

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

Form 10-K

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

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

For the fiscal year ended December 31, 2017

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

5 Greenway Plaza, Suite 110, Houston, Texas

Zip Code

77046

Registrant's telephone number, including area code

(713) 215-7000

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

Title of Each Class

Name of Each Exchange on Which Registered

9 1/4% Senior Debentures due 2019

New York Stock Exchange

Common Stock, \$0.20 par value

New York Stock Exchange

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act: (Note: Checking the box will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Exchange Act from their obligations under those Sections). Yes  No

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 for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or such shorter period as the registrant was required to submit and post files). 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.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. (See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act).

Large Accelerated Filer  Accelerated Filer  Emerging Growth Company

Non-Accelerated Filer  Smaller Reporting Company

If an Emerging Growth Company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2) Yes  No

The aggregate market value of the voting common stock held by nonaffiliates of the registrant was approximately \$45.8 billion, computed by reference to the closing price on the New York Stock Exchange composite tape of \$59.87 per share of Common Stock on June 30, 2017. Shares of Common Stock held by each executive officer and director have been excluded from this computation in that such persons may be deemed to be affiliates. This determination of potential affiliate status is not a conclusive determination for other purposes.

At January 31, 2018, there were 765,148,694 shares of Common Stock outstanding, par value \$0.20 per share.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement, relating to its May 4, 2018 Annual Meeting of Stockholders, are incorporated by reference into Part III.

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## Part I

### ITEMS 1 AND 2 BUSINESS AND PROPERTIES

In this report, "Occidental" means Occidental Petroleum Corporation, a Delaware corporation (OPC) incorporated in 1986, or OPC and one or more entities in which it owns a controlling interest (subsidiaries). Occidental conducts its operations through various subsidiaries and affiliates. Occidental's executive offices are located at 5 Greenway Plaza, Suite 110, Houston, Texas 77046; telephone (713) 215-7000.

#### GENERAL

Occidental's principal businesses consist of three segments. The oil and gas segment explores for, develops and produces oil and condensate, natural gas liquids (NGLs) and natural gas. The chemical segment (OxyChem) mainly manufactures and markets basic chemicals and vinyls. The midstream and marketing segment gathers, processes, transports, stores, purchases and markets oil, condensate, NGLs, natural gas, carbon dioxide (CO<sub>2</sub>) and power. It also trades around its assets, including transportation and storage capacity. Additionally, the midstream and marketing segment operates a crude oil export terminal, as well as invests in entities that conduct similar activities.

For information regarding Occidental's segments, geographic areas of operation and current developments, including strategies and actions related thereto, see the information in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" (MD&A) section of this report and Note 16 to the Consolidated Financial Statements.

### OIL AND GAS OPERATIONS

#### General

Occidental's domestic upstream oil and gas operations are located in New Mexico and Texas. International operations are located in Colombia, Oman, Qatar and the United Arab Emirates (UAE).

#### Proved Reserves and Sales Volumes

The table below shows Occidental's total oil, NGLs and natural gas proved reserves and sales volumes in 2017, 2016 and 2015. See "MD&A — Oil and Gas Segment," and the information under the caption "Supplemental Oil and Gas Information" for certain details regarding Occidental's proved reserves, the reserves estimation process, sales and production volumes, production costs and other reserves-related data.

#### Competition

As a producer of oil and condensate, NGLs and natural gas, Occidental competes with numerous other domestic and foreign private and government producers. Oil, NGLs and natural gas are commodities that are sensitive to prevailing global and local, current and anticipated market conditions. Occidental competes for transportation capacity and infrastructure for the delivery of its products, which are sold at current market prices or on a forward basis to refiners and other market participants. Occidental's competitive strategy relies on increasing production through developing conventional and unconventional fields, utilizing primary and enhanced oil recovery (EOR) techniques and strategic acquisitions in areas where Occidental has a competitive advantage as a result of its current successful operations or investments in shared infrastructure. Occidental also competes to develop and produce its worldwide oil and gas reserves cost-effectively, maintain a skilled workforce and obtain quality services.

#### Comparative Oil and Gas Proved Reserves and Sales Volumes

Oil, which includes condensate, and NGLs are in millions of barrels; natural gas is in billions of cubic feet (Bcf); barrels of oil equivalent (BOE) are in millions.

	2017				2016				2015			
	Oil	NGLs	Gas	BOE (a)	Oil	NGLs	Gas	BOE (a)	Oil	NGLs	Gas	BOE (a)
<b>Proved Reserves</b>												
United States	1,107	247	1,205	1,555	960	219	1,045	1,353	915	186	1,019	1,271
International	408	198	2,626	1,043	397	201	2,729	1,053	394	144	2,349	929
Total	1,515	445	3,831	2,598	1,357	420	3,774	2,406	1,309	330	3,368	2,200
<b>Sales Volumes</b>												
United States	73	20	108	111	69	19	132	110	73	20	155	119
International	66	11	188	109	74	11	217	121	86	7	205	127
Total	139	31	296	220	143	30	349	231	159	27	360	246

**Note:** The detailed proved reserves information presented in accordance with Item 1202(a)(2) to Regulation S-K under the Securities Exchange Act of 1934 (Exchange Act) is provided under the heading "Supplemental Oil and Gas Information". Proved reserves are stated on a net basis after applicable royalties.

(a) Natural gas volumes are converted to BOE at six thousand cubic feet (Mcf) of gas per one barrel of oil. Barrels of oil equivalence does not necessarily result in price equivalence. The price of natural gas on a barrel of oil equivalent basis is currently substantially lower than the corresponding price for oil and has been similarly lower for a number of years. For example, in 2017, the average prices of West Texas Intermediate (WTI) oil and New York Mercantile Exchange (NYMEX) natural gas were \$51.34 per barrel and \$3.08 per Mcf, respectively, resulting in an oil to gas ratio of 17 to 1.

## CHEMICAL OPERATIONS

### General

OxyChem owns and operates manufacturing plants at 22 domestic sites in Alabama, Georgia, Illinois, Kansas, Louisiana, Michigan, New Jersey, New York, Ohio, Tennessee and Texas and at two international sites in Canada and Chile. In early 2014, OxyChem, through a 50/50 joint venture with Mexichem S.A.B. de C.V., broke ground on a 1.2 billion pound-per-year ethylene cracker at the OxyChem Ingleside facility. The cracker began commercial operations in the first quarter of 2017. OxyChem completed construction on the previously announced expansion of its manufacturing plant in Geismar, Louisiana, on budget and on time. In December 2017, the new facility began producing 4CPE, a new raw

OxyChem produces the following products:

material used in making next-generation, climate-friendly refrigerants with a low global-warming and zero ozone-depletion potential.

### Competition

OxyChem competes with numerous other domestic and foreign chemical producers. OxyChem's market position was first or second in the United States (U.S.) in 2017 for the principal basic chemicals products it manufactures and markets as well as for vinyl chloride monomer (VCM). OxyChem ranks in the top three producers of polyvinyl chloride (PVC) in the United States. OxyChem's competitive strategy is to be a low-cost producer of its products in order to compete on price.

Principal Products	Major Uses	Annual Capacity
<b>Basic Chemicals</b>		
Chlorine	Raw material for ethylene dichloride (EDC), water treatment and pharmaceuticals	3.4 million tons
Caustic soda	Pulp, paper and aluminum production	3.5 million tons
Chlorinated organics	Refrigerants, silicones and pharmaceuticals	1.0 billion pounds
Potassium chemicals	Fertilizers, batteries, soaps, detergents and specialty glass	0.4 million tons
EDC	Raw material for vinyl chloride monomer (VCM)	2.1 billion pounds
Chlorinated isocyanurates	Swimming pool sanitation and disinfecting products	131 million pounds
Sodium silicates	Catalysts, soaps, detergents and paint pigments	0.6 million tons
Calcium chloride	Ice melting, dust control, road stabilization and oil field services	0.7 million tons
<b>Vinyls</b>		
VCM	Precursor for polyvinyl chloride (PVC)	6.2 billion pounds
PVC	Piping, building materials and automotive and medical products	3.7 billion pounds
Ethylene	Raw material for VCM	1.2 billion pounds (a)

(a) Amount is gross production capacity for 50/50 joint venture with Mexichem.

## MIDSTREAM AND MARKETING OPERATIONS

### General

Occidental's midstream and marketing operations primarily support and enhance its oil and gas and chemicals businesses and also provide similar services for third parties.

In 2017, Occidental became the largest exporter of Permian light sweet crude from the U.S. Gulf Coast. The export market for crude has developed since the lifting of the export ban in 2016. While U.S. producers have increased production of light crude, U.S. refineries are constrained in their ability to process incremental volumes of light crude without significant incremental capital investment, necessitating exports to international markets. Occidental owns and operates a crude oil terminal at Ingleside in the Port of Corpus Christi. Occidental believes it is the premier crude oil terminal on the U.S. Gulf Coast due to its logistical benefits, high loading rate and access to sizable quantities of consistent quality Permian crude oil. In response to the increase in Permian production and the need to export these barrels, Occidental is expanding its Ingleside Crude Terminal to approximately 750,000 barrels per day of capacity and 6.8 million barrels of storage which is expected to be operational by the end of 2019. Occidental is also expanding the facility to be capable of

loading very large crude carrier (VLCC) size vessels by the fourth quarter of 2018.

### Competition

Occidental's midstream and marketing businesses operate in competitive and highly regulated markets. Occidental's Ingleside Crude Terminal and domestic pipeline businesses compete with other midstream companies to provide transportation services. The competitive strategy of Occidental's domestic pipeline business is to ensure that its pipeline and gathering systems connect various production areas to multiple market locations. Transportation rates are regulated and tariff-based. Occidental's Ingleside Crude Terminal business is to provide terminalling services and access to domestic and international markets for increasing Permian Basin production. Other midstream and marketing operations also support Occidental's domestic and international oil and gas and chemical operations. Occidental's marketing business competes with other market participants on exchange platforms and through other bilateral transactions with direct counterparties. Occidental maximizes the value of its transportation and storage assets by marketing its own and third-party production in the oil and gas business.

The midstream and marketing operations are conducted in the locations described below:

Location	Description	Capacity
<b>Gas Plants</b>		
Texas, New Mexico and Colorado	Occidental and third-party-operated natural gas gathering, compression and processing systems, and CO <sub>2</sub> processing and capturing	2.8 Bcf per day
Texas	50/50 non-controlling interest in gas processing facility (cryogenic plant with acid gas treating capability)	0.2 Bcf per day
United Arab Emirates	Natural gas processing facilities for Al Hosn Gas	1.1 Bcf per day
<b>Pipelines and Gathering Systems</b>		
Texas, New Mexico, and Oklahoma	Common carrier oil pipeline and storage system	720,000 barrels of oil per day 7.1 million barrels of oil storage 2,950 miles of pipeline
Texas, New Mexico and Colorado	CO <sub>2</sub> fields and pipeline systems transporting CO <sub>2</sub> to oil and gas producing locations	2.6 Bcf per day
Dolphin Pipeline - Qatar and United Arab Emirates	Equity investment in a natural gas pipeline	3.2 Bcf of natural gas per day
Western and Southern United States and Canada	Equity investment in entity involved in pipeline transportation, storage, terminalling and marketing of oil, gas and related petroleum products	19,200 miles of active crude oil and NGL pipelines and gathering systems. (a) 142 million barrels of crude oil, refined products and NGL storage capacity and 97 Bcf of natural gas storage working capacity.(a)
<b>Ingleside Crude Terminal</b>		
Texas	Oil pipeline, terminal and storage system	300,000 barrels of oil per day 2.1 million barrels of oil storage
<b>Power Generation</b>		
Texas and Louisiana	Occidental-operated power and steam generation facilities	1,200 megawatts and 1.6 million pounds of steam per hour

(a) Amounts are gross, including interests held by third parties.

## CAPITAL EXPENDITURES

For information on capital expenditures, see the information under the heading "Liquidity and Capital Resources" in the MD&A section of this report.

## EMPLOYEES

Occidental employed approximately 11,000 people at December 31, 2017, 7,000 of whom were located in the U.S. Occidental employed approximately 7,000 people in the oil and gas and midstream and marketing segments and 3,000 people in the chemical segment. An additional 1,000 people were employed in administrative and headquarters functions. Approximately 500 U.S.-based employees and 900 foreign-based employees are represented by labor unions.

## ENVIRONMENTAL REGULATION

For environmental regulation information, including associated costs, see the information under the heading "Environmental Liabilities and Expenditures" in the MD&A section of this report and "Risk Factors."

## AVAILABLE INFORMATION

Occidental makes the following information available free of charge on its website at [www.oxy.com](http://www.oxy.com):

- Ø Forms 10-K, 10-Q, 8-K and amendments to these forms as soon as reasonably practicable after they are electronically filed with, or furnished to, the Securities and Exchange Commission (SEC);
- Ø Other SEC filings, including Forms 3, 4 and 5; and
- Ø Corporate governance information, including its Corporate Governance Policies, board-committee charters and Code of Business Conduct.

Information contained on Occidental's website is not part of this report.

## ITEM 1A RISK FACTORS

### ***Volatile global and local commodity pricing strongly affect Occidental's results of operations.***

Occidental's financial results correlate closely to the prices it obtains for its products, particularly oil and, to a lesser extent, natural gas and NGLs, and its chemical products.

Prices for crude oil, natural gas and NGLs fluctuate widely. Historically, the markets for crude oil, natural gas, NGLs and refined products have been volatile and may continue to be volatile in the future. If the prices of oil, natural gas, or NGLs continue to be volatile, reverse their recent increases or decline, Occidental's operations, financial condition, cash flows and level of expenditures may be materially and adversely affected.

Prices are set by global and local market forces which are not in Occidental's control. These factors include, among others:

- Ø Worldwide and domestic supplies of, and demand for, crude oil, natural gas, NGLs and refined products.
- Ø The cost of exploring for, developing, producing, refining and marketing crude oil, natural gas, NGLs and refined products.
- Ø Operational impacts such as production disruptions, technological advances and regional market conditions,

including available transportation capacity and infrastructure constraints in producing areas.

- Ø Changes in weather patterns and climate.
- Ø The impacts of the members of OPEC and other non-OPEC member-producing nations that may agree to and maintain production levels.
- Ø The worldwide military and political environment, uncertainty or instability resulting from an escalation or outbreak of armed hostilities or acts of terrorism in the United States, or elsewhere.
- Ø The price and availability of alternative and competing fuels.
- Ø Domestic and foreign governmental regulations and taxes.
- Ø Additional or increased nationalization and expropriation activities by foreign governments.
- Ø General economic conditions worldwide.
- Ø Volatility in commodity futures markets.

The long-term effects of these and other conditions on the prices of crude oil, natural gas, NGLs and refined products are uncertain. Generally, Occidental's practice is to remain exposed to market prices of commodities; however, management may elect to hedge the price risk of crude oil, natural gas and NGLs in the future.

The prices obtained for Occidental's chemical products correlate strongly to the health of the United States and global economies, as well as chemical industry expansion and contraction cycles. Occidental also depends on feedstocks and energy to produce chemicals, which are commodities subject to significant price fluctuations.

### ***Occidental may experience delays, cost overruns, losses or other unrealized expectations in development efforts and exploration activities.***

Occidental bears the risks of equipment failures, construction delays, escalating costs or competition for services, materials, supplies or labor, property or border disputes, disappointing drilling results or reservoir performance, title problems and other associated risks that may affect its ability to profitably grow production, replace reserves and achieve its targeted returns.

Exploration is inherently risky and is subject to delays, misinterpretation of geologic or engineering data, unexpected geologic conditions or finding reserves of disappointing quality or quantity, which may result in significant losses.

### ***Governmental actions and political instability may affect Occidental's results of operations.***

Occidental's businesses are subject to the decisions of many federal, state, local and foreign governments and political interests. As a result, Occidental faces risks of:

- Ø New or amended laws and regulations, or new or different applications or interpretations of existing laws and regulations, including those related to drilling, manufacturing or production processes (including well stimulation techniques such as hydraulic fracturing and acidization), labor and employment, taxes, royalty rates, permitted production rates, entitlements, import, export and use of raw materials, equipment or products, use or increased use of land, water and other natural resources, safety, the manufacturing of chemicals, asset integrity management, the marketing of commodities, security and environmental protection, all of which may restrict or prohibit activities of Occidental or its contractors, increase

Occidental's costs or reduce demand for Occidental's products.

- Ø Refusal of, or delay in, the extension or grant of exploration, development or production contracts.
- Ø Development delays and cost overruns due to approval delays for, or denial of, drilling, construction, environmental and other permits and authorizations.

In addition, Occidental has and may continue to experience adverse consequences, such as risk of loss or production limitations, because certain of its international operations are located in countries affected by political instability, nationalizations, corruption, armed conflict, terrorism, insurgency, civil unrest, security problems, labor unrest, OPEC production restrictions, equipment import restrictions and sanctions. Exposure to such risks may increase if a greater percentage of Occidental's future oil and gas production or revenue comes from international sources.

***Occidental's oil and gas business operates in highly competitive environments, which affect, among other things, its ability to make acquisitions to grow production and replace reserves.***

Results of operations, reserves replacement and growth in oil and gas production depend, in part, on Occidental's ability to profitably acquire additional reserves. Occidental has many competitors (including national oil companies), some of which: (i) are larger and better funded, (ii) may be willing to accept greater risks or (iii) have special competencies. Competition for reserves may make it more difficult to find attractive investment opportunities or require delay of reserve replacement efforts. In addition, during periods of low product prices, any cash conservation efforts may delay production growth and reserve replacement efforts.

Occidental's acquisition activities also carry risks that it may: (i) not fully realize anticipated benefits due to less-than-expected reserves or production or changed circumstances, such as declines in crude oil, NGL, and gas prices; (ii) bear unexpected integration costs or experience other integration difficulties; (iii) experience share price declines based on the market's evaluation of the activity; or (iv) assume liabilities that are greater than anticipated.

***Occidental's oil and gas reserves are estimates based on professional judgments and may be subject to revision.***

Reported oil and gas reserves are an estimate based on periodic review of reservoir characteristics and recoverability, including production decline rates, operating performance and economic feasibility at the prevailing commodity prices, assumptions concerning future crude oil and natural gas prices, future operating costs and capital expenditures, and assumed effects of regulation by governmental agencies. The procedures and methods for estimating the reserves by our internal engineers were reviewed by independent petroleum consultants; however, there are inherent uncertainties in estimating reserves. Actual production, revenues and expenditures with respect to our reserves may vary from estimates, and the variance may be material. If Occidental were required to make significant negative reserve revisions, its results of operations and stock price could be adversely affected. In addition, the discounted cash flows included in this Form 10-K should not be construed as the fair value of the reserves attributable to our properties. The estimated discounted future net cash flows from proved reserves are based on an unweighted 12-month average first-day-of-the-month prices in accordance with SEC regulations. Actual future

prices and costs may differ materially from SEC regulation-compliant prices and costs used for purposes of estimating future discounted net cash flows from proved reserves.

***Concerns about climate change and further regulation of greenhouse gas emissions may adversely affect Occidental's operations or results.***

Continuing political and social attention to the issue of climate change has resulted in both existing and pending international agreements and national, regional and local legislation and regulatory programs to reduce greenhouse gas emissions. These and other government actions relating to greenhouse gas emissions could require Occidental to incur increased operating and maintenance costs, such as costs to purchase and operate emissions control systems, to acquire emissions allowances or comply with new regulatory or reporting requirements, or they could promote the use of alternative sources of energy and thereby decrease demand for oil, natural gas and other products that Occidental's businesses produce. Any such legislation or regulatory programs could also increase the cost of consuming, and thereby reduce demand for, oil, natural gas and other products produced by Occidental's businesses. Consequently, government actions designed to reduce emissions of greenhouse gases could have an adverse effect on Occidental's business, financial condition and results of operations. In addition, increasing attention to climate change risks has resulted in an increased possibility of governmental investigations and additional private litigation against Occidental, which could increase our costs or otherwise adversely affect our business.

It is difficult to predict the timing and certainty of such government actions and the ultimate effect on Occidental, which could depend on, among other things, the type and extent of greenhouse gas reductions required, the availability and price of emissions allowances or credits, the availability and price of alternative fuel sources, the energy sectors covered, and Occidental's ability to recover the costs incurred through its operating agreements or the pricing of the company's oil, natural gas and other products.

***Occidental's businesses may experience catastrophic events.***

The occurrence of events such as hurricanes, floods, droughts, earthquakes or other acts of nature, well blowouts, fires, explosions, chemical releases, crude oil releases, including maritime releases and releases into navigable waters, material or mechanical failure, industrial accidents, physical attacks and other events that cause operations to cease or be curtailed may negatively affect Occidental's businesses and the communities in which it operates. Coastal operations are particularly susceptible to disruption from extreme weather events. Third-party insurance may not provide adequate coverage or Occidental may be self-insured with respect to the related losses.

***Cyber-attacks could significantly affect Occidental.***

Cyber-attacks on businesses have escalated in recent years. Occidental relies on digital systems, related infrastructure, technologies and networks to run its business and to control and manage its oil and gas, chemicals, marketing and pipeline operations. Use of the internet, cloud services and other public networks exposes Occidental's business and that of other third parties with whom Occidental does business to cyber-attacks that attempt to gain unauthorized access to



data and systems, release confidential information, corrupt data and disrupt critical systems and operations. Even though Occidental has implemented controls and multiple layers of security to mitigate the risks of a cyber-attack that it believes are reasonable, there can be no assurance that such cyber security measures will be sufficient to prevent security breaches of its systems from occurring. Further, Occidental has no control over the comparable systems of the third parties with whom it does business. While Occidental has experienced cyber-attacks in the past, Occidental has not suffered any material losses. However, if in the future Occidental's cyber security measures are compromised or prove insufficient, the potential consequences to Occidental's businesses and the communities in which it operates could be significant. As cyber-attacks continue to evolve in magnitude and sophistication, Occidental may be required to expend additional resources in order to continue to enhance Occidental's cyber security measures and to investigate and remediate any digital systems, related infrastructure, technologies and network security vulnerabilities.

***Occidental's oil and gas reserve additions may not continue at the same rate and a failure to replace reserves may negatively affect Occidental's business.***

Unless Occidental conducts successful exploration or development activities, acquires properties containing proved reserves, or both, proved reserves will generally decline. Management expects improved recovery, extensions and discoveries to continue as main sources for reserve additions but factors such as geology, government regulations and permits, and the effectiveness of development plans are partially or fully outside management's control and could cause results to differ materially from expectations.

***The ultimate impact of the 2017 Tax Cuts and Jobs Act (Tax Reform) may differ from Occidental's estimates.***

Tax Reform was enacted in December 2017 and made significant changes to the U.S. federal income tax law, including lowering the federal corporate income tax rate from 35 percent to 21 percent, repealing the corporate alternative minimum tax (AMT) and mandating a deemed repatriation of accumulated earnings and profits of U.S.-owned foreign corporations. Occidental recorded the effects of the changes in the tax law for which the accounting was complete. In accordance with the guidance from the SEC, Occidental recorded a provisional estimate for the federal and state tax associated with the mandatory deemed repatriation and the resulting impact to the net federal deferred tax liability. With regards to the global intangible low-taxed income (GILTI) and base erosion anti-abuse tax (BEAT) provisions of the new tax law, Occidental has recorded no tax liability based on preliminary estimates. The ultimate impact of Tax Reform may differ from Occidental's

estimates due to changes in interpretations and assumptions, as well as additional regulatory guidance. Occidental will adjust provisional amounts as updated information is evaluated.

***Other risk factors.***

Additional discussion of risks and uncertainties related to price and demand, litigation, environmental matters, oil and gas reserves estimation processes, impairments, derivatives, market risks and internal controls appears under the headings: "MD&A — Oil & Gas Segment — Proved Reserves" and "— Industry Outlook," "— Chemical Segment — Industry Outlook," "— Midstream and Marketing Segment — Industry Outlook," "— Lawsuits, Claims and Contingencies," "— Environmental Liabilities and Expenditures," "— Critical Accounting Policies and Estimates," "— Quantitative and Qualitative Disclosures About Market Risk," and "Management's Annual Assessment of and Report on Internal Control Over Financial Reporting."

The risks described in this report are not the only risks facing Occidental and other risks, including risks deemed immaterial, may have material adverse effects.

**ITEM 1B UNRESOLVED STAFF COMMENTS**

None.

**ITEM 3 LEGAL PROCEEDINGS**

In the fourth quarter of 2014, the U.S. Department of Transportation Pipeline and Hazardous Materials Safety Administration sent a notice to an OPC subsidiary that it is seeking penalties of \$165,900 related to a routine, comprehensive inspection of the subsidiary's records, procedures and facilities, covering a multi-year period. The subsidiary contested the penalties and is awaiting a decision.

In the third quarter of 2014, the U.S. Department of Transportation Pipeline and Hazardous Materials Safety Administration sent a notice to an OPC subsidiary that it is seeking civil penalties related to a crude oil pipeline incident in Scurry County, Texas. The subsidiary is contesting the \$122,400 in penalties being sought.

For information regarding other legal proceedings, see the information under the caption "Lawsuits, Claims Commitments and Contingencies" in the MD&A section of this report and in Note 9 to the Consolidated Financial Statements.

**ITEM 4 MINE SAFETY DISCLOSURES**

Not applicable.

## EXECUTIVE OFFICERS

The current term of office of each executive officer of Occidental will expire at the May 4, 2018, meeting of the Board of Directors or when a successor is selected. The following table sets forth the executive officers of Occidental:

Name Current Title	Age at February 22, 2018	Positions with Occidental and Subsidiaries and Employment History
<b>Vicki Hollub</b> Chief Executive Officer and President	58	President, Chief Executive Officer and Director since April 2016; President, Chief Operating Officer and Director, 2015-2016; Senior Executive Vice President and President, Oxy Oil and Gas, 2015; Executive Vice President and President Oxy Oil and Gas - Americas, 2014-2015; Vice President and Executive Vice President, U.S. Operations, Oxy Oil and Gas, 2013-2014; Executive Vice President - California Operations, 2012-2013.
<b>Cedric W. Burgher</b> Chief Financial Officer and Senior Vice President	57	Senior Vice President and Chief Financial Officer since May 2017; EOG Resources: Senior Vice President, Investor and Public Relations, 2014-2017, QR Energy L.P.; Chief Financial Officer, 2010-2014.
<b>Edward A. "Sandy" Lowe</b> Executive Vice President	66	Executive Vice President since 2015; Group Chairman - Middle East since 2016; Senior Vice President, 2008-2015; President - Oxy Oil & Gas International, 2009-2016.
<b>Marcia E. Backus</b> Senior Vice President	63	Senior Vice President, General Counsel and Chief Compliance Officer since December 2016; Senior Vice President, General Counsel, Chief Compliance Officer and Corporate Secretary, 2015-2016; Vice President, General Counsel and Corporate Secretary, 2014-2015; Vice President and General Counsel, 2013-2014; Vinson & Elkins: Partner, 1990-2013.
<b>Joseph C. Elliott</b> Senior Vice President	60	Senior Vice President since December 2016; President - Oxy Oil & Gas Domestic since June 2015; President and General Manager - Permian Resources Midland, 2014-2015; Manager Operations/Well Construction - Permian Resources, 2013-2014; Manager Operations - South Texas, 2011-2013.
<b>Glenn M. Vangolen</b> Senior Vice President	59	Senior Vice President - Business Support since February 2015; Executive Vice President - Business Support, 2014-2015; Senior Vice President - Oxy Oil & Gas Middle East, 2010-2014.
<b>Jennifer M. Kirk</b> Vice President	43	Vice President, Controller and Principal Accounting Officer since 2014; Controller, Occidental Oil and Gas Corporation, 2012-2014.

## Part II

### ITEM 5 MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

#### TRADING PRICE RANGE AND DIVIDENDS

This section incorporates by reference the quarterly financial data appearing under the caption "Quarterly Financial Data (Unaudited)" after the Notes to the Consolidated Financial Statements, and the information appearing under the caption "Liquidity and Capital Resources" in the MD&A section of this report. Occidental's common stock was held by approximately 24,500 stockholders of record at January 31, 2018, and by approximately 700,000 additional stockholders whose shares were held for them in street name or nominee accounts. The common stock is listed and traded on the New York Stock Exchange. The quarterly financial data set forth the range of trading prices for the common stock as reported on the composite tape of the New York Stock Exchange and quarterly dividend information.

Dividends declared on the common stock were \$0.76 for the first and second quarter of 2017 and \$0.77 for the third and fourth quarter (\$3.06 for the year). On February 8, 2018, a quarterly dividend of \$0.77 per share was declared on the common stock, payable on April 16, 2018, to stockholders of record on March 9, 2018. The current annual dividend rate of \$3.08 per share has increased by over 500 percent since 2002. The declaration of future dividends is a business decision made by the Board of Directors from time to time, and will depend on Occidental's financial condition and other factors deemed relevant by the Board.

#### SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

All of Occidental's stock-based compensation plans for its employees and non-employee directors have been approved by the stockholders. The aggregate number of shares of Occidental common stock authorized for issuance under such plans is approximately 35 million, of which approximately 6.1 million had been reserved for issuance through December 31, 2017. The following is a summary of the securities available for issuance under such plans:

a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	b) Weighted-average exercise price of outstanding options, warrants and rights	c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities in column (a))
7,339,506 (1)	79.98 (2)	18,836,578 (3)

(1) Includes shares reserved to be issued pursuant to restricted stock units, stock options (Options), and performance-based awards. Shares for performance-based awards are included assuming maximum payout, but may be paid out at lesser amounts, or not at all, according to achievement of performance goals.

(2) Price applies only to the Options included in column (a). Exercise price is not applicable to the other awards included in column (a).

(3) A plan provision requires each share covered by an award (other than stock appreciation rights (SARs) and Options) to be counted as if three shares were issued in determining the number of shares that are available for future awards. Accordingly, the number of shares available for future awards may be less than the amount shown depending on the type of award granted. Additionally, under the plan, the amount shown may increase, depending on the award type, by the number of shares currently unvested or forfeitable, or three times that number as applicable, that (i) fail to vest, (ii) are forfeited or canceled, or (iii) correspond to the portion of any stock-based awards settled in cash.

## SHARE REPURCHASE ACTIVITIES

Occidental's share repurchase activities for the year ended December 31, 2017, were as follows:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
First Quarter 2017	—	\$ —	—	
Second Quarter 2017	96,828 (a)	\$ 60.77	—	
Third Quarter 2017	96,933 (a)	\$ 60.62	—	
October 1 - 31, 2017	—	\$ —	—	
November 1 - 30, 2017	98,015 (a)	\$ 69.90	—	
December 1 - 31, 2017	95,113 (a)	\$ 72.58	—	
Fourth Quarter 2017	193,128 (a)	\$ 71.22	—	
Total 2017	386,889 (a)	\$ 65.95	—	63,756,544 (b)

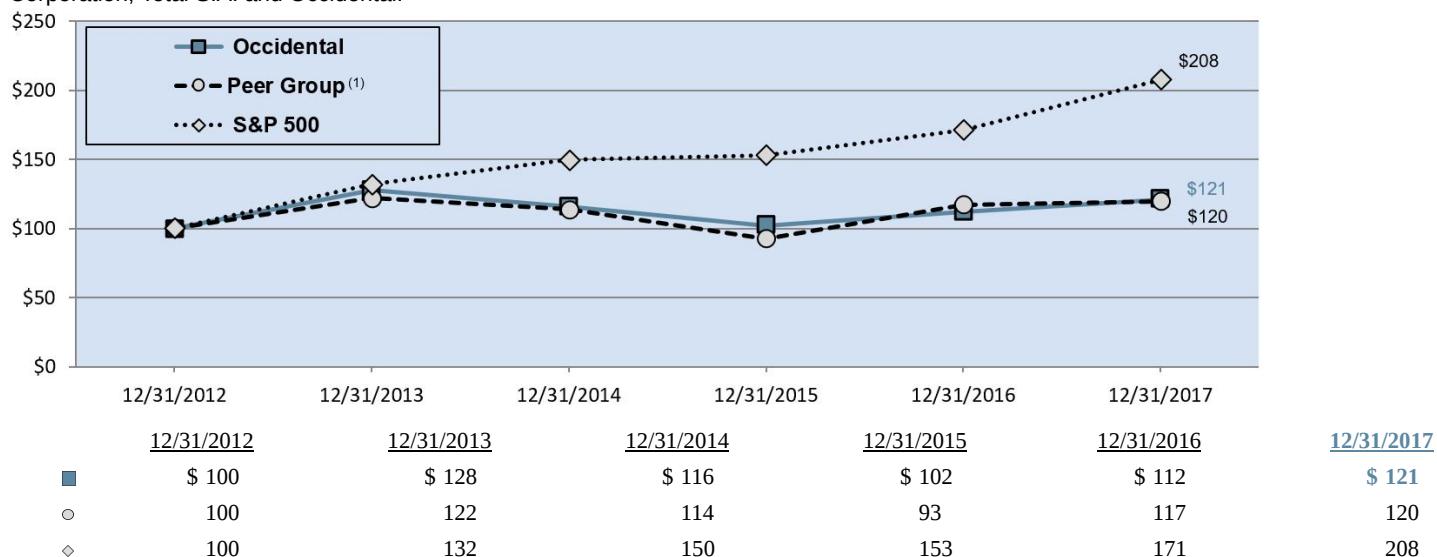
(a) Represents purchases from the trustee of Occidental's defined contribution savings plan that are not part of publicly announced plans or programs.

(b) Represents the total number of shares remaining at year end under Occidental's share repurchase program of 185 million shares. The program was initially announced in 2005. The program does not obligate Occidental to acquire any specific number of shares and may be discontinued at any time.

## PERFORMANCE GRAPH

The following graph compares the yearly percentage change in Occidental's cumulative total return on its common stock with the cumulative total return of the Standard & Poor's 500 Stock Index (S&P 500), which Occidental is included in, and with that of Occidental's peer group over the five-year period ended on December 31, 2017. The graph assumes that \$100 was invested at the beginning of the five-year period shown in the graph below in: (i) Occidental common stock, (ii) the stock of the companies in the S&P 500, and (iii) each of the peer group companies' common stock weighted by their relative market values within the peer group, and that all dividends were reinvested.

Occidental's peer group consists of Anadarko Petroleum Corporation, Apache Corporation, Canadian Natural Resources Limited, Chevron Corporation, ConocoPhillips, Devon Energy Corporation, EOG Resources Inc., ExxonMobil Corporation, Hess Corporation, Marathon Oil Corporation, Total S.A. and Occidental.



The information provided in this Performance Graph shall not be deemed "soliciting material" or "filed" with the SEC or subject to Regulation 14A or 14C under the Exchange Act, other than as provided in Item 201 to Regulation S-K under the Exchange Act, or subject to the liabilities of Section 18 of the Exchange Act and shall not be deemed incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act except to the extent Occidental specifically requests that it be treated as soliciting material or specifically incorporates it by reference.

(1) The cumulative total return of the peer group companies' common stock includes the cumulative total return of Occidental's common stock.

## ITEM 6 SELECTED FINANCIAL DATA

### FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA

(in millions, except per-share amounts)

As of and for the years ended December 31,	2017	2016	2015	2014	2013
<b>RESULTS OF OPERATIONS (a)</b>					
Net sales	\$ 12,508	\$ 10,090	\$ 12,480	\$ 19,312	\$ 20,170
Income (loss) from continuing operations	\$ 1,311	\$ (1,002)	\$ (8,146)	\$ (130)	\$ 4,932
Net income (loss) attributable to common stock	\$ 1,311	\$ (574)	\$ (7,829)	\$ 616	\$ 5,903
Basic earnings (loss) per common share from continuing operations	\$ 1.71	\$ (1.31)	\$ (10.64)	\$ (0.18)	\$ 6.12
Basic earnings (loss) per common share	\$ 1.71	\$ (0.75)	\$ (10.23)	\$ 0.79	\$ 7.33
Diluted earnings (loss) per common share	\$ 1.70	\$ (0.75)	\$ (10.23)	\$ 0.79	\$ 7.32
<b>FINANCIAL POSITION (a)</b>					
Total assets	\$ 42,026	\$ 43,109	\$ 43,409	\$ 56,237	\$ 69,415
Long-term debt, net	\$ 9,328	\$ 9,819	\$ 6,855	\$ 6,816	\$ 6,911
Stockholders' equity	\$ 20,572	\$ 21,497	\$ 24,350	\$ 34,959	\$ 43,372
<b>MARKET CAPITALIZATION (b)</b>					
	\$ 56,357	\$ 54,437	\$ 51,632	\$ 62,119	\$ 75,699
<b>CASH FLOW FROM CONTINUING OPERATIONS</b>					
<b>Operating:</b>					
Cash flow from continuing operations	\$ 4,996	\$ 2,519	\$ 3,254	\$ 8,871	\$ 10,229
<b>Investing:</b>					
Capital expenditures	\$ (3,599)	\$ (2,717)	\$ (5,272)	\$ (8,930)	\$ (7,357)
Cash provided (used) by all other investing activities, net	\$ 385	\$ (2,025)	\$ (151)	\$ 2,686	\$ 1,040
<b>Financing:</b>					
Cash dividends paid	\$ (2,346)	\$ (2,309)	\$ (2,264)	\$ (2,210)	\$ (1,553)
Purchases of treasury stock	\$ (25)	\$ (22)	\$ (593)	\$ (2,500)	\$ (943)
Cash provided (used) by all other financing activities, net	\$ 28	\$ 2,722	\$ 4,341	\$ 2,384	\$ (437)
<b>DIVIDENDS PER COMMON SHARE</b>	\$ 3.06	\$ 3.02	\$ 2.97	\$ 2.88	\$ 2.56
<b>WEIGHTED AVERAGE BASIC SHARES OUTSTANDING (millions)</b>	765	764	766	781	804

**Note:** The statements of income and cash flows related to California Resources have been treated as discontinued operations for all periods presented. The assets and liabilities of California Resources were removed from Occidental's consolidated balance sheet as of November 30, 2014.

(a) See the MD&A section of this report and the Notes to Consolidated Financial Statements for information regarding acquisitions and dispositions, discontinued operations and other items affecting comparability.

(b) Market capitalization is calculated by multiplying the year-end total shares of common stock outstanding, net of shares held as treasury stock, by the year-end closing stock price.

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

In this report, "Occidental" means Occidental Petroleum Corporation (OPC), or OPC and one or more entities in which it owns a controlling interest (subsidiaries). Occidental's principal businesses consist of three segments. The oil and gas segment explores for, develops and produces oil and condensate, natural gas liquids (NGLs) and natural gas. The chemical segment (OxyChem) mainly manufactures and markets basic chemicals and vinyls. The midstream and marketing segment gathers, processes, transports, stores, purchases and markets oil, condensate, NGLs, natural gas, carbon dioxide (CO<sub>2</sub>) and power. It also trades around its assets, including transportation and storage capacity. Additionally, the midstream and marketing segment operates a crude oil export terminal, as well as invests in entities that conduct similar activities.

Occidental's oil and gas assets are located in some of the world's highest-margin basins and are characterized by an advantaged mix of short- and long-cycle, high-return development opportunities. In the United States, Occidental continues to hold a leading position in the Permian Basin. Other core operations are in the Middle East (Oman, Qatar and UAE) and Latin America (Colombia). Occidental's midstream and marketing business provides access to domestic and international markets through pipeline infrastructure and Occidental's Ingleside Crude Terminal with an emphasis on operational excellence. OxyChem is a world-class chemical business that generates high financial returns.

### STRATEGY

#### General

Occidental is focused on delivering a unique shareholder value proposition through continual enhancements to its asset quality, organizational capability and innovative technical applications that provide competitive advantages. The attributes of Occidental's strategy include its mix of short- and long-cycle investment opportunities, low base production declines, strong financial position and focus on generating shareholder returns through its value-based development approach. Occidental aims to maximize shareholder returns through a combination of:

- Ø Consistent dividend growth;
- Ø Value growth through oil and gas development that meets above cost-of-capital returns and return targets of greater than 15 percent and 20 percent for domestic and international projects, respectively;
- Ø Targeted production growth rates of 5 to 8 percent average per year over the long-term; and
- Ø Maintenance of a strong balance sheet to secure business and enhance shareholder value.

Occidental conducts its operations with a focus on its social responsibility commitments and initiatives, including health and safety, and environmental stewardship. Capital is employed to operate all assets in a safe and environmentally sound manner. Occidental accepts

commodity, engineering and limited exploration risks. Occidental seeks to limit its financial and political risks.

Price volatility is inherent in the oil and gas business and Occidental's strategy is to position the business to thrive in an up- or down-cycle commodity price environment. Recent strategic initiatives have resulted in Occidental exiting its non-core areas, including South Texas in 2017, and strengthening its position in areas where Occidental has a competitive advantage and an advantaged asset portfolio. In 2017, Occidental continued to build upon its business, including a growing dividend and production growth at low oil prices. During the year, Occidental's board of directors and management implemented a short-term strategic plan that is intended to maintain production and sustain the dividend at a West Texas Intermediate (WTI) oil price of \$40 per barrel. At \$50 WTI, Occidental's plan anticipates that the business will generate additional capital to cover production growth of 5 to 8 percent, and fulfill Occidental's dividend growth goal. This plan has continued into 2018 and, longer term, Occidental will continue to build upon this low-cost, high-margin value proposition through development and operation of its focused and advantaged assets.

The following describes the application of Occidental's overall strategy for each of its operating segments:

#### Oil and Gas

Occidental's oil and gas segment focuses on long-term value creation and leadership in health, safety and the environment. In each core operating area, Occidental's operations benefit from scale, technical expertise, environmental and safety leadership, and commercial and governmental collaboration. These attributes allow Occidental to bring additional production quickly to market, extend the life of older fields at lower costs, and provide low-cost growth opportunities with advanced technology.

As a result of Occidental's strategic positioning, Occidental's assets provide current production and a future portfolio of projects that are flexible, have short-cycle investment paybacks, deliver a low base decline and provide decades of diverse and unique opportunities to support energy demand across many future scenarios. Together with Occidental's technical capabilities, the oil and gas segment is able to achieve low development and operating costs to obtain full-cycle value while promoting innovative ideas that differentiate Occidental's approach and provide future opportunities.

The oil and gas business implements Occidental's strategy primarily by:

- Ø Operating and developing areas where reserves are known to exist and to increase production from core areas, primarily in the Permian Basin, Colombia, Oman, Qatar and UAE;
- Ø Focusing on cost-reduction efficiencies, improvement in new well productivity and better base management to reduce total spend per barrel;

- Ø Using enhanced oil recovery techniques, such as CO<sub>2</sub>, water and steam floods, in mature fields;
- Ø Focusing many of Occidental's subsurface characterization and technical activities on unconventional opportunities, primarily in the Permian Basin. This focus is in support of a sizable capital program within these developments and
- Ø Maintaining a disciplined and prudent approach to capital expenditures with focus on returns and maintain discipline and an emphasis on creating value and further enhancing Occidental's existing positions.

In 2017, oil and gas capital expenditures were approximately \$3.0 billion, and were mainly comprised of expenditures in the Permian Basin and the Middle East. This activity reflects Occidental's strategy to focus on achieving returns well above the cost of capital even in a low price environment.

Management believes Occidental's oil and gas segment growth will occur primarily through exploitation and development opportunities in the Permian Basin and Colombia and focused international projects in the Middle East.

### Chemical

The primary objective of OxyChem is to generate cash flow in excess of its normal capital expenditure requirements and achieve above-cost-of-capital returns. The chemical segment's strategy is to be a low-cost producer in order to maximize its cash flow generation. OxyChem concentrates on the chlorovinyls chain beginning with chlorine, which is co-produced with caustic soda, and markets both to external customers. In addition, chlorine, together with ethylene, is converted through a series of intermediate products into polyvinyl chloride (PVC). OxyChem's focus on chlorovinyls allows it to maximize the benefits of integration and take advantage of economies of scale. Capital is employed to sustain production capacity in a safe and environmentally sound manner, as well as to focus on projects and developments designed to improve the competitiveness of segment assets. Acquisitions and plant development opportunities may be pursued when they are expected to enhance the existing core chlor-alkali and PVC businesses or take advantage of other specific opportunities. In the first quarter of 2017, OxyChem, through a 50/50 joint venture with Mexichem S.A.B. de C.V., began commercial operations on a 1.2 billion pound-per-year ethylene cracker at the OxyChem Ingleside facility. The joint venture provides an opportunity to capitalize on the advantage that U.S. shale gas development has presented to U.S. chemical producers by providing low-cost ethane as a raw material. The joint venture will provide OxyChem with an ongoing source of ethylene, significantly reducing OxyChem's reliance on third-party ethylene suppliers. In 2017, capital expenditures for OxyChem totaled \$308 million. An additional \$39 million was contributed to the Mexichem joint venture. OxyChem completed construction on the previously announced expansion of its manufacturing plant in Geismar, Louisiana, on budget and on time. In December 2017, the new facility began producing 4CPe, a new raw

material used in making next-generation, climate-friendly refrigerants with a low global-warming and zero ozone-depletion potential.

### Midstream and Marketing

The midstream and marketing segment strives to maximize realized value by optimizing the use of its transportation, storage and terminal assets and by providing access to domestic and international market alternatives. To generate returns, the segment evaluates opportunities across the value chain and uses its assets to provide services to Occidental subsidiaries as well as third parties. The midstream and marketing segment invests in and operates pipeline and gathering systems, gas plants, co-generation facilities, storage facilities and terminal assets. This segment also seeks to minimize the costs of gas, power and other commodities used in Occidental's various businesses. Capital is employed to sustain or expand facilities in the gathering, transportation, storage and terminal assets to improve the competitiveness of Occidental's businesses. In 2017, capital expenditures totaled \$284 million related to Permian Basin gas processing and gathering infrastructure, Al Hosn Gas, the Ingleside Crude Terminal, and expansion of the oil pipeline system in New Mexico by an additional 50 miles.

### Key Performance Indicators

Occidental seeks to meet its strategic goals by continually measuring its success in its key performance metrics that drive total stockholder return. In addition to production growth and capital allocation and deployment discussed above, Occidental believes the following are its most significant metrics:

- Ø Health, environmental and safety performance measures;
- Ø Total Shareholder Return, including funding the dividend;
- Ø Return on capital employed (ROCE) and cash return on capital employed (CROCE); and
- Ø Specific measures such as per-unit profit, production cost, cash flow, finding-and-development costs and reserves replacement percentages.

## OIL AND GAS SEGMENT

### Business Environment

Oil and gas prices are the major variables that drive the industry's financial performance. The following table presents the average daily West Texas Intermediate (WTI), Brent and New York Mercantile Exchange (NYMEX) prices for 2017 and 2016:

	2017	2016
WTI oil (\$/barrel)	\$ 50.95	\$ 43.32
Brent oil (\$/barrel)	\$ 54.82	\$ 45.04
NYMEX gas (\$/Mcf)	\$ 3.09	\$ 2.42

The following table presents Occidental's average realized prices as a percentage of WTI, Brent and NYMEX for 2017 and 2016:

	2017	2016
Worldwide oil as a percentage of average WTI	96%	89%
Worldwide oil as a percentage of average Brent	89%	86%
Worldwide NGLs as a percentage of average WTI	42%	34%
Worldwide NGLs as a percentage of average Brent	39%	33%
Domestic natural gas as a percentage of NYMEX	75%	79%

Average WTI and Brent oil price indexes increased 18 percent and 22 percent, from \$43.32 and \$45.04 in 2016 to \$50.95 and \$54.82 in 2017, respectively. Average worldwide realized oil prices rose \$10.20, or 26 percent, in 2017 compared to 2016. WTI and Brent oil price indexes increased in the fourth quarter of 2017, closing at \$60.42 per barrel and \$66.87 per barrel, respectively, well above 2017 average prices. The average realized domestic natural gas price in 2017 increased 22 percent from 2016. Average NYMEX natural gas prices increased 28 percent, from \$2.42 in 2016 to \$3.09 in 2017.

Prices and differentials can vary significantly, even on a short-term basis, making it difficult to predict realized prices with a reliable degree of certainty.

## Operations

### 2017 Developments

In the third quarter of 2017, Occidental closed on two divestitures of non-core acreage in the Permian Basin for proceeds of approximately \$0.6 billion, resulting in a pre-tax gain of approximately \$81 million. Concurrently, Occidental purchased additional ownership interests and assumed operatorship in CO<sub>2</sub> enhanced oil recovery (EOR) properties located in the Seminole-San Andres Unit for approximately \$0.6 billion, which was primarily allocated to proved property. In the fourth quarter of 2017, Occidental sold other non-core proved and unproved acreage in the Permian Basin for approximately \$90 million, resulting in a pre-tax gain of approximately \$55 million. Occidental also classified approximately \$0.5 billion in non-core proved and unproved Permian acreage to assets held for sale at December 31, 2017.

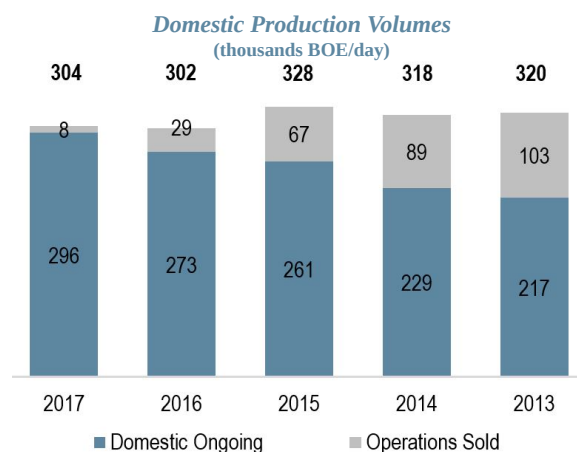
In April 2017, Occidental completed the sale of its South Texas operations for net proceeds of \$0.5 billion resulting in pre-tax gain of \$0.5 billion.

## Business Review

### Domestic Interests

Occidental conducts its domestic operations through land leases, subsurface mineral rights it owns, or a combination of both surface land and subsurface mineral rights it owns. Occidental's domestic oil and gas leases have a primary term ranging from one to ten years, which is extended through the end of production once it commences. Of the total 3.4 million net acres in which Occidental has interests, approximately 83 percent is leased, 16 percent is owned subsurface mineral rights and 1 percent is owned land with mineral rights.

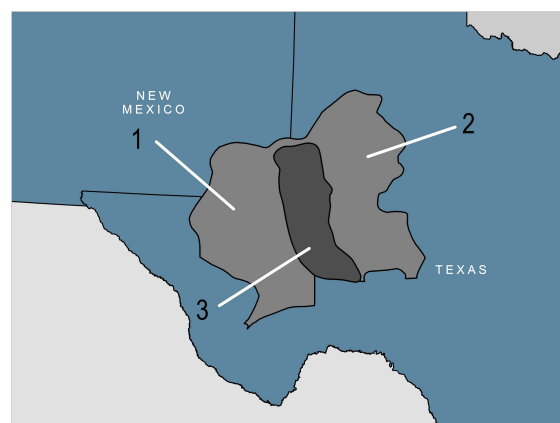
The following charts show Occidental's domestic total production volumes for the last five years:



#### Notes:

- Excludes volumes from California Resources, which was separated on November 30, 2014, and included as discontinued operations for all applicable periods.
- Operations sold include South Texas (sold in April 2017), Piceance (sold in March 2016), Williston (sold in November 2015) and Hugoton (sold in April 2014)

## United States Assets



### United States

1. Delaware Basin
2. Midland Basin
3. Central Basin Platform

## Permian Basin

The Permian Basin extends throughout West Texas and southeast New Mexico and is one of the largest and most active oil basins in the United States, accounting for more than 20% of the total United States oil production.

Occidental manages its Permian Basin operations through two business units: Permian Resources, which includes growth-oriented unconventional opportunities, and Permian EOR, which utilizes enhanced oil recovery techniques such as CO<sub>2</sub> floods and waterfloods. Occidental has a leading position in the Permian Basin, producing

approximately 9 percent of the total oil in the basin. By exploiting the natural synergies between Permian Resources and Permian EOR, Occidental is able to deliver unique short- and long-term advantages, efficiencies and expertise across its Permian Basin operations. Occidental can decrease its Permian Basin full-cycle breakeven costs, while continuing to add high-quality, low-cost breakeven inventory of future drilling locations faster than it is developed. The combined technical advancements, infrastructure utilization opportunities and operations across over 2.5 million net acres will provide sustainability of Occidental's low cost position in the Permian Basin.

In the next few years, growth within Occidental's Permian Basin portfolio will be focused in the Permian Resources unconventional assets. In 2017, Occidental spent approximately \$2.1 billion of capital in the Permian Basin, of which over 75 percent was spent on Permian Resources assets. In 2018, Occidental expects to allocate approximately half of its worldwide 2018 capital budget to Permian Resources for development and approximately 15 percent to Permian EOR for the expansion of existing facilities to increase CO<sub>2</sub> production and injection capacity.

#### Permian Resources

Permian Resources' unconventional oil development projects provide very short-cycle investment payback, averaging less than two years, that replaces the lower return production from assets divested during the 2013-2017 portfolio optimization, while also providing some of the highest margin and returns of any oil and gas projects in the world. These investments provide better cash-flow and production growth, while increasing long-term value and sustainability through higher return on capital employed.

Occidental's Permian Resources inventory includes over 11,200 horizontal drilling locations in the Midland and Delaware sub-basins. As of December 31, 2017, approximately 750 of these drilling locations represented proved undeveloped reserves. In 2017, Permian Resources produced approximately 141,000 net BOE per day from approximately 5,050 net wells, of which 18 percent are operated by other companies. In 2017, Permian Resources drilled 138 horizontal wells and added 127 million BOE from improved recovery to Occidental's proved reserves.

#### Permian EOR

The Permian Basin's concentration of large conventional reservoirs, favorable CO<sub>2</sub> flooding performance and the proximity to naturally occurring CO<sub>2</sub> supply has resulted in decades of steady growth in enhanced oil production. With 34 active floods and over 40 years of experience, Occidental is the industry leader in Permian Basin CO<sub>2</sub> flooding, which can increase ultimate oil recovery by 10 to 25 percent. Technology improvements, such as the recent trend toward vertical expansion of the CO<sub>2</sub> flooded interval into residual oil zone targets, continue to yield more recovery from existing projects. Occidental utilizes workover rigs to drill extra depth into additional CO<sub>2</sub> floodable sections of the reservoir, and completed 91 well workovers in 2017 and has plans to complete 100 well workovers in 2018. In 2017, Permian EOR added 21 million

BOE to Occidental's proved reserves for improved recovery additions, primarily as a result of executing CO<sub>2</sub> flood development projects and expansions. Occidental's share of production from Permian EOR was approximately 150,000 BOE per day in 2017.

Significant opportunities also remain to gain additional recovery by expanding Occidental's existing CO<sub>2</sub> projects into new portions of reservoirs that have only been water-flooded. Permian EOR has a large inventory of future CO<sub>2</sub> projects which could be developed over the next 20 years or accelerated, depending on market conditions.

#### Other Domestic

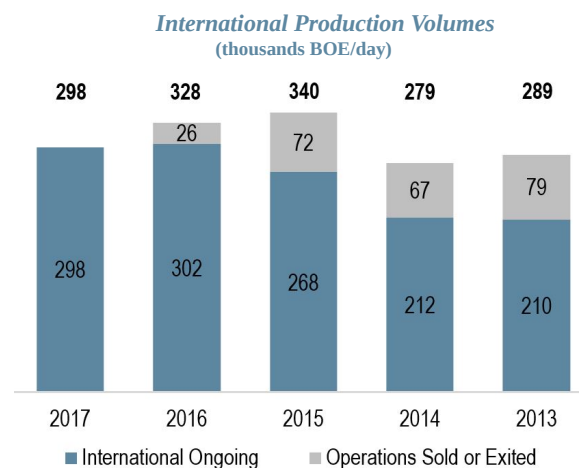
Occidental holds approximately 908,000 net acres in other domestic locations. Occidental's share of production in other domestic locations was approximately 5,000 BOE per day.

#### International Interests

##### Production-Sharing Contracts

Occidental's interests in Oman and Qatar are subject to production sharing contracts (PSC). Under such contracts, Occidental records a share of production and reserves to recover certain development and production costs and an additional share for profit. In addition, certain contracts in Colombia are subject to contractual arrangements similar to a PSC. These contracts do not transfer any right of ownership to Occidental and reserves reported from these arrangements are based on Occidental's economic interest as defined in the contracts. Occidental's share of production and reserves from these contracts decreases when product prices rise and increases when prices decline. Overall, Occidental's net economic benefit from these contracts is greater when product prices are higher.

The following charts show Occidental's international production volumes for the last five years:

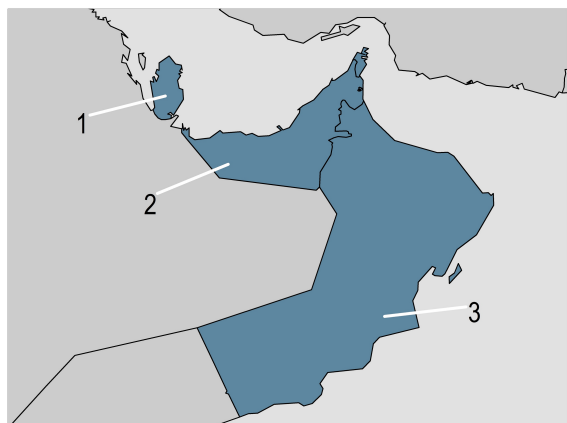


**Notes:**

- Operations sold or exited include Bahrain, Iraq, Libya and Yemen.



## Middle East Assets



1. Qatar
2. United Arab Emirates
3. Oman

### Oman

In Oman, Occidental is the operator of Block 9 with a 50-percent working interest, Block 27 with a 65-percent working interest, Block 53 with a 45-percent working interest; and Block 62, with an 80-percent working interest. Also, in November 2017, Occidental was awarded a three-year exploration contract in Block 30.

In December 2015, the existing PSC for Block 9 expired and Occidental agreed to operate Block 9 under modified operating terms until a new contract was approved. The Block 9 Exploration and Production Sharing Agreement 15-year extension was signed in January 2017 and was ratified in March 2017 through Royal Decree. In 2017, the average gross production from Block 9 was 91,000 BOE per day.

The term for Block 27 expires in 2035 and the average gross production was 16,000 BOE per day in 2017.

A 30-year PSC for Block 53 (Mukhaizna Field) was signed with the Government of Oman in 2005, pursuant to which Occidental assumed operation of the field. By the end of 2017, Occidental had drilled more than 3,000 new wells and continued implementation of a major steamflood project. In 2017, the average gross daily production was 123,000 BOE per day.

In 2008, Occidental was awarded a 20-year contract for Block 62, subject to declaration of commerciality, where it is pursuing development and exploration opportunities targeting natural gas and condensate resources. In 2014, Occidental signed a five-year extension for the initial phase for the discovered non-associated gas area (natural gas not in contact with crude oil in a reservoir) for Block 62. In 2017, the average gross daily production was 22,000 BOE per day.

Occidental's Oman operations reached a significant milestone in November 2017 with the production of its one billionth gross barrel of oil, including condensate, from all its blocks. Over two-thirds of this production has come in the last ten years, illustrating the tremendous growth achieved over that period. In 2017, Occidental's share of production in Oman averaged 95,000 BOE per day.

### Qatar

In Qatar, Occidental is the operator of the offshore fields Idd El Shargi North Dome (ISND) and Idd El Shargi South Dome (ISSD), with a 100-percent working interest in each. The terms for ISND and ISSD expire in October 2019 and December 2022, respectively. Occidental's net share of production from ISND and ISSD was 53,000 BOE and 4,000 BOE per day respectively, in 2017.

Occidental operated Al-Rayyan (Block 12) until the term expired on May 31, 2017, when Block 12 was successfully transitioned back to the Government of Qatar. Production from Block 12 in 2017 was not significant.

Occidental has continued to successfully implement large scale water flooding projects combined with state-of-the-art horizontal drilling, advanced completion techniques as well as utilizing extensive automated artificial lift systems that are significantly extending the life of the fields. Since the commencement of its operations in 1994, Occidental has boosted the production from the Idd El Shargi fields by over 400 percent with current gross oil rates of around 91,000 BOE per day.

Utilizing Occidental's expertise in artificial lift, together with other game-changing technologies and innovations, the ISSD field continues to outperform expectations and exited 2017 with record gross production rates of over 9,000 BOE per day. Despite complex marine operations, Occidental is recognized as a regional leader in its safety performance as well as being the lowest-cost offshore oil operator in the State of Qatar.

Occidental also partners in the Dolphin Energy project, an investment that is comprised of two separate economic interests. Occidental has a 24.5-percent interest in the upstream operations to develop and produce natural gas, NGLs and condensate from Qatar's North Field through mid-2032. Occidental also has a 24.5-percent interest in Dolphin Energy Limited which operates a pipeline and is discussed further in "Midstream and Marketing Segment – Pipeline Transportation. Occidental's net share of production from the Dolphin upstream operations was 42,000 BOE per day in 2017.

Occidental's share of production from Qatar was approximately 100,000 BOE per day in 2017.

### United Arab Emirates

In 2011, Occidental acquired a 40-percent participating interest in Al Hosn Gas, joining with the Abu Dhabi National Oil Company (ADNOC) in a 30-year joint venture agreement. In 2017, Al Hosn Gas gross production exceeded expectations, producing over 525 MMcf per day of natural gas and 90,000 barrels per day of NGLs and condensate. Occidental's share of production from Al Hosn Gas was 211 MMcf per day of natural gas and 36,000 barrels per day of NGLs and condensate in 2017. Al Hosn Gas includes gas processing facilities which are discussed further in "Midstream and Marketing Segment - Gas Processing Plants and CO<sub>2</sub> Fields and Facilities".

Occidental conducts a majority of its Middle East business development activities through its office in Abu Dhabi, which also provides various support functions for Occidental's Middle East oil and gas operations.

## Latin America Assets



1. Teca Heavy Oil Area
2. La Cira-Infantas Waterflood Area
3. Northern Llanos Basin

## Colombia

Occidental has working interests in the La Cira-Infantas and Teca areas and has operations within the Llanos Norte Basin. Occidental's interests range from 39 to 61 percent and certain interests expire between 2023 and 2038, while others extend through the economic limit of the areas. In 2017, Occidental continued a thermal recovery pilot at the Teca heavy oil field and the initial results are better than anticipated. Production began from these pilots in 2016. Occidental's share of production from Colombia was approximately 31,000 BOE per day in 2017.

## Proved Reserves

Proved oil, NGLs and gas reserves were estimated using the unweighted arithmetic average of the first-day-of-the-month price for each month within the year, unless prices were defined by contractual arrangements. Oil, NGLs and natural gas prices used for this purpose were based on posted benchmark prices and adjusted for price differentials including gravity, quality and transportation costs. For the 2017, 2016 and 2015 disclosures, the calculated average West Texas Intermediate oil prices were \$51.34, \$42.75 and \$50.28 per barrel, respectively. The calculated average Brent oil prices for 2017, 2016 and 2015 disclosures were \$54.93, \$44.49 and \$55.57, per barrel, respectively. The calculated average Henry Hub gas prices for 2017, 2016 and 2015 were \$3.08, \$2.55 and \$2.66 per MMBtu, respectively.

Occidental had proved reserves at year-end 2017 of 2,598 million BOE, compared to the year-end 2016 amount of 2,406 million BOE. Proved reserves at year-end 2017 and 2016 consisted of, respectively, 58 percent and 56 percent oil, 17 percent and 17 percent NGLs and 25 percent and 27 percent natural gas. Proved developed reserves represented approximately 74 percent and 77 percent, respectively, of Occidental's total proved reserves at year-end 2017 and 2016.

