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OCCIDENTAL PETROLEUM CORP /DE/

Form 8-K

July 19, 2004

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED) JULY 19, 2004

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

DELAWARE	1-9210	95-4035997
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

10889 WILSHIRE BOULEVARD	
LOS ANGELES, CALIFORNIA	90024
(Address of principal executive offices)	(ZIP code)

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

Item 5. Other Events

1. Earnings Release
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Occidental Petroleum Corporation announced on July 19, 2004, net income for the second quarter 2004 of \$581 million (\$1.48 per share), compared with \$374 million (\$0.98 per share) for the second quarter 2003.

Oil and Gas

Oil and gas segment and core earnings were \$814 million for the second quarter 2004, compared with \$637 million for the second quarter 2003. The improvement in the second quarter 2004 earnings reflected approximately \$294 million from higher worldwide crude oil and gas prices and increased sales volumes; partially offset by higher operating expenses and increased DD&A rates. The second quarter 2003 included \$14 million in after-tax gains on asset sales.

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Chemicals

Chemical segment and core earnings were \$85 million for the second quarter 2004, compared with \$43 million for the second quarter 2003. The improvement in the second quarter 2004 results was primarily due to higher sales volumes for all major products and higher sales prices for vinyl chloride monomer, polyvinyl chloride, ethylene dichloride and chlorine; partially offset by lower caustic soda prices and higher ethylene and energy costs. The second quarter 2003 included a \$9 million asset-writedown charge and a \$15 million severance charge.

Six-Months Results

For the first six months of 2004, net income was \$1.07 billion (\$2.72 per share), compared with \$699 million (\$1.84 per share) for the first six months of 2003.

Core earnings were \$1.06 billion for 2004 compared with \$807 million for 2003. See the attached schedule for a reconciliation of net income to core earnings.

Statements in this release that contain words such as "will" or "expect," 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: global commodity pricing fluctuations, 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.

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SUMMARY OF SEGMENT NET SALES AND EARNINGS

(\$ millions, except per share amounts)	Second Quarter		Six Months	
	2004	2003	2004	2003
=====	=====	=====	=====	=====
SEGMENT NET SALES				
Oil and gas	\$ 1,783	\$ 1,440	\$ 3,476	\$ 2,993
Chemical	937	785	1,794	1,575
Other	30	41	60	69
	-----	-----	-----	-----
Net sales	\$ 2,750	\$ 2,266	\$ 5,330	\$ 4,637
=====	=====	=====	=====	=====
SEGMENT EARNINGS				
Oil and gas	\$ 814	\$ 637	\$ 1,564	\$ 1,364
Chemical	85	43	135	78
	-----	-----	-----	-----
	899	680	1,699	1,442
UNALLOCATED CORPORATE ITEMS				
Interest expense, net(a) -				

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debt and trust preferred distributions	(60)	(64)	(128)	(199)
Income taxes (b)	(209)	(167)	(399)	(345)
Other	(49)	(75)	(104)	(131)
	-----	-----	-----	-----
INCOME FROM CONTINUING OPERATIONS	581	374	1,068	767
Cumulative effect of changes in accounting principles, net	--	--	--	(68)
	-----	-----	-----	-----
NET INCOME	\$ 581	\$ 374	\$ 1,068	\$ 699
	=====	=====	=====	=====
BASIC EARNINGS PER COMMON SHARE				
Income from continuing operations	\$ 1.48	\$ 0.98	\$ 2.72	\$ 2.02
Cumulative effect of changes in accounting principles, net	--	--	--	(0.18)
	-----	-----	-----	-----
	\$ 1.48	\$ 0.98	\$ 2.72	\$ 1.84
	=====	=====	=====	=====
DILUTED EARNINGS PER COMMON SHARE				
Income from continuing operations	\$ 1.46	\$ 0.97	\$ 2.68	\$ 1.99
Cumulative effect of changes in accounting principles, net	--	--	--	(0.18)
	-----	-----	-----	-----
	\$ 1.46	\$ 0.97	\$ 2.68	\$ 1.81
	=====	=====	=====	=====
AVERAGE BASIC COMMON SHARES OUTSTANDING	393.9	382.6	392.8	380.9
	=====	=====	=====	=====

See footnotes on following page.

