially affected by these changes.

The following table sets forth the funded status and amounts recognized in Occidental's consolidated balance sheets for the defined benefit pension and postretirement benefit plans at December 31, 2001 and 2000 (in millions):

	Pension Benefits		Pos
	2001	2000	
Balance at December 31,			
Unfunded obligation	\$ (83)	\$ (41)	\$
Unrecognized net transition obligation	2	2	
Unrecognized prior service cost	5	3	
Unrecognized net (gain)loss	41	7	
Net amount recognized	\$ (35)	\$ (29)	\$
Prepaid benefit cost	\$ 38	\$ 36	\$
Accrued benefit liability	(83)	(66)	
Intangible assets	1	--	
Accumulated other comprehensive income	9	1	

Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

Net amount recognized \$ (35) \$ (29) \$  
 =====

NOTE 14 INVESTMENTS AND TRANSACTIONS WITH AFFILIATES

Investments in entities, other than oil and gas exploration and production companies, in which Occidental has a voting stock interest of at least 20 percent, but not more than 50 percent, and certain partnerships are accounted for on the equity method. At December 31, 2001, Occidental's equity investments consisted of a 29.5-percent interest in Equistar acquired in May 1998 and various partnerships and joint ventures, discussed below. As discussed in Note 4, in December 2001, Occidental wrote down its investment in Equistar by \$412 million. Equity investments paid dividends of \$27 million, \$99 million and \$100 million to Occidental in 2001, 2000 and 1999, respectively. Cumulative undistributed earnings since acquisition, in the amount of \$51 million, of 50-percent-or-less-owned companies have been accounted for by Occidental under the equity method. At December 31, 2000, Occidental's investment in equity investees exceeded the historical underlying equity in net assets by approximately \$128 million. This excess was eliminated in 2001 in connection with the Equistar write-down. Investments also include certain cost method investments, in which Occidental owns less than 20 percent of the voting stock.

Occidental and its subsidiaries' purchases from certain chemical partnerships at market-related prices, in which it has investments, were \$656 million, \$755 million and \$860 million in 2001, 2000 and 1999, respectively. Occidental and its subsidiaries' sales to certain chemical partnerships at market-related prices, in which it has investments, were \$68 million, \$217 million and \$251 million, in 2001, 2000 and 1999, respectively.

The following table presents Occidental's proportional interest in the summarized financial information of its equity method investments (in millions):

For the years ended December 31,	2001	2000	1999
=====	=====	=====	=====
Revenues	\$ 2,223	\$ 2,735	\$ 2,491
Costs and expenses	2,315	2,668	2,450
	-----	-----	-----
Net (loss) income	\$ (92)	\$ 67	\$ 41
=====	=====	=====	=====
 Balance at December 31,	 2001	 2000	
=====	=====	=====	
Current assets	\$ 429	\$ 512	
Noncurrent assets	\$ 1,951	\$ 1,975	
Current liabilities	\$ 298	\$ 285	
Long-term debt	\$ 960	\$ 1,034	
Other non-current liabilities	\$ 172	\$ 74	
Stockholders' equity	\$ 950	\$ 1,094	
-----	-----	-----	

Occidental has a 78.6-percent ownership interest in OxyMar, a general partnership that owns a vinyl chloride monomer (VCM) facility in Texas operated

## Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

by OxyChem. Marubeni Corporation (Marubeni) owns the remaining 21.4 percent of OxyMar, but has a 50-percent voting interest. The OxyMar VCM plant is a modern, efficient manufacturing facility. Occidental's chlorovinyls business derives economic benefit as the supplier of chlorine, a major raw material, to OxyMar. OxyMar, in turn, supplies VCM required by Occidental to manufacture PVC, one of its major products. This investment in OxyMar is recorded as an equity investment on the consolidated balance sheet. Occidental owns 28.6 percent of OxyMar directly and the OxyVinyls partnership, which is 76-percent owned by Occidental, owns 50 percent. Therefore, because of the effect of a third party's minority ownership interest, Occidental's total share of OxyMar's results is only approximately 67 percent. Occidental guarantees 50 percent of OxyMar's \$165 million private placement bonds due 2016 and 100 percent of a \$220 million revolving line of credit which matures in 2005, under which \$105 million was outstanding at December 31, 2001. These amounts are reflected as debt on OxyMar's balance sheet. Marubeni has a right to put its interest in OxyMar to Occidental in 2004 by paying approximately \$30 million to Occidental and, in connection with this transfer, require Occidental to assume Marubeni's guarantee of OxyMar's debt. If Occidental acquires the Marubeni interest, it will consolidate OxyMar. If OxyMar were to be consolidated, its assets, including the VCM facility, and its liabilities, including debt to third parties, would be recorded on Occidental's consolidated balance sheets. As of December 31, 2001, Occidental had advanced \$144 million to OxyMar and had a net equity investment of \$52 million.

Occidental and Conoco Inc. (Conoco) each has a 50-percent interest in Ingleside Cogeneration Limited Partnership, a limited partnership (Ingleside LP), which operates a cogeneration plant in Texas. The cogeneration facility supplies all of the steam and electric power requirements to Occidental's Ingleside chlor-alkali plant and the VCM plant Occidental owns with Marubeni, at less cost than if these facilities were to produce their own steam and purchase electric power from a public utility. At December 31, 2001, Ingleside LP had approximately \$178 million in debt, which is secured by its assets. Occidental has not guaranteed this debt; however, Occidental and Conoco currently each guarantee half of a debt service reserve amount of approximately \$8.5 million. Occidental accounts for this investment using the equity method.

59

In Ecuador, Occidental has a 12-percent interest in a company currently constructing a pipeline, which is expected to be completed in 2003. Construction of the pipeline has made it feasible for Occidental to begin developing the Eden Yuturi field it discovered several years ago in the southeastern corner of Block 15. The development of Eden Yuturi, together with ongoing work in the western portion of the block that is currently in production, is expected to add net incremental production of 30,000 barrels per day, all of which is expected to be shipped through the new pipeline. Occidental has committed to make capital contributions up to its share (approximately \$148 million) of the estimated total project costs, less an equivalent percentage (up to approximately \$110 million under existing financing arrangements) of any senior project debt incurred by the pipeline company. The pipeline company's senior project debt is to be repaid with the proceeds of ship-or-pay tariffs of certain upstream producers in Ecuador, including Occidental. Under their ship-or-pay commitments, Occidental and the other upstream producers have each assumed their respective share of project-specific risks, including construction risk, operating risk and force-majeure risk. Under certain circumstances, Occidental could be required to pay an advanced tariff payment that would in turn be used by the pipeline company to service or prepay project debt. As of December 31, 2001, Occidental has contributed \$9 million to the company. Occidental reports this investment in its consolidated financial statements using the equity method of accounting.

Occidental and Sempra Energy (Sempra) each has a 50-percent interest in Elk Hills Power LLC, a limited liability company that is currently constructing a

Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

gas-fired, power-generation plant in California. Occidental accounts for this investment using the equity method. In January 2002, Elk Hills Power LLC entered into a \$400 million construction loan facility. Occidental guarantees \$200 million (50 percent) of the loan facility. At January 31, 2002, approximately \$94 million of the \$200 million guarantee was outstanding.

Occidental has entered into an indemnity agreement with Equistar, its 29.5-percent equity investee, to contribute to Equistar an amount equal to the lesser of approximately \$420 million or the principal amount of Equistar's notes due 2009 then outstanding, together with interest. At December 31, 2001, the outstanding principal amount of Equistar's notes due 2009 was almost \$600 million. Occidental is only required to pay this amount to Equistar if the holders of the notes have not been able to obtain payment after having pursued and exhausted all their remedies to compel payment by Equistar, including the liquidation of assets. The indemnity expressly does not create any right in the holders of the notes or any person other than Occidental, Equistar and the partners of Equistar. Occidental may elect to terminate the indemnity in certain circumstances.