Occidental does not have any reserves from non-traditional sources. For further information regarding Occidental's proved reserves, see "Supplemental Oil and Gas Information" following the "Financial Statements."

## Changes in Proved Reserves

Occidental's total proved reserves increased 192 million BOE in 2017, which included additions of 206 million BOE from Occidental's development program.

Changes in reserves were as follows:

(in millions of BOE)	2017
Revisions of previous estimates	151
Improved recovery	201
Extensions and discoveries	5
Purchases	99
Sales	(44)
Production	(220)
<b>Total</b>	<b>192</b>

Occidental's ability to add reserves, other than through purchases, depends on the success of improved recovery, extension and discovery projects, each of which depends on reservoir characteristics, technology improvements and oil and natural gas prices, as well as capital and operating costs. Many of these factors are outside management's control, and may negatively or positively affect Occidental's reserves.

## Revisions of Previous Estimates

Revisions can include upward or downward changes to previous proved reserve estimates for existing fields due to the evaluation or interpretation of geologic, production decline or operating performance data. In addition, product price changes affect proved reserves recorded by Occidental. For example, lower prices may decrease the economically recoverable reserves, particularly for domestic properties, because the reduced margin limits the expected life of the operations. Offsetting this effect, lower prices increase Occidental's share of proved reserves under PSCs because more oil is required to recover costs. Conversely, when prices rise, Occidental's share of proved reserves decreases for PSCs and economically recoverable reserves may increase for other operations. In 2017, Occidental had positive revisions of 151 million BOE, mainly in the Permian Basin and Oman.

Reserve estimation rules require that estimated ultimate recoveries be much more likely to increase or remain constant than to decrease, as changes are made due to increased availability of technical data.

## Improved Recovery

In 2017, Occidental added proved reserves of 201 million BOE mainly associated with the Permian Basin and UAE. These properties comprise both conventional projects, which are characterized by the deployment of EOR development methods, largely employing application of CO<sub>2</sub> flood, waterflood or steam flood, and unconventional projects. These types of conventional EOR development methods can be applied through existing wells, though additional drilling is frequently required to fully optimize the development configuration. Waterflooding is the technique of injecting water into the formation to displace the oil to the offsetting oil production wells. The use of either CO<sub>2</sub> or steam flooding depends on the geology of the formation, the evaluation of engineering data, availability and cost of

either CO<sub>2</sub> or steam and other economic factors. Both techniques work similarly to lower viscosity causing the oil to move more easily to the producing wells. Many of Occidental's projects, including unconventional projects, rely on improving permeability to increase flow in the wells. In addition, some improved recovery comes from drilling infill wells that allow recovery of reserves that would not be recoverable from existing wells.

#### *Extensions and Discoveries*

Occidental also added proved reserves from extensions and discoveries, which are dependent on successful exploration and exploitation programs. In 2017, extensions and discoveries added 5 million BOE related primarily to the recognition of proved developed reserves in Oman.

#### *Purchases of Proved Reserves*

Occidental continues to seek opportunities to add reserves through acquisitions when properties are available at prices it deems reasonable. As market conditions change, the available supply of properties may increase or decrease accordingly.

In 2017, Occidental purchased 99 million BOE of proved reserves in the Permian Basin, which mainly came from acquisitions made in the third quarter of 2017.

#### *Sales of Proved Reserves*

In 2017, Occidental sold 44 million BOE in proved reserves mainly related to the sales of South Texas and non-core Permian acreage.

#### *Proved Undeveloped Reserves*

Occidental had proved undeveloped reserves at year-end 2017 of 670 million BOE, compared to the year-end 2016 amount of 550 million BOE.

Changes in proved undeveloped reserves were as follows:

(in millions of BOE)	2017
Revisions of previous estimates	51
Improved recovery	127
Extensions and discoveries	3
Purchases	37
Sales	(9)
Transfer to proved developed reserves	(89)
<b>Total</b>	<b>120</b>

The increase in proved undeveloped reserves from the Permian Basin added approximately 168 million BOE through improved recovery, positive revisions and purchases. The remaining additions mainly came from Oman and UAE.

The 2017 additions to proved undeveloped reserves were partially offset by 89 million BOE of transfers to proved developed reserves, mainly from the Permian Basin, and sales of proved undeveloped reserves related to the sales of South Texas and non-core Permian acreage.

Occidental's highest-return projects and most active development areas are located in the Permian Basin, which

represented 73 percent of the proved undeveloped reserves as of December 31, 2017. The majority of Occidental's 2018 capital program of \$3.9 billion is allocated to the development program in the Permian Basin. Overall, Occidental plans to spend approximately \$8 billion, or over 76 percent of total estimated future development costs, over the next five years to develop its proved undeveloped reserves in the Permian Basin.

Occidental's proved undeveloped reserves in international locations are associated with approved long-term international development projects.

#### *Reserves Evaluation and Review Process*

Occidental's estimates of proved reserves and associated future net cash flows as of December 31, 2017, were made by Occidental's technical personnel and are the responsibility of management. The estimation of proved reserves is based on the requirement of reasonable certainty of economic producibility and funding commitments by Occidental to develop the reserves. This process involves reservoir engineers, geoscientists, planning engineers and financial analysts. As part of the proved reserves estimation process, all reserve volumes are estimated by a forecast of production rates, operating costs and capital expenditures. Price differentials between benchmark prices (the unweighted arithmetic average of the first-day-of-the-month price for each month within the year) and realized prices and specifics of each operating agreement are then used to estimate the net reserves. Production rate forecasts are derived by a number of methods, including estimates from decline curve analysis, type curve analysis, material balance calculations that take into account the volumes of substances replacing the volumes produced, and associated reservoir pressure changes, seismic analysis and computer simulation of the reservoir performance. These field-tested technologies have demonstrated reasonably certain results with consistency and repeatability in the formation being evaluated or in an analogous formation. Operating and capital costs are forecast using the current cost environment applied to expectations of future operating and development activities.

Net proved developed reserves are those volumes that are expected to be recovered through existing wells with existing equipment and operating methods for which the incremental cost of any additional required investment is relatively minor.

Net proved undeveloped reserves are those volumes that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion. Proved undeveloped reserves are supported by a five-year, detailed, field-level development plan, which includes the timing, location and capital commitment of the wells to be drilled. The development plan is reviewed and approved annually by senior management and technical personnel. Annually a detailed review is performed by Occidental's Worldwide Reserves Group and its technical personnel on a lease-by-lease basis to assess whether proved undeveloped reserves are being converted on a timely basis within five years from the initial disclosure date. Any leases not showing timely transfers from proved

undeveloped reserves to proved developed reserves are reviewed by senior management to determine if the remaining reserves will be developed in a timely manner and has sufficient capital committed in the development plan. Only proved undeveloped reserves that are reasonably certain to be drilled within five years of booking and are supported by a final investment decision to drill them are included in the development plan. A portion of the proved developed reserves associated with international operations are expected to be developed beyond the five years and are tied to approved long-term development plans.

The current Senior Vice President, Reserves for Oxy Oil and Gas is responsible for overseeing the preparation of reserve estimates, in compliance with U.S. Securities and Exchange Commission (SEC) rules and regulations, including the internal audit and review of Occidental's oil and gas reserves data. He has over 30 years of experience in the upstream sector of the exploration and production business, and has held various assignments in North America, Asia and Europe. He is a three-time past Chair of the Society of Petroleum Engineers Oil and Gas Reserves Committee. He is an American Association of Petroleum Geologists (AAPG) Certified Petroleum Geologist and currently serves on the AAPG Committee on Resource Evaluation. He is a member of the Society of Petroleum Evaluation Engineers, the Colorado School of Mines Potential Gas Committee and the UNECE Expert Group on Resource Classification. He has Bachelor of Science and Master of Science degrees in geology from Emory University in Atlanta.

Occidental has a Corporate Reserves Review Committee (Reserves Committee), consisting of senior corporate officers, to review and approve Occidental's oil and gas reserves. The Reserves Committee reports to the Audit Committee of Occidental's Board of Directors during the year. Since 2003, Occidental has retained Ryder Scott Company, L.P. (Ryder Scott), independent petroleum engineering consultants, to review its annual oil and gas reserve estimation processes.

In 2017, Ryder Scott conducted a process review of the methods and analytical procedures utilized by Occidental's engineering and geological staff for estimating the proved reserves volumes, preparing the economic evaluations and determining the reserves classifications as of December 31, 2017, in accordance with the SEC regulatory standards. Ryder Scott reviewed the specific application of such methods and procedures for selected oil and gas properties considered to be a valid representation of Occidental's 2017 year-end total proved reserves portfolio. In 2017, Ryder Scott reviewed approximately 20 percent of Occidental's proved oil and gas reserves. Since being engaged in 2003, Ryder Scott has reviewed the specific application of Occidental's reserve estimation methods and procedures for approximately 80 percent of Occidental's existing proved oil and gas reserves. Management retains Ryder Scott to provide objective third-party input on its methods and procedures and to gather industry information applicable to Occidental's reserve estimation and reporting process. Ryder Scott has not been engaged to render an opinion as to the reasonableness of reserves quantities reported by

Occidental. Occidental has filed Ryder Scott's independent report as an exhibit to this Form 10-K.

Based on its reviews, including the data, technical processes and interpretations presented by Occidental, Ryder Scott has concluded that the overall procedures and methodologies Occidental utilized in estimating the proved reserves volumes, documenting the changes in reserves from prior estimates, preparing the economic evaluations and determining the reserves classifications for the reviewed properties are appropriate for the purpose thereof and comply with current SEC regulations.

### **Industry Outlook**

The petroleum industry is highly competitive and subject to significant volatility due to various market conditions. WTI and Brent oil price indexes for 2017 were above the 2016 index prices closing at \$60.42 per barrel and \$66.87 per barrel, respectively, as of December 31, 2017. Commodity prices remained relatively constant in 2017 and started to increase in the latter part of the fourth quarter.

Oil prices will continue to be affected by: (i) global supply and demand, which are generally a function of global economic conditions, inventory levels, production disruptions, technological advances, regional market conditions and the actions of OPEC, other significant producers and governments; (ii) transportation capacity, infrastructure constraints, and costs in producing areas; (iii) currency exchange rates; and (iv) the effect of changes in these variables on market perceptions.

NGLs prices are related to the supply and demand for the components of products making up these liquids. Some of them more typically correlate to the price of oil while others are affected by natural gas prices as well as the demand for certain chemical products for which they are used as feedstock. In addition, infrastructure constraints magnify the pricing volatility from region to region.

Domestic natural gas prices and local differentials are strongly affected by local supply and demand fundamentals, as well as government regulations and availability of transportation capacity from producing areas.

These and other factors make it difficult to predict the future direction of oil, NGLs and domestic gas prices reliably. For purposes of the current capital plan, Occidental anticipates 2018 oil prices to be higher than average 2017 oil prices. International gas prices are generally fixed under long-term contracts. Occidental continues to respond to economic conditions by adjusting capital expenditures in line with current economic conditions with the goal of keeping returns well above its cost of capital.

## **CHEMICAL SEGMENT**

### **Business Environment**

In 2017, U.S. economic growth surpassed that of 2016 and was supported by growing demand for domestically produced energy and feedstocks, even though natural gas and ethylene pricing was higher on average than in 2016. Hurricane Harvey impacted the ethylene market in the second half of 2017 and ethylene pricing on average ended the year slightly higher than 2016. The impact of higher energy and feedstock costs was offset in 2017, as tighter supply and increased demand in the caustic market

resulted in higher margins, while PVC margins slightly improved as prices kept up with raw material costs.

## **Business Review**

### **Basic Chemicals**

In 2017, the U.S. economic growth rate was expected to exceed the 1.5 percent experienced in 2016. The higher U.S. growth rate bolstered domestic demand as the 2017 industry chlorine operating rate increased by 4 percent, to 88 percent, resulting in an improvement in chlorine pricing in the second half of 2017. Exports of downstream chlorine derivatives into the vinyls chain were stable in 2017 as U.S. ethylene and energy costs remained advantaged over global pricing. Liquid caustic soda prices improved both domestically and globally in 2017, as increased demand and tighter supply supported the higher pricing.

### **Vinyls**

Demand for PVC improved year-over-year with domestic demand improving 5 percent and export demand being on par with 2016. Domestic demand was driven by construction as housing starts continued their year-over-year increase and rising home values drove increased home remodeling. Export volume remains a significant portion of PVC sales, representing over 30 percent of total North American producer's production. PVC industry operating rates decreased less than one percent compared to 2016, despite impact from Hurricane Harvey. Industry PVC margins slightly improved in 2017, as PVC pricing kept pace with higher ethylene cost.

## **Industry Outlook**

Industry performance will depend on the health of the global economy, specifically in the housing, construction, automotive and durable goods markets. Margins also depend on market supply-and-demand balances and feedstock and energy prices. Strengthening in the petroleum industry may positively affect the demand and pricing of a number of Occidental's products that are consumed by industry participants. U.S. commodity export markets will continue to be impacted by the relative strength of the U.S. dollar, which is anticipated to be relatively neutral in 2018.

### **Basic Chemicals**

Continued improvement in the United States housing, automotive and durable goods markets should drive a moderate increase in domestic demand for basic chemical products in 2018. Export demand for caustic is also expected to remain firm in 2018. Chlor-alkali operating rates should improve moderately with higher demand and continued competitive energy and raw material pricing as compared to global feedstock costs. Businesses such as calcium chloride and muriatic acid continue to improve as oil and gas drilling activity increases in the U.S., which is expected to continue in 2018.

### **Vinyls**

North American demand should continue to show improvement in 2018 over 2017 levels as growth in construction spending continues with further upside potential driven by new infrastructure projects. North

American operating rates are expected to remain relatively flat with 2017 but margins should improve as demand in the United States strengthens.

## **MIDSTREAM AND MARKETING SEGMENT**

### **Business Environment**

Midstream and marketing segment earnings are affected by the performance of its various businesses including its gas processing, transportation, power-generation assets, and storage facilities and terminal business. The marketing business aggregates markets, and stores Occidental's and third-party volumes. Marketing performance is affected primarily by commodity price changes and margins in oil and gas transportation and storage programs. Gas processing and transportation results are affected by the volumes that are processed and transported through the segment's plants and pipelines, as well as the margins obtained on related services.

The midstream and marketing segment earnings in 2017 were significantly higher than those in 2016 primarily due to improved Permian to Gulf Coast price differentials, higher plant income due to higher NGL prices and higher income from a full year of operating the Ingleside Crude Terminal.

### **Business Review**

#### **Pipeline and Gathering Systems and Transportation**

Margin and cash flow from pipeline transportation operations mainly reflect volumes shipped. Dolphin Energy owns and operates a 230-mile-long, 48-inch-diameter natural gas pipeline (Dolphin Pipeline), which transports dry natural gas from Qatar to the UAE and Oman. The Dolphin Pipeline contributes significantly to Occidental's pipeline transportation results through Occidental's 24.5-percent interest in Dolphin Energy. The Dolphin Pipeline has capacity to transport up to 3.2 Bcf of natural gas per day and currently transports approximately 2.2 Bcf per day, and up to 2.5 Bcf per day in the summer.

Occidental owns an oil common carrier pipeline and storage system with approximately 2,950 miles of pipelines from southeast New Mexico across the Permian Basin in West Texas to Cushing, Oklahoma. The system has a current throughput capacity of about 720,000 barrels per day, 7.1 million barrels of active storage capability and 128 truck unloading facilities at various points along the system, which allow for additional volumes to be delivered into the pipeline. In 2017, Occidental expanded its oil pipeline system in New Mexico by an additional 50 miles.

Occidental's 2017 pipeline transportation earnings increased from 2016 due to higher throughput volumes and improved margins.

#### **Gas Processing Plants and CO<sub>2</sub> Fields and Facilities**

Occidental processes its and third-party domestic wet gas to extract NGLs and other gas byproducts, including CO<sub>2</sub>, and delivers dry gas to pipelines. Margins primarily result from the difference between inlet costs of wet gas and market prices for NGLs. Occidental's 2017 earnings from these operations increased compared to 2016 due to higher throughput volumes and higher realized NGL pricing.

Occidental has a 40-percent participating interest in Al Hosn Gas which is designed to process 1.0 Bcf per day of

natural gas and separate it into sales gas, condensate, NGLs and sulfur. The facilities produce approximately 10,500 tons per day of sulfur, of which approximately 4,200 tons is Occidental's share. Al Hosn Gas facilities generate revenues from gas processing fees and the sale of sulfur. The increase in 2017 earnings compared to 2016 was primarily due to higher throughput volumes and higher sulfur pricing.

#### Power Generation Facilities

Earnings from power and steam generation facilities are derived from sales to affiliates and third parties. The decrease in earnings in 2017 compared to 2016 was a result of lower production due to longer outages and lower ancillary sales.

#### Storage Facilities and Terminal Assets

Occidental owns the Oxy Ingleside Energy Center, which includes the Ingleside Crude Terminal, a crude oil storage and export terminal located in the Port of Corpus Christi in Ingleside, Texas. The facility has a competitive advantage over other similarly situated export terminals, with a location near port entry, access to deep water, industry-leading loading rates and reduced lay times while berthed. The facility has over 300,000 barrels per day of throughput capacity, along with 2.1 million barrels of storage and three loading berths with 80,000 barrels per hour loading capability. The terminal is currently capable of loading articulated tug barges (ATB), medium range (MR), Aframax and Suezmax size vessels.

In 2017, Occidental became the largest exporter of Permian light sweet crude from the United States (U.S.) Gulf Coast. The export market for crude has developed since the lifting of the export ban in 2016. While U.S. producers have increased production of light crude, U.S. refineries are constrained in their ability to process incremental volumes of light crude without significant incremental capital investment, necessitating exports to international markets. In response to the increase in Permian production and the need to export these barrels, Occidental is expanding its terminal to approximately 750,000 barrels per day of capacity and 6.8 million barrels of storage which will be operational by the end of 2019. Occidental is also expanding the facility to be capable of loading VLCC size vessels by the fourth quarter of 2018.

#### Marketing

The marketing group markets substantially all of Occidental's oil, NGLs and gas production, as well as trades around its assets, including its own and third-party transportation and storage capacity. Occidental's third-party marketing activities focus on purchasing oil, NGLs and gas for resale from parties whose oil and gas supply is located near its transportation and storage assets. These purchases allow Occidental to aggregate volumes to better utilize and optimize its assets. Marketing performance in 2017 improved compared to 2016 due to favorable Permian-to-Gulf Coast crude oil price differentials and higher marketing volumes.

#### Industry Outlook

The pipeline transportation and power generation businesses are expected to remain relatively stable. Marketing results can have significant volatile results depending on significant price swings, as well as Permian-to-Gulf Coast crude oil differentials. The gas processing plant operations could have volatile results depending on NGLs prices. Generally, higher NGLs prices result in higher profitability.

#### SEGMENT RESULTS OF OPERATIONS AND SIGNIFICANT ITEMS AFFECTING EARNINGS

Segment earnings exclude income taxes, interest income, interest expense, environmental remediation expenses, unallocated corporate expenses and discontinued operations, but include gains and losses from dispositions of segment assets and income from the segments' equity investments. Seasonality is not a primary driver of changes in Occidental's consolidated quarterly earnings during the year.

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

(in millions, except per share amounts)

For the years ended December 31,	2017	2016	2015
<b>NET SALES (a)</b>			
Oil and Gas	\$ 7,870	\$ 6,377	\$ 8,304
Chemical	4,355	3,756	3,945
Midstream and Marketing	1,157	684	891
Eliminations	(874)	(727)	(660)
	<u>\$ 12,508</u>	<u>\$ 10,090</u>	<u>\$ 12,480</u>
<b>SEGMENT RESULTS AND EARNINGS</b>			
Domestic	\$ (589)	\$ (1,552)	\$ (4,151)
Foreign	1,767	965	(3,747)
Exploration	(67)	(49)	(162)
Oil and Gas	<u>1,111</u>	<u>(636)</u>	<u>(8,060)</u>
Chemical	822	571	542
Midstream and Marketing	<u>85</u>	<u>(381)</u>	<u>(1,194)</u>
	<u>2,018</u>	<u>(446)</u>	<u>(8,712)</u>
<b>Unallocated corporate items</b>			
Interest expense, net	(324)	(275)	(141)
Income taxes	(17)	662	1,330
Other	<u>(366)</u>	<u>(943)</u>	<u>(623)</u>
Income (loss) from continuing operations	<u>1,311</u>	<u>(1,002)</u>	<u>(8,146)</u>
Discontinued operations, net	—	428	317
Net income (loss)	<u>\$ 1,311</u>	<u>\$ (574)</u>	<u>\$ (7,829)</u>
Basic Earnings per Common Share	<u>\$ 1.71</u>	<u>\$ (0.75)</u>	<u>\$ (10.23)</u>

(a) Intersegment sales eliminate upon consolidation and are generally made at prices approximating those that the selling entity would be able to obtain in third-party transactions.

## Oil and Gas

(in millions)

For the years ended December 31,

	2017	2016	2015
<b>Segment Sales</b>	\$ 7,870	\$ 6,377	\$ 8,304
<b>Segment Results (a)</b>			
Domestic	\$ (589)	\$ (1,552)	\$ (4,151)
Foreign	1,767	965	(3,747)
Exploration	(67)	(49)	(162)
	\$ 1,111	\$ (636)	\$ (8,060)
<b>Significant items affecting results</b>			
Asset sale gains (b)	\$ 655	\$ 107	\$ 10
Asset impairments and related items domestic (c)	\$ (397)	\$ (1)	\$ (3,457)
Asset impairments and related items international (d)	\$ (4)	\$ (70)	\$ (5,050)
<b>Total Oil and Gas</b>	\$ 254	\$ 36	\$ (8,497)

(a) Results include significant items listed below.

(b) The 2017 gain on sale of assets included the sale of South Texas and non-core acreage in the Permian Basin. The 2016 gain on sale of assets included the sale of Piceance and South Texas oil and gas properties.

(c) The 2017 amount included \$397 million of impairment and related charges associated with non-core proved and unproved Permian acreage. The 2015 amount included approximately \$1.6 billion of impairment and related charges associated with non-core domestic oil and gas assets in the Williston Basin (sold in November 2015) and Piceance Basin (sold in March 2016). The remaining 2015 charges were mainly associated with the decline in commodity prices and management changes to future development plans.

(d) The 2016 amount included a net charge of \$61 million related to the sale of Libya and exit from Iraq. The 2015 amount included impairment and related charges of approximately \$1.7 billion for operations where Occidental exited or reduced its involvement in and \$3.4 billion related to the decline in commodity prices.

(in millions)

For the years ended December 31,

	2017	2016	2015
<b>Average Realized Prices</b>			
<b>Oil Prices (\$ per bbl)</b>			
United States	\$ 47.91	\$ 39.38	\$ 45.04
Latin America	\$ 48.50	\$ 37.48	\$ 44.49
Middle East/North Africa	\$ 50.38	\$ 38.25	\$ 49.65
Total worldwide	\$ 48.93	\$ 38.73	\$ 47.10
<b>NGLs Prices (\$ per bbl)</b>			
United States	\$ 23.67	\$ 14.72	\$ 15.35
Middle East/North Africa	\$ 18.05	\$ 15.01	\$ 17.88
Total worldwide	\$ 21.63	\$ 14.82	\$ 15.96
<b>Gas Prices (\$ per Mcf)</b>			
United States	\$ 2.31	\$ 1.90	\$ 2.15
Latin America	\$ 5.08	\$ 3.78	\$ 5.20
Total worldwide	\$ 1.84	\$ 1.53	\$ 1.49

Domestic oil and gas results were losses of \$0.6 billion, \$1.6 billion and \$4.2 billion in 2017, 2016 and 2015, respectively. Excluding significant items affecting results, domestic oil and gas results in 2017 increased from 2016, due to a 22 percent increase in realized oil prices, and lower DD&A rates.

Excluding significant items affecting results, domestic oil and gas results in 2016 were lower than 2015, due to a 13 percent decrease in realized oil prices, higher DD&A rates, and lower oil volumes due to the sale of non-core domestic operations. These decreases were partially offset by lower operating expenses.

International oil and gas earnings were \$1.8 billion and \$1.0 billion in 2017 and 2016, respectively and a loss of \$3.7 billion in 2015. Excluding significant items affecting results, international oil and gas earnings in 2017, increased from 2016. The improved 2017 earnings reflected a 32 and 20 percent increase in realized crude oil and NGL prices in the Middle East, respectively.

Excluding significant items affecting results, the decrease in international oil and gas results in 2016, compared to 2015, reflected lower realized crude oil prices, which had decreased by 23 percent in the Middle East and 16 percent in Latin America. The decrease in prices was partially offset by lower DD&A rates.

Average production costs for 2017, excluding taxes other than on income, were \$11.73 per BOE, compared to \$10.76 per BOE for 2016. The increase in average production costs per BOE reflected the sales of low margin non-core gas assets, including South Texas and Piceance Basin. Permian Resources production costs per BOE for 2017 decreased by 5 percent from the prior year due to continued improved operational efficiencies.

Average production costs for 2016, excluding taxes other than on income, were \$10.76 per BOE, compared to \$11.57 per BOE for 2015. The decrease in average costs reflected lower maintenance, workover, and support costs as a result of improvements in operating efficiencies, especially in domestic operations.

The following table sets forth the production volumes of oil, NGLs and natural gas per day from ongoing operations for each of the three years in the period ended December 31, 2017.

### Production per Day from Ongoing Operations (MBOE)

	2017	2016	2015
<b>United States</b>			
Permian Resources	141	124	110
Permian EOR	150	145	145
Other Domestic	5	4	6
Total	296	273	261
<b>Latin America</b>	32	34	37
<b>Middle East</b>			
Al Hosn Gas	71	64	35
Dolphin	42	43	41
Oman	95	96	89
Qatar	58	65	66
Total	266	268	231
<b>Total Production Ongoing Operations</b>	594	575	529
Sold domestic operations	8	29	67
Sold or Exited MENA operations	—	26	72
<b>Total Production (MBOE) (a)</b>	602	630	668

(a) Natural gas volumes have been converted to BOE based on energy content of six Mcf of gas to one barrel of oil. Barrels of oil equivalence does not necessarily result in price equivalence. Please refer to "Supplemental Oil and Gas Information (unaudited)" for additional information on oil and gas production and sales.

Average daily production volumes were 602,000 BOE and 630,000 BOE for 2017 and 2016, respectively, and included production from assets sold or exited of 8,000 BOE and 55,000 BOE for 2017 and 2016, respectively. Excluding production for assets sold or exited, average daily production volumes were 594,000 BOE and 575,000 BOE for 2017 and 2016, respectively. The increase in production mainly reflected higher Permian Resources production which increased by 14 percent from the prior year.

Average daily production volumes were 630,000 BOE and 668,000 BOE for 2016 and 2015, respectively, and included production from assets sold or exited of 55,000 BOE and 139,000 BOE for 2016 and 2015, respectively. Excluding production for assets sold or exited, average daily production volumes were 575,000 BOE and 529,000 BOE for 2016 and 2015, respectively. The increase in production from on-going operations mainly reflected higher production from Al Hosn Gas as it was not fully operational in 2015 and higher production from Permian Resources, which increased its 2016 production by 13 percent compared to 2015. These increases were offset by lower production from South Texas and Other due to curtailed drilling.

## Chemical

(in millions)

For the years ended December 31,

	2017	2016	2015
<b>Segment Sales</b>	\$ 4,355	\$ 3,756	\$ 3,945
<b>Segment Results (a)</b>	\$ 822	\$ 571	\$ 542
<b>Significant items affecting results</b>			
Asset sale gains (b)	\$ 5	\$ 88	\$ 98
Asset impairments and related items	—	—	(121)
<b>Total Chemicals</b>	\$ 5	\$ 88	\$ (23)

(a) Results include significant items listed below.

(b) The 2016 amount included the \$57 million gain on sale of the Occidental Tower in Dallas and a \$31 million gain on the sale of a non-core specialty chemicals business. The 2015 amount included a \$98 million gain on sale of an idled facility.

Chemical segment earnings were \$822 million, \$571 million and \$542 million for 2017, 2016 and 2015, respectively. Excluding significant items affecting results, the year over year increase in 2017 earnings compared to 2016, was the result of higher realized pricing for caustic soda, improved vinyls margins, higher sales volumes across most product lines, and the addition of equity income from the joint venture ethylene cracker in Ingleside, Texas.

Excluding significant items affecting results, the decrease in 2016 earnings, compared to 2015, reflected lower PVC margins as PVC pricing decreased with lower ethylene pricing, which was partially offset by lower ethylene and energy costs.

## Midstream and Marketing

(in millions)

For the years ended December 31,

	2017	2016	2015
<b>Segment Sales</b>	\$ 1,157	\$ 684	\$ 891
<b>Segment Results (a)</b>	\$ 85	\$ (381)	\$ (1,194)
<b>Significant items affecting results</b>			
Asset and equity investment gains (b)	\$ 94	\$ —	\$ —
Asset impairments and related items(c)	(120)	(160)	(1,259)
<b>Total Midstream and Marketing</b>	\$ (26)	\$ (160)	\$ (1,259)

(a) Results include significant items listed below.

(b) The 2017 amount included a \$94 million non-cash fair value gain on the Plains equity investment.

(c) The 2017 amount included \$120 million of impairment and related charges related to idled midstream facilities. The 2016 amount included charges related to the termination of crude oil supply contracts. The 2015 amount included an impairment charge of \$814 million related to the Century gas processing plant as a result of our partner's inability to provide volumes to the plant and meet its contractual obligations to deliver CO<sub>2</sub>.

Midstream and marketing segment results were earnings of \$0.1 billion and losses of \$0.4 billion and \$1.2 billion in 2017, 2016 and 2015, respectively. Excluding significant items affecting results, the increase in 2017 results compared to 2016, reflected higher marketing margins due to improved spreads, higher plant income due to higher NGL prices and higher income from a full year of operating the Ingleside Crude Terminal.

Excluding the significant items noted above, the decrease in 2016 results compared to 2015 reflected lower marketing margins due to unfavorable contract pricing on long-term supply agreements as well as unfavorable Permian-to-Gulf Coast differentials, decreased throughput and lower realized NGLs pricing.

## Corporate

The following table sets forth significant transactions and events affecting Occidental's earnings that vary widely and unpredictably in nature, timing and amount.

Benefit (Charge) (in millions)	2017	2016	2015
<b>CORPORATE</b>			
Asset sale losses	\$ —	\$ —	\$ (8)
Asset impairments and related items(a)	—	(619)	(235)
Severance, spin-off and other	—	—	(118)
Tax effect of pre-tax and other adjustments	392	424	1,903
Discontinued operations, net of tax(b)	—	428	317
<b>TOTAL</b>	\$ 392	\$ 233	\$ 1,859

(a) The 2016 amount included charges of \$541 million related to a reserve for doubtful accounts and \$78 million loss on the distribution of the remaining CRC stock. The 2015 amount included a \$227 million other-than-temporary loss on Occidental's investment in California Resources.

(b) The 2016 and 2015 amounts included gains related to the Ecuador settlement. See Note 2 of the consolidated financial statements.



## TAXES

On December 22, 2017, Tax Reform was enacted which made significant changes to the U.S. federal income tax law, including lowering the federal corporate income tax rate from 35 percent to 21 percent, repealing the corporate AMT and mandating a deemed repatriation of accumulated earnings and profits of U.S.-owned foreign corporations. Occidental recorded the effects of the changes in the tax law for which the accounting was complete. In accordance with the guidance from the SEC, Occidental recorded a provisional estimate for the federal and state tax associated with the mandatory deemed repatriation and the resulting impact to the net federal deferred tax liability. Tax Reform resulted in a one-time non-cash gain of \$583 million due to the remeasurement of net deferred tax liabilities to the new federal corporate income tax rate. Occidental recognized a noncurrent receivable of \$221 million for its corporate AMT credit carryforwards. The tax impact of Occidental's deemed repatriation of accumulated earnings was fully offset by foreign tax credits. At December 31, 2017, Occidental reversed its indefinite re-investment assertion with regards to its investments in foreign subsidiaries and as a result, a deferred foreign tax liability of \$99 million was recorded. The ultimate impact of Tax Reform may differ from Occidental's estimates due to changes in interpretations and assumptions as well as additional regulatory guidance. Occidental will adjust provisional amounts as updated information is evaluated. Refer to Note 10 in the Consolidated Financial Statements for additional details.

Deferred tax liabilities, net of deferred tax assets of \$1.8 billion, were \$581 million at December 31, 2017. The deferred tax assets, net of allowances, are expected to be realized through future operating income and reversal of temporary differences.

### Worldwide Effective Tax Rate

The following table sets forth the calculation of the worldwide effective tax rate for income from continuing operations:

(in millions)	2017	2016	2015
<b>SEGMENT RESULTS</b>			
Oil and Gas	\$ 1,111	\$ (636)	\$ (8,060)
Chemical	822	571	542
Midstream and Marketing	85	(381)	(1,194)
Unallocated Corporate Items	(690)	(1,218)	(764)
Pre-tax (loss) income	1,328	(1,664)	(9,476)
Income tax (benefit) expense			
Federal and State	(903)	(1,298)	(2,070)
Foreign	920	636	740
Total income tax (benefit) expense	17	(662)	(1,330)
Income (loss) from continuing operations	\$ 1,311	\$ (1,002)	\$ (8,146)
Worldwide effective tax rate	1%	40%	14%

In 2017, Occidental's worldwide effective tax rate was 1 percent, which is lower than the 2016 rate mainly due to the remeasurement of net deferred tax liabilities to the new federal corporate income tax rate. Excluding the impact of impairments, tax rate changes and other nonrecurring

items, Occidental's worldwide effective tax rate for 2017 would be 37 percent.

## CONSOLIDATED RESULTS OF OPERATIONS

Changes in components of Occidental's results of continuing operations are discussed below:

### Revenue and Other Income Items

(in millions)	2017	2016	2015
Net sales	\$ 12,508	\$ 10,090	\$ 12,480
Interest, dividends and other income	\$ 99	\$ 106	\$ 118
Gain on sale of equity investments and other assets	\$ 667	\$ 202	\$ 101

The increase in net sales in 2017, compared to 2016, was mainly due to the increase in average worldwide realized oil and NGLs prices, as well as higher realized prices for caustic soda in the Chemical business. Average worldwide realized oil prices rose approximately 26 percent from 2016 to 2017.

The decrease in net sales in 2016, compared to 2015, was mainly due to the decline in average worldwide realized oil prices in 2016 and a decline in worldwide production as Occidental exited non-core areas. Average worldwide realized oil prices fell by approximately 18 percent from 2015 to 2016.

Price and volume changes in the oil and gas segment generally represent the majority of the change in oil and gas segment sales, which is a substantially larger portion of the overall change in sales than the chemical and midstream and marketing segments.

The 2017 gain on sale included the sale of South Texas and non-core proved and unproved Permian acreage. The 2016 gain on sale included the sale of Piceance and South Texas oil and gas properties, the Occidental Tower building in Dallas, and a non-core specialty chemicals business. The 2015 gain on sale included \$98 million for the sale of an idled chemical facility.

### Expense Items

(in millions)	2017	2016	2015
Cost of sales	\$ 5,594	\$ 5,189	\$ 5,804
Selling, general and administrative and other operating expenses	\$ 1,424	\$ 1,330	\$ 1,270
Depreciation, depletion and amortization	\$ 4,002	\$ 4,268	\$ 4,544
Asset impairments and related items	\$ 545	\$ 825	\$ 10,239
Taxes other than on income	\$ 311	\$ 277	\$ 343
Exploration expense	\$ 82	\$ 62	\$ 36
Interest and debt expense, net	\$ 345	\$ 292	\$ 147

Cost of sales increased in 2017 from 2016 due primarily to increases in chemical feedstock and energy costs and higher oil and gas purchase injectants. Cost of sales decreased in 2016 from the prior year due primarily to lower oil and gas maintenance costs and lower chemical feedstock and energy costs.

Selling, general and administrative and other operating expenses increased in 2017 compared to 2016, due to the change in timing of incentive compensation awards. Selling,

general and administrative and other operating expenses increased in 2016 compared to 2015, due to lower compensation accruals in 2015 related to Occidental's decision not to pay bonuses.

DD&A expense decreased in 2017, compared to 2016, due to lower volumes and lower DD&A rates. DD&A expense decreased in 2016, compared to 2015, due to lower volumes from the exited non-core oil and gas operations and lower DD&A rates in the Middle East.

In 2017, Occidental incurred impairment and related items charges of \$545 million, of which \$397 million related to proved and unproved non-core Permian acreage and \$120 million for idled midstream assets. In 2016, Occidental incurred impairment and related items charges of \$825 million, of which \$541 million related to a reserve for doubtful accounts and \$160 million for the termination of crude oil supply contracts, \$78 million related to the disposal of CRC stock and \$61 million related to exits from Libya and Iraq. The allowance for doubtful accounts recorded during 2016 includes a reserve against the long-term receivable related to environmental sites indemnified by Maxus described in Note 8, Environmental Liabilities and Expenditures. Occidental recorded a reserve against this receivable due to the uncertainty of collection as a result of the Maxus bankruptcy.

Asset impairments and related items in 2015 of \$10.2 billion included charges of \$3.5 billion related to domestic oil and gas assets due to Occidental's exit from the Williston and Piceance basins, as well as the decline in the futures price curve and management's decision not to pursue activities associated with certain non-producing acreage. International oil and gas charges of \$5.0 billion were due to a combination of Occidental's strategic plan to exit or reduce its exposure in certain Middle East and North Africa operations as well as the decline in the futures price curve, which have made certain projects in the region unprofitable. Midstream charges of \$1.3 billion included the impairment of Occidental's Century gas processing plant as a result of our partner's inability to provide volumes to the plant and meet their contractual obligations to deliver CO<sub>2</sub>. Occidental recorded an other-than-temporary loss of \$227 million for its available for sale investment in California Resources.

Taxes other than on income in 2017 increased from 2016 due primarily to higher oil, NGL and natural gas prices, which resulted in higher production taxes. Taxes other than on income decreased in 2016 from 2015 due primarily to lower production taxes, which are directly tied to lower commodity prices.

## Other Items

Income/(expense) (in millions)	2017	2016	2015
(Provision for) benefit from income taxes	\$ (17)	\$ 662	\$ 1,330
Income from equity investments	\$ 357	\$ 181	\$ 208
Discontinued operations, net	\$ —	\$ 428	\$ 317

In 2017, Occidental recorded an income tax expense as opposed to an income tax benefit recorded in 2016, due to higher pre-tax operating income as a result of a recovery in commodity prices, partially offset by the deferred tax benefit from Tax Reform. The benefit from income taxes

decreased in 2016 from the prior year as a result of a lower net loss in 2016, compared to 2015, which reflected significant impairments and related item charges.

The increase in income from equity investments in 2017 from 2016 is the result of the OxyChem Ingleside facility beginning operations in the first quarter of 2017 and a non-cash fair value gain on the Plains equity investment. The decline in income from equity investments in 2016 from 2015 is the result of lower Dolphin gas sales.

There were no charges for discontinued operations in 2017. Discontinued operations, net in 2016 and 2015 of \$428 and \$317 million, respectively, primarily include settlement payments by the Republic of Ecuador. See Note 2 of the Consolidated Financial Statements.

## CONSOLIDATED ANALYSIS OF FINANCIAL POSITION

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

(in millions)	2017	2016
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,672	\$ 2,233
Trade receivables, net	4,145	3,989
Inventories	1,246	866
Assets held for sale	474	—
Other current assets	733	1,340
<b>Total current assets</b>	<b>\$ 8,270</b>	<b>\$ 8,428</b>
Investments in unconsolidated entities	\$ 1,515	\$ 1,401
Property, plant and equipment, net	\$ 31,174	\$ 32,337
Long-term receivables and other assets, net	\$ 1,067	\$ 943
<b>CURRENT LIABILITIES</b>		
Current maturities of long-term debt	\$ 500	\$ —
Accounts payable	4,408	3,926
Accrued liabilities	2,492	2,436
<b>Total current liabilities</b>	<b>\$ 7,400</b>	<b>\$ 6,362</b>
Long-term debt, net	\$ 9,328	\$ 9,819
<b>DEFERRED CREDITS AND OTHER LIABILITIES</b>		
Deferred domestic and foreign income taxes	\$ 581	\$ 1,132
Asset retirement obligations	\$ 1,241	\$ 1,245
Pension and postretirement obligations	\$ 1,005	\$ 963
Environmental remediation reserves	\$ 728	\$ 739
Other	\$ 1,171	\$ 1,352
<b>Total deferred credits and other liabilities</b>	<b>\$ 4,726</b>	<b>\$ 5,431</b>
<b>STOCKHOLDERS' EQUITY</b>	<b>\$ 20,572</b>	<b>\$ 21,497</b>

## Assets

See "Liquidity and Capital Resources — Cash Flow Analysis" for discussion of the change in cash and cash equivalents and restricted cash.

The increase in trade receivables, net, was the result of improved oil and gas prices at the end of 2017, compared to the end of 2016. Average December WTI and Brent prices increased approximately 11 percent and 17 percent, per barrel, respectively from 2016 to 2017. The increase in inventories in 2017 was the result of more exported domestic crude oil in transit in the midstream and marketing segment. Assets held for sale at the end of 2017 mainly reflected non-core proved and unproved Permian acreage. Other current assets decreased as a result of the receipt of a federal tax refund related to the 2016 net operating loss

carryback. The increase in investments in unconsolidated entities was due to contributions to the ethylene cracker joint venture, and the second quarter non-cash fair value gain related to Occidental's equity investment in Plains Pipeline. The decrease in property, plant and equipment, net (PP&E), was due to depletion and sales of non-core assets, which was partially offset by capital additions and acquisitions.

### Liabilities and Stockholders' Equity

Current maturities of long-term debt represent the \$0.5 billion of 1.50-percent senior notes due 2018.

The increase in accounts payable reflected higher marketing payables as a result of higher oil and gas prices at the end of 2017, compared to the end of 2016.

The decrease in deferred credits and other liabilities-income taxes was primarily due to the remeasurement of net deferred taxes as a result of a reduction in the federal corporate income tax rate. The decrease in long-term debt is the result of the reclassification of notes to current maturities of long-term debt. The decrease in stockholders' equity reflected the distribution of cash dividends, partially offset by the 2017 net income.

### LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2017, Occidental had approximately \$1.7 billion in cash and cash equivalents. A substantial majority of this cash is held and available for use in the United States. Income and cash flows are largely dependent on the oil and gas segment's prices, sales volumes and costs.

Occidental utilized the remaining restricted cash balance resulting from the spin-off of California Resources in the first quarter of 2016 to retire debt and pay dividends.

In November 2016, Occidental issued \$1.5 billion of senior notes, comprised of \$750 million of 3.0-percent senior notes due 2027 and \$750 million of 4.1-percent senior notes due 2047. Occidental received net proceeds of \$1.49 billion. Interest on the senior notes is payable semi-annually in arrears in February and August each year for each series of senior notes beginning August 15, 2017. Occidental used the proceeds for general corporate purposes.

In May and June 2016, respectively, Occidental utilized part of the proceeds from the April 2016 senior note offering (described below) to exercise the early redemption option on \$1.25 billion of 1.75-percent senior notes due in the first quarter of 2017 and to retire all \$750 million of 4.125-percent senior notes that matured in June 2016.

In April 2016, Occidental issued \$2.75 billion of senior notes, comprised of \$0.4 billion of 2.6-percent senior notes due 2022, \$1.15 billion of 3.4-percent senior notes due 2026 and \$1.2 billion of 4.4-percent senior notes due 2046. Occidental received net proceeds of approximately \$2.72 billion. Interest on the senior notes is payable semi-annually in arrears in April and October of each year for each series of senior notes, beginning on October 15, 2016. Occidental used a portion of the proceeds to retire debt in May and June 2016, and used the remaining proceeds for general corporate purposes.

In February 2016, Occidental retired \$700 million of 2.5-percent senior notes that had matured.

In June 2015, Occidental issued \$1.5 billion of debt that was comprised of \$750 million of 3.50-percent senior unsecured notes due 2025 and \$750 million of 4.625-percent senior unsecured notes due 2045. Occidental received net proceeds of approximately \$1.48 billion. Interest on the notes is payable semi-annually in arrears in June and December of each year for both series of notes, beginning on December 15, 2015.

As of December 31, 2017, Occidental had an undrawn \$2.0 billion revolving credit facility (2014 Credit Facility). Occidental did not draw down any amounts under the 2014 Credit Facility during 2017 or 2016, and no amounts were outstanding as of December 31, 2017.

In January 2018, Occidental entered into a new five-year, \$3.0 billion revolving credit facility (2018 Credit Facility), which replaced the 2014 Credit Facility, that was scheduled to expire in August 2019. The 2018 Credit Facility has similar terms to the 2014 Credit Facility and does not contain material adverse change clauses or debt ratings triggers that could restrict Occidental's ability to borrow under the facility.

As of December 31, 2017, under the most restrictive covenants of its financing agreements, Occidental had substantial capacity for additional unsecured borrowings, the payment of cash dividends and other distributions on, or acquisitions of, Occidental stock.

Occidental expects to fund its liquidity needs, including future dividend payments, through cash on hand, cash generated from operations, monetization of non-core assets or investments and through future borrowings, and if necessary, proceeds from other forms of capital issuance.

### Cash Flow Analysis

#### Cash provided by operating activities

(in millions)	2017	2016	2015
Operating cash flow from continuing operations	\$ 4,996	\$ 2,519	\$ 3,254
Operating cash flow from discontinued operations, net of taxes	—	864	97
<b>Net cash provided by operating activities</b>	<b>\$ 4,996</b>	<b>\$ 3,383</b>	<b>\$ 3,351</b>

Cash provided by operating activities from continuing operations in 2017 increased \$2.5 billion to \$5.0 billion, from \$2.5 billion in 2016. Operating cash flows were positively impacted by higher worldwide oil and NGLs prices and higher domestic volumes in the oil and gas business and improved margins in the midstream and marketing and chemicals businesses. Cash flows from continuing operations in 2017 also included \$761 million of federal tax refunds.

Cash provided by operating activities from continuing operations in 2016 decreased \$0.7 billion to \$2.5 billion, from \$3.3 billion in 2015. Operating cash flows were negatively impacted by lower worldwide average realized oil prices in the first half of 2016, which on a year-over-year basis declined 18 percent. The effect of lower commodity prices was partially offset by lower operating costs, especially in the oil and gas segment where year over year production costs decreased by 7 percent. Cash flows from

continuing operations in 2016 also included collections of \$325 million of federal and state tax refunds. Operating cash flows from discontinued operations reflected the collection of the Ecuador settlement.

Other cost elements, such as labor costs and overhead, are not significant drivers of changes in cash flow because they are relatively stable within a narrow range over the short to intermediate term. Changes in these costs had a much smaller effect on cash flows than changes in oil and gas product prices, sales volumes and operating costs.

The chemical and midstream and marketing segments cash flows are significantly smaller and their overall cash flows are generally less significant than the impact of the oil and gas segment.

#### Cash used by investing activities

(in millions)	2017	2016	2015
Capital expenditures			
Oil and Gas	\$ (2,945)	\$ (1,978)	\$ (4,442)
Chemical	(308)	(324)	(254)
Midstream and Marketing	(284)	(358)	(535)
Corporate	(62)	(57)	(41)
Total	(3,599)	(2,717)	(5,272)
Other investing activities, net	385	(2,025)	(151)
Net cash used by investing activities	\$ (3,214)	\$ (4,742)	\$ (5,423)

Occidental's capital expenditures increased by \$0.9 billion in 2017 to \$3.6 billion. The increase was a result of additional capital spending primarily in the Permian Basin due to a recovery in the commodity price environment.

Occidental's net capital expenditures declined by \$2.7 billion in 2016 to \$2.9 billion, after contributions to the OxyChem Ingleside facility; which is included in other investing activities. The decline was a result of the oil and gas budget reduction due to lower commodity price environment and reductions in spending on long-term projects such as the OxyChem Ingleside facility, which came on line in early 2017.

Occidental remains committed to allocating capital to its highest-return projects and its 2018 capital spending is expected to be \$3.9 billion.

In 2017, cash flows provided by other investing activities of \$0.4 billion includes proceeds of \$1.4 billion, which were primarily related to the sale of non-core Permian acreage and Occidental's South Texas operations, partially offset by \$1.1 billion of acquisition costs primarily related to Permian properties.

In 2016, cash flows used in other investing activities of \$2.0 billion is comprised primarily of the acquisition of acreage in the Permian in October 2016.

In 2015, cash flows used in other investing activities of \$0.1 billion is comprised primarily of changes in the capital accrual and asset purchases offset by the sales of equity investments and assets.

#### Cash provided (used) by financing activities

(in millions)	2017	2016	2015
Net cash provided (used) by financing activities	\$ (2,343)	\$ 391	\$ 1,484

Cash used by financing activities in 2017 was \$2.3 billion, as compared to cash provided by financing activities in 2016 of \$0.4 billion. Financing activities in 2017 mainly consist of dividend payments of \$2.3 billion.

Cash provided by financing activities in 2016 was \$0.4 billion, as compared to cash provided by financing activities in 2015 of \$1.5 billion. Financing activities in 2016 included proceeds from long term debt of \$4.2 billion and payments of long term debt of \$2.7 billion. Occidental used restricted cash of \$1.2 billion to pay dividends and retire debt.

#### OFF-BALANCE-SHEET ARRANGEMENTS

The following is a description of the business purpose and nature of Occidental's off-balance-sheet arrangements.

##### Guarantees

Occidental has guaranteed its portion of equity method investees' debt and has entered into various other guarantees including performance bonds, letters of credit, indemnities and commitments provided by Occidental to third parties, mainly to provide assurance that OPC or its subsidiaries and affiliates will meet their various obligations (guarantees). As of December 31, 2017, Occidental's guarantees were not material and a substantial majority consisted of limited recourse guarantees on approximately \$272 million of Dolphin Energy's debt. The fair value of the guarantees was immaterial.

Occidental has guaranteed certain obligations of its subsidiaries for various letters of credit, indemnities and commitments.

See "Oil and Gas Segment — Business Review — Qatar" and "Segment Results of Operations" for further information about Dolphin.

##### Leases

Occidental has entered into various operating lease agreements, mainly for transportation equipment, power plants, machinery, terminals, storage facilities, land and office space. Occidental leases assets when leasing offers greater operating flexibility. Lease payments are generally expensed as part of cost of sales and selling, general and administrative expenses. For more information, see "Contractual Obligations."

## CONTRACTUAL OBLIGATIONS

The table below summarizes and cross-references Occidental's contractual obligations. This summary indicates on- and off-balance-sheet obligations as of December 31, 2017.

Contractual Obligations (in millions)	Total	Payments Due by Year			
		2018	2019 and 2020	2021 and 2022	2023 and thereafter
<b>On-Balance Sheet</b>					
Long-term debt (Note 5) (a)	\$ 9,907	\$ 500	\$ 116	\$ 2,462	\$ 6,829
Other long-term liabilities (b)	2,092	217	472	317	1,086
<b>Off-Balance Sheet</b>					
Operating leases (Note 6)	1,068	275	234	172	387
Purchase obligations (c)	8,095	1,582	2,031	1,288	3,194
<b>Total</b>	<b>\$ 21,162</b>	<b>\$ 2,574</b>	<b>\$ 2,853</b>	<b>\$ 4,239</b>	<b>\$ 11,496</b>

(a) Excludes unamortized debt discount and interest on the debt. As of December 31, 2017, interest on long-term debt totaling \$4.8 billion is payable in the following years (in millions): 2018 - \$356, 2019 and 2020 - \$695, 2021 and 2022 - \$561, 2023 and thereafter - \$3,141.

(b) Includes obligations under postretirement benefit and deferred compensation plans, accrued transportation commitments and other accrued liabilities.

(c) Amounts include payments which will become due under long-term agreements to purchase goods and services used in the normal course of business to secure terminal, pipeline and processing capacity, drilling rigs and services, CO<sub>2</sub>, electrical power, steam and certain chemical raw materials. Amounts exclude certain product purchase obligations related to marketing activities for which there are no minimum purchase requirements or the amounts are not fixed or determinable. Long-term purchase contracts are discounted at a 3.7 percent discount rate.

## Delivery Commitments

Occidental has commitments to certain refineries and other buyers to deliver oil, natural gas and NGLs. The domestic volumes contracted to be delivered, which are not presented in Note 7 of the consolidated financial statements, are approximately 279 million barrels of oil through 2025, 2 Bcf of gas through 2019 and 25 million barrels of NGLs through 2019. The price for these deliveries is set at the time of delivery of the product. Occidental has significantly more production capacity than the amounts committed and has the ability to secure additional volumes in case of a shortfall.

## LAWSUITS, CLAIMS AND CONTINGENCIES

Occidental or certain of its subsidiaries are involved, in the normal course of business, in lawsuits, claims and other legal proceedings that seek, among other things, compensation for alleged personal injury, breach of contract, property damage or other losses, punitive damages, civil penalties, or injunctive or declaratory relief. Occidental or certain of its subsidiaries also are involved in proceedings under CERCLA and similar federal, state, local and foreign environmental laws. These environmental proceedings seek funding or performance of remediation and, in some cases, compensation for alleged property damage, punitive damages, civil penalties and injunctive relief. Usually Occidental or such subsidiaries are among

many companies in these environmental proceedings and have to date been successful in sharing response costs with other financially sound companies. Further, some lawsuits, claims and legal proceedings involve acquired or disposed assets with respect to which a third party or Occidental retains liability or indemnifies the other party for conditions that existed prior to the transaction.

In accordance with applicable accounting guidance, Occidental accrues reserves for outstanding lawsuits, claims and proceedings when it is probable that a liability has been incurred and the liability can be reasonably estimated. In Note 8, Occidental has disclosed its reserve balances for environmental remediation matters that satisfy this criteria. Reserve balances for matters, other than environmental remediation matters that satisfy this criteria as of December 31, 2017, and December 31, 2016, were not material to Occidental's consolidated balance sheet.

In 2017, Andes Petroleum Ecuador Ltd. filed a demand for arbitration, claiming it is entitled to a 40 percent share of the settlement payments made by the Republic of Ecuador to Occidental for the 2006 expropriation of Occidental's Participation Contract for Ecuador's Block 15. Occidental intends to vigorously defend against this claim in arbitration.

The ultimate outcome and impact of outstanding lawsuits, claims and proceedings on Occidental cannot be predicted. Management believes that the resolution of these matters will not, individually or in the aggregate, have a material adverse effect on Occidental's consolidated balance sheet, statements of operations or cash flows after consideration of recorded accruals. Occidental's estimates are based on information known about the legal matters and its experience in contesting, litigating and settling similar matters. Occidental reassesses the probability and estimability of contingent losses as new information becomes available.

## Tax Matters

During the course of its operations, Occidental is subject to audit by tax authorities for varying periods in various federal, state, local and foreign tax jurisdictions. Although taxable years through 2009 for U.S. federal income tax purposes have been audited by the United States Internal Revenue Service (IRS) pursuant to its Compliance Assurance Program, subsequent taxable years are currently under review. Taxable years from 2002 through the current year remain subject to examination by foreign and state government tax authorities in certain jurisdictions. In certain of these jurisdictions, tax authorities are in various stages of auditing Occidental's income taxes. During the course of tax audits, disputes have arisen and other disputes may arise as to facts and matters of law. Occidental believes that the resolution of outstanding tax matters would not have a material adverse effect on its consolidated financial position or results of operations.

## Indemnities to Third Parties

Occidental, its subsidiaries, or both, have indemnified various parties against specified liabilities those parties might incur in the future in connection with purchases and other transactions that they have entered into with Occidental. These indemnities usually are contingent upon

the other party incurring liabilities that reach specified thresholds. As of December 31, 2017, Occidental is not aware of circumstances that it believes would reasonably be expected to lead to indemnity claims that would result in payments materially in excess of reserves.

#### ENVIRONMENTAL LIABILITIES AND EXPENDITURES

Occidental's operations are subject to stringent federal, state, local and foreign laws and regulations related to improving or maintaining environmental quality.

The laws that require or address environmental remediation, including CERCLA and similar federal, state, local and foreign laws, may apply retroactively and regardless of fault, the legality of the original activities or the current ownership or control of sites. OPC or certain of its subsidiaries participate in or actively monitor a range of remedial activities and government or private proceedings under these laws with respect to alleged past practices at operating, closed and third-party sites. Remedial activities may include one or more of the following: investigation involving sampling, modeling, risk assessment or monitoring; cleanup measures including removal, treatment or disposal; or operation and maintenance of remedial systems. The environmental proceedings seek funding or performance of remediation and, in some cases, compensation for alleged property damage, punitive damages, civil penalties, injunctive relief and government oversight costs.

#### Environmental Remediation

As of December 31, 2017, Occidental participated in or monitored remedial activities or proceedings at 148 sites. The following table presents Occidental's current and non-current environmental remediation reserves as of December 31, 2017, 2016 and 2015, the current portion of which is included in accrued liabilities (\$137 million in 2017, \$131 million in 2016, and \$70 million in 2015) and the remainder in deferred credits and other liabilities — Environmental remediation reserves (\$728 million in 2017, \$739 million in 2016, and \$316 million in 2015). The reserves are grouped as environmental remediation sites listed or proposed for listing by the U.S. Environmental Protection Agency on the CERCLA National Priorities List (NPL) sites and three categories of non-NPL sites — third-party sites, Occidental-operated sites and closed or non-operated Occidental sites.

(\$ amounts in millions)	2017		2016		2015	
	# of Sites	Reserve Balance	# of Sites	Reserve Balance	# of Sites	Reserve Balance
NPL sites	34	\$ 457	33	\$ 461	34	\$ 27
Third-party sites	70	157	68	163	66	128
Occidental-operated sites	15	108	17	106	18	107
Closed or non- operated Occidental sites	29	143	29	140	31	124
<b>Total</b>	<b>148</b>	<b>\$ 865</b>	<b>147</b>	<b>\$ 870</b>	<b>149</b>	<b>\$ 386</b>

As of December 31, 2017, Occidental's environmental reserves exceeded \$10 million each at 16 of the 148 sites

described above, and 89 of the sites had reserves from \$0 to \$1 million each.

As of December 31, 2017, three sites — the Diamond Alkali Superfund Site and a former chemical plant in Ohio (both of which are indemnified by Maxus Energy Corporation, as discussed further below), and a landfill in Western New York - accounted for 95 percent of its reserves associated with NPL sites. The reserve balance above includes 17 NPL sites indemnified by Maxus.

Five of the 70 third-party sites — a Maxus-indemnified chrome site in New Jersey, a former copper mining and smelting operation in Tennessee, an active plant outside of the United States, a sediment site in Louisiana and an active refinery in Louisiana where Occidental reimburses the current owner for certain remediation activities - accounted for 60 percent of Occidental's reserves associated with these sites. The reserve balance above includes 9 third-party sites indemnified by Maxus.

Three sites — chemical plants in Kansas, Louisiana and Texas accounted for 49 percent of the reserves associated with the Occidental-operated sites.

Five other sites — a landfill in Western New York, former chemical plants in Tennessee, Washington and California, and a closed coal mine in Pennsylvania - accounted for 62 percent of the reserves associated with closed or non-operated Occidental sites.

Environmental reserves vary over time depending on factors such as acquisitions or dispositions, identification of additional sites and remedy selection and implementation.

Based on current estimates, Occidental expects to expend funds corresponding to approximately 40 percent of the current environmental reserves at the sites described above over the next three to four years and the balance at these sites over the subsequent 10 or more years. Occidental believes its range of reasonably possible additional losses beyond those liabilities recorded for environmental remediation at all of its environmental sites could be up to \$1.1 billion.

#### Maxus Environmental Sites

When Occidental acquired Diamond Shamrock Chemicals Company (DSCC) in 1986, Maxus Energy Corporation (Maxus), a subsidiary of YPF S.A. (YPF), agreed to indemnify Occidental for a number of environmental sites, including the Diamond Alkali Superfund Site (Site) along a portion of the Passaic River. On June 17, 2016, Maxus and several affiliated companies filed for Chapter 11 bankruptcy in Federal District Court in the State of Delaware. Prior to filing for bankruptcy, Maxus defended and indemnified Occidental in connection with clean-up and other costs associated with the sites subject to the indemnity, including the Site.

In March 2016, the EPA issued a Record of Decision (ROD) specifying remedial actions required for the lower 8.3 miles of the Lower Passaic River. The ROD does not address any potential remedial action for the upper nine miles of the Lower Passaic River or Newark Bay. During the third quarter of 2016, and following Maxus's bankruptcy filing, Occidental and the EPA entered into an Administrative Order on Consent (AOC) to complete the

design of the proposed clean-up plan outlined in the ROD at an estimated cost of \$165 million. The EPA announced that it will pursue similar agreements with other potentially responsible parties.

Occidental has accrued a reserve relating to its estimated allocable share of the costs to perform the design and the remediation called for in the AOC and the ROD, as well as for certain other Maxus-indemnified sites. Occidental's accrued estimated environmental reserve does not consider any recoveries for indemnified costs. Occidental's ultimate share of this liability may be higher or lower than the reserved amount, and is subject to final design plans and the resolution of Occidental's allocable share with other potentially responsible parties. Occidental continues to evaluate the costs to be incurred to comply with the AOC, the ROD and to perform remediation at other Maxus-indemnified sites in light of the Maxus bankruptcy and the share of ultimate liability of other potentially responsible parties.

In June 2017, the court overseeing the Maxus bankruptcy approved a Plan of Liquidation (Plan) to liquidate Maxus and create a trust to pursue claims against YPF, Repsol and others to satisfy claims by Occidental and other creditors for past and future cleanup and other costs. In July 2017, the court-approved Plan became final and the trust became effective. Among other responsibilities, the trust will pursue claims against YPF, Repsol and others and distribute assets to Maxus' creditors in accordance with the trust agreement and Plan.

### Environmental Costs

Occidental's environmental costs, some of which include estimates, are presented below for each segment for each of the years ended December 31:

(in millions)	2017	2016	2015
<b>Operating Expenses</b>			
Oil and Gas	\$ 68	\$ 65	\$ 93
Chemical	78	75	74
Midstream and Marketing	15	11	13
	<u>\$ 161</u>	<u>\$ 151</u>	<u>\$ 180</u>
<b>Capital Expenditures</b>			
Oil and Gas	\$ 77	\$ 43	\$ 122
Chemical	18	25	41
Midstream and Marketing	6	5	4
	<u>\$ 101</u>	<u>\$ 73</u>	<u>\$ 167</u>
<b>Remediation Expenses</b>			
Corporate	\$ 39	\$ 61	\$ 117

Operating expenses are incurred on a continual basis. Capital expenditures relate to longer-lived improvements in properties currently operated by Occidental. Remediation expenses relate to existing conditions from past operations.

Occidental presently estimates capital expenditures for environmental compliance of approximately \$137 million for 2018.

### FOREIGN INVESTMENTS

Many of Occidental's assets are located outside North America. At December 31, 2017, the carrying value of Occidental's assets in countries outside North America

aggregated approximately \$9.8 billion, or 23 percent of Occidental's total assets at that date. Of such assets, approximately \$8.2 billion are located in the Middle East and approximately \$1.1 billion are located in Latin America. For the year ended December 31, 2017, net sales outside North America totaled \$4.4 billion, or approximately 35 percent of total net sales.

### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The process of preparing financial statements in accordance with generally accepted accounting principles requires Occidental's management to make informed estimates and judgments regarding certain items and transactions. Changes in facts and circumstances or discovery of new information may result in revised estimates and judgments, and actual results may differ from these estimates upon settlement but generally not by material amounts. There has been no material change to Occidental's critical accounting policies over the past three years. The selection and development of these policies and estimates have been discussed with the Audit Committee of the Board of Directors. Occidental considers the following to be its most critical accounting policies and estimates that involve management's judgment.

#### Oil and Gas Properties

The carrying value of Occidental's PP&E represents the cost incurred to acquire or develop the asset, including any asset retirement obligations and capitalized interest, net of accumulated depreciation, depletion, and amortization (DD&A) and any impairment charges. For assets acquired, PP&E cost is based on fair values at the acquisition date. Asset retirement obligations and interest costs incurred in connection with qualifying capital expenditures are capitalized and amortized over the lives of the related assets.

Occidental uses the successful efforts method to account for its oil and gas properties. Under this method, Occidental capitalizes costs of acquiring properties, costs of drilling successful exploration wells, and development costs. The costs of exploratory wells are initially capitalized pending a determination of whether proved reserves have been found. If proved reserves have been found, the costs of exploratory wells remain capitalized. Otherwise, Occidental charges the costs of the related wells to expense. In some cases, a determination of proved reserves cannot be made at the completion of drilling, requiring additional testing and evaluation of the wells. Occidental generally expenses the costs of such exploratory wells if a determination of proved reserves has not been made within a 12-month period after drilling is complete.

Occidental expenses annual lease rentals, the costs of injectants used in production, and geological, geophysical and seismic costs as incurred.

Occidental determines depreciation and depletion of oil and gas producing properties by the unit-of-production method. It amortizes acquisition costs over total proved reserves and capitalized development and successful exploration costs over proved developed reserves.

Proved oil and gas reserves are those quantities of oil and gas which, by analysis of geoscience and engineering

data, can be estimated with reasonable certainty to be economically producible—from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations—prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. Occidental has no proved oil and gas reserves for which the determination of economic producibility is subject to the completion of major additional capital expenditures.

Several factors could change Occidental's proved oil and gas reserves. For example, Occidental receives a share of production from PSCs to recover its costs and generally an additional share for profit. Occidental's share of production and reserves from these contracts decreases when product prices rise and increases when prices decline. Overall, Occidental's net economic benefit from these contracts is greater at higher product prices. In other cases, particularly with long-lived properties, lower product prices may lead to a situation where production of a portion of proved reserves becomes uneconomical. For such properties, higher product prices typically result in additional reserves becoming economical. 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. These factors, in turn, could lead to changes in the quantity of proved reserves. Additional factors that could result in a change of proved reserves include production decline rates and operating performance differing from those estimated when the proved reserves were initially recorded.

Additionally, Occidental performs impairment tests with respect to its proved properties whenever events or circumstances indicate that the carrying value of property may not be recoverable. If there is an indication the carrying amount of the asset may not be recovered due to declines in current and forward prices, significant changes in reserve estimates, changes in management's plans, or other significant events, management will evaluate the property for impairment. Under the successful efforts method, if the sum of the undiscounted cash flows is less than the carrying value of the proved property, the carrying value is reduced to estimated fair value and reported as an impairment charge in the period. Individual proved properties are grouped for impairment purposes at the lowest level for which there are identifiable cash flows. The fair value of impaired assets is typically determined based on the present value of expected future cash flows using discount rates believed to be consistent with those used by market participants. The impairment test incorporates a number of assumptions involving expectations of future cash flows which can change significantly over time. These assumptions include estimates of future product prices, contractual prices, estimates of risk-adjusted oil and gas reserves and estimates of future operating and development costs. It is reasonably possible that prolonged declines in commodity prices, reduced capital spending in response to lower prices or increases in operating costs could result in additional impairments.

For impairment testing, unless prices were contractually fixed, Occidental used observable forward strip prices for oil and natural gas prices when projecting future cash flows. Prices are held constant for periods beyond those covered by forward strip prices. Future operating and development costs were estimated using the current cost environment applied to expectations of future operating and development activities to develop and produce oil and gas reserves. Market prices for crude oil, natural gas and NGLs have been volatile and may continue to be volatile in the future. Current market fundamentals indicate improved prices for crude oil, natural gas and NGLs in 2018; however, changes in global supply and demand, transportation capacity, currency exchange rates, and applicable laws and regulations, and the effect of changes in these variables on market perceptions could impact current forecasts. Future fluctuations in commodity prices could result in estimates of future cash flows to vary significantly.

The most significant ongoing financial statement effect from a change in Occidental's oil and gas reserves or impairment of its proved properties would be to the DD&A rate. For example, a 5 percent increase or decrease in the amount of oil and gas reserves would change the DD&A rate by approximately \$0.55 per barrel, which would increase or decrease pre-tax income by approximately \$120 million annually at current production rates.

A portion of the carrying value of Occidental's oil and gas properties is attributable to unproved properties. Net capitalized costs attributable to unproved properties were \$1.0 billion and \$1.4 billion at December 31, 2017 and 2016, respectively. The unproved amounts are not subject to DD&A until they are classified as proved properties. Capitalized costs attributable to the properties become subject to DD&A when proved reserves are assigned to the property. If the exploration efforts are unsuccessful, or management decides not to pursue development of these properties as a result of lower commodity prices, higher development and operating costs, contractual conditions or other factors, the capitalized costs of the related properties would be expensed. The timing of any writedowns of these unproved properties, if warranted, depends upon management's plans, the nature, timing and extent of future exploration and development activities and their results. Occidental believes its current plans and exploration and development efforts will allow it to realize its unproved property balance.

#### Chemical Assets

Occidental's chemical assets are depreciated using either the unit-of-production or the straight-line method, based upon the estimated useful lives of the facilities. The estimated useful lives of Occidental's chemical assets, which range from three years to 50 years, are also used for impairment tests. The estimated useful lives for the chemical facilities are based on the assumption that Occidental will provide an appropriate level of annual expenditures to ensure productive capacity is sustained. Such expenditures consist of ongoing routine repairs and maintenance, as well as planned major maintenance activities (PMMA). Ongoing routine repairs and maintenance expenditures are expensed as incurred.



PMMA costs are capitalized and amortized over the period until the next planned overhaul. Additionally, Occidental incurs capital expenditures that extend the remaining useful lives of existing assets, increase their capacity or operating efficiency beyond the original specification or add value through modification for a different use. These capital expenditures are not considered in the initial determination of the useful lives of these assets at the time they are placed into service. The resulting revision, if any, of the asset's estimated useful life is measured and accounted for prospectively.

Without these continued expenditures, the useful lives of these assets could decrease significantly. Other factors that could change the estimated useful lives of Occidental's chemical assets include sustained higher or lower product prices, which are particularly affected by both domestic and foreign competition, demand, feedstock costs, energy prices, environmental regulations and technological changes.

Occidental performs impairment tests on its chemical assets whenever events or changes in circumstances lead to a reduction in the estimated useful lives or estimated future cash flows that would indicate that the carrying amount may not be recoverable, or when management's plans change with respect to those assets. Any impairment loss would be calculated as the excess of the asset's net book value over its estimated fair value.

Occidental's net PP&E for the chemical segment is approximately \$2.4 billion and its DD&A expense for 2018 is expected to be approximately \$350 million. The most significant financial statement impact of a decrease in the estimated useful lives of Occidental's chemical plants would be on depreciation expense. For example, a reduction in the remaining useful lives of one year would increase depreciation and reduce pre-tax earnings by approximately \$44 million per year.

#### Midstream, Marketing and Other Assets

Derivatives are carried at fair value and on a net basis when a legal right of offset exists with the same counterparty. Occidental applies hedge accounting when transactions meet specified criteria for cash-flow hedge treatment and management elects and documents such treatment. Otherwise, any fair value gains or losses are recognized in earnings in the current period. For cash-flow hedges, the gain or loss on the effective portion of the derivative is reported as a component of other comprehensive income (OCI) with an offsetting adjustment to the basis of the item being hedged. Realized gains or losses from cash-flow hedges, and any ineffective portion, are recorded as a component of net sales in the consolidated statements of operations. Ineffectiveness is primarily created by a lack of correlation between the hedged item and the hedging instrument due to location, quality, grade or changes in the expected quantity of the hedged item. Gains and losses from derivative instruments are reported net in the consolidated statements of operations. There were no fair value hedges as of and during the years ended December 31, 2017, 2016 and 2015.

A hedge is regarded as highly effective such that it qualifies for hedge accounting if, at inception and

throughout its life, it is expected that changes in the fair value or cash flows of the hedged item will be offset by 80 to 125 percent of the changes in the fair value or cash flows, respectively, of the hedging instrument. In the case of hedging a forecast transaction, the transaction must be probable and must present an exposure to variations in cash flows that could ultimately affect reported net income or loss. Occidental discontinues hedge accounting when it determines that a derivative has ceased to be highly effective as a hedge; when the hedged item matures or is sold or repaid; or when a forecast transaction is no longer deemed probable.

Occidental's midstream and marketing PP&E is depreciated over the estimated useful lives of the assets, using either the unit-of-production or straight-line method. Occidental performs impairment tests on its midstream and marketing assets whenever events or changes in circumstances lead to a reduction in the estimated useful lives or estimated future cash flows that would indicate that the carrying amount may not be recoverable, or when management's plans change with respect to those assets. Any impairment loss would be calculated as the excess of the asset's net book value over its estimated fair value.

#### Fair Value Measurements

Occidental has categorized its assets and liabilities that are measured at fair value in a three-level fair value hierarchy, based on the inputs to the valuation techniques: Level 1 – using quoted prices in active markets for the assets or liabilities; Level 2 – using observable inputs other than quoted prices for the assets or liabilities; and Level 3 – using unobservable inputs. Transfers between levels, if any, are recognized at the end of each reporting period.

#### Fair Values - Recurring

Occidental primarily applies the market approach for recurring fair value measurements, maximizes its use of observable inputs and minimizes its use of unobservable inputs. Occidental utilizes the mid-point between bid and ask prices for valuing the majority of its assets and liabilities measured and reported at fair value. In addition to using market data, Occidental makes assumptions in valuing its assets and liabilities, including assumptions about the risks inherent in the inputs to the valuation technique. For assets and liabilities carried at fair value, Occidental measures fair value using the following methods:

- Ø Occidental values exchange-cleared commodity derivatives using closing prices provided by the exchange as of the balance sheet date. These derivatives are classified as Level 1.
- Ø Over-the-Counter (OTC) bilateral financial commodity contracts, foreign exchange contracts, options and physical commodity forward purchase and sale contracts are generally classified as Level 2 and are generally valued using quotations provided by brokers or industry-standard models that consider various inputs, including quoted forward prices for commodities, time value, volatility factors, credit risk and current market and contractual prices for the underlying instruments, as well as other relevant economic measures. Substantially all of these inputs

are observable in the marketplace throughout the full term of the instrument, and can be derived from observable data or are supported by observable prices at which transactions are executed in the marketplace.

- Ø Occidental values commodity derivatives based on a market approach that considers various assumptions, including quoted forward commodity prices and market yield curves. The assumptions used include inputs that are generally unobservable in the marketplace or are observable but have been adjusted based upon various assumptions and the fair value is designated as Level 3 within the valuation hierarchy.

Occidental generally uses an income approach to measure fair value when there is not a market-observable price for an identical or similar asset or liability. This approach utilizes management's judgments regarding expectations of projected cash flows, and discounts those cash flows using a risk-adjusted discount rate.

### **Environmental Liabilities and Expenditures**

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Occidental records environmental reserves and related charges and expenses for estimated remediation costs that relate to existing conditions from past operations when environmental remediation efforts are probable and the costs can be reasonably estimated. In determining the reserves and the range of reasonably possible additional losses, Occidental refers to currently available information, including relevant past experience, remedial objectives, available technologies, applicable laws and regulations and cost-sharing arrangements. Occidental bases environmental reserves on management's estimate of the most likely cost to be incurred, using the most cost-effective technology reasonably expected to achieve the remedial objective. Occidental periodically reviews reserves and adjusts them as new information becomes available. Occidental records environmental reserves on a discounted basis when it deems the aggregate amount and timing of cash payments to be reliably determinable at the time the reserves are established. The reserve methodology with respect to discounting for a specific site is not modified once it is established. Presently none of the environmental reserves are recorded on a discounted basis. Occidental generally records reimbursements or recoveries of environmental remediation costs in income when received, or when receipt of recovery is highly probable.

Many factors could affect Occidental's future remediation costs and result in adjustments to its environmental reserves and range of reasonably possible additional losses. The most significant are: (1) cost estimates for remedial activities may be inaccurate; (2) the length of time, type or amount of remediation necessary to achieve the remedial objective may change due to factors such as site conditions, the ability to identify and control contaminant sources or the discovery of additional contamination; (3) a regulatory agency may ultimately reject or modify Occidental's proposed remedial plan; (4) improved or alternative remediation technologies may change remediation costs; (5) laws and regulations may

change remediation requirements or affect cost sharing or allocation of liability; and (6) changes in allocation or cost-sharing arrangements may occur.

Certain sites involve multiple parties with various cost-sharing arrangements, which fall into the following three categories: (1) environmental proceedings that result in a negotiated or prescribed allocation of remediation costs among Occidental and other alleged potentially responsible parties; (2) oil and gas ventures in which each participant pays its proportionate share of remediation costs reflecting its working interest; or (3) contractual arrangements, typically relating to purchases and sales of properties, in which the parties to the transaction agree to methods of allocating remediation costs. In these circumstances, Occidental evaluates the financial viability of other parties with whom it is alleged to be jointly liable, the degree of their commitment to participate and the consequences to Occidental of their failure to participate when estimating Occidental's ultimate share of liability. Occidental records reserves at its expected net cost of remedial activities and, based on these factors, believes that it will not be required to assume a share of liability of such other potentially responsible parties in an amount materially above amounts reserved.

In addition to the costs of investigations and cleanup measures, which often take in excess of 10 years at NPL sites, Occidental's reserves include management's estimates of the costs to operate and maintain remedial systems. If remedial systems are modified over time in response to significant changes in site-specific data, laws, regulations, technologies or engineering estimates, Occidental reviews and adjusts its reserves accordingly.

If Occidental were to adjust the environmental reserve balance based on the factors described above, the amount of the increase or decrease would be recognized in earnings. For example, if the reserve balance were reduced by 10 percent, Occidental would record a pre-tax gain of \$87 million. If the reserve balance were increased by 10 percent, Occidental would record an additional remediation expense of \$87 million.

### **Other Loss Contingencies**

Occidental is involved, in the normal course of business, in lawsuits, claims and other legal proceedings and audits. Occidental accrues reserves for these matters when it is probable that a liability has been incurred and the liability can be reasonably estimated. In addition, Occidental discloses, in aggregate, its exposure to loss in excess of the amount recorded on the balance sheet for these matters if it is reasonably possible that an additional material loss may be incurred. Occidental reviews its loss contingencies on an ongoing basis.

Loss contingencies are based on judgments made by management with respect to the likely outcome of these matters and are adjusted as appropriate. Management's judgments could change based on new information, changes in, or interpretations of, laws or regulations, changes in management's plans or intentions, opinions regarding the outcome of legal proceedings, or other factors. See "Lawsuits, Claims and Contingencies" for additional information.

## SIGNIFICANT ACCOUNTING AND DISCLOSURE CHANGES

See Note 3 in the Notes to Condensed Consolidated Financial Statements in Part II Item 8 of this Form 10-K.

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

Portions of this report, including Items 1 and 2, "Business and Properties," Item 3, "Legal Proceedings," Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations," and Item 7A, "Quantitative and Qualitative Disclosures About Market Risk," contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 and involve risks and uncertainties that could materially affect expected results of operations, liquidity, cash flows and business prospects. 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 prospective nature of 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. Factors that may cause Occidental's results of operations and financial position to differ from expectations include the factors discussed in Item 1A, "Risk Factors" and elsewhere.

## ITEM 7A QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

### Commodity Price Risk

#### General

Occidental's results are sensitive to fluctuations in oil, NGLs and natural gas prices. Price changes at current global prices and levels of production affect Occidental's pre-tax annual income by approximately \$110 million for a \$1 per barrel change in oil prices and \$30 million for a \$1 per barrel change in NGLs prices. If domestic natural gas prices varied by \$0.50 per Mcf, it would have an estimated annual effect on Occidental's pre-tax income of approximately \$20 million. These price-change sensitivities include the impact of PSC and similar contract volume changes on income. If production levels change in the future, the sensitivity of Occidental's results to prices also will change. Marketing results are sensitive to price changes of oil, natural gas and, to a lesser degree, other commodities. These sensitivities are additionally dependent on marketing volumes and cannot be predicted reliably.

Occidental's results are also sensitive to fluctuations in chemical prices. A variation in chlorine and caustic soda prices of \$10 per ton would have a pre-tax annual effect on income of approximately \$10 million and \$30 million, respectively. A variation in PVC prices of \$0.01 per lb. would

have a pre-tax annual effect on income of approximately \$30 million. Historically, over time, product price changes have tracked raw material and feedstock product price changes, somewhat mitigating the effect of price changes on margins. According to IHS Chemical or Townsend, 2017 average contract prices were: chlorine-\$324 per ton; caustic soda-\$635 per ton; and PVC-\$0.40 per lb.

Occidental uses derivative instruments, including a combination of short-term futures, forwards, options and swaps, to obtain the average prices for the relevant production month and to improve realized prices for oil and gas.

#### Risk Management

Occidental conducts its risk management activities for marketing and trading under the controls and governance of its risk control policies. The controls under these policies are implemented and enforced by a risk management group which monitors risk by providing an independent and separate evaluation and check. Members of the risk management group report to the Corporate Vice President and Treasurer. Controls for these activities include limits on value at risk, limits on credit, limits on total notional trade value, segregation of duties, delegation of authority, daily price verifications, reporting to senior management of various risk measures and a number of other policy and procedural controls.

#### Fair Value of Marketing Derivative Contracts

Occidental carries derivative contracts it enters into in connection with its marketing activities at fair value. Fair values for these contracts are derived from Level 1 and Level 2 sources. The fair values in future maturity periods are insignificant.

The following table shows the fair value of Occidental's derivatives (excluding collateral), segregated by maturity periods and by methodology of fair value estimation:

Source of Fair Value Assets/(liabilities) (in millions)	Maturity Periods			Total
	2018	2019 and 2020	2021 and 2022	
Prices actively quoted	\$ (49)	\$ —	\$ —	\$ (49)
Prices provided by other external sources	7	(1)	—	6
Total	\$ (42)	\$ (1)	\$ —	\$ (43)

#### Cash-Flow Hedges

Occidental's marketing operations, from time to time, store natural gas purchased from third parties at Occidental's North American leased storage facilities. As of December 31, 2017, and 2016, Occidental had approximately 7 billion cubic feet (Bcf) of natural gas held in storage, and had cash-flow hedges for the forecasted sales, to be settled by physical delivery, of approximately 7 Bcf of stored natural gas.

#### Quantitative Information

Occidental uses value at risk to estimate the potential effects of changes in fair values of commodity contracts used in trading activities. This measure determines the maximum potential negative one day change in fair value

with a 95 percent level of confidence. Additionally, Occidental uses complementary trading limits including position and tenor limits and maintains liquid positions as a result of which market risk typically can be neutralized or mitigated on short notice. As a result of these controls, Occidental has determined that market risk of its trading activities is not reasonably likely to have a material adverse effect on its performance.

### Interest Rate Risk

#### General

Occidental's exposure to changes in interest rates is not expected to be material and relates to its variable-rate long-term debt obligations. As of December 31, 2017, variable-rate debt constituted approximately 1 percent of Occidental's total debt.

### Foreign Currency Risk

Occidental's foreign operations have limited currency risk. Occidental manages its exposure primarily by balancing monetary assets and liabilities and limiting cash positions in foreign currencies to levels necessary for operating purposes. A vast majority of international oil sales are denominated in United States dollars. Additionally, all of Occidental's consolidated foreign oil and gas subsidiaries have the United States dollar as the functional currency. As of December 31, 2017, the fair value of foreign currency derivatives used in the marketing operations was immaterial. The effect of exchange rates on transactions in foreign currencies is included in periodic income.

### Tabular Presentation of Interest Rate Risk

The table below provides information about Occidental's debt obligations. Debt amounts represent principal payments by maturity date.

Year of Maturity (in millions of U.S. dollars)	U.S. Dollar Fixed-Rate Debt	U.S. Dollar Variable-Rate Debt	Grand Total (a)
2018	500	—	500
2019	116	—	116
2020	—	—	—
2021	1,249	—	1,249
2022	1,213	—	1,213
Thereafter	6,761	68	6,829
Total	\$ 9,839	\$ 68	\$ 9,907
Weighted-average interest rate	3.67%	1.83%	3.66%
Fair Value	\$ 10,332	\$ 68	\$ 10,400

(a) Excludes unamortized debt discounts of \$32 million and debt issuance cost of \$47 million.

### Credit Risk

The majority of Occidental's counterparty credit risk is related to the physical delivery of energy commodities to its customers and their inability to meet their settlement commitments. Occidental manages credit risk by selecting counterparties that it believes to be financially strong, by entering into netting arrangements with counterparties and by requiring collateral or other credit risk mitigants, as appropriate. Occidental actively evaluates the creditworthiness of its counterparties, assigns appropriate credit limits, and monitors credit exposures against those assigned limits. Occidental also enters into future contracts through regulated exchanges with select clearinghouses and brokers, which are subject to minimal credit risk as a significant portion of these transactions settle on a daily margin basis.

Certain of Occidental's OTC derivative instruments contain credit-risk-contingent features, primarily tied to credit ratings for Occidental or its counterparties, which may affect the amount of collateral that each would need to post. Occidental believes that if it had received a one-notch reduction in its credit ratings, it would not have resulted in a material change in its collateral-posting requirements as of December 31, 2017 and 2016.

As of December 31, 2017, the substantial majority of the credit exposures were with investment grade counterparties. Occidental believes its exposure to credit-related losses at December 31, 2017 was not material and losses associated with credit risk have been insignificant for all years presented.

## ITEM 8 FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

### REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To The Stockholders and Board of Directors  
Occidental Petroleum Corporation:

#### *Opinion on the Consolidated Financial Statements*

We have audited the accompanying consolidated balance sheets of Occidental Petroleum Corporation and subsidiaries (the "Company") as of December 31, 2017 and 2016, the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2017, and the related notes and financial statement schedule II - valuation and qualifying accounts (collectively, the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 23, 2018 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

#### *Basis for Opinion*

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the Company's auditor since 2002.

Houston, Texas

February 23, 2018

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To The Stockholders and Board of Directors  
Occidental Petroleum Corporation:

### *Opinion on Internal Control Over Financial Reporting*

We have audited Occidental Petroleum Corporation and subsidiaries' (the "Company") internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of the Company as of December 31, 2017 and 2016, the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2017, and the related notes and financial statement schedule II - valuation and qualifying accounts (collectively, the "consolidated financial statements"), and our report dated February 23, 2018 expressed an unqualified opinion on those consolidated financial statements.

### *Basis for Opinion*

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Assessment of and Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### *Definition and Limitations of Internal Control Over Financial Reporting*

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

Houston, Texas

February 23, 2018

## Consolidated Balance Sheets

(in millions)

Occidental Petroleum Corporation  
and Subsidiaries

Assets at December 31,	2017	2016
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,672	\$ 2,233
Trade receivables, net of reserves of \$16 in 2017 and \$16 in 2016	4,145	3,989
Inventories	1,246	866
Assets held for sale	474	—
Other current assets	733	1,340
<b>Total current assets</b>	<b>8,270</b>	<b>8,428</b>
<b>INVESTMENTS</b>		
Investment in unconsolidated entities	1,515	1,401
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Oil and gas segment	53,409	54,673
Chemical segment	6,847	6,930
Midstream and marketing	9,493	9,216
Corporate	497	474
	<u>70,246</u>	<u>71,293</u>
Accumulated depreciation, depletion and amortization	(39,072)	(38,956)
	<u>31,174</u>	<u>32,337</u>
<b>LONG-TERM RECEIVABLES AND OTHER ASSETS, NET</b>	<b>1,067</b>	<b>943</b>
<b>TOTAL ASSETS</b>	<b>\$ 42,026</b>	<b>\$ 43,109</b>

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

## Consolidated Balance Sheets

(in millions, except share and per-share amounts)

Occidental Petroleum Corporation  
and Subsidiaries

Liabilities and Stockholders' Equity at December 31,	2017	2016
<b>CURRENT LIABILITIES</b>		
Current maturities of long-term debt	\$ 500	\$ —
Accounts payable	4,408	3,926
Accrued liabilities	2,492	2,436
<b>Total current liabilities</b>	<b>7,400</b>	<b>6,362</b>
<b>LONG-TERM DEBT, NET</b>	<b>9,328</b>	<b>9,819</b>
<b>DEFERRED CREDITS AND OTHER LIABILITIES</b>		
Deferred domestic and foreign income taxes	581	1,132
Asset retirement obligations	1,241	1,245
Pension and postretirement obligations	1,005	963
Environmental remediation reserves	728	739
Other	1,171	1,352
	<b>4,726</b>	<b>5,431</b>
<b>STOCKHOLDERS' EQUITY</b>		
Common stock, \$0.20 per share par value, authorized shares: 1.1 billion, issued shares: 2017 — 893,468,707 and 2016 — 892,214,604	179	178
Treasury stock: 2017 — 128,364,195 shares and 2016 — 127,977,306 shares	(9,168)	(9,143)
Additional paid-in capital	7,884	7,747
Retained earnings	21,935	22,981
Accumulated other comprehensive loss	(258)	(266)
<b>Total stockholders' equity</b>	<b>20,572</b>	<b>21,497</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 42,026</b>	<b>\$ 43,109</b>

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



# Consolidated Statements of Operations

(in millions, except per-share amounts)

Occidental Petroleum Corporation  
and Subsidiaries

For the years ended December 31,	2017	2016	2015
<b>REVENUES AND OTHER INCOME</b>			
Net sales	\$ 12,508	\$ 10,090	\$ 12,480
Interest, dividends and other income	99	106	118
Gains on sale of equity investments and other assets	667	202	101
	<u>13,274</u>	<u>10,398</u>	<u>12,699</u>
<b>COSTS AND OTHER DEDUCTIONS</b>			
Cost of sales (excludes depreciation, depletion, and amortization of \$4,000 in 2017, \$4,266 in 2016, and \$4,540 in 2015)	5,594	5,189	5,804
Selling, general and administrative and other operating expenses	1,424	1,330	1,270
Depreciation, depletion and amortization	4,002	4,268	4,544
Asset impairments and related items	545	825	10,239
Taxes other than on income	311	277	343
Exploration expense	82	62	36
Interest and debt expense, net	345	292	147
	<u>12,303</u>	<u>12,243</u>	<u>22,383</u>
<b>INCOME (LOSS) BEFORE INCOME TAXES AND OTHER ITEMS</b>	<u>971</u>	<u>(1,845)</u>	<u>(9,684)</u>
(Provision for) benefit from domestic and foreign income taxes	(17)	662	1,330
Income from equity investments	357	181	208
	<u>1,311</u>	<u>(1,002)</u>	<u>(8,146)</u>
<b>INCOME (LOSS) FROM CONTINUING OPERATIONS</b>	<u>1,311</u>	<u>(1,002)</u>	<u>(8,146)</u>
Income from discontinued operations	—	428	317
	<u>—</u>	<u>428</u>	<u>317</u>
<b>NET INCOME (LOSS)</b>	<u>\$ 1,311</u>	<u>\$ (574)</u>	<u>\$ (7,829)</u>
<b>BASIC EARNINGS (LOSS) PER COMMON SHARE (attributable to common stock)</b>			
Income (loss) from continuing operations	\$ 1.71	\$ (1.31)	\$ (10.64)
Discontinued operations, net	—	0.56	0.41
<b>BASIC EARNINGS (LOSS) PER COMMON SHARE</b>	<u>\$ 1.71</u>	<u>\$ (0.75)</u>	<u>\$ (10.23)</u>
<b>DILUTED EARNINGS (LOSS) PER COMMON SHARE (attributable to common stock)</b>			
Income (loss) from continuing operations	\$ 1.70	\$ (1.31)	\$ (10.64)
Discontinued operations, net	—	0.56	0.41
<b>DILUTED EARNINGS (LOSS) PER COMMON SHARE</b>	<u>\$ 1.70</u>	<u>\$ (0.75)</u>	<u>\$ (10.23)</u>
<b>DIVIDENDS PER COMMON SHARE</b>	<u>\$ 3.06</u>	<u>\$ 3.02</u>	<u>\$ 2.97</u>

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

## Consolidated Statements of Comprehensive Income

(in millions)

Occidental Petroleum Corporation  
and Subsidiaries

For the years ended December 31,	2017	2016	2015
Net income (loss) attributable to common stock	\$ 1,311	\$ (574)	\$ (7,829)
Other comprehensive income (loss) items:			
Foreign currency translation (losses) gains	3	—	(2)
Unrealized gains (losses) on derivatives (a)	13	(14)	3
Pension and postretirement gains (losses) (b)	(7)	47	48
Reclassification of realized losses (gains) on derivatives (c)	(1)	8	1
Other comprehensive income, net of tax	8	41	50
Comprehensive income (loss)	\$ 1,319	\$ (533)	\$ (7,779)

(a) Net of tax of \$(7), \$8 and \$(2) in 2017, 2016 and 2015, respectively. The 2015 amount includes a lower of cost or market inventory adjustment for hedged natural gas of \$(2).

(b) Net of tax of \$4, \$(26) and \$(27) in 2017, 2016 and 2015, respectively. See Note 13 for additional information.

(c) Net of tax of zero, \$(4) and \$(1) in 2017, 2016 and 2015, respectively.

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

## Consolidated Statements of Stockholders' Equity

(in millions)

Occidental Petroleum Corporation  
and Subsidiaries

	Equity Attributable to Common Stock					
	Common Stock	Treasury Stock	Additional Paid- in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Equity
<b>Balance, December 31, 2014</b>	\$ 178	\$ (8,528)	\$ 7,599	\$ 36,067	\$ (357)	\$ 34,959
Net loss	—	—	—	(7,829)	—	(7,829)
Other comprehensive income, net of tax	—	—	—	—	50	50
Dividends on common stock	—	—	—	(2,278)	—	(2,278)
Issuance of common stock and other, net	—	—	41	—	—	41
Purchases of treasury stock	—	(593)	—	—	—	(593)
<b>Balance, December 31, 2015</b>	\$ 178	\$ (9,121)	\$ 7,640	\$ 25,960	\$ (307)	\$ 24,350
Net loss	—	—	—	(574)	—	(574)
Other comprehensive income, net of tax	—	—	—	—	41	41
Dividends on common stock	—	—	—	(2,405)	—	(2,405)
Issuance of common stock and other, net	—	—	107	—	—	107
Purchases of treasury stock	—	(22)	—	—	—	(22)
<b>Balance, December 31, 2016</b>	\$ 178	\$ (9,143)	\$ 7,747	\$ 22,981	\$ (266)	\$ 21,497
Net income	—	—	—	1,311	—	1,311
Other comprehensive income, net of tax	—	—	—	—	8	8
Dividends on common stock	—	—	—	(2,357)	—	(2,357)
Issuance of common stock and other, net	1	—	137	—	—	138
Purchases of treasury stock	—	(25)	—	—	—	(25)
<b>Balance, December 31, 2017</b>	\$ 179	\$ (9,168)	\$ 7,884	\$ 21,935	\$ (258)	\$ 20,572

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

## Consolidated Statements of Cash Flows

(in millions)

Occidental Petroleum Corporation  
and Subsidiaries

For the years ended December 31,

	2017	2016	2015
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Net income (loss)	\$ 1,311	\$ (574)	\$ (7,829)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Income from discontinued operations	—	(428)	(317)
Depreciation, depletion and amortization of assets	4,002	4,268	4,544
Deferred income tax benefit	(719)	(517)	(1,372)
Other noncash charges to income	222	121	159
Asset impairments and related items	545	665	9,684
Gain on sale of equity investments and other assets	(667)	(202)	(101)
Undistributed earnings from equity investments	(68)	3	6
Dry hole expenses	51	33	10
Changes in operating assets and liabilities:			
Decrease (increase) in receivables	(158)	(1,091)	1,431
Decrease (increase) in inventories	(349)	17	(24)
Decrease in other current assets	39	65	33
(Decrease) increase in accounts payable and accrued liabilities	43	603	(1,989)
(Decrease) increase in current domestic and foreign income taxes	64	17	(331)
Other operating, net	680	(461)	(650)
Operating cash flow from continuing operations	4,996	2,519	3,254
Operating cash flow from discontinued operations, net of taxes	—	864	97
<b>Net cash provided by operating activities</b>	<b>4,996</b>	<b>3,383</b>	<b>3,351</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Capital expenditures	(3,599)	(2,717)	(5,272)
Change in capital accrual	122	(114)	(592)
Payments for purchases of assets and businesses	(1,064)	(2,044)	(109)
Sales of equity investments and assets, net	1,403	302	819
Other, net	(76)	(169)	(269)
<b>Net cash used by investing activities</b>	<b>(3,214)</b>	<b>(4,742)</b>	<b>(5,423)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from long-term debt	—	4,203	1,478
Payments of long-term debt	—	(2,710)	—
Change in restricted cash	—	1,193	2,826
Proceeds from issuance of common stock	28	36	37
Purchases of treasury stock	(25)	(22)	(593)
Cash dividends paid	(2,346)	(2,309)	(2,264)
<b>Net cash provided (used) by financing activities</b>	<b>(2,343)</b>	<b>391</b>	<b>1,484</b>
<b>Decrease in cash and cash equivalents</b>	<b>(561)</b>	<b>(968)</b>	<b>(588)</b>
<b>Cash and cash equivalents — beginning of year</b>	<b>2,233</b>	<b>3,201</b>	<b>3,789</b>
<b>Cash and cash equivalents — end of year</b>	<b>\$ 1,672</b>	<b>\$ 2,233</b>	<b>\$ 3,201</b>

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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**NATURE OF OPERATIONS**

In this report, "Occidental" means Occidental Petroleum Corporation, a Delaware corporation (OPC), or OPC and one or more entities in which it owns a controlling interest (subsidiaries). Occidental conducts its operations through various subsidiaries and affiliates. Occidental's principal businesses consist of three segments. The oil and gas segment explores for, develops and produces oil and condensate, natural gas liquids (NGLs) and natural gas. The chemical segment (OxyChem) mainly manufactures and markets basic chemicals and vinyls. The midstream and marketing segment gathers, processes, transports, stores, purchases and markets oil, condensate, NGLs, natural gas, carbon dioxide (CO<sub>2</sub>) and power. It also trades around its assets, including transportation and storage capacity. Additionally, the midstream and marketing segment operates a crude oil export terminal, as well as invests in entities that conduct similar activities.

**PRINCIPLES OF CONSOLIDATION**

The consolidated financial statements have been prepared in conformity with United States generally accepted accounting principles (GAAP) and include the accounts of OPC, its subsidiaries and its undivided interests in oil and gas exploration and production ventures. Occidental accounts for its share of oil and gas exploration and production ventures, in which it has a direct working interest, by reporting its proportionate share of assets, liabilities, revenues, costs and cash flows within the relevant lines on the balance sheets, income statements and cash flow statements.

Certain financial statements, notes and supplementary data for prior years have been reclassified to conform to the 2017 presentation.

**INVESTMENTS IN UNCONSOLIDATED ENTITIES**

Occidental's percentage interest in the underlying net assets of affiliates as to which it exercises significant influence without having a controlling interest (excluding oil and gas ventures in which Occidental holds an undivided interest) are accounted for under the equity method. Occidental reviews equity-method investments for impairment whenever events or changes in circumstances indicate that an other-than-temporary decline in value may have occurred. The amount of impairment, if any, is based on quoted market prices, when available, or other valuation techniques, including discounted cash flows.

**REVENUE RECOGNITION**

Revenue is recognized from oil and gas production when title has passed to the customer, which occurs when the product is shipped. Where oil is shipped by tanker, title passes when the tanker is loaded or product is received by the customer, depending on the shipping terms. This process occasionally causes a difference between actual production in a reporting period and sales volumes that have been recognized as revenue. Revenues from the production of oil and gas properties in which Occidental has an interest with other producers are recognized on the basis of Occidental's net revenue interest.

Revenue from chemical product sales is recognized when the product is shipped and title has passed to the customer. Certain incentive programs may provide for payments or credits to be made to customers based on the volume of product purchased over a defined period. Total customer incentive payments over a given period are estimated and recorded as a reduction to revenue ratably over the contract period. Such estimates are evaluated and revised as warranted.

Revenue from marketing activities is recognized on net settled transactions upon completion of contract terms and, for physical deliveries, upon title transfer. For unsettled transactions, contracts are recorded at fair value and changes in fair value are reflected in net sales. Revenue from all marketing activities is reported on a net basis.

Occidental records revenue net of any taxes, such as sales taxes, that are assessed by governmental authorities on Occidental's customers.

**RISKS AND UNCERTAINTIES**

The process of preparing consolidated financial statements in conformity with GAAP requires Occidental's management to make informed estimates and judgments regarding certain types of financial statement balances and disclosures. Such estimates primarily relate to unsettled transactions and events as of the date of the consolidated financial statements and judgments on expected outcomes as well as the materiality of transactions and balances. Changes in facts and circumstances or discovery of new information relating to such transactions and events may result in revised estimates and judgments and actual results may differ from estimates upon settlement. Management believes that these estimates and judgments provide a reasonable basis for the fair presentation of Occidental's financial statements. Occidental establishes a valuation allowance against net operating losses and other deferred tax assets to the extent it believes the future benefit from these assets will not be realized in the statutory carryforward periods. Realization of deferred tax assets is dependent upon Occidental generating sufficient future taxable income and reversal of temporary differences in jurisdictions where such assets originate.

The accompanying consolidated financial statements include assets of approximately \$9.8 billion as of December 31, 2017, and net sales of approximately \$4.4 billion for the year ended December 31, 2017, relating to Occidental's operations in countries outside North America. Occidental operates some of its oil and gas business in countries that have experienced political instability, nationalizations, corruption, armed conflict, terrorism, insurgency, civil unrest, security problems, labor unrest, OPEC production restrictions, equipment import restrictions and sanctions, all of which increase Occidental's risk of loss, delayed or restricted production or may result in other adverse consequences. Occidental attempts to conduct its affairs so as to mitigate its exposure to such risks and would seek compensation in the event of nationalization.

Because Occidental's major products are commodities, significant changes in the prices of oil and gas and chemical products may have a significant impact on Occidental's results of operations.

Also, see "Property, Plant and Equipment" below.

## CASH EQUIVALENTS

Cash equivalents are short-term, highly liquid investments that are readily convertible to cash. Cash equivalents were approximately \$1.3 billion and \$2.0 billion at December 31, 2017, and 2016, respectively.

## RESTRICTED CASH

Restricted cash was the result of the separation of California Resources in 2014. As of December 31, 2017, there was no restricted cash.

## INVESTMENTS

Available-for-sale securities are recorded at fair value with any unrealized gains or losses included in accumulated other comprehensive income/loss (AOCI). Trading securities are recorded at fair value with unrealized and realized gains or losses included in net sales.

A decline in market value of any available-for-sale securities below cost that is deemed to be other-than-temporary results in an impairment to reduce the carrying amount to fair value. To determine whether an impairment is other-than-temporary, Occidental considers all available information relevant to the investment, including past events and current conditions. Evidence considered in this assessment includes the reasons for the impairment, the severity and duration of the impairment, changes in value subsequent to year-end, and the general market condition in the geographic area or industry the investee operates in.

## INVENTORIES

Materials and supplies are valued at weighted-average cost and are reviewed periodically for obsolescence. Oil, NGLs and natural gas inventories are valued at the lower of cost or market.

For the chemical segment, Occidental's finished goods inventories are valued at the lower of cost or market. For most of its domestic inventories, other than materials and supplies, the chemical segment uses the last-in, first-out (LIFO) method as it better matches current costs and current revenue. For other countries, Occidental uses the first-in, first-out method (if the costs of goods are specifically identifiable) or the average-cost method (if the costs of goods are not specifically identifiable).

## PROPERTY, PLANT AND EQUIPMENT

### Oil and Gas

The carrying value of Occidental's property, plant and equipment (PP&E) represents the cost incurred to acquire or develop the asset, including any asset retirement obligations and capitalized interest, net of accumulated depreciation, depletion and amortization (DD&A) and any impairment charges. For assets acquired, PP&E cost is based on fair values at the acquisition date. Asset retirement obligations and interest costs incurred in connection with qualifying capital expenditures are capitalized and amortized over the lives of the related assets.

Occidental uses the successful efforts method to account for its oil and gas properties. Under this method, Occidental capitalizes costs of acquiring properties, costs of drilling successful exploration wells and development costs. The costs of exploratory wells are initially capitalized pending a determination of whether proved reserves have been found. If proved reserves have been found, the costs of exploratory wells remain capitalized. Otherwise, Occidental charges the costs of the related wells to expense. In some cases, a determination of proved reserves cannot be made at the completion of drilling, requiring additional testing and evaluation of the wells. Occidental generally expenses the costs of such exploratory wells if a determination of proved reserves has not been made within a 12-month period after drilling is complete.

The following table summarizes the activity of capitalized exploratory well costs for continuing operations for the years ended December 31:

in millions	2017	2016	2015
Balance — Beginning of Year	\$ 56	\$ 76	\$ 141
Additions to capitalized exploratory well costs pending the determination of proved reserves	201	29	88
Reclassifications to property, plant and equipment based on the determination of proved reserves	(128)	(28)	(78)
Capitalized exploratory well costs charged to expense	(21)	(21)	(75)
Balance — End of Year	\$ 108	\$ 56	\$ 76

Occidental expenses annual lease rentals, the costs of injectants used in production and geological, geophysical and seismic costs as incurred. Occidental determines depreciation and depletion of oil and gas producing properties by the unit-of-production method. It amortizes leasehold costs over total proved reserves, and capitalized development and successful exploration costs over proved developed reserves.

Proved oil and gas reserves are those quantities of oil and gas which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible—from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations—prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. Occidental has no proved oil and gas reserves for which the determination of economic producibility is subject to the completion of major additional capital expenditures.

Occidental performs impairment tests with respect to its proved properties whenever events or circumstances indicate that the carrying value of property may not be recoverable. If there is an indication the carrying amount of the asset may not be recovered due to declines in current and forward prices, significant changes in reserve estimates, changes in management's plans, or other significant events, management will evaluate the property for impairment. Under the successful efforts method, if the sum of the undiscounted cash flows is less than the carrying value of the proved property, the carrying value is reduced to estimated fair value and reported as an impairment charge in the period. Individual proved properties are grouped for impairment purposes at the lowest level for which there are identifiable cash flows. The fair value of impaired assets is typically determined based on the present value of expected future cash flows using discount rates believed to be consistent with those used by market participants. The impairment test incorporates a number of assumptions involving expectations of future cash flows which can change significantly over time. These assumptions include estimates of future product prices, contractual prices, estimates of risk-adjusted oil and gas reserves and estimates of future operating and development costs. See Note 15 and below for further discussion of asset impairments.

A portion of the carrying value of Occidental's oil and gas properties is attributable to unproved properties. Net capitalized costs attributable to unproved properties were \$1.0 billion and \$1.4 billion at December 31, 2017, and 2016, respectively. The unproved amounts are not subject to DD&A until they are classified as proved properties. Capitalized costs attributable to the properties become subject to DD&A when proved reserves are assigned to the property. If the exploration efforts are unsuccessful, or management decides not to pursue development of these properties as a result of lower commodity prices, higher development and operating costs, contractual conditions or other factors, the capitalized costs of the related properties would be expensed. The timing of any writedowns of these unproved properties, if warranted, depends upon management's plans, the nature, timing and extent of future exploration and development activities and their results.

### Chemical

Occidental's chemical assets are depreciated using either the unit-of-production or the straight-line method, based upon the estimated useful lives of the facilities. The estimated useful lives of Occidental's chemical assets, which range from three years to fifty years, are also used for impairment tests. The estimated useful lives for the chemical facilities are based on the assumption that Occidental will provide an appropriate level of annual expenditures to ensure productive capacity is sustained. Such expenditures consist of ongoing routine repairs and maintenance, as well as planned major maintenance activities (PMMA). Ongoing routine repairs and maintenance expenditures are expensed as incurred. PMMA costs are capitalized and amortized over the period until the next planned overhaul. Additionally, Occidental incurs capital expenditures that extend the remaining useful lives of existing assets, increase their capacity or operating efficiency beyond the original specification or add value through modification for a different use. These capital expenditures are not considered in the initial determination of the useful lives of these assets at the time they are placed into service. The resulting revision, if any, of the asset's estimated useful life is measured and accounted for prospectively.

Without these continued expenditures, the useful lives of these assets could decrease significantly. Other factors that could change the estimated useful lives of Occidental's chemical assets include sustained higher or lower product prices, which are particularly affected by both domestic and foreign competition, demand, feedstock costs, energy prices, environmental regulations and technological changes.

Occidental performs impairment tests on its chemical assets whenever events or changes in circumstances lead to a reduction in the estimated useful lives or estimated future cash flows that would indicate that the carrying amount may not be recoverable, or when management's plans change with respect to those assets. Any impairment loss would be calculated as the excess of the asset's net book value over its estimated fair value.

### Midstream and Marketing

Occidental's midstream and marketing PP&E is depreciated over the estimated useful lives of the assets, using either the unit-of-production or straight-line method.

Occidental performs impairment tests on its midstream and marketing assets whenever events or changes in circumstances lead to a reduction in the estimated useful lives or estimated future cash flows that would indicate that the carrying amount may not be recoverable, or when management's plans change with respect to those assets. Any impairment loss would be calculated as the excess of the asset's net book value over its estimated fair value.

## IMPAIRMENTS AND RELATED ITEMS

In 2017, Occidental recorded net impairment and related charges of \$397 million related to proved and unproved non-core Permian acreage and \$120 million related to idled midstream and marketing facilities.

In 2016, Occidental recorded net impairment and related charges of \$61 million related to the sale of Libya and exit from Iraq and the termination of crude oil supply contracts at a cost of \$160 million. The corporate amount included an allowance for doubtful accounts. The allowance for doubtful accounts recorded during 2016 includes a reserve against the long-term receivable related to environmental sites indemnified by Maxus described in Note 8. Occidental recorded a reserve against this receivable due to the uncertainty of collection as a result of the Maxus bankruptcy.

In 2015, Occidental recorded impairment and related charges on oil and gas assets due to the decline in oil and gas prices, the decision to sell or exit non-core assets and changes in development plans for its non-producing assets. In November 2015, Occidental sold its Williston Basin assets in North Dakota and in December 2015, Occidental entered into an agreement to sell its Piceance Basin operations in Colorado. In Iraq, Occidental issued a notice of withdrawal and reassigned its interest in the Zubair Field in accordance with the contract terms. In Bahrain, Occidental issued a notice of withdrawal, reassigning its interest, and completed the exit in 2016. In Yemen, Occidental's non-operated interest in Block 10 East Shabwa Field expired in December 2015, and in February 2016, Occidental sold its interests in Block S-1, An Nagyah Field.

In 2015, the midstream and marketing segment recorded an impairment charge for the Century gas processing plant as a result of our partner's inability to provide volumes to the plant and meet its contractual obligations to deliver CO<sub>2</sub>.

For the years ended December 31, (in millions)	2017	2016	2015
<b>OIL AND GAS</b>			
<b>United States</b>			
Impairments and related charges of exiting operations	\$ —	\$ (44)	\$ 1,862 (a)
Impairments related to decline in commodity prices and changes in future development plans	397	15	1,428
Rig termination charges	—	—	192
Other asset impairment related charges	—	5	204
<b>Latin America</b>			
Impairments related to decline in commodity prices and other	4	9	559
<b>Middle East and North Africa</b>			
Impairments of exiting operations	—	61	1,658
Impairments related to decline in commodity prices	—	—	2,833
<b>CHEMICAL</b>			
Impairments of assets	—	—	121
<b>MIDSTREAM AND MARKETING</b>			
Century gas processing plant	—	—	814
Other asset impairment related charges	120	160	216
<b>CORPORATE</b>			
Other-than-temporary impairment of investment in California Resources	—	78	227
Severance, spin-off and allowance for doubtful accounts	—	541	125
	<b>\$ 521</b>	<b>\$ 825</b>	<b>\$ 10,239</b>

(a) A portion of the 2015 charges are reported in the Midstream and Marketing segment.

It is reasonably possible that prolonged declines in commodity prices, reduced capital spending in response to lower prices or increases in operating costs could result in additional impairments.

## FAIR VALUE MEASUREMENTS

Occidental has categorized its assets and liabilities that are measured at fair value in a three-level fair value hierarchy, based on the inputs to the valuation techniques: Level 1 – using quoted prices in active markets for the assets or liabilities; Level 2 – using observable inputs other than quoted prices for the assets or liabilities; and Level 3 – using unobservable inputs. Transfers between levels, if any, are reported at the end of each reporting period.

### Fair Values - Recurring

Occidental primarily applies the market approach for recurring fair value measurements, maximizes its use of observable inputs and minimizes its use of unobservable inputs. Occidental utilizes the mid-point between bid and ask prices for valuing the majority of its assets and liabilities measured and reported at fair value. In addition to using market data, Occidental makes



assumptions in valuing its assets and liabilities, including assumptions about the risks inherent in the inputs to the valuation technique. For assets and liabilities carried at fair value, Occidental measures fair value using the following methods:

- Ø Occidental values exchange-cleared commodity derivatives using closing prices provided by the exchange as of the balance sheet date. These derivatives are classified as Level 1.
- Ø Over-the-Counter (OTC) bilateral financial commodity contracts, foreign exchange contracts, options and physical commodity forward purchase and sale contracts are generally classified as Level 2 and are generally valued using quotations provided by brokers or industry-standard models that consider various inputs, including quoted forward prices for commodities, time value, volatility factors, credit risk and current market and contractual prices for the underlying instruments, as well as other relevant economic measures. Substantially all of these inputs are observable in the marketplace throughout the full term of the instrument, and can be derived from observable data or are supported by observable prices at which transactions are executed in the marketplace.
- Ø Occidental values commodity derivatives based on a market approach that considers various assumptions, including quoted forward commodity prices and market yield curves. The assumptions used include inputs that are generally unobservable in the marketplace, or are observable but have been adjusted based upon various assumptions and the fair value is designated as Level 3 within the valuation hierarchy.

Occidental generally uses an income approach to measure fair value when there is not a market-observable price for an identical or similar asset or liability. This approach utilizes management's judgments regarding expectations of projected cash flows, and discounts those cash flows using a risk-adjusted discount rate.

#### **ACCRUED LIABILITIES—CURRENT**

Accrued liabilities include accrued payroll, commissions and related expenses of \$412 million and \$341 million at December 31, 2017, and 2016, respectively.

#### **ENVIRONMENTAL LIABILITIES AND EXPENDITURES**

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Occidental records environmental reserves and related charges and expenses for estimated remediation costs that relate to existing conditions from past operations when environmental remediation efforts are probable and the costs can be reasonably estimated. In determining the reserves and the range of reasonably possible additional losses, Occidental refers to currently available information, including relevant past experience, remedial objectives, available technologies, applicable laws and regulations and cost-sharing arrangements. Occidental bases environmental reserves on management's estimate of the most likely cost to be incurred, using the most cost-effective technology reasonably expected to achieve the remedial objective. Occidental periodically reviews reserves and adjusts them as new information becomes available. Occidental records environmental reserves on a discounted basis when it deems the aggregate amount and timing of cash payments to be reliably determinable at the time the reserves are established. The reserve methodology with respect to discounting for a specific site is not modified once it is established. Presently none of the environmental reserves are recorded on a discounted basis. Occidental generally records reimbursements or recoveries of environmental remediation costs in income when received, or when receipt of recovery is highly probable.

Many factors could affect Occidental's future remediation costs and result in adjustments to its environmental reserves and range of reasonably possible additional losses. The most significant are: (1) cost estimates for remedial activities may be inaccurate; (2) the length of time, type or amount of remediation necessary to achieve the remedial objective may change due to factors such as site conditions, the ability to identify and control contaminant sources or the discovery of additional contamination; (3) a regulatory agency may ultimately reject or modify Occidental's proposed remedial plan; (4) improved or alternative remediation technologies may change remediation costs; (5) laws and regulations may change remediation requirements or affect cost sharing or allocation of liability; and (6) changes in allocation or cost-sharing arrangements may occur.

Certain sites involve multiple parties with various cost-sharing arrangements, which fall into the following three categories: (1) environmental proceedings that result in a negotiated or prescribed allocation of remediation costs among Occidental and other alleged potentially responsible parties; (2) oil and gas ventures in which each participant pays its proportionate share of remediation costs reflecting its working interest; or (3) contractual arrangements, typically relating to purchases and sales of properties, in which the parties to the transaction agree to methods of allocating remediation costs. In these circumstances, Occidental evaluates the financial viability of the other parties with whom it is alleged to be jointly liable, the degree of their commitment to participate and the consequences to Occidental of their failure to participate when estimating Occidental's ultimate share of liability. Occidental records reserves at its expected net cost of remedial activities and, based on these factors, believes that it will not be required to assume a share of liability of such other potentially responsible parties in an amount materially above amounts reserved.

In addition to the costs of investigations and cleanup measures, which often take in excess of 10 years at Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) National Priorities List (NPL) sites, Occidental's reserves include management's estimates of the costs to operate and maintain remedial systems. If remedial systems are modified over time in response to significant changes in site-specific data, laws, regulations, technologies or engineering estimates, Occidental reviews and adjusts its reserves accordingly.

## ASSET RETIREMENT OBLIGATIONS

Occidental recognizes the fair value of asset retirement obligations in the period in which a determination is made that a legal obligation exists to dismantle an asset and reclaim or remediate the property at the end of its useful life and the cost of the obligation can be reasonably estimated. The liability amounts are based on future retirement cost estimates and incorporate many assumptions such as time to abandonment, technological changes, future inflation rates and the risk-adjusted discount rate. When the liability is initially recorded, Occidental capitalizes the cost by increasing the related PP&E balances. If the estimated future cost of the asset retirement obligations changes, Occidental records an adjustment to both the asset retirement obligations and PP&E. Over time, the liability is increased and expense is recognized for accretion, and the capitalized cost is depreciated over the useful life of the asset.

At a certain number of its facilities, Occidental has identified conditional asset retirement obligations that are related mainly to plant decommissioning. Occidental does not know or cannot estimate when it may settle these obligations. Therefore, Occidental cannot reasonably estimate the fair value of these liabilities. Occidental will recognize these conditional asset retirement obligations in the periods in which sufficient information becomes available to reasonably estimate their fair values.

The following table summarizes the activity of the asset retirement obligations, of which \$1.2 billion is included in deferred credits and other liabilities - asset retirement obligations, with the remaining current portion in accrued liabilities at both December 31, 2017, and 2016.

For the years ended December 31, (in millions)	2017	2016
Beginning balance	\$ 1,369	\$ 1,124
Liabilities incurred – capitalized to PP&E	46	46
Liabilities settled and paid	(39)	(38)
Accretion expense	67	59
Acquisitions, dispositions and other – changes in PP&E	(136)	11
Revisions to estimated cash flows – changes in PP&E	5	167
Ending balance	\$ 1,312	\$ 1,369

## DERIVATIVE INSTRUMENTS

Derivatives are carried at fair value and on a net basis when a legal right of offset exists with the same counterparty. Occidental applies hedge accounting when transactions meet specified criteria for cash-flow hedge treatment and management elects and documents such treatment. Otherwise, any fair value gains or losses are recognized in earnings in the current period. For cash-flow hedges, the gain or loss on the effective portion of the derivative is reported as a component of other comprehensive income (OCI) with an offsetting adjustment to the basis of the item being hedged. Realized gains or losses from cash-flow hedges, and any ineffective portion, are recorded as a component of net sales in the consolidated statements of operations. Ineffectiveness is primarily created by a lack of correlation between the hedged item and the hedging instrument due to location, quality, grade or changes in the expected quantity of the hedged item. Gains and losses from derivative instruments are reported net in the consolidated statements of operations. There were no fair value hedges as of and during the years ended December 31, 2017, 2016 and 2015.

A hedge is regarded as highly effective such that it qualifies for hedge accounting if, at inception and throughout its life, it is expected that changes in the fair value or cash flows of the hedged item will be offset by 80 to 125 percent of the changes in the fair value or cash flows, respectively, of the hedging instrument. In the case of hedging a forecast transaction, the transaction must be probable and must present an exposure to variations in cash flows that could ultimately affect reported net income or loss. Occidental discontinues hedge accounting when it determines that a derivative has ceased to be highly effective as a hedge; when the hedged item matures or is sold or repaid; or when a forecasted transaction is no longer deemed probable.

## STOCK-BASED INCENTIVE PLANS

Occidental has established several stockholder-approved stock-based incentive plans for certain employees and directors (Plans) that are more fully described in Note 12. A summary of Occidental's accounting policy for awards issued under the Plans is as follows.

For cash- and stock-settled restricted stock units or incentive award shares (RSU) and capital employed incentive awards and return on assets (ROCEI/ROAI), compensation value is initially measured on the grant date using the quoted market price of Occidental's common stock and the estimated payout at the grant date. For total shareholder return incentives (TSRIs), compensation value is initially measured on the grant date using estimated payout levels derived from a Monte Carlo valuation model. Compensation expense for RSUs, ROCEI/ROAI and TSRIs is recognized on a straight-line basis over the requisite service periods, which is generally over the awards' respective vesting or performance periods. Compensation expense for the dividends accrued on unvested awards is adjusted quarterly for any changes in stock price and the number of share equivalents expected to be paid based on the relevant performance and market criteria, if applicable. All such performance or stock-price-related changes are recognized in periodic compensation expense. The stock-settled portion of these awards is expensed using the initially measured compensation value.

## EARNINGS PER SHARE

Occidental's instruments containing rights to nonforfeitable dividends granted in stock-based awards are considered participating securities prior to vesting and, therefore, have been deducted from earnings in computing basic and diluted EPS under the two-class method.

Basic EPS was computed by dividing net income attributable to common stock, net of income allocated to participating securities, by the weighted-average number of common shares outstanding during each period, net of treasury shares and including vested but unissued shares and share units. The computation of diluted EPS reflects the additional dilutive effect of stock options and unvested stock awards.

## RETIREMENT AND POSTRETIREMENT BENEFIT PLANS

Occidental recognizes the overfunded or underfunded amounts of its defined benefit pension and postretirement plans, which are more fully described in Note 13, in its financial statements using a December 31 measurement date.

Occidental determines its defined benefit pension and postretirement benefit plan obligations based on various assumptions and discount rates. The discount rate assumptions used are meant to reflect the interest rate at which the obligations could effectively be settled on the measurement date. Occidental estimates the rate of return on assets with regard to current market factors but within the context of historical returns. Occidental funds and expenses negotiated pension increases for domestic union employees over the terms of the applicable collective bargaining agreements.

Pension and any postretirement plan assets are measured at fair value. Common stock, preferred stock, publicly registered mutual funds, U.S. government securities and corporate bonds are valued using quoted market prices in active markets when available. When quoted market prices are not available, these investments are valued using pricing models with observable inputs from both active and non-active markets. Common and collective trusts are valued at the fund units' net asset value (NAV) provided by the issuer, which represents the quoted price in a non-active market. Short-term investment funds are valued at the fund units' NAV provided by the issuer.

## SUPPLEMENTAL CASH FLOW INFORMATION

Occidental paid United States federal, state and foreign income taxes for continuing operations of approximately \$0.8 billion, \$0.6 billion and \$1 billion during the years ended December 31, 2017, 2016 and 2015, respectively. Occidental received refunds of \$0.8 billion and \$0.3 billion during the years ended December 31, 2017, and 2016, respectively. Occidental also paid production, property and other taxes of approximately \$375 million, \$345 million and \$445 million during the years ended December 31, 2017, 2016 and 2015, respectively, substantially all of which was in the United States. Interest paid totaled \$351 million, \$312 million and \$246 million, net of capitalized interest of \$52 million, \$64 million and \$138 million, for the years 2017, 2016 and 2015, respectively.

## FOREIGN CURRENCY TRANSACTIONS

The functional currency applicable to all of Occidental's foreign oil and gas operations is the U.S. dollar since cash flows are denominated principally in U.S. dollars. In Occidental's other operations, Occidental's use of non-United States dollar functional currencies was not material for all years presented. The effect of exchange rates on transactions in foreign currencies is included in periodic income. Occidental reports the exchange rate differences arising from translating foreign-currency-denominated balance sheet accounts to the United States dollar as of the reporting date in other comprehensive income. Exchange-rate gains and losses for continuing operations were not material for all years presented.

## NOTE 2 ACQUISITIONS, DISPOSITIONS AND OTHER TRANSACTIONS

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### 2017

In the third quarter of 2017, Occidental closed on two divestitures of non-core acreage in the Permian Basin for proceeds of approximately \$0.6 billion, resulting in a pre-tax gain of approximately \$81 million. Concurrently, Occidental purchased additional ownership interests and assumed operatorship in CO<sub>2</sub> enhanced oil recovery (EOR) properties located in the Seminole-San Andres Unit for approximately \$0.6 billion, which was primarily allocated to proved property. In the fourth quarter of 2017, Occidental sold other non-core proved and unproved acreage in the Permian Basin for approximately \$90 million, resulting in a pre-tax gain of approximately \$55 million. Occidental also classified approximately \$0.5 billion in non-core proved and unproved Permian acreage to assets held for sale at December 31, 2017.

In April 2017, Occidental completed the sale of its South Texas operations for net proceeds of \$0.5 billion resulting in pre-tax gain of \$0.5 billion.

### 2016

In 2016, Occidental completed its exit of non-core operations in Bahrain, Iraq, Libya and Yemen.

In November 2016, Occidental issued \$1.5 billion of senior notes, comprised of \$750 million of 3.0-percent senior notes due 2027 and \$750 million of 4.1-percent senior notes due 2047. Occidental received net proceeds of \$1.49 billion. Interest

on the senior notes is payable semi-annually in arrears in February and August each year for each series of senior notes beginning August 15, 2017. Occidental used the proceeds for general corporate purposes.

In October 2016, Occidental acquired producing and non-producing leasehold acreage in the Permian Basin. This acquisition included 35,000 net acres in Reeves and Pecos counties, Texas in the Southern Delaware Basin, in areas where Occidental currently operates or has working interests. Separately, Occidental also acquired working interests in several producing oil and gas CO<sub>2</sub> floods and related EOR infrastructure, increasing Occidental's ownership in several properties where it is currently the operator or an existing working interest partner. The total purchase price for these transactions was approximately \$2.0 billion which was allocated between unproved and proved property.

In September 2016, Occidental completed the sale of its South Texas Eagle Ford non-operated properties for \$63 million resulting in a pre-tax gain of \$59 million.

In August 2016, Occidental terminated crude oil supply contracts at a cost of \$160 million.

In the second quarter of 2016, Occidental received \$330 million as final payment from the settlement with the Republic of Ecuador. In January 2016, Occidental reached an understanding on the terms of payment for the approximate \$1.0 billion payable to Occidental by the Republic of Ecuador under a November 2015 International Center for Settlement of Investment Disputes arbitration award. This award relates to Ecuador's 2006 expropriation of Occidental's Participation Contract for Block 15. Occidental recorded a pre-tax gain of \$681 million in 2016. The results related to Ecuador were presented as discontinued operations.