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- (a) The six months 2004 includes an \$11 million pre-tax interest charge to redeem all the outstanding 8.16 percent Trust Preferred Redeemable Securities on January 20, 2004. The six months 2003 includes a \$61 million pre-tax interest charge to repay a \$450 million 6.4 percent senior notes issue that had ten years of remaining life, but was subject to re-marketing on April 1, 2003.
- (b) The six months 2004 includes a \$20 million credit related to a first quarter settlement of an issue with the Internal Revenue Service. The second quarter of 2004 reflected a lower U.S. income tax rate resulting from the crediting of foreign income taxes.

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SUMMARY OF OPERATING STATISTICS

	Second Quarter		Six Months	
	2004	2003	2004	2003
=====	=====	=====	=====	=====

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NET OIL, GAS AND LIQUIDS

PRODUCTION PER DAY

United States

Crude oil and liquids (MBBL)

California	78	81	78	79
Permian	156	151	155	147
Horn Mountain	23	19	23	16
Hugoton	3	3	3	4
	-----	-----	-----	-----
Total	260	254	259	246

Natural Gas (MMCF)

California	234	252	239	257
Hugoton	132	143	129	143
Permian	132	131	136	125
Horn Mountain	15	15	16	10
	-----	-----	-----	-----
Total	513	541	520	535

Latin America

Crude oil (MBBL)

Colombia	39	36	37	37
Ecuador	47	18	45	17
	-----	-----	-----	-----
Total	86	54	82	54

Middle East

Crude oil (MBBL)

Oman	12	11	12	12
Qatar	44	51	43	49
Yemen	30	35	35	37
	-----	-----	-----	-----
Total	86	97	90	98

Natural Gas (MMCF)

Oman	56	--	33	--
------	----	----	----	----

Other Eastern Hemisphere

Crude oil (MBBL)

Pakistan	8	10	8	10
----------	---	----	---	----

Natural Gas (MMCF)

Pakistan	73	77	74	76
----------	----	----	----	----

BARRELS OF OIL EQUIVALENT (MBOE)

Subtotal consolidated subsidiaries	547	518	544	510
Colombia-minority interest	(5)	(5)	(4)	(4)
Russia-Occidental net interest	31	30	30	30
Yemen-Occidental net interest	1	1	1	2
	-----	-----	-----	-----

TOTAL WORLDWIDE PRODUCTION (MBOE)

	574	544	571	538
	=====	=====	=====	=====
CAPITAL EXPENDITURES (millions)	\$ 461	\$ 493	\$ 804	\$ 791
	=====	=====	=====	=====

DEPRECIATION, DEPLETION

AND AMORTIZATION

OF ASSETS (millions)	\$ 325	\$ 286	\$ 650	\$ 571
	=====	=====	=====	=====

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 table sets forth the core earnings and significant items affecting earnings for each operating segment and corporate:

(\$ millions, except per-share amounts)	Second Quarter			
	2004	EPS	2003	EPS
=====	=====	=====	=====	=====
TOTAL REPORTED EARNINGS	\$ 581	\$ 1.48	\$ 374	\$ 0.98
=====	=====	=====	=====	=====
OIL AND GAS				
Segment Earnings	\$ 814		\$ 637	
No significant items affecting earnings	--		--	
	-----		-----	
Segment Core Earnings	814		637	
	-----		-----	
CHEMICALS				
Segment Earnings	85		43	
No significant items affecting earnings	--		--	
	-----		-----	
Segment Core Earnings	85		43	
	-----		-----	
CORPORATE				
Results	(318)		(306)	
No significant items affecting earnings	--		--	
	-----		-----	
TOTAL CORE EARNINGS	\$ 581	\$ 1.48	\$ 374	\$ 0.98
=====	=====	=====	=====	=====

SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTING EARNINGS (CONTINUED)