NOTE 15 INDUSTRY SEGMENTS AND GEOGRAPHIC AREAS

Effective January 1, 1998, Occidental adopted the provisions of SFAS No. 131--"Disclosures about Segments of an Enterprise and Related Information." Occidental has identified two reportable segments through which it conducts its continuing operations: oil and gas and chemical. The factors for determining the reportable segments were based on the distinct nature of their operations. They are managed as separate business units because each requires and is responsible for executing a unique business strategy. The oil and gas segment explores for, develops, produces and markets crude oil and natural gas domestically and internationally. The chemical segment manufactures and markets, domestically and internationally, basic chemicals, specialty chemicals and vinyls. Additionally, it has an investment in a petrochemical partnership.

Earnings of industry segments and geographic areas exclude interest income, interest expense, environmental remediation expenses, unallocated corporate expenses, cumulative effect of changes in accounting principles and extraordinary items, but include income from equity investments and gains and losses from dispositions of segment and geographic area assets.

Foreign income and other taxes and certain state taxes are included in segment earnings on the basis of operating results. U.S. federal income taxes are not allocated to segments except for amounts in lieu thereof that represent the tax effect of operating charges resulting from purchase accounting adjustments, which arose from the implementation in 1992 of SFAS No. 109 - "Accounting for Income Taxes," and the tax effects resulting from major, infrequently occurring transactions such as asset sales and legal settlements that relate to segment results.

Identifiable assets are those assets used in the operations of the segments. Corporate assets consist of cash, short-term investments, certain corporate receivables, an intrastate pipeline (sold in the third quarter of 2001) and other assets.

60

INDUSTRY SEGMENTS  
In millions

	Oil and Gas =====	Chemical =====
YEAR ENDED DECEMBER 31, 2001		
Net sales(a)	\$ 10,893 (b)	\$ 3,092 (b)



Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

Pretax operating profit(loss) (d)	\$ 3,292	\$ (437)
Income taxes	(447)	43
Extraordinary loss, net	--	--
Cumulative effect of changes in accounting principles, net	--	--
Net income(loss) (e)	\$ 2,845 (h)	\$ (394) (i)
Unconsolidated equity investments	\$ 75	\$ 663
Property, plant and equipment additions, net (l)	\$ 1,223	\$ 120
Depreciation, depletion and amortization	\$ 750	\$ 190
Total assets	\$ 13,316	\$ 4,074
=====		
YEAR ENDED DECEMBER 31, 2000		
Net sales(a)	\$ 9,779 (b)	\$ 3,795 (c)
Pretax operating profit(loss) (d)	\$ 3,012	\$ 176
Income taxes	(595)	(7)
Extraordinary loss, net	--	--
Cumulative effect of changes in accounting principles, net	--	--
Net income(loss) (e)	\$ 2,417 (h)	\$ 169 (i)
Unconsolidated equity investments	\$ 67	\$ 1,203
Property, plant and equipment additions, net(l)	\$ 791	\$ 155
Depreciation, depletion and amortization	\$ 670	\$ 190
Total assets	\$ 13,384	\$ 4,848
=====		
YEAR ENDED DECEMBER 31, 1999		
Net sales(a)	\$ 4,599 (b)	\$ 3,221 (c)
Pretax operating profit(loss) (d)	\$ 1,841	\$ (23)
Income taxes	(574)	(14)
Extraordinary loss, net	--	--
Cumulative effect of changes in accounting principles, net	--	--
Net income(loss) (e)	\$ 1,267 (h)	\$ (37) (i)
Unconsolidated equity investments	\$ 119	\$ 1,388
Property, plant and equipment additions, net(l)	\$ 474	\$ 116
Depreciation, depletion and amortization	\$ 577	\$ 190
Total assets	\$ 7,271	\$ 5,346
=====		

Footnotes:

- (a) Occidental has implemented EITF Issue No. 00-10, "Shipping and Handling Fees and Costs" effective with the fourth quarter of 2000. As a result of this adoption, Occidental has added to revenues and cost of sales amounts of transportation costs that previously had been accounted for as deductions from revenues. There is no effect on income. Oil and gas

## Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

revenues include \$34 million, \$29 million and \$27 million for 2001, 2000 and 1999, respectively. Chemical revenues include \$238 million, \$216 million and \$183 million for 2001, 2000 and 1999, respectively.

- (b) Approximately 54 percent of oil and gas sales revenues for 2001 were attributable to oil and gas trading activity, compared with approximately 50 percent in 2000 and 43 percent in 1999. Oil sales represented approximately 58 percent, 70 percent and 71 percent of net sales for the periods ending December 31, 2001, 2000 and 1999, respectively.

61

Footnotes continued:

- (c) Total product sales for the chemical segment were as follows:

	Basic Chemicals	Commodity Vinyl Resins	Perf
YEAR ENDED DECEMBER 31, 2001	37%	46%	
Year ended December 31, 2000	32%	47%	
Year ended December 31, 1999	35%	40%	

- (d) Research and development costs were \$8 million in 2001, \$16 million in 2000 and \$20 million in 1999.
- (e) Segment earnings include charges and credits in lieu of U.S. federal income taxes. In 2001, the amounts allocated to the segments were charges of \$56 million and a credit of \$42 million in oil and gas and chemical, respectively. In 2000, the amounts allocated to the segments were charges of \$32 million and a credit of \$7 million in oil and gas and chemical, respectively. In 1999, the amounts allocated to the segments were a charge of \$228 million and a credit of \$16 million in oil and gas and chemical, respectively. 2001, 2000 and 1999 reflect allocation of taxes to segments for major, infrequently occurring transactions.
- (f) Includes unallocated net interest expense, administration expense, pipeline lease income, pipeline depreciation expense and other items.
- (g) Includes unallocated income taxes.
- (h) Includes the following special items for the years ended December 31:

Benefit (Charge) In millions	2001	
OIL AND GAS		
Gain on sale of interest in the Indonesian Tangguh LNG project(a)	\$ 399	\$
Gain on sale of additional interests in Gulf of Mexico assets(a)	7	
Gain on partial sale of Gulf of Mexico assets(a)	--	
Write-down of various assets, real estate and investments	--	
Loss on sale of office building(a)	--	
Chevron litigation settlement(a)	--	
Write-down of Peru producing operations(a)	--	
Claims, settlements, reorganization and other	--	
Gain on buyout of contingency payment(a)	--	
Gain on receipt of contingency payment	--	

- (a) These amounts are shown after-tax.

Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

(i) Includes the following special items for the years ended December 31:

Benefit (Charge) In millions	2001	
=====	=====	=====
CHEMICAL		
Write-down of Equistar investment	\$ (412)	\$
Credit from state tax rate adjustment	14	
Write-down of chemical intermediate businesses and various assets	--	
Gain on sale of Durez business(a)	--	
Loss on foreign investment abandonment(a)	--	
Write-downs by Equistar	--	
Severance, plant shutdown, idling and plant write-down costs	(37)	
Gain on sale of a chemical plant by Equistar	--	
Claims and settlements	--	
-----	-----	-----

(a) These amounts are shown after-tax.

(j) Includes the following special items for the years ended December 31:

Benefit (Charge) In millions	2001	
=====	=====	=====
CORPORATE		
Loss on sale of pipeline-owning entity(a)	\$ (272)	\$
Environmental remediation	(109)	
Settlement of state tax issue	70	
Gain on sale of CanadianOxy investment	--	
Claims and settlements	--	
Extraordinary (loss)gain on debt redemption(a)	(8)	
Insurance dividend	6	
Changes in accounting principles(a)	(24)	
Tax effect of pre-tax adjustments	192	
-----	-----	-----

(a) These amounts are shown after-tax.

(k) 2000 and 1999 include the net assets of an intrastate pipeline, which was sold in the third quarter of 2001.

(l) Excludes acquisitions of other businesses and formation of OxyVinyls. Amounts exclude \$3.8 billion in oil and gas in 2000 and \$976 million in chemical in 1999, but include capitalized interest of \$5 million in 2001, \$3 million in 2000 and \$4 million in 1999.