In May and June 2016, respectively, Occidental utilized part of the proceeds from the April 2016 senior notes offering (described below) to exercise the early redemption option on \$1.25 billion of 1.75-percent senior notes due in the first quarter of 2017 and to retire all \$750 million of 4.125-percent senior notes that matured in June 2016.

In April 2016, Occidental issued \$2.75 billion of senior notes, comprised of \$0.4 billion of 2.6-percent senior notes due 2022, \$1.15 billion of 3.4-percent senior notes due 2026 and \$1.2 billion of 4.4-percent senior notes due 2046. Occidental received net proceeds of approximately \$2.72 billion. Interest on the senior notes is payable semi-annually in arrears in April and October of each year for each series of senior notes, beginning on October 15, 2016. Occidental used a portion of the proceeds to retire debt in May and June 2016, and used the remaining proceeds for general corporate purposes.

In March 2016, Occidental distributed its remaining shares of California Resources Corporation (California Resources) through a special stock dividend to stockholders of record as of February 29, 2016. Upon distribution, Occidental recorded a \$78 million loss to reduce the investment to its fair market value, and Occidental no longer owns any shares of California Resources common stock.

In March 2016, Occidental completed the sale of its Piceance Basin operations in Colorado for \$153 million resulting in a pre-tax gain of \$121 million. The assets and liabilities related to these operations were presented as held for sale at December 31, 2015, and primarily included property, plant and equipment and current accrued liabilities and asset retirement obligations.

In February 2016, Occidental repaid \$700 million of 2.5-percent senior notes that matured.

In January 2016, Occidental completed the sale of its Occidental Tower building in Dallas, Texas, for net proceeds of approximately \$85 million, resulting in a pre-tax gain of \$57 million. The building was classified as held for sale as of December 31, 2015.

## 2015

In January 2016, Occidental reached an understanding on the terms of payment for the approximate \$1.0 billion payable to Occidental by the Republic of Ecuador under a November 2015 International Center for the Settlement of Investment Disputes arbitration award. This award relates to Ecuador's 2006 expropriation of Occidental's Participation Contract for Block 15. As of December 31, 2015, Occidental recorded a pre-tax gain of \$322 million. The result of this settlement with Ecuador has been presented as discontinued operations.

In December 2015, Occidental entered a sales agreement to sell its Piceance Basin operations in Colorado for approximately \$155 million. The transaction was completed in March 2016. As a result of exiting the Piceance Basin operations Occidental recorded certain contractual liabilities which are included in deferred credits and other liabilities - other on the consolidated balance sheet. The assets and liabilities related to these operations are presented as held for sale at December 31, 2015 and primarily included property, plant and equipment and current accrued liabilities and asset retirement obligations.

In November 2015, Occidental sold its Williston Basin assets in North Dakota for approximately \$590 million.

In October 2015, Occidental completed the sale of its Westwood building in Los Angeles, California for net proceeds of \$65 million.

In June 2015, Occidental issued \$1.5 billion of debt that was comprised of \$750 million of 3.50-percent senior unsecured notes due 2025 and \$750 million of 4.625-percent senior unsecured notes due 2045. Occidental received net proceeds of approximately \$1.48 billion. Interest on the notes is payable semi-annually in arrears in June and December of each year for both series of notes, beginning on December 15, 2015.

## RECENTLY ADOPTED ACCOUNTING AND DISCLOSURE CHANGES

In August 2017, the Financial Accounting Standards Board ("FASB") released targeted improvements to hedge accounting standards that will expand hedge accounting for nonfinancial and financial risk components and amend measurement methodologies to more closely align hedge accounting with a company's risk management activities. These rules also decrease the cost and complexity of hedge accounting. The new rules are effective for fiscal years beginning after December 15, 2018. Occidental is currently evaluating the effect of the new rules on its hedges.

In March 2017, FASB issued guidance related to presentation of net periodic pension cost and net periodic postretirement benefit cost. The rules become effective for annual periods beginning after December 15, 2017. These rules are not expected to have a material impact to Occidental's financial statements upon adoption.

In January 2017, the FASB issued new guidance clarifying the definition of a business under the topic *Business Combinations*. The new rules are effective for fiscal years beginning after December 15, 2017, and are not expected to have a material change on Occidental's financial statements upon adoption.

In November 2016, FASB issued new guidance related to the cash flow classification and presentation of the changes in restricted cash on the statement of cash flows. The rules become effective for the interim and annual periods beginning after December 15, 2017 and must be applied retrospectively. Occidental did not have restricted cash as of December 31, 2017 or 2016.

In October 2016, the FASB issued new guidance related to the income tax consequences of intra-entity transfers of assets other than inventory. The rules become effective for the interim and annual periods beginning after December 15, 2017. The rules do not have a material impact on Occidental's financial statements upon adoption.

In August 2016, the FASB issued new guidance related to the classification of certain cash receipts and payments on the statement of cash flows. The rules become effective for the interim and annual periods beginning after December 15, 2017. The rules will be adopted for the first quarter of 2018 and will result in the retrospective reclassification of certain cash receipts and payments within the Statement of Cash Flows.

In 2016, the FASB issued rules clarifying several aspects of the new revenue recognition standard Topic 606 - Revenue from Contracts with Customers, previously issued in May 2014. Under the new standard, an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects what it expects to receive in exchange for the goods and services. The new standard also requires more detailed disclosures related to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. Occidental will adopt the standard using the modified retrospective approach and recognize a cumulative effect adjustment to Retained Earnings as of January 1, 2018. The cumulative-effect adjustment to retained earnings upon adoption is not material. Occidental stratified all revenue streams within each operating segment and compiled an inventory of all contracts from which a sample of customer contracts was reviewed to assess the required accounting under the new standard. The review consisted of identifying whether such contracts are in scope of the new standard; whether there will be material changes in the timing or amount of revenue recognized from our historical accounting policies and practices; whether processes and controls are in place to evaluate new contracts for revenue recognition and to assemble any additional required disclosures. Occidental has reviewed and considered interpretations and published guidelines from The Entities with Oil and Gas Producing Activities Revenue Recognition Task Force of the American Institute of Certified Public Accountants and certain public accounting firms, respectively. Occidental has completed its review of the sample contracts and does not expect any material change to the pattern or timing of revenue recognition and earnings as a result of adopting the new standard. Additionally, Occidental has assessed the disclosure requirements under the new standard and anticipates disclosing additional information, as necessary, to supplement the historical disaggregated revenue disclosures, including qualitative disclosures regarding the nature of its customer contracts and performance obligations. Occidental is coordinating the data collection needs to meet those disclosure requirements. Occidental continues to conduct training for accounting staff on the new standard.

In February 2016, the FASB issued rules which require Occidental to recognize most leases, including operating leases, on the balance sheet. The new rules require lessees to recognize a right-of-use asset and lease liability for all leases with lease terms of more than 12 months. The lease liability represents the discounted obligation to make future minimum lease payments. The corresponding right-of-use asset includes the discounted obligation in addition to any upfront payment or cost incurred during contract execution of the lease. The guidance retains the current accounting for lessors and does not make significant changes to the recognition, measurement and presentation of expenses and cash flows by a lessee. Recognition, measurement and presentation of expenses and cash flows arising from a lease will depend on classification as a finance or operating lease. Occidental is the lessee under various agreements for real estate, equipment, plants and facilities, aircraft, information technology hardware and vehicles that are currently accounted for as operating leases, refer to Note 6. As a result, these new rules will increase reported assets and liabilities. Occidental will not be an early adopter of this standard. Occidental will apply the revised lease rules for its interim and annual reporting periods starting January 1, 2019, using a modified retrospective approach, including several optional practical expedients related to leases commenced before the effective date. Occidental is currently evaluating the effect of these rules on its financial statements, training accounting staff and developing an internal interim software solution for the identification, documentation and tracking of leases in order to create an adoption plan based on Occidental's population of leases under the revised definition of leases. The quantitative impacts of the new standard are

dependent on the leases in force at the time of adoption. As a result, the evaluation of the effect of the new standard will extend over future periods.

#### NOTE 4 INVENTORIES

Net carrying values of inventories valued under the LIFO method were approximately \$172 million and \$192 million at December 31, 2017 and 2016, respectively. Finished goods primarily represents crude oil, caustic soda and chlorine. Inventories consisted of the following:

Balance at December 31, (in millions)	2017	2016
Raw materials	\$ 66	\$ 65
Materials and supplies	447	446
Finished goods	776	395
	1,289	906
Revaluation to LIFO	(43)	(40)
<b>Total</b>	<b>\$ 1,246</b>	<b>\$ 866</b>

#### NOTE 5 LONG-TERM DEBT

Long-term debt consisted of the following:

Balance at December 31, (in millions)	2017	2016
1.50% senior notes due 2018	\$ 500	\$ 500
9.25% senior debentures due 2019	116	116
4.10% senior notes due 2021	1,249	1,249
3.125% senior notes due 2022	813	813
2.60% senior notes due 2022	400	400
2.70% senior notes due 2023	1,191	1,191
8.75% medium-term notes due 2023	22	22
3.50% senior notes due 2025	750	750
3.40% senior notes due 2026	1,150	1,150
3.00% senior notes due 2027	750	750
7.20% senior debentures due 2028	82	82
8.45% senior debentures due 2029	116	116
4.625% senior notes due 2045	750	750
4.40% senior notes due 2046	1,200	1,200
4.10% senior notes due 2047	750	750
Variable rate bonds due 2030 (1.8% and 0.9% as of December 31, 2017 and 2016, respectively )	68	68
	9,907	9,907
<b>Less:</b>		
Unamortized discount, net	(32)	(36)
Debt issuance costs	(47)	(52)
Current maturities	(500)	—
<b>Total</b>	<b>\$ 9,328</b>	<b>\$ 9,819</b>

As of December 31, 2017, Occidental had an undrawn \$2.0 billion revolving credit facility (2014 Credit Facility). Occidental did not draw down any amounts under the 2014 Credit Facility during 2017 or 2016, and no amounts were outstanding as of December 31, 2017. Borrowings under the 2014 Credit Facility bear interest at various benchmark rates, including LIBOR, plus a margin based on Occidental's senior debt ratings. Additionally, Occidental paid average annual facility fees of 0.08 percent in 2017 on the total commitment amounts of the 2014 Credit Facility. In January 2018, Occidental entered into a new five-year, \$3.0 billion revolving credit facility (2018 Credit Facility) which replaced the 2014 Credit Facility, which was scheduled to expire in August 2019. The 2018 Credit Facility has similar terms to the 2014 Credit Facility and along with other debt agreements does not contain material adverse change clauses or debt ratings triggers that could restrict Occidental's ability to borrow or that would permit lenders to terminate their commitments or accelerate debt. The 2018 Credit Facility provides for the termination of loan commitments and requires immediate repayment of any outstanding amounts if certain events of default occur. The 2018 Credit Facility matures in January 2023.

As of December 31, 2017, under the most restrictive covenants of its financing agreements, Occidental had substantial capacity for additional unsecured borrowings, the payment of cash dividends and other distributions on, or acquisitions of, Occidental stock.

Occidental has provided guarantees on Dolphin Energy's debt, which are limited to certain political and other events. At December 31, 2017, and 2016, Occidental's total guarantees were not material and a substantial majority of the amounts consisted of limited recourse guarantees on approximately \$272 million and \$296 million, respectively, of Dolphin's debt. The fair value of the guarantees was immaterial.

At December 31, 2017, principal payments on long-term debt aggregated approximately \$9.9 billion, of which \$0.5 billion is due in 2018, \$0.1 billion is due in 2019, zero is due in 2020, \$1.3 billion is due in 2021, \$1.2 billion is due in 2022, and \$6.8 billion is due in 2023 and thereafter.

Occidental estimates the fair value of fixed-rate debt based on the quoted market prices for those instruments or on quoted market yields for similarly rated debt instruments, taking into account such instruments' maturities. The estimated fair values of Occidental's debt at December 31, 2017, and 2016, substantially all of which were classified as Level 1, were approximately \$10.4 billion and \$10.2 billion, respectively, compared to carrying values of approximately \$9.9 billion at December 31, 2017 and 2016. Occidental's exposure to changes in interest rates relates primarily to its variable-rate, long-term debt obligations, and is not material. As of December 31, 2017, and 2016, variable-rate debt constituted approximately one percent of Occidental's total debt.

## NOTE 6 LEASE COMMITMENTS

Operating lease agreements include leases for transportation equipment, power plants, machinery, terminals, storage facilities, land and office space. Occidental's operating lease agreements frequently include renewal or purchase options and require the Company to pay for utilities, taxes, insurance and maintenance expenses. At December 31, 2017, future net minimum lease payments for noncancelable operating leases (excluding oil and gas and other mineral leases, utilities, taxes, insurance and maintenance expense) were the following:

(in millions)	Amount
2018	\$ 275
2019	135
2020	99
2021	87
2022	85
Thereafter	387
<b>Total minimum lease payments</b>	<b>\$ 1,068</b>

Rental expense for operating leases was \$278 million in 2017, \$237 million in 2016 and \$197 million in 2015.

## NOTE 7 DERIVATIVES

### Objective & Strategy

Occidental uses a variety of derivative financial instruments and physical contracts, including those designated as cash flow hedges, to manage its exposure to commodity price fluctuations, transportation commitments and to fix margins on the future sale of stored volumes of oil and natural gas. Where Occidental buys product for its own consumption or sells its production to a defined customer, Occidental may elect normal purchases and normal sales exclusions. Occidental usually applies cash flow hedge accounting treatment to derivative financial instruments to lock in margins on the forecasted sales of its natural gas storage volumes, and at times for other strategies to lock in margins. Occidental also enters into derivative financial instruments for speculative or trading purposes; however, the results of any transactions are immaterial to the marketing portfolio. Refer to Note 1 for Occidental's accounting policy on derivatives.

The financial instruments, not designated as hedges, will impact Occidental's earnings through mark-to-market until the offsetting future physical commodity is delivered. Physical inventory is carried at lower of cost or market on the balance sheet. A substantial majority of Occidental's physical derivative contracts are index-based and carry no mark-to-market value in earnings. Net gains and losses associated with derivative instruments not designated as hedging instruments are recognized currently in net sales. Net gains and losses attributable to derivatives instruments subject to hedge accounting reside in accumulated other comprehensive income (loss) and are reclassified to earnings as the transactions to which the derivatives relate are recognized in earnings.

### Cash-Flow Hedges

Occidental's marketing operations store natural gas purchased from third parties at Occidental's leased storage facilities. Derivative instruments are used to fix margins on the future sales of the stored volumes. These agreements continue through

2017. As of December 31, 2017, and 2016, Occidental had approximately 7 billion cubic feet (Bcf) of natural gas held in storage, and had cash-flow hedges for the forecasted sales, to be settled by physical delivery, of approximately 7 Bcf of stored natural gas. The amount of cash-flow hedges, including the ineffective portion, was immaterial for the years ended December 31, 2017 and 2016.

### Derivatives Not Designated as Hedging Instruments

The following table summarizes the amounts reported in net sales related to the outstanding commodity derivative instruments not designated as hedging instruments as of December 31, 2017, and 2016:

As of December 31, (in millions, except Long/(Short) volumes)	2017	2016
Unrealized gain (loss) on derivatives not designated as hedges		
Oil commodity contracts	\$ (47)	\$ (5)
Natural gas commodity contracts	\$ 1	\$ 1
Outstanding net volumes on derivatives not designated as hedges		
Oil Commodity Contracts		
Volume (MMBOE)	61	67
Price Per Bbl	\$ 57.38	\$ 53.86
Natural gas commodity contracts		
Volume (Bcf)	(47)	(12)
Price Per MMBTU	\$ 2.73	\$ 3.19

### Fair Value of Derivatives

Occidental has categorized its assets and liabilities that are measured at fair value in a three-level fair value hierarchy, based on the inputs to the valuation techniques: Level 1 - using quoted prices in active markets for the assets or liabilities; Level 2 - using observable inputs other than quoted prices for the assets or liabilities; and Level 3 - using unobservable inputs. Transfers between levels, if any, are reported at the end of each reporting period. The following summarizes the fair value of the Company's derivative assets and liabilities by input level within the fair-value hierarchy:

As of December 31, 2017		Fair Value Measurements Using			Netting (b)	Total Fair Value
(in millions)	Balance Sheet Location	Level 1	Level 2	Level 3		
<b>Assets:</b>						
Cash-flow hedges (a)						
Commodity contracts	Other current assets	—	3	—	—	3
Derivatives not designated as hedging instruments (a)						
	Other current assets	485	227	—	(517)	195
Commodity contracts	Long-term receivables and other assets, net	1	2	—	(1)	2
<b>Liabilities:</b>						
Derivatives not designated as hedging instruments (a)						
	Accrued liabilities	535	222	—	(517)	240
Commodity contracts	Deferred credits and liabilities	1	3	—	(1)	3

(a) Fair values are presented at gross amounts, including when the derivatives are subject to netting arrangements and presented on a net basis in the consolidated balance sheets.

(b) These amounts do not include collateral. As of December 31, 2017, no collateral received has been netted against derivative assets and collateral paid of \$54 million has been netted against derivative liabilities. Select clearinghouses and brokers require Occidental to post an initial margin deposit. Collateral, mainly for initial margin, of \$53 million as of December 31, 2017, deposited by Occidental, has not been reflected in these derivative fair value tables. This collateral is included in other current assets in the consolidated balance sheets.



As of December 31, 2016 (in millions)		Fair Value Measurements Using			Netting (b)	Total Fair Value
Balance Sheet Location	Level 1	Level 2	Level 3			
<b>Assets:</b>						
<b>Cash-flow hedges (a)</b>						
Other current assets	—	1	—	—	—	1
Commodity contracts	—	—	—	—	—	—
<b>Derivatives not designated as hedging instruments (a)</b>						
Other current assets	166	57	—	(196)	—	27
Commodity contracts	2	3	—	(2)	—	3
<b>Liabilities:</b>						
<b>Cash-flow hedges (a)</b>						
Accrued liabilities	—	6	—	—	—	6
Commodity contracts	—	—	—	—	—	—
<b>Derivatives not designated as hedging instruments (a)</b>						
Accrued liabilities	172	51	—	(196)	—	27
Commodity contracts	1	6	—	(2)	—	5

(a) Fair values are presented at gross amounts, including when the derivatives are subject to netting arrangements and presented on a net basis in the consolidated balance sheets.

(b) These amounts do not include collateral. As of December 31, 2016, collateral received of \$4 million has been netted against derivative assets and collateral paid of \$13 million has been netted against derivative liabilities. Select clearinghouses and brokers require Occidental to post an initial margin deposit. Collateral, mainly for initial margin, of \$25 million as of December 31, 2016, deposited by Occidental, has not been reflected in these derivative fair value tables. This collateral is included in other current assets in the consolidated balance sheets.

### Credit Risk

The majority of Occidental's counterparty credit risk is related to the physical delivery of energy commodities to its customers and their inability to meet their settlement commitments. Occidental manages credit risk by selecting counterparties that it believes to be financially strong, by entering into netting arrangements with counterparties and by requiring collateral or other credit risk mitigants, as appropriate. Occidental actively evaluates the creditworthiness of its counterparties, assigns appropriate credit limits, and monitors credit exposures against those assigned limits. Occidental also enters into future contracts through regulated exchanges with select clearinghouses and brokers, which are subject to minimal credit risk as a significant portion of these transactions settle on a daily margin basis.

Certain of Occidental's OTC derivative instruments contain credit-risk-contingent features, primarily tied to credit ratings for Occidental or its counterparties, which may affect the amount of collateral that each would need to post. Occidental believes that if it had received a one-notch reduction in its credit ratings, it would not have resulted in a material change in its collateral-posting requirements as of December 31, 2017, and 2016. The aggregate fair value of derivative instruments with credit-risk-related contingent features for which a net liability position existed was immaterial for both December 31, 2017, and December 31, 2016.

## NOTE 8 ENVIRONMENTAL LIABILITIES AND EXPENDITURES

Occidental's operations are subject to stringent federal, state, local and foreign laws and regulations related to improving or maintaining environmental quality.

The laws that require or address environmental remediation, including CERCLA and similar federal, state, local and foreign laws, may apply retroactively and regardless of fault, the legality of the original activities or the current ownership or control of sites. OPC or certain of its subsidiaries participate in or actively monitor a range of remedial activities and government or private proceedings under these laws with respect to alleged past practices at operating, closed and third-party sites. Remedial activities may include one or more of the following: investigation involving sampling, modeling, risk assessment or monitoring; cleanup measures including removal, treatment or disposal; or operation and maintenance of remedial systems. The environmental proceedings seek funding or performance of remediation and, in some cases, compensation for alleged property damage, punitive damages, civil penalties, injunctive relief and government oversight costs.

### ENVIRONMENTAL REMEDIATION

As of December 31, 2017, Occidental participated in or monitored remedial activities or proceedings at 148 sites. The following table presents Occidental's current and non-current environmental remediation reserves as of December 31, 2017, 2016 and 2015, the current portion of which is included in accrued liabilities (\$137 million in 2017, \$131 million in 2016, and

\$70 million in 2015) and the remainder in deferred credits and other liabilities — environmental remediation reserves (\$728 million in 2017, \$739 million in 2016, and \$316 million in 2015). The reserves are grouped as environmental remediation sites listed or proposed for listing by the U.S. Environmental Protection Agency on the CERCLA NPL sites and three categories of non-NPL sites — third-party sites, Occidental-operated sites and closed or non-operated Occidental sites.

(\$ amounts in millions)	2017		2016		2015	
	Number of Sites	Reserve Balance	Number of Sites	Reserve Balance	Number of Sites	Reserve Balance
NPL sites	34	\$ 457	33	\$ 461	34	\$ 27
Third-party sites	70	157	68	163	66	128
Occidental-operated sites	15	108	17	106	18	107
Closed or non-operated Occidental sites	29	143	29	140	31	124
<b>Total</b>	<b>148</b>	<b>\$ 865</b>	<b>147</b>	<b>\$ 870</b>	<b>149</b>	<b>\$ 386</b>

As of December 31, 2017, Occidental's environmental reserves exceeded \$10 million each at 16 of the 148 sites described above, and 89 of the sites had reserves from \$0 to \$1 million each.

As of December 31, 2017, three sites — the Diamond Alkali Superfund Site and a former chemical plant in Ohio (both of which are indemnified by Maxus Energy Corporation, as discussed further below), and a landfill in Western New York - accounted for 95 percent of its reserves associated with NPL sites. The reserve balance above includes 17 NPL sites indemnified by Maxus.

Five of the 70 third-party sites — a Maxus-indemnified chrome site in New Jersey, a former copper mining and smelting operation in Tennessee, an active plant outside of the United States, a sediment site in Louisiana and an active refinery in Louisiana where Occidental reimburses the current owner for certain remediation activities accounted for 60 percent of Occidental's reserves associated with these sites. The reserve balance above includes 9 third-party sites indemnified by Maxus.

Three sites — chemical plants in Kansas, Louisiana and Texas accounted for 49 percent of the reserves associated with the Occidental-operated sites.

Five other sites — a landfill in Western New York, former chemical plants in Tennessee, Washington and California, and a closed coal mine in Pennsylvania accounted for 62 percent of the reserves associated with closed or non-operated Occidental sites.

Environmental reserves vary over time depending on factors such as acquisitions or dispositions, identification of additional sites and remedy selection and implementation.

Based on current estimates, Occidental expects to expend funds corresponding to approximately 40 percent of the current environmental reserves at the sites described above over the next three to four years and the balance at these sites over the subsequent 10 or more years. Occidental believes its range of reasonably possible additional losses beyond those liabilities recorded for environmental remediation at all of its environmental sites could be up to \$1.1 billion.

#### Maxus Environmental Sites

When Occidental acquired Diamond Shamrock Chemicals Company (DSCC) in 1986, Maxus Energy Corporation (Maxus), a subsidiary of YPF S.A. (YPF), agreed to indemnify Occidental for a number of environmental sites, including the Diamond Alkali Superfund Site (Site) along a portion of the Passaic River. On June 17, 2016, Maxus and several affiliated companies filed for Chapter 11 bankruptcy in Federal District Court in the State of Delaware. Prior to filing for bankruptcy, Maxus defended and indemnified Occidental in connection with clean-up and other costs associated with the sites subject to the indemnity, including the Site.

In March 2016, the EPA issued a Record of Decision (ROD) specifying remedial actions required for the lower 8.3 miles of the Lower Passaic River. The ROD does not address any potential remedial action for the upper nine miles of the Lower Passaic River or Newark Bay. During the third quarter of 2016, and following Maxus's bankruptcy filing, Occidental and the EPA entered into an Administrative Order on Consent (AOC) to complete the design of the proposed clean-up plan outlined in the ROD at an estimated cost of \$165 million. The EPA announced that it will pursue similar agreements with other potentially responsible parties.

Occidental has accrued a reserve relating to its estimated allocable share of the costs to perform the design and the remediation called for in the AOC and the ROD, as well as for certain other Maxus-indemnified sites. Occidental's accrued estimated environmental reserve does not consider any recoveries for indemnified costs. Occidental's ultimate share of this liability may be higher or lower than the reserved amount, and is subject to final design plans and the resolution of Occidental's allocable share with other potentially responsible parties. Occidental continues to evaluate the costs to be incurred to comply with the AOC, the ROD and to perform remediation at other Maxus-indemnified sites in light of the Maxus bankruptcy and the share of ultimate liability of other potentially responsible parties.

In June 2017, the court overseeing the Maxus bankruptcy approved a Plan of Liquidation (Plan) to liquidate Maxus and create a trust to pursue claims against YPF, Repsol and others to satisfy claims by Occidental and other creditors for past and future cleanup and other costs. In July 2017, the court-approved Plan became final and the trust became effective. Among

other responsibilities, the trust will pursue claims against YPF, Repsol and others and distribute assets to Maxus' creditors in accordance with the trust agreement and Plan.

## ENVIRONMENTAL COSTS

Occidental's environmental costs, some of which include estimates, are presented below for each segment for each of the years ended December 31:

(in millions)	2017	2016	2015
<b>Operating Expenses</b>			
Oil and Gas	\$ 68	\$ 65	\$ 93
Chemical	78	75	74
Midstream and Marketing	15	11	13
	<u>\$ 161</u>	<u>\$ 151</u>	<u>\$ 180</u>
<b>Capital Expenditures</b>			
Oil and Gas	\$ 77	\$ 43	\$ 122
Chemical	18	25	41
Midstream and Marketing	6	5	4
	<u>\$ 101</u>	<u>\$ 73</u>	<u>\$ 167</u>
<b>Remediation Expenses</b>			
Corporate	\$ 39	\$ 61	\$ 117

Operating expenses are incurred on a continual basis. Capital expenditures relate to longer-lived improvements in properties currently operated by Occidental. Remediation expenses relate to existing conditions from past operations.

## NOTE 9 LAWSUITS, CLAIMS, COMMITMENTS AND CONTINGENCIES

### Legal Matters

Occidental or certain of its subsidiaries are involved, in the normal course of business, in lawsuits, claims and other legal proceedings that seek, among other things, compensation for alleged personal injury, breach of contract, property damage or other losses, punitive damages, civil penalties, or injunctive or declaratory relief. Occidental or certain of its subsidiaries also are involved in proceedings under CERCLA and similar federal, state, local and foreign environmental laws. These environmental proceedings seek funding or performance of remediation and, in some cases, compensation for alleged property damage, punitive damages, civil penalties and injunctive relief. Usually Occidental or such subsidiaries are among many companies in these environmental proceedings and have to date been successful in sharing response costs with other financially sound companies. Further, some lawsuits, claims and legal proceedings involve acquired or disposed assets with respect to which a third party or Occidental retains liability or indemnifies the other party for conditions that existed prior to the transaction.

In accordance with applicable accounting guidance, Occidental accrues reserves for outstanding lawsuits, claims and proceedings when it is probable that a liability has been incurred and the liability can be reasonably estimated. In Note 8, Occidental has disclosed its reserve balances for environmental remediation matters that satisfy this criteria. Reserve balances for matters, other than environmental remediation matters that satisfy this criteria as of December 31, 2017 and December 31, 2016, were not material to Occidental's consolidated balance sheet.

In 2017, Andes Petroleum Ecuador Ltd. filed a demand for arbitration, claiming it is entitled to a 40 percent share of the settlement payments made by the Republic of Ecuador to Occidental for the 2006 expropriation of Occidental's Participation Contract for Ecuador's Block 15. Occidental intends to vigorously defend against this claim in arbitration.

The ultimate outcome and impact of outstanding lawsuits, claims and proceedings on Occidental cannot be predicted. Management believes that the resolution of these matters will not, individually or in the aggregate, have a material adverse effect on Occidental's consolidated balance sheet, statements of operations or cash flows after consideration of recorded accruals. Occidental's estimates are based on information known about the legal matters and its experience in contesting, litigating and settling similar matters. Occidental reassesses the probability and estimability of contingent losses as new information becomes available.

### Tax Matters

During the course of its operations, Occidental is subject to audit by tax authorities for varying periods in various federal, state, local and foreign tax jurisdictions. Although taxable years through 2009 for United States federal income tax purposes have been audited by the United States Internal Revenue Service (IRS) pursuant to its Compliance Assurance Program, subsequent taxable years are currently under review. Taxable years from 2002 through the current year remain subject to

examination by foreign and state government tax authorities in certain jurisdictions. In certain of these jurisdictions, tax authorities are in various stages of auditing Occidental's income taxes. During the course of tax audits, disputes have arisen and other disputes may arise as to facts and matters of law. Occidental believes that the resolution of outstanding tax matters would not have a material adverse effect on its consolidated financial position or results of operations.

### Indemnities to Third Parties

Occidental, its subsidiaries, or both, have indemnified various parties against specified liabilities those parties might incur in the future in connection with purchases and other transactions that they have entered into with Occidental. These indemnities usually are contingent upon the other party incurring liabilities that reach specified thresholds. As of December 31, 2017, Occidental is not aware of circumstances that it believes would reasonably be expected to lead to indemnity claims that would result in payments materially in excess of reserves.

### Purchase Obligations and Commitments

OPC, its subsidiaries, or both, have entered into agreements providing for future payments to secure terminal and pipeline capacity, drilling rigs and services, electrical power, steam and certain chemical raw materials. Occidental has certain other commitments under contracts, guarantees and joint ventures, including purchase commitments for goods and services at market-related prices and certain other contingent liabilities. At December 31, 2017, total purchase obligations were \$8.1 billion, which included approximately \$1.6 billion, \$1.2 billion, \$0.9 billion, \$0.7 billion and \$0.6 billion that will be paid in 2018, 2019, 2020, 2021 and 2022, respectively. Included in the purchase obligations are commitments for major fixed and determinable capital expenditures during 2018 and thereafter, which were approximately \$0.7 billion.

## NOTE 10 DOMESTIC AND FOREIGN INCOME TAXES

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

For the years ended December 31, (in millions)	Domestic	Foreign	Total
2017	\$ (609)	\$ 1,937	\$ 1,328
2016	\$ (2,698)	\$ 1,034	\$ (1,664)
2015	\$ (5,810)	\$ (3,666)	\$ (9,476)

The provisions (credits) for domestic and foreign income taxes on continuing operations consisted of the following:

For the years ended December 31, (in millions)	United States Federal	State and Local	Foreign	Total
2017				
Current	\$ (81)	\$ 11	\$ 806	\$ 736
Deferred	(856)	23	114	(719)
	\$ (937)	\$ 34	\$ 920	\$ 17
2016				
Current	\$ (784)	\$ 9	\$ 630	\$ (145)
Deferred	(504)	(19)	6	(517)
	\$ (1,288)	\$ (10)	\$ 636	\$ (662)
2015				
Current	\$ (810)	\$ (31)	\$ 883	\$ 42
Deferred	(1,146)	(83)	(143)	(1,372)
	\$ (1,956)	\$ (114)	\$ 740	\$ (1,330)

The following reconciliation of the United States federal statutory income tax rate to Occidental's worldwide effective tax rate on income from continuing operations is stated as a percentage of pre-tax income:

For the years ended December 31,	2017	2016	2015
United States federal statutory tax rate	35 %	35 %	35 %
Other than temporary loss on available for sale investment in California Resources stock	—	(2)	(1)
Enhanced oil recovery credit	(9)	5	—
Tax benefit due to write off of exploration blocks	—	14	—
Change in federal income tax rate	(44)	—	—
Tax expense due to reversal of indefinite reinvestment assertion	7	—	—
Operations outside the United States	12	(14)	(21)
State income taxes, net of federal benefit	2	—	1
Other	(2)	2	—
Worldwide effective tax rate	1 %	40 %	14 %

On December 22, 2017, the 2017 Tax Cuts and Jobs Act (Tax Reform) was enacted which made significant changes to the U.S. federal income tax law, including lowering the federal corporate income tax rate from 35 percent to 21 percent, repealing the corporate alternative minimum tax (AMT) and mandating a deemed repatriation of accumulated earnings and profits of U.S.-owned foreign corporations. In accordance with the guidance from the SEC, Occidental recorded a provisional estimate for the federal and state income tax associated with the mandatory deemed repatriation and the resulting impact to the net federal deferred tax liability. Tax Reform introduced a new tax on certain foreign income which the statute refers to as global intangible low-tax income (GILTI). GILTI is income of a U.S.-owned foreign corporation (net of allowed deductions) in excess of a 10 percent rate of return on the assets of the subsidiary. Tax Reform also introduced a base-erosion anti-abuse tax (BEAT) that aims to reduce the ability of multinational companies to use cross-border payments to shift income to affiliates in lower-taxed countries. Based on current analysis and interpretation of Tax Reform, Occidental does not anticipate a material GILTI or BEAT-related tax obligation and is recording no current or deferred tax impact with regards to GILTI or BEAT on a provisional basis. Further, pending definitive technical guidance from the states in which it is subject to income tax, Occidental has recorded a reasonable estimate of \$10 million for the state tax associated with the mandatory deemed repatriation on a provisional basis. The ultimate impact of Tax Reform may differ from Occidental's estimates due to changes in interpretations and assumptions, as well as additional regulatory guidance. Occidental will adjust provisional amounts as updated information is evaluated.

The tax effects of temporary differences resulting in deferred income taxes at December 31, 2017, and 2016 were as follows:

Tax effects of temporary differences (in millions)	2017		2016	
	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets	Deferred Tax Liabilities
Property, plant and equipment differences	\$ —	\$ 2,272	\$ —	\$ 3,345
Equity investments, partnerships and foreign subsidiaries	—	134	—	58
Environmental reserves	191	—	314	—
Postretirement benefit accruals	145	—	342	—
Deferred compensation and benefits	151	—	222	—
Asset retirement obligations	228	—	406	—
Foreign tax credit carryforwards	2,750	—	2,046	—
Corporate alternative minimum tax credit carryforwards	—	—	226	—
General business credit carryforwards	407	—	186	—
Net operating loss carryforward	437	—	—	—
Federal benefit of state income taxes	10	—	8	—
All other	146	—	370	—
Subtotal	4,465	2,406	4,120	3,403
Valuation allowance	(2,640)	—	(1,849)	—
Total deferred taxes	\$ 1,825	\$ 2,406	\$ 2,271	\$ 3,403

Total deferred tax assets, after valuation allowances, were \$1.8 billion and \$2.3 billion as of December 31, 2017, and 2016, respectively. Occidental expects to realize the recorded deferred tax assets, net of any allowances, through future operating income and reversal of temporary differences. The reduction in the net deferred tax liabilities is primarily related to

the reduction in the federal corporate income tax rate from 35 percent to 21 percent and the addition of \$221 million of general business credits to the credit carryforward balance.

Occidental had, as of December 31, 2017, foreign tax credit carryforwards of \$2.8 billion, which expire in varying amounts through 2027, \$35 million of state operating loss carryforwards, which have varying carryforward periods through 2037, \$402 million of federal operating loss carryforwards that expire in 2037, and \$407 million of general business credit carryforwards that expire between 2033 and 2037. Occidental had, as of December 31, 2017, corporate AMT carryforwards of \$221 million, that have been classified as non-current receivables due to Tax Reform. At December 31, 2017, Occidental reversed its indefinite re-investment assertion with regards to its investments in foreign subsidiaries and, as a result, a deferred foreign tax liability of \$99 million was recorded. Occidental's valuation allowance provides for substantially all of the foreign tax credit carryforwards and approximately \$4 million of the state net operating loss carryforwards.

Discontinued operations include income tax charges of \$249 million and \$1 million in 2016, and 2015, respectively.

As of December 31, 2017, Occidental had liabilities for unrecognized tax benefits of approximately \$22 million included in deferred credits and other liabilities – other, all of which, if subsequently recognized, would favorably affect Occidental's effective tax rate.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

For the years ended December 31, (in millions)	2017	2016	2015
Balance at January 1,	\$ 22	\$ 22	\$ 61
Reductions based on tax positions related to prior years and settlements	—	—	(39)
Balance at December 31,	\$ 22	\$ 22	\$ 22

Management believes it is unlikely that Occidental's liabilities for unrecognized tax benefits related to existing matters would increase or decrease within the next 12 months by a material amount. Occidental cannot reasonably estimate a range of potential changes in such benefits due to the unresolved nature of the various audits.

Occidental has recognized \$76 million and \$761 million in income tax receivables at December 31, 2017, and 2016, respectively, which were recorded in other current assets.

Occidental is subject to audit by various tax authorities in varying periods. See Note 9 for a discussion of these matters.

Occidental records estimated potential interest and penalties related to liabilities for unrecognized tax benefits in the provisions for domestic and foreign income taxes and these amounts were not material for the years ended December 31, 2017, 2016 and 2015.

## NOTE 11 STOCKHOLDERS' EQUITY

The following is a summary of common stock issuances:

Shares in thousands	Common Stock
Balance, December 31, 2014	890,558
Issued	782
Options exercised and other, net	20
Balance, December 31, 2015	891,360
Issued	843
Options exercised and other, net	12
Balance, December 31, 2016	892,215
Issued	1,252
Options exercised and other, net	2
<b>Balance, December 31, 2017</b>	<b>893,469</b>

## TREASURY STOCK

On October 2, 2014, Occidental increased the total number of shares authorized for its share repurchase program by 60 million shares to 185 million shares total; however, the program does not obligate Occidental to acquire any specific number of shares and may be discontinued at any time. No shares were purchased under the program in 2017 and 2016. In 2015, Occidental purchased 7.4 million shares under the program at an average cost of \$76.99 per share. Additionally, Occidental purchased shares from the trustee of its defined contribution savings plan during each year. As of December 31, 2017, 2016 and 2015, treasury stock shares numbered 128.4 million, 128.0 million and 127.7 million, respectively.

## NONREDEEMABLE PREFERRED STOCK

Occidental has authorized 50,000,000 shares of preferred stock with a par value of \$1.00 per share. At December 31, 2017, 2016 and 2015, Occidental had no outstanding shares of preferred stock.

## EARNINGS PER SHARE

The following table presents the calculation of basic and diluted EPS for the years ended December 31:

(in millions, except per-share amounts)	2017	2016	2015
Income (loss) from continuing operations	\$ 1,311	\$ (1,002)	\$ (8,146)
Income (loss) from continuing operations attributable to common stock	1,311	(1,002)	(8,146)
Income from discontinued operations	—	428	317
Net income (loss)	1,311	(574)	(7,829)
Less: Net income allocated to participating securities	(6)	—	—
Net income (loss), net of participating securities	\$ 1,305	\$ (574)	\$ (7,829)
Weighted average number of basic shares	765.1	763.8	765.6
<b>Basic earnings (loss) per common share</b>	<b>\$ 1.71</b>	<b>\$ (0.75)</b>	<b>\$ (10.23)</b>
Net income (loss), net of participating securities	\$ 1,305	\$ (574)	\$ (7,829)
Weighted average number of basic shares	765.1	763.8	765.6
Dilutive securities	0.8	—	—
Total diluted weighted average common shares	765.9	763.8	765.6
<b>Diluted earnings (loss) per common share</b>	<b>\$ 1.70</b>	<b>\$ (0.75)</b>	<b>\$ (10.23)</b>

## ACCUMULATED OTHER COMPREHENSIVE LOSS

Accumulated other comprehensive loss consisted of the following after-tax amounts:

Balance at December 31, (in millions)	2017	2016
Foreign currency translation adjustments	\$ (7)	\$ (10)
Unrealized losses on derivatives	—	(13)
Pension and postretirement adjustments <sup>(a)</sup>	(251)	(243)
Total	\$ (258)	\$ (266)

(a) See Note 13 for further information.

## NOTE 12 STOCK-BASED INCENTIVE PLANS

Occidental has established several plans that allow it to issue stock-based awards including in the form of RSUs, stock options (Options), stock appreciation rights (SARs), ROCEI/ROAI and TSRIs. An aggregate of 35 million shares of Occidental common stock were authorized for issuance and approximately 6.1 million shares had been allocated to employee awards through December 31, 2017. In accordance with the terms of the shareholder approved 2015 Long-Term Incentive Plan (LTIP), awards issued under the superseded 2005 LTIP and subsequently forfeited after adoption of the 2015 LTIP increase the shares available for issuance under the 2015 LTIP. As of December 31, 2017, approximately 27.7 million shares were available for grants of future awards. The plan requires each share covered by an award (other than Options and SARs) to be counted as if three shares were issued in determining the number of shares that are available for future awards. Accordingly, the number of shares available for future awards may be less than 27.7 million depending on the type of award granted. Additionally, under the plan, the shares available for future awards may increase, depending on the award type, by the number of shares currently unvested or forfeitable, or three times that number as applicable, that (i) fail to vest, (ii) are forfeited or canceled, or (iii) correspond to the portion of any stock-based awards settled in cash, including awards that were issued under a previous plan that remain outstanding.

During 2017, non-employee directors were granted awards for 32,787 shares of common stock. Compensation expense for these awards was measured using the closing quoted market price of Occidental's common stock on the grant date and was fully recognized at that time.

The following table summarizes total share-based compensation expense recognized in income related to continuing and discontinued operations and the associated tax benefit for the years ended December 31:

For the years ended December 31, (in millions)	2017	2016	2015
Compensation expense	\$ 150	\$ 121	\$ 49
Income tax benefit recognized in the income statement	32	43	17

As of December 31, 2017, unrecognized compensation expense for all unvested stock-based incentive awards was \$214 million. This expense is expected to be recognized over a weighted-average period of 1.7 years.

## RSUs

Certain employees are awarded the right to receive RSUs, some of which have performance criteria, and are in the form of, or equivalent in value to, actual shares of Occidental common stock. Depending on their terms, RSUs are settled in cash or stock at the time of vesting. These awards vest from one to four years following the grant date, however, certain of the RSUs are forfeitable if performance objectives are not satisfied by the seventh anniversary of the grant date. For certain RSUs, dividend equivalents are paid during the vesting period. For those awards that cliff vest between one to three years, dividend equivalents are accumulated during the vesting or performance period, as appropriate, and are paid upon vesting or performance certification, as appropriate.

The weighted-average, grant-date fair values of cash-settled RSUs granted in 2017, 2016 and 2015 were \$66.62, \$75.57, and \$72.64 per share, respectively. The weighted-average, grant-date fair values of the stock-settled RSUs granted in 2017, 2016, and 2015 were \$67.21, \$74.82, and \$72.54, respectively. Cash-Settled RSUs resulted in payments of \$22.5 million, \$41 million, and \$39 million during the years ended December 31, 2017, 2016 and 2015, respectively. The fair value of RSUs settled in shares during the years ended December 31, 2017, 2016 and 2015 was \$64 million, \$31 million, and \$28 million, respectively.

A summary of changes in Occidental's unvested cash- and stock-settled RSUs during the year ended December 31, 2017 is presented below:

	Cash-Settled		Stock-Settled	
	RSUs (000's)	Weighted-Average Grant-Date Fair Value	RSUs (000's)	Weighted-Average Grant-Date Fair Value
Unvested at January 1	601	\$ 78.70	3,500	\$ 77.07
Granted	62	66.62	1,683	67.21
Vested	(373)	81.94	(1,064)	76.51
Forfeitures	(21)	76.72	(168)	71.86
Unvested at December 31	269	\$ 71.58	3,951	\$ 73.24

## TSRIs

Certain executives are awarded TSRIs that vest at the end of a three-year period following the grant date. Payout is based upon Occidental's total shareholder return performance relative to its peers and the S&P 500. TSRIs have payouts that range from 0 to 200 percent of the target award and settle in stock once certified. Dividend equivalents for TSRIs are accumulated and paid upon certification of the award. The fair value of TSRIs settled in shares during the years ended December 31, 2017, 2016 and 2015 was \$5 million, \$8 million, and \$14 million, respectively.

The fair values of TSRIs are initially determined on the grant date using a Monte Carlo simulation model based on Occidental's assumptions, noted in the following table, and the volatility from corresponding peer group companies. The expected life is based on the vesting period (Term). The risk-free interest rate is the implied yield available on zero coupon T-notes (U.S. Treasury Strip) at the time of grant with a remaining term equal to the Term. The dividend yield is the expected annual dividend yield over the Term, expressed as a percentage of the stock price on the grant date. Estimates of fair value may not accurately predict the value ultimately realized by the employees who receive the awards, and the ultimate value may not be indicative of the reasonableness of the original estimates of fair value made by Occidental.

The grant-date assumptions used in the Monte Carlo simulation models for the estimated payout level of TSRIs were as follows:

Year Granted	TSRIs		
	2017	2016	2015
<b>Assumptions used:</b>			
Risk-free interest rate	1.5%	0.8%	0.9%
Dividend yield	4.5%	3.9%	4.1%
Volatility factor	25%	24%	37%
Expected life (years)	3	3	3
Grant-date fair value of underlying Occidental common stock	\$ 67.21	\$ 76.83	\$ 72.54



A summary of Occidental's unvested TSRIs as of December 31, 2017, and changes during the year ended December 31, 2017, is presented below:

	TSRIs	
	Awards (000's)	Weighted-Average Grant-Date Fair Value of Occidental Stock
Unvested at January 1	707	\$ 78.72
Granted	601	67.21
Vested (a)	(98)	96.75
Forfeitures	(58)	70.75
Unvested at December 31	1,152	71.58

(a) Presented at the target payouts. The payout at vesting was 84% of the target.

### STOCK OPTIONS AND SARs

Certain employees have been granted Stock Appreciation Rights (SAR) or Options that are settled in stock. Exercise prices of the Options were equal to the quoted market value of Occidental's stock on the grant date. No options were granted in 2017. The intrinsic value of options and stock-settled SARs exercised during the years ended December 31, 2017, 2016, and 2015 was zero, \$1 million, and zero, respectively.

The fair value of each Option or stock-settled SAR is initially measured on the grant date using the Black Scholes option valuation model. The expected life is estimated based on the vesting and expiration terms of the award. The volatility factors are based on the historical volatilities of Occidental common stock over the expected lives as estimated on the grant date. The risk-free interest rate is the implied yield available on U.S. Treasury Strips at the grant date with a remaining term equal to the expected life of the measured instrument. The dividend yield is the expected annual dividend yield over the expected life, expressed as a percentage of the stock price on the grant date. Estimates of fair value may not accurately predict the value ultimately realized by employees who receive stock-based incentive awards, and the ultimate value may not be indicative of the reasonableness of the original estimates of fair value made by Occidental.

The following is a summary of Option and SAR transactions during the year ended December 31, 2017:

	SARs & Options (000's)	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (yrs)	Aggregate Intrinsic Value (000's)
Beginning balance, January 1	571	\$ 79.98		
Forfeited	(22)	79.98		
Ending balance, December 31	549	79.98	4.1	\$ —
Exercisable at December 31	397	79.98	4.1	\$ —

### ROCEI / ROAI

Occidental grants share-equivalents to certain employees that vest at the end of a three-year period if performance targets based on return on assets of the applicable segment or return on capital employed are certified as being met. These awards are settled in stock upon certification of the performance target, with payouts that range from 0 to 200 percent of the target award. Dividend equivalents are accumulated and paid upon certification of the award.

	ROCEI / ROAI	
	Awards (000's)	Weighted-Average Grant-Date Fair Value of Occidental Stock
Unvested at January 1	392	\$ 85.43
Vested (a)	(124)	87.52
Unvested at December 31	268	84.46

(a) Presented at the target payouts. The payout at vesting was 53% of the target for approximately 6,000 shares. The payout at vesting was 0% of target for the remaining 118,000 shares.

## NOTE 13 RETIREMENT AND POSTRETIREMENT BENEFIT PLANS

Occidental has various benefit plans for its salaried, domestic union and nonunion hourly, and certain foreign national employees.

### DEFINED CONTRIBUTION PLANS

All domestic employees and certain foreign national employees are eligible to participate in one or more of the defined contribution retirement or savings plans that provide for periodic contributions by Occidental based on plan-specific criteria, such as base pay, level and employee contributions. Certain salaried employees participate in a supplemental retirement plan that restores benefits lost due to governmental limitations on qualified retirement benefits. The accrued liabilities for the supplemental retirement plan were \$175 million and \$163 million as of December 31, 2017 and 2016, respectively, and Occidental expensed \$130 million in 2017, \$113 million in 2016 and \$136 million in 2015 under the provisions of these defined contribution and supplemental retirement plans.

### DEFINED BENEFIT PLANS

Participation in defined benefit plans is limited and approximately 500 domestic and 900 foreign national employees, mainly union, nonunion hourly and certain employees that joined Occidental from acquired operations with grandfathered benefits, are currently accruing benefits under these plans.

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.

### POSTRETIREMENT AND OTHER BENEFIT PLANS

Occidental provides medical and dental benefits and life insurance coverage for certain active, retired and disabled employees and their eligible dependents. Occidental generally funds the benefits as they are paid during the year. These benefit costs, including the postretirement costs, were approximately \$181 million in 2017, \$182 million in 2016 and \$200 million in 2015.

### OBLIGATIONS AND FUNDED STATUS

The following tables show the amounts recognized in the consolidated balance sheets of Occidental related to its pension and postretirement benefit plans:

(in millions) As of December 31,	Pension Benefits		Postretirement Benefits	
	2017	2016	2017	2016
<b>Amounts recognized in the consolidated balance sheet:</b>				
Other assets	\$ 82	\$ 61	\$ —	\$ —
Accrued liabilities	(5)	(3)	(59)	(58)
Deferred credits and other liabilities — pension and postretirement obligations	(65)	(71)	(940)	(892)
	<u>\$ 12</u>	<u>\$ (13)</u>	<u>\$ (999)</u>	<u>\$ (950)</u>
<b>AOCI included the following after-tax balances:</b>				
Net loss	\$ 59	\$ 76	\$ 192	\$ 169
Prior service cost	—	—	1	1
	<u>\$ 59</u>	<u>\$ 76</u>	<u>\$ 193</u>	<u>\$ 170</u>

The following tables show the funding status, obligations and plan asset fair values of Occidental related to its pension and postretirement benefit plans:

For the years ended December 31,	Pension Benefits		Postretirement Benefits	
	2017	2016	2017	2016
<b>Changes in the benefit obligation:</b>				
Benefit obligation — beginning of year	\$ 399	\$ 411	\$ 950	\$ 979
Service cost — benefits earned during the period	6	7	21	20
Interest cost on projected benefit obligation	17	18	38	39
Actuarial (gain) loss	14	(1)	61	(28)
Foreign currency exchange rate (gain) loss	—	1	—	—
Liability (gain) loss due to curtailment	(2)	—	(9)	—
Special termination benefits	1	—	—	—
Benefits paid	(44)	(37)	(62)	(60)
Settlements	—	—	—	—
Benefit obligation — end of year	\$ 391	\$ 399	\$ 999	\$ 950
<b>Changes in plan assets:</b>				
Fair value of plan assets — beginning of year	\$ 386	\$ 384	\$ —	\$ —
Actual return on plan assets	52	34	—	—
Foreign currency exchange rate loss	—	—	—	—
Employer contributions	9	5	—	—
Benefits paid	(44)	(37)	—	—
Settlements	—	—	—	—
Fair value of plan assets — end of year	\$ 403	\$ 386	\$ —	\$ —
<b>Funded/(Unfunded) status:</b>	\$ 12	\$ (13)	\$ (999)	\$ (950)

The following table sets forth details of the obligations and assets of Occidental's defined benefit pension plans:

(in millions) As of December 31,	Accumulated Benefit Obligation in Excess of Plan Assets		Plan Assets in Excess of Accumulated Benefit Obligation	
	2017	2016	2017	2016
Projected Benefit Obligation	\$ 287	\$ 193	\$ 104	\$ 206
Accumulated Benefit Obligation	\$ 283	\$ 189	\$ 104	\$ 206
Fair Value of Plan Assets	\$ 312	\$ 119	\$ 91	\$ 267

Occidental does not expect any plan assets to be returned during 2018.

#### COMPONENTS OF NET PERIODIC BENEFIT COST

The following table sets forth the components of net periodic benefit costs:

For the years ended December 31, (in millions)	Pension Benefits			Postretirement Benefits		
	2017	2016	2015	2017	2016	2015
<b>Net periodic benefit costs:</b>						
Service cost — benefits earned during the period	\$ 6	\$ 7	\$ 7	\$ 21	\$ 20	\$ 26
Interest cost on projected benefit obligation	17	18	18	38	39	40
Expected return on plan assets	(24)	(24)	(27)	—	—	—
Recognized actuarial loss	10	12	10	14	15	27
Other costs and adjustments	3	4	(4)	1	—	1
Net periodic benefit cost	\$ 12	\$ 17	\$ 4	\$ 74	\$ 74	\$ 94

The estimated net loss and prior service cost for the defined benefit pension plans that will be amortized from AOCI into net periodic benefit cost over the next fiscal year are \$5 million and zero, respectively. The estimated net loss and prior service cost for the defined benefit postretirement plans that will be amortized from AOCI into net periodic benefit cost over the next fiscal year are \$17 million and \$1 million, respectively.

## ADDITIONAL INFORMATION

The following table sets forth the weighted-average assumptions used to determine Occidental's benefit obligation and net periodic benefit cost for domestic plans:

For the years ended December 31,	Pension Benefits		Postretirement Benefits	
	2017	2016	2017	2016
<b>Benefit Obligation Assumptions:</b>				
Discount rate	3.45%	3.90%	3.61%	4.15%
<b>Net Periodic Benefit Cost Assumptions:</b>				
Discount rate	3.90%	4.14%	4.15%	4.36%
Assumed long-term rate of return on assets	6.50%	6.50%	—	—

For domestic pension plans and postretirement benefit plans, Occidental based the discount rate on the Aon/Hewitt AA-AAA Universe yield curve in 2017 and 2016. The assumed long-term rate of return on assets is estimated with regard to current market factors but within the context of historical returns for the asset mix that exists at year end.

In 2017, Occidental adopted the Society of Actuaries 2017 Mortality Improvement Scale, which updated the mortality assumptions that private defined-benefit plans in the United States use in the actuarial valuations that determine a plan sponsor's pension obligations. The new mortality improvement scale reflects additional data that the Social Security Administration has released since the MP-2016 scale released in 2016. This additional data shows a lower degree of mortality improvement than previously reflected. The changes in the mortality improvement scale results in a decrease of \$2 million and \$9 million in the pension and postretirement benefit obligation at December 31, 2017.

For pension plans outside the United States, Occidental based its discount rate on rates indicative of government or investment grade corporate debt in the applicable country, taking into account hyperinflationary environments when necessary. The discount rates used for the foreign pension plans ranged from 1.0 percent to 10.8 percent at December 31, 2017 and 2016. The average rate of increase in future compensation levels ranged from 1.0 percent to 8.0 percent in 2017, depending on local economic conditions.

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 an assumed U.S. Consumer Price Index (CPI) increase of 1.97 percent as of December 31, 2017 and 2016. Since 1993, participants other than certain union employees have paid for all medical cost increases in excess of increases in the CPI. For those union employees, Occidental projected that health care cost trend rates would decrease from 8.00 percent in 2017 until they reach 4.50 percent in 2025, and remain at 4.50 percent thereafter. A 1 percent increase or a 1 percent decrease in these assumed health care cost trend rates would result in an increase of \$42 million or a reduction of \$34 million, respectively, in the postretirement benefit obligation as of December 31, 2017. The annual service and interest costs would not be materially affected by these changes.

The actuarial assumptions used could change in the near term as a result of changes in expected future trends and other factors that, depending on the nature of the changes, could cause increases or decreases in the plan assets and liabilities.

## FAIR VALUE OF PENSION PLAN ASSETS

Occidental employs a total return investment approach that uses a diversified blend of equity and fixed-income investments to optimize the long-term return of plan assets at a prudent level of risk. The investments are monitored by Occidental's Pension and Retirement Trust and Investment Committee (Investment Committee) in its role as fiduciary. The Investment Committee, consisting of senior Occidental executives, selects and employs various external professional investment management firms to manage specific investments across the spectrum of asset classes. Equity investments are diversified across U.S. and non-U.S. stocks, as well as differing styles and market capitalizations. Other asset classes, such as private equity and real estate, may be used with the goals of enhancing long-term returns and improving portfolio diversification. The target allocation of plan assets is 65 percent equity securities and 35 percent debt securities. Investment performance is measured and monitored on an ongoing basis through quarterly investment portfolio and manager guideline compliance reviews, annual liability measurements and periodic studies.

The fair values of Occidental's pension plan assets by asset category are as follows:

(in millions)	Description	Fair Value Measurements at December 31, 2017, Using			
		Level 1	Level 2	Level 3	Total
<b>Asset Class:</b>					
	U.S. government securities	\$ 12	\$ —	\$ —	\$ 12
	Corporate bonds (a)	—	83	—	83
	Common/collective trusts (b)	—	20	—	20
	Mutual funds:				
	Bond funds	19	—	—	19
	Blend funds	59	—	—	59
	Common and preferred stocks (c)	188	—	—	188
	Other	—	30	—	30
	<b>Total pension plan assets (d)</b>	<b>\$ 278</b>	<b>\$ 133</b>	<b>\$ —</b>	<b>\$ 411</b>

(in millions)	Description	Fair Value Measurements at December 31, 2016, Using			
		Level 1	Level 2	Level 3	Total
<b>Asset Class:</b>					
	U.S. government securities	\$ 13	\$ —	\$ —	\$ 13
	Corporate bonds (a)	—	85	—	85
	Common/collective trusts (b)	—	18	—	18
	Mutual funds:				
	Bond funds	18	—	—	18
	Blend funds	48	—	—	48
	Common and preferred stocks (c)	178	—	—	178
	Other	—	29	—	29
	<b>Total pension plan assets (d)</b>	<b>\$ 257</b>	<b>\$ 132</b>	<b>\$ —</b>	<b>\$ 389</b>

(a) This category represents investment grade bonds of U.S. and non-U.S. issuers from diverse industries.

(b) This category includes investment funds that primarily invest in U.S. and non-U.S. common stocks and fixed-income securities.

(c) This category represents direct investments in common and preferred stocks from diverse U.S. and non-U.S. industries.

(d) Amounts exclude net payables of approximately \$8 million and \$3 million as of December 31, 2017 and 2016, respectively.

Occidental expects to contribute \$5 million in cash to its defined benefit pension plans during 2018. Estimated future benefit payments, which reflect expected future service, as appropriate, are as follows:

For the years ended December 31, (in millions)	Pension Benefits	Postretirement Benefits
2018	\$ 47	\$ 60
2019	\$ 30	\$ 59
2020	\$ 30	\$ 59
2021	\$ 31	\$ 59
2022	\$ 30	\$ 58
2023 - 2027	\$ 181	\$ 286

## NOTE 14 INVESTMENTS AND RELATED-PARTY TRANSACTIONS

### EQUITY INVESTMENTS

As of December 31, 2017, and 2016, investments in unconsolidated entities comprised \$1.5 billion and \$1.4 billion of equity-method investments, respectively.

As of December 31, 2017, Occidental's equity investments consisted mainly of an equity interest in Plains Pipeline, a 24.5-percent interest in the stock of Dolphin Energy, a 50-percent interest in OxyChem Ingleside facility, and various other partnerships and joint ventures. Equity investments paid dividends of \$297 million, \$224 million, and \$438 million to Occidental in 2017, 2016 and 2015, respectively. As of December 31, 2017, cumulative undistributed earnings of equity-method investees since they were acquired was immaterial. As of December 31, 2017, Occidental's investments in equity investees exceeded the underlying equity in net assets by approximately \$649 million, of which \$464 million represented goodwill and the remainder comprised intangibles amortized over their estimated useful lives.

The following table presents Occidental's interest in the summarized financial information of its equity-method investments:

For the years ended December 31, (in millions)	2017	2016	2015
Revenues	\$ 1,252	\$ 1,238	\$ 1,050
Costs and expenses	973	1,043	827
Net income	\$ 279	\$ 195	\$ 223

As of December 31, (in millions)	2017	2016
Current assets	\$ 602	\$ 914
Non-current assets	\$ 2,072	\$ 3,605
Current liabilities	\$ 247	\$ 577
Long-term debt	\$ 1,174	\$ 1,957
Other non-current liabilities	\$ 66	\$ 159
Stockholders' equity	\$ 1,187	\$ 1,826

Occidental's investment in Dolphin, which was acquired in 2002, consists of two separate economic interests through which Occidental owns (i) a 24.5-percent undivided interest in the upstream operations under an agreement which is proportionately consolidated in the financial statements; and (ii) a 24.5-percent interest in the stock of Dolphin Energy, which operates a pipeline and is accounted for as an equity investment.

### RELATED-PARTY TRANSACTIONS

From time to time, Occidental purchases oil, NGLs, power, steam and chemicals from and sells oil, NGLs, natural gas, chemicals and power to certain of its equity investees and other related parties. During 2017, 2016 and 2015, Occidental entered into the following related-party transactions and had the following amounts due from or to its related parties:

For the years ended December 31, (in millions)	2017	2016	2015
Sales (a)	\$ 636	\$ 602	\$ 555
Purchases (b)	\$ 387	\$ 7	\$ 26
Services	\$ 38	\$ 17	\$ 32
Advances and amounts due from	\$ 63	\$ 59	\$ 60
Amounts due to	\$ 45	\$ —	\$ 5

(a) In 2017, 2016 and 2015, sales of Occidental-produced oil and NGLs to Plains Pipeline affiliates accounted for 86 percent, 89 percent and 87 percent of these totals, respectively. Sales to Plains Pipeline affiliates related to Occidental's oil and gas production are disclosed above. In addition to these sales, Occidental conducts marketing activities with Plains Pipeline affiliates for oil, NGLs and transportation. Net margins associated with these marketing activities are negligible.

(b) In 2017, purchases of ethylene from the Ingleside ethylene cracker accounted for 98 percent of related-party purchases.

## NOTE 15 FAIR VALUE MEASUREMENTS

### FAIR VALUES – RECURRING

In January 2012, Occidental entered into a long-term contract to purchase CO<sub>2</sub>. This contract contains a price adjustment clause that is linked to changes in NYMEX crude oil prices. Occidental determined that the portion of this contract linked to NYMEX oil prices is not clearly and closely related to the host contract, and Occidental therefore bifurcated this embedded pricing feature from its host contract and accounts for it at fair value in the consolidated financial statements.

