

OCCIDENTAL PETROLEUM CORP /DE/
Form 8-K
February 07, 2006

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported) February 7, 2006

OCCIDENTAL PETROLEUM CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

1-9210
(Commission
File Number)

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

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

90024
(ZIP code)

Registrant's telephone number, including area code:

(310) 208-8800

Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 8-K

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

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Section 2 Financial Information

Item 2.02. Results of Operations and Financial Condition

On February 7, 2006, Occidental Petroleum Corporation released information regarding its results of operations for the three and twelve months ended December 31, 2005. The exhibits to this Form 8-K and the information set forth in this Item 2.02 are being furnished pursuant to Item 2.02, Results of Operations and Financial Condition. The full text of the press release is attached to this report as Exhibit 99.1. The full text of the speeches given by Dr. Ray R. Irani and Stephen I. Chazen are attached to this report as Exhibit 99.2. Investor Relations Supplemental Schedules are attached to this report as Exhibit 99.3.

Section 8 Other Events

Item 8.01. Other Events

On February 7, 2006, Occidental Petroleum Corporation announced net income for the fourth quarter 2005 of \$1.152 billion (\$2.84 per share), compared with \$742 million (\$1.86 per share) for the fourth quarter 2004. Core earnings for the fourth quarter were \$1.158 billion (\$2.86 per share), compared with \$680 million (\$1.70 per share) for the same period in 2004.

Net income for the twelve months 2005 was \$5.281 billion (\$13.09 per share), compared with \$2.568 billion (\$6.49 per share) for the twelve months 2004. Core income was \$3.964 billion (\$9.83 per share) for 2005, compared with \$2.499 billion (\$6.32 per share) for 2004. See the attached schedules for a reconciliation of net income to core earnings for the fourth quarter and twelve months.

Oil and Gas

Oil and gas segment earnings were \$1.859 billion for the fourth quarter 2005, compared with \$1.179 billion for the fourth quarter 2004, an increase of over 57 percent. The fourth quarter 2005 included a \$9 million insurance premium increase related to Hurricane Rita in the Gulf of Mexico. After adjusting for the impact of this increase, core earnings were \$1.868 billion for the quarter. The improvement in the fourth quarter 2005 core earnings included \$759 million from higher worldwide crude oil and gas prices and \$148 million from higher crude oil and natural gas sales volumes, partially offset by higher operating, exploration, and other costs, and increased DD&A rates.

Chemicals

Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 8-K

Chemical segment earnings were \$165 million for the fourth quarter 2005, compared with \$125 million for the fourth quarter 2004. The fourth quarter 2005 included a \$6 million charge due to higher insurance premiums directly related to Hurricane Rita in the Gulf of Mexico. After adjusting for the impact of this increase, core earnings were \$171 million for the fourth quarter 2005, compared with \$125 million for last year's fourth quarter, an increase of 37 percent.

The improvement in the fourth quarter 2005 core earnings was due to contributions from the chlor-alkali operations acquired from Vulcan, higher margins in chlorine, caustic soda and

polyvinyl chloride resulting from higher sales prices, partially offset by higher energy and feedstock costs.

Twelve-Month Results

Net income for the twelve months of 2005 was \$5.281 billion and core income was \$3.964 billion. Oil and gas core income of \$6.337 billion increased 48 percent from the preceding year. The increase was due to higher worldwide crude oil and gas prices and sales volumes; partially offset by higher exploration expense, operating costs and increased DD&A rates. Chemical core income of \$777 million increased 88 percent from the preceding year. The increase was due to higher margins resulting from higher prices in chlorine, caustic soda and polyvinyl chloride; partially offset by higher energy and feedstock costs.

The 2005 net income includes the effects of several significant items related to investments -- a \$463 million after-tax gain resulting from Valero's acquisition of Premcor and subsequent sale of Valero shares received, and an \$89 million after-tax gain from the sale of 11 million shares of Lyondell Chemical Company stock; taxes -- a \$619 million tax benefit related to the resolution of certain IRS tax issues and a \$335 million tax benefit due to the reversal of tax reserves no longer required; and a \$98 million after-tax charge from the write-off of certain chemical plants.

Net income for the twelve months of 2004 was \$2.568 billion and core income was \$2.499 billion. The 2004 net income included two significant items -- \$77 million after-tax income due to the increase in the carrying value of the investment in Lyondell, resulting from Lyondell's issuing additional shares pursuant to their acquisition of Millennium Chemical Company, and \$47 million of tax benefits related to the resolution of certain IRS tax issues.

