

OCCIDENTAL PETROLEUM CORP /DE/
Form 8-K
January 31, 2013

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

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported) January 31, 2013

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

Delaware
(State or other jurisdiction
of incorporation)

1-9210
(Commission
File Number)

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

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

90024
(ZIP code)

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

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 January 31, 2013, Occidental Petroleum Corporation released information regarding its results of operations for the three and twelve months ended December 31, 2012. The exhibits to this Form 8-K and the information set forth in this Item 2.02 are being furnished pursuant to Item 2.02, Results of Operations and Financial Condition. The full text of the press release is attached to this report as Exhibit 99.1. The full text of the speeches given by Cynthia L. Walker and Stephen Chazen are attached to this report as Exhibit 99.2. Investor Relations Supplemental Schedules are attached to this report as Exhibit 99.3. Earnings Conference Call Slides are attached to this report as Exhibit 99.4. Forward-Looking Statements Disclosure for Earnings Release Presentation Materials is attached to this report as Exhibit 99.5. The information in this Item 2.02 and Exhibits 99.1 through 99.5, inclusive, shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing.

Section 8 – Other Events

Item 8.01. Other Events

On January 31, 2013, Occidental Petroleum Corporation announced core income of \$1.5 billion (\$1.83 per diluted share) for the fourth quarter of 2012, compared with \$1.6 billion (\$2.02 per diluted share) for the fourth quarter of 2011. In the fourth quarter of 2012, we recorded after-tax charges of \$1.1 billion or \$1.41 per diluted share, almost all of which was related to the impairment of gas assets in the Midcontinent. Net income for the fourth quarter of 2012 after this charge was \$336 million (\$0.42 per diluted share), compared with \$1.6 billion (\$2.01 per diluted share) for the same period of 2011.

Core income was \$5.8 billion (\$7.09 per diluted share) for the year 2012, compared with \$6.8 billion (\$8.39 per diluted share) for 2011. Net income for the twelve months of 2012 was \$4.6 billion (\$5.67 per diluted share), compared with \$6.8 billion (\$8.32 per diluted share) for 2011.

QUARTERLY RESULTS

Oil and Gas

Oil and gas core earnings were \$2.3 billion for the fourth quarter of 2012, compared with \$2.5 billion for the fourth quarter of 2011. Lower 2012 earnings resulted from lower year-over-year prices across all products in the fourth quarter of 2012 and higher DD&A rates, partially offset by higher liquids volumes. After including the fourth quarter 2012 charges, which will be discussed in more detail on the earnings call, segment earnings were \$522 million.

For the fourth quarter of 2012, daily oil and gas production volumes averaged 779,000 barrels of oil equivalent (BOE), compared with 748,000 BOE in the fourth quarter of 2011.

The fourth quarter 2012 production increase resulted from higher volumes of 26,000 BOE per day from domestic operations and 5,000 BOE per day from international production. The international increase included higher production in Iraq, Bahrain and Libya, partially offset by lower volumes from Dolphin, resulting from the full cost recovery of pre-startup capital, and in Yemen due to the Masila field contract expiration.

Daily sales volumes increased from 749,000 BOE in the fourth quarter of 2011 to 784,000 BOE in the fourth quarter of 2012.

Oxy's realized price for worldwide crude oil was \$96.19 per barrel for the fourth quarter of 2012, compared with \$99.62 per barrel for the fourth quarter of 2011. The fourth quarter of 2012 realized oil price represents 109 percent of the average WTI and 87 percent of the average Brent price. Worldwide NGL prices were \$45.08 per barrel in the fourth quarter of 2012, compared with \$55.25 per barrel in the fourth quarter of 2011. Domestic gas prices decreased 14 percent from \$3.59 per MCF in the fourth quarter of 2011 to \$3.09 per MCF for the fourth quarter of 2012.

Fourth quarter 2012 realized prices were higher than third quarter 2012 prices for worldwide NGLs and domestic natural gas but were slightly lower for worldwide crude oil. On a sequential quarterly basis, prices increased 11 percent for NGLs and 25 percent for domestic natural gas and decreased less than 1 percent for worldwide crude oil.

Chemical

Chemical segment earnings for the fourth quarter of 2012 were \$180 million, compared with \$144 million in the fourth quarter of 2011. The increase was primarily the result of higher export volumes for caustic soda and vinyl chloride monomer and lower ethylene costs.

Midstream, Marketing and Other

Midstream segment earnings were \$75 million for the fourth quarter of 2012, compared with \$70 million for the fourth quarter of 2011.

TWELVE-MONTH RESULTS

Oil and Gas

Oil and gas core earnings were \$8.8 billion for the twelve months of 2012, compared with \$10.3 billion for the same period of 2011. The decrease in 2012 reflected lower NGL and natural gas prices, higher operating costs, exploration expense and DD&A rates, partially offset by higher oil prices and domestic volumes. Segment earnings, after including the fourth quarter charges, were \$7.1 billion for 2012, compared with \$10.2 billion for 2011.

