

VINTAGE PETROLEUM INC

Form 425

November 02, 2005

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pursuant to rule 425 under the Securities Act of 1933

and deemed filed pursuant to Rule 14a-12

under the Securities and Exchange Act of 1934, as amended

**Occidental Petroleum Corporation**

**November 2, 2005**

**STEVE CHAZEN**

Senior Executive Vice President &

Chief Financial Officer

**Merrill Lynch**

**2005 Global Energy Conference**

**Occidental Petroleum Corporation**

Filed pursuant to Rule 425 and deemed filed pursuant to Rule 14a-12  
Filing Person: Occidental Petroleum Corporation  
Subject Company: Vintage Petroleum, Inc.  
File Number: 1-10578

**Additional Information and Where to Find It**

Oxy will file a Form S-4, Vintage will file a proxy statement and both companies will file other relevant documents concerning the proposed merger transaction with the Securities and Exchange Commission (SEC). INVESTORS ARE URGED TO READ THE FORM S-4 AND PROXY STATEMENT WHEN THEY BECOME AVAILABLE AND ANY OTHER RELEVANT DOCUMENTS FILED WITH THE SEC BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION. You will be able to obtain the documents free of charge at the website maintained by the SEC at [www.sec.gov](http://www.sec.gov). In addition, you may obtain documents filed with the SEC by Oxy free of charge by contacting Christel Pauli, Counsel and Assistant Secretary, Occidental Petroleum Corporation, at 10889 Wilshire Blvd., Los Angeles, California 90024. The documents will also be available online at [www.oxy.com](http://www.oxy.com).

**Participants in Solicitation**

Oxy, Vintage and their respective directors and executive officers may be deemed to be participants in the solicitation of proxies from Vintage shareholders in connection with the merger. Information about the directors and executive officers of Oxy and their ownership of Oxy stock is set forth in the proxy statement for Oxy's 2005 Annual Meeting of Shareholders. Information about the directors and executive officers of Vintage and their ownership of Vintage stock is set forth in the proxy statement for Vintage's 2005 Annual Meeting of Shareholders. Investors may obtain additional information regarding the interests of such participants by reading the Form S-4 and proxy statement for the merger when they become available.

Investors should read the Form S-4 and proxy statement carefully when they become available before making any voting or investment decisions.



**Occidental Petroleum Corporation**

2004 Proven Reserves of 2.5 billion barrels oil equivalent

2004 Results: WTI = \$41.40 per bbl

Net Income \$2.6 billion

Cash From Operations \$3.9 billion

Return on Equity 27.8%

Return on Capital Employed 20.2%

Total Shareholder Return 41.1%

**Nine Month 2005 Results**

Equity Market Capitalization \$30 billion as of 10/26/05

4<sup>th</sup> largest U.S. oil & gas company

Net Income Reported/Core \$4.129/\$2.806 Billion

Earnings per Share Reported/Core \$10.26/\$6.97

Cash from Operations\$ 3.7 Billion

Stockholders Equity \$13.9 Billion

\*ROCE (%) 36

\*ROE (%) 45

*Consolidated Results*

\*Annualized through first nine months of 2005.

**WTI = \$55.40**

See Appendix B for GAAP reconciliation.

**Financial Performance Criteria**

Return on Capital Employed

Measures Efficient Use of Capital

Return on Equity

Total Return to Stockholders

Stock Price Change Plus Dividend

20

**Return On Capital Employed**

*Percent*

15

15

11

15

12

11

9

2004

2002 - 2004

2000 - 2004

1995 - 2004

S&P 500

Oil & Gas Index

Oxy

Data Source: Bloomberg

See Appendix B for GAAP Reconciliation

**Return On Common Equity**

*Percent*

28

22

22

15

25

17

17

12

2004

2002 - 2004

2000 - 2004

1995 - 2004

S&P 500

Oil & Gas Index

Oxy

Data Source: Bloomberg



**What's Been Oxy Strategy:**

Focused Operations

Value Creation

Disciplined Financial Philosophy

**Worldwide Operations**

Long Beach

Permian Basin

Horn Mountain

Hugoton

Elk Hills

Colombia

Ecuador

Libya

Russia

Pakistan

Oman

U.A.E.

Yemen

Qatar

.

.

.

Argentina

*Thousand BOE/Day*

**515**

**476**

**566**

**547**

**461**

**425**

**438**

**395**

**Worldwide Production**

**Production & Reserve Additions**

173

244

188

263

200

368

207

268

*Million BOE*

2004

2003

2002

2001

Production

Additions

See Appendix B for GAAP reconciliation.