62

GEOGRAPHIC AREAS

In millions

	Net sales (a)			Property, pl
	2001	2000	1999	2001
For the years ended December 31,	=====	=====	=====	=====

Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

United States	\$ 12,132	\$ 11,101	\$ 5,958	\$ 11,217
Qatar	539	747	507	859
Yemen	377	435	254	273
Colombia	179	392	329	81
Russia	157	180	111	64
Oman	151	116	116	122
Canada	136	189	117	31
Pakistan	113	102	57	49
Ecuador	82	148	76	109
Other Foreign	119	164	295	53
	-----	-----	-----	-----
Total	\$ 13,985	\$ 13,574	\$ 7,820	\$ 12,858
=====	=====	=====	=====	=====

(a) Sales are shown by individual country based on the location of the entity making the sale.

NOTE 16 COSTS AND RESULTS OF OIL AND GAS PRODUCING ACTIVITIES

Capitalized costs relating to oil and gas producing activities and related accumulated depreciation, depletion and amortization, were as follows (in millions):

	United States	Latin America	H
=====	=====	=====	=====
DECEMBER 31, 2001			
Proved properties	\$ 9,027	\$ 659	\$
Unproved properties(d)	1,606	2	
	-----	-----	
TOTAL PROPERTY COSTS	10,633	661	
Support facilities	290	37	
	-----	-----	
TOTAL CAPITALIZED COSTS(a)	10,923	698	
Accumulated depreciation, depletion and amortization	(2,210)	(507)	
	-----	-----	
NET CAPITALIZED COSTS	\$ 8,713	\$ 191	\$
=====	=====	=====	=====
DECEMBER 31, 2000			
Proved properties	\$ 8,616	\$ 618	\$
Unproved properties(d)	1,970	19	
	-----	-----	
TOTAL PROPERTY COSTS	10,586	637	
Support facilities	244	40	
	-----	-----	
TOTAL CAPITALIZED COSTS(a)	10,830	677	
Accumulated depreciation, depletion and amortization	(2,299)	(484)	
	-----	-----	
NET CAPITALIZED COSTS	\$ 8,531	\$ 193	\$
=====	=====	=====	=====
DECEMBER 31, 1999			
Proved properties	\$ 4,884	\$ 1,580	\$
Unproved properties(d)	2,136	25	
	-----	-----	
TOTAL PROPERTY COSTS	7,020	1,605	
Support facilities	23	94	
	-----	-----	

Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

TOTAL CAPITALIZED COSTS(a)	7,043	1,699	
Accumulated depreciation, depletion and amortization	(2,103)	(1,500)	
NET CAPITALIZED COSTS	\$ 4,940	\$ 199	\$
Share of equity investees' net capitalized costs(b)	\$ 94	\$ 337 (c)	\$

- (a) Includes costs related to leases, exploration costs, lease and well equipment, pipelines and terminals, gas plants and other equipment.  
 (b) Excludes amounts applicable to synthetic fuels.  
 (c) Includes amounts in Latin America and Canada.  
 (d) Primarily consists of California properties.

63

Costs incurred relating to oil and gas producing activities, whether capitalized or expensed, were as follows (in millions):

	United States	Latin America	Hemi
DECEMBER 31, 2001			
Acquisition of properties			
Proved	\$ 7	\$ --	\$
Unproved	46	--	
Exploration costs	57	60	
Development costs	602 (c)	56	
	\$ 712	\$ 116	\$
DECEMBER 31, 2000			
Acquisition of properties			
Proved	\$ 3,690	\$ 42	\$
Unproved	7	--	
Exploration costs	56	58	
Development costs	339 (a,c)	32	
	\$ 4,092	\$ 132	\$
DECEMBER 31, 1999			
Acquisition of properties			
Proved	\$ 26	\$ --	\$
Unproved	16	--	
Exploration costs	66	11	
Development costs	126	12	
	\$ 234	\$ 23	\$
Share of equity investees' costs	\$ 18	\$ 39 (b)	\$

- (a) Excludes costs related to the acquisition of CO2 properties.  
 (b) Includes amounts in Latin America and Canada.  
 (c) Excludes capitalized CO2 of \$48 million in 2001 and \$44 million in 2000.

Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

64

The results of operations of Occidental's oil and gas producing activities, which exclude oil and gas trading activities and items such as asset dispositions, corporate overhead and interest, were as follows (in millions):

	United States	Latin America (a)	H
=====			
FOR THE YEAR ENDED DECEMBER 31, 2001			
Revenues	\$ 3,471	\$ 225	\$
Production costs	773	63	
Exploration expenses	42	81	
Other operating expenses	141	4	
Depreciation, depletion and amortization	535	24	
	-----	-----	
PRETAX INCOME	1,980	53	
Income tax expense(c)	530	18	
	-----	-----	
RESULTS OF OPERATIONS	\$ 1,450	\$ 35	\$
=====			
FOR THE YEAR ENDED DECEMBER 31, 2000			
Revenues	\$ 2,762	\$ 461	\$
Production costs	540	66	
Exploration expenses	50	31	
Other operating expenses	141	27	
Depreciation, depletion and amortization	444	35	
	-----	-----	
PRETAX INCOME	1,587	302	
Income tax expense(c)	366	147	
	-----	-----	
RESULTS OF OPERATIONS	\$ 1,221	\$ 155	\$
=====			
FOR THE YEAR ENDED DECEMBER 31, 1999			
Revenues	\$ 1,011	\$ 450	\$
Production costs	218	92	
Exploration expenses	40	9	
Other operating expenses	49	44	
Other expense--asset write-downs	--	44	
Depreciation, depletion and amortization	290	57	
	-----	-----	
PRETAX INCOME	414	204	
Income tax expense(c)	34	81	
	-----	-----	
RESULTS OF OPERATIONS	\$ 380	\$ 123	\$
=====			
Share of equity investees' results of operations(d)	\$ (1)	\$ (11) (e)	\$
=====			

- (a) Includes amounts applicable to operating interests in which Occidental received an agreed-upon fee per barrel of crude oil produced in 1999.
- (b) Revenues and income tax expense include taxes owed by Occidental but paid by governmental entities on its behalf.
- (c) U.S. federal income taxes reflect expenses allocated for U.S. income tax

Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

purposes only related to oil and gas activities, including allocated interest and corporate overhead. Foreign income taxes were included in geographic areas on the basis of operating results.

- (d) Equity investee results of operations are reflected in the geographic area in which the producing operation is located.
- (e) Includes amounts in Latin America and Canada.

65

RESULTS PER UNIT OF PRODUCTION (Unaudited)

	United States	Latin America	
=====	=====	=====	=====
FOR THE YEAR ENDED DECEMBER 31, 2001			
Revenues from net production			
Oil (\$/bbl.)	\$ 22.76	\$ 19.70	\$
	=====	=====	=====
Natural gas (\$/Mcf)	\$ 6.52	\$ --	\$
	=====	=====	=====
Barrel of oil equivalent (\$/bbl.) (b,c)	\$ 28.22	\$ 19.70	\$
Production costs	6.28	5.73	
Exploration expenses	.34	7.36	
Other operating expenses	1.15	.36	
Depreciation, depletion and amortization	4.35	2.18	
	-----	-----	
PRETAX INCOME	16.10	4.07	
Income tax expense	4.31	1.64	
	-----	-----	
RESULTS OF OPERATIONS	\$ 11.79	\$ 2.43	\$
=====	=====	=====	=====
FOR THE YEAR ENDED DECEMBER 31, 2000			
Revenues from net production			
Oil (\$/bbl.)	\$ 27.40	\$ 25.85	\$
	=====	=====	=====
Natural gas (\$/Mcf)	\$ 3.73	\$ --	\$
	=====	=====	=====
Barrel of oil equivalent (\$/bbl.) (b,c)	\$ 25.57	\$ 25.85	\$
Production costs	5.00	3.67	
Exploration expenses	.46	1.72	
Other operating expenses	1.31	1.50	
Depreciation, depletion and amortization	4.11	1.94	
	-----	-----	
PRETAX INCOME	14.69	17.02	
Income tax expense	3.39	8.17	
	-----	-----	
RESULTS OF OPERATIONS	\$ 11.30	\$ 8.85	\$
=====	=====	=====	=====
FOR THE YEAR ENDED DECEMBER 31, 1999			
Revenues from net production			
Oil (\$/bbl.)	\$ 16.56	\$ 12.84	\$
	=====	=====	=====
Natural gas (\$/Mcf)	\$ 2.09	\$ --	\$
	=====	=====	=====
Barrel of oil equivalent (\$/bbl.) (b,c)	\$ 14.24	\$ 12.84	\$

Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

Production costs	3.07	2.63
Exploration expenses	.56	.25
Other operating expenses	.69	1.25
Other expense--asset write-downs	--	1.25
Depreciation, depletion and amortization	4.09	1.63
	-----	-----
PRETAX INCOME	5.83	5.83
Income tax expense	.48	2.30
	-----	-----
RESULTS OF OPERATIONS	\$ 5.35	\$ 3.53
	=====	=====

- (a) Revenues and income tax expense include taxes owed by Occidental but paid by governmental entities on its behalf; however, oil revenues from net production per barrel, as shown in the "Management's Discussion and Analysis," excludes these taxes.
- (b) Natural gas volumes have been converted to equivalent barrels based on energy content of six Mcf of gas to one barrel of oil.
- (c) Revenues from net production exclude royalty payments and other adjustments.

66

2001 QUARTERLY FINANCIAL DATA (Unaudited)  
In millions, except per-share amounts

Three months ended	MARCH 31	JUNE 30
=====	=====	=====
Segment net sales		
Oil and gas	\$ 3,612	\$ 2,964
Chemical	863	881
	-----	-----
Net sales	\$ 4,475	\$ 3,845
	=====	=====
Gross profit	\$ 1,186	\$ 1,095
	=====	=====
Segment earnings(loss)		
Oil and gas	\$ 946	\$ 806
Chemical	(79)	58
	-----	-----
	867	864
Unallocated corporate items		
Interest expense, net	(76)	(71)
Income taxes	(175)	(249)
Trust preferred distributions and other	(16)	(14)
Other	(89)	(57)
	-----	-----
Income before extraordinary items	511	473
Extraordinary loss, net	(3)	--
Cumulative effect of changes in accounting principles, net	(24)	--
	-----	-----
Net income	\$ 484 (a)	\$ 473 (b)
	=====	=====



Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

Basic earnings per common share			
Income before extraordinary items	\$	1.38	\$ 1.27
Extraordinary loss, net		(.01)	--
Cumulative effect of changes in accounting principles, net		(.06)	--
		-----	-----
Basic earnings per common share	\$	1.31	\$ 1.27
		=====	=====
Diluted earnings per common share			
Income before extraordinary items	\$	1.37	\$ 1.26
Extraordinary loss, net		(.01)	--
Cumulative effect of changes in accounting principles, net		(.06)	--
		-----	-----
Diluted earnings per common share	\$	1.30	\$ 1.26
		=====	=====
Dividends per common share			
	\$	.25	\$ .25
		=====	=====
Market price per common share			
High	\$	26.39	\$ 31.08
Low	\$	22.10	\$ 24.39
		=====	=====

- (a) Includes \$26 million after-tax in special items for severance and plant write-downs and an increase in environmental reserves, \$24 million after-tax charge for a change in accounting standards for derivatives.
- (b) Includes a \$7 million gain, net of tax, from the sale of additional interest in the Gulf of Mexico.
- (c) Includes a net after-tax gain of \$127 million from the sale of interest in the Tangguh LNG project and the sale of the entity that leased a pipeline in Texas to Occidental's former MidCon subsidiary.
- (d) Includes a \$240 million after-tax write-down related to the agreement in principle to sell Occidental's interest in Equistar, a \$60 million pre-tax charge for environmental remediation expenses, an \$11 million pre-tax charge to idle a chemical facility in Texas, a \$5 million after-tax extraordinary loss from early debt extinguishments and a \$14 million benefit from lower effective state tax rates.

67

2000 QUARTERLY FINANCIAL DATA (Unaudited)

In millions, except per-share amounts

Three months ended	March 31	June 30	September 30
=====	=====	=====	=====
Segment net sales			
Oil and gas	\$ 1,534	\$ 2,128	\$ 2,128
Chemical	1,040	1,067	1,067
	-----	-----	-----

Occidental

September 30

\$ 2,128

\$ 1,067

Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

Net sales	\$	2,574	\$	3,195	\$	3
		=====		=====		=====
Gross profit	\$	787	\$	952	\$	1
		=====		=====		=====
Segment earnings(loss)						
Oil and gas	\$	394	\$	557	\$	
Chemical		143		34		
		-----		-----		-----
		537		591		
Unallocated corporate items						
Interest expense, net		(99)		(104)		
Income taxes		(150)		(349)		
Trust preferred distributions and other		(17)		(16)		
Other		--		442		
		-----		-----		-----
Income before extraordinary items		271		564		
Extraordinary gain, net		--		--		
		-----		-----		-----
Net income	\$	271 (a)	\$	564 (b)	\$	
		=====		=====		=====
Basic earnings per common share						
Income before extraordinary items	\$	0.74	\$	1.53	\$	
Extraordinary gain, net		--		--		
		-----		-----		-----
Basic earnings per common share	\$	0.74	\$	1.53	\$	
		=====		=====		=====
Diluted earnings per common share						
Income before extraordinary items	\$	0.74	\$	1.53	\$	
Extraordinary gain, net		--		--		
		-----		-----		-----
Diluted earnings per common share	\$	0.74	\$	1.53	\$	
		=====		=====		=====
Dividends per common share	\$	0.25	\$	0.25	\$	
		=====		=====		=====
Market price per common share						
High	\$	22.38	\$	24.13	\$	2
Low	\$	15.75	\$	20.13	\$	1
		=====		=====		=====

(a) Includes an insurance dividend of \$11 million.

(b) Includes a gain of \$493 million related to the sale of CanadianOxy and a charge of \$120 million to write-down the chemical intermediate businesses.

(c) Includes an after-tax gain of \$39 million related to the sale of an interest in Occidental's Gulf of Mexico assets, an after-tax gain of \$41 million on the receipt of a contingency payment related to a prior-year sale of a Dutch North Sea subsidiary, and a charge of \$53 million for the write-down of various oil and gas assets and investments and a write-down of a building of \$21 million.

(d) Includes a \$13 million gain on sale of the Durez business, a charge of \$17 million related to a litigation settlement, a charge of \$15 million related

Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

to a write-down of various chemical assets and an after-tax loss of \$2 million on the abandonment of a foreign investment.

68

SUPPLEMENTAL OIL AND GAS INFORMATION (Unaudited)

The following tables set forth Occidental's net interests in quantities of proved developed and undeveloped reserves of crude oil, condensate and natural gas and changes in such quantities. Crude oil reserves (in millions of barrels) include condensate. The reserves are stated after applicable royalties. Estimates of reserves have been made by Occidental engineers. These estimates include reserves in which Occidental holds an economic interest under service contracts, production sharing contracts and other arrangements.