The following tables provide fair value measurement information for assets and liabilities that are measured on a recurring basis:

(in millions)		Fair Value Measurements at December 31, 2017 Using				
Description		Level 1	Level 2	Level 3	Netting and Collateral	Total Fair Value
<b>Liabilities:</b>						
	Accrued liabilities	\$ —	\$ 39	\$ —	\$ —	\$ 39
Embedded derivative	Deferred credits and liabilities	\$ —	\$ 147	\$ —	\$ —	\$ 147

(in millions)		Fair Value Measurements at December 31, 2016 Using				
Description		Level 1	Level 2	Level 3	Netting and Collateral	Total Fair Value
<b>Liabilities:</b>						
	Accrued liabilities	\$ —	\$ 43	\$ —	\$ —	\$ 43
Embedded derivative	Deferred credits and liabilities	\$ —	\$ 178	\$ —	\$ —	\$ 178

### FAIR VALUES – NONRECURRING

During 2017, Occidental recognized pre-tax impairment charges of \$397 million primarily related to held for sale non-core proved and unproved Permian acreage. Assumptions for proved and unproved properties classified as held for sale include estimated third-party prices to be received based on recent transactions of similar acreage.

During 2016, Occidental recognized pre-tax impairment charges of \$15 million related to proved oil and gas properties.

As a result of the sharp decline of the forward price curve during 2015, as well as the decision to sell or exit non-core operations, Occidental recognized approximately \$6.5 billion in pre-tax impairment charges related to proved oil and gas properties. Internationally, Occidental recognized \$4.7 billion in pre-tax impairment charges related to \$1.8 billion in charges in Oman, \$1.3 billion in Iraq and Libya, \$1 billion in Qatar, and \$550 million in Colombia and Bolivia. Domestically, Occidental recognized pre-tax impairment charges of approximately \$763 million related to the sale of the Williston assets, \$460 million for assets in the Piceance Basin and \$554 million related to proved oil and gas properties in South Texas.

During 2015, Occidental recognized approximately \$814 million in pre-tax impairment charges for a Midstream CO<sub>2</sub> treatment plant related to recurring CO<sub>2</sub> shortfalls and unpaid penalty fees and approximately \$121 million pre-tax charges related to the impairments of Chemical assets.

The impairment tests, including the fair value estimation, incorporated a number of assumptions involving expectations of future cash flows. These assumptions included estimates of future product prices, which Occidental based on forward price curves and, where applicable, contractual prices, estimates of oil and gas reserves, estimates of future expected operating and development costs and a risk-adjusted discount rate of 8 to 20 percent. These properties were impacted by persistently worldwide low oil and natural gas prices and management's changing development plans. Occidental used the income approach to measure the fair value of these properties, using inputs categorized as Level 3 in the fair value hierarchy.

### FINANCIAL INSTRUMENTS FAIR VALUE

The carrying amounts of cash and cash equivalents and other on-balance sheet financial instruments, other than fixed-rate debt, approximate fair value. See Note 5 for the fair value of Long-term Debt.

**NOTE 16 INDUSTRY SEGMENTS AND GEOGRAPHIC AREAS**

Occidental conducts its continuing operations through three segments: (1) Oil and gas; (2) Chemical; and (3) Midstream and marketing. The oil and gas segment explores for, develops and produces oil and condensate, NGLs, and natural gas. The chemical segment mainly manufactures and markets basic chemicals and vinyls. The midstream and marketing segment gathers, processes, transports, stores, purchases and markets oil, condensate, NGLs, natural gas, CO<sub>2</sub> and power. It also trades around its assets, including transportation and storage capacity. Additionally, the oil, midstream and marketing segment operates a crude oil export terminal, as well as invests in entities that conduct similar activities.

Results of industry segments and geographic areas exclude income taxes, interest income, interest expense, environmental remediation expenses, unallocated corporate expenses and discontinued operations, but include gains and losses from dispositions of segment and geographic area assets and income from the segments' equity investments. Intersegment sales eliminate upon consolidation and are generally made at prices approximating those that the selling entity would be able to obtain in third-party transactions.

Identifiable assets are those assets used in the operations of the segments. Corporate assets consist of cash and restricted cash, certain corporate receivables and PP&E.

**Industry Segments**

(in millions)

	Oil and Gas	Chemical	Midstream and Marketing	Corporate and Eliminations	Total
<b>Year ended December 31, 2017</b>					
Net sales	\$ 7,870 (a)	\$ 4,355 (b)	\$ 1,157 (c)	\$ (874)	\$ 12,508
Pretax operating profit (loss)	\$ 1,111 (d)	\$ 822	\$ 85 (e)	\$ (690) (f)	\$ 1,328
Income taxes	—	—	—	(17) (g)	(17)
Net income (loss) attributable to common stock	\$ 1,111	\$ 822	\$ 85	\$ (707)	\$ 1,311
Investments in unconsolidated entities	\$ —	\$ 771	\$ 739	\$ 5	\$ 1,515
Property, plant and equipment additions, net (h)	\$ 2,968	\$ 323	\$ 296	\$ 64	\$ 3,651
Depreciation, depletion and amortization	\$ 3,269	\$ 352	\$ 340	\$ 41	\$ 4,002
Total assets	\$ 23,595	\$ 4,364	\$ 11,775	\$ 2,292	\$ 42,026
<b>Year ended December 31, 2016</b>					
Net sales	\$ 6,377 (a)	\$ 3,756 (b)	\$ 684 (c)	\$ (727)	\$ 10,090
Pretax operating profit (loss)	\$ (636) (d)	\$ 571 (i)	\$ (381) (e)	\$ (1,218) (f)	\$ (1,664)
Income taxes	—	—	—	662 (g)	662
Discontinued operations, net	—	—	—	428 (j)	428
Net income (loss) attributable to common stock	\$ (636)	\$ 571	\$ (381)	\$ (128)	\$ (574)
Investments in unconsolidated entities	\$ —	\$ 730	\$ 666	\$ 5	\$ 1,401
Property, plant and equipment additions, net (h)	\$ 1,998	\$ 353	\$ 370	\$ 59	\$ 2,780
Depreciation, depletion and amortization	\$ 3,575	\$ 340	\$ 313	\$ 40	\$ 4,268
Total assets	\$ 24,130	\$ 4,348	\$ 11,059	\$ 3,572	\$ 43,109
<b>Year ended December 31, 2015</b>					
Net sales	\$ 8,304 (a)	\$ 3,945 (b)	\$ 891 (c)	\$ (660)	\$ 12,480
Pretax operating profit (loss)	\$ (8,060) (d)	\$ 542 (i)	\$ (1,194) (e)	\$ (764) (f)	\$ (9,476)
Income taxes	—	—	—	1,330 (g)	1,330
Discontinued operations, net	\$ —	—	—	317 (j)	317
Net income (loss) attributable to common stock	\$ (8,060)	\$ 542	\$ (1,194)	\$ 883	\$ (7,829)
Investments in unconsolidated entities	\$ 4	\$ 550	\$ 708	\$ 5	\$ 1,267
Property, plant and equipment additions, net (h)	\$ 4,485	\$ 271	\$ 611	\$ 42	\$ 5,409
Depreciation, depletion and amortization	\$ 3,886	\$ 371	\$ 249	\$ 38	\$ 4,544
Total assets	\$ 23,591	\$ 3,982	\$ 10,175	\$ 5,661	\$ 43,409

(See footnotes on next page)



**Footnotes:**

- (a) Oil sales represented approximately 90 percent of the oil and gas segment net sales for the years ended December 31, 2017, 2016 and 2015.  
(b) Net sales for the chemical segment comprised the following products:

	Basic Chemicals	Vinyls	Other Chemicals
<b>Year ended December 31, 2017</b>	57%	42%	1%
Year ended December 31, 2016	57%	40%	3%
Year ended December 31, 2015	56%	40%	4%

- (c) Net sales for the midstream and marketing segment comprised the following:

	Gas Processing	Power	Marketing, Transportation and other *
<b>Year ended December 31, 2017</b>	69%	28%	3%
Year ended December 31, 2016	92%	44%	(36)%
Year ended December 31, 2015	70%	31%	(1)%

\* Revenue from all marketing activities is reported on a net basis.

- (d) The 2017 amount includes pre-tax asset sale gains of \$655 million primarily related to South Texas and non-core acreage in the Permian basin and \$397 million for the impairment of non-core proved and unproved Permian acreage. The 2016 amount includes pre-tax asset sale gains of \$121 million and \$59 million related to Piceance and South Texas oil and gas properties, pre-tax charges of \$61 million related to the sale of Libya and the exit from Iraq, and pre-tax gain of \$24 million for other related items. The 2015 amount includes pre-tax charges of \$5 billion for impairment of international oil and gas assets and related items and \$3.5 billion for the impairment of domestic oil and gas assets and related items.  
(e) The 2017 amount includes pre-tax charges of \$120 million related to asset impairments of idled facilities. The 2016 amount includes pre-tax charges of \$160 million related to the termination of crude oil supply contracts. The 2015 amount includes pre-tax charges of \$1.3 billion related to asset impairments and related items.  
(f) Includes unallocated net interest expense, administration expense, environmental remediation and other pre-tax items noted below.

Benefit (Charge) (in millions)	2017	2016	2015
<b>CORPORATE</b>			
<b>Pre-tax operating profit (loss)</b>			
Asset sale losses	\$ —	\$ —	\$ (8)
Asset impairments and related items	—	(619)	(235)
Severance, spin-off and other	—	—	(118)
	\$ —	\$ (619)	\$ (361)
<b>Income taxes</b>			
Tax effect of pre-tax and other adjustments *	\$ 392	\$ 424	\$ 1,903

\* Amounts represent the tax effect of the pre-tax adjustments listed in this note, as well as those in footnotes (d), (e) and (f).

- (g) Includes all foreign and domestic income taxes from continuing operations.  
(h) Includes capital expenditures and capitalized interest, but excludes acquisition and disposition of assets.  
(i) The 2016 amount includes gain on sale of \$57 million and \$31 million related to Occidental Tower in Dallas, Texas, and a non-core specialty chemicals business, respectively. The 2015 amount includes the pre-tax charge of \$121 million related to asset impairment partially offset by a \$98 million gain on sale of an idled facility.  
(j) Includes discontinued operations from Ecuador.

**GEOGRAPHIC AREAS**

(in millions)	Net sales (a)			Property, plant and equipment, net		
For the years ended December 31,	2017	2016	2015	2017	2016	2015
United States	\$ 8,085	\$ 6,290	\$ 7,479	\$ 22,863	\$ 24,004	\$ 23,265
Foreign						
Oman	1,397	1,101	1,631	1,962	1,858	1,292
Qatar	1,394	1,206	1,449	1,236	1,299	1,354
Colombia	555	463	570	807	741	821
United Arab Emirates	808	664	477	4,241	4,373	4,484
Other Foreign	269	366	874	65	62	423
Total Foreign	4,423	3,800	5,001	8,311	8,333	8,374
Total	\$ 12,508	\$ 10,090	\$ 12,480	\$ 31,174	\$ 32,337	\$ 31,639

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

## 2017 Quarterly Financial Data (Unaudited)

in millions, except per-share amounts

Occidental Petroleum Corporation  
and Subsidiaries

Three months ended	March 31	June 30	September 30	December 31
<b>Segment net sales</b>				
Oil and gas	\$ 1,894	\$ 1,848	\$ 1,865	\$ 2,263
Chemical	1,068	1,156	1,071	1,060
Midstream and marketing	211	270	266	410
Eliminations	(216)	(214)	(203)	(241)
<b>Net sales</b>	<b>\$ 2,957</b>	<b>\$ 3,060</b>	<b>\$ 2,999</b>	<b>\$ 3,492</b>
<b>Gross profit</b>	<b>\$ 521</b>	<b>\$ 508</b>	<b>\$ 571</b>	<b>\$ 1,001</b>
<b>Segment earnings</b>				
Oil and gas	\$ 220	\$ 627 <sup>(a)</sup>	\$ 220 <sup>(a)</sup>	\$ 44 <sup>(a)</sup>
Chemical	170	230	200	222
Midstream and marketing	(47)	119 <sup>(b)</sup>	4	9 <sup>(b)</sup>
	343	976	424	275
<b>Unallocated corporate items</b>				
Interest expense, net	(78)	(81)	(85)	(80)
Income taxes	(78)	(285)	(85)	431
Other	(70)	(103)	(64)	(129)
<b>Income from continuing operations</b>	<b>117</b>	<b>507</b>	<b>190</b>	<b>497</b>
<b>Discontinued operations, net</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Net income attributable to common stock</b>	<b>\$ 117</b>	<b>\$ 507</b>	<b>\$ 190</b>	<b>\$ 497</b>
<b>Basic earnings per common share</b>				
Income from continuing operations	\$ 0.15	\$ 0.66	\$ 0.25	\$ 0.65
Discontinued operations, net	—	—	—	—
<b>Basic earnings per common share</b>	<b>\$ 0.15</b>	<b>\$ 0.66</b>	<b>\$ 0.25</b>	<b>\$ 0.65</b>
<b>Diluted earnings per common share</b>				
Income from continuing operations	\$ 0.15	\$ 0.66	\$ 0.25	\$ 0.65
Discontinued operations, net	—	—	—	—
<b>Diluted earnings per common share</b>	<b>\$ 0.15</b>	<b>\$ 0.66</b>	<b>\$ 0.25</b>	<b>\$ 0.65</b>
<b>Dividends per common share</b>	<b>\$ 0.76</b>	<b>\$ 0.76</b>	<b>\$ 0.77</b>	<b>\$ 0.77</b>
<b>Market price per common share</b>				
High	\$ 72.96	\$ 65.73	\$ 65.70	\$ 74.06
Low	\$ 61.01	\$ 57.20	\$ 57.84	\$ 63.47

(a) Included pre-tax asset sale gains of \$0.5 billion in the second quarter related to the sale of South Texas operations, \$81 million in the third quarter related to the sale of non-core acreage in the Permian Basin, and approximately \$55 million in the fourth quarter related to the sale of non-core proved and unproved acreage in the Permian Basin. The fourth quarter also included impairments of \$397 million on non-core proved and unproved Permian acreage.

(b) Included second quarter pre-tax fair value gain of \$94 million on Plains Pipeline equity investment and fourth quarter pre-tax charges of \$120 million related to idled midstream facilities.

## 2016 Quarterly Financial Data (Unaudited)

in millions, except per-share amounts

Occidental Petroleum Corporation  
and Subsidiaries

Three months ended	March 31	June 30	September 30	December 31
<b>Segment net sales</b>				
Oil and gas	\$ 1,275	\$ 1,625	\$ 1,660	\$ 1,817
Chemical	890	908	988	970
Midstream and marketing	133	141	202	208
Eliminations	(175)	(143)	(202)	(207)
Net sales	\$ 2,123	\$ 2,531	\$ 2,648	\$ 2,788
Gross profit	\$ (335)	\$ 143	\$ 203	\$ 345
<b>Segment earnings</b>				
Oil and gas	\$ (485) <sup>(a)</sup>	\$ (117)	\$ (51) <sup>(a)</sup>	\$ 17 <sup>(a)</sup>
Chemical	214 <sup>(b)</sup>	88	117	152
Midstream and marketing	(95)	(58)	(180) <sup>(c)</sup>	(48)
	(366)	(87)	(114)	121
<b>Unallocated corporate items</b>				
Interest expense, net	(57)	(84)	(62)	(72)
Income taxes	203	96	30	333
Other	(140) <sup>(d)</sup>	(61)	(92)	(650) <sup>(d)</sup>
Income from continuing operations	(360)	(136)	(238)	(268)
Discontinued operations, net	438 <sup>(e)</sup>	(3)	(3)	(4)
Net income (loss)	\$ 78	\$ (139)	\$ (241)	\$ (272)
<b>Basic earnings per common share</b>				
Income (loss) from continuing operations	\$ (0.47)	\$ (0.18)	\$ (0.31)	\$ (0.35)
Discontinued operations, net	0.57	—	(0.01)	(0.01)
Basic earnings per common share	\$ 0.10	\$ (0.18)	\$ (0.32)	\$ (0.36)
<b>Diluted earnings per common share</b>				
Income (loss) from continuing operations	\$ (0.47)	\$ (0.18)	\$ (0.31)	\$ (0.35)
Discontinued operations, net	0.57	—	(0.01)	(0.01)
Diluted earnings per common share	\$ 0.10	\$ (0.18)	\$ (0.32)	\$ (0.36)
Dividends per common share	\$ 0.75	\$ 0.75	\$ 0.76	\$ 0.76
<b>Market price per common share</b>				
High	\$ 72.19	\$ 78.31	\$ 78.48	\$ 75.60
Low	\$ 58.24	\$ 66.94	\$ 67.83	\$ 64.37

(a) Included pre-tax asset sale gains of \$48 million in the first quarter related to the sale of domestic oil and gas properties, and \$59 million in the third quarter related to the sale of South Texas oil and gas properties. Included pre-tax charges of \$25 million in the first quarter, \$61 million in the third quarter, \$9 million in the fourth quarter and a \$24 million gain in the fourth quarter related to oil and gas asset impairments, related items, and other.

(b) Included first quarter pre-tax asset sale gain of \$57 million from the sale of the Occidental Tower building in Dallas and a \$31 million gain from the sale of a non-core specialty chemicals business.

(c) Included third quarter pre-tax charges of \$160 million related to the termination of crude oil supply contracts.

(d) Included first quarter pre-tax charges of \$78 million and fourth quarter pre-tax charges of \$541 million related to a reserve against a long-term receivable from Maxus due the uncertainty of collection.

(e) Included the gains related to the Ecuador settlement.

## Supplemental Oil and Gas Information (Unaudited)

The following tables set forth Occidental's net interests in quantities of proved developed and undeveloped reserves of oil (including condensate), NGLs and natural gas and changes in such quantities. Proved oil, NGLs and natural gas reserves were estimated using the unweighted arithmetic average of the first-day-of-the-month price for each month within the year, unless prices were defined by contractual arrangements. Oil, NGLs and natural gas prices used for this purpose were based on posted benchmark prices and adjusted for price differentials including gravity, quality and transportation costs. For the 2017, 2016 and 2015 disclosures, the calculated average West Texas Intermediate oil prices were \$51.34, \$42.75 and \$50.28 per barrel, respectively. The calculated average Brent oil prices for 2017, 2016 and 2015 disclosures were \$54.93, \$44.49 and \$55.57, per barrel, respectively. The calculated average Henry Hub natural gas prices for 2017, 2016 and 2015 were \$3.08, \$2.55 and \$2.66 per MMBtu, respectively. Reserves are stated net of applicable royalties. Estimated reserves include Occidental's economic interests under production-sharing contracts (PSCs) and other similar economic arrangements. In addition, discussions of oil and gas production or volumes, in general, refer to sales volumes unless the context requires or it is indicated otherwise.

Prices for crude oil, natural gas and NGLs fluctuate widely. Historically, the markets for crude oil, natural gas, NGLs and refined products have been volatile and may continue to be volatile in the future. Prolonged or further declines in crude oil, natural gas and NGLs prices would continue to reduce Occidental's operating results and cash flows, and could impact its future rate of growth and further impact the recoverability of the carrying value of its assets.

**Oil Reserves**

in millions of barrels (MMbbl)

	United States	Latin America	Middle East/ North Africa (a)	Total
<b>PROVED DEVELOPED AND UNDEVELOPED RESERVES</b>				
<b>Balance at December 31, 2014</b>	1,273	92	405	1,770
Revisions of previous estimates (b)	(220)	(10)	22	(208)
Improved recovery	81	8	12	101
Extensions and discoveries	—	—	2	2
Purchases of proved reserves	—	—	—	—
Sales of proved reserves (c)	(146)	—	(51)	(197)
Production	(73)	(13)	(73)	(159)
<b>Balance at December 31, 2015</b>	915	77	317	1,309
Revisions of previous estimates (b)	(90)	4	86	—
Improved recovery	114	2	9	125
Extensions and discoveries	—	—	2	2
Purchases of proved reserves	90	—	—	90
Sales of proved reserves (c)	—	—	(26)	(26)
Production	(69)	(12)	(62)	(143)
<b>Balance at December 31, 2016</b>	960	71	326	1,357
Revisions of previous estimates (b)	66	14	33	113
Improved recovery	97	8	17	122
Extensions and discoveries	—	—	5	5
Purchases of proved reserves	70	—	—	70
Sales of proved reserves (c)	(13)	—	—	(13)
Production	(73)	(11)	(55)	(139)
<b>Balance at December 31, 2017</b>	<b>1,107</b>	<b>82</b>	<b>326</b>	<b>1,515</b>
<b>PROVED DEVELOPED RESERVES</b>				
December 31, 2014	819	86	316	1,221
December 31, 2015	673	77	278	1,028
December 31, 2016	670	69	298	1,037
<b>December 31, 2017 (d)</b>	<b>772</b>	<b>77</b>	<b>279</b>	<b>1,128</b>
<b>PROVED UNDEVELOPED RESERVES (e)</b>				
December 31, 2014	454	6	89	549
December 31, 2015	242	—	39	281
December 31, 2016	290	2	28	320
<b>December 31, 2017</b>	<b>335</b>	<b>5</b>	<b>47</b>	<b>387</b>

(a) A majority of the proved reserve amounts relate to PSCs and other similar economic arrangements.

(b) Revisions of previous estimates in 2017 primarily reflected positive revisions in Permian Basin and Oman. Revisions of previous estimates in 2016 and 2015 were primarily price and price-related.

(c) Sales of proved reserves in 2017 were primarily related to sales of South Texas and non-core acreage in the Permian Basin. Sales of proved reserves in 2016 were related to the sale of Libya. Sales of proved reserves in 2015 were related to the sale of Williston and exit from Iraq.

(d) Approximately 10 percent of the proved developed reserves at December 31, 2017, are nonproducing, primarily associated with Permian EOR.

(e) Proved undeveloped reserves in the Permian Basin are supported by a five-year detailed field-level development plan, which includes the timing, location and capital commitment of the wells to be drilled. Only proved undeveloped reserves which are reasonably certain to be drilled within five years of booking and are supported by a final investment decision to drill them are included in the development plan. A portion of the proved undeveloped reserves associated with international operations are expected to be developed beyond the five years and are tied to approved long-term development plans.

**NGLs Reserves**

in millions of barrels (MMbbl)

	United States	Latin America	Middle East/ North Africa	Total
<b>PROVED DEVELOPED AND UNDEVELOPED RESERVES</b>				
<b>Balance at December 31, 2014</b>	222	—	140	362
Revisions of previous estimates (a)	(28)	—	10	(18)
Improved recovery	12	—	1	13
Extensions and discoveries	—	—	—	—
Purchases of proved reserves	—	—	—	—
Sales of proved reserves	—	—	—	—
Production	(20)	—	(7)	(27)
<b>Balance at December 31, 2015</b>	186	—	144	330
Revisions of previous estimates (a)	1	—	70	71
Improved recovery	28	—	—	28
Extensions and discoveries	—	—	—	—
Purchases of proved reserves	26	—	—	26
Sales of proved reserves	(3)	—	(2)	(5)
Production	(19)	—	(11)	(30)
<b>Balance, December 31, 2016</b>	219	—	201	420
Revisions of previous estimates (a)	11	—	(2)	9
Improved recovery	23	—	10	33
Extensions and discoveries	—	—	—	—
Purchases of proved reserves	21	—	—	21
Sales of proved reserves (b)	(7)	—	—	(7)
Production	(20)	—	(11)	(31)
<b>Balance, December 31, 2017</b>	247	—	198	445
<b>PROVED DEVELOPED RESERVES</b>				
December 31, 2014	147	—	109	256
December 31, 2015	141	—	112	253
December 31, 2016	149	—	164	313
<b>December 31, 2017 (c)</b>	161	—	153	314
<b>PROVED UNDEVELOPED RESERVES (d)</b>				
December 31, 2014	75	—	31	106
December 31, 2015	45	—	32	77
December 31, 2016	70	—	37	107
<b>December 31, 2017</b>	86	—	45	131

(a) Revisions of previous estimates were primarily price and price-related.

(b) Sales of proved reserves in 2017 were primarily related to the sale of South Texas.

(c) Approximately 5 percent of the proved developed reserves at December 31, 2017, are nonproducing, primarily associated with Permian EOR.

(d) Proved undeveloped reserves in the Permian Basin are supported by a five-year detailed field-level development plan, which includes the timing, location and capital commitment of the wells to be drilled. Only proved undeveloped reserves which are reasonably certain to be drilled within five years of booking and are supported by a final investment decision to drill them are included in the development plan. A portion of the proved undeveloped reserves associated with international operations are expected to be developed beyond the five years and are tied to approved long-term development plans.

**Natural Gas Reserves**

in billions of cubic feet (Bcf)

	United States	Latin America	Middle East/ North Africa (a)	Total
<b>PROVED DEVELOPED AND UNDEVELOPED RESERVES</b>				
<b>Balance, December 31, 2014</b>	1,714	27	2,386	4,127
Revisions of previous estimates (b)	(600)	(4)	64	(540)
Improved recovery	123	—	64	187
Extensions and discoveries	—	—	17	17
Purchases of proved reserves	—	—	—	—
Sales of proved reserves (c)	(63)	—	—	(63)
Production	(155)	(4)	(201)	(360)
<b>Balance at December 31, 2015</b>	1,019	19	2,330	3,368
Revisions of previous estimates (b)	(19)	(10)	554	525
Improved recovery	138	—	51	189
Extensions and discoveries	—	—	2	2
Purchases of proved reserves	128	—	—	128
Sales of proved reserves (c)	(89)	—	—	(89)
Production	(132)	(3)	(214)	(349)
<b>Balance at December 31, 2016</b>	1,045	6	2,723	3,774
Revisions of previous estimates (b)	197	8	(33)	172
Improved recovery	167	1	106	274
Extensions and discoveries	—	—	3	3
Purchases of proved reserves	50	—	—	50
Sales of proved reserves (c)	(146)	—	—	(146)
Production	(108)	(3)	(185)	(296)
<b>Balance at December 31, 2017</b>	1,205	12	2,614	3,831
<b>PROVED DEVELOPED RESERVES</b>				
December 31, 2014	1,128	26	1,915	3,069
December 31, 2015	813	19	1,872	2,704
December 31, 2016	708	6	2,324	3,038
<b>December 31, 2017 (d)</b>	782	11	2,131	2,924
<b>PROVED UNDEVELOPED RESERVES (e)</b>				
December 31, 2014	586	1	471	1,058
December 31, 2015	206	—	458	664
December 31, 2016	337	—	399	736
<b>December 31, 2017</b>	423	1	483	907

(a) Approximately one-third of proved reserve amounts relate to PSCs and other similar economic arrangements.

(b) Revisions of previous estimates in 2017 primarily reflected positive domestic revisions. Revisions of previous estimates in 2016 primarily reflected positive revisions in Al Hosn Gas. Revisions of previous estimates in 2015 were primarily price and price-related.

(c) Sales of proved reserves in 2017 were primarily related to the sale of South Texas and non-core acreage in the Permian Basin. 2016 sales of proved reserves are related to Piceance. Sales of proved reserves in 2015 were related to the sale of Williston.

(d) Approximately 3 percent of the proved developed reserves at December 31, 2017, are nonproducing, primarily associated with the Permian Basin.

(e) Proved undeveloped reserves in the Permian Basin are supported by a five-year detailed field-level development plan, which includes the timing, location and capital commitment of the wells to be drilled. Only proved undeveloped reserves which are reasonably certain to be drilled within five years of booking and are supported by a final investment decision to drill them are included in the development plan. A portion of the proved undeveloped reserves associated with international operations are expected to be developed beyond the five years and are tied to approved long-term development plans.

**Total Reserves**

in millions of BOE (MMBOE) (a)

	United States	Latin America	Middle East/ North Africa	Total (b)
<b>PROVED DEVELOPED AND UNDEVELOPED RESERVES</b>				
<b>Balance at December 31, 2014</b>	1,781	96	942	2,819
Revisions of previous estimates (c)	(348)	(10)	43	(315)
Improved recovery	113	8	23	144
Extensions and discoveries	—	—	5	5
Purchases of proved reserves	—	—	—	—
Sales of proved reserves (d)	(156)	—	(51)	(207)
Production	(119)	(14)	(113)	(246)
<b>Balance at December 31, 2015</b>	1,271	80	849	2,200
Revisions of previous estimates (c)	(92)	3	248	159
Improved recovery	165	2	18	185
Extensions and discoveries	—	—	2	2
Purchases of proved reserves	137	—	—	137
Sales of proved reserves (d)	(18)	—	(28)	(46)
Production	(110)	(13)	(108)	(231)
<b>Balance at December 31, 2016</b>	1,353	72	981	2,406
Revisions of previous estimates (c)	109	16	26	151
Improved recovery	149	8	44	201
Extensions and discoveries	—	—	5	5
Purchases of proved reserves	99	—	—	99
Sales of proved reserves (d)	(44)	—	—	(44)
Production	(111)	(12)	(97)	(220)
<b>Balance at December 31, 2017</b>	1,555	84	959	2,598
<b>PROVED DEVELOPED RESERVES</b>				
December 31, 2014	1,154	90	744	1,988
December 31, 2015	950	80	702	1,732
December 31, 2016	937	70	849	1,856
<b>December 31, 2017 (e)</b>	1,063	79	786	1,928
<b>PROVED UNDEVELOPED RESERVES (f)</b>				
December 31, 2014	627	6	198	831
December 31, 2015	321	—	147	468
December 31, 2016	416	2	132	550
<b>December 31, 2017</b>	492	5	173	670

(a) Natural gas volumes have been converted to barrels of oil equivalent (BOE) based on energy content of six thousand cubic feet (Mcf) of gas to one barrel of oil. Barrels of oil equivalence does not necessarily result in price equivalence. The price of natural gas on a barrel of oil equivalent basis is currently substantially lower than the corresponding price for oil and has been similarly lower for a number of years. For example, in 2017, the average prices of West Texas Intermediate (WTI) oil and New York Mercantile Exchange (NYMEX) natural gas were \$51.34 per barrel and \$3.08 per Mcf, respectively, resulting in an oil to gas ratio of 17 to 1.

(b) Included proved reserves related to PSCs and other similar economic arrangements of 0.5 billion BOE, 0.5 billion BOE, 0.5 billion BOE, and 0.7 billion BOE at December 31, 2017, 2016, 2015, and 2014, respectively.

(c) Revisions of previous estimates in 2017 reflected positive revisions in the Permian Basin and Oman. Revisions in 2016 are primarily positive revisions in Al Hosn Gas and price revisions in Oman due to the PSC impact, partially offset by negative domestic price revisions. Revisions of previous estimates in 2015 were primarily price and price related.

(d) Sales of proved reserves in 2017 were primarily related to the sale of South Texas and non-core acreage in the Permian Basin. 2016 sales of proved reserves are related to Libya and Piceance. Sales of proved reserves in 2015 were related to the sale of Williston and exit from Iraq.

(e) Approximately 7 percent of the proved developed reserves at December 31, 2017, are nonproducing, primarily associated with Permian EOR.

(f) Proved undeveloped reserves in the Permian Basin are supported by a five-year detailed field-level development plan, which includes the timing, location and capital commitment of the wells to be drilled. Only proved undeveloped reserves which are reasonably certain to be drilled within five years of booking and are supported by a final investment decision to drill them are included in the development plan. A portion of the proved undeveloped reserves associated with international operations are expected to be developed beyond the five years and are tied to approved long-term development plans.



**CAPITALIZED COSTS**

Capitalized costs relating to oil and gas producing activities and related accumulated DD&A were as follows:

in millions	United States	Latin America	Middle East/ North Africa	Total
<b>December 31, 2017</b>				
Proved properties	\$ 31,091	\$ 3,194	\$ 16,921	\$ 51,206
Unproved properties	2,094	53	55	2,202
<b>Total capitalized costs (a)</b>	<b>33,185</b>	<b>3,247</b>	<b>16,976</b>	<b>53,408</b>
Proved properties depreciation, depletion and amortization	(14,609)	(2,412)	(13,196)	(30,217)
Unproved properties valuation	(1,166)	(27)	—	(1,193)
Total Accumulated depreciation, depletion and amortization	(15,775)	(2,439)	(13,196)	(31,410)
<b>Net capitalized costs</b>	<b>\$ 17,410</b>	<b>\$ 808</b>	<b>\$ 3,780</b>	<b>\$ 21,998</b>
<b>December 31, 2016</b>				
Proved properties	\$ 32,220	\$ 3,029	\$ 16,792	\$ 52,041
Unproved properties	2,548	28	54	2,630
<b>Total capitalized costs (a)</b>	<b>34,768</b>	<b>3,057</b>	<b>16,846</b>	<b>54,671</b>
Proved properties depreciation, depletion and amortization	(15,085)	(2,285)	(13,067)	(30,437)
Unproved properties valuation	(1,178)	(27)	—	(1,205)
Total Accumulated depreciation, depletion and amortization	(16,263)	(2,312)	(13,067)	(31,642)
<b>Net capitalized costs</b>	<b>\$ 18,505</b>	<b>\$ 745</b>	<b>\$ 3,779</b>	<b>\$ 23,029</b>
<b>December 31, 2015</b>				
Proved properties	\$ 30,200	\$ 2,955	\$ 19,290	\$ 52,445
Unproved properties	1,376	27	1,077	2,480
<b>Total capitalized costs (a)</b>	<b>31,576</b>	<b>2,982</b>	<b>20,367</b>	<b>54,925</b>
Proved properties depreciation, depletion and amortization	(12,544)	(2,119)	(15,718)	(30,381)
Unproved properties valuation	(1,204)	(27)	(961)	(2,192)
Total Accumulated depreciation, depletion and amortization	(13,748)	(2,146)	(16,679)	(32,573)
<b>Net capitalized costs</b>	<b>\$ 17,828</b>	<b>\$ 836</b>	<b>\$ 3,688</b>	<b>\$ 22,352</b>

(a) Includes acquisition costs, development costs, capitalized interest and asset retirement obligations.

**COSTS INCURRED**

Costs incurred in oil and gas property acquisition, exploration and development activities, whether capitalized or expensed, were as follows:

in millions	United States	Latin America	Middle East/ North Africa	Total
<b>FOR THE YEAR ENDED DECEMBER 31, 2017</b>				
Property acquisition costs				
Proved properties	\$ 880	\$ —	\$ 1	\$ 881
Unproved properties	32	—	—	32
Exploration costs	163	39	54	256
Development costs	1,981	157	582	2,720
<b>Costs incurred</b>	<b>\$ 3,056</b>	<b>\$ 196</b>	<b>\$ 637</b>	<b>\$ 3,889</b>
<b>FOR THE YEAR ENDED DECEMBER 31, 2016</b>				
Property acquisition costs				
Proved properties	\$ 797	\$ —	\$ 367	\$ 1,164
Unproved properties	1,265	—	—	1,265
Exploration costs	13	6	52	71
Development costs	1,417	75	670	2,162
<b>Costs incurred</b>	<b>\$ 3,492</b>	<b>\$ 81</b>	<b>\$ 1,089</b>	<b>\$ 4,662</b>
<b>FOR THE YEAR ENDED DECEMBER 31, 2015</b>				
Property acquisition costs				
Proved properties	\$ 37	\$ —	\$ 47	\$ 84
Unproved properties	25	—	—	25
Exploration costs	74	2	66	142
Development costs	2,880	170	1,461	4,511
<b>Costs incurred</b>	<b>\$ 3,016</b>	<b>\$ 172</b>	<b>\$ 1,574</b>	<b>\$ 4,762</b>



## RESULTS OF OPERATIONS

Occidental's oil and gas producing activities for continuing operations, which exclude items such as asset dispositions, corporate overhead, interest and royalties, were as follows:

in millions	United States	Latin America	Middle East/ North Africa	Total
<b>FOR THE YEAR ENDED DECEMBER 31, 2017</b>				
Revenues (a)	\$ 4,047	\$ 570	\$ 3,253	\$ 7,870
Production costs (b)	1,474	155	950	2,579
Other operating expenses	585	51	166	802
Depreciation, depletion and amortization	2,549	124	596	3,269
Taxes other than on income	273	9	—	282
Exploration expenses	28	7	47	82
<b>Pretax income (loss) before impairments and related items</b>	<b>(862)</b>	<b>224</b>	<b>1,494</b>	<b>856</b>
Asset impairments and related items	397	4	—	401
<b>Pretax income (loss)</b>	<b>(1,259)</b>	<b>220</b>	<b>1,494</b>	<b>455</b>
Income tax expense (benefit) (c)	(695)	120	690	115
<b>Results of operations</b>	<b>\$ (564)</b>	<b>\$ 100</b>	<b>\$ 804</b>	<b>\$ 340</b>
<b>FOR THE YEAR ENDED DECEMBER 31, 2016</b>				
Revenues (a)	\$ 3,135	\$ 476	\$ 2,766	\$ 6,377
Production costs (b)	1,335	170	982	2,487
Other operating expenses	426	36	218	680
Depreciation, depletion and amortization	2,793	156	626	3,575
Taxes other than on income	240	10	—	250
Exploration expenses	8	5	49	62
<b>Pretax income (loss) before impairments and related items</b>	<b>(1,667)</b>	<b>99</b>	<b>891</b>	<b>(677)</b>
Asset impairments and related items	1	9	61	71
<b>Pretax income (loss)</b>	<b>(1,668)</b>	<b>90</b>	<b>830</b>	<b>(748)</b>
Income tax expense (benefit) (c)	(784)	65	336	(383)
<b>Results of operations</b>	<b>\$ (884)</b>	<b>\$ 25</b>	<b>\$ 494</b>	<b>\$ (365)</b>
<b>FOR THE YEAR ENDED DECEMBER 31, 2015</b>				
Revenues (a)	\$ 3,809	\$ 589	\$ 3,906	\$ 8,304
Production costs (b)	1,571	160	1,113	2,844
Other operating expenses	511	29	238	778
Depreciation, depletion and amortization	2,109	196	1,581	3,886
Taxes other than on income	307	16	—	323
Exploration expenses	18	2	16	36
<b>Pretax income (loss) before impairments and related items</b>	<b>(707)</b>	<b>186</b>	<b>958</b>	<b>437</b>
Asset impairments and related items	3,447	559	4,491	8,497
<b>Pretax income (loss)</b>	<b>(4,154)</b>	<b>(373)</b>	<b>(3,533)</b>	<b>(8,060)</b>
Income tax expense (benefit) (c)	(1,606)	(61)	787	(880)
<b>Results of operations</b>	<b>\$ (2,548)</b>	<b>\$ (312)</b>	<b>\$ (4,320)</b>	<b>\$ (7,180)</b>

(a) Revenues are net of royalty payments.

(b) Production costs are the costs incurred in lifting the oil and gas to the surface and include gathering, primary processing and field storage, but do not include DD&A, royalties, income taxes, interest, general and administrative and other expenses.

(c) U.S. federal income taxes reflect certain expenses related to oil and gas activities allocated for United States income tax purposes only, including allocated interest and corporate overhead. These amounts are computed using the statutory rate in effect during the period, and do not consider the effects of changes to the U.S. federal income tax law by Tax Reform.

## RESULTS PER UNIT OF PRODUCTION FOR CONTINUING OPERATIONS

\$/BOE <sup>(a)</sup>	United States	Latin America	Middle East/ North Africa	Total
<b>FOR THE YEAR ENDED DECEMBER 31, 2017</b>				
Revenues <sup>(b)</sup>	\$ 36.50	\$ 47.79	\$ 33.51	\$ 35.79
Production costs	13.29	12.99	9.79	11.73
Other operating expenses	5.28	4.28	1.71	3.65
Depreciation, depletion and amortization	22.99	10.37	6.14	14.87
Taxes other than on income	2.47	0.75	—	1.28
Exploration expenses	0.25	0.59	0.48	0.37
<b>Pretax income (loss) before impairments and related items</b>	<b>(7.78)</b>	<b>18.81</b>	<b>15.39</b>	<b>3.89</b>
Asset impairments and related items	3.58	0.34	—	1.82
<b>Pretax income (loss)</b>	<b>(11.36)</b>	<b>18.47</b>	<b>15.39</b>	<b>2.07</b>
Income tax expense (benefit) <sup>(c)</sup>	(6.27)	10.06	7.11	0.52
<b>Results of operations</b>	<b>\$ (5.09)</b>	<b>\$ 8.41</b>	<b>\$ 8.28</b>	<b>\$ 1.55</b>
<b>FOR THE YEAR ENDED DECEMBER 31, 2016</b>				
Revenues <sup>(b)</sup>	\$ 28.36	\$ 36.87	\$ 25.67	\$ 27.59
Production costs	12.07	13.16	9.12	10.76
Other operating expenses	3.86	2.76	2.02	2.94
Depreciation, depletion and amortization	25.27	12.12	5.81	15.46
Taxes other than on income	2.17	0.77	—	1.08
Exploration expenses	0.07	0.39	0.45	0.27
<b>Pretax income (loss) before impairments and related items</b>	<b>(15.08)</b>	<b>7.67</b>	<b>8.27</b>	<b>(2.92)</b>
Asset impairments and related items	0.01	0.70	0.57	0.31
<b>Pretax income (loss)</b>	<b>(15.09)</b>	<b>6.97</b>	<b>7.70</b>	<b>(3.23)</b>
Income tax expense (benefit) <sup>(c)</sup>	(7.09)	5.03	3.12	(1.66)
<b>Results of operations</b>	<b>\$ (8.00)</b>	<b>\$ 1.94</b>	<b>\$ 4.58</b>	<b>\$ (1.57)</b>
<b>FOR THE YEAR ENDED DECEMBER 31, 2015</b>				
Revenues <sup>(b)</sup>	\$ 31.84	\$ 43.83	\$ 34.64	\$ 33.78
Production costs	13.13	11.93	9.87	11.57
Other operating expenses	4.27	2.18	2.11	3.15
Depreciation, depletion and amortization	17.63	14.54	14.02	15.81
Taxes other than on income	2.57	1.19	—	1.32
Exploration expenses	0.15	0.15	0.14	0.15
<b>Pretax income (loss) before impairments and related items</b>	<b>(5.91)</b>	<b>13.84</b>	<b>8.50</b>	<b>1.78</b>
Asset impairments and related items	28.81	41.60	39.82	34.56
<b>Pretax income (loss)</b>	<b>(34.72)</b>	<b>(27.76)</b>	<b>(31.32)</b>	<b>(32.78)</b>
Income tax expense (benefit) <sup>(c)</sup>	(13.42)	(4.54)	6.98	(3.58)
<b>Results of operations</b>	<b>\$ (21.30)</b>	<b>\$ (23.22)</b>	<b>\$ (38.30)</b>	<b>\$ (29.20)</b>

(a) Natural gas volumes have been converted to barrels of oil equivalent (BOE) based on energy content of six thousand cubic feet (Mcf) of gas to one barrel of oil. Barrels of oil equivalence does not necessarily result in price equivalence. The price of natural gas on a barrel of oil equivalent basis is currently substantially lower than the corresponding price for oil and has been similarly lower for a number of years. For example, in 2017, the average prices of West Texas Intermediate (WTI) oil and New York Mercantile Exchange (NYMEX) natural gas were \$51.34 per barrel and \$3.08 per Mcf, respectively, resulting in an oil to gas ratio of 17 to 1.

(b) Revenues are net of royalty payments.

(c) United States federal income taxes reflect certain expenses related to oil and gas activities allocated for U.S. income tax purposes only, including allocated interest and corporate overhead. These amounts are computed using the statutory rate in effect during the period, and do not consider the effects of changes to the U.S. federal income tax law by Tax Reform.

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

For purposes of the following disclosures, future cash flows were computed by applying to Occidental's proved oil and gas reserves the unweighted arithmetic average of the first-day-of-the-month price for each month within the years ended December 31, 2017, 2016 and 2015, respectively, unless prices were defined by contractual arrangements, and exclude escalations based upon future conditions. For the 2017, 2016 and 2015 disclosures, the calculated average West Texas Intermediate oil prices were \$51.34, \$42.75 and \$50.28 per barrel, respectively. The calculated average Brent oil prices for 2017, 2016 and 2015 disclosures were \$54.93, \$44.49 and \$55.57, per barrel, respectively. The calculated average Henry Hub natural gas prices for 2017, 2016 and 2015 were \$3.08, \$2.55 and \$2.66 per MMBtu, respectively. The realized prices used to calculate future cash flows vary by producing area and market conditions. Future operating and capital costs were forecast using the current cost environment applied to expectations of future operating and development activities to develop and produce proved reserves at year end. 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 December 31, 2017, 2016 and 2015. Such assumptions, which are required by regulation, have not always proven accurate in the past. Other valid assumptions would give rise to substantially different results.

**Standardized Measure of Discounted Future Net Cash Flows**

in millions

	United States	Latin America	Middle East/ North Africa	Total
<b>AT DECEMBER 31, 2017</b>				
Future cash inflows	\$ 59,289	\$ 3,961	\$ 25,662	\$ 88,912
Future costs				
Production costs and other operating expenses	(29,318)	(1,915)	(9,349)	(40,582)
Development costs (a)	(7,986)	(238)	(2,199)	(10,423)
Future income tax expense	(1,838)	(543)	(2,906)	(5,287)
<b>Future net cash flows</b>	<b>20,147</b>	<b>1,265</b>	<b>11,208</b>	<b>32,620</b>
Ten percent discount factor	(10,951)	(423)	(5,026)	(16,400)
<b>Standardized measure of discounted future net cash flows</b>	<b>\$ 9,196</b>	<b>\$ 842</b>	<b>\$ 6,182</b>	<b>\$ 16,220</b>
<b>AT DECEMBER 31, 2016</b>				
Future cash inflows	\$ 42,289	\$ 2,551	\$ 21,079	\$ 65,919
Future costs				
Production costs and other operating expenses	(23,574)	(1,418)	(8,101)	(33,093)
Development costs (a)	(7,204)	(134)	(1,900)	(9,238)
Future income tax expense	—	(244)	(2,349)	(2,593)
<b>Future net cash flows</b>	<b>11,511</b>	<b>755</b>	<b>8,729</b>	<b>20,995</b>
Ten percent discount factor	(6,676)	(202)	(4,404)	(11,282)
<b>Standardized measure of discounted future net cash flows</b>	<b>\$ 4,835</b>	<b>\$ 553</b>	<b>\$ 4,325</b>	<b>\$ 9,713</b>
<b>AT DECEMBER 31, 2015</b>				
Future cash inflows	\$ 47,290	\$ 3,416	\$ 22,994	\$ 73,700
Future costs				
Production costs and other operating expenses	(25,386)	(1,852)	(9,041)	(36,279)
Development costs (a)	(7,245)	(178)	(2,672)	(10,095)
Future income tax expense	(759)	(392)	(4,045)	(5,196)
<b>Future net cash flows</b>	<b>13,900</b>	<b>994</b>	<b>7,236</b>	<b>22,130</b>
Ten percent discount factor	(7,446)	(293)	(2,996)	(10,735)
<b>Standardized measure of discounted future net cash flows</b>	<b>\$ 6,454</b>	<b>\$ 701</b>	<b>\$ 4,240</b>	<b>\$ 11,395</b>

(a) Includes asset retirement costs.

## Changes in the Standardized Measure of Discounted Future Net Cash Flows From Proved Reserve Quantities

in millions

For the years ended December 31,

	2017	2016	2015
<b>Beginning of year</b>	<b>\$ 9,713</b>	<b>\$ 11,395</b>	<b>\$ 30,149</b>
Sales and transfers of oil and gas produced, net of production costs and other operating expenses	(5,362)	(3,830)	(4,952)
Net change in prices received per barrel, net of production costs and other operating expenses	7,598	(3,714)	(36,081)
Extensions, discoveries and improved recovery, net of future production and development costs	1,534	811	854
Change in estimated future development costs	(1,283)	(227)	3,091
Revisions of quantity estimates	966	868	(1,782)
Previously estimated development costs incurred during the period	1,643	1,662	3,327
Accretion of discount	922	1,034	3,220
Net change in income taxes	(528)	1,367	13,046
Purchases and sales of reserves in place, net	688	178	(2,334)
Changes in production rates and other	329	169	2,857
<b>Net change</b>	<b>6,507</b>	<b>(1,682)</b>	<b>(18,754)</b>
<b>End of year</b>	<b>\$ 16,220</b>	<b>\$ 9,713</b>	<b>\$ 11,395</b>

## Average Sales Prices

The following table sets forth, for each of the three years in the period ended December 31, 2017, Occidental's approximate average sales prices in continuing operations.

	United States	Latin America	Middle East/ North Africa	Total
<b>2017</b>				
Oil — Average sales price (\$/bbl)	\$ 47.91	\$ 48.50	\$ 50.38	\$ 48.93
NGLs — Average sales price (\$/bbl)	\$ 23.67	\$ —	\$ 18.05	\$ 21.63
Gas — Average sales price (\$/mcf)	\$ 2.31	\$ 5.08	\$ 1.52	\$ 1.84
<b>2016</b>				
Oil — Average sales price (\$/bbl)	\$ 39.38	\$ 37.48	\$ 38.25	\$ 38.73
NGLs — Average sales price (\$/bbl)	\$ 14.72	\$ —	\$ 15.01	\$ 14.82
Gas — Average sales price (\$/mcf)	\$ 1.90	\$ 3.78	\$ 1.27	\$ 1.53
<b>2015</b>				
Oil — Average sales price (\$/bbl)	\$ 45.04	\$ 44.49	\$ 49.65	\$ 47.10
NGLs — Average sales price (\$/bbl)	\$ 15.35	\$ —	\$ 17.88	\$ 15.96
Gas — Average sales price (\$/mcf)	\$ 2.15	\$ 5.20	\$ 0.91	\$ 1.49

### Net Productive and Dry — Exploratory and Development Wells Completed

The following table sets forth, for each of the three years in the period ended December 31, 2017, Occidental's net productive and dry—exploratory and development wells completed.

			United States	Latin America	Middle East/ North Africa	Total
<b>2017</b>						
Oil	—	Exploratory	14	1	5	20
		Development	201	51	105	357
Gas	—	Exploratory	—	—	—	—
		Development	2	—	1	3
Dry	—	Exploratory	—	—	3	3
		Development	—	—	—	—
<b>2016</b>						
Oil	—	Exploratory	—	—	2	2
		Development	166	12	157	335
Gas	—	Exploratory	—	—	—	—
		Development	—	—	10	10
Dry	—	Exploratory	—	—	6	6
		Development	—	—	—	—
<b>2015</b>						
Oil	—	Exploratory	17	—	1	18
		Development	387	24	217	628
Gas	—	Exploratory	—	—	2	2
		Development	4	1	12	17
Dry	—	Exploratory	—	—	4	4
		Development	—	1	1	2

### Productive Oil and Gas Wells

The following table sets forth, as of December 31, 2017, Occidental's productive oil and gas wells (both producing and capable of production).

Wells at December 31, 2017 (a)			United States		Latin America		Middle East		Total	
Oil	—	Gross (b)	16,464	(777)	1,641	—	2,361	(1)	20,466	(778)
		Net (c)	14,265	(711)	821	—	1,259	(1)	16,345	(712)
Gas	—	Gross (b)	2,622	(317)	34	—	110	—	2,766	(317)
		Net (c)	2,328	(298)	31	—	57	—	2,416	(298)

(a) The numbers in parentheses indicate the number of wells with multiple completions.

(b) The total number of wells in which interests are owned.

(c) The sum of fractional interests.

### Participation in Exploratory and Development Wells Being Drilled

The following table sets forth, as of December 31, 2017, Occidental's participation in exploratory and development wells being drilled.

Wells at December 31, 2017		United States	Latin America	Middle East	Total
Exploratory and development wells					
—	Gross	38	3	24	65
—	Net	33	2	15	50

At December 31, 2017, Occidental was participating in 87 pressure-maintenance projects, mostly waterfloods, in the United States, 1 in Latin America and 21 in the Middle East.

### Oil and Gas Acreage

The following table sets forth, as of December 31, 2017, Occidental's holdings of developed and undeveloped oil and gas acreage.

Thousands of acres at December 31, 2017		United States	Latin America	Middle East	Total
Developed (a)					
—	Gross (b)	5,990	130	631	6,751
—	Net (c)	2,791	88	240	3,119
Undeveloped (d)					
—	Gross (b)	1,962	269	2,078	4,309
—	Net (c)	625	213	1,241	2,079

(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 interests under PSCs and other economic arrangements.

(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.

Occidental's investment in developed and undeveloped acreage comprises numerous concessions, blocks and leases. Work programs are designed to ensure that the exploration potential of any property is fully evaluated before expiration. In some instances, Occidental may elect to relinquish acreage in advance of the contractual expiration date if the evaluation process is complete and there is not a business basis for extension. In cases where additional time may be required to fully evaluate acreage, Occidental has generally been successful in obtaining extensions. Scheduled lease and concession expirations for undeveloped acreage over the next three years are not expected to have a material adverse impact on Occidental.



## Oil, NGLs and Natural Gas Production and Sales Volumes Per Day

The following tables set forth the production and sales volumes of oil, NGLs and natural gas per day for each of the three years in the period ended December 31, 2017. The differences between the production and sales volumes per day are generally due to the timing of shipments at Occidental's international locations where product is loaded onto tankers.

<b>Production per Day (MBOE)</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>United States</b>			
Permian Resources	141	124	110
Permian EOR	150	145	145
South Texas and Other	13	33	73
Total	304	302	328
<b>Latin America</b>	32	34	37
<b>Middle East/North Africa</b>			
Al Hosn Gas	71	64	35
Dolphin	42	43	41
Oman	95	96	89
Qatar	58	65	66
Other	—	26	72
Total	266	294	303
<b>Total Production (MBOE) (a)</b>	<b>602</b>	<b>630</b>	<b>668</b>

(See footnote following the Sales Volumes from Ongoing Operations table)

<b>Production per Day from Ongoing Operations (MBOE)</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>United States</b>			
Permian Resources	141	124	110
Permian EOR	150	145	145
Domestic and Other	5	4	6
Total	296	273	261
<b>Latin America</b>	32	34	37
<b>Middle East</b>			
Al Hosn Gas	71	64	35
Dolphin	42	43	41
Oman	95	96	89
Qatar	58	65	66
Total	266	268	231
<b>Total Production Ongoing Operations (MBOE) (a)</b>	<b>594</b>	<b>575</b>	<b>529</b>
Sold domestic operations	8	29	67
Sold or Exited MENA operations	—	26	72
<b>Total Production (MBOE) (a)</b>	<b>602</b>	<b>630</b>	<b>668</b>

(See footnote following the Sales Volumes from Ongoing Operations table)

<b>Production per Day by Products</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>United States</b>			
Oil (MBBL)			
Permian Resources	85	77	71
Permian EOR	113	108	110
South Texas and Other	2	4	21
Total	200	189	202
NGLs (MBBL)			
Permian Resources	26	21	16
Permian EOR	27	27	29
South Texas and Other	2	5	10
Total	55	53	55
Natural gas (MMCF)			
Permian Resources	184	158	137
Permian EOR	57	59	37
South Texas and Other	53	144	250
Total	294	361	424
<b>Latin America</b>			
Oil (MBBL)	31	33	35
Natural gas (MMCF)	7	8	10
<b>Middle East/North Africa</b>			
Oil (MBBL)			
Al Hosn Gas	13	12	7
Dolphin	7	7	7
Oman	71	77	82
Qatar	59	65	66
Other	—	7	32
Total	150	168	194
NGLs (MBBL)			
Al Hosn Gas	23	20	10
Dolphin	8	8	8
Total	31	28	18
Natural gas (MMCF)			
Al Hosn Gas	211	190	109
Dolphin	159	166	158
Oman	138	115	44
Other	—	114	237
Total	508	585	548
<b>Total Production (MBOE) (a)</b>	<b>602</b>	<b>630</b>	<b>668</b>

(See footnote following the Sales Volumes from Ongoing Operations table)

<b>Production per Day by Products from Ongoing Operations</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>United States</b>			
Oil (MBBL)			
Permian Resources	85	77	71
Permian EOR	113	108	110
Other Domestic	2	1	2
Total	200	186	183
NGLs (MBBL)			
Permian Resources	26	21	16
Permian EOR	27	27	29
Total	53	48	45
Natural gas (MMCF)			
Permian Resources	184	158	137
Permian EOR	57	59	37
Other Domestic	18	18	23
Total	259	235	197
<b>Latin America</b>			
Oil (MBBL)	31	33	35
Natural gas (MMCF)	7	8	10
<b>Middle East</b>			
Oil (MBBL)			
Al Hosn Gas	13	12	7
Dolphin	7	7	7
Oman	71	77	82
Qatar	59	65	66
Total	150	161	162
NGLs (MBBL)			
Al Hosn Gas	23	20	10
Dolphin	8	8	8
Total	31	28	18
Natural gas (MMCF)			
Al Hosn Gas	211	190	109
Dolphin	159	166	158
Oman	138	115	44
Total	508	471	311
<b>Total Production Ongoing Operations (MBOE) (a)</b>	<b>594</b>	<b>575</b>	<b>529</b>
Sold domestic operations	8	29	67
Sold or Exited MENA operations	—	26	72
<b>Total Production (MBOE) (a)</b>	<b>602</b>	<b>630</b>	<b>668</b>

(See footnote following the Sales Volumes from Ongoing Operations table)

<b>Sales Volumes per Day by Products</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>United States</b>			
Oil (MBBL)	200	189	202
NGLs (MBBL)	55	53	55
Natural gas (MMCF)	294	361	424
<b>Latin America</b>			
Oil (MBBL)	32	34	35
Natural gas (MMCF)	7	8	10
<b>Middle East/North Africa</b>			
Oil (MBBL)			
Al Hosn Gas	13	12	7
Dolphin	7	7	8
Oman	72	77	82
Qatar	58	66	67
Other	—	7	36
Total	150	169	200
NGLs (MBBL)			
Al Hosn Gas	23	20	10
Dolphin	8	8	8
Total	31	28	18
Natural gas (MMCF)	508	585	548
<b>Total Sales Volumes (MBOE) (a)</b>	<b>603</b>	<b>632</b>	<b>674</b>

(See footnote following the Sales Volumes from Ongoing Operations table)

<b>Sales Volumes per Day by Products from Ongoing Operations</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>United States</b>			
Oil (MBBL)	200	186	183
NGLs (MBBL)	53	48	45
Natural gas (MMCF)	259	235	197
<b>Latin America</b>			
Oil (MBBL)	32	34	35
Natural gas (MMCF)	7	8	10
<b>Middle East</b>			
Oil (MBBL)			
Al Hosn Gas	13	12	7
Dolphin	7	7	8
Oman	72	77	82
Qatar	58	66	67
Total	150	162	164
NGLs (MBBL)			
Al Hosn Gas	23	20	10
Dolphin	8	8	8
Total	31	28	18
Natural gas (MMCF)	508	471	311
<b>Total Sales Ongoing Operations (MBOE) (a)</b>	<b>595</b>	<b>577</b>	<b>531</b>
Sold domestic operations	8	29	67
Sold or Exited MENA operations	—	26	76
<b>Total Sales Volumes (MBOE) (a)</b>	<b>603</b>	<b>632</b>	<b>674</b>

(a) Natural gas volumes have been converted to BOE based on energy content of six Mcf of gas to one barrel of oil. Barrels of oil equivalence does not necessarily result in price equivalence. The price of natural gas on a barrel of oil equivalent basis is currently substantially lower than the corresponding price for oil and has been similarly lower for a number of years. For example, in 2017, the average prices of WTI oil and NYMEX natural gas were \$51.34 per barrel and \$3.08, respectively, resulting in an oil to gas ratio of 17 to 1.

## Schedule II – Valuation and Qualifying Accounts

in millions

Occidental Petroleum Corporation  
and Subsidiaries

	Balance at Beginning of Period	Additions		Deductions (a)	Balance at End of Period
		Charged to Costs and Expenses	Charged to Other Accounts		
<b>2017</b>					
Allowance for doubtful accounts	\$ 558	\$ 37	\$ (2)	\$ 1	\$ 594 (b)
Environmental, litigation, tax and other reserves	\$ 997	\$ 45	\$ 53	\$ (160)	\$ 935 (c)
<b>2016</b>					
Allowance for doubtful accounts	\$ 20	\$ 543	\$ (3)	\$ (2)	\$ 558 (b)
Environmental, litigation, tax and other reserves	\$ 479	\$ 61	\$ 531	\$ (74)	\$ 997 (c)
<b>2015</b>					
Allowance for doubtful accounts	\$ 19	\$ 9	\$ (3)	\$ (5)	\$ 20 (b)
Environmental, litigation, tax and other reserves	\$ 672	\$ 119	\$ 2	\$ (314)	\$ 479 (c)

**Note:** The amounts presented represent continuing operations.

(a) Primarily represents payments.

(b) Of these amounts, \$18 million, \$17 million and \$20 million in 2017, 2016 and 2015, respectively, are classified as current.

(c) Of these amounts, \$163 million, \$197 million and \$98 million in 2017, 2016 and 2015, respectively, are classified as current.

## **ITEM 9 CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

Occidental had no changes in, and no disagreements with, Occidental's accountants on accounting and financial disclosure.

### **ITEM 9A CONTROLS AND PROCEDURES**

#### **MANAGEMENT'S ANNUAL ASSESSMENT OF AND REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

The management of Occidental Petroleum Corporation and its subsidiaries (Occidental) is responsible for establishing and maintaining adequate internal control over financial reporting. Occidental's system of internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles. Occidental's internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of Occidental's assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that Occidental's receipts and expenditures are being made only in accordance with authorizations of Occidental's management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of Occidental's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management has assessed the effectiveness of Occidental's internal control system as of December 31, 2017, based on the criteria for effective internal control over financial reporting described in Internal Control — Integrated Framework issued in 2013 by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management believes that, as of December 31, 2017, Occidental's system of internal control over financial reporting is effective.

Occidental's independent auditors, KPMG LLP, have issued an audit report on Occidental's internal control over financial reporting.

### **DISCLOSURE CONTROLS AND PROCEDURES**

Occidental's President and Chief Executive Officer and its Senior Vice President and Chief Financial Officer supervised and participated in Occidental's evaluation of its disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (Exchange Act)) as of the end of the period covered by this report. Based upon that evaluation, Occidental's President and Chief Executive Officer and Senior Vice President and Chief Financial Officer concluded that Occidental's disclosure controls and procedures were effective as of December 31, 2017.

There has been no change in Occidental's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fourth quarter of 2017 that has materially affected, or is reasonably likely to materially affect, Occidental's internal control over financial reporting. The Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting is set forth in Item 8.

### **ITEM 9B OTHER INFORMATION**

None.

## **Part III**

### **ITEM 10 DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

Occidental has adopted a Code of Business Conduct (Code). The Code applies to the President and Chief Executive Officer; Senior Vice President and Chief Financial Officer; Vice President, Controller and Principal Accounting Officer; and persons performing similar functions (Key Personnel). The Code also applies to Occidental's directors, its employees and the employees of entities it controls. The Code is posted at [www.oxy.com](http://www.oxy.com). Occidental will satisfy any disclosure requirement under Item 5.05 of Form 8-K regarding an amendment to, or waiver from, any provision of the Code with respect to its Key Personnel or directors by disclosing the nature of that amendment or waiver on its website.

The list of Occidental's executive officers and related information under "Executive Officers" set forth in Part I of this report is incorporated by reference herein. The information required by this Item 10 is incorporated herein by reference from Occidental's definitive Proxy Statement, relating to its May 4, 2018, Annual Meeting of Stockholders, to be filed with the SEC pursuant to Regulation 14A within 120 days of December 31, 2017.

## ITEM 11 EXECUTIVE COMPENSATION

The information under the caption "Compensation Discussion and Analysis - Compensation Committee Report" shall not be deemed to be "soliciting material," or to be "filed" with the SEC, or subject to Regulation 14A or 14C under the Exchange Act or to the liabilities of Section 18 of the Exchange Act, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933. The information required by this Item 11 is incorporated herein by reference from Occidental's definitive Proxy Statement, relating to its May 4, 2018, Annual Meeting of Stockholders, to be filed with the SEC pursuant to Regulation 14A within 120 days of December 31, 2017.