*Million BOE*

**Sources of Worldwide Reserve Additions**

**1,170**

**244**

**263**

**368**

**268**

**969**

See Appendix B for GAAP reconciliation.

**Finding & Development Costs**

**BP**

**OXY**

**XOM**

**CVX**

**KMG**

**BR**

**UCL**

**APA**

**APC**

**COP**

**DVN**

**AHC**

**5.00**

**5.42**

**5.71**

**6.77**

**6.95**

**7.00**

**8.20**

**8.58**

**15.99**

**9.72**

**9.35**

**17.18**

**6.05**

*3-Year Average*

*2002-2004 (\$/BOE)*

**MRO**

Data Source: Merrill Lynch Equity Research

**2002-2004 Free Cash Flow\***

*\$/BOE*

*OXY: 2004 \$12.04/BOE*

**\* Combined (consolidated and other interests) exploration & production income after taxes and before interest, plus DD&A and exploration expense, less capital (excluding acquisitions and ARO costs) divided by BOE sales.**

See Appendix B for GAAP reconciliation



**Focused Value Creation Strategy**

Maintain Strong Balance Sheet

Disciplined Capital Expenditure Program

Selective Acquisitions

Moderate Predictable Reserve/Production Growth

Chemicals Provides Excess Cash Flow

Review Non-Core Investments

Review Dividend Policy Annually

**Balance Sheet**

**6,354**

**4,890**

**2000**

**2001**

**2002**

**4,759**

**4,774**

**5,634**

**6,318**

*Total Debt - \$ Millions*

*Total Equity - \$Millions*

**2000**

**2001**

**2002**

**4,570**

**2003**

**2003**

**7,929**

**2004**

**3,905**

**2004**

**10,550**

**57**

**46**

**43**

37

27

*Debt/Cap - Percentage*

3,017

3Q 2005

3Q 2005

13,906

18

**2005 Capital Expenditures (\$MM)**

Oil & Gas US			\$	850
Middle East / North Africa		560		
Latin America	160			
Other International				10
Exploration	280			
Chemicals	170			
		2,030		
Dolphin	360			
		\$ 2,390		
Net Acquisition Capital			\$2,100	

**Selective Acquisitions**

Natural Consolidator

Permian Basin

California

Vulcan Chlor-Alkali Plants

Vintage Petroleum

**Permian Basin Acquisitions**

Spent \$1.4 Billion on Asset Acquisitions

(Net of Asset Sales)

Projected Production Impact

Estimated Year-End 2005 Exit Rate of 30,000  
BOE/Day

*First Nine Months 2005*

**Chemical Highlights**

Generate Cash Flow In Excess of  
Capital Expenditures Through the  
Business Cycle

*Primary Mission of  
Oxy s Chemicals Business*

Generated Nearly \$3 Billion of Cash Flow After Capital  
During the Last 10 Years

Generated Approximately \$700 Million of Cash Flow  
After Capital Through Nine Months 2005

**Vintage Transaction Summary**

Consideration

0.42 Oxy shares per Vintage share (~28.7 Mm Oxy shares)

\$20.00 cash per Vintage share (~\$1,366 Mm)

Strategic Overlap

Financially Accretive

Annual Synergies - \$40-60 Mm cost savings and exploration capital savings of ~\$100 Mm

Growth Opportunities

Argentina and California are the primary drivers

Planned Repurchase of 9 Mm Oxy shares



**Transaction Summary**

Consideration	<u>\$Mm</u>	
0.42 x 68.3 Mm shares x \$74.98/share	\$2,151	
\$20/share x 68.3 Mm shares		1,366
Debt assumed	550	
Estimated Cash at closing	<u>(225)</u>	
Total consideration		\$3,842
Proved Reserves 437 Mmboe (12/31/04)		
Probable and Possible Reserves 421 Mmboe (12/31/04)		
2nd Qtr 2005 Production of ~76,000 Boepd		

**2005E Free Cash Flow**

*\$/BOE*

## **Strategic Overlap**

Argentina

Significantly enhances Latin America core area

22 concessions, mostly in the San Jorge Basin

As of 12/31/04, ~217 Mmboe of proved reserves, ~500 drilling locations (97% historical drilling success rate)

Strong current production and expected 10-15% production growth over the next few years driven by 3-D seismic