RESERVES

Oil in millions of barrels, natural gas in billions of cubic feet

	United States		Latin America		
	Oil	Gas	Oil (a)	Gas	Oil
PROVED DEVELOPED AND UNDEVELOPED RESERVES					
BALANCE AT DECEMBER 31, 1998	445	1,898	194	--	42
Revisions of previous estimates	2	111	78	--	(6)
Improved recovery	32	54	--	--	
Extensions and discoveries	31	49	--	--	
Purchases of proved reserves	3	66	--	--	
Sales of proved reserves	(22)	(130)	--	--	(
Production	(27)	(242)	(35)	--	(5)
BALANCE AT DECEMBER 31, 1999	464	1,806	237	--	33
Revisions of previous estimates	29	179	12	--	2
Improved recovery	41	25	--	--	
Extensions and discoveries	24	108	5	--	
Purchases of proved reserves	881	417	19	--	--
Sales of proved reserves	(30)	(200)	(120)	--	--
Production	(63)	(241)	(18)	--	(4)
BALANCE AT DECEMBER 31, 2000	1,346	2,094	135	--	32
Revisions of previous estimates	(14)	(53)	10	--	3
Improved recovery	92	23	--	--	4
Extensions and discoveries	22	118	10	--	2
Purchases of proved reserves	3	4	--	--	--
Sales of proved reserves	--	(1)	--	--	--
Production	(78)	(223)	(11)	--	(4)
BALANCE AT DECEMBER 31, 2001	1,371	1,962	144	--	38

PROPORTIONAL INTEREST IN EQUITY INVESTEE'S RESERVES

December 31, 1998	5	49	44 (b)	138 (b)	3
-------------------	---	----	--------	---------	---

Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

December 31, 1999	6	46	45 (b)	133 (b)	3
=====					
PROVED DEVELOPED RESERVES					
December 31, 1998	367	1,836	171	--	30
December 31, 1999	339	1,670	153	--	24
December 31, 2000	1,079	1,814	82	--	24
DECEMBER 31, 2001	1,106	1,718	83	--	28
=====					
PROPORTIONAL INTEREST IN EQUITY INVESTEE'S RESERVES					
December 31, 1998	5	48	35 (b)	127 (b)	2
December 31, 1999	5	41	36 (b)	115 (b)	2
=====					

(a) Portions of these reserves are being produced pursuant to exclusive service contracts.

(b) Includes amounts in Latin America and Canada.

69

STANDARDIZED MEASURE, INCLUDING YEAR-TO-YEAR CHANGES THEREIN, OF DISCOUNTED FUTURE NET CASH FLOWS

For purposes of the following disclosures, estimates were made of quantities of proved reserves and the periods during which they are expected to be produced. Future cash flows were computed by applying year-end prices to Occidental's share of estimated annual future production from proved oil and gas reserves, net of royalties. Future development and production costs were computed by applying year-end costs to be incurred in producing and further developing the proved reserves. Future income tax expenses were computed by applying, generally, year-end statutory tax rates (adjusted for permanent differences, tax credits, allowances and foreign income repatriation considerations) to the estimated net future pre-tax cash flows. The discount was computed by application of a 10 percent discount factor. The calculations assumed the continuation of existing economic, operating and contractual conditions at each of December 31, 2001, 2000 and 1999. However, such arbitrary assumptions have not necessarily proven to be the case in the past. Other assumptions of equal validity would give rise to substantially different results.

The year-end prices used to calculate future cash flows vary by producing area and market conditions. For the 2001, 2000 and 1999 disclosures, the West Texas Intermediate oil prices used were \$19.84/bbl, \$26.80/bbl and \$25.60/bbl, respectively. The NYMEX gas prices used for the 2001, 2000 and 1999 disclosures were \$2.57/MMBtu, \$9.78/MMBtu and \$2.32/MMBtu, respectively.

STANDARDIZED MEASURE OF DISCOUNTED FUTURE NET CASH FLOWS

In millions

	United States	Latin America (a)
=====	=====	=====

Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

AT DECEMBER 31, 2001		
Future cash flows	\$ 28,146	\$ 2,119
Future costs		
Production costs and other operating expenses	(14,404)	(821)
Development costs(b)	(2,282)	(200)
	-----	-----
FUTURE NET CASH FLOWS BEFORE INCOME TAXES	11,460	1,098
Future income tax expense	(2,224)	(447)
	-----	-----
FUTURE NET CASH FLOWS	9,236	651
Ten percent discount factor	(5,088)	(188)
	-----	-----
STANDARDIZED MEASURE	\$ 4,148	\$ 463
=====	=====	=====
AT DECEMBER 31, 2000		
Future cash flows	\$ 53,195	\$ 2,744
Future costs		
Production costs and other operating expenses	(13,236)	(785)
Development costs(b)	(1,962)	(47)
	-----	-----
FUTURE NET CASH FLOWS BEFORE INCOME TAXES	37,997	1,912
Future income tax expense	(11,023)	(896)
	-----	-----
FUTURE NET CASH FLOWS	26,974	1,016
Ten percent discount factor	(14,608)	(392)
	-----	-----
STANDARDIZED MEASURE	\$ 12,366	\$ 624
=====	=====	=====
AT DECEMBER 31, 1999		
Future cash flows	\$ 14,604	\$ 3,619
Future costs		
Production costs and other operating expenses	(3,162)	(754)
Development costs(b)	(1,166)	(185)
	-----	-----
FUTURE NET CASH FLOWS BEFORE INCOME TAXES	10,276	2,680
Future income tax expense	(2,306)	(1,076)
	-----	-----
FUTURE NET CASH FLOWS	7,970	1,604
Ten percent discount factor	(4,177)	(624)
	-----	-----
STANDARDIZED MEASURE	3,793	980
Share of equity investees' standardized measure	104	312
	-----	-----
STANDARDIZED MEASURE INCLUDING SHARE OF EQUITY INVESTEES'		
STANDARDIZED MEASURE	\$ 3,897	\$ 1,292
=====	=====	=====

- (a) Includes amounts applicable to operating interests in which Occidental receives an agreed-upon fee per barrel of crude oil produced in 1999.
- (b) Includes dismantlement and abandonment costs.

Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

70

CHANGES IN THE STANDARDIZED MEASURE OF DISCOUNTED FUTURE  
NET CASH FLOWS FROM PROVED RESERVE QUANTITIES  
In millions

For the years ended December 31,	2001
=====	=====
BEGINNING OF YEAR	\$ 15,344
	-----
Sales and transfers of oil and gas produced, net of production costs and other operating expenses	(3,433)
Net change in prices received per barrel, net of production costs and other operating expenses	(12,850)
Extensions, discoveries and improved recovery, net of future production and development costs	1,238
Change in estimated future development costs	(923)
Revisions of quantity estimates	83
Development costs incurred during the period	913
Accretion of discount	1,910
Net change in income taxes	4,174
Purchases and sales of reserves in place, net	19
Changes in production rates and other	127
	-----
NET CHANGE	(8,742)
	-----
END OF YEAR	\$ 6,602
=====	=====

The information set forth below does not include information with respect to operations of equity investees. The following table sets forth, for each of the three years in the period ended December 31, 2001, Occidental's approximate average sales prices and average production costs of oil and gas. Production costs are the costs incurred in lifting the oil and gas to the surface and include gathering, treating, primary processing, field storage, property taxes and insurance on proved properties, but do not include depreciation, depletion and amortization, royalties, income taxes, interest, general and administrative and other expenses.

AVERAGE SALES PRICES AND AVERAGE PRODUCTION COSTS OF OIL AND GAS

For the years ended December 31,	United States	L Ame
=====	=====	=====
2001		
Oil -- Average sales price (\$/bbl.)	\$ 21.74	\$ 1
Gas -- Average sales price (\$/Mcf)	\$ 6.40	\$
Average oil and gas production cost (\$/bbl.) (c)	\$ 6.28	\$
-----	-----	-----

2000

Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

Oil	--	Average sales price (\$/bbl.)	\$	26.66	\$	2
Gas	--	Average sales price (\$/Mcf)	\$	3.66	\$	
Average oil and gas production cost (\$/bbl.) (c)			\$	5.00	\$	
-----						
1999						
Oil	--	Average sales price (\$/bbl.)	\$	15.81	\$	1
Gas	--	Average sales price (\$/Mcf)	\$	2.09	\$	
Average oil and gas production cost (\$/bbl.) (c)			\$	3.07	\$	
-----						

- (a) Sales prices include royalties with respect to certain of Occidental's interests.
- (b) Sales prices include fees received under service contracts.
- (c) Natural gas volumes have been converted to equivalent barrels based on energy content of six Mcf of gas to one barrel of oil.