Oil and gas production volumes for the twelve months were 766,000 BOE per day for 2012, compared with 733,000 BOE per day for the same period in 2011. Year-over-year, Oxy's domestic production increased by 9 percent, while total company production increased by 5 percent. Dolphin's full cost recovery of pre-startup capital, which reduced production, was the only operation where production sharing and similar contracts had an appreciable effect.

The twelve-month 2012 production increase resulted from 37,000 BOE per day in higher domestic volumes, partially offset by lower volumes in the Middle East/North Africa and Latin America.

Daily sales volumes were 764,000 BOE in the twelve months of 2012, compared with 731,000 BOE for the same period in 2011.

Oxy's realized prices improved for crude oil but declined for natural gas and NGLs on a year-over-year basis. Worldwide crude oil prices were \$99.87 per barrel for the twelve months of 2012, compared with \$97.92 per barrel for the twelve months of 2011. Worldwide NGL prices were \$45.18 per

barrel for the year 2012, compared with \$55.53 per barrel for the year 2011. Domestic gas prices declined 35 percent, from \$4.06 per MCF in the twelve months of 2011 to \$2.62 per MCF in the twelve months of 2012.

Chemical

Chemical segment earnings were \$720 million for the twelve months of 2012, compared with \$861 million for the same period in 2011. The reduction was primarily a result of lower margins due to weaker economic conditions in Europe and Asia, and increased competitive activity from these regions. The calcium chloride and potassium hydroxide businesses were also negatively impacted by an extremely mild winter and drought conditions in the United States.

Midstream, Marketing and Other

Midstream segment earnings were \$439 million for the twelve months of 2012, compared with \$448 million for the same period in 2011.

Forward-Looking Statements

Portions of this report contain forward-looking statements and involve risks and uncertainties that could materially 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; supply and demand considerations for Occidental's products; general domestic political and regulatory approval conditions; higher-than-expected costs; international political conditions; not successfully completing, or any material delay of, any development of new fields, expansion projects, capital expenditures, efficiency-improvement projects, acquisitions or dispositions; potential failure to achieve expected production from existing and future oil and gas development projects or acquisitions; exploration risks such as drilling unsuccessful wells; any changes in general economic conditions domestically or internationally; the ability to attract trained engineers; potential liability for remedial actions under existing or future environmental regulations and litigation; potential liability resulting from pending or future litigation; potential disruption or interruption of Occidental's production or manufacturing or damage to facilities due to accidents, chemical releases, labor unrest, weather, natural disasters, political events or insurgent activity; failure of risk management; changes in law or regulations; or changes in tax rates. Words such as "estimate", "project", "predict", "will", "would", "should", "could", "may", "might", "anticipate", "plan", "intend", "believe", "expect", "aim", "goal", "target", "objective", "likely" or similar expressions that convey the uncertainty of future events or outcomes generally indicate forward-looking statements. You should not place undue reliance on these forward-looking statements, which speak only as of the date of this report. Unless legally required, Occidental does not undertake any obligation to update any forward-looking statements, as a result of new information, future events or otherwise. Material risks that may affect Occidental's results of operations and financial position appear in Part 1, Item 1A "Risk Factors" of the 2011 Form 10-K.

SUMMARY OF SEGMENT NET SALES AND EARNINGS

(\$ millions, except per-share amounts)	Fourth Quarter		Twelve Months	
	2012	2011	2012	2011
SEGMENT NET SALES				
Oil and Gas	\$ 4,874	\$ 4,784	\$ 18,906	\$ 18,419
Chemical	1,141	1,094	4,580	4,815
Midstream, Marketing and Other	355	338	1,399	1,447
Eliminations	(199)	(182)	(713)	(742)
Net Sales	\$ 6,171	\$ 6,034	\$ 24,172	\$ 23,939
SEGMENT EARNINGS				
Oil and Gas (a)	\$ 522	\$ 2,537	\$ 7,095	\$ 10,241
Chemical	180	144	720	861
Midstream, Marketing and Other	75	70	439	448
	777	2,751	8,254	11,550
Unallocated Corporate Items				
Interest expense, net (b)	(30)	(25)	(117)	(284)
Income taxes (c)	(249)	(949)	(3,118)	(4,201)
Other	(134)	(136)	(384)	(425)
Income from Continuing Operations	364	1,641	4,635	6,640
Discontinued operations, net (d)	(28)	(7)	(37)	131
NET INCOME	\$ 336	\$ 1,634	\$ 4,598	\$ 6,771
BASIC EARNINGS PER COMMON SHARE				
Income from continuing operations	\$ 0.45	\$ 2.02	\$ 5.72	\$ 8.16
Discontinued operations, net	(0.03)	(0.01)	(0.05)	0.16