Effective export tax rate of ~27% at \$40.00 and ~31% at >\$50

Multiple consolidation opportunities

10 Year average F&D costs: \$2.87/Boe

## **Vintage Properties**

**Buenos Aires**

**Vintage Growth Opportunities**

**Argentina**

**Strategic Overlap**

**Argentina Historical and Forecast Production Growth**

## **Strategic Overlap**

California

Good strategic fit with existing  
Oxy operations

~70 Mmboe of proved reserves  
as of 12/31/04

Oxy sees significant  
opportunity to increase  
recovery on existing properties  
(~20% over the next few years)

~11,000+ Boepd of production

Key fields are high quality  
crude oil

**Bakersfield**

**Elk Hills**

**Sacramento**

**San Francisco**

**Sacramento**

**Valley**

**Los Angeles**

**Oxy Producing Properties**

**Oxy Exploration Acreage**

**Vintage Properties**

**Vintage Other Properties**

Bolivia Intriguing potential, needs long term market development

Yemen

Candidates for portfolio rationalization

East Texas, Gulf Coast, Mid-Continent

Unconventional North American gas

~71 Mmboe of proved reserves as of 12/31/04

~19,000 Boepd of production

Divestitures expected to reduce purchase price per Boe

**Transaction Value**

**Note: This slide is taken from VPI s analyst presentation at the UBS conference in Las Vegas in May 2005.**

\$4,642

\$3,849

Total

**\$64.10**

**\$52.91**

**Net Asset Value Per Share**

67.7

67.7

Fully Diluted Shares

**\$4,339**

**\$3,582**

**Net Asset Value**

(378)

(342)

Other balance sheet items

45

45

Gathering/Marketing, Sulfur assets

30

30

Unevaluated O&G Properties

198

166



Possible 20%

398

328

Probable 50%

\$4,046

\$3,355

Proved 100%

Reserves Pre-tax PV10%

\$6.67

\$5.83

NYMEX Gas Price (6 to 1 ratio)

\$40

\$35

NYMEX Oil Price

As of 12/31/04 (\$Mm, except per share and hydrocarbon prices)

*Note: The above is summarized for demonstration purposes*

**Pro-Forma Reserves by Country**

*Million BOE*

**1,982**

**348**

**58**

**63**

**49**

**47**

**24**

**US**

**Qatar**

**Yemen**

**Russia**

**Pakistan**

**Oman**

**Colombia**

**104**

**Ecuador**

Proved reserves as of 12/31/04

**217**

**Argentina**

**Bolivia**

**77**

**OXY**

**Vintage**

**Reserve Life of 12.7;  
Total proved reserves  
of 2,969 Mmboe**

**Dividends**

2002-2004 Dividend Payments  
Totalled Nearly \$1.2 Billion

Annual Payout Rates Per Common Share

2002 = \$1.00

2003 = \$1.04

2004 = \$1.10

2005 = \$1.29

2006 = \$1.44

Dividend Policy Evaluated Annually

*Cash Dividends*

*Paid Continuously Since 1975*

**What's ahead?**

Success Riding on Two Factors

Add New Projects in Core Areas to Provide Growth

Maintain Strong Asset Base to Generate Cash to Support Growth

Stay Focused on the Fundamentals

Maintain Financial Discipline and Focus

Execute Our Strategy

Create Long-Term Value

**Production Growth Projects**

Qatar:

ISND / ISSD

Dolphin

Oman: Mukhaizna Oil Field

Libya

Argentina

Permian Basin / California

Exploration

Current Plans to Drill 30-40 Wells in 2005

Awarded 9 Exploration Blocks in Libya in January

**Dolphin Gas Project**

*Projected Start late 2006*

Invest Gross Capital

of \$4 Billion  
(2004-2006)

Oxy's Share is 24.5%

Estimated Net Reserves:

300 Million BOE  
(assumes 2 BCF/Day Gas  
Production)

**Oman - Mukhaizna Oil Field**

Oxy Active in Oman  
Since 1979

Oxy's Nine Months 2005  
Production 26,500 BOE/Day

Oxy Signs 30-Year  
PSC for Oman's Mukhaizna  
Oil Field

Increase Production from  
10,000BPD to 150,000BPD  
(Gross)

CAPEX = \$2 Billion

Ultimate Recovery 1 Billion  
BBLs



## **Return to Libya**

We Have Returned to our Historical Assets

3Q 2005 production 9,000 b/d

Production will contribute approximately 22,000 b/d to Oxy's year-end 2005 exit rate.