71

The following table sets forth, for each of the three years in the period ended December 31, 2001, Occidental's net productive and dry-exploratory and development wells completed.

NET PRODUCTIVE AND DRY -- EXPLORATORY AND DEVELOPMENT WELLS COMPLETED

For the years ended December 31,		United States	Latin America	Eastern Hemisphere	
=====		=====	=====	=====	
2001					
Oil	--	Exploratory	3.0	--	3.1
		Development	432.1	14.0	60.4
Gas	--	Exploratory	7.8	--	--
		Development	38.1	--	.5
Dry	--	Exploratory	10.1	.9	1.8
		Development	34.7	--	.3
-----					
2000					
Oil	--	Exploratory	1.6	1.3	--
		Development	273.9	8.1	119.0
Gas	--	Exploratory	3.4	--	0.6
		Development	32.9	--	4.3
Dry	--	Exploratory	1.2	2.7	1.0
		Development	25.3	--	1.2
-----					
1999					
Oil	--	Exploratory	1.0	--	--
		Development	76.8	5.4	105.1
Gas	--	Exploratory	--	--	.5
		Development	13.4	--	4.5
Dry	--	Exploratory	1.9	--	--
		Development	13.3	--	1.1
-----					

Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

The following table sets forth, as of December 31, 2001, Occidental's productive oil and gas wells (both producing wells and wells capable of production). The numbers in parentheses indicate the number of wells with multiple completions.

PRODUCTIVE OIL AND GAS WELLS

Wells at December 31, 2001		United States	Latin America	Eastern Hemisphere	
=====		=====	=====	=====	=====
Oil	-- Gross(a)	16,673 (246)	241 (--)	951 (72)	17
	Net(b)	11,413 (167)	114 (--)	517 (47)	12
Gas	-- Gross(a)	2,226 (20)	-- (--)	32 (1)	2
	Net(b)	1,858 (13)	-- (--)	13 (1)	1
-----		-----	-----	-----	-----

- (a) The total number of wells in which interests are owned or which are operated under service contracts.  
 (b) The sum of fractional interests.

The following table sets forth, as of December 31, 2001, Occidental's participation in exploratory and development wells being drilled.

PARTICIPATION IN EXPLORATORY AND DEVELOPMENT WELLS BEING DRILLED

Wells at December 31, 2001		United States	Latin America	Eastern Hemisphere
=====		=====	=====	=====
Exploratory and development wells	-- Gross	35	5	11
	Net	24	3	5
-----		-----	-----	-----

At December 31, 2001, Occidental was participating in 115 pressure maintenance projects in the United States, 4 in Latin America and 16 in the Eastern Hemisphere.

The following table sets forth, as of December 31, 2001, Occidental's holdings of developed and undeveloped oil and gas acreage.

OIL AND GAS ACREAGE

Thousands of acres at December 31, 2001	United States	Latin America	Eastern Hemisphere
=====	=====	=====	=====



Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

Developed(a)	--	Gross(b)	3,622	20	1,198
		Net(c)	2,760	10	408
-----					
Undeveloped(d)	--	Gross(b)	1,536	8,853	24,000
		Net(c)	1,116	7,423	11,441
-----					

- (a) Acres spaced or assigned to productive wells.  
 (b) Total acres in which interests are held.  
 (c) Sum of the fractional interests owned based on working interests, or shares of production if under production-sharing agreements.  
 (d) Acres on which wells have not been drilled or completed to a point that would permit the production of commercial quantities of oil and gas, regardless of whether the acreage contains proved reserves.

The following table sets forth, for each of the three years in the period ended December 31, 2001, Occidental's U.S. oil, NGL and natural gas production.

OIL AND NATURAL GAS PRODUCTION -- U.S.

	Liquids Production Thousands of barrels per day			Natural Gas Millions of cubic feet	
	2001	2000	1999	2001	2000
California	76	70	52	303	306
Permian	137	101	13	148	119
Hugoton	--	--	--	159	168
Others	--	1	8	--	66
TOTAL	213	172	73	610	659

The following table sets forth, for each of the three years in the period ended December 31, 2001, Occidental's international oil and natural gas production.

OIL AND NATURAL GAS PRODUCTION -- INTERNATIONAL

	Oil Production Thousands of barrels per day			Natural Gas Millions of cubic feet	
	2001	2000	1999	2001	2000
Bangladesh	--	--	--	--	--
Colombia	18	32	43	--	--
Ecuador	13	17	15	--	--
Oman	12	9	15	--	--
Pakistan	7	6	5	50	49
Peru	--	--	38	--	--
Qatar	43	49	58	--	--
Russia	27	26	27	--	--
Yemen	33	32	32	--	--

Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

TOTAL	153	171	233	50	49
=====	=====	=====	=====	=====	=====

73

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS (Unaudited)  
In millions

	Balance at Beginning of Period	Additions	
		Charged to Costs and Expenses	Charged to Other Accounts
=====	=====	=====	=====
2001			
Allowance for doubtful accounts	\$ 25	\$ 12	\$ --
	=====	=====	=====
Environmental	\$ 402	\$ 109	\$ 18
Foreign and other taxes, litigation and other			
reserves	1,001	10	27
	-----	-----	-----
	\$ 1,403	\$ 119	\$ 45
	=====	=====	=====
2000			
Allowance for doubtful accounts	\$ 24	\$ 2	\$ --
	=====	=====	=====
Environmental	\$ 454	\$ --	\$ 23
Foreign and other taxes, litigation and other			
reserves	857	42	231
	-----	-----	-----
	\$ 1,311	\$ 42	\$ 254
	=====	=====	=====
1999			
Allowance for doubtful accounts	\$ 23	\$ 2	\$ --
	=====	=====	=====
Environmental	\$ 578	\$ --	\$ 11
Foreign and other taxes, litigation and other			
reserves	801	164	1
	-----	-----	-----
	\$ 1,379	\$ 164	\$ 12
	=====	=====	=====

(a) Primarily represents payments.

(b) Of these amounts, \$165 million, \$143 million and \$155 million in 2001, 2000 and 1999, respectively, is classified as current.

74

## Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

### PART IV

#### ITEM 14 EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

##### (a) (1) AND (2). FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULE

Reference is made to the Index to Financial Statements and Related Information under Item 8 in Part II hereof, where these documents are listed.

##### (a) (3). EXHIBITS

- 3. (i) \* Restated Certificate of Incorporation of Occidental, dated November 12, 1999 (filed as Exhibit 3. (i) to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 1999, File No. 1-9210).
- 3. (i) (a) \* Certificate of Change of Location of Registered Office and of Registered Agent, dated July 6, 2001. (filed as Exhibit 3.1(i) to the Registration Statement on Form S-3 of Occidental, File No. 333-82246).
- 3. (ii) \* Bylaws of Occidental, as amended through April 30, 1999 (filed as Exhibit 3. (ii) to the Registration Statement on Form S-8 of Occidental, File No. 333-78031).
- 4.1\* Occidental Petroleum Corporation Five-Year Credit Agreement, dated as of January 4, 2001 among Occidental, Chase Securities Inc. and Banc of America Securities, LLC, as Co-Lead Arrangers, The Chase Manhattan Bank, as Syndication Agent, Bank of America, N.A. and ABN Amro Bank N.V., as Co-Documentation Agents, and The Bank of Nova Scotia, as Administrative Agent (filed as Exhibit 4.1 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 2000, File No. 1-9210).
- 4.2\* Indenture (Senior Debt Securities), dated as of April 1, 1998, between Occidental and The Bank of New York, as Trustee (filed as Exhibit 4 to the Registration Statement on Form S-3 of Occidental, File No. 333-52053).
- 4.3\* Specimen certificate for shares of Common Stock (filed as Exhibit 4.9 to the Registration Statement on Form S-3 of Occidental, File No. 333-82246).
- 4.4 Instruments defining the rights of holders of other long-term debt of Occidental and its subsidiaries are not being filed since the total amount of securities authorized under each of such instruments does not exceed 10 percent of the total assets of Occidental and its subsidiaries on a consolidated basis. Occidental agrees to furnish a copy of any such instrument to the Commission upon request.