Six Months

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(\$ millions, except per-share amounts)	2004	EPS	2003	EPS
=====	=====	=====	=====	=====
TOTAL REPORTED EARNINGS	\$ 1,068	\$ 2.72	\$ 699	\$ 1.84
=====	=====	=====	=====	=====
OIL AND GAS				
Segment Earnings	\$ 1,564		\$ 1,364	
No significant items affecting earnings	--		--	
-----	-----		-----	
Segment Core Earnings	1,564		1,364	
-----	-----		-----	
CHEMICALS				
Segment Earnings	135		78	
No significant items affecting earnings	--		--	
-----	-----		-----	
Segment Core Earnings	135		78	
-----	-----		-----	
CORPORATE				
Results	(631)		(743)	
Less:				
6.4% senior note remarket fee	--		(61)	
Trust preferred redemption charge	(11)		--	
IRS settlement	20		--	
Tax effect of pre-tax adjustments	4		21	
Changes in accounting principles, net*	--		(68)	
-----	-----		-----	
TOTAL CORE EARNINGS	\$ 1,055	\$ 2.69	\$ 807	\$ 2.12
=====	=====	=====	=====	=====

* Amount shown after tax.

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ITEMS AFFECTING COMPARABILITY OF CORE EARNINGS BETWEEN PERIODS

	Second Quarter		Six Months	
(\$ millions)	2004	2003	2004	2003
=====	=====	=====	=====	=====
PRE-TAX INCOME / (EXPENSE)				
OIL AND GAS				
Gain on sale of GOM assets (a)	\$ --	\$ 14	\$ --	\$ 14
CHEMICALS				
Reorganizations/severance	--	(15)	--	(15)
Chlorine derivatives asset impairment	--	(9)	--	(9)

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CORPORATE

Equity earnings	1	(14)	(2)	(35)
Environmental remediation	--	(13)	--	(13)

(a) Amount shown after-tax.

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2. Senior Management Changes

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Dr. Dale R. Laurance, President of Occidental Petroleum Corporation and head of its oil and gas operations has announced on July 19, 2004, his plan to retire December 31, 2004 upon completion of 21 years of service. Dr. Laurance's decision was based on health related considerations. Dr. Laurance will relinquish his oil and gas duties effective immediately, but will continue to serve as President and remain on Occidental's Board of Directors through the end of 2004. Dr. Ray R. Irani, Occidental's Chairman and Chief Executive officer, will assume the additional title of President on January 1, 2005.

Occidental's Board of Directors has promoted Stephen I. Chazen to the position Senior Executive Vice President and Chief Financial Officer. In addition to his current duties as CFO and head of Corporate Development, Mr. Chazen also will be responsible for oversight of the company's chemical operations and investor relations function.

John W. Morgan has been promoted to the position of President, Occidental Oil and Gas Corporation with responsibility for all worldwide exploration and production operations. Mr. Morgan, who formerly was responsible for the company's worldwide oil and gas production and engineering operations, remains an Executive Vice President of Occidental Petroleum Corporation.

In addition, R. Casey Olson has been promoted to the position of President, Occidental Development Company. In this role, Mr. Olson, who also is a Vice President of Occidental Petroleum Corporation, will be responsible for all international business development.

All three executives will report to Dr. Irani.

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Item 9. Regulation FD Disclosure and Item 12. Results of Operations and Financial Condition

On July 19, 2004, Occidental Petroleum Corporation released information regarding its results of operations for the fiscal period ended June 30, 2004. This Form 8-K is being furnished to report information pursuant to Item 9, Regulation FD Disclosure and Item 12, Results of Operations and Financial Condition. The full text of the speech given by Stephen I. Chazen is attached to this report as Exhibit 99.1. Investor Relations Supplemental Schedules are attached to this report as Exhibit 99.2.

SIGNATURE

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

OCCIDENTAL PETROLEUM CORPORATION
(Registrant)

DATE: July 19, 2004

S. P. Dominick, Jr.

S. P. Dominick, Jr., Vice President and Controller
(Chief Accounting and Duly Authorized Officer)

EXHIBIT INDEX

- 99.1 Full text of speech given by Stephen I. Chazen
- 99.2 Investor Relations Supplemental Schedules