Oxy's net working interest in Libya covers approximately 130,000 square kilometers

Exploration

Work program proceeding on nine blocks awarded earlier this year

Significant Potential for Future Production  
Growth Through Investment in EOR Projects

**Return to Libya**

**EPSA II**

**NC143**

**EPSA II**

**NC145**

**EPSA II**

**NC144**

**EPSA 85**

**NC150**

**EPSA I**

**NC74**

**EPSA I**

**NC29**

**Concessions**

**102, 103**

B

C

A

B

F

36

53

35

52

163

131

59

124

106

**Concession Blocks**

**EPSA I (Zueitina)**

**EPSA II Exploration (Oxy)**

**EPSA 85 Exploration (Oxy)**

**EPSA IV #1 Exploration (Oxy)**

**Libya**

**Tunisia**

**Algeria**

**Niger**

**Chad**

**Egypt**

*Tripoli*

*Benghazi*

**Conclusion**

Strong, Flexible Balance Sheet

Continued Oil & Gas Production Growth

Long-Lived Domestic Oil & Gas Reserve Base

New, High Potential Exploration Opportunities

*Solid Base for Future Growth  
And Profitability*

**Occidental Petroleum Corporation**

**The matters set forth in this presentation, including statements as to the expected benefits of the Vintage acquisition such as efficiencies, cost savings, financial strength, and the competitive ability and position of the combined company, and other statements identified by such words as "will," "estimates," "expects," "hopes," "projects," "plans," and similar expressions are forward-looking statements within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements involve risks and uncertainties that could significantly affect expected results, including a delay in or failure to obtain required approvals, the possibility that the anticipated benefits from the acquisition cannot be fully realized, the possibility that costs or difficulties related to the integration will be greater than expected, the ability to manage regulatory, tax and legal matters, including changes in tax rates, the impact of competition, and other risk factors related to our industries as detailed in each of Oxy's and Vintage's reports filed with the SEC. You should not place undue reliance on these forward-looking statements, which speak only as of the date of this presentation. Unless legally required, Oxy undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise. Actual results may differ from those set forth in or implied by the forward-looking statements.**

**The SEC limits the ability of oil and natural gas companies, in their filings with the SEC, to disclose reserves other than proved reserves demonstrated by actual production or conclusive formation tests to be economically producible under existing economic and operating conditions. We use certain terms in this presentation, such as probable, possible and recoverable reserves, that the SEC's guidelines limit in filings with the SEC. Additionally, the SEC requires oil and natural gas companies, in their filings, to disclose non-financial statistical information about their consolidated entities separately from such information about their equity holdings and not to show combined totals. Certain information in this presentation is shown on a combined basis; however, the information is disclosed separately in the Appendix.**

**Information contained in this presentation regarding Vintage's production, reserves, results, assets and other information has been taken from Vintage's public filings with the SEC. Oxy makes no representation with respect to the accuracy of this information.**

**U.S. investors are urged to consider carefully the disclosure in our Form 10-K, available through the following toll-free number, 1-88-OXYPETE (1-88-699-7383) or on the internet at <http://www.oxy.com>. You can also obtain a**

**copy from the SEC by  
calling 1-800-SEC-0330.**



**Appendix A Vintage Acquisition**



**Strategic Overlap**

**Argentina Strong Cash Margin**

(16.99)

(13.74)

(9.51)

Export tax impact

(7.75)

(7.75)

(6.40)

Contract Differential

\$25.56

(0.73)

(6.05)

32.31

5.70

35.26

\$60.00

\$15.50

(0.70)

(6.05)

22.25

5.70

24.09

\$40.00

\$19.48

Margin

(0.70)

G&A

(6.05)

LOE

26.23

Weighted Avg. Sales Price

5.70

Gas Sales

28.51

Oil Sales (net of export tax)

\$50.00

NYMEX Assumption

Cash Margin Under Current Export Tax\*

Per Boe

\*Hypothetical margin above assumes a 35/65 export/domestic sales split, contract differential at recent VPI observed levels at or above \$50 per Bbl. NYMEX, domestic sales value at parity to export value net of the tax, and 2005 VPI target oil/gas production mix, gas price and cost levels.

**Contribution Analysis**

	<u>VPI</u>	<u>OXY</u>
% of Enterprise Value	9%	91%
% of Market Value	5%	95%
LTM EBITDA	7%	93%
LTM Cash from Operations	6%	94%
Production (per Day)		
Oil		11% 89%
Gas		16% 84%
Boe		12% 88%
Proved Reserves (Mmboe)	15%	85%
PDP Reserves (Mmboe)	13%	87%

Note: VPI numbers have been adjusted to take out hedging effects; without share buyback VPI's Enterprise and Market Value would be 11% and 7% respectively. Market and Enterprise values are at the deal value.