## ITEM 12 SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this Item 12 is incorporated herein by reference from Occidental's definitive Proxy Statement, relating to its May 4, 2018, Annual Meeting of Stockholders, to be filed with the SEC pursuant to Regulation 14A within 120 days of December 31, 2017.

## ITEM 13 CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information required by this Item 13 is incorporated herein by reference from Occidental's definitive Proxy Statement, relating to its May 4, 2018, Annual Meeting of Stockholders, to be filed with the SEC pursuant to Regulation 14A within 120 days of December 31, 2017.

## ITEM 14 PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this Item 14 is incorporated herein by reference from Occidental's definitive Proxy Statement, relating to its May 4, 2018, Annual Meeting of Stockholders, to be filed with the SEC pursuant to Regulation 14A within 120 days of December 31, 2017.

## Part IV

## ITEM 15 EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

The agreements included as exhibits to this report are included to provide information about their terms and not to provide any other factual or disclosure information about Occidental or the other parties to the agreements. The agreements contain representations and warranties by each of the parties to the applicable agreement that were made solely for the benefit of the other agreement parties and:

- should not be treated as categorical statements of fact, but rather as a way of allocating the risk among the parties if those statements prove to be inaccurate;
- have been qualified by disclosures that were made to the other party in connection with the negotiation of the applicable agreement, which disclosures are not necessarily reflected in the agreement;
- may apply standards of materiality in a way that is different from the way investors may view materiality; and
- were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement and are subject to more recent developments.

### (a) (1) and (2). Financial Statements and Financial Statement Schedule

Reference is made to Item 8 of the Table of Contents of this report, where these documents are listed.

### (a) (3). Exhibits

- 2.1\* [Separation and Distribution Agreement by and between Occidental Petroleum Corporation and California Resources Corporation, dated November 25, 2014 \(filed as Exhibit 2.1 to the Current Report on Form 8-K of Occidental dated November 25, 2014 \(date of earliest event reported\), filed December 1, 2014, File No. 1-9210\).](#)
- 3.(i)\* [Restated Certificate of Incorporation of Occidental, dated November 12, 1999, and Certificates of Amendment thereto dated May 5, 2006, May 1, 2009, and May 2, 2014 \(filed as Exhibit 4.1 to the Registration Statement on Form S-8 of Occidental dated May 1, 2015, File No. 333-203801\).](#)
- 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 dated February 6, 2002, File No. 333-82246\).](#)
- 3.(ii)\* [Bylaws of Occidental, as amended through October 8, 2015 \(filed as Exhibit 3.\(ii\) to the Current Report on Form 8-K of Occidental dated October 8, 2015 \(date of earliest event reported\), filed October 14, 2015, File No. 1-9210\).](#)
- 4.1\* [Indenture, dated as of August 18, 2011, between Occidental Petroleum and The Bank of New York Mellon Trust Company, N.A. \(filed as Exhibit 4.1 to the Current Report on Form 8-K of Occidental dated August 15, 2011 \(date of earliest event reported\), 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 \(filed as Exhibit 4 to the Registration Statement on Form S-3 of Occidental dated May 7, 1998, File No. 333-52053\).](#)

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 15(b) of Form 10-K.

- 10.1 [Occidental Petroleum Corporation Savings Plan, Amended and Restated as of January 1, 2017.](#)
- 10.2 [Occidental Petroleum Corporation Modified Deferred Compensation Plan, Amended and Restated as of January 1, 2018.](#)
- 10.3 [Occidental Petroleum Corporation Supplemental Retirement Plan II, Amended and Restated as of January 1, 2018](#)  
[Form of Amendment to Occidental Petroleum Corporation 2015 Long-Term Incentive Plan Notice of Grant of Performance Retention Incentive Award.](#)
- 10.4
- 10.5\* [Occidental Petroleum Corporation Executive Incentive Compensation Plan, Amended and Restated as of January 1, 2016. \(filed as Exhibit 10.4 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 2016, File No. 1-9210\).](#)
- 10.6\* 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).
- 10.7\* 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).
- 10.8\* [Occidental Petroleum Corporation 2015 Long-Term Incentive Plan \(filed as Exhibit 4.5 to the Registration Statement on Form S-8 of Occidental dated May 1, 2015, File No. 333-203801\).](#)
- 10.9\* [Form of Occidental Petroleum Corporation Amendment to Senior Executive Supplemental Life Insurance Plan \(Effective as of January 1, 1986, Amended and Restated Effective as of January 1, 1996\) \(filed as Exhibit 10.5 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended September 30, 2008, File No. 1-9210\).](#)
- 10.10\* [Form of Occidental Petroleum Corporation Amendment to Senior Executive Survivor Benefit Plan \(Effective as of January 1, 1986, Amended and Restated Effective as of January 1, 1996\) \(filed as Exhibit 10.6 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended September 30, 2008, File No. 1-9210\).](#)
- 10.11\* [Retention Payment and Separation Benefits Attachment \(filed as Exhibit 10.6 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 2012, File No. 1-9210\).](#)
- 10.12\* [First Amendment to the Occidental Petroleum Corporation 2015 Long-Term Incentive Plan \(filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended September 30, 2016, File No. 1-9210\).](#)
- 10.13\* [Form of 2016 Occidental Petroleum Corporation 2015 Long-Term Incentive Plan Common Stock Unit Award For Non-Employee Directors \(filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended June 30, 2016, File No. 1-9210\).](#)
- 10.14\* [Form of 2016 Occidental Petroleum Corporation 2015 Long-Term Incentive Plan Restricted Stock Unit Incentive Award \(filed as Exhibit 10.3 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended June 30, 2016, File No. 1-9210\).](#)
- 10.15\* [Form of 2016 Occidental Petroleum Corporation 2015 Long-Term Incentive Plan Total Shareholder Return Incentive Award \(filed as Exhibit 10.4 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended June 30, 2016, File No. 1-9210\).](#)
- 10.16\* [Occidental Petroleum Corporation 2015 Long-Term Incentive Plan Form of Notice of Grant of Restricted Stock Unit Incentive Award \(filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended March 31, 2016, File No. 1-9210\).](#)
- 10.17\* [Occidental Petroleum Corporation 2001 Incentive Compensation Plan \(as amended through September 12, 2002\) \(filed as Exhibit 10.2 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended September 30, 2002, File No. 1-9210\).](#)
- 10.18\* [Occidental Petroleum Corporation 2005 Long-Term Incentive Plan, as amended through October 13, 2010 \(filed as Exhibit 10.1 to the Current Report on Form 8-K of Occidental dated October 13, 2010 \(date of earliest event reported\), filed October 14, 2010, File No. 1-9210\).](#)
- 10.19\* [Sign-on agreement with General Counsel \(filed as Exhibit 10.4 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended March 31, 2016, File No. 1-9210\).](#)
- 10.20\* [Description of financial counseling program \(filed as Exhibit 10.50 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 2003, File No. 1-9210\).](#)
- 10.21\* [Description of group excess liability insurance program \(filed as Exhibit 10.51 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 2003, File No. 1-9210\).](#)
- 10.22\* [Description of Automatic Grant of Directors' Restricted Stock Awards Pursuant to the Terms of the Occidental Petroleum Corporation 2005 Long-Term Incentive Plan \(filed as Exhibit 10.37 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 2013, File No. 1-9210\).](#)
- 10.23\* [Form of Restricted Stock Award for Non-Employee Directors under Occidental Petroleum Corporation 2005 Long-Term Incentive Plan \(filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q of Occidental for the fiscal quarter ended March 31, 2012, File No. 1-9210\).](#)
- 10.24\* [Form of Restricted Stock Unit Award for Non-Employee Directors under Occidental Petroleum Corporation 2005 Long-Term Incentive Plan \(filed as Exhibit 10.2 to the Quarterly Report on Form 10-Q of Occidental for the fiscal quarter ended March 31, 2012, File No. 1-9210\).](#)
- 10.25\* [Occidental Petroleum Corporation 2005 Long-Term Incentive Plan Restricted Stock Incentive Award Terms and Conditions \(filed as Exhibit 10.1 to the Current Report on Form 8-K of Occidental dated July 10, 2013 \(date of earliest event reported\), filed July 16, 2013, File No. 1-9210\).](#)
- 10.26\* [Occidental Petroleum Corporation 2005 Long-Term Incentive Plan Restricted Stock Incentive Award Terms and Conditions \(Performance-Based\) \(filed as Exhibit 10.2 to the Current Report on Form 8-K of Occidental dated July 22, 2013 \(date of earliest event reported\), filed July 26, 2013, File No. 1-9210\).](#)
- 10.27\* [Occidental Petroleum Corporation Acknowledgment Letter dated April 29, 2013 \(filed as Exhibit 10.8 to the Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2013, File No. 1-9210\).](#)
- 10.28\* [Occidental Petroleum Corporation 2005 Long-Term Incentive Plan Restricted Stock Incentive Award Terms and Conditions \(filed as Exhibit 10.9 to the Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2013, File No. 1-9210\).](#)
- 10.29\* [Occidental Petroleum Corporation 2005 Long-Term Incentive Plan Common Stock Unit Award For Non-Employee Directors Grant Agreement \(filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2014, File No. 1-9210\).](#)
- 10.30\* [Occidental Petroleum Corporation 2005 Long-Term Incentive Plan Common Stock Award For Non-Employee Directors Grant Agreement \(filed as Exhibit 10.2 to the Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2014, File No. 1-9210\).](#)
- 10.31\* [Form of Occidental Petroleum Corporation 2005 Long-Term Incentive Plan Nonstatutory Stock Option Award Terms and Conditions \(filed as Exhibit 10.73 to the Annual Report on Form 10-K for the fiscal year ended December 31, 2014, File No. 1-9210\).](#)

\* Incorporated herein by reference



- 10.32\* [Occidental Petroleum Corporation 2015 Long-Term Incentive Plan Form of Notice of Grant of Restricted Stock Unit Incentive Award \(filed as Exhibit 10.4 to the Quarterly Report on Form 10-Q of Occidental for the fiscal quarter ended June 30, 2015, File No. 1-9210\).](#)
- 10.33\* [Occidental Petroleum Corporation 2015 Long-Term Incentive Plan Form of Notice of Grant of Performance Retention Incentive Award \(filed as Exhibit 10.5 to the Quarterly Report on Form 10-Q of Occidental for the fiscal quarter ended June 30, 2015, File No. 1-9210\).](#)
- 10.34\* [Occidental Petroleum Corporation 2015 Long-Term Incentive Plan Form of Notice of Grant of Return on Assets Incentive Award \(MENA\) \(filed as Exhibit 10.6 to the Quarterly Report on Form 10-Q of Occidental for the fiscal quarter ended June 30, 2015, File No. 1-9210\).](#)
- 10.35\* [Occidental Petroleum Corporation 2015 Long-Term Incentive Plan Form of Notice of Grant of Return on Assets Incentive Award \(Total\) \(filed as Exhibit 10.7 to the Quarterly Report on Form 10-Q of Occidental for the fiscal quarter ended June 30, 2015, File No. 1-9210\).](#)
- 10.36\* [Occidental Petroleum Corporation 2015 Long-Term Incentive Plan Form of Notice of Grant of Return on Capital Employed Incentive Award \(filed as Exhibit 10.8 to the Quarterly Report on Form 10-Q of Occidental for the fiscal quarter ended June 30, 2015, File No. 1-9210\).](#)
- 10.37\* [Occidental Petroleum Corporation 2015 Long-Term Incentive Plan Form of Notice of Grant of Total Shareholder Return Incentive Award \(filed as Exhibit 10.9 to the Quarterly Report on Form 10-Q of Occidental for the fiscal quarter ended June 30, 2015, File No. 1-9210\).](#)
- 10.38\* [Form of Occidental Petroleum Corporation 2015 Long-Term Incentive Plan Common Stock Unit Award For Non-Employee Directors Grant Agreement \(filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q of Occidental for the fiscal quarter ended June 30, 2015, File No. 1-9210\).](#)
- 10.39\* [Form of Occidental Petroleum Corporation 2015 Long-Term Incentive Plan Common Stock Award For Non-Employee Directors Grant Agreement \(filed as Exhibit 10.2 to the Quarterly Report on Form 10-Q of Occidental for the fiscal quarter ended June 30, 2015, File No. 1-9210\).](#)
- 10.40\* [Separation Agreement, effective June 27, 2017 \(filed as Exhibit 10.3 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended June 30, 2017, File No. 1-9210\).](#)
- 10.41\* [Sign-on agreement with Chief Financial Officer \(filed as Exhibit 10.4 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended June 30, 2017, File No. 1-9210\).](#)
- 10.42\* [Form of 2017 Occidental Petroleum Corporation 2015 Long-Term Incentive Plan Restricted Stock Unit Incentive Award \(filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended March 31, 2017, File No. 1-9210\).](#)
- 10.43\* [Tax Sharing Agreement by and between Occidental Petroleum Corporation and California Resources Corporation, dated November 25, 2014 \(filed as Exhibit 10.2 to the Current Report on Form 8-K of Occidental dated November 25, 2014 \(date of earliest event reported\), filed December 1, 2014, File No. 1-9210\).](#)
- 10.44\* [Employee Matters Agreement by and between Occidental Petroleum Corporation and California Resources Corporation, dated November 25, 2014 \(filed as Exhibit 10.3 to the Current Report on Form 8-K of Occidental dated November 25, 2014 \(date of earliest event reported\), filed December 1, 2014, File No. 1-9210\).](#)
- 10.45\* [Transition Services Agreement by and between Occidental Petroleum Corporation and California Resources Corporation, dated November 25, 2014 \(filed as Exhibit 10.4 to the Current Report on Form 8-K of Occidental dated November 25, 2014 \(date of earliest event reported\), filed December 1, 2014, File No. 1-9210\).](#)
- 10.46\* [Area of Mutual Interest Agreement by and between Occidental Petroleum Corporation and California Resources Corporation, dated November 25, 2014 \(filed as Exhibit 10.5 to the Current Report on Form 8-K of Occidental dated November 25, 2014 \(date of earliest event reported\), filed December 1, 2014, File No. 1-9210\).](#)
- 10.47\* [Confidentiality and Trade Secret Protection Agreement by and between Occidental Petroleum Corporation and California Resources Corporation, dated November 25, 2014 \(filed as Exhibit 10.6 to the Current Report on Form 8-K of Occidental dated November 25, 2014 \(date of earliest event reported\), filed December 1, 2014, File No. 1-9210\).](#)
- 10.48\* [Intellectual Property License Agreement by and between Occidental Petroleum Corporation and California Resources Corporation, dated November 25, 2014 \(filed as Exhibit 10.7 to the Current Report on Form 8-K of Occidental dated November 25, 2014 \(date of earliest event reported\), filed December 1, 2014, File No. 1-9210\).](#)
- 12 [Statement regarding computation of total enterprise ratios of earnings to fixed charges for each of the five years in the period ended December 31, 2017.](#)
- 21 [List of subsidiaries of Occidental at December 31, 2017.](#)
- 23.1 [Consent of Independent Registered Public Accounting Firm.](#)
- 23.2 [Consent of Independent Petroleum Engineers.](#)
- 31.1 [Certification of CEO Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 31.2 [Certification of CFO Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 32.1 [Certifications of CEO and CFO Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 99.1 [Ryder Scott Company Process Review of the Estimated Future Proved Reserves and Income Attributable to Certain Fee, Leasehold and Royalty Interests and Certain Economic Interests Derived Through Certain Production Sharing Contracts as of December 31, 2017.](#)

## ITEM 16 FORM 10-K SUMMARY

Not applicable.

\* Incorporated herein by reference



# **Occidental Petroleum Corporation Savings Plan**

Amended and Restated  
Effective as of January 1, 2017

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## **Article 1. Introduction**

### **1.1 Restatement of Plan**

Effective as of January 1, 2017, Occidental Petroleum Corporation (“Company”) hereby amends and restates the Occidental Petroleum Corporation Savings Plan (“Plan”) to make amendments and changes as reflected herein. The provisions of this restatement shall be effective as of January 1, 2017, except as follows or as otherwise specifically provided in this document: (a) mandatory cash outs payable to a Beneficiary, Alternate Payee or Participant over age 62 in an amount less than or equal to \$5,000 will be automatically cashed out and not subject to automatic rollover; (b) effective August 23, 2017, the Plan will permit hardship distributions to Hurricane Harvey Individuals; (c) any suit involving the Plan must be filed in Harris County, Texas; (d) effective January 1, 2018, the Administrative Committee will delegate the incompetency determination under Section 16.5 to Voya Institutional Plan Services, LLC, and (e) additional administrative updates and clarifications. Where a particular provision of this restatement has an effective date earlier than January 1, 2017, the relevant provision of this restatement shall supersede the corresponding provision of the prior version of the Plan as of the earlier effective date. Where a particular provision of this restatement has an effective date later than January 1, 2017, the relevant provision of the prior version of the Plan shall continue to apply prior to such effective date.

### **1.2 Purpose and Applicability of the Plan**

This Plan is intended to encourage and assist Eligible Employees in adopting a regular program of savings to provide additional security for their retirement. Except as otherwise provided herein, the provisions of this Plan restatement are applicable only to Eligible Employees on or after January 1, 2017. Unless otherwise explicitly provided in this Plan restatement, the Plan provisions in effect prior to this restatement shall continue to govern the terms and conditions of the Plan prior to January 1, 2017.

Notwithstanding any contrary Plan provision, if any modification of ERISA or the Code (or regulations or rulings thereunder) requires that a conforming Plan amendment be adopted as of a stated effective date in order for the Plan to continue to be a qualified plan, this Plan shall be operated in accordance with such requirements until the date when a conforming Plan amendment is adopted.

### **1.3 Structure of the Plan**

The Plan is intended to qualify as a stock bonus plan under Code section 401(a) that includes a qualified cash or deferred arrangement under Code section 401(k)(2).

Effective June 1, 2002, to enable the deduction on dividends paid on certain employer securities as permitted by Code section 404(k), the Matching Accounts, or portions thereof, invested in the Oxy Stock Fund under the Plan, at any point in time and in the aggregate, are intended to qualify, and are hereby designated, as an employee stock ownership plan (“ESOP”), within the meaning of Code section 4975(e)(7). Effective July 19, 2007, to

expand the availability of the deduction on dividends paid on employer securities as permitted by Code section 404(k), the ESOP is expanded to include the Oxy Stock Fund and the portions of Matching Accounts not invested in the Oxy Stock Fund shall cease to constitute part of the ESOP. On or before July 18, 2007, the Matching Accounts, or portions thereof, invested in the Oxy Stock Fund under the Plan, at any point in time, taken together, and effective on or after July 19, 2007, all assets invested in the Oxy Stock Fund at any point in time, regardless of funding source, constitute an “eligible individual account plan,” as defined in ERISA section 407(d)(3), which explicitly provides for the acquisition and holding of and investment primarily in shares of Oxy Stock which constitute “qualifying employer securities,” as described in Code section 4975(e)(8), and “employer securities,” as defined in Code section 409(l).

The Company intends that the Plan and the ESOP together shall constitute a single plan under ERISA and the Code. Accordingly, the provisions set forth in the other sections of the Plan shall apply to the ESOP in the same manner as those provisions apply to the remaining portions of the Plan, except to the extent that those provisions are by their terms inapplicable to the ESOP, or to the extent that they are inconsistent with the specific provisions set forth herein. Except as set forth in specific provisions herein that are related to the ESOP, including but not limited to Plan section 9.5, the designation of any portion of the Plan constituting part of the ESOP shall not affect any Beneficiary designations or any other applicable agreements, elections or consents that Participants, Spouses, Alternate Payees or Beneficiaries validly executed under the terms of the Plan before June 1, 2002, the effective date of the ESOP; and such designations, agreements, elections, and consents shall apply under the ESOP in the same manner as they apply under the Plan.

## **Article 2. Definitions and Construction**

### **2.1 Definitions**

Whenever used in the Plan, the following terms shall have the respective meanings set forth below, unless otherwise expressly provided; and when the defined meaning is intended, the term is capitalized.

- (a) **“Account”** means the separate recordkeeping account maintained for each Participant which represents his or her total proportionate interest in the Trust Fund and which consists of the sum of following:
  - (1) After-Tax Account;
  - (2) In-Plan Roth Rollover Account;
  - (3) Matching Account;
  - (4) Pretax Account;
  - (5) Rollover Account;

- (6) Roth Account; and
- (7) Roth Rollover Account.

The term "Account" shall also include any separate account established on behalf of an Alternate Payee pursuant to a Qualified Domestic Relations Order or a Beneficiary following the Participant's death.

- (b) **"Accounting Date"** means any day on which trading occurs on the New York Stock Exchange.
- (c) **"ACP Test"** means the average contribution percentage test performed in accordance with Plan section 6.4.
- (d) **"Active Participant"** means any Eligible Employee who:
  - (1) Has met the requirements to become a Participant as set forth in Article 3,
  - (2) Continues to be employed as an Eligible Employee, and
  - (3) Has not become an Inactive Participant or Former Participant.
- (e) **"Actual Deferral Percentage"** means, for each group of Participants for any period, the average of the ratios (calculated separately for each Participant in each group) of Pretax Deferrals and/or Roth Contributions taken into account under the rules of this paragraph made on behalf of the Participant for the Plan Year to that Participant's Testing Compensation earned while a Participant for the Plan Year. Such ratios and the Actual Deferral Percentage for each group shall be calculated to the nearest one-hundredth of 1 percent of a Participant's Testing Compensation. If Pretax Deferrals or Roth Contributions cannot be taken into account under the ADP Test because they do not meet the following rules, then such amount must satisfy the nondiscrimination requirements of Code section 401(a)(4) for the Plan Year for which they are made. The following rules shall apply in determining the Average Deferral Percentages:
  - (1) Pretax Deferrals and Roth Contributions shall be taken into account for the Plan Year in determining a Participant's Actual Deferral Percentage only if all of the following requirements are met:
    - (A) The Pretax Deferral and/or Roth Contribution is allocated as of a date in the Plan Year and the allocation is not contingent on the Participant's participation in the Plan or performance of services for an Employer after the allocation date.
    - (B) The Pretax Deferral and/or Roth Contribution is contributed to the Trust Fund no more than 12 months after the last day of the Plan Year.

- (C) The Pretax Deferral and/or Roth Contribution is made on account of the Participant's election to reduce Earnings that would otherwise be paid within that Plan Year. Notwithstanding the foregoing, to the extent elected by the Administrative Committee on a uniform basis, Pretax Deferrals and/or Roth Contributions may be taken into account for the Plan Year if they are attributable to services performed during the Plan Year and, but for the Participant's election to reduce Earnings, would have been received by the Participant after the last day of the Plan Year but within 2½ months after the last day of the Plan Year. If the Administrative Committee makes this election for a Plan Year, then the Pretax Deferrals and/or Roth Contributions shall be taken into account only in the ADP Test (or the ACP Test) for that Plan Year and shall not be taken into account in the ADP Test (or the ACP Test) for any other Plan Year.
- (2) If any Highly Compensated Employee is a participant under two or more qualified cash or deferred arrangements of the Company or any Affiliate (including this Plan), all such cash or deferred arrangements shall be treated as one such arrangement for purposes of determining the Actual Deferral Percentage of the Highly Compensated Employee, except as provided in Treasury Regulations section 1.401(k)-2(a)(3)(ii).
- (3) Pretax Deferrals and/or Roth Contributions of Highly Compensated Employees for the Plan Year shall include Excess Deferrals, whether or not such Excess Deferrals are distributed under Plan section 6.1.
- (4) Pretax Deferrals and/or Roth Contributions taken into account under the ACP Test of Plan section 6.4 for the Plan Year shall not be taken into account under the ADP Test of this Plan section for the same or any other Plan Year.
- (5) Pretax Deferrals and/or Roth Contributions made pursuant to Code section 414(u) shall not be taken into account for purposes of the ADP Test (or the ACP Test) for the Plan Year in which they are made or in any other Plan Year.
- (f) **“ADP Test”** means the actual deferral percentage test performed in accordance with Plan section 6.2.
- (g) **“Adjustment Contributions”** means Pretax Deferrals and/or Roth Contributions which are recharacterized as After-Tax Contributions in order to comply with nondiscrimination tests of Code sections 401(k) and 401(m), as described in Plan sections 6.2 and 6.4. To the extent required by Treasury Regulations section 1.401(m)-2(b)(3), Adjustment Contributions after recharacterization shall be treated as:

- (1) After-Tax Contributions for purposes of Code sections 72, 401(a)(4), and 401(m); and
  - (2) Pretax Deferrals and/or Roth Contributions for purposes of Code sections 401(a) (other than Code sections 401(a)(4), 401(k), and 401(m)), 404, 409, 411, 415, 416, and 417.
- (h) **“Administrative Committee”** means the committee appointed by the Board to administer the Plan in accordance with the applicable provisions of Article 12 of this Plan.
- (i) **“Affiliate”** means:
- (1) Any business entity while it is controlled by or under common control with the Company within the meaning of Code sections 414 and 1563, or
  - (2) Any member of an affiliated service group, within the meaning of Code section 414(m), of which the Company or any Affiliate is a member; and
  - (3) Any entity which, pursuant to Code section 414(o) and related Treasury Regulations, must be aggregated with the Company or any Affiliate for plan qualification purposes.

For purposes of paragraph (1), the determination of control shall be made without reference to paragraphs (a)(4) and (e)(3)(C) of Code section 1563. For the purposes of applying the limitations of Plan sections 2.1(nnn) and 6.6, the phrase “more than 50 percent” shall be substituted for the phrase “at least 80 percent” each place it appears in Code section 1563(a)(1).

- (j) **“After-Tax Account”** means the recordkeeping account which evidences the value of After-Tax Contributions and any Adjustment Contributions, including related investment gains and losses of the Trust Fund.
- (k) **“After-Tax Contributions”** means the voluntary contributions made by a Participant to the Plan on an after-tax basis, as described in Plan section 4.1.
- (l) **“Alternate Payee”** means, with respect to a Participant, any Spouse, former Spouse, child, or other dependent of that Participant, who is an alternate payee, within the meaning of Code section 414(p)(8), and who is recognized by a Qualified Domestic Relations Order as having the right to receive all or a portion of the benefits payable under the Plan with respect to the Participant.
- (m) **“Annual Addition”** means the sum of the amounts described in Plan section 6.6(b).
- (n) **“Annual Bonus”** means up to the first \$100,000 of bonus paid from an Employer to an Active Participant, who is not a “named executive officer,” as

that term is defined in Regulations S-K under the Securities Exchange Act of 1934 (17 CFR §229.402(a)(3)), during the Plan Year under a regular annual incentive compensation plan, such as the Company's Variable Compensation Program or Incentive Compensation Program (but excluding without limitation a special individual or group bonus, a project bonus, and any other special bonus).

- (o) **“Average Contribution Percentage”** means, for each group of Participants for any period, the average of the ratios (calculated separately for each Participant in each group) of the sum of Matching Contributions, After-Tax Contributions, and Adjustment Contributions made on behalf of the Participant for the Plan Year to that Participant's Testing Compensation earned while a Participant for the Plan Year. Such ratios and Average Contribution Percentage for each group shall be calculated to the nearest one-hundredth of 1 percent of an Eligible Employee's Testing Compensation. If Matching Contributions, After-Tax Contributions or Adjustment Contributions cannot be taken into account under the ACP Test because they do not meet the following rules, then such amount must satisfy the nondiscrimination requirements of Code section 401(a)(4) for the Plan Year for which they are made. The following rules shall apply in determining the Average Contribution Percentages:
- (1) After-Tax Contributions shall be taken into account in determining a Participant's Average Contribution Percentage for the Plan Year that the After-Tax Contributions are transferred to the Trust Fund. For this purpose, an After-Tax Contribution is treated as transferred to the Trust Fund at the time it would have been paid to the Participant if it is transferred to the Trust Fund within a reasonable time after the amount is withheld from the Participant's Earnings.
  - (2) Adjustment Contributions are taken into account in determining a Participant's Average Contribution Percentage for the Plan Year in which the Adjustment Contributions are includible in the gross income of the Participant.
  - (3) Matching Contributions are taken into account in determining a Participant's Average Contribution Percentage for the Plan Year only if all of the following are met:
    - (A) The Matching Contribution is made on account of the Participant's Pretax Deferrals, Roth Contributions or After-Tax Contributions for the Plan Year.
    - (B) The Matching Contribution is allocated to the Participant's Matching Account as of a date within the Plan Year.

- (C) The Matching Contribution is transferred to the Trust Fund no more than 12 months after the last day of the Plan Year.
- (4) Any Matching Contributions that are forfeited because the Pretax Deferrals, Roth Contributions or After-Tax Contributions to which they relate are determined to be an Excess Deferral, an Excess Contribution, or an Excess Aggregate Contribution for the Plan Year are not taken into account in determining a Participant's Average Contribution Percentage for the Plan Year.
- (5) If any Highly Compensated Employee is a participant under two or more Qualified Plans of the Company or any Affiliate (including this Plan) that provide for matching contributions or after-tax contributions, all such contributions made by or on behalf of the Highly Compensated Employee under such Qualified Plans during the 12-month period that coincides with the Plan Year shall be taken into account in determining the Average Contribution Percentage of the Highly Compensated Employee, except as provided in Treasury Regulations section 1.401(m)-2(a)(3)(ii).
- (6) Matching Contributions and After-Tax Contributions made pursuant to Code section 414(u) shall not be taken into account for purposes of the ACP Test for the Plan Year in which they are made or in any other Plan Year.
- (7) Subject to the conditions prescribed and to the extent permitted by Treasury Regulations section 1.401(m)-2(a)(6)(ii), the Administrative Committee may elect to take into account Pretax Deferrals and Roth Contributions in computing Average Contribution Percentages.
- (p) **“Base Pay”** means the base salary and wages earned by an Active Participant from an Employer for services rendered, including amounts of Pretax Deferrals, Roth Contributions and amounts contributed pursuant to the Pretax Spending Program.
  - (1) Base Pay does not include:
    - (A) Bonuses, incentives, overtime, shift differential, and overseas differentials;
    - (B) Reimbursement for expenses or allowances, including automobile allowances and moving allowances;
    - (C) Any amount contributed by the Employer (other than Pretax Deferrals, Roth Contributions and amounts contributed pursuant to the Pretax Spending Program) to any pension plan or plan of deferred compensation;

- (D) Any amount contributed by an Employer (in addition to Pretax Deferrals, Roth Contributions and Catch-Up Contributions) to this Plan;
  - (E) Any amount paid by an Employer for other fringe benefits, such as health and hospitalization, and group life insurance benefits, or perquisites; and
  - (F) Allowances paid during furlough and, for purposes of paragraph (2)(F) below, such furloughs shall not be treated as paid leaves of absence.
- (2) Base Pay is determined in accordance with the following rules:
- (A) For Active Participants compensated by salary, Base Pay means the actual base salary of record paid to the Active Participant (subject to the exclusions listed above).
  - (B) For Active Participants compensated based on mileage driven (primarily truck drivers), Base Pay means the number of miles driven multiplied by the applicable mileage pay rate (subject to the exclusions listed above), plus the Active Participant's scheduled number of hours worked in the pay period multiplied by the Active Participant's base hourly rate (subject to the exclusions listed above).
  - (C) For Active Participants compensated at an hourly rate, Base Pay means the base hourly rate (subject to the exclusions listed above) multiplied by the number of regularly scheduled hours worked in a pay period. If the Active Participant's regularly scheduled work week is more than 40 hours, Compensation shall include an additional amount equal to the base hourly rate (subject to the exclusions listed above) times one half the number of regularly scheduled hours worked in excess of 40 in the work week.
  - (D) For Active Participants compensated on an eight, ten, twelve, or some other assigned hour Shift Basis and whose annual Base Pay is pre-determined under the Company's payroll recordkeeping, Base Pay for each pay period shall be the Active Participant's pre-determined annual Base Pay (subject to the exclusions listed above) divided by the number of pay periods applicable to the Active Participant during the Plan Year. For the purpose of this subsection, the term "Shift Basis" means any arrangement whereby Active Participants work the assigned hour daily shifts which may result in alternating work weeks of more and less than 40 hours per week.
  - (E) Base Pay includes vacation pay received in periodic payments and annual vacation payments made to Employees paid by commission, but does not include single sum vacation payments to active or terminating Employees.



- (F) Base Pay includes base salary or wages received during paid leaves of absence and periodic notice pay, but, effective July 1, 2006, Base Pay does not include single sum notice pay payments or any severance pay payments.
- (G) Base Pay does not include long-term disability payments or payments made to any Participant pursuant to the Occidental Chemical Corporation Weekly Sickness and Accident Plan unless:
  - (i) Such payments are made to the Participant through the payroll accounting department of the Company or an Affiliate, and
  - (ii) The Participant is ineligible for participation in the Retirement Plan.
- (H) Base Pay includes any payment to a Participant who does not currently perform services for an Employer by reason of qualified military service (within the meaning of Code section 414(u)(1)) to the extent that the payment does not exceed the amount that the Participant would have received if the Participant continued to perform services for the Employer rather than entering qualified military service.
- (q) **“Beneficiary”** means the person or persons (who may be named contingently or successively) designated by a Participant, an Alternate Payee, or a Beneficiary of a deceased Participant or a deceased Alternate Payee to receive his or her Account in the event of death.

If no Beneficiary is designated at the time of the Participant’s or Alternate Payee’s death, or at the time of death of the Beneficiary of a deceased Participant or Alternate Payee, or if no person so designated shall survive the Participant, Alternate Payee, or Beneficiary of a deceased Participant or Alternate Payee, the Beneficiary shall be the deceased person’s Spouse, or if the deceased individual has no surviving Spouse, his or her surviving children equally, or if there are no surviving children, his or her surviving parents equally, or if only one parent is living, his or her living parent, or if no parent is living, his or her surviving siblings equally, or if only one sibling is living, his or her surviving sibling, or if no sibling is living, his or her estate.

The designation by a married Participant of someone other than the Participant’s Spouse as a Beneficiary shall be invalid unless:

- (1) The Spouse consents in writing to the designation of any specific non-Spouse Beneficiary which may not be changed without the Spouse’s consent (unless the Spouse’s consent expressly permits the Participant to change Beneficiary designations without further consent by the Spouse);
- (2) The consent acknowledges the effect of such designation; and

(3) The consent is notarized.

No spousal consent shall be required if it is established to the satisfaction of the Plan representative that such consent cannot be obtained because there is no Spouse or because the Spouse cannot be located.

Notwithstanding the foregoing, where an Employee becomes a Participant through merger of his or her account from another plan into this Plan, "Beneficiary" means the person or persons so designated under such other plan until a new Beneficiary designation is effected as described above by such Employee.

- (r) **"Board"** means the Board of Directors of the Company.
- (s) **"Catch-Up Contributions"** means the contributions made by the Employer, on or after June 30, 2002, on behalf of an Active Participant, who will have attained age 50 before the last day of the Plan Year, on a pretax and/or Roth basis as elected by the Participant pursuant to Plan section 4.2. Catch-Up Contributions for the Plan Year may not exceed the limit in effect for such Plan Year under Code section 414(v)(2)(B)(i), as adjusted pursuant to Code section 414(v)(2)(C).
- (t) **"Code"** means the Internal Revenue Code of 1986, as amended. Each Code reference in this Plan shall be deemed to include reference to any comparable or succeeding statutory provision which supplements or replaces such Code reference.
- (u) **"Company"** means Occidental Petroleum Corporation.
- (v) **"Covered Employee"** means a Plan Participant who is covered under the Plan's eligible automatic contribution arrangement. A Covered Employee will include all Eligible Employees hired on or after August 5, 2016, excluding interns and temporary employees.
- (w) **"Disability"** means the disability of:
  - (1) Any Active Participant who is determined to be disabled under section 423 of Title 42 of the U. S. Code and who receives disability insurance benefits thereunder; or
  - (2) Any Active Participant who is a participant in the Occidental Petroleum Corporation Long-Term Disability Plan or, prior to March 1, 2002, the OxyVinyls, LP Long-Term Disability Plan and who is determined to be disabled therein under the definition of "disability" applicable to the period beginning 24 months after the commencement of disability and who receives benefits thereunder.

An Active Participant shall be considered to have incurred the Disability as of the time of the commencement of the disability benefits as described above while the Active Participant was an Employee.

A Former Participant shall be considered to have incurred the Disability and retroactively vest upon receipt of more than 18 months of benefits under the Occidental Petroleum Corporation Long-Term Disability Plan.

A Participant who claims to have incurred the Disability as a result of being determined to be disabled under section 423 of Title 42 of the U.S. Code must give written notice thereof to the Administrative Committee and submit, at the expense of the Participant, to the Administrative Committee such evidence of Disability as the Administrative Committee may require. Failure by a Participant to comply with the foregoing requirements shall be deemed conclusive evidence that such Participant has not incurred the asserted Disability. All rules with respect to the determination of Disability shall be uniformly and consistently applied to all Participants in similar circumstances.

- (x) **“Earnings”** means the sum of Base Pay and Annual Bonus paid to an Active Participant by an Employer during the Plan Year. Effective for Plan Years beginning after 2001, the annual Earnings of each Participant taken into account in determining allocations for any Plan Year shall not exceed \$200,000, as adjusted for cost-of-living increases in accordance with Code section 401(a)(17)(B).
- (y) **“Eligible Dividends”** means, as further described in Plan section 11.2:
  - (1) Between June 1, 2002 and July 18, 2007, dividends paid on Oxy Stock held in the Oxy Stock Fund attributable to the Participant’s Matching Account constituting the ESOP portion of the Plan; and
  - (2) On or after July 19, 2007, dividends paid on Oxy Stock held in the Oxy Stock Fund constituting the ESOP portion of the Plan.
  - (3) Eligible Dividends paid on Oxy Stock held in the Oxy Stock Fund attributable the Participant’s Matching Account shall be reflected in the Participant’s Matching Account. Eligible Dividends paid on Oxy Stock held in the Oxy Stock Fund attributable to other than the Participant’s Matching Account shall be reflected for recordkeeping purposes in the After-Tax Account, Pretax Account, Rollover Account, Roth Account or Roth Rollover Account from which the Eligible Dividend is derived.
- (z) **“Eligible Employee”** means any Employee who is employed by an Employer, unless excluded under one or more of the following categories of Employees:

- (1) Represented Employees where retirement benefits were the subject of good faith bargaining between the Employer and the union, unless the collective bargaining agreement covering the Represented Employees expressly provides participation in the Plan. Represented Employees covered by collective bargaining agreements providing for their participation in the Plan became Eligible Employees as of the dates noted in Appendix A.
  - (2) Employees who are nonresident aliens who receive no earned income from the Employer which constitutes U.S.-source income under Code section 861(a)(3), unless the Administrative Committee expressly makes the Plan available to such an Employee.
  - (3) Leased Employees.
  - (4) Employees of Occidental Oil and Gas Corporation who immediately before January 1, 2008 were eligible employees under the THUMS Long Beach Company Savings and Investment Plan (as defined in that plan) and who thus continue to participate under that plan. Notwithstanding the previous sentence, effective July 1, 2008, Employees of Occidental Oil and Gas Corporation who immediately before July 1, 2008 were eligible employees under the THUMS Long Beach Company Savings and Investment Plan (as defined in that plan) shall be Eligible Employees under this Plan.
- (aa) **“Employee”** means any person employed by the Company or an Affiliate.

Notwithstanding any other provision of this subsection, no individual shall be an Employee if such individual is not classified as a common-law employee in the employment records of the Company or an Affiliate, without regard to whether the individual is subsequently determined to have been a common-law employee of the Company or an Affiliate. The persons excluded by this paragraph from being Employees are to be interpreted broadly to include and to have at all times included individuals engaged by the Company or an Affiliate to perform services for such entity in a relationship that the entity characterizes as other than an employment relationship, such as where the Company or the Affiliate engages the individual to perform services as an independent contractor or leases the individual’s services from a third party. The exclusion of the individual from being an Employee shall apply even if a determination is subsequently made by the Internal Revenue Service, another governmental agency, a court or other tribunal, after the individual is engaged to perform such services, that the individual is an Employee of the Company or Affiliate for purposes of pertinent Code sections or for any other purpose.

- (bb) **“Employer”** means the Company and any Affiliate which is designated, in accordance Article 14, by the Board or, if authorized by the Board, the

Administrative Committee and which adopts the Plan. Affiliates which are not corporations are not eligible to be Employers under the Plan.

- (cc) **“ESOP”** means, as further described in Plan section 1.33:
- (1) Between June 1, 2002 and July 18, 2007, the portion of the Plan comprised of the Matching Accounts, or portions thereof, invested in the Oxy Stock Fund under the Plan, at any point in time and in the aggregate, and
  - (2) On or after July 19, 2007, the Oxy Stock Fund, at any point in time and in the aggregate.
- (dd) **“Excess Aggregate Contribution”** means the amount contributed by or on behalf of a Highly Compensated Employee in excess of the ACP Test limit, as specified in Plan section 6.5.
- (ee) **“Excess Contribution”** means the amount deferred by a Highly Compensated Employee in excess of the ADP Test limit, as specified in Plan section 6.3.
- (ff) **“Excess Deferral”** means the amount deferred by a Participant on a pretax or Roth basis in excess of the dollar limit specified in Plan section 6.1.
- (gg) **“ERISA”** means the Employee Retirement Income Security Act of 1974, as from time to time amended. Each ERISA reference in this Plan shall be deemed to include reference to any comparable or succeeding statutory provision which supplements or replaces such ERISA reference.
- (hh) **“Former Participant”** means an Active Participant or Inactive Participant who has had a Separation from Service, but whose Account has not been fully distributed.
- (ii) **“Highly Compensated Employee”** means an Employee described in Code section 414(q) and includes any Employee who:
- (1) Was a 5-percent owner (as defined in Code section 416(i)(1)(B)(i)) at any time during the Plan Year or the preceding Plan Year; or
  - (2) For the preceding Plan Year, received Section 415 Compensation in excess of \$80,000 (as adjusted by reference to Code section 414(q)(1)).

Employees who are nonresident aliens and who receive no U.S.-source income shall not be counted as Employees when identifying Highly Compensated Employees. In determining Highly Compensated Employees, the Administrative Committee may make any of the elections permitted under Code section 414(q), IRS Notice 97-45 and any future guidance provided by the Internal Revenue Service.

A Former Participant shall be treated as a former Highly Compensated Employee if the Participant was a Highly Compensated Employee in a separation year, as defined in Treasury Regulations section 1.414(q)-1T, Q&A 5, or after the date on which the participant attained age 55.

- (jj) **“Inactive Participant”** means an Employee who was an active Participant but who is transferred to and is in a position of employment where he is no longer an Eligible Employee, as described in Plan section 3.3(b).
- (kk) **“In-Plan Roth Rollover Account”** means the recordkeeping account which evidences the value of In-Plan Roth Rollover Contributions, including gains and losses of the Trust Fund.
- (ll) **“In-Plan Roth Rollover Contributions”** means the eligible contributions made at the direction of the Employee in accordance with Code Section 402A(c)(4) and Plan section 7.8.
- (mm) **“Investment Committee”** means the committee appointed by the Board to administer the investments of the Plan.
- (nn) **“Investment Fund”** means funds that has been approved by the Investment Committee for investment in the Trust Fund and includes the Oxy Stock Fund. The Investment Committee may, from time to time in its discretion and in exercise of its fiduciary responsibilities, select different funds, add to the set of available funds, close funds to new investment, or remove one or more funds (except the Oxy Stock Fund). The current set of Investment Funds shall be maintained and documented in Appendix B.
- (oo) **“Leased Employee”** means any person within the meaning of Code section 414(n)(2) who is not reported on the payroll records of the Company or any Affiliate as a common law employee and who provides services to the Company or an Affiliate, but only if the services are provided under an agreement between the Company or Affiliate and a leasing organization, the person has performed services for the Company and Affiliates on a substantially full time basis for a period of at least one year, and the services are performed under the primary direction or control of the Company or Affiliate that is the service recipient.

Contributions or benefits provided to a Leased Employee by the leasing organization which are attributable to services performed for the Company and Affiliates will be treated as provided by the Company or Affiliate. If a Leased Employee subsequently becomes an Eligible Employee, Service as a Leased Employee will be credited under the Plan to the extent required by Code section 414(n).

Notwithstanding the foregoing, an individual will not be a Leased Employee for a Plan Year for nondiscrimination testing or for any other purpose, if either paragraph (1) or (2) is applicable to that individual for that Plan Year.

- (1) The individual is covered by a money purchase pension plan meeting the requirements of Code Section 414(n)(5)(B) and Leased Employees, determined without regard to the limitation in this paragraph, do not constitute more than 20% of all Nonhighly Compensated Employees of the Company and all Affiliates.
- (2) All requirements of this paragraph are satisfied for that Plan Year and each previous Plan Year with respect to which Code Section 414(n) was effective with respect to the Company or any Affiliate.
  - (A) The Qualified Plans of the Company and all Affiliates exclude Leased Employees from participation and no such Qualified Plan is top-heavy (within the meaning of Code Section 416);
  - (B) The number of leased persons, providing services to the Company and all Affiliates during the Plan Year, is less than 5% of the number of Employees (excluding such leased persons and Highly Compensated Employees) covered by any Qualified Plan maintained by the Company or any Affiliate at any time during such Plan Year. An individual is a leased person for this purpose if all of the following requirements are satisfied:
    - (i) During the Plan Year, the individual performs any services for the Company or any Affiliate, other than as an Employee, and the requirements of Code section 414(n)(2)(A) (relating to performing services pursuant to an agreement with the Company or any Affiliate) and Code section 414(n)(2)(C) (relating to performing services under the primary direction or control of the Company or any Affiliate) are satisfied.
    - (ii) During the Plan Year, the individual is credited with at least 1,500 hours of service, including service performed as an Employee and in any other capacity. For purposes of this subparagraph, "hours of service" has the same meaning as the term "hour of service" provided by Department of Labor Regulations section 2530.200b-2. If one of the equivalencies set forth in Department of Labor Regulations section 2530.200b-3 is used, such equivalency shall be used on a reasonable and consistent basis and the 1,500-hour requirement must be adjusted accordingly. With respect to determining whether an individual has satisfied the 1,500-hour requirement, reasonable approximations may be made.

(iii) The individual either:

- (I) Is not covered under a Qualified Plan as an Employee at any time during the Plan Year; or
- (II) Performs at least 501 hours of service (reasonably adjusted if one of the equivalencies set forth in Department of Labor Regulations section 2530.200b-3 is used) for the Company or any Affiliate other than as an Employee.

(C) The Administrative Committee has not been notified by the leased person and provided satisfactory evidence by the leased person that he or she is a Leased Employee.

(pp) **“Nonhighly Compensated Employee”** means an Employee who is not a Highly Compensated Employee.

(qq) **“Nonrepresented Employees”** means any Employee who is not a Represented Employee.

(rr) **“Matching Account”** means the recordkeeping account which evidences the value of Matching Contributions and the value of Eligible Dividends paid on Oxy Stock held in the Participant’s Matching Account, including related investment gains and losses of the Trust Fund.

(ss) **“Matching Contributions”** means the contributions made by the Employer pursuant to Plan section 5.2 on account of Pretax Deferrals, Roth Contributions or After-Tax Contributions made on behalf of or by the Participant.

(tt) **“MidCon Corp. ESOP”** means the MidCon Corp. Employee Stock Ownership Plan as effective November 20, 1996.

(uu) **“Oxy Stock”** means the common stock of Occidental Petroleum Corporation, which is the class of stock having the greatest voting power and dividend rights. Oxy Stock is readily tradable on established securities market within the meaning of Treasury Regulation section 1.401(a)(35)-1(f)(5) for purposes of Code sections 401(a)(22), 401(a)(28)(C), 409(h)(1)(B), 409(l) and 1042(c)(1)(A).

(vv) **“Oxy Stock Fund”** means the Investment Fund that is invested primarily in Oxy Stock and such short-term interest-bearing securities as the Investment Committee or the Trustee considers advisable.

(ww) **“Participant”** means an Active Participant, Inactive Participant, or a Former Participant, as applicable.

(xx) **“Plan Year”** means the calendar year.



- (yy) **“Pretax Account”** means the recordkeeping account which evidences the value of Pretax Deferrals, including related investment gains and losses of the Trust Fund.
- (zz) **“Pretax Deferrals”** means the contributions made by the Employer on behalf of the Participant on a pretax basis as elected by the Participant pursuant to Plan section 4.1.
- (aaa) **“Pretax Spending Program”** means the Occidental Petroleum Corporation Flexible Spending Accounts Plan.
- (bbb) **“Qualified Domestic Relations Order”** means a qualified domestic relations order, within the meaning of Code section 414(p), which creates or recognizes the existence of an Alternate Payee’s right to, or assigns to an Alternate Payee the right to, receive all or a portion of the benefits payable to a Participant.
- (ccc) **“Qualified Plan”** means a plan, other than this Plan, which is qualified under Code section 401(a).
- (ddd) **“Represented Employee”** means any Employee, whose employment is subject to a collective bargaining agreement.
- (eee) **“Retirement Plan”** means the Occidental Petroleum Corporation Retirement Plan.
- (fff) **“Rollover Account”** means the recordkeeping account which evidences the value of Rollover Contributions, including related investment gains and losses of the Trust Fund.
- (ggg) **“Rollover Contributions”** means the eligible contributions made at the direction of the Employee pursuant to Plan section 10.12.
- (hhh) **“Roth Account”** means the recordkeeping account which evidences the value of Roth Contributions, including related investment gains and losses of the Trust Fund, but excluding any forfeitures.
- (iii) **“Roth Contributions”** means the contributions made by the Employer on behalf of the Participant on an after-tax basis as elected by the Participant pursuant to Plan section 4.1. A Participant’s Roth Contributions will be separately accounted for, as will gains and losses attributable thereto, in a separate account. Roth Contributions are not considered After-Tax Contributions for Plan purposes.
- (jjj) **“Roth Rollover Account”** means the recordkeeping account which evidences the value of Roth Rollover Contributions, including related investment gains and losses of the Trust Fund.

- (kkk) **“Roth Rollover Contributions”** means an eligible rollover contribution of any payment or distribution from another Roth rollover account of the Employee. A Participant’s Roth Rollover Contributions will be maintained in a separate account which includes any earnings properly allocable to such contributions and that will have separate recordkeeping.
- (lll) **“Separation from Service”** means any termination of the employment relationship between an Employee and the Company and all Affiliates. A Separation from Service shall be deemed to occur upon the earlier of:
- (1) The date upon which the Employee quits, is discharged, is laid off, incurs a Disability, or dies; or
  - (2) The first anniversary of the first day of a period in which the Employee is (and remains) absent from the Service for any reason (such as vacation, sickness, or approved leave of absence) not enumerated in paragraph (1), provided that if an Employee is granted a leave of absence but fails to return to employment at the end of the leave period, Separation from Service will be deemed to have occurred upon the date the Employee was originally granted a leave of absence.
  - (3) Notwithstanding paragraph (2), the Separation from Service date of an Employee who is absent from Service beyond the first anniversary of the first day of absence by reason of a maternity or paternity leave is the second anniversary of the first day of such absence. The period between the first and second anniversaries of the first day of absence from work is neither a period of Service nor a period of severance. For purposes of this paragraph, an absence from work for maternity or paternity reasons means an absence:
    - (A) By reason of the pregnancy of the individual;
    - (B) By reason of the birth of a child of the individual;
    - (C) By reason of the placement of a child with the individual in connection with the adoption of such child by such individual; or
    - (D) For purposes of caring for such child for a period beginning immediately following such birth or placement.

Effective for distributions after December 31, 2001, a transaction constituting a severance of employment, within the meaning of Code section 401(k)(2)(B)(i)(I), with respect to an Employee shall also be deemed to be a Separation from Service.

An Employee of an Employer who transfers to an Affiliate that is not an Employer shall not be treated as having a Separation from Service. Moreover, an Employee’s date of quit or discharge shall not be deemed to occur until any periodic notice

payments, short-term disability payments, or weekly sickness and accident payments cease.

An Employee who is on leave of absence in order to serve the Armed Forces of the United States shall not have a Separation from Service unless the Employee fails to report for work at the end of such leave and prior to expiration of the period in which the Employee has reemployment rights under law. The absence of any Employee who fails to return to work within the allotted time shall be subject to the provisions of paragraph (2).

(mmm) **“Service”** means the periods of employment credited using the elapsed time method described to an Employee under Plan section 3.4.

(nnn) **“Section 415 Compensation”** means, with respect to a Participant for the period specified, the total cash and non-cash remuneration paid to a Participant by the Employer or an Affiliate, determined as follows:

(1) Section 415 Compensation includes all amounts described in Treasury Regulations section 1.415–2(d)(2), including:

- (A) All wages; bonuses; other amounts received (without regard to whether the amount is paid in cash) for personal services actually rendered in the course of employment with the Company or any Affiliate, to the extent that the amounts are includible in gross income for federal income tax purposes and for which the Company or Affiliate is required to furnish to the Participant a written statement under Code sections 6041(d), 6051(a)(3), and 6052;
- (B) Amounts paid or reimbursed by the Company or Affiliate for moving expenses incurred by the Participant, but only to the extent that at the time of the payment it is reasonable to believe that these amounts are not deductible by the Participant under Code section 217; and
- (C) The value of a nonqualified stock option granted to the Participant by the Company or Affiliate, but only to the extent that the value of the option is includible in the gross income of the Participant, for federal income tax purposes, for the taxable year in which granted.

(2) In addition, Section 415 Compensation includes all of the following:

- (A) The Participant’s Pretax Deferrals, Roth Contributions and Catch-Up Contributions for the Plan Year;
- (B) Elective contributions that are excluded from the Participant’s gross income under a Code section 125 cafeteria plan maintained by the Participant’s Employer, such as the Pretax Spending Program; and

- (C) Any elective deferral, as defined in Code section 402(g)(3), made under a plan maintained by the Company or any Affiliate, and any amount which is contributed to or deferred by the Company or any Affiliate at the election of the Participant and which is not includible in the gross income of the Participant by reason of Code sections 125, 132(f)(4), 408(k), or 457.
- (D) Effective July 1, 2006, Section 415 Compensation includes remuneration paid by the later of 2½ months after an Employee's Separation from Service or the end of the Plan Year that includes the date of the Employee's Separation from Service with the Company or an Affiliate, if:
  - (i) The payment is regular compensation for services during the Employee's regular working hours, or compensation for services outside the employee's regular working hours (such as overtime or shift differential), commissions, bonuses, or other similar payments, and, absent a Separation from Service, the payments would have been paid to the Employee while the Employee continued in employment with the Company or an Affiliate;
  - (ii) The payment is for unused accrued bona fide sick, vacation or other leave that the Employee would have been able to use if there had not been a Separation from Service;
  - (iii) The payment is to an individual who does not currently perform services for the Company or any Affiliate by reason of qualified military service (within the meaning of Code section 414(u)(1)) to the extent the payment does not exceed the amount the individual would have received if the individual had continued to perform services for the Company or an Affiliate rather than entering qualified military service; or
  - (iv) Compensation paid to a Participant who is permanently and totally disabled (as defined in Code section 22(e)(3)), provided that salary continuation applies to all Participants who are permanently and totally disabled for a fixed or determinable period.

Any payment not described above shall not be considered Section 415 Compensation if paid after a Separation from Service, even if paid by the later of 2½ months after the Separation from Service or the end of the Plan Year that includes the Separation from Service. Back pay shall be treated as Section 415 Compensation for the Plan Year to which the back pay relates to the extent the back pay represents wages and compensation that would otherwise be included under this definition.

- (3) However, Section 415 Compensation excludes all amounts described in Treasury Regulations section 1.415-2(d)(3), including the following amounts:
- (A) Any contributions made by the Company or any Affiliate to a plan of deferred compensation to the extent that, before the application of the limitations of Code section 415 to that plan, the contributions are not includible in the gross income of the employee for the taxable year in which contributed;
  - (B) Distributions from a plan of deferred compensation, regardless of whether such amounts are includible in the gross income of the employee when distributed; provided, however, that distributions from and any amounts received by the Participant pursuant to an unfunded nonqualified plan are included in Section 415 Compensation in the year the amounts are includible in the gross income of the Participant;
  - (C) Amounts realized from the exercise of a nonqualified stock option, or when restricted stock or property held by the Participant either becomes freely transferable or is no longer subject to a substantial risk of forfeiture;
  - (D) Amounts realized from the exercise of an incentive stock option, as defined in Code section 422, or the sale, exchange, or other disposition (including a disqualifying disposition) of stock acquired through the exercise of an incentive stock option;
  - (E) Amounts realized from the sale, exchange, or other disposition of stock acquired under an employee stock purchase plan, as defined in Code section 423; and
  - (F) Other amounts which receive special tax benefits, such as premiums for group-term life insurance, but only to the extent that the premiums are not includible in the gross income of the employee for federal income tax purposes.
- (ooo) **“Supplemental Plan Participant”** means a Participant in this Plan who is or was also a participant in the Occidental Petroleum Corporation Supplemental Retirement Plan, effective through December 31, 2004, or the Occidental Petroleum Corporation Supplemental Retirement Plan II, effective as of January 1, 2005, as determined under Appendix G to this Plan.
- (ppp) **“Spouse”** means the individual of the opposite sex and, effective as of June 26, 2013, also includes an individual of the same sex, to whom a Participant is married, where the marriage was valid at the time the marriage ceremony was performed, in a state or foreign jurisdiction (the “Jurisdiction”) having legal authority to sanction such marriage, provided that such marriage has not

subsequently been legally dissolved. For purposes of the Plan, such a marriage shall be treated as valid even if the couple is domiciled in a Jurisdiction that does not recognize the validity of the marriage. Notwithstanding the foregoing, for the period beginning June 26, 2013 and ending September 15, 2013, the Plan may be administered to recognize only those marriages between members of the same sex where the couple was domiciled in a Jurisdiction where the validity of the marriage was recognized during such period. For purposes of the Plan, the term “marriage” does not include a registered domestic partnership, civil union or other similar formal relationship recognized under the laws of a Jurisdiction but which is not recognized as a marriage under that Jurisdiction, even if state law provides that persons in these relationships have the same rights, protections, and benefits, under state law, as married persons.

- (qqq) **“Testing Compensation”** means, for purposes of the ADP Test and ACP Test, compensation within the meaning of Code section 414(s)(1), except that the Administrative Committee may elect not to include in such compensation any amount which is contributed by the Employer pursuant to a salary reduction agreement and which is not includible in gross income of the Employee under Code section 125, 132(f)(4), 402(e)(3), 402(h), or 403(b).
- (rrr) **“Total Excess Aggregate Contributions”** means the total amount of Excess Aggregate Contributions to be corrected to satisfy the ACP Test for the Plan Year as determined under Plan section 6.5(b).
- (sss) **“Total Excess Contributions”** means the total amount of Excess Contributions to be corrected to satisfy the ADP Test for the Plan Year as determined under Plan section 6.3(b).
- (ttt) **“Treasury Regulations”** means the regulations promulgated by the United States Department of the Treasury under the Code.
- (uuu) **“Trust Agreement”** means any agreement in the nature of a trust established to form a part of the Plan to receive, hold, invest, and dispose of the Trust Fund.
- (vvv) **“Trust Fund”** means the assets of every kind and description held under any Trust Agreement forming a part of the Plan.
- (www) **“Trustee”** means any person selected by the Company to act as Trustee under any Trust Agreement at any time of reference.
- (xxx) **“Unit”** means the unit of measure into which each Investment Fund is divided for purposes of ascertaining the share of each such fund attributable to each Participant, Beneficiary and Alternate Payee.

## 2.2 Gender and Number

Except as otherwise indicated by the context, any masculine or feminine terminology shall also include the opposite gender, and the definition of any term in the singular or plural shall also include the opposite number.

### **2.3 Headings**

The headings of this Plan are inserted for convenience or reference only, and they are not to be used in the construction of the Plan.

### **2.4 Requirement to Be in “Written Form”**

Various notices provided by the Company, the Administrative Committee, or the Investment Committee and various elections made by a Participant, Spouses, Alternate Payees and Beneficiaries are required to be in written form. Notwithstanding anything to the contrary in this Plan, any notices and elections related to the Plan may be conveyed through an electronic system or any other system approved by the Administrative Committee unless otherwise provided under applicable law or regulatory guidance. Any such notices, forms, and elections provided or made through an electronic medium shall comply with the provisions of Treasury Regulations section 1.401(a)-21.

### **2.5 Severability**

If a provision of this Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included in the Plan.

### **2.6 Applicable Law**

To the extent not preempted by ERISA or other federal law, the Plan and all rights hereunder shall be governed, construed, and administered in accordance with the laws of the State of Texas with the exception that any Trust Agreement shall be construed and enforced in all respects under and by the laws of the state in which the Trustee thereunder is located.

## **Article 3. Participation, Service and Vesting**

### **3.1 Date of Participation**

Each Employee shall become an Active Participant as of the first day of the month in which the Employee becomes an Eligible Employee. Notwithstanding the foregoing, each Employee who becomes an Eligible Employee pursuant to a purchase or other agreement approved by the Board shall become an Active Participant as of the date, if any, specified in such agreement. If a Covered Employee is notified that he or she is eligible to participate in the Plan on or after August 5, 2016 and does not make an affirmative election not to participate in the Plan or return an alternate election pursuant to Section 4.1, Pretax Deferrals will automatically begin being made on such Covered Employee’s behalf as described in Section 4.6. A Covered Employee who desires to make an alternate election pursuant to Section 4.1 must do so in the manner prescribed by the Administrative Committee.

### 3.2 Duration

An Eligible Employee who becomes an Active Participant shall remain an Active Participant for as long as he remains an Eligible Employee or is entitled to receive any contributions or benefits hereunder.

### 3.3 Transfers

- (a) **Transfers to Eligible Employee Status.** An Employee who transfers to employment as an Eligible Employee shall become an Active Participant on the first day of the month in which such transfer takes place.
- (b) **Transfers from Eligible Employee Status.** A Participant who transfers to employment status where he or she no longer is an Eligible Employee shall become an Inactive Participant.
  - (1) An Inactive Participant is not eligible to make or receive Pretax Deferrals, Roth Contributions, Catch-Up Contributions, After-Tax Contributions (including Adjustment Contributions) or Matching Contribution on Earnings paid after the date of transfer to an ineligible status.
  - (2) An Inactive Participant shall continue to accrue Service under this Plan. Upon Separation from Service, the Participant's vested interest shall be based on total Service with the Company and all Affiliates.
  - (3) An Inactive Participant remains eligible to receive in-service withdrawals, subject to the terms of Plan section 7.2, plan loans, subject to the terms of Article 8, and to transfer eligible amounts to his or her Rollover Account or Roth Rollover Account, subject to the terms of Plan section 10.12.

### 3.4 Service

Service is used to determine a Participant's vested percentage in his or her Matching Account.

- (a) **General Rules.** An Employee shall be credited with Service on an elapsed time basis for the period during which the employment relationship exists between the Employee and the Company or any Affiliate, the length of which shall be determined, in completed years and months, during the following periods of time:
  - (1) Credit shall be given to an Employee for the period of time beginning on the first day of the month in which the individual first becomes an Employee and ending on the last day of the month in which occurs the Employee's Separation from Service.
  - (2) Credit shall be given to an Employee for each period beginning upon the date the individual has a Separation from Service and ending upon the first day of



the month in which the individual first becomes an Employee thereafter but only if the Employee is reemployed within 12 months of the date of such Separation from Service.