All of the Exhibits numbered 10.1 to 10.42 are management contracts and compensatory plans required to be identified specifically as responsive to Item 601(b) (10) (iii) (A) of Regulation S-K pursuant to Item 14(c) of Form 10-K.

- 10.1\* Employment Agreement, dated as of December 13, 2001, between Occidental and J. Roger Hirl (filed as Exhibit 10.1 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 2001, File No. 1-9210).
- 10.2\* Employment Agreement, dated as of November 17, 2000, between Occidental and Dr. Ray R. Irani (filed as Exhibit 10.2 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 2000, File No. 1-9210).
- 10.3\* Employment Agreement, dated as of November 17, 2000, between Occidental and Dr. Dale R. Laurance (filed as Exhibit 10.3 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 2000, File No. 1-9210).
- 10.4\* Employment Agreement, dated as of November 17, 2000, between

## Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

- Occidental and Stephen I. Chazen (filed as Exhibit 10.4 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 2000, File No. 1-9210).
- 10.5\* Employment Agreement, dated April 3, 1998, between Occidental and Donald P. de Brier (filed as Exhibit 10.7 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 1999, File No. 1-9210).
- 10.6\* Amendment, dated November 17, 2000, to Employment Agreement, dated April 3, 1998, between Occidental and Donald P. de Brier (filed as Exhibit 10.6 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 2000, File No. 1-9210).
- 10.7\* Form of Indemnification Agreement between Occidental and each of its directors and certain executive officers (filed as Exhibit B to the Proxy Statement of Occidental for its May 21, 1987, Annual Meeting of Stockholders, File No. 1-9210).

-----  
\*Incorporated herein by reference

75

- 10.8\* Occidental Petroleum Corporation Split Dollar Life Insurance Program and Related Documents (filed as Exhibit 10.2 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended September 30, 1994, File No. 1-9210).
- 10.9\* Occidental Petroleum Insured Medical Plan, as amended and restated effective April 29, 1994, amending and restating the Occidental Petroleum Corporation Executive Medical Plan (as amended and restated effective April 1, 1993) (filed as Exhibit 10 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ending March 31, 1994, File No. 1-9210).
- 10.10\* Occidental Petroleum Corporation 1987 Stock Option Plan, as amended through April 29, 1992 (filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended March 31, 1992, File No. 1-9210).
- 10.11\* Form of Nonqualified Stock Option Agreement under Occidental Petroleum Corporation 1987 Stock Option Plan (filed as Exhibit 10.2 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended March 31, 1992, File No. 1-9210).
- 10.12\* Form of Nonqualified Stock Option Agreement, with Stock Appreciation Right, under Occidental Petroleum Corporation 1987 Stock Option Plan (filed as Exhibit 10.3 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended March 31, 1992, File No. 1-9210).
- 10.13\* Form of Incentive Stock Option Agreement under Occidental Petroleum Corporation 1987 Stock Option Plan (filed as Exhibit 10.4 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended March 31, 1992, File No. 1-9210).
- 10.14\* Form of Incentive Stock Option Agreement, with Stock Appreciation Right, under Occidental Petroleum Corporation 1987 Stock Option Plan (filed as Exhibit 10.5 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended March 31, 1992, File No. 1-9210).
- 10.15\* Occidental Petroleum Corporation Deferred Compensation Plan, Amended and Restated Effective as of January 1, 1999 (filed as Exhibit 10.4 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended March 31, 2001, File No. 1-9210).
- 10.16\* Occidental Petroleum Corporation Senior Executive Deferred Compensation Plan (effective as of January 1, 1986, as amended

## Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

- and restated effective as of January 1, 1996) (filed as Exhibit 10.24 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 1995, File No. 1-9210).
- 10.17\* Occidental Petroleum Corporation Senior Executive Supplemental Life Insurance Plan (effective as of January 1, 1986, as amended and restated effective as of January 1, 1996) (filed as Exhibit 10.25 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 1995, File No. 1-9210).
- 10.18\* Occidental Petroleum Corporation Senior Executive Supplemental Retirement Plan (effective as of January 1, 1986, as amended and restated effective as of January 1, 1996) (filed as Exhibit 10.26 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 1995, File No. 1-9210).
- 10.19\* Amendment to Occidental Petroleum Corporation Senior Executive Supplemental Retirement Plan (filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended June 30, 1998, File No. 1-9210).
- 10.20\* Occidental Petroleum Corporation Senior Executive Survivor Benefit Plan (effective as of January 1, 1986, as amended and restated effective as of January 1, 1996) (filed as Exhibit 10.27 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 1995, File No. 1-9210).
- 10.21\* Occidental Petroleum Corporation 1995 Incentive Stock Plan, as amended (filed as Exhibit 10.28 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 1999, File No. 1-9210).
- 10.22\* Form of Incentive Stock Option Agreement under Occidental Petroleum Corporation 1995 Incentive Stock Plan (filed as Exhibit 99.2 to the Registration Statement on Form S-8 of Occidental, File No. 33-64719).
- 10.23\* Form of Nonqualified Stock Option Agreement under Occidental Petroleum Corporation 1995 Incentive Stock Plan (filed as Exhibit 99.3 to the Registration Statement on Form S-8 of Occidental, File No. 33-64719).
- 10.24\* Form of Stock Appreciation Rights Agreement under Occidental Petroleum Corporation 1995 Incentive Stock Plan (filed as Exhibit 99.4 to the Registration Statement on Form S-8 of Occidental, File No. 33-64719).
- 10.25\* Form of Restricted Stock Agreement under Occidental Petroleum Corporation 1995 Incentive Stock Plan (filed as Exhibit 99.5 to the Registration Statement on Form S-8 of Occidental, File No. 33-64719).

-----  
\*Incorporated herein by reference

76

- 10.26\* Form of Performance Stock Agreement under Occidental Petroleum Corporation 1995 Incentive Stock Plan (filed as Exhibit 99.6 to the Registration Statement on Form S-8 of Occidental, File No. 33-64719).
- 10.27\* Form of Incentive Stock Option Agreement under Occidental Petroleum Corporation 1995 Incentive Stock Plan (filed as Exhibit 10.2 to the Current Report on Form 8-K of Occidental, dated January 6, 1999 (date of earliest event reported), filed January 6, 1999, File No. 1-9210, amends Form previously filed as Exhibit 10.1 to the Registration Statement on Form S-8 of Occidental, File No. 33-64719 and incorporated by reference as Exhibit 10.39 to the Annual Report on Form 10-K of Occidental for the fiscal

## Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

- year ended December 31, 1997, File No. 1-9210).
- 10.28\* Form of Nonqualified Stock Option Agreement under Occidental Petroleum Corporation 1995 Incentive Stock Plan (filed as Exhibit 10.3 to the Current Report on Form 8-K of Occidental, dated January 6, 1999 (date of earliest event reported), filed January 6, 1999, File No. 1-9210, amends Form previously filed as Exhibit 10.2 to the Registration Statement on Form S-8 of Occidental, File No. 33-64719 and incorporated by reference as Exhibit 10.40 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 1997, File No. 1-9210).
- 10.29\* Form of Incentive Stock Option Agreement (With Accelerated Performance Vesting) under Occidental Petroleum Corporation 1995 Incentive Stock Plan (filed as Exhibit 10.2 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended June 30, 1999, File No. 1-9210).
- 10.30\* Form of Nonqualified Stock Option Agreement (With Accelerated Performance Vesting) under Occidental Petroleum Corporation 1995 Incentive Stock Plan (filed as Exhibit 10.3 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended June 30, 1999, File No. 1-9210).
- 10.31\* Form of 1997 Performance Stock Option Agreement under the 1995 Incentive Stock Plan of Occidental Petroleum Corporation (filed as Exhibit 10.2 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended June 30, 1997, File No. 1-9210).
- 10.32\* Form of Amendment to 1997 Performance Stock Option Agreement under the 1995 Incentive Stock Plan of Occidental Petroleum Corporation (filed as Exhibit 10.43 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 1999, File No. 1-9210).
- 10.33\* Occidental Petroleum Corporation 1996 Restricted Stock Plan for Non-Employee Directors (as amended April 28, 2000) (filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended March 31, 2000, File No. 1-9210).
- 10.34\* Form of Restricted Stock Option Assignment under Occidental Petroleum Corporation 1996 Restricted Stock Plan for Non-Employee Directors (filed as Exhibit 99.2 to the Registration Statement on Form S-8 of Occidental, File No. 333-02901).
- 10.35\* Occidental Petroleum Corporation 1988 Deferred Compensation Plan (as amended and restated effective as of January 1, 1996) (filed as Exhibit 10.2 to the Quarterly Report on Form 10-Q of Occidental for the fiscal quarter ended September 30, 1996, File No. 1-9210).
- 10.36\* Occidental Petroleum Corporation Supplemental Retirement Plan, Amended and Restated Effective as of January 1, 1999, reflecting amendments effective through March 1, 2001] (filed as Exhibit 10.3 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended March 31, 2001, File No. 1-9210).
- 10.37\* Occidental Petroleum Corporation 2001 Incentive Compensation Plan, as amended (filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended March 31, 2001, File No. 1-9210).
- 10.38\* Form of Incentive Stock Option Agreement under Occidental Petroleum Corporation 2001 Incentive Compensation Plan (filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended September 30, 2001, File No. 1-9210).
- 10.39\* Form of Nonqualified Stock Option Agreement under Occidental Petroleum Corporation 2001 Incentive Compensation Plan (filed as Exhibit 10.2 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended September 30, 2001, File No. 1-9210).

## Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

- 10.40\* Form of Restricted Common Share Agreement under Occidental Petroleum Corporation 2001 Incentive Compensation Plan (filed as Exhibit 10.40 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 2001, File No. 1-9210)
- 10.41\* Form of Performance Based Stock Agreement under Occidental Petroleum Corporation 2001 Incentive Compensation Plan (filed as Exhibit 10.41 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 2001, File No. 1-9210).
- 10.42\* Occidental Petroleum Corporation Executive Incentive Compensation Plan (filed as Exhibit 10.2 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended March 31, 2001, File No. 1-9210).

-----  
\*Incorporated herein by reference

77

- 10.43\* Master Transaction Agreement, dated May 15, 1998, by and among Equistar Chemicals, LP, Occidental, Lyondell Petrochemical Company and Millennium Chemicals Inc. (filed as Exhibit 10.1 to the Current Report on Form 8-K of Occidental dated May 15, 1998 (date of earliest event reported), filed May 29, 1998, File No. 1-9210).
- 10.44\* Amended and Restated Limited Partnership Agreement of Equistar Chemicals, LP, dated May 15, 1998, by and among the partners named therein (filed as Exhibit 10.2 to the Current Report on Form 8-K of Occidental dated May 15, 1998 (date of earliest event reported), filed May 29, 1998, File No. 1-9210).
- 10.45\* Agreement and Plan of Merger and Asset Contribution, dated as of May 15, 1998, by and among Equistar Chemicals, LP, Occidental Petrochem Partner 1, Inc., Occidental Petrochem Partner 2, Inc., Oxy Petrochemicals Inc. and PDG Chemical Inc. (filed as Exhibit 10.3 to the Current Report on Form 8-K of Occidental dated May 15, 1998 (date of earliest event reported), filed May 29, 1998, File No. 1-9210).
- 10.46\* Amended and Restated Parent Agreement, dated as of May 15, 1998, among Occidental Chemical Corporation, Oxy CH Corporation, Occidental, Lyondell Petrochemical Company, Millennium Chemicals Inc. and Equistar Chemicals, LP (filed as Exhibit 10.4 to the Current Report on Form 8-K of Occidental dated May 15, 1998 (date of earliest event reported), filed May 29, 1998, File No. 1-9210).
- 10.47\* Purchase and Sale Agreement dated March 7, 2000, by and among Amoco D. T. Company, Amoco X. T. Company, Amoco Y. T. Company, SWEPI LP, Shell Land & Energy Company, Shell Onshore Ventures Inc., Shell K2 Inc., and Shell Everest, Inc., as Sellers, and Occidental Petroleum Corporation, as Buyer (filed as Exhibit 10.1 to the Current Report on Form 8-K of Occidental dated March 7, 2000 (date of earliest event reported), filed March 15, 2000, File No. 1-9210).
- 12\* Statement regarding computation of total enterprise ratios of earnings to fixed charges for the five years ended December 31, 2001 (filed as Exhibit 12 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 2001, File No. 1-9210).
- 21\* List of subsidiaries of Occidental at December 31, 2001 (filed as Exhibit 21 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 2001, File No. 1-9210).
- 23 Independent Auditors' Consent.

## Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

### (b) REPORTS ON FORM 8-K

During the fourth quarter of 2001, Occidental filed the following Current Reports on Form 8-K:

1. Current Report on Form 8-K dated October 16, 2001 (date of earliest event reported), filed on October 16, 2001, for the purpose of reporting, under Item 9, a presentation by Dr. Ray R. Irani, Chief Executive Officer, and Stephen I. Chazen, Chief Financial Officer and Executive Vice President - Corporate Development.

2. Current Report on Form 8-K dated October 17, 2001 (date of earliest event reported), filed on October 17, 2001, for the purpose of reporting, under Item 5, Occidental's results of operations for the third quarter ended September 30, 2000, and under Item 9, speeches and supplemental investor information relating to Occidental's third quarter 2000 earnings announcement.

3. Current Report on Form 8-K dated November 29, 2001 (date of earliest event reported), filed on December 3, 2001, for the purpose of reporting, under Item 5, the filing of exhibits with respect to the sale of \$300 million aggregate principal amount of 5.875% Senior Notes due January 15, 2007, and \$500 million aggregate principal amount of 6.750% Senior Notes due January 15, 2012, and under Item 7, certain exhibits related to the sale.

During the first quarter of 2002 to March 13, 2002 (the date of filing of the Annual Report on Form 10-K), Occidental filed the following Current Reports on Form 8-K:

1. Current Report on Form 8-K dated January 8, 2002 (date of earliest event reported), filed on January 8, 2002, for the purpose of reporting, under Item 9, a presentation by Dr. Ray R. Irani, Chief Executive Officer.

2. Current Report on Form 8-K dated January 31, 2002 (date of earliest event reported), filed on February 4, 2002, for the purpose of reporting, under Item 5, an agreement in principle to sell Occidental's partnership interest in Equistar Chemicals, LP, and Occidental's results of operations for the fourth quarter and fiscal year ended December 31, 2001, and under Item 9, speeches and supplemental investor information relating to Occidental's fourth quarter 2001 earnings announcement.

3. Current Report on Form 8-K dated March 6, 2002 (date of earliest event reported), filed on March 7, 2002, for the purpose of reporting, under item 5, the commencement of Occidental's program offering from time to time up to \$1,000,000,000 aggregate initial offering price of its Medium-Term Senior Notes, Series C, and its Medium-Term Subordinated Notes, Series A, and under Item 7, the filing of certain exhibits related to such program.

-----  
\*Incorporated herein by reference

78

SIGNATURE

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



Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 10-K/A

OCCIDENTAL PETROLEUM CORPORATION  
(Registrant)

DATE: July 19, 2002

/s/ STEPHEN I. CHAZEN

-----  
Stephen I. Chazen, Executive Vice President -  
Corporate Development and Chief Financial Officer

79

INDEX TO EXHIBITS

Exhibit Number -----	Description -----
23	Independent Auditors' Consent