**Occidental Pro-Forma Financials**

2005

14.51

14.86

**Cash Flow Per Share**

\$9.76

\$9.79

**Earnings per Share**

Occidental  
Stand-alone

Pro-Forma

Pro-forma: Consensus First Call Oxy 2005 estimate, including 9 Mm share buyback

**Worldwide Production**

Note: Occidental + Vintage - No effects of rationalization

*Occidental*

*Pro-Forma*

**Appendix B GAAP Reconciliation**

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			US				International		
Worldwide									
<u>2004</u>				OIL	GAS	BOE	OIL	GAS	
BOE	OIL	GAS	BOE						
Consolidated Subsidiaries			1,494	2,101	1,844	499	874	645	
1,993	2,975	2,489							
Other Interests				-	-	-	43	-	
	43	-	43					43	
Worldwide			1,494	2,101	1,844	542	874	688	
2,036	2,975	2,532							
 <u>2003</u>									
Consolidated Subsidiaries			1,500	1,826	1,804	490	759	617	
2,585	2,421							1,990	
Other Interests				-	-	-	48		
9	50	48	9	50					
Worldwide			1,500	1,826	1,804	538	768	667	
2,038	2,594	2,471							
 <u>2002</u>									
Consolidated Subsidiaries			1,452	1,821	1,755	476	228	514	
1,928	2,049	2,269							
Other Interests				-	-	-	42	-	
	42	-	42					42	
Worldwide			1,452	1,821	1,755	518	228		
556	1,970	2,049	2,311						
 <u>2001</u>									
Consolidated Subsidiaries			1,371	1,962	1,698	482	106	499	
2,068	2,197							1,853	
Other Interests				-	-	-	44	-	
44	44	-	44						

Worldwide			1,371	1,962	1,698	526	106	543
1,897	2,068	2,241						

**Worldwide Proven Reserves**

(Million BOE)

**GAAP RECONCILIATION**



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Consolidated Subsidiaries			Other Interests			Worldwide					
OIL	GAS	BOE	OIL	GAS	BOE	OIL	GAS	BOE			
United States		1,494	2,101	1,844		-	-	-	1,494	2,101	1,844
Qatar			237	668	348	-	-	-	237	668	
348											
Ecuador			104	-	104	-	-	-	104		-
104											
Oman			46	100	63	-	-	-	46		
100	63										
Colombia			67	-	67	(9)	-	(9)	58		-
58											
Russia			-	-	-	49	-	-			
49	49		-	49							
Yemen			39	-	39	3	-	-			
3	42		-	42							
Pakistan			6	106	24	-	-	-	6		
106	24										
			1,993	2,975	2,489	43	-	-	43	2,036	
2,975	2,532										

**2004 Proven Reserves by Country**

(Million BOE)

**GAAP RECONCILIATION**

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(Million BOE)			Consolidated Subsidiaries			Other Interests			Worldwide		
OIL	GAS	BOE	OIL	GAS	BOE	OIL	GAS	BOE	OIL	GAS	BOE

**PRODUCTION**

2000						117	259	160	8	-	
8	125	259	168								
2001						124	241	164	9	-	9
133	241	173									
2002						142	229	180	8	-	8
150	229	188									
2003						153	221	190	10	-	10
163	221	200									
2004						159	233	198	9	-	9
168	233	207									

**Proved Reserve Additions**

2000						1,041	777	1,170	-	-	-
1,041	777	1,170									
2001						219	100	236	8	-	
8	227	100	244								
2002						221	216	257	6	-	6
227	216	263									
2003						223	766	351	16	9	18
23	775	368									
2004						162	624	266	4	(9)	2
166	615	268									