- (3) Credit shall be given to an Employee after a Separation from Service for any period beginning on the first day of the month in which the Employee first becomes an Employee after rehire and ending on the last day of the month the Employee has a Separation from Service thereafter.
  - (4) Whenever the total number of years of Service of an Employee must be ascertained under this Plan, all noncontinuous periods of Service which are credited to such Employee shall be aggregated, regardless of the length or any period of Service and regardless of the length of any period between a Separation from Service and rehire. For purposes of aggregating such years of Service, the completed years and months credited to an Employee during any period of Service shall be added to the number of completed years and months credited to the Employee during any other period of noncontinuous Service. This Plan does not disregard periods of Service, even though permitted to do so under Code section 411(a)(6).
  - (5) Service by any Leased Employee shall be credited under this section should the Leased Employee ever become an Eligible Employee under this Plan.
- (b) **Special Rules.** For purposes of determining an Employee's Service under this Plan, the special Service counting rules set forth in Appendix C shall apply to increase, but not decrease, the Service of any Employee.

### 3.5 Vesting

- (a) **Employee Accounts.** A Participant's interest in his or her Pretax Account, Roth Account, After-Tax Account, Rollover Account, Roth Rollover Account and In-Plan Roth Rollover Account shall be fully vested at all times.
  - (b) **Matching Account.** A Participant's interest in his or her Matching Account shall become vested in accordance with this section, if not vested earlier under the special vesting rules of subsection (c).
- (1) Unless vested earlier under the provisions of this section, a Participant shall vest in his or her Matching Account based on the Participant's completed years of Service.
- (A) Effective January 1, 2007, a Participant who is first employed by a Company or any Affiliate after 2006, shall have no nonforfeitable right to his or her Matching Account until the Participant completes three years of Service and shall be 100 percent vested in his or her Matching Account when the Participant is credited with three or more years of Service.

- (B) Effective January 1, 2007, a Participant who was first employed by the Company or any Affiliate before 2007, shall have the nonforfeitable percentage of his Matching Account determined based on the following table:

Years of Service	Percentage Vested
Less than 1	0%
1	20%
2	40%
3	100%

- (C) Effective January 1, 2015, an Active Participant, irrespective of when he or she was first employed by the Company or an Affiliate, shall be 100 percent vested in his or her Matching Account.
- (2) Furthermore, a Participant shall become fully vested in his or her Matching Account to the extent required under Code section 411(d)(3) and Plan section 13.2 upon a complete termination of the Plan, a partial termination of the Plan affecting the Participant, or upon a complete discontinuance of contributions to the Plan.
- (c) **Special Vesting Rules.**
- (1) Notwithstanding the foregoing, a Participant described in Appendix D shall vest in his or her Matching Account under the provisions of that Appendix D, rather than subsection (b).
- (2) A Participant shall at all times be fully vested in any Eligible Dividends with respect to which the Participant is offered a dividend pass-through deduction to the extent required under Plan section 11.2(d)(3). These amounts will be held in either:
- (A) The Participant's Matching Account, or
- (B) The Participant's Pretax Account, Roth Account, After-Tax Account, Rollover Account, Roth Rollover Account and In-Plan Roth Rollover Account, in which the Participant is always fully vested, based on the account from which the Eligible Dividend is derived.
- (3) With respect to any frozen contributions under this Plan or any Qualified Plan that is merged into this Plan, if such contributions resume under this Plan or any Qualified Plan into which this Plan is merged, then for purposes of determining the Participant's nonforfeitable right to such contributions, a Participant shall receive credit for Service incurred both prior to and subsequent to the date such contributions were frozen.

- (d) **Vesting and Benefit Payments.** Being vested does not mean that a Participant is entitled to immediate distribution benefits. Benefits under the Plan shall be paid only in accordance with Article 7.

### **3.6 Forfeiture of Contingent Interests**

Any portion of a Participant's Account that is not vested under the provisions of Plan section 3.5 shall be forfeited upon the first to occur of the following forfeitable events:

- (a) The Participant elects, in accordance with Plan section 7.3, to commence or receive a distribution of the value of the Participant's vested Account on account of a Separation from Service. For this purpose, if the percentage vested in the table under Plan section 3.5(b)) is zero, the Participant will be deemed to have elected such a distribution and the nonvested portion of the Account will be immediately forfeited.
- (b) The Participant incurs five consecutive breaks in service. For this purpose, a break in service is a period of 12 months in which the Participant is absent from Service, except that if the absence is due to a maternity or paternity reason described in Plan section 2.1(III)(3), the period between the first and second anniversaries of such absence shall be neither a period of Service nor a period of severance.

If the Participant who has forfeited his nonvested Account resumes employment as an Eligible Employee, then the cash value (determined at the time of forfeiture) of the amount forfeited shall be restored to the Participant's Account. No buyback shall be required and the reinstatement will occur regardless of the length of the Participant's absence from Service.

## **Article 4. Active Participant Contributions**

### **4.1 Pretax Deferrals, Roth Contributions and After-Tax Contributions**

- (a) Covered Employees will be automatically enrolled in the Plan as described in Plan section 4.6 below.
- (b) Except as otherwise provided in this Plan, each Active Participant may elect to contribute as After-Tax Contributions or to have the Employer contribute on the Participant's behalf as Pretax Deferrals and Roth Contributions an amount of the Participant's Base Pay which together is from 1 percent to the contribution percentage limit specified for the Active Participant in Appendix E for the Plan Year. The Administrative Committee may adjust the contribution percentage limit specified in Appendix E at the beginning of each Plan Year without the need of a formal Plan amendment, provided that any such limitations shall be communicated to eligible Participants in advance of the pay periods to which such limitations will apply. The percentage elected of Pretax Deferrals, Roth

Contributions and/or After-Tax Contributions may be in increments of a tenth of a percent.

The Participant's elected Pretax Deferral, Roth Contribution and After-Tax Contribution percentages shall apply, but not in excess of an aggregate of 5 percent, to the Active Participant's Annual Bonus. The Annual Bonus shall be counted for this purpose in the Plan Year it is paid even if it is received for services performed in a prior Plan Year. Effective January 1, 2017, unless the Participant affirmatively elects otherwise, with respect to any Participant hired prior to August 5, 2016, the election in effect as of August 5, 2016 will apply to any Annual Bonus paid in the 2017 Plan Year and any subsequent plan year until the Participant affirmatively elects otherwise. Effective August 8, 2016, any Participant subject to automatic enrollment pursuant to Section 4.6, must make a separate election to make Pretax Deferrals, Roth Contributions and After-Tax Contributions from Participant's Annual Bonus.

- (c) Notwithstanding anything in this Plan to the contrary, no Participant shall be permitted to have elective deferrals made under this Plan, or any other Qualified Plan maintained by the Company or Affiliates during any taxable year, in excess of the dollar limitation contained in Code section 402(g)(1) in effect for such taxable year, except to the extent permitted under Code section 414(v).
- (d) No benefits other than Matching Contributions shall be conditioned on a Participant's election to make After-Tax Contributions or have Pretax Deferrals and Roth Contributions made on the Participant's behalf under this Plan. Any portion of a contribution that is not designated as a Pretax Deferral, Roth Contribution or Catch-Up Contribution shall be designated as an After-Tax Contribution.
- (e) The Participant's election made under this section shall be made in accordance with the rules set forth in this Article and such other rules of nondiscriminatory application as the Administrative Committee may prescribe for the proper administration of the Plan.

#### **4.2 Catch-Up Contributions**

Each Active Participant who will have attained age 50 before the close of the Plan Year shall be eligible to make Catch-Up Contributions in accordance with and subject to the limitations of Code section 414(v) for pay periods ending after July 1, 2002. Each Participant must elect whether such Catch-Up Contributions will be in the form of Pretax Deferrals or Roth Contributions.

- (a) Catch-Up Contributions shall not be taken into account for purposes of the provisions of Plan sections 6.1 and 6.6, implementing the required limitations of Code sections 402(g) and 415, respectively.

- (b) The Plan shall not be treated as failing to satisfy the provisions of the Plan sections 6.2, 6.4, or Article 15, implementing the requirements of Code section 401(k)(3), 401(k)(11), 401(k)(12), 410(b), or 416, as applicable, by reason of the making of Catch-Up Contributions.
- (c) Elections to make Catch-Up Contributions shall be made separately from the Active Participant's election of Pretax Deferrals or Roth Contributions under Plan section 4.1, shall not be subject to the contribution percentage limit on Pretax Deferrals and Roth Contributions specified in Plan section 4.1, and shall be made in accordance with uniform procedures established by the Administrative Committee. Such election procedures will require the eligible Active Participant to elect Catch-Up Contributions as a fixed dollar amount per pay period.
- (d) Under no circumstances will Catch-Up Contributions elected under this Plan section entitle the Participant to Matching Contribution, even if it is later determined that the contribution is not a Catch-Up Contribution because it is less than an applicable limit.
- (e) For purposes of recordkeeping and communications with Participants, Catch-Up Contributions, Pretax Deferrals and Roth Contributions may be aggregated and reported as held in the Participant's Pretax Account or Roth Account, as applicable, without changing the character of any Catch-Up Contributions as such for purposes of Code section 414(v).

### **4.3 Election Procedures**

- (a) Each Active Participant shall be permitted to make the elections described in Plan section 4.1 and, if eligible, Plan section 4.2 in the manner prescribed by the Administrative Committee. If a Participant has elected to begin, stop, increase, or decrease Pretax Deferrals, Roth Contributions, After-Tax Contributions or, if eligible, Catch-Up Contributions, the Active Participant may file a new election in the manner prescribed by the Administrative Committee to change Pretax Deferrals, Roth Contributions, After-Tax Contributions or, if eligible, Catch-Up Contributions at any time and such election shall become effective on the first pay period following the date on which the election is properly received. The election shall remain in effect until changed by the Active Participant or until he or she ceases to be an Active Participant or goes on an unpaid leave of absence.
- (b) If an Active Participant becomes an Inactive Participant or Former Participant, or goes on unpaid leave of absence, any Pretax Deferrals, Roth Contributions, After-Tax Contributions and Catch-Up Contributions for the Participant shall cease. If the individual again becomes an Active Participant or returns from an unpaid leave of absence, he or she may make a new election under this section.

- (c) All elections shall apply to Earnings paid in the first available payroll period following the date the election is processed and shall be irrevocable for such period. In addition, except for occasional, bona fide administrative considerations, Pretax Deferrals, Roth Contributions and Catch-Up Contributions made pursuant to such elections cannot precede the earlier of the performance of services relating to the Pretax Deferrals, Roth Contributions or Catch-Up Contributions and the date when the Earnings subject to the election would be currently available to the Participant in the absence of an election to defer.

#### **4.4 Salary Reduction**

Each Active Participant who makes a Pretax Deferral or Roth Contribution election described in Plan section 4.1 or, if eligible, a Catch-Up Contribution election described in Plan section 4.2 shall, by the act of making such election or elections, have his or her Earnings reduced by an equivalent amount for so long as the election remains in effect.

#### **4.5 Deposit and Crediting of Deferrals and Contributions**

Pretax Deferrals, Roth Contributions, After-Tax Contributions, and Catch-Up Contributions shall be transferred to the Trust Fund as soon as reasonably practicable after the payroll payment date at which a corresponding amount would have been paid to the Participant in the absence of the election of such contributions. Pretax Deferrals shall be allocated to the Participant's Pretax Account; Roth Contributions shall be allocated to the Participant's Roth Account; Catch-Up Contributions shall be allocated to the Participant's Pretax Account and/or Roth Account, as applicable, and After-Tax Contributions shall be allocated to the Participant's After-Tax Contribution Account as of the payroll payment date on which the corresponding amount would have been paid in absence of the elections under Plan section 4.1 and, if applicable, Plan section 4.2, but shall share in any investment gains and losses only after they are received by the Trust Fund.

#### **4.6 Eligible Automatic Enrollment Arrangement**

- (a) **Effective Date.** For Covered Employees hired on or after August 5, 2016, the following automatic enrollment procedures will apply.
- (b) **Default Percentage.** A Covered Employee will have a reasonable opportunity after receipt of the automatic enrollment notice to make an alternate election. If a Covered Employee fails to make an alternate election, Pretax Deferrals will automatically begin being made on such Covered Employee's behalf, in an amount equal to 5% of his or her Base Pay (*i.e.*, the "**Default Percentage**") on the Covered Employee's date of hire.
- (c) **Alternate Election.** In the event a Covered Employee does not desire to have Pretax Deferrals made on his or her behalf at the Default Percentage, the Covered Employee may elect a different amount up to the contribution percentage limit specified for the Active Participant in Appendix E for the Plan

Year or elect to not participate in the Plan. Any alternate election is to be made in accordance with the election procedures set forth in Section 4.3 above.

- (d) **Withdrawal.** No later than 30 days after default Pretax Deferrals are first withheld from a Covered Employee's Base Pay, the Covered Employee may request a distribution of his or her default Pretax Deferrals. The amount to be distributed from the Plan upon the Covered Employee's request is equal to the amount of default Pretax Deferrals made through the earlier of (a) the pay date for the second payroll period that begins after the Covered Employee's withdrawal request and (b) the first pay date that occurs 30 days after the Eligible Employee's request, plus attributable earnings through the date of distribution. Unless the Covered Employee affirmatively elects otherwise, any withdrawal request will be treated as an affirmative election to cease default Pretax Deferrals made on the Covered Employee's behalf. Default Pretax Deferrals distributed pursuant to this Section 4.6(d) are not counted towards the Code Section 402(g) limit. Matching Contributions that might otherwise be allocated to a Covered Employee's Account on behalf of default Pretax Deferrals will not be allocated to the extent the Covered Employee withdraws such default Pretax Deferrals pursuant to this Section 4.6(d) and any Matching Contributions already made on account of such default Pretax Deferrals that are later withdrawn pursuant to this Section 4.6(d) will be forfeited and subject to allocation as a forfeiture.

## **Article 5. Employer Contributions**

### **5.1 Employees Eligible for Matching Contributions**

Subject to the other provisions of this Plan, the Employer shall contribute Matching Contributions to this Plan only for a Participant who was an Active Participant during the pay period for which the corresponding Pretax Deferrals and/or Roth Contributions (including amounts recharacterized as Adjustment Contributions) or After-Tax Contributions were made. Notwithstanding any Plan provision to the contrary, any Matching Contribution (including any investment gain attributable thereto), which relates to an Excess Deferral under Plan section 6.1, Excess Contribution under Plan section 6.3 (unless recharacterized as Adjustment Contributions) or Excess Aggregate Contribution under Plan section 6.5 shall be forfeited and shall not be treated as a Matching Contribution with respect to the Participant for the Plan Year.

### **5.2 Amount of Matching Contributions**

Matching Contributions shall be made on behalf of an Active Participant for each payroll period for which Pretax Deferrals, Roth Contributions or After-Tax Contributions were made with respect to the Participant for the Plan Year. Matching Contributions may also be made

on behalf of eligible Participants, as the Employer or Administrative Committee deems necessary or appropriate for administrative purposes, at such other times, but not later than 12 months after the end of the Plan Year. The amount of Matching Contributions allocated to the Participant's Matching Contributions Account shall be equal to the matching percent shown in the table in Appendix F, based on the employment classification of the Participant on the last day of the payroll period, multiplied by the Pretax Deferrals (including an Adjustment Contribution), Roth Contribution (including an Adjustment Contribution) or After-Tax Contribution made with respect to the Participant on the Participant's first 5 percent of Base Pay and Annual Bonus for the pay period. With respect to United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, Local 12773 represented employees, the amount of Matching Contributions allocated to the Participant's Matching Contributions Account shall be equal to the matching percent shown in the table in Appendix F, based on the employment classification of the Participant on the last day of the payroll period, multiplied by the Pretax Deferrals (including an Adjustment Contribution), Roth Contributions (including an Adjustment Contribution) or After-Tax Contribution made with respect to the Participant on the Participant's first 4 percent of Base Pay and Annual Bonus for the pay period. Effective February 29, 2016, the Matching Contributions allocated with respect to United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, Local 12773 represented employees will be the same as for other Active Participants. Effective January 1, 2016, the Matching Contributions allocated with respect to United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, Local 2154-03 represented employees will be the same as for other Active Participants. The Administrative Committee may limit the amount of Matching Contributions made on behalf of a Participant to the extent that the Administrative Committee determines necessary to comply with the limits of Article 6.

### **5.3 Depositing and Crediting Matching Contributions**

The Company shall make such contributions to the Trust Fund as are required by this Plan, subject to the right of the Company to discontinue the Plan. The Company shall contribute an amount which, when added to forfeitures under Plan section 11.3, is sufficient to provide the Matching Contribution allocations required by Plan section 5.2.

Matching Contributions shall be transferred to the Trust Fund as soon as reasonably practicable after the payroll payment date at which the corresponding Pretax Deferrals, Roth Contributions or After-Tax Contributions would have been paid to the Participant in the absence of the election of such contributions. Matching Contributions shall be allocated to the Participant's Matching Account as of the payroll payment date on which the corresponding amount would have been paid in absence of the Participant's election, but shall share in any investment gains and losses only after they are received by the Trust Fund.

## **Article 6. Benefit Limitations**



## 6.1 Elective Deferral Limit

- (a) **Dollar Limit.** For any calendar year, the sum of the following items shall not exceed the elective deferral dollar limit of Code section 402(g)(1), as adjusted pursuant to Code section 402(g)(4):
- (1) All Pretax Deferrals and Roth Contributions (but not Catch-Up Contributions) made on behalf of an Active Participant for that calendar year; and
  - (2) Any other pretax or Roth contributions made for the calendar year to any Qualified Plan maintained by the Company or any Affiliate which are elective deferrals as defined in Code section 402(g)(3), but not including any such elective deferrals that are catch-up contributions under Code section 414(v).

Any amount deferred in excess of the dollar limit stated in this subsection is referred to as an Excess Deferral.

- (b) **Calendar Year as Participant's Taxable Year.** A Pretax Deferral and Roth Contribution made on behalf of an Active Participant shall be treated as made for a calendar year, for purposes of Plan section 6.1(a)(1) if it is made on account of the Active Participant's election to reduce Compensation that would otherwise be payable within that calendar year.
- (c) **Preventing Excess Deferrals.** If before the end of a calendar year, the Administrative Committee determines (or the Active Participant notifies his or her Employer that he or she has determined) that Pretax Deferrals and/or Roth Contributions to be made on behalf of an Active Participant for that calendar year would exceed the limits of this section or Code section 402(g), then the Administrative Committee shall take one or both of the following steps, to the extent necessary, to avoid exceeding the limits of this section or Code section 402(g):
- (1) Permit an Active Participant to submit a revised election under Plan section 4.1; or
  - (2) Reduce Pretax Deferrals and/or Roth Contributions that otherwise would be made, pursuant to the Participant's current election, for the rest of the calendar year (and adjust the corresponding reductions in Earnings) so that the limits are not exceeded.
- (d) **Correcting Excess Deferrals.** If Excess Deferrals have been made on the Participant's behalf in excess of the limits of Code section 402(g), then the Excess Deferrals shall be corrected as follows:
- (1) The Participant must notify the Administrative Committee, by such other means as the Administrative Committee shall prescribe, no later than March 1, immediately following the close of a calendar year, stating that the sum of the

items described in subsection 6.1(a) are in excess of the limits of Code section 402(g). The notice provided by the Participant shall state the portion of such excess amount that has been allocated to this Plan as an Excess Deferral. The amount of the Excess Deferral allocated to this Plan shall not exceed the total amount of the Pretax Deferrals and/or Roth Contributions (excluding Catch-Up Contributions) made on behalf of the Participant for that calendar year. The Administrative Committee may require the Participant to certify to the amount of the Excess Deferral and to provide substantiating evidence satisfactory to the Administrative Committee.

- (2) If the Active Participant does not provide the notice described in paragraph (1) by the following March 1, but it is determined that Pretax Deferrals and/or Roth Contributions (excluding Catch-Up Contributions) made on behalf of an Active Participant for a calendar year inadvertently exceed the limits of subsection (a), then the Excess Deferral for the calendar year shall be distributed in accordance with this subsection.
- (3) The Administrative Committee shall direct the Trustee to distribute, by April 15 following the close of the calendar year, the Excess Deferral for that calendar year allocated (or deemed allocated) to the Plan by the Participant. Any Excess Deferrals shall be treated as consisting first of any Pretax Deferrals made by the Participant for such Plan Year, as applicable, and second any Roth Contributions which the Participant made for the Plan Year, as applicable, except as otherwise elected by the Participant. The distributed Excess Deferral shall be withdrawn from the Investment Funds in which the Pretax Account and/or Roth Account, as applicable, is then invested on a pro rata basis. The Trustee shall also distribute the net income attributable to the Excess Deferrals, as determined by the Administrative Committee in accordance with one of the methods permitted under Treasury Regulations section 1.402(g)-1(e)(5) disregarding, effective January 1, 2007, any provision of prior regulations relating to the distribution of gap period earnings. Corrective distributions under this subsection shall be coordinated with distributions of Excess Contributions under Plan section 6.3 in accordance with Treasury Regulations sections 1.401(k)-1(f)(5) and 1.402(g)-1(e)(6). Any Matching Contributions that have been made with respect to Excess Deferrals that are distributed to a Highly Compensated Employee, in accordance with this subsection, shall be forfeited, as soon as is practicable after corrective distributions are made. Such Matching Contributions shall be forfeited, whether or not the Participant would otherwise have a vested interest in those Matching Contributions, pursuant to Plan section 3.5.

## **6.2 Discrimination Limits on Pretax Deferrals and Roth Contributions**

As of the last day of each Plan Year, the Administrative Committee shall require testing of Pretax Deferrals and Roth Contributions made for the Plan Year to assure that the Actual

Deferral Percentage (ADP) for the Plan Year of Participants who are Highly Compensated Employees does not exceed the ADP Test limits specified in this Plan section.

- (a) **Aggregation, Disaggregation and Restructuring.** The rules of this section shall be administered so as to comply with the mandatory disaggregation requirements of Treasury Regulations section 1.410(b)-7(c) and, if the Administrative Committee chooses, the permissive aggregation rules of Treasury Regulations section 1.410(b)-7(d), provided that any aggregated plans shall use the same testing method under Treasury Regulations section 1.401(k)-2(a)(2)(ii) (*i.e.*, current year or prior year testing method) as is used by the Plan for the Plan Year. Notwithstanding the foregoing, effective January 1, 2004, the mandatory disaggregation rules relating to the ESOP and non-ESOP portions of the Plan shall not apply.
- (1) To the extent required by the mandatory disaggregation rules, Represented Employees and Nonrepresented Employees shall be treated as comprising separate plans for purposes of applying the ADP Test. Notwithstanding the foregoing, the Administrative Committee may treat two or more separate collective bargaining units as a single collective bargaining unit for purposes of applying the ADP Test, provided that the combinations of units are determined on a basis that is reasonable and reasonably consistent from Plan Year to Plan Year.
  - (2) If, after application of the mandatory disaggregation rules, this Plan is permissively aggregated with one or more other plans that include qualified cash or deferred arrangements for purposes of Code section 401(a)(4) or 410(b), then the cash or deferred arrangements of this Plan and such other plans shall be treated as one arrangement for purposes of this Plan section.
  - (3) In determining whether the restrictions of this Plan section are met, the Administrative Committee may exclude from the ADP Test all Eligible Employees who are not Highly Compensated Employees and who have not met the minimum age and service requirements of Code section 410(a)(1)(A), if the Administrative Committee elects to apply Code section 410(b)(4)(B). Alternatively, the Administrative Committee may apply the ADP Test separately to all Eligible Employees who have not met the minimum age and service requirements of Code section 410(a)(1)(A).
- (b) **ADP Test.** The Actual Deferral Percentage for the Plan Year of Participants who are Highly Compensated Employees shall not exceed the greater of:
- (1) The product of 1.25 and the Actual Deferral Percentage for the current Plan Year for the Eligible Employees who are not Highly Compensated Employees for the current Plan Year; or

(2) The lesser of:

- (A) The product of two and the Actual Deferral Percentage for the current Plan Year for the Eligible Employees who are not Highly Compensated Employees for the current Plan Year, or
- (B) The Actual Deferral Percentage for the current Plan Year for the Eligible Employees who are not Highly Compensated Employees for the current Plan Year plus two percentage points.

By an amendment to the Plan, the Administrative Committee may elect to apply paragraphs (1) and (2) by using the Actual Deferral Percentage of Employees who are not Highly Compensated Employees for the prior Plan Year only if the current year testing method has been used for at least the last five Plan Years. If the Plan is aggregated with any other Qualified Plan, the Actual Deferral Percentage of Employees who are not Highly Compensated Employees for the prior Plan Year may be used only if the Plan is amended to so provide and each Qualified Plan that is aggregated with this Plan used the current year method for at least the last five years (or, if shorter, the period that such other Qualified Plan was in existence, including years in which the Qualified Plan was a portion of another Qualified Plan).

- (c) The restrictions of this section shall be based on the Participant's actual Testing Compensation while an Active Participant and total Pretax Deferrals and Roth Contributions allocated to the Participant's Account for the Plan Year. The Administrative Committee is authorized to restrict the Pretax Deferrals and Roth Contributions of Highly Compensated Employees in a uniform manner if it determines, based on advance testing done during the Plan Year, that such restriction is necessary or appropriate to assure final Plan Year compliance with restrictions of this section.

### **6.3 Corrective Measures if ADP Test Failed**

If, at the end of the Plan Year, the Administrative Committee determines that the Actual Deferral Percentage of Highly Compensated Employees exceeds the maximum permitted for the Plan Year under the ADP Test, then the Administrative Committee shall take the corrective steps described in this Plan section so that the requirements of Plan section 6.2 are met for the Plan Year. Pretax Deferrals and Roth Contributions, along with any other elective deferrals made to other qualified cash or deferred arrangements that are included in the Actual Deferral Percentage of a Highly Compensated Employee, exceeding the ADP Test limits are referred to as Excess Contributions.

- (a) **Correction Methods.** To the extent permitted under Treasury Regulations section 1.401(k)-2(b)(3) and this Plan section, the Administrative Committee shall first recharacterize Excess Contributions, along with allocable investment gains and losses, as Adjustment Contributions. To the extent Excess Contributions remain for the Plan Year, the Administrative Committee shall

next distribute the Excess Contributions, along with allocable investment gains and losses, pursuant to Treasury Regulations section 1.401(k)-2(b)(2) and this Plan section. Regardless of whether recharacterized or distributed, all corrections of Excess Contributions shall be made in accordance with Treasury Regulations section 1.401(k)-2(b)(4) and this Plan section.

- (b) **Determining Total Excess Contributions.** The amount of Excess Contributions attributable to each Highly Compensated Employee is the amount by which Pretax Deferrals and Roth Contributions, along with any other elective deferrals made to other qualified cash or deferred arrangements that are included in the Actual Deferral Percentage of a Highly Compensated Employee, must be reduced so that the Actual Deferral Percentage for that Highly Compensated Employee is reduced to the maximum permissible Actual Deferral Percentage for Highly Compensated Employees. The maximum permissible Actual Deferral Percentage for Highly Compensated Employees is determined by reducing the Actual Deferral Percentage for the Highly Compensated Employee with the highest Actual Deferral Percentage for the Plan Year to the Actual Deferral Percentage for the Highly Compensated Employee with the next highest Actual Deferral Percentage. If a lesser reduction would enable the ADP Test to be satisfied, only the lesser reduction is used to determine the maximum permissible Actual Deferral Percentage. This procedure is repeated until the ADP Test would be satisfied. The total amount of Excess Contributions to be corrected is equal to the sum of the dollar amounts computed under this subsection for each Highly Compensated Employee and is to be referred to as the Total Excess Contributions.
- (c) **Apportionment of Total Excess Contributions.** Total Excess Contributions for the Plan Year shall be apportioned among Highly Compensated Employees as provided in this subsection.
- (1) Pretax Deferrals and/or Roth Contributions allocated to the Highly Compensated Employee with the highest dollar amount of Pretax Deferrals and/or Roth Contributions taken into account under the ADP Test for the Plan Year, including any other elective deferrals made to other qualified cash or deferred arrangements that are included in the Actual Deferral Percentage of a Highly Compensated Employee, shall be reduced by the amount required to cause that Highly Compensated Employee's remaining amount of Pretax Deferrals and/or Roth Contributions for the Plan Year to be equal to the dollar amount of Pretax Deferrals and/or Roth Contributions for the Highly Compensated Employee with the next highest dollar amount. This amount shall be allocated as the Excess Contribution for the Highly Compensated Employee, unless a smaller reduction, when added to the total dollar amount already allocated as Excess Contributions for other Highly Compensated Employees pursuant to this procedure equals the Total Excess Contributions for the Plan

Year. Excess Contributions shall be treated as consisting first of any Pretax Deferrals made by the Participant for such Plan Year, as applicable, and second any Roth Contributions which the Participant made for the Plan Year, as applicable, except as otherwise elected by the Participant.

- (2) If a Highly Compensated Employee's Excess Contributions include elective deferrals made to other qualified cash or deferred arrangements that are included in the Actual Deferral Percentage of a Highly Compensated Employee, then the Excess Contribution of that to the Highly Compensated Employee shall not exceed the Pretax Deferrals and/or Roth Contributions made under this Plan for the Plan Year. Any portion of the Total Excess Contributions which is apportioned to a Highly Compensated Employee pursuant to this subsection, but which cannot be corrected because of the preceding sentence, shall be apportioned to the Highly Compensated Employee with the next lowest total dollar amount of Pretax Deferrals and/or Roth Contributions and that Highly Compensated Employee's Excess Contributions shall be reduced by an amount which includes the amount not corrected for the other Highly Compensated Employee.
- (3) If the total amount corrected under this subsection is less than the Total Excess Contributions for the Plan Year, the procedure in this paragraph shall be repeated until the total amount corrected is equal to the Total Excess Contributions for the Plan Year.
- (4) The investment gains and losses allocable to the Excess Contributions are equal to the sum of allocable investment gains and losses for the Plan Year and allocable gains and losses after the Plan Year for which the distribution is made. The allocable investment gain or loss attributable to the Excess Contributions may be determined in accordance with any of the methods permitted under Treasury Regulations section 1.401(k)-2(b)(2)(iv), disregarding any provisions relating to the distribution of gap period earnings, and may be determined up to seven days before the date of the correction.
- (5) Excess Contributions of the Highly Compensated Employee with respect to which Matching Contributions were not made shall be corrected to the extent necessary under this Plan section before Excess Contributions of that Highly Compensated Employee with respect to which Matching Contributions were made.
- (6) The requirements of this Plan section shall be deemed to have been satisfied if the total dollar amount corrected equals the Total Excess Contributions with allocable investment gains and losses, even if:

- (A) The ADP Test would not satisfy the requirements of Plan section 6.2, if the test were rerun including in the test only Pretax Deferrals and/or Roth Contributions that were not corrected under this subsection; or
  - (B) The amount corrected with respect to each Highly Compensated Employee is different from the amount computed for purposes of calculating the Total Excess Contributions amount.
- (d) **Rules Applicable to Adjustment Contributions.** Excess Contributions shall not be treated as corrected even if recharacterized under this subsection (d), unless the requirements of this subsection are met.
- (1) Excess Contributions that are recharacterized as Adjustment Contributions must be reported to the Internal Revenue Service and the Highly Compensated Employee as included in gross income of the Highly Compensated Employees to the same extent they would have been included in gross income if distributed.
  - (2) Excess Contributions must be recharacterized as Adjustment Contributions no later than 2½ months after the close of the Plan Year. For this purpose, recharacterization will be deemed to have occurred on the date on which the last Highly Compensated Employee is notified that his or her Pretax Deferrals and/or Roth Contributions are being recharacterized as Adjustment Contributions.
  - (3) Excess Contributions may be recharacterized as Adjustment Contributions for a Plan Year only if the Plan allows After-Tax Contributions for that Plan Year and such Adjustment Contributions are included in the ACP Test for the Plan Year.
  - (4) Investment gains and losses allocable to Excess Contributions shall be allocated to the corresponding Adjustment Contributions after recharacterization.
- (e) **Rules Applicable to Distributions.** Excess Contributions shall not be treated as corrected even if distributed under this subsection (e), unless the requirements of this subsection are met.
- (1) Excess Contributions and allocable investment gains and losses must be distributed to the Highly Compensated Employee to whom it has been allocated within 12 months after the close of the Plan Year for which the Excess Contribution arose.
  - (2) The distributed Excess Contributions and allocable investment gains and losses shall be taken from the Investment Funds in which the Pretax Account and/or Roth Account is then invested on a pro rata basis.

- (3) Any Matching Contributions that have been made with respect to Excess Contributions that are distributed to a Highly Compensated Employee shall be forfeited, as soon as is practicable after corrective distributions are made. Such Matching Contributions shall be forfeited, whether or not the Participant would otherwise have a vested interest in those Matching Contributions, pursuant to Plan section 3.5.
- (4) If the Highly Compensated Employee received a full distribution of his or her Account before Excess Contributions and allocable investment gains and losses are distributed to the Highly Compensated Employee, then the prior distribution shall be reported for taxation purposes as first a correction of Excess Contributions and allocable investment gains and losses to the extent required under this Plan section.
- (5) A distribution of Excess Contributions and allocable investment gains and losses shall in no event be treated as satisfying a required minimum distribution for purposes of Code section 401(a)(9) and Plan section 7.6.
- (6) The distribution required by this Plan section may be made notwithstanding any other Plan provision.

#### **6.4 Discrimination Limits on Matching Contributions, After-Tax Contributions, and Adjustment Contributions**

As of the last day of each Plan Year, the Administrative Committee shall require testing of Matching Contributions, After-Tax Contributions, and Adjustment Contributions made for the Plan Year for Participants, who were not Represented Employees for the period for which the contributions were made, to assure that the Average Contribution Percentage for the Plan Year of such Participants who are Highly Compensated Employees does not exceed the limits specified in the ACP Test. The rules of this section shall not apply at all to Matching Contributions, After-Tax Contributions, and Adjustment Contributions made for the Plan Year for Participants who are Represented Employees for the period for which the contributions are made.

- (a) **Aggregation, Disaggregation and Restructuring.** The rules of this section shall be administered so as to comply with the mandatory disaggregation requirements of Treasury Regulations section 1.410(b)-7(c) and, if the Administrative Committee chooses, the permissive aggregation rules of Treasury Regulations section 1.410(b)-7(d), provided that any aggregated plans shall use the same testing method under Treasury Regulations section 1.401(k)-2(a)(2)(ii) (*i.e.*, current year or prior year testing method) as is used by the Plan for the Plan Year. Notwithstanding the foregoing, effective January 1, 2004, the mandatory disaggregation rules relating to the ESOP and non-ESOP portions of the Plan shall not apply.



- (1) If, after application of the mandatory disaggregation rules, in the preceding paragraph, this Plan is permissively aggregated with one or more other plans that include matching or after-tax contributions subject to contribution testing under Code section 401(m) for purposes of Code section 401(a)(4) or 410(b), then this Plan and such other plans shall be treated as one arrangement for purposes of this Plan section.
  - (2) In determining whether the restrictions of this Plan section are met, the Administrative Committee may exclude from the ACP Test all Eligible Employees who are not Highly Compensated Employees and who have not met the minimum age and service requirements of Code section 410(a)(1)(A), if the Administrative Committee elects to apply Code section 410(b)(4)(B). Alternatively, the Administrative Committee may apply the ACP Test separately to all Eligible Employees who have not met the minimum age and service requirements of Code section 410(a)(1)(A).
- (b) **ACP Test.** The Average Contribution Percentage for the Plan Year of Participants who are Highly Compensated Employees shall not exceed the greater of:
- (1) The product of 1.25 and the Average Contribution Percentage for the current Plan Year for the Eligible Employees who are not Highly Compensated Employees for the current Plan Year; or
  - (2) The lesser of:
    - (A) The product of two and the Average Contribution Percentage for the current Plan Year for the Eligible Employees who are not Highly Compensated Employees for the current Plan Year, or
    - (B) The Average Contribution Percentage for the current Plan Year for the Eligible Employees who are not Highly Compensated Employees for the current Plan Year plus two percentage points.

By an amendment to the Plan, the Administrative Committee may elect to apply paragraphs (1) and (2) by using the Average Contribution Percentage of Employees who are not Highly Compensated Employees for the preceding Plan Year rather than the current Plan Year except that such election may not be changed unless permitted by the Internal Revenue Service.

- (c) The restrictions of this section shall be based on the Participant's actual Testing Compensation while an Active Participant and total Matching Contributions, After-Tax Contributions and Adjustment Contributions allocated to the Participant's Account for the Plan Year. The Administrative Committee is authorized to restrict the After-Tax Contributions of Highly Compensated Employees in a uniform manner if it determines, based on advance testing done

during the Plan Year, that such restriction is necessary or appropriate to assure final Plan Year compliance with restrictions of this section.

## **6.5 Corrective Measures if ACP Test Failed**

If, at the end of the Plan Year, the Administrative Committee determines that the Average Contribution Percentage of Highly Compensated Employees exceeds the maximum permitted for the Plan Year under the ACP Test, then the Administrative Committee shall take the corrective steps described in this Plan section so that the requirements of Plan section 6.4 are met for the Plan Year. Matching Contributions, After-Tax Contributions, and Adjustment Contributions, along with any other matching contributions and after-tax contributions (including any recharacterized elective deferrals) made to other Qualified Plans that are included the Actual Deferral Percentage of a Highly Compensated Employee, exceeding the ACP Test limits are referred to as Excess Aggregate Contributions.

- (a) **Correction Method.** The Administrative Committee shall distribute or forfeit Excess Aggregate Contributions, along with allocable investment gains and losses, pursuant to Treasury Regulations section 1.401(m)-2(b)(2) and this Plan section.
- (b) **Determining Total Excess Aggregate Contributions.** The amount of Excess Aggregate Contributions attributable to each Highly Compensated Employee is the amount by which Matching Contributions, After-Tax Contributions and Adjustment Contributions, along with any other matching contributions and after-tax contributions (including any recharacterized elective deferrals) made to other Qualified Plans that are included the Average Contribution Percentage of a Highly Compensated Employee, must be reduced so that the Average Contribution Percentage for that Highly Compensated Employee is reduced to the maximum permissible Average Contribution Percentage for Highly Compensated Employees. The maximum permissible Average Contribution Percentage for Highly Compensated Employees is determined by reducing the Average Contribution Percentage for the Highly Compensated Employee with the highest Average Contribution Percentage for the Plan Year to the Average Contribution Percentage for the Highly Compensated Employee with the next highest Average Contribution Percentage. If a lesser reduction would enable the ACP Test to be satisfied, only the lesser reduction is used to determine the maximum permissible Average Contribution Percentage. This procedure is repeated until the ACP Test would be satisfied. The total amount of Excess Aggregate Contributions to be corrected is equal to the sum of the dollar amounts computed under this subsection for each Highly Compensated Employee and is referred to as the Total Excess Aggregate Contributions.
- (c) **Apportionment of Total Excess Aggregate Contributions.** Total Excess Aggregate Contributions for the Plan Year shall be apportioned as provided in this subsection.

- (1) Excess Aggregate Contributions allocated to the Highly Compensated Employee with the highest dollar amount of Matching Contributions, After-Tax Contributions and Adjustment Contributions taken into account under the ACP Test for the Plan Year shall be reduced by the amount required to cause that Highly Compensated Employee's remaining amount of Matching Contributions, After-Tax Contributions and Adjustment Contributions for the Plan Year to be equal to the dollar amount of Matching Contributions, After-Tax Contributions and Adjustment Contributions for the Highly Compensated Employee with the next highest dollar amount. This amount shall be allocated as the Excess Aggregate Contribution for the Highly Compensated Employee, unless a smaller reduction, when added to the total dollar amount already allocated as Excess Aggregate Contributions for other Highly Compensated Employees pursuant to this procedure equals the Total Excess Aggregate Contributions for the Plan Year.
- (2) If a Highly Compensated Employee's Excess Aggregate Contributions include matching contributions and after-tax contributions (including any recharacterized elective deferrals) made to other Qualified Plans that are included the Average Contribution Percentage of a Highly Compensated Employee, then the Excess Aggregate Contribution of that to the Highly Compensated Employee shall not exceed the Matching Contributions, After-Tax Contributions and Adjustment Contributions made under this Plan for the Plan Year. Any portion of the Total Excess Aggregate Contributions which is apportioned to a Highly Compensated Employee pursuant to this subsection, but which cannot be corrected because of the preceding sentence, shall be apportioned to the Highly Compensated Employee with the next lowest total dollar amount of Pretax Deferrals and/or Roth Contributions and that Highly Compensated Employee's Excess Aggregate Contributions shall be reduced by an amount which includes the amount not corrected for the other Highly Compensated Employee.
- (3) If the total amount corrected under this subsection is less than the Total Excess Aggregate Contributions for the Plan Year, the procedure in this paragraph shall be repeated until the total amount corrected is equal to the Total Excess Aggregate Contributions for the Plan Year.
- (4) The investment gains and losses allocable to the Excess Aggregate Contributions are equal only to the sum of allocable investment gains and losses for the Plan Year for which the distribution is made. The allocable investment gain or loss attributable to the Excess Aggregate Contributions may be determined in accordance with any of the methods permitted under Treasury Regulations section 1.401(m)-2(b)(2)(iv), disregarding any provisions relating to the distribution of gap period earnings, and may be determined up to seven days before the date of the correction.

- (d) **Distribution or Forfeiture.** Excess Aggregate Contributions shall not be treated as corrected even if distributed under this subsection, unless the requirements of this subsection are met.
- (1) Excess Aggregate Contributions and allocable investment gains and losses must be distributed to the Highly Compensated Employee to whom it has been allocated within 12 months after the close of the Plan Year for which the Excess Aggregate Contribution arose.
  - (2) Excess Aggregate Contributions and allocable investment gains and losses shall be distributed or, to the extent attributable to Matching Contributions in which the Highly Compensated Employee is not fully vested as of the end of the Plan Year, forfeited in the following order:
    - (A) After-Tax Contributions and allocable investment gains and losses on which Matching Contributions were not made;
    - (B) Adjustment Contributions and allocable investment gains and losses on which Matching Contributions were not made;
    - (C) After-Tax Contributions and allocable investment gains and losses along with the corresponding Matching Contributions and allocable investment gains and losses; and
    - (D) Adjustment Contributions and allocable investment gains and losses along with the corresponding Matching Contributions and allocable investment gains and losses.
  - (3) The distributed Excess Aggregate Contributions and allocable investment gains and losses shall be taken from the Investment Funds in which the subaccount is then invested on a pro rata basis.
  - (4) If the Highly Compensated Employee received a full distribution of his or her Account before Excess Aggregate Contributions and allocable investment gains and losses is distributed to the Highly Compensated Employee, then the prior distribution shall be reported for taxation purposes as first a correction of Excess Aggregate Contributions and allocable investment gains and losses to the extent required under this Plan section.
  - (5) A distribution of Excess Aggregate Contributions and allocable investment gains and losses shall in no event be treated as satisfying a required minimum distribution for purposes of Code section 401(a)(9) and Plan section 7.6.
  - (6) The distribution required by this Plan section may be made notwithstanding any other Plan provision.

## 6.6 Limitation on Annual Additions

- (a) **General Rule.** Notwithstanding anything to the contrary contained in this Plan, the total Annual Additions under this Plan and any other defined contribution plan, as defined in Code section 414(i), maintained by the Company or any Affiliate, allocated to a Participant's Account for any Plan Year, which shall be the limitation year for purposes of Code section 415, shall not exceed the lesser of:
- (1) \$40,000, as adjusted for increases in the cost-of-living under Code section 415(d) for Plan Years beginning after 2002; or
  - (2) 100 percent of the Participant's Section 415 Compensation for the limitation year.
- (b) **"Annual Addition" Defined.** The term "Annual Addition," with respect to any Participant for a Plan Year, shall mean the aggregate of:
- (1) The amount of Employer contributions (including Matching Contributions and Pretax Deferrals and Roth Contributions other than Catch-Up Contributions) allocated to the Participant's Account under this Plan and any other Employer contributions (other than Catch-Up Contributions under Code Section 414(v)) allocated under any other defined contribution plan, as defined in Code section 414(i), maintained by the Company or any Affiliate for the Plan Year;
  - (2) The amount of a Participant's After-Tax Contributions (including Adjustment Contributions, but excluding Rollover and Roth Rollover Contributions) allocated to the Participant's Account under this Plan and any other Employee contributions allocated under any other defined contribution plan maintained by the Company or any Affiliate for the Plan Year;
  - (3) Forfeitures allocated to the Participant's Account under this Plan or any other defined contribution plan maintained by the Company or any Affiliate for the Plan Year; and
  - (4) For the purpose of Plan section 6.6(a)(1) only, the amount of Employer contributions, if any, allocated to an account described in Code section 419A(d)(1) or an account described in Code section 415(l)(2).

For purposes of this subsection and to comply with the requirements of Code section 415(h), the term "Affiliate" includes, in addition to Affiliates defined in Plan section 2.1(i), any entity that would be an Affiliate under that definition if the phrase "more than 50 percent" were substituted for the phrase "at least 80 percent" each place it appears in Code 1563(a)(1).

- (c) **Additional Rules.** In applying the limits of subsection (a), the following rules shall apply:

- (1) Excess Deferrals shall not be included as an Annual Addition if they are distributed in a corrective distribution under the provisions of that section. However, any Excess Deferrals that are not distributed in a corrective distribution under Plan section 6.1 shall be included as an Annual Addition, even if they are in excess of the Code section 402(g)(1) limit.
  - (2) Pretax Deferrals and Roth Contributions in excess of the ADP Test limits of Plan section 6.2 shall be included as an Annual Addition, even if they are correctively distributed or re-characterized as Adjustment Contributions under Plan section 6.3.
  - (3) Matching Contributions and After-Tax Contributions (including any Adjustment Contributions) in excess of the ACP Test limits of Plan section 6.4 shall be included as an Annual Addition, even if they are correctively forfeited or distributed under Plan section 6.5. Matching Contributions relating to distributions of Excess Deferrals under Plan section 6.1(d) are forfeited and shall not be included as an Annual Addition.
  - (4) If a short limitation year is created because of an amendment or other action changing the limitation year (or Plan Year) to a different 12-consecutive-month period, the dollar limitation of Plan section 6.6(a)(1) to be applied for that short limitation year shall be multiplied by a fraction, the numerator of which is the number of months in the short limitation year and the denominator of which is 12.
  - (5) The Annual Additions of a Participant who is also a Supplemental Plan Participant for the Plan Year shall be determined under this paragraph if doing so results in a larger amount of Annual Additions for that Participant for the Plan Year. Annual Additions under this paragraph shall be determined by assuming that, for the Plan Year, the Participant contributed the contribution percentage limit in effect for the Participant as determined under Appendix E and received the maximum allocation of Matching Contribution under Plan section 5.2.
- (d) **Disposition of Excess Annual Additions**
- (1) **Not a Supplemental Plan Participant.** If the Participant is not also a Supplemental Plan Participant for the Plan Year, then the Participant's Annual Additions shall be reduced under this Plan, if such reduction is required for purposes of reducing allocations on a combined basis, to the limits of subsection (a) and Code section 415(c), as follows:
    - (A) First, by distributing After-Tax Contributions (including any Adjustment Contributions) made for the Plan Year to the Participant, to the extent necessary; and

- (B) Next, by distributing Pretax Deferrals and/or Roth Contributions made for the Plan Year to the Participant, to the extent necessary; and
  - (C) Then, forfeiting Matching Contributions made for the Plan Year, to the extent necessary; and
  - (D) Finally, reducing any remaining excess Annual Additions under the terms of such other defined contribution plans maintained by the Company or any Affiliate as specified in those plans.
- (2) **Supplemental Plan Participant.** If the Participant is also a Supplemental Plan Participant for the Plan Year, then the Participant's Annual Additions shall first be reduced under the terms of the Retirement Plan for the Plan Year by reducing the allocations made under the Retirement Plan to the extent necessary to assure compliance with the limits of subsection (a) and Code section 415(c). Only after reductions under the Retirement Plan have been made shall reductions of Annual Additions be made under the terms of this Plan and such other defined contribution plans maintained by the Company or any Affiliate, if such a reduction is required for purposes of reducing allocations on a combined basis, to the limit of subsection (a) and Code section 415(c), as follows:
- (A) First, by distributing After-Tax Contributions (including any Adjustment Contributions) made for the Plan Year to the Participant, to the extent necessary; and
  - (B) Next, by distributing Pretax Deferrals and/or Roth Contributions made for the Plan Year to the Participant, to the extent necessary; and
  - (C) Then, forfeiting Matching Contributions made for the Plan Year, to the extent necessary; and
  - (D) Finally, reducing any remaining excess Annual Additions under the terms of such other defined contribution plans (other than the Retirement Plan) maintained by the Company or any Affiliate as specified in those plans.
- (e) **Adjustment of Allocations.** If an allocation to the Account of a Participant would exceed the limit of subsection (a) due to a reasonable mistake in estimating a Participant's Section 415 Compensation or due to forfeitures or a reasonable error in the estimation of salary deferrals, then any amount which cannot be allocated shall be held in a suspense account and shall be allocated to the Account of such Participant in the next following Plan Year. The suspense account shall not share in investment gains or losses of the Trust Fund. Effective for Plan Years beginning after July 1, 2007, this subsection shall no longer apply because this correction methodology is no longer permitted under the final Treasury Regulations under Code section 415.

## **6.7 Limitation on Pay Taken Into Account**

- (a) In determining the amount of Pretax Deferrals and Roth Contributions that may be made on behalf of a Participant for a Plan Year, the total amount of Earnings to which the percentage reduction, elected by the Participant, is applied shall not be limited. Notwithstanding the foregoing, however, the total annual amount of Pretax Deferrals and Roth Contributions made for a Plan Year on behalf of the Participant shall not exceed the product of the maximum deferral percentage allowed under the Plan for the Plan Year multiplied by the compensation limit in effect for the Plan Year under Code section 401(a)(17).
- (b) In determining the amount of After-Tax Contributions that may be made on behalf of a Participant for a Plan Year, the total amount of Earnings to which the percentage reduction, elected by the Participant, is applied shall not be limited. Notwithstanding the foregoing, however, the total annual amount of After-Tax Contributions made for a Plan Year on behalf of the Participant shall not exceed the product of the maximum contribution percentage allowed under the Plan for the Plan Year multiplied by the compensation limit in effect for the Plan Year under Code section 401(a)(17).
- (c) In determining the amount of Matching Contributions that may be made on behalf of a Participant for a Plan Year, the total amount of Earnings to which the Matching Contribution is applied shall not be limited. Notwithstanding the foregoing, however, the total annual amount of Matching Contributions made for a Plan Year on behalf of an Active Participant shall not exceed the product of the matching percentage determined under Appendix F multiplied by the maximum amount of Earnings for which Matching Contributions are determined multiplied by the compensation limit in effect for the Plan Year under Code section 401(a)(17).

## **6.8 Deductibility Limitation**

Notwithstanding any provision of the Plan to the contrary, the dollar amount of Employer contributions to this Plan are conditioned on their deductibility under Code section 404 and, thus, shall always be limited to the amount deductible under Code section 404 for the taxable year for which such contributions are paid to the Trust Fund.

## **Article 7. Benefit Distributions**

### **7.1 Distributions Generally**

Distribution of a Participant's vested Account may begin pursuant to Plan section 7.2, relating to in-service withdrawals, Plan section 7.3, relating to benefit payments on account of a Separation from Service, and Plan section 7.5, relating to death benefit distributions, as applicable under the terms of this Article, but not later than the date provided in Plan section 7.6, relating to required minimum distributions.



Notwithstanding the foregoing, a Participant's Pretax Account and Roth Account may not be distributed earlier than upon one of the following events:

- (a) The Participant's retirement, death, Disability, or Separation from Service;
- (b) The termination of the Plan without the establishment of another defined contribution plan (other than an employee stock ownership plan within the meaning of Code section 4975(e)(7)), provided that distributions made under this paragraph may be made only in the form of a single lump sum that complies with Code section 401(k)(10)(B); or
- (c) The Participant's attainment of age 59½ or, if the Plan is amended to so provide, a financial hardship of the Participant.

## **7.2 In-Service Withdrawals**

- (a) An Active Participant or Inactive Participant may withdraw, prior to his or her Separation from Service, in the following order, any amount, up to 100 percent of the sum of the Participant's:
  - (1) After-Tax Account, if any;
  - (2) Rollover Account, if any;
  - (3) Pretax Account, but only if the Participant has attained age 59½; and then
  - (4) Matching Account, but only if the Participant has completed at least three years of Service.
- (b) Effective January 1, 2017, an Active Participant or Inactive Participant also may withdraw, prior to his or her Separation from Service, any amount, up to 100 percent of the sum of the Participant's, without regard to Section 7.2(e) below:
  - (1) Roth Account, but only if the Participant has attained age 59½;
  - (2) Roth Rollover Account; or
  - (3) In-Plan Roth Rollover Account, but only if the Participant has attained age 59½.
- (c) No withdrawal may be requested in any processing period in which a plan loan, as described in Article 8, is being processed. Furthermore, no withdrawal request may be processed more often than once in any six-month period beginning with the date that the Participant's most recent withdrawal request was processed. Effective August 8, 2016, there will be no restriction on the timing of withdrawal requests or the coordination of withdrawal requests with the processing of loan or other requests under the Plan.

- (d) Application for a withdrawal shall be made on such forms as the Administrative Committee prescribes and shall be effective as of the end of the processing period in which such application is received and approved by the Administrative Committee. The Administrative Committee shall direct the Trustee, in such cases, to pay the Participant or Inactive Participant the withdrawal amount in a single sum.
- (e) Withdrawals shall be paid first out of the net cumulative pre-1987 contributions from the After-Tax Account. Withdrawals shall then be paid out of the net cumulative post-1986 contributions, together with earnings thereon, on a pro rata basis, from the After-Tax Account. Additional amounts shall be withdrawn, if needed, from earnings on pre-1987 contributions from the After-Tax Account, then from the Rollover Account, if any, then from the Pretax Account, if permissible, and then from the Matching Account, to the extent permissible. The amount withdrawn shall be taken from such Investment Funds in which the subaccount is invested on a pro rata basis.
- (f) A withdrawal from a Participant's Account balances invested in Oxy Stock shall be in the form of full shares of Oxy Stock and cash representing any fractional share, except that cash shall be paid in lieu of full shares of Oxy Stock if the Participant specified in the written request for withdrawal that the withdrawal be in the form of cash. A withdrawal from Account balances invested in assets other than Oxy Stock shall be paid in cash. Notwithstanding the foregoing, a withdrawal consisting of pre-1987 contributions from the After-Tax Account only shall be in the form of cash.
- (g)
  - (1) Except as provided below, if a Participant withdraws any amount from the Matching Account, the Participant (other than a Participant who has attained age 59½ at the time the withdrawal is requested and who withdraws the entire balance in his or her Account) shall not be permitted to make any Pretax Deferrals, Catch-Up Contributions, Roth Contributions, After-Tax Contributions, or receive Matching Contributions for a period of six calendar months after the withdrawal is processed. Effective for withdrawals requested after August 8, 2016, if a Participant is suspended from making any Pretax Deferrals, Roth Contributions, Catch-Up Contributions, and/or After-Tax Contributions in accordance with the sentence above, such contributions will be automatically reinstated upon expiration of the six-month suspension period at the Default Percentage, as applicable, or if the Participant was not subject to automatic enrollment or had opted out of automatic enrollment at the percentage in place prior to the suspension. Effective January 1, 2017, unless the Participant affirmatively elects otherwise, with respect to any Participant hired prior to August 5, 2016, upon re-instatement, the election in effect as of

August 5, 2016 will apply to any Annual Bonus paid in the 2017 Plan Year and any subsequent plan year until the Participant affirmatively elects otherwise. Effective August 8, 2016, any Participant subject to automatic enrollment pursuant to Section 4.6, must make a separate election to make Pretax Deferrals, Roth Contributions and After-Tax Contributions from Participant's Annual Bonus.

- (2) The preceding subsection shall be inapplicable in the case of a withdrawal effected by a creditor of a Participant pursuant to any insolvency proceeding initiated under federal or state law or pursuant to any tax levy.
- (3) In addition, notwithstanding the foregoing and effective January 1, 2013, a Participant who has attained age 59½ and who withdraws less than the entire balance in his or her Account, shall not be suspended from making Pretax Deferrals, Roth Contributions, Catch-Up Contributions, After-Tax Contributions, or receiving Matching Contributions, but pursuant to subsection (b) shall not be permitted to make another withdrawal for six months beginning with the date that the Participant's most recent withdrawal request was processed. Effective August 5, 2016, a Participant who has attained age 59½ and who withdraws less than the entire balance in his or her Account will no longer be subject to the one withdrawal per six-month period limitation.

### **7.3 Benefits Upon Separation from Service**

- (a) Every Participant who incurs a Separation from Service for any reason other than death may elect to receive a distribution of the vested portion of his or her Account, in a payment form specified by Plan section 7.4. The failure of a Participant to elect a distribution of benefits upon his or her Separation from Service shall be deemed to be an election by the Participant to defer the commencement of benefits.
- (b) Unless the Participant chooses to defer the commencement of benefits, either affirmatively or by failing to make a distribution election, and subject to Plan section 7.6, distribution of benefits to a Participant who incurs a Separation from Service shall begin no later than the 60<sup>th</sup> day after the close of the Plan Year in which occurs the later of:
  - (1) The Participant's Separation from Service; or
  - (2) The Participant's 65<sup>th</sup> birthday.

If for any reason the amount which is required to be paid cannot be ascertained on the date payment would be due hereunder, payment or payments shall be made not later than 60 days after the earliest date on which the amount of such payment is ascertained.

## 7.4 Payment Rules

- (a) **General Rules.** All distributions from this Plan shall be valued as provided in Article 10 and paid in cash or Oxy Stock as provided in this Plan section. The automatic form of benefit payment to a Participant who has incurred a Separation from Service and elected a distribution of his or her vested Account is a single lump sum.
- (b) **Election Procedures.** All Participant elections to commence benefits shall be made during an election period of not more than 90 days and, except as provided below, not less than 30 days ending on the day prior to the date as of which his benefits are scheduled to commence in accordance with the benefit payment election procedures prescribed by the Administrative Committee. Such procedures shall require the following:
- (1) An election form shall be provided to the Participant in non-technical language which will contain a general description of the distribution options.
  - (2) A Participant may revoke an election of any benefit form described in this section and choose again to take any available benefit form at any time and any number of times within the above election period.
  - (3) A Participant, after having received the written description described in this subsection, may reject the automatic form of benefit and elect a different option under subsection (c), even though the written description was provided less than 30 days prior to the Participant's benefit commencement date, so long as the conditions contained in Treasury Regulations section 1.417(e)-1T(b)(3)(ii) have been met. If the Participant makes an untimely request for additional information, the Administrative Committee, at its discretion, may grant such request, but the granting of such request shall not result in the extension of the election period.
- (c) **Optional Payment Forms.** A Participant who has incurred a Separation from Service for any reason other than death may elect to have his or her vested Account distributed to the Participant under one of the following distribution options, in lieu of the automatic lump sum, as selected by the Participant in the manner prescribed and approved by the Administrative Committee:
- (1) **Partial Cash Distribution.** A request for a specified dollar portion of the Participant's vested Account. A Participant may request one partial cash distribution in any six-month period. If the Participant receives a partial cash distribution, the Participant must wait until the next processing period before he or she may request a subsequent lump sum payment or total distribution. Effective August 8, 2016, there will be no timing limitation for partial cash distributions. A Participant may elect a partial cash distribution under one of

the following options; Investment Fund balances will automatically be depleted on a pro rata basis in the following account depletion sequence:

- (A) Option 1.
  - (i) After-Tax Account;
  - (ii) Rollover Account; and
  - (iii) Pretax Account;
- (B) Option 2
  - (i) Matching Account;
  - (ii) Roth Rollover Account;
  - (iii) In-Plan Roth Rollover Account; and
  - (iv) Roth Account.
- (C) Or under both (A) and (B) above.

Remaining balances in each account will continue to participate in Investment Fund earnings until valued for distributions as provided in Article 10.

- (2) **Special Distribution.** The portion of Participant's vested Account, which is an Eligible Rollover Distribution (as determined under Plan section 7.7(b)(4)) and which is invested in Investment Funds other than the Oxy Stock Fund, is distributed as a Direct Rollover (within the meaning of Plan section 7.7(b)(1)), as directed by the Participant. The Oxy Stock Fund balance from the Participant's vested Account is distributed to the Participant as shares of Oxy Stock along with a cash distribution of any remaining portion of the Participant's vested Account.
- (3) **Total Deferral.** Defers distribution of the Participant's vested Account, but not beyond the end of the year in which the Participant attains age 70½. Subject to Plan section 7.6, the Participant may revoke his or her deferral election at any time by submitting another distribution request.
- (d) **Reserved.**
- (e) **Payment Medium.** The provisions of this subsection are intended to comply with the stock distribution requirements of Code sections 409(h) and 409(o) applicable to the portion of this Plan constituting an employee stock ownership plan, as required by Code section 4975(e)(7). Notwithstanding any Plan provision to the contrary, the Administrative Committee shall take steps to ensure that this section is interpreted and administered so as to comply with

such requirements. In the event of any conflict, the rules of the Code and Treasury Regulations shall control.

- (1) **General Rule.** In the case of a Participant, Beneficiary or Alternate Payee receiving a distribution in the form of single lump sum payment, the value of the vested Account attributable to investments other than Oxy Stock shall be paid in cash and the value of the vested Account attributable to Oxy Stock shall be distributed in full shares of Oxy Stock plus cash representing the value of any fractional share, except as provided in Section 7.4(h)(3) for mandatory cashout distributions and Section 7.6(a) for required minimum distributions.
- (2) **Alternative Elections.**
  - (A) By written notice to the Administrative Committee, the Participant, Beneficiary or Alternate Payee may elect to receive cash in lieu of and equal to the value of the Oxy Stock that would otherwise be distributed under the general rule.
  - (B) By written notice to the Administrative Committee, a Participant, Beneficiary or Alternate Payee may elect to receive all or a portion of the vested Account in the form of whole shares of Oxy Stock, plus cash for any fractional share. Any such election shall be implemented in accordance with procedures established by the Administrative Committee by transferring the investment of such Account or portion thereof, as applicable, (including without limitation amounts transferred from the MidCon Corp. ESOP) as soon as practicable to the Oxy Stock Fund and distributing such amounts as soon as practicable thereafter.
- (3) **Put Option.**
  - (A) Oxy Stock is readily tradable on established securities market within the meaning of Treasury Regulation section 1.401(a)(35)-1(f)(5). Thus, the provisions of this paragraph (3) shall apply only in the event and to the extent that as of the date of distribution of Oxy Stock, the Oxy Stock is not readily tradable on established securities market or is subject to a trading limitation.
  - (B) If Oxy Stock is not readily tradable on established securities market or is subject to a trading limitation when distributed, the distributee shall have the option to sell (the "put option") such Oxy Stock, in whole or in part, to the Company. The put option shall be granted in accordance with Code section 409(h) and all applicable Treasury Regulations. Specifically, the put option shall provide that for a period of at least 60 days following the date of distribution of the Oxy Stock and, if not exercised within such period of 60 days, during the first 60 days in the following Plan Year, the

distributtee shall have the right to have the Company purchase such shares at their fair market value, determined in accordance with Treasury Regulations section 54.4975-11(d)(5), as of the Valuation Date coincident with or immediately preceding the date of exercise of such put option. The put option may be exercised by notifying the Employer in writing that the option is being exercised.