Production

Worldwide production for the fourth quarter of 2005 averaged 589,000 barrels of oil equivalent (BOE) per day, compared with 558,000 BOE per day for the fourth quarter of 2004. Daily production in the fourth quarter of 2005 increased by 5.6 percent over last year. December 2005 production averaged 596,000 BOE per day. The fourth quarter of 2005 included production of 29,000 BOE per day from the 2005 Permian acquisitions and 24,000 BOE per day from Libya. Compared to a year ago, production under the company's production-sharing contracts in Oman, Qatar, Yemen and Long Beach was negatively impacted by higher prices. If prices had remained at the fourth quarter 2004 levels, production in the fourth quarter of 2005 would have been about 9,000 BOE per day higher.

Worldwide production for the twelve months of 2005 averaged 568,000 BOE per day, slightly higher than the 566,000 BOE per day for the twelve months of 2004. Horn Mountain's daily production for the twelve months of 2005 was 14,000 BOE per day, compared with 21,000 BOE per day in 2004; 3,000 BOE per day of the decline was the result of weather in the Gulf of Mexico and scheduled maintenance downtime. The impact of higher prices resulted in lower production under the company's production-sharing contracts in Oman, Qatar, Yemen and Long Beach of about 11,000 BOE per day. The twelve months of 2005 included production of 17,000 BOE per day from the 2005 Permian acquisitions and 8,000 BOE per day from Libya.

Statements in this release that contain words such as "will," "expect" or "estimate," or otherwise relate to the future, are forward-looking and involve risks and uncertainties that could significantly affect expected results. Factors that could cause results to differ materially include, but are not limited to: exploration risks such as drilling of unsuccessful wells, global commodity pricing fluctuations, changes in tax rates, and supply/demand consideration for oil, gas and chemicals; higher-than-expected costs; and not successfully completing (or any material delay in) any expansion, capital expenditure, acquisition, or disposition. Occidental disclaims any obligation to update any forward-looking statements.

SUMMARY OF SEGMENT NET SALES AND EARNINGS

(In millions, except per-share amounts)	Fourth Quarter		Twelve Months	
	2005	2004	2005	2004
=====	=====	=====	=====	=====
SEGMENT NET SALES				
Oil and Gas	\$ 3,027	\$ 2,073	\$10,416	\$ 7,582
Chemical	1,262	985	4,641	3,675
Other	41	24	151	111
	-----	-----	-----	-----
Net sales	\$ 4,330	\$ 3,082	\$15,208	\$11,368
=====	=====	=====	=====	=====
SEGMENT EARNINGS				
Oil and Gas	\$ 1,859	\$ 1,179	\$ 6,293	\$ 4,290
Chemical	165	125	607	414
	-----	-----	-----	-----
	2,024	1,304	6,900	4,704
Unallocated Corporate Items				
Interest expense, net (a)	(23)	(53)	(201)	(240)
Income taxes (b)	(764)	(466)	(2,020)	(1,708)
Other (c)	(89)	(11)	593	(150)
	-----	-----	-----	-----
Income from Continuing Operations	1,148	774	5,272	2,606
Discontinued operations, net	4	(32)	6	(38)
Cumulative effect of accounting changes, net	--	--	3	--
	-----	-----	-----	-----
NET INCOME	\$ 1,152	\$ 742	\$ 5,281	\$ 2,568
=====	=====	=====	=====	=====
BASIC EARNINGS PER COMMON SHARE				
Income from continuing operations	\$ 2.83	\$ 1.94	\$ 13.07	\$ 6.59
Discontinued operations, net	0.01	(0.08)	0.01	(.10)
Cumulative effect of accounting changes, net	--	--	0.01	--
	-----	-----	-----	-----
	\$ 2.84	\$ 1.86	\$ 13.09	\$ 6.49
=====	=====	=====	=====	=====
DILUTED EARNINGS PER COMMON SHARE				
Income from continuing operations	\$ 2.79	\$ 1.91	\$ 12.89	\$ 6.50
Discontinued operations, net	0.01	(0.08)	0.01	(.10)
Cumulative effect of accounting				

Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 8-K

changes, net	--	--	0.01	--
	-----	-----	-----	-----
	\$ 2.80	\$ 1.83	\$ 12.91	\$ 6.40
	=====	=====	=====	=====
AVERAGE BASIC COMMON SHARES				
OUTSTANDING	405.5	399.1	403.3	395.6
=====	=====	=====	=====	=====

See footnotes on following page.