**Worldwide Production and Proved Reserve Additions**

**GAAP RECONCILIATION**

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(Million BOE) Interests			Consolidated Subsidiaries				Other	
Worldwide								
OIL	GAS	BOE	OIL	GAS	BOE	OIL	GAS	BOE
<b>2004</b>								
Revisions			5	241	45	5	(9)	3
		10	232	48				
Improved Recovery			88	185	120			
1	-	1	89	185	121			
Extensions and Discoveries			30	191	61	2	-	2
	32	191	63					
Purchases			39					
7	40	(4)	-	(4)	35	7	36	
					162	624	266	
4	(9)	2	166	615	268			
<b>2003</b>								
Revisions			(1)	44	6	6	-	6
	5	44	12					
Improved Recovery			85	70	97	4	9	6
	89	79	102					
Extensions and Discoveries			41	597	141	6	-	
6	47	597	147					
Purchases			98	55	107	-		
-	-	98	55	107				
					223	766	351	
16	9	18	239	775	368			
<b>2002</b>								
Revisions			13	(54)	4	(1)		
-	(1)	12	(54)	3				
Improved Recovery			112	151	137	5		
-	5	117	151	142				

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Extensions and Discoveries				40	50	-	-	-
-			40	60	50			
Purchases				56	59	66	2	-
2	58	9	68					
						221	216	257
6	-	6		227	216	263		

**2001**

Revisions				21	(49)	13	8	-
8			29	(49)	21			
Improved Recovery				139	23	143	-	
-	-		139	23	143			
Extensions and Discoveries				56	122	76	-	
-	-		56	122	76			
Purchases				3	4			
4		-	-	-		3	4	4
						219	100	236
8	-	8		227	100	244		

**2000**

Revisions				62	223	99	1	-
1	63	223	100					
Improved Recovery				42	25	46	-	
-	-		42	25	46			
Extensions and Discoveries				37	112	56		
(1)	-	(1)		36	112	55		
Purchases				900	417	969		
-	-	-		900	417	969		
						1,041	777	1,170
-	-	-		1,041	777	1,170		

**Sources of Worldwide Proved Reserve Additions**

**GAAP RECONCILIATION**

**2004**

Occidental Petroleum Consolidated Statement of Cash Flows

Cash flow from operating activities

\$ 3,878

Cash flow from investing activities

(2,288)

Cash flow from financing activities

(824)

Change in cash

\$ 766

**2004**

**Consolidated**

**Other**

**Subsidiaries**

**Interests**

**Worldwide**

FAS 69 GAAP Oil & Gas results of operations  
\$ 2,831

\$ 2,781

\$

50

Depreciation, depletion & amortization

1,040

12

1,052

Exploration expense

1 215

214

Capital expenditures (excluding acquisitions)

(1,596)

(11)

(1,607)

Cash flow from operations

\$ 2,491

\$ 2,439

\$ 52

Sales volumes (million BOE)

206.83

Cash flow per BOE

\$ 12.04

**Oil & Gas: Cash Flow**

(\$ Millions, except \$/BOE)

**GAAP RECONCILIATION**

**Annual Average****2002 - 2004**

## Occidental Petroleum Consolidated Statement of Cash Flows

Cash flow from operating activities					\$
3,017					
Cash flow from investing activities					
(2,002)					
Cash flow from financing activities					
(599)					
Change in cash					
	\$	416			

	Annual Average 2002 - 2004				
	Consolidated	Other			
	Subsidiaries	Interests	Worldwide		
FAS 69 GAAP Oil & Gas results of operations	\$	2,095	\$	26	\$
2,121					
Depreciation, depletion & amortization		933		14	
947					
Exploration expense				176	
0	176				
Capital expenditures (excluding acquisitions)	(1,272)		(9)		(1,281)
Cash flow from operations			\$	1,932	\$
\$ 1,963					31
Sales volumes (million BOE)				200.15	

Cash flow per  
BOE

\$ 9.81

**Oil & Gas: Cash Flow**

(\$ Millions, except \$/BOE)

**GAAP RECONCILIATION**



30	2005	2004	December 31 2005	September Annualized
GAAP measure	earnings applicable	\$ 2,568	\$ 4,129	
	to common shareholders			
Interest expense			239	178
Tax effect of interest expense		(84)	(62)	
Earnings before tax-effected interest expense		\$ 2,723	4,245	
GAAP stockholders	equity	\$ 10,550	\$ 13,909	
Debt				
GAAP debt				
	Debt, including current maturities	\$ 3,804	\$ 3,017	
Non-GAAP debt				
	Capital lease obligation		26	26
	Subsidiary preferred stock		75	75
Total debt			\$ 3,905	\$ 3,461
Total capital employed		\$ 14,455	\$ 16,926	
RETURN ON CAPITAL EMPLOYED (ROCE) (%)	20.2		27.1	36.1
<b>Return on Capital Employed (ROCE)</b>				
(\$ Millions)				

**GAAP RECONCILIATION**