(a) The fourth quarter of 2005 includes a \$1 million interest charge to redeem an unsecured subsidiary note and purchase in the open market various amounts of Occidental's medium term notes. The twelve months of 2005 includes \$41 million of interest charges to redeem all of the outstanding 5.875-percent senior notes, 4.1-percent medium term notes and 7.65-percent senior notes and to purchase in the open market and retire various amounts of Occidental senior notes and unsecured subsidiary notes. The fourth quarter 2004 includes a \$1 million interest charge to purchase in the open market and retire various amounts of Occidental's notes. The twelve months of 2004 includes a \$16 million interest charge to redeem all of the outstanding Trust Preferred Redeemable Securities and purchase various amounts of Occidental notes.

(b) The twelve months of 2005 includes a \$335 million tax benefit due to the reversal of tax reserves no longer required as U.S. federal corporate returns for tax years 1998-2000 became closed by lapsing of the statute of limitations, a \$619 million tax benefit resulting from a closing agreement with the U.S. Internal Revenue Service (IRS) resolving certain foreign tax credit issues and a \$10 million charge related to a state income tax issue. The twelve months of 2004 includes a \$47 million credit related to settlements with the IRS.

(c) The twelve months of 2005 includes a \$726 million pre-tax gain from Valero's acquisition of Premcor and the subsequent sale of the Valero shares received and a \$140 million pre-tax gain from the sale of 11 million shares of Lyondell Chemical Company stock, which represented approximately 27 percent of Occidental's investment. The twelve months of 2004 includes \$121 million of equity income resulting from Lyondell's issuing additional shares pursuant to their acquisition of Millennium Chemical Company. Under SEC SAB No. 51, Occidental was required to record its share of the increase in Lyondell's net equity resulting from the issuance.

SUMMARY OF CAPITAL EXPENDITURES AND DD&A EXPENSE

(\$ millions)	Fourth Quarter		Twelve Months	
	2005	2004	2005	2004
CAPITAL EXPENDITURES	\$ 762	\$ 573	\$ 2,423	\$ 1,843
DEPRECIATION, DEPLETION AND AMORTIZATION OF ASSETS	\$ 409	\$ 334	\$ 1,485	\$ 1,303

SUMMARY OF OPERATING STATISTICS

	Fourth Quarter		Twelve Months	
	2005	2004	2005	2004
=====				
NET OIL, GAS AND LIQUIDS				
PRODUCTION PER DAY				
United States				
Crude oil and liquids (MBBL)				
California	78	81	76	78
Permian	170	152	161	154
Horn Mountain	14	13	13	19
Hugoton and other	3	3	3	3
	-----	-----	-----	-----
Total	265	249	253	254
Natural Gas (MMCF)				
California	247	242	242	237
Hugoton and other	139	125	133	127
Permian	180	125	170	130
Horn Mountain	6	7	8	13
	-----	-----	-----	-----
Total	572	499	553	507
Latin America				
Crude oil and liquids (MBBL)				
Colombia	36	37	36	37
Ecuador	43	44	42	46
	-----	-----	-----	-----
Total	79	81	78	83
Middle East / North Africa				
Crude oil and liquids (MBBL)				
Oman	13	13	17	13
Qatar	42	48	42	45
Yemen	24	30	28	32
Libya	24	--	8	--
	-----	-----	-----	-----
Total	103	91	95	90
Natural Gas (MMCF)				
Oman	25	66	44	55

Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 8-K

Other Eastern Hemisphere				
Crude oil and liquids (MBBL)				
Pakistan	5	6	5	7
Natural Gas (MMCF)				
Pakistan	77	79	77	75
Barrels of Oil Equivalent (MBOE)				
Subtotal consolidated subsidiaries	564	534	543	540
Other Interests				
Colombia-minority interest	(4) (5) (4) (4
Russia-Occidental net interest	28	27	28	29
Yemen-Occidental net interest	1	2	1	1
	-----	-----	-----	-----
Total Worldwide Production (MBOE)	589	558	568	566
=====	=====	=====	=====	=====

SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTING EARNINGS

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

The following tables set forth the core earnings and significant items affecting earnings for each operating segment and corporate:

SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTING EARNINGS (continued)

(\$ millions, except per-share amounts)	Fourth Quarter			
	2005	EPS	2004	EPS
TOTAL REPORTED EARNINGS	\$ 1,152	\$ 2.84	\$ 742	\$ 1.86
Oil and Gas				
Segment Earnings	\$ 1,859		\$ 1,179	
Less:				
Hurricane insurance charge	(9)		--	
Segment Core Earnings	1,868		1,179	
Chemicals				
Segment Earnings	165		125	
Less:				
Hurricane insurance charge	(6)		--	
Segment Core Earnings	171		125	
Total Segment Core Earnings	2,039		1,304	
Corporate				
Corporate Results --				
Non Segment*	(872)		(562)	
Less:				
Gain on Lyondell stock issuance	--		121	
Settlement of tax issues	--		27	
Debt purchase expense	(1)		--	
Hurricane insurance charge	--		(15)	
Tax effect of pre-tax adjustments	6		(39)	
Discontinued operations, net**	4		(32)	
Corporate Core Results --				
Non Segment	(881)		(624)	
TOTAL CORE EARNINGS	\$ 1,158	\$ 2.86	\$ 680	\$ 1.70

*Interest expense, income taxes, G&A expense and other, and non-core items

**Amounts shown after tax.

SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTING EARNINGS (continued)

(\$ millions, except per-share amounts)	Twelve Months			
	2005	EPS	2004	EPS
TOTAL REPORTED EARNINGS	\$ 5,281	\$ 13.09	\$ 2,568	\$ 6.49
Oil and Gas				
Segment Earnings	\$ 6,293		\$ 4,290	
Less:				
Contract settlement	(26)		--	
Hurricane insurance charge	(18)		--	
Segment Core Earnings	6,337		4,290	
Chemicals				
Segment Earnings	607		414	
Less:				
Write-off of plants	(159)		--	
Hurricane insurance charge	(11)		--	
Segment Core Earnings	777		414	
Total Segment Core Earnings	7,114		4,704	
Corporate				
Corporate Results --				
Non Segment*	(1,619)		(2,136)	
Less:				
Debt purchase expense	(42)		--	
Trust preferred redemption charge	--		(11)	
Gain on sale of Lyondell shares	140		--	
Gain on Premcor-Valero shares	726		--	
Gain on Lyondell stock issuance	--		121	
State tax issue charge	(10)		--	
Settlement of federal tax issues	619		47	
Reversal of tax reserves	335		--	
Equity investment impairment	(15)		--	
Equity investment hurricane insurance charge	(2)		--	
Hurricane insurance charge	(10)		(15)	
Tax effect of pre-tax adjustments	(219)		(35)	
Discontinued operations, net**	6		(38)	
Cumulative effect of accounting				

Edgar Filing: OCCIDENTAL PETROLEUM CORP /DE/ - Form 8-K

changes, net**	3		--	
	-----		-----	
Corporate Core Results --				
Non Segment	(3,150)		(2,205)	
	-----		-----	
TOTAL CORE EARNINGS	\$ 3,964	\$ 9.83	\$ 2,499	\$ 6.32
=====	=====	=====	=====	=====

*Interest expense, income taxes, G&A expense and other, and non-core items.

**Amounts shown after tax.

ITEMS AFFECTING COMPARABILITY OF CORE EARNINGS BETWEEN PERIODS

(\$ millions)	Fourth Quarter		Twelve Months	
	2005	2004	2005	2004
=====	=====	=====	=====	=====
PRE-TAX INCOME / (EXPENSE)				
Oil & Gas				
Exploration impairments	(32)	(42)	(118)	(101)
Chemicals				
Production process write-off	--	(12)	--	(12)
Insurance reserves	--	(2)	--	(2)
Corporate				
Environmental remediation	(33)	(59)	(62)	(59)
Insurance and litigation reserves	--	(16)	--	(16)

SIGNATURE

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

OCCIDENTAL PETROLEUM CORPORATION
(Registrant)

DATE: February 7, 2006

/s/ Jim A.
Leonard
Jim A. Leonard, Vice President and Controller
(Principal Accounting and Duly Authorized Officer)

EXHIBIT INDEX

- 99.1 Press release dated February 7, 2006.
- 99.2 Full text of speeches given by Dr. Ray R. Irani and Stephen I. Chazen
- 99.3 Investor Relations Supplemental Schedules