- (C) Once the put option is exercised, the fair market value of such shares shall be paid in a lump sum as soon as practicable. Notwithstanding the foregoing, the Company reserves the right to adopt a different payment schedule at any time, but such payment schedule shall not be longer than in annual installments over a period of five years, with interest on the deferred balance at a reasonable rate as determined by the Administrative Committee; provided that any purchase of stock having a value of \$1,000 or less shall be paid for in a lump sum.
  - (D) The provisions of this paragraph (3) shall continue to apply to Oxy Stock if the Oxy Stock Fund ceases to be an employee stock ownership plan within the meaning of Code section 4975(e)(7).
  - (E) Notwithstanding the foregoing, this paragraph (3) need not apply to that portion of an Account which the Participant has elected to invest under the diversification provisions of Plan section 9.5.
- (f) **Payments to Alternate Payees.** To the extent permitted by the terms of a Qualified Domestic Relations Order, amounts assigned to an Alternate Payee may be paid as soon as possible in a lump sum, notwithstanding the age, employment status, or other factors affecting the ability of the Participant to make a withdrawal or otherwise to receive a distribution of amounts allocated to the Participant's Account, provided that the total amount assigned to an Alternate Payee does not exceed \$5,000 at the time the amount is distributed or, if the amount assigned does exceed \$5,000, the Alternate Payee consents in writing to the distribution. Only if required under the Qualified Domestic Relations Order, an Alternate Payee's Account may be distributed under one of the optional payment forms specified in subsection (c), if elected by the Alternate Payee in accordance with procedures established by the Administrative Committee. Notwithstanding the foregoing, the Alternate Payee shall be paid in no event no later than the dates specified in Plan section 7.6 (relating to required minimum distributions).
- (g) **Special Rules for Former Laurel Plan Accounts.**
- (1) In the case of a Participant for whom a direct plan-to-plan transfer was made to this Plan from the Laurel Industries Inc. Incentive Savings Plan (the "Laurel Plan"), distribution may be made, at the election of the Participant,

in any form described in section 6.5(b)(2) of the Laurel Plan as in effect on December 31, 1996, provided that the amount subject to such election shall not exceed the amount of the Participant's Account attributable to such transfer.

- (2) In the case of a Beneficiary of a Participant for whom a direct plan-to-plan transfer was made to this Plan from the Laurel Industries Inc. Incentive Savings Plan (the "Laurel Plan"), distribution may be made, at the election of the Beneficiary, in any form described in section 6.6(g)(1)(ii) of the Laurel Plan as in effect on December 31, 1996, provided that the amount subject to such election shall not exceed the amount of the Beneficiary's Account attributable to such transfer.
- (h) **Mandatory Cashout Distribution.** Notwithstanding the election procedures set forth above in Plan section 7.4(b):
  - (1) Distribution Less Than or Equal to \$1,000. Effective October 1, 2015, if the vested Account of a terminated Participant is equal to or less than \$1,000 when the amount thereof is first determined, the entire amount shall be distributed in a lump sum as promptly as possible.
  - (2) Distribution Less Than or Equal to \$5,000. Effective as of August 8, 2016, if the vested Account of a terminated Participant is less than or equal to \$5,000 when the amount thereof is first determined, and the Participant fails to elect to have his or her benefits paid directly or in the form of a Direct Rollover (within the meaning of Plan section 7.7(b)(1)) to an Eligible Retirement Plan (within the meaning of Plan section 7.7(b)(3)), the entire account shall be distributed as an automatic rollover to an individual retirement account designated by the Administrative Committee. The Participant will be notified in writing regarding the identity of the individual retirement account trustee or issuer and that his distribution may be transferred without cost or penalty to another individual retirement account.
  - (3) Distribution to Beneficiaries, Alternate Payees or Participants Over Age 62. Notwithstanding Section 7.4(h)(2) above, any distribution that is less than or equal to \$5,000 and payable to a Beneficiary, Alternate Payee or Participant who is over age 62 will be distributed in a lump sum as promptly as possible and will not be distributed as an automatic rollover to an individual retirement account.
  - (4) Form of Distribution. All mandatory cashout distributions will be made in cash and there will be no requirement to issue any shares of Oxy Stock.

## 7.5 Death Benefits

- (a) **Participant's Death After Benefit Commencement.** If the Participant dies after distribution of his or her vested Account has commenced, the remaining



portion of such benefit, if any, will continue to be distributed at least as rapidly as under the method of distribution in effect prior to the Participant's death.

- (b) **Participant's Death Before Benefit Commencement.** Upon the death of a Participant before benefit payments begin, the balance of the deceased Participant's Account shall be distributed to the Participant's Beneficiary as soon as practicable after the Participant's death. Notwithstanding the foregoing, a Beneficiary who is the Participant's Spouse may elect, before any benefit payments begin, in accordance with procedures established by the Administrative Committee, to defer receipt of payment of the deceased Participant's Account, until the year in which the Participant would have attained age 70½ in accordance with Plan section 7.6(c)(2).
- (1) If the Participant's Beneficiary is a trust or estate, the distribution shall be paid in a single lump sum payment.
  - (2) If the Beneficiary is other than the Participant's Spouse and unless the Beneficiary elects otherwise, the distribution shall be paid in a single lump sum.
  - (3) If the Beneficiary is the Participant's Spouse, then in addition to the payment form described in paragraph (2), the Spouse may elect, in accordance with procedures established by the Administrative Committee, to have the distribution paid in the form of a partial cash distribution, as described in Plan section 7.4(c)(1).
- (c) **Death of Alternate Payee or Beneficiary.** If an Alternate Payee or a Beneficiary of a deceased Participant or Alternate Payee dies prior to distribution of the separate Account established on behalf of the Alternate Payee or Beneficiary, the balance of the deceased individual's Account shall be distributed to his or her Beneficiary as soon as practicable after his death. Such distribution shall be made in the form of a lump sum payment.

## **7.6 Required Minimum Distributions**

This section applies for purposes of determining required minimum distributions for distribution Plan Years beginning on or after January 1, 2003. In other words, this section provides the latest time for distributions to be made or commenced. Other Plan provisions may specify earlier dates for distributions and such provisions shall govern to the extent they are consistent with this section. This section, however, takes precedence over any inconsistent Plan provision. All distributions required under this section shall be determined and made in accordance with Code section 401(a)(9) and the Treasury Regulations thereunder, including the minimum distribution incidental benefit requirements, which are incorporated herein by this reference. For purposes of this Plan section, the required minimum distribution amount shall be determined based on the Account balance as of the last Accounting Date in the Plan Year immediately preceding the Distribution Calendar Year,

increased by contributions made and allocated as of dates in the Plan Year after the last Accounting Date, if any, and reduced by distributions made in the Plan Year after the last Accounting Date, if any. The Account balance for the Plan Year immediately preceding the Distribution Calendar Year includes any amounts rolled over or transferred to the Plan in the Plan Year.

- (a) **Form of Distribution.** Unless the Participant's Account is distributed in a single sum on or before the Required Beginning Date, as of the first Distribution Calendar Year, distributions will be made in accordance with subsections (b) and (c). All required minimum distributions will be made in cash, and there will be no requirement to issue any shares of Oxy Stock.
- (b) **Required Minimum Distributions During Participant's Lifetime.** The Participant's entire Account will be distributed, or begin to be distributed, to the Participant no later than the Participant's Required Beginning Date. During the Participant's lifetime, the minimum amount that will be distributed for each Distribution Calendar Year is the amount determined under the default rule of paragraph (1) or, if the Participant satisfies the conditions in a timely manner, under the alternative rule of (2):
  - (1) **Default Rule.** The quotient obtained by dividing the Participant's Account balance by the distribution period in the Uniform Lifetime Table set forth in Treasury Regulations section 1.401(a)(9)-9, using the Participant's age as of the Participant's birthday in each Distribution Calendar Year.
  - (2) **Alternative Rule.** If the Participant's sole Beneficiary for the Distribution Calendar Year is the Participant's Spouse, the quotient obtained by dividing the Participant's Account balance by the number in the Joint and Last Survivor Table set forth in Treasury Regulations section 1.401(a)(9)-9, using the Participant's and Spouse's attained ages as of the Participant's and Spouse's birthdays in the Distribution Calendar Year. For this alternative rule to apply, the Participant must request its application and provide such proof of marriage and the Spouse's age, at such time and in such manner as the Administrative Committee may reasonably require, in advance of the Distribution Calendar Year.

Required minimum distributions will be determined under this subsection beginning with the first Distribution Calendar Year and redetermined for each subsequent Distribution Calendar Year up to and including the Distribution Calendar Year that includes the Participant's date of death.

- (c) **Required Minimum Distributions After Participant's Death.**

(1) **Death of Participant On or After Date Distributions Begin.**

(A) **Participant Survived by One Beneficiary.** If the Participant dies on or after the date distributions begin and there is a sole Beneficiary, the minimum amount that will be distributed for each Distribution Calendar Year after the year of the Participant's death is the quotient obtained by dividing the Participant's Account balance by the remaining Life Expectancy, determined as follows:

- (i) If the Participant is not married or the sole Beneficiary is not the Participant's surviving Spouse, the remaining Life Expectancy is calculated using the age of the Participant in the year of death, reduced by one for each subsequent year.
- (ii) If the Participant's surviving Spouse is the Participant's sole Beneficiary, the remaining Life Expectancy of the surviving Spouse is calculated for each Distribution Calendar Year after the year of the Participant's death using the surviving Spouse's age as of the Spouse's birthday in that year. For the Distribution Calendar Year after the year of the surviving Spouse's death, any remaining payment shall be made in a single sum to the Spouse's estate.

(B) **Participant Survived by More Than One Beneficiary.** If the Participant dies on or after the date distributions begin and there is more than one Beneficiary as of September 30 of the year after the year of the Participant's death, the Participant's remaining Account shall be paid in a single sum as required by Plan section 7.5.

(C) **No Beneficiary Survives the Participant.** If there is no Beneficiary as of September 30 of the year after the year of the Participant's death, the Participant's remaining Account will be paid in a single sum to the Participant's estate no later than the Distribution Calendar Year after the Participant's death.

(2) **Death of Participant Before Date Distributions Begin.** If the Participant dies before distributions begin, the Participant's Account balance will be distributed, or begin to be distributed no later than provided in this paragraph. The minimum amount that will be distributed or begin to be distributed for each Distribution Calendar Year after the year of the Participant's death is the amount determined in paragraph (1) above.

(A) If the Participant's surviving Spouse is the Participant's sole Beneficiary, then distributions to the surviving Spouse will begin no later than:

- (i) December 31 of the calendar year immediately following the calendar year in which the Participant died; or

(ii) December 31 of the calendar year in which the Participant would have attained age 70½, if later.

- (B) If the Participant's surviving Spouse is the Participant's sole Beneficiary and the surviving Spouse dies after the Participant but before distributions to the surviving Spouse begin, this subsection, other than subparagraph (A) immediately above, will apply as if the surviving Spouse were the Participant.

If the Participant's surviving Spouse is not the Participant's sole Beneficiary, then distributions to the Beneficiary will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died.

- (C) If there is no Beneficiary as of September 30 of the year following the year of the Participant's death, the Participant's Account balance will be distributed to the Participant's estate no later than by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

- (d) **Special Definitions.** In addition to the terms defined in Plan section 2.1 or elsewhere in this Plan, whenever used in this Plan section, the following terms shall have the respective meanings set forth below, unless expressly provided otherwise. When the defined meaning is intended, the term is capitalized.

- (1) **"Distribution Calendar Year"** means a calendar year for which a minimum distribution is required. For distributions beginning before the Participant's death, the first Distribution Calendar Year is the later of (A) the calendar year during which the Participant attains age 70 ½, if the Participant is a "5-percent owner," as defined in Code section 416, or has incurred a Separation from Service or (B) December 31 of the calendar year in which the Participant has a Separation from Service. For distributions beginning after the Participant's death, the first Distribution Calendar Year is the calendar year in which distributions are required to begin. The required minimum distribution for the Participant's first Distribution Calendar Year will be made on or before the Participant's Required Beginning Date.
- (2) **"Life Expectancy"** means the life expectancy determined under the Single Life Table in Treasury Regulations section 1.401(a)(9)-9.
- (3) **"Required Beginning Date"** means the later of:
- (A) The December 31 of the calendar year in which the Participant attains age 70½, if the Participant is a "5-percent owner," as defined in Code section 416, or has incurred a Separation from Service, and

- (B) In all other cases, the December 31 of the calendar year in which the Participant has a Separation from Service.
- (C) Effective August 8, 2016, “Required Beginning Date” means the later of:
  - (i) The April 1 of the calendar year following the calendar year in which the Participant attains age 70½, if the Participant is a “5-percent owner,” as defined in Code section 416, or has incurred a Separation from Service, and
  - (ii) In all other cases, the April 1 of the calendar year following the calendar year in which the Participant has a Separation from Service.

Notwithstanding any provision of this Plan section to the contrary and consistent with Code section 401(a)(9)(H), no minimum distribution shall be required under this Plan section for the 2009 calendar year. The Required Beginning Date for any individual shall be determined without regard to the preceding sentence for purposes of applying this Plan section to required minimum distributions for any calendar year after 2009. Moreover, the fifth anniversary of the Participant’s death under Plan section 7.6(c)(2)(C) shall be determined by disregarding calendar year 2009. A Direct Rollover will be offered only for distributions that would be Eligible Rollover Distributions without regard to Code section 401(a)(9)(H), as these terms are defined in Plan section 7.7(b).

## 7.7 Mandatory Tax Withholding and Direct Rollovers

- (a) **General Rule.** Notwithstanding any Plan provision to the contrary, all withdrawals and other distributions under this Plan shall comply with the requirements of this section, Code section 401(a)(31), the Treasury Regulations thereunder, and related regulatory rules. Under this section, a Distributee entitled to a current withdrawal or distribution from the Plan may elect, at the time and in the manner prescribed by the Administrative Committee, to have any portion of an Eligible Rollover Distribution paid directly to an Eligible Retirement Plan. In prescribing the manner of making elections with respect to Eligible Rollover Distributions, the Administrative Committee may provide for a uniform, nondiscriminatory application of any restrictions permitted under applicable sections of the Code, Treasury Regulations, and related regulatory rules, including a requirement that a Distributee may not elect to make a Direct Rollover from a single Eligible Rollover Distribution to more than one Eligible Retirement Plan.
- (b) **Special Definitions.** In addition to the terms defined in Plan section 2.1 or elsewhere in this Plan, whenever used in this Plan section, the following terms shall have the respective meanings set forth below, unless expressly provided otherwise. When the defined meaning is intended, the term is capitalized.

- (1) **“Direct Rollover”** means an Eligible Rollover Distribution that is paid directly to an Eligible Retirement Plan at the direction and for the benefit of the Distributee.
- (2) **“Distributee”** means a Participant, a Participant’s surviving Spouse or a Participant’s Spouse who is the Alternate Payee.

Effective for distributions made after December 31, 2009 on behalf of a deceased Participant to a Beneficiary who is neither the Participant’s surviving Spouse or the Participant’s former Spouse and Alternate Payee, the non-spouse Beneficiary shall be a Distributee and the distribution will be treated as an Eligible Rollover Distribution if the following requirements are met. The distribution must be made on behalf of the non-spouse Beneficiary in a direct transfer to an individual retirement account, described in Code section 408(a), or an individual retirement annuity, described in Code section 408(b) that is treated as an inherited individual retirement account or annuity for purposes of Code section 408(d)(3)(C). In addition, Code section 401(a)(9)(B), other than clause (iv) thereof relating to required minimum distributions to the Beneficiary, shall apply to the inherited individual retirement account or annuity.

- (3) **“Eligible Retirement Plan”** is an individual retirement account described in Code section 408(a), an individual retirement annuity described in Code section 408(b) (other than an endowment contract), an annuity plan described in Code section 403(a), a qualified trust described in Code section 401(a) that accepts the Distributee’s Eligible Rollover Distribution, an annuity contract described in Code section 403(b); an eligible deferred compensation plan under Code section 457(b) which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state and which agrees to separately account for amounts transferred into such plan from this Plan; and a Roth IRA described in Code Section 408A(b).
- (4) **“Eligible Rollover Distribution”** means any distribution of all or any portion of the balance to the credit of the Distributee, except that an Eligible Rollover Distribution does not include:
  - (A) Any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the Distributee and the Distributee’s designated Beneficiary, or for a specified period of ten years or more;
  - (B) Any distribution to the extent the distribution is required under Code section 401(a)(9) and related Treasury Regulations;

- (C) Any loan that is treated as a deemed distribution pursuant to Code section 72(p);
- (D) Any dividends paid on employer securities and passed through to the Participant, Alternate Payee or Beneficiary, as described in Code section 404(k);
- (E) A distribution that is a permissible withdrawal from an eligible automatic contribution arrangement within the meaning of section 414(w); and
- (F) The portion of any distribution shall not fail to be an Eligible Rollover Distribution merely because such portion consists of After-Tax Contributions, which are not includable in gross income, if such portion is transferred to an individual retirement account or annuity described in Code section 408(a) or (b), to a qualified plan described in Code section 401(a) or 403(a), or to an annuity contract described in Code section 403(b) that agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includable in gross income and the portion of such distribution which is not so includable. The portion of any distribution from a designated Roth account under the Plan shall not fail to be an Eligible Rollover Distribution if such portion is transferred to another Roth account under an applicable retirement plan described in Code Section 402A(e)(1) or a Roth IRA described in Code Section 408A.

Determinations of what constitutes an Eligible Rollover Distribution shall at all times be made in accordance with the current rules under Code section 402(c), which shall be controlling for this purpose.

- (G) **“Conversion”** means a Direct Rollover of an Eligible Rollover Distribution from the Plan to the Roth IRA, within the meaning of Code section 408A. The amount rolled over is included in the gross income of the Distributee to the same extent that such amount would have been included in gross income if not rolled over. A Conversion is not subject to mandatory income tax withholding under Code section 3405. A Distributee may elect a Conversion of an Eligible Rollover Distribution made on or after January 1, 2008.

## 7.8 In-Plan Roth Rollovers

- (a) **Participant Eligibility.** Effective for distributions made on or after January 1, 2017, a Participant may elect to roll over a distribution to an In-Plan Roth Rollover Account in accordance with the provisions of this Section 7.8. A Participant may elect to rollover amounts held in the accounts described below in Section 7.8(b) without regard to whether the Participant satisfies the requirements for distribution in accordance with this Article VII.  
In-Plan Roth

Rollover Contributions shall be subject to the same Plan rules as Roth Contributions. The Plan Administrator will maintain such records as are necessary for the proper reporting of In-Plan Roth Rollover Contributions and will administer the In-Plan Roth Rollover Account in accordance with Code Section 402A and the regulations promulgated thereunder.

- (b) **Permitted Sources.** The following contributions are permitted for roll over to the In-Plan Roth Rollover Account:
  - (1) After-Tax Account,
  - (2) Matching Account,
  - (3) Pretax Account,
  - (4) Rollover Account, and
  - (5) SIP Accounts noted in Appendix H.1.
- (c) **Participant's Spouse.** Solely for the purposes of determining eligibility for an In-Plan Roth Rollover Contribution, the Plan will treat a Participant's surviving Spouse, former Spouse or Alternate Payee Spouse as a Participant. A non-spouse beneficiary may not make an In-Plan Roth Rollover Contribution to the Plan.
- (d) **Form of Rollover.** An In-Plan Roth Rollover Contribution must be made by the Participant in the form of a direct rollover. An In-Plan Roth Rollover Contribution may not include Plan loans.
- (e) **Distributions.** The distribution provisions in Section 7.1 will apply to In-Plan Roth Rollover Contributions.
- (f) **Treatment of In-Plan Roth Rollover Contributions.** Notwithstanding any other provision of the Plan to the contrary, an In-Plan Roth Rollover Contribution is not a Rollover or Roth Rollover Contribution for purposes of the Plan. Except for amounts withheld pursuant to a voluntary withholding election, an In-Plan Roth Rollover Contribution will not be treated as a distribution for purposes of sections 72(p), 401(a)(11), or 411(d)(6)(B)(ii) of the Code. Amounts in a Participant's In-Plan Roth Rollover Account may only be withdrawn by a Participant when the Participant is eligible for a distribution from the Plan under Article VII.

## 7.9 Hurricane Harvey Relief

- (a) **Hardship Withdrawal.** A Participant who qualifies as a Hurricane Harvey Individual (as defined in Section 7.9(b)(i) below) may elect to withdraw amounts as follows on or after August 23, 2017 and before January 31, 2018 if



he or she can demonstrate the existence of a financial hardship, as defined below:

- (1) **Withdrawal Sources.** A Hurricane Harvey hardship withdrawal under this Section 7.9 will be made from the Participant's Pretax Account and Roth Account, excluding the portion attributable to any income or pledged as security for a loan, and in all cases not in excess of the amount of the financial hardship.
  - (2) **Financial Hardship.** A "financial hardship" is the existence of an immediate and heavy financial need which cannot reasonably be met by other resources available to the Hurricane Harvey Individual. A distribution hereunder is automatically treated as being made on account of an immediate and heavy financial need if it is for any Hurricane Harvey-related hardship (which may include expenses for food, shelter and clothing).
  - (3) **Deferral Suspension.** A Participant's Pretax Deferrals, Roth Contributions, Catch-Up Contributions and After-Tax Contributions will not be subject to a six-month suspension when taking a distribution under this Section 7.9.
  - (4) **Documentation.** Application shall be made on such forms and under such requirements as the Administrative Committee (or its delegatee) prescribes. Requirements for supporting documentation will be waived at the time of the request for a hardship withdrawal if documentation is unavailable; however, the Participant will be asked to provide supporting documentation as soon as feasible.
  - (5) **Distribution.** Once the Administrative Committee (or its delegatee) has approved the Participant's request for a withdrawal, the amount to be withdrawn will be based on the vested amounts in the Participant's Account eligible for withdrawal as set forth in Section 7.9(a)(1) above in a lump sum.
- (b) **Definitions.**
- (1) **"Hurricane Harvey Individual"** means a Participant whose principal residence; parent, grandparent, child or grandchild's principal residence; place of employment; or parent, grandparent, child or grandchild's place of employment was located in the Hurricane Harvey Disaster Area. The Committee will accept the Participant's representation that she or he constitutes a Hurricane Harvey Individual, unless the Administrative Committee (or its delegatee) has actual knowledge to the contrary.
  - (2) **"Hurricane Harvey Disaster Area"** means an area with respect to which a major disaster has been declared by the President of the United States before September 21, 2017, under section 401 of The Robert T. Stafford Disaster

## **Article 8. Participant Loans**

### **8.1 Availability of Loans**

The Administrative Committee, in accordance with the following, may make loans to Participants who are Active Participants or Inactive Participants (referred to for purposes of this Section as “Participants”) from the vested portion of the Participant’s Account. Loans shall (a) be made available on a reasonably equivalent basis, (b) not be made available to Highly Compensated Employees in an amount equal to a greater percentage of their vested Account balance or the percent made available to other loan applicants, (c) bear a reasonable rate of interest, and (d) be adequately secured by the Participant’s vested Account balance.

### **8.2 Amount of Loan**

No loan (when added to the outstanding balance of all other loans made by the Plan to the Participant) shall exceed the lesser of:

- (a) Fifty percent of the Participant’s vested Account, or
- (b) Fifty thousand dollars, reduced by the highest outstanding balance of his or her loans from the Plan during the one year period ending on the date the loan is made over the outstanding balance of all of his or her Plan loans on the date on which such loan was made.

For the purpose of this limitation, all loans from all plans of the Employer are aggregated.

### **8.3 Procedures for Loans**

The Administrative Committee shall promulgate written loan procedures which shall form part of the Plan which may include, but need not be limited to, the following information:

- (a) The identity of the persons or positions authorized to administer the loan program.
- (b) The procedure for applying for loans.
- (c) The basis on which loans will be approved or denied.
- (d) The limitations, if any, on the types and amount of loans offered.
- (e) The procedure under the program for determining a reasonable rate of interest.
- (f) The types of collateral which may secure a Participant’s loan.

- (g) The events constituting default and the steps that will be taken to preserve Plan assets in the event of such default.

In the event of any conflict between the loan procedures and the provisions of this section, the loan procedures shall control.

## **Article 9. Investment Elections**

### **9.1 Investment of Contributions**

All Pretax Deferrals, Roth Contributions, After-Tax Contributions, Adjustment Contributions, Catch-Up Contributions, Rollover Contributions, Roth Rollover Contributions, In-Plan Roth Rollover Contributions and loan repayments (both principal and interest) made by and on behalf of a Participant each Plan Year and amounts merged into the Plan shall be invested as the Participant shall designate in the Investment Funds then available in increments of 1 percent of the aggregate amount of such contributions. Participants may invest up to 30% of future Pretax Deferrals, Roth Contributions, Catch-Up Contributions, In-Plan Roth Rollover Contributions and After-Tax Contributions in the Oxy Stock Fund, but no new Rollover Contributions or Roth Rollover Contributions may be invested in the Oxy Stock Fund. Notwithstanding any provision to the contrary, a Participant may not transfer any investment into the Oxy Stock Fund if the amount a Participant holds under the Oxy Stock Fund exceeds 30% of the Participant's total Plan balance.

Each Participant may make the designation described above by making an election in accordance with procedures established by the Administrative Committee upon becoming a Participant and may change such election at any time by making another election in accordance with procedures established by the Administrative Committee. Any such election shall take effect as of the first available pay period after the election was received by the Administrative Committee.

The selection of any Investment Fund is the sole and exclusive responsibility of each Participant, and it is intended that the selection of an Investment Fund by each Participant be within the parameters of section 404(c) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and the regulations thereunder. Neither the Employer, Administrative Committee, Investment Committee nor any of the directors, officers, agents or Employees of the Employer are empowered to or shall be permitted to advise a Participant as to the manner in which his Accounts shall be invested or changed. No liability whatsoever shall be imposed upon the Employer, the Trustees, any Committee member, or any director, officer, agent or Employee of the Employer for any loss resulting to a Participant's account because of any sale or investment directed by a Participant under this section or because of the Participant's failure to take any action regarding an investment acquired pursuant to such elective investment.

In the event that a Participant fails, or continues to fail, to designate the Investment Fund in which Pretax Deferrals, Roth Contributions, After-Tax Contributions, Adjustment Contributions, Catch-Up Contributions, Rollover Contributions, Roth Rollover Contributions, In-Plan Roth Rollover Contributions, loan repayments, or amounts merged into the Plan that are to be invested, such amounts shall be invested in the Diversified Balance Fund.

Any amount previously defaulted into an Investment Fund due to a Participant's failure to designate an Investment Fund shall not be re-designated or transferred, unless the Participant otherwise transfers such amount in accordance with Plan section 9.2(a). The Diversified Balance Fund is the Plan's qualified default investment alternative, as this term is defined in Department of Labor Regulations section 2550.404c-5(e).

Matching Contributions made on behalf of a Participant shall be invested in the Oxy Stock Fund.

## 9.2 Transfers of Existing Balances

- (a) **General Rules.** Subject to any investment limitation or restriction imposed by the Investment Fund and except as provided in Plan section 9.5, each Participant, including Inactive Participants and Former Participants, as well as each Alternate Payee or spousal Beneficiary with an Account under the Plan may elect to transfer, in accordance with procedures established by the Administrative Committee, amounts invested in any Investment Fund to one or more Investment Funds then available in increments of 1 percent of the amount being transferred. If the election is received by the Administrative Committee by 4 p.m. (Central Time) on an Accounting Date, the transfer will be processed on that Accounting Date. Each election made under this Plan section shall be effective as of the first Accounting Date after the date in which notice thereof is received by the Administrative Committee. If the election is received by the Administrative Committee after 4 p.m. (Central Time) or on a date other than an Accounting Date, the transfer will be processed on the next Accounting Date. The Administrative Committee may impose such Investment Fund transfer fees as it deems reasonable and appropriate to defray the administrative expenses of the Plan. Any transfer of existing balances made under this Plan section does not affect the investment of future contributions, including loan repayments and amounts merged into this Plan, which will be invested as provided under Plan section 9.1 and the last investment election of the Participant filed thereunder.
- (b) **Oxy Stock Fund Transfers.** A vested Participant may not transfer any investment into the Oxy Stock Fund if the amount a Participant holds under the Oxy Stock Fund exceeds 30% of the Participant's total Plan balance.

- (c) **Qualified Plan Transfers.** Nothing contained in this Plan section shall be construed as preventing a Participant, including Inactive Participants and Former Participants, from having amounts allocated to his or her Account in any Investment Fund transferred to one or more other Investment Funds for the purpose of facilitating an asset transfer to the trustee of a Qualified Plan sponsored by a purchaser or the subsidiary of a purchaser as a result of a transaction involving the sale by the Company or an Affiliate of either all or substantially all of the outstanding common stock of an Affiliate or all or substantially all of the assets of a facility, under circumstances where the Participant or Inactive Participant is employed by the Affiliate or at the facility that is the subject of the sale.

### 9.3 Transfer of Assets

The Administrative Committee shall direct the Trustee to transfer monies or other property between Investment Funds as soon as is practicable after each Accounting Date to the extent required to carry out the aggregate contribution and transfer transactions as of such Accounting Date after the necessary entries have been made in the Accounts and offsetting transfer elections have been reconciled, in accordance with uniform rules established by the Administrative Committee.

### 9.4 Reserved

### 9.5 Matching Account Diversification Rights After August 1, 2004

This section is effective August 2, 2004 and shall apply notwithstanding any contrary provision of this Plan.

- (a) **Diversification Elections After August 1, 2004.** A Qualified Participant shall have the right to transfer to other available Investment Funds, in accordance with Plan section 9.2, up to 100 percent of the current market value of the number of Units in the Oxy Stock Fund credited to his Matching Account.
- (b) **No Reinvestment.** For the period from July 1, 2006 through March 30, 2007, the number of Units in a Qualified Participant's Matching Account that have been transferred out of the Oxy Stock Fund as described in subsection (a) above may not be reinvested the Oxy Stock Fund.
- (c) **Election Procedures.** Elections to transfer amounts from the Oxy Stock Fund among available Investment Funds shall be made pursuant to procedures established by the Administrative Committee. Each election made under this section shall be effective as of the first Accounting Date after the date on which the Administrative Committee properly receives the election.

- (d) **Authority.** The Investment Committee shall have the authority to take any actions as may be appropriate or necessary to ensure the proper operation of the Plan and investment in the Oxy Stock Fund consistent with the provisions of this section.
- (e) **Qualified Participant.** For purposes of this section, a “Qualified Participant” means:
- (1) Effective August 2, 2004, a Participant, who has completed at least 10 years of Service under the Plan and has attained age 55;
  - (2) Effective January 1, 2005, a Participant, who has completed at least 10 years of Service under the Plan and has attained age 50;
  - (3) Effective March 1, 2005, a Participant, who has completed at least 5 years of Service under the Plan and has attained age 50;
  - (4) Effective July 1, 2006, a Participant, who has completed at least 5 years of Service under the Plan; and
  - (5) Effective January 1, 2007, a Participant, who has completed at least 3 years of Service under the Plan.
  - (6) Effective January 1, 2015, any Active Participant, regardless of the individual’s years of Service under the Plan.

Until July 1, 2006, the Service requirement described in paragraphs (1) through (4) must be met on or before a Participant incurs a Separation from Service. As of July 1, 2006, a Qualified Participant includes a Former Participant who has incurred a Separation from Service but only with respect to the portion of the vested portion of the Participant’s Matching Account as of his Separation from Service.

## **Article 10. Participant Accounts and Records of the Plan**

### **10.1 Accounts and Records**

The Participant’s Pretax Account, Roth Account, Matching Account, After-Tax Account, Rollover Account, Roth Rollover Account and In-Plan Roth Rollover Account shall be assigned a subaccount for each Investment Fund in which the Account is invested. Each such subaccount shall be maintained and valued separately from all other subaccounts. The Administrative Committee shall maintain records relative to a Participant’s Accounts so that there may be determined as of any Accounting Date the current market value of his Accounts in the Trust Fund.

Each Participant, Alternate Payee and Beneficiary with an Account shall be advised from time to time, at least once each Plan Year, as to the value of his or her Account and the portions thereof attributable to his or her Matching Account and the sum of his or her Pretax

Account, Roth Account, Matching Account, After-Tax Account, Rollover Account, Roth Rollover Account and In-Plan Roth Rollover Account and to the various Investment Funds.

## **10.2 Account Value**

As of any given date for which determination of the value of an Account is required, such value shall equal the sum of the value of Pretax Account, Roth Account, Matching Account, After-Tax Account, Rollover Account, Roth Rollover Account and In-Plan Roth Rollover Account as of the preceding Accounting Date plus any additional contributions withheld or paid and less the amount of any withdrawals from such Account after the Accounting Date and prior to the date of determination.

## **10.3 Investment Funds**

The Trust Fund shall consist of the Investment Funds, and each Account invested in an Investment Fund shall have an undivided proportionate interest in that Investment Fund. The Investment Committee shall have the right to determine the number of Investment Funds to be maintained by the Plan, and to increase or decrease that number from time to time as it deems appropriate. The Investment Committee shall establish additional Investment Funds or eliminate existing Investment Funds. In so doing, the Investment Committee shall implement and carry out investment objectives and policies which it shall establish and maintain.

## **10.4 Unit Value of Investment Funds**

As of each Accounting Date, the Trustee shall determine the fair market value of the assets of each Investment Fund, and shall notify the Administrative Committee of the value so determined. Assets for which there is a readily ascertainable market shall be valued by the Trustee at their fair market value, determined by the last known public sale on the Accounting Date as of which the market value is determined. In the absence of a sale on the Accounting Date, the fair market value of such assets, as well as other assets for which there is no readily ascertainable fair market value, shall be determined by the Trustee in such consistent manner as the Trustee shall consider appropriate.

## **10.5 Calculation of Unit Value**

The Trustee shall divide the aggregate value of the assets of each Investment Fund, as so determined, by the total number of outstanding Units in such Investment Fund on the Accounting Date. The result obtained shall be the new value of each Unit, or "Unit value," as of the Accounting Date. The Unit value for all Investment Funds shall be ten dollars on the first Accounting Date in 1999.

## **10.6 Valuation Adjustments**

As of each Accounting Date, after the Units in each Investment Fund have been revalued, the Administrative Committee shall adjust the balances in the Accounts in the respective Investment Funds of the Trust Fund, upward or downward, in proportion to the Account balance in the Investment Fund as of the previous Accounting Date. As a result, the sum of such Account balances will equal the net value of each Investment Fund of the Trust Fund as

of that Accounting Date. The subaccounts shall then, when appropriate, be credited with additional Units by dividing the dollar amount of contributions, fund transfers, loan repayments, and dividends paid with respect to Oxy Stock to be allocated to each subaccount on that Accounting Date by the newly calculated value of a Unit in the Investment Fund.

#### **10.7 Debiting of Accounts upon Distribution, Withdrawal, Loan or Charge**

Any Units distributed or withdrawn from an Account (including any Units debited as a result of an Investment Fund transfer fee or redemption fee imposed pursuant to Plan section 9.2) shall be charged to the respective subaccounts in each Investment Fund as of the date the benefit or charge is payable. The amount distributable or chargeable to the Account shall be equal to the number of Units distributed or charged from the Account multiplied by the Unit value determined as of the Accounting Date immediately preceding the date as of which the distribution or charge is payable.

#### **10.8 Unit Value upon Transfer of Investment Funds**

Participants, Alternate Payees and Beneficiaries electing to transfer from one Investment Fund to another under Plan section 9.2 shall, as of the Accounting Date of the transfer, have their Accounts in the Investment Fund from which the transfer is made charged and their Accounts in the Investment Fund to which the transfer is made credited, based upon the applicable Investment Fund Unit values in effect as of the Accounting Date.

#### **10.9 Oxy Stock Fund Valuation**

The balance of each Matching Account and, separately, any other portion of the Account invested in the Oxy Stock Fund shall be maintained in full and fractional Units.

All Oxy Stock acquired by the Oxy Stock Fund, including, but not by way of limitation, Oxy Stock contributed directly by the Employer or purchased with the contributions, Oxy Stock purchased with cash dividends paid in respect of Oxy Stock, Oxy Stock acquired from stock dividends and stock splits, and Oxy Stock purchased with the proceeds of the sale or exchange of warrants, rights or dividends in kind distributed in respect of Oxy Stock, shall be allocated to the Accounts based on the portion of the Account invested in the Oxy Stock Fund as of the Accounting Date in which the Oxy Stock is acquired.

For the purpose of valuing an Account in connection with any withdrawal or loan under the provisions of the Plan or for the purpose of any distribution in kind or partly in kind, shares of Oxy Stock shall be valued as of the Accounting Date of the withdrawal, loan, or distribution based on the closing quotation on the New York Stock Exchange on the Accounting Date in which such withdrawal, loan, or distribution is made; provided, however, that if shares of Oxy Stock are sold in connection with such a withdrawal, loan, or distribution, the shares sold shall be valued at the net proceeds received from such sale. If the closing price of such Oxy Stock shall not be so quoted or if so quoted shall not be available to the Administrative Committee, a composite index price or other price which shall be



generally accepted for the establishment of fair market value shall be used for the purpose of so valuing the Account.

For the purpose of valuing an Account in connection with any transfer under the provisions of the Plan, shares of Oxy Stock shall be valued as of the effective date of the transfer based on the closing quotation on the New York Stock Exchange on the Accounting Date in which such transfer is made; provided, however, that if shares of Oxy Stock are sold in connection with such transfer, the shares sold shall be valued at the net proceeds received from such sale. If the closing price of such Oxy Stock shall not be so quoted or if so quoted shall not be available to the Administrative Committee, a composite index price or other price which shall be generally accepted for the establishment of fair market value shall be used for the purpose of so valuing the Account.

#### **10.10 Value of Accounts**

The value of the balance of any Account as of any Accounting Date shall equal:

- (a) The number of Units credited to the Account as of that date, including Units credited on that date pursuant to Plan section 10.6, multiplied by the Unit value determined as of the Accounting Date, plus
- (b) Any uninvested cash in the Account.

#### **10.11 Cost Account**

The Trustee shall maintain records so that the cost or "basis" (for tax purposes) of the Oxy Stock allocated to an Account may be determined as of any Accounting Date. Whenever shares of Oxy Stock are distributed from the Account, such shares shall be assigned a cost equal to the average cost of all shares allocated at the same time in accordance with rules and procedures adopted for the purpose by the Administrative Committee.

#### **10.12 Rollover and Roth Rollover Contributions**

- (a) Subject to the Administrative Committee's approval and in accordance with uniform and nondiscriminatory procedures adopted by the Administrative Committee, Active or Inactive Participants may contribute, under the conditions specified in this Plan section, to this Plan any of the amounts specified as Rollover Contributions or Roth Rollover Contributions. Rollover Contributions will be held in the Participant's Rollover Account. Roth Rollover Contributions will be held in the Participant's Roth Rollover Account.
- (b) The amount must have been received by or on behalf of the Participant as an eligible rollover distribution, as defined in Code section 402(c)(4).
  - (1) In the case of direct rollovers, the distribution must be received directly from:
    - (A) A Qualified Plan;

- (B) A qualified plan described in Code section 403(a);
  - (C) An annuity contract described in Code section 403(b);
  - (D) An eligible plan under Code Section 457(b) which is maintained by a state, a political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state; or
  - (E) A Roth IRA described in Code Section 408A(b).
- (2) In the case of a rollover by the Participant, as opposed to a direct rollover, the Participant must have received the distribution no more than 60 days (unless the 60-day rollover deadline has been waived by the Internal Revenue Service pursuant to Code section 402(c)(3), or the Participant makes a written certification to the Plan that satisfies Section 3.02 of Revenue Procedure 2016-47) earlier from:
- (A) A plan described in paragraph (1), except that any Roth amounts must be received as a direct rollover, or
  - (B) An individual retirement account or annuity described in Code section 408(a) or 408(b) that only includes amounts contributed to such account or annuity that had been rollover contributions from a plan described in paragraph (1).
- (3) On a uniform and nondiscriminatory basis, the Administrative Committee or the Company may permit direct rollovers of promissory notes in connection with a loan under a Qualified Plan pursuant to Treasury Regulations section 1.401(a)(31)-1, Q&A-16. The Administrative Committee may establish such reasonable procedures as it deems necessary to facilitate the direct rollover of the promissory notes and to ensure that after the rollover, each loan under the Plan complies with Code section 72(p), ERISA section 408(b)(1), and the regulations thereunder. By way of illustration and not limitation, the Administrative Committee may reamortize directly rolled over loans to accommodate repayment of the loans in conjunction with the payroll schedules of an Employer so as to comply with the maximum permitted term of the loan, or may require a Participant to execute such modification to an existing loan that is rolled over, as the Administrative Committee deems, in its sole discretion, necessary to comply with Code section 72(p), ERISA section 408(b)(1), or the regulations thereunder.
- (c) Before accepting an amount as a Rollover or Roth Rollover Contribution, the Administrative Committee may require such information and documents it deems necessary or appropriate to establish that the contribution will satisfy the requirements of this Plan section and that receipt of the contribution will not adversely affect the qualified status of this Plan. To the extent deemed

necessary or appropriate by the Administrative Committee, such information may include copies of one or more of the following: IRS Form 1099, a distribution statement, the distribution check, certifications from the Participant, and statements from the administrator of the transferor plan that such plan had received a favorable determination letter from the Internal Revenue Service.

- (d) Rollover and Roth Rollover Contributions, other than a promissory note evidencing a Participant loan that is rolled over, shall be invested in such Investment Funds as the Participant shall select, in accordance with such rules as are provided in Article 9, or in accordance with other procedures approved by the Administrative Committee. Rollover and Roth Rollover Contributions to this Plan will not be accepted unless the Participant has made an affirmative investment election with respect to his or her Rollover or Roth Rollover Account under Article 9. Notwithstanding the foregoing, in no event shall Rollover or Roth Rollover Contributions be invested in the Oxy Stock Fund.
- (e) If a Rollover or Roth Rollover Contribution is made to this Plan and the Administrative Committee later determines that the contribution did not satisfy the requirements of this Plan section, then the Rollover or Roth Rollover Contribution, plus any earnings attributable to the Rollover or Roth Rollover Contribution, shall be distributed to the Participant, within a reasonable time after the Administrative Committee's determination. The Administrative Committee may use any reasonable method to determine the amount of earnings attributable to the Rollover or Roth Rollover Contribution.
- (f) The balance in a Participant's Rollover or Roth Rollover Account shall be distributed at the same time and in the same manner as other amounts in the Participant's Account. Any questions concerning entitlement to a distribution of a Rollover or Roth Rollover Account shall be resolved by adding the term "and Rollover or Roth Rollover Account" in each place where the term "Account" appears in Article 7.

#### **10.13 Merger of the THUMS Long Beach Company Savings and Investment Plan**

Effective as of October 31, 2011, the THUMS Long Beach Company Savings and Investment Plan is merged with and into this Plan. The entire interest of each individual, who was a participant in the THUMS Long Beach Company Savings and Investment Plan on October 28, 2011, shall be transferred to this Plan and Appendix H shall control the treatment of such interest as stated therein.

### **Article 11. Financing**

## 11.1 Trust Fund

The Company shall maintain a trust to finance the benefits under the Plan, by entering into one or more Trust Agreements or insurance contracts approved by the Company, or by causing insurance contracts to be held under a Trust Agreement. Any Trust Agreement is designated as and shall constitute a part of this Plan, and all rights which may accrue to any person under this Plan shall be subject to all the terms and provisions of such Trust Agreement. A Trustee shall be appointed by the Board and shall have such powers as provided in the Trust Agreement. The Company may modify any Trust Agreement or insurance contract from time to time to accomplish the purposes of the Plan and may replace any insurance company or appoint a successor Trustee or Trustees. By entering into such Trust Agreements or insurance contracts, the Company shall vest in the Trustee, or in one or more investment managers (as defined under ERISA) appointed under the terms of the Trust Agreement from time to time by action of the Investment Committee, responsibility for the management and control of the Trust Fund. In the event the Investment Committee appoints any such investment manager, the Trustee shall not be liable for the acts or omissions of the investment manager or have any responsibility to invest or otherwise manage any portion of the Trust Fund subject to the management and control of the investment manager. The Investment Committee from time to time shall establish a funding policy which is consistent with the objectives of the Plan and shall communicate it to the Trustee and each investment manager so that they may coordinate investment policies with such funding policy.

## 11.2 Oxy Stock Fund

- (a) **General Rules.** The Oxy Stock Fund shall consist of shares of Oxy Stock and cash or cash equivalents that are held pending investment in Oxy Stock. Investment in such shares shall be made from time to time by a direct issue of Oxy Stock from the Company or by purchase from securities dealers or by private purchase at such prices and in such amounts as the Trustee may determine in its absolute and complete discretion. However, no private purchase of such shares shall be made at a total cost greater than the total cost (including brokers' fees and other expenses of purchase) of purchasing such shares at the then prevailing price of such shares on the open market, such prevailing price to be determined by the Trustee as nearly as practicable based on the most recent public trading prices for the Oxy Stock. The Trustee may match purchases and sales to satisfy investment elections, withdrawals, loans and distributions of Participants.

The Trustee in its discretion may limit the daily volume of its purchases or sales of Oxy Stock to safeguard interest of Participants or comply with legal or exchange requirements. If the Trustee limits daily volume then the purchase prices or sale proceeds, as the case may be, during the period of volume limitations, shall be averaged, and the average per share price or sale proceeds shall be used in determining the cost or proceeds to be applied in satisfaction of any order of a

Participant which requires the Trustee to purchase or sell Oxy Stock during such period.

All Oxy Stock purchased by the Trustee shall be registered in the name of the Trustee or its nominee, and legal title to such Oxy Stock shall remain in the Trustee until the Participant shall become entitled to distribution thereof pursuant to this Plan.

The Trustee in its own discretion may invest funds awaiting investment in Oxy Stock in short-term obligations, including obligations of the United States of America or any agency or instrumentality thereof, trust and participation certificates, beneficial interests in any trust, and such other short-term obligations as the Trustee deems to be appropriate for such interim investment purposes.

In the event any option, right or warrant is received by the Trustee on Oxy Stock, the Trustee shall sell the same at public or private sale and at such price and upon such other terms as it may determine, unless the Investment Committee shall determine that such option, right or warrant should be exercised, in which case the Trustee shall exercise the same upon such terms and conditions as the Investment Committee may prescribe.

- (b) **Election Restrictions for Officers.** Investment elections of Company officers shall be limited, if necessary, so that the beneficial interest in the Oxy Stock held by the Trust Fund for their Accounts shall not exceed, in the aggregate, 20 percent of the total value of all securities and other assets held by the Trust Fund in all Investment Funds. For purposes of this section, the term “officers” shall have the same meaning as set forth in Regulations section 240.3-b-2 promulgated pursuant to section 3(b) of the Securities Exchange Act of 1934.
- (c) **Voting Rights.** Before each annual or special meeting of the shareholders of the Company, and at such other times when shareholder action is required, the Trustee shall send to each Participant, Beneficiary and Alternate Payee who has an investment in Oxy Stock through the Oxy Stock Fund, the proxy or consent solicitation materials that are sent to the Company’s shareholders of record. Each such Participant, Beneficiary and Alternate Payee shall have the right to instruct the Trustee confidentially as to the method of voting the shares of Oxy Stock allocated to the Account (through investment in the Oxy Stock Fund) as of the record date for determining the shares that are entitled to vote at the meeting of shareholders or that are entitled to give or withhold consent to corporate action. The Trustee in accordance with the instructions received from the Participant, Beneficiary, or Alternate Payee shall vote such full and fractional shares of Oxy Stock. The Administrative Committee shall instruct the Trustee as to the method of voting shares of Oxy Stock for which timely voting instructions are not received from Participants, Beneficiaries or Alternate Payees. The Trustee shall not vote shares of Oxy Stock for which it does not receive voting instructions from Participants, Beneficiaries, Alternate Payees or

the Administrative Committee. The Company shall ensure that the requisite voting forms, together with all information distributed to shareholders regarding the exercise of voting rights, are furnished to the Trustee and by the Trustee to such Participants, Beneficiaries and Alternate Payees within a reasonable time before such voting rights are to be exercised with respect to Oxy Stock held in the Oxy Stock Fund.

- (d) **Distribution or Reinvestment of Cash Dividends.** In accordance with procedures set forth in this subsection, as implemented by the Administrative Committee, each Participant who is a Participant in the ESOP portion of this Plan may make the dividend pass-through election described in this subsection with respect to dividends paid on or after June 1, 2002 on Oxy Stock held in the Oxy Stock Fund attributable to the Participant's Matching Account and with respect to dividends paid on or after July 19, 2007 on all Oxy Stock held in the Oxy Stock Fund. The dividends on which the dividend pass-through election may be made are referred to as Eligible Dividends. Cash dividends that are not Eligible Dividends and cash proceeds from any other distribution received on Oxy Stock shall be invested in Oxy Stock.
- (1) **Pass-Through Election.** With respect to Eligible Dividends, the Participant may elect between:
- (A) Either:
- (i) The cash payment of Eligible Dividends directly to the Participant; except, effective August 8, 2016, if the amount of Eligible Dividends is less than \$10.00, then the Eligible Dividends will be reinvested pursuant to Subsection (B) below; or
  - (ii) If permitted by the Administrative Committee, the payment of Eligible Dividends to the Participant's Matching Account, Pretax Account, Roth Account, After-Tax Account, Rollover Account, Roth Rollover Account and In-Plan Roth Rollover Account (based on the subaccount from which the Eligible Dividend is derived) followed by the distribution of Eligible Dividends in cash to the Participant not later than 90 days after the close of the Plan Year in which the Eligible Dividends were paid by the Company; and
- (B) The payment of Eligible Dividends to the Participant's Matching Account, Pretax Account, Roth Account, After-Tax Account, Rollover Account, Roth Rollover Account and In-Plan Roth Rollover Account (based on the subaccount from which the Eligible Dividend is derived) and reinvestment in Oxy Stock through the Oxy Stock Fund.

If the Participant does not make an affirmative election, he shall be deemed to have elected the reinvestment of Eligible Dividends pursuant to subparagraph (B). Any earnings on Eligible Dividends shall not be distributed pursuant to subparagraph (A)(ii), but any losses on such Eligible Dividends shall reduce the amount that can be distributed to the Participant under such provision. The Participant's election in effect on the ex-dividend date for the Eligible Dividend shall control. A Participant may not split his election between subparagraph (A) and subparagraph (B) with respect to any single Eligible Dividend payment date.

- (2) **Election Requirements.** The dividend pass-through election shall meet the following minimum requirements:
- (A) A Participant must be given a reasonable opportunity before Eligible Dividends are paid or distributed in which to make the election.
  - (B) A Participant must have a reasonable opportunity to change a dividend election at least annually.
  - (C) If there is a change in the Plan terms governing the manner in which Eligible Dividends are paid or distributed, a Participant must be given a reasonable opportunity to make an election under the new Plan terms prior to the date on which the first Eligible Dividend subject to the new Plan terms is paid or distributed.
  - (D) No election shall be applied retroactively; elections shall apply only to future dividend allocations.
- (3) **Treatment of Eligible Dividends.** Eligible Dividends shall be treated as follows for purposes of the Plan:
- (A) A Participant shall at all times be fully vested in any Eligible Dividends with respect to which the Participant is offered a dividend pass-through election. The Participant shall be fully vested regardless of whether the Eligible Dividends are paid in cash or reinvested in Oxy Stock allocated to the Participant's Account and regardless of whether the Participant is vested or nonvested in other amounts held in his Matching Account.
  - (B) Eligible Dividends, whether paid in cash to the Participant or reinvested in the Plan, do not constitute an Annual Addition. In addition, reinvested Eligible Dividends do not constitute elective deferrals, within the meaning of Code section 402(g)(3), and shall not be treated as Pretax Deferrals, Roth Contributions or other elective deferrals, under the ADP Test, or After-Tax Contributions, Adjustment Contributions or Matching Contributions under the ACP Test.

- (C) Eligible Dividends that are reinvested in Oxy Stock pursuant to a Participant's election under this subsection are treated as earnings in the same manner as dividends with respect to which a Participant is not provided a dividend pass-through election.
- (D) Eligible Dividends paid in cash pursuant to a Participant's election under this subsection:
  - (i) Are not subject to the consent requirements of Code section 411(a)(11) or the restrictions on the distributions of elective deferrals under Code section 401(k)(2)(B), notwithstanding any Plan provision to the contrary; and
  - (ii) Do not constitute an Eligible Rollover Distribution (as determined under Plan section 7.7(b)(4)), even if the dividends are distributed at the same time as amounts that do constitute an Eligible Rollover Distribution.

- (4) **Alternate Payees and Beneficiaries.** Subject to such rules as the Administrative Committee may prescribe, Alternate Payees and Beneficiaries shall be treated as Participants for purposes of this subsection.

### **11.3 Forfeitures**

The Administrative Committee may use forfeitures occurring in any processing period to pay the reasonable costs of administering the Plan to the maximum extent permitted by ERISA or to reduce Matching Contributions of all Employers without regard to whether the forfeitures are attributable to persons employed by any individual Employer for such processing period or future processing periods. If the amount of allocable forfeitures occurring in a processing period exceeds the amount of Employer contributions for such processing period, then the excess shall be deposited in a separate account. Effective December 1, 2016, or as soon as practicable thereafter but in no event later than December 31, 2016, such amounts will be deposited into a separate "Forfeiture Account," invested in the Stable Value Fund, defined in Appendix B(a) of the Plan, or such other fund as determined within the discretion of the Administrative Committee, and such amounts will be considered Plan assets and allocated in lieu of Employer contributions in succeeding pay periods, used to pay the reasonable expenses of administering the Plan or allocated among Participants as additional contributions. If the Plan terminates while a balance in the Forfeiture Account exists, the balance shall be allocated to Participants per capita to the extent of the maximum amount permitted under Plan section 6.6. Forfeitures shall be used before the end of the Plan Year in which the forfeitures occurred to the extent administratively feasible.

### **11.4 Non-Reversion**

Anything in this Plan to the contrary notwithstanding, it shall be impossible at any time for the contributions of the Employer or any part of the Trust Fund to revert to the Company or



an Affiliate or to be used for or diverted to any purpose other than the exclusive benefit of Participants or their Beneficiaries, except that:

- (a) If a contribution or portion thereof is made by the Employer by a mistake of fact, upon written request to the Administrative Committee, such contribution or such portion, reduced by losses but not increased by earnings, shall be returned to the Employer within one year after the date of payment; and
- (b) In the event that a deduction for any contributions made by the Employer is disallowed by the Internal Revenue Service in any Plan Year, then that portion of the Employer contribution that is not deductible shall be returned to the Employer within one year from the date of receipt of notice by the Internal Revenue Service of the disallowance of the deduction.

### **11.5 Direct Transfer of Assets from Plans of Acquired Entities**

The Trust Agreement shall permit the direct receipt of assets which are transferred directly to the Trust Fund from the trustees of any other Qualified Plan sponsored, at the time of the applicable transaction, by entities which are the subject of purchase transactions made by the Company or an Affiliate.

### **11.6 Pension Expense Reimbursement Account (“PERA”)**

Effective on or after August 8, 2016, the Administrative Committee in its discretion may decide to use revenue sharing payments (*i.e.*, float income earned on uninvested cash and all other revenue, if any, received from the investments in the Plan (other than operating expenses paid by mutual fund shareholders generally, whether via rebates or otherwise, that are reflected in the net asset values of such mutual fund shares)) for approved ERISA expenses. Effective December 1, 2016, or as soon as practicable thereafter but in no event later than December 31, 2016, such amounts as well as Participant-paid fees (including loan initiation fees and QDRO fees) and Plan-imposed excessive trading fees will be deposited into a separate “ERISA Account,” invested in the Stable Value Fund, defined in Appendix B(a) of the Plan, or such other fund as determined within the discretion of the Administrative Committee, and such amounts will be considered Plan assets. Amounts in the ERISA Account must be used for the direct benefit of Plan Participants, and any balances remaining in the ERISA Account at year end must be used by the end of the first quarter of the next Plan Year. Alternatively, the year-end balance must be allocated to Participant Accounts after this deadline. Approved ERISA expenses will include those reasonable, necessary and direct expenses incurred by the Plan for services provided by the Plan’s Trustee, recordkeeper or other service providers.

## **Article 12. Administration**

### **12.1 The Administrative Committee**

The Plan shall be administered by an Administrative Committee appointed by the Board. The Administrative Committee shall be composed of as many members as the Board may appoint from time to time, but not fewer than three members, and shall hold office at the discretion of the Board. Such members may, but need not, be Employees of the Company or any Affiliate.

Any member of the Administrative Committee may resign by delivering his or her written resignation to the Board and to the Administrative Committee Secretary. Such resignation shall be effective no earlier than the date of the written notice.

Vacancies in the Administrative Committee arising by resignation, death, removal, or otherwise, shall be filled by the Board. The Administrative Committee shall be a fiduciary under the Plan, in accordance with ERISA.

## **12.2 Chairperson, Secretary, and Employment of Specialists**

The members of each of the Investment Committee and Administrative Committee shall elect one of their number as Chairperson and shall elect a Secretary who may, but need not, be a member of such Committee. They may authorize one or more of their number or any agent to execute or deliver any instrument or instruments on their behalf, and may employ such counsel, auditors, and other specialists and such clerical, medical, actuarial, and other services as they may require in carrying out the provisions of the Plan.

## **12.3 Compensation and Expenses**

The members of the Investment Committee and Administrative Committee who are Employees shall serve without compensation for services as a member of such Committee. Any member of a Committee may receive reimbursement by the Company of expenses properly and actually incurred.

All expenses of administration may be paid out of the Trust Fund, to the maximum extent permitted by ERISA, unless paid by the Company. Such expenses shall include any expenses incident to the functioning of the Administrative Committee and the Investment Committee, including but not limited to, fees of accountants, counsel, and other specialists and their agents, and other costs of administering the Plan. Until paid, the expenses shall constitute a liability of the Trust Fund. However, the Company may reimburse the Trust Fund for any administration expense incurred. The Company reserves the right to charge the Accounts for reasonable expenses incurred in the administration of their Accounts. Any such charges shall be used to pay the costs of administering this Plan in the manner described in Plan section 11.3. The Company will make full disclosure of the amount and nature of any such charge prior to its imposition.

## **12.4 Manner of Action**

A majority of the members of the Investment Committee and Administrative Committee at the time in office shall constitute a quorum for the transaction of business. All resolutions adopted, and other actions taken by a Committee at any meeting shall be by the vote of a majority of those present at any such meeting. Upon obtaining the written consent of a

majority of the members at the time in office, action of a Committee may be taken otherwise than at a meeting.

### **12.5 Subcommittees**

Each of the Investment Committee and Administrative Committee may appoint one or more subcommittees and delegate such of its power and duties as it deems desirable to any such subcommittee, in which case every reference herein made to such Committee shall be deemed to mean or include the subcommittees as to matters within their jurisdiction. The members of any such subcommittee shall consist of such officers or other Employees of the Company and such other persons as such Committee may appoint.

### **12.6 Other Agents**

Each of the Board, the Company, the Administrative Committee and the Investment Committee may also appoint one or more persons or agents to aid it in carrying out its duties as fiduciary or nonfiduciary, and delegate such of its powers and duties as it deems desirable to such person or agents.

### **12.7 Records**

All resolutions, proceedings, acts, and determinations of each of the Administrative Committee and the Investment Committee shall be recorded by the Secretary thereof or under the Secretary's supervision, and all such records, together with such documents and instruments as may be necessary for the administration of the Plan, shall be preserved in the custody of the Secretary.

### **12.8 Rules**

Subject to the limitations contained in the Plan, each of the Administrative Committee and the Investment Committee shall be empowered from time to time in its discretion to adopt by-laws and establish rules for the conduct of its affairs and the exercise of the duties imposed upon it under the Plan.

### **12.9 Administrative Committee's Powers and Duties**

Except as otherwise provided in this Plan, the Company shall have responsibility for any settlor powers, functions or duties, including, without limitation, the right to amend or terminate the Plan as set forth in Plan section 13.1. The Administrative Committee shall have responsibility for the general administration of the Plan and for carrying out the Plan's provisions. The Administrative Committee shall have such powers and duties as may be necessary to discharge its functions hereunder, including, but not limited to, the following:

- (a) To construe and interpret the Plan, to supply all omissions from, correct deficiencies in and resolve ambiguities in the language of the Plan and Trust; to decide all questions of eligibility and determine the amount, manner, and time of payment of any benefits hereunder;

- (b) To make a determination as to the right of any person to an allocation, and the amount thereof;
- (c) To obtain from the Employees such information as shall be necessary for the proper administration of the Plan and, when appropriate, to furnish such information promptly to the Trustee or other persons entitled thereto;
- (d) To prepare and distribute, in such manner as the Company determines to be appropriate, information explaining the Plan;
- (e) To establish and maintain such accounts in the name of each Participant as are necessary;
- (f) To instruct the Trustee with respect to the payment of benefits hereunder;
- (g) To provide for any required bonding of fiduciaries and other persons who may from time to time handle Plan assets;
- (h) To prepare and file any reports required by ERISA;
- (i) To engage an independent public accountant to conduct such examinations and to render such opinions as may be required by ERISA;
- (j) To select, engage, monitor and terminate the performance of third-party administrators and other service providers and develop policies with respect to service provider contracts to ensure that fees paid are reasonable;
- (k) To allocate contributions, loan repayments and Trust Fund gains or losses to the Accounts of Participants;
- (l) To take all steps it deems reasonable to correct any references or omissions that may arise in the operation of the Plan, which include taking any and all steps permitted under the Employee Plans Compliance Resolution System, the Voluntary Fiduciary Correction Program, or any other program of correction; and
- (m) To designate Affiliates as Employers as described in Plan section 14.1.

#### **12.10 Investment Responsibilities**

The Investment Committee shall have the authority and responsibility to direct the Trustee with respect to the investment and management of the Trust Fund, and to establish a funding policy and method consistent with the objectives of the Plan and the requirements of ERISA. Except as otherwise provided in ERISA, the Investment Committee may delegate such authority and responsibility to direct the Trustee or any person who acknowledges in writing that it is a fiduciary with respect to the Plan and who provides the Investment Committee with a written affirmation that it is qualified to act as an investment manager within the meaning of ERISA. If the Investment Committee delegates to an investment manager the

authority and responsibility to so direct the Trustee, such investment manager, and not the Investment Committee or the Trustee, shall have sole responsibility for the investment and management of so much of the Trust Fund as has been entrusted to his management and control, and, except to the extent otherwise required by ERISA, such delegation shall relieve the Investment Committee and the members thereof of all duties and responsibilities with respect to the authority and responsibility so delegated.

The Investment Committee may relinquish to the Trustee the Investment Committee's power to direct the Trustee with respect to the investment and management of the Trust Fund. In the event the Investment Committee so relinquishes said power to the Trustee and the Trustee accepts such responsibility in writing, the Trustee shall have sole and exclusive power and responsibility with respect to the investment and management of the Trust Fund. The Investment Committee may regain the power so relinquished by appropriate Investment Committee action and notice to the Trustee.

#### **12.11 Administrative Committee's Decisions Conclusive**

The Administrative Committee shall have the exclusive right and discretionary authority to interpret the terms and provisions of the Plan, apply the facts to the terms of the Plan, and resolve all questions arising hereunder, including the right to resolve and remedy ambiguities, inconsistencies, or omissions in the Plan, provided, however, that the construction necessary for the Plan to conform to the Code and ERISA shall in all cases control. The Administrative Committee also shall have discretionary authority to make any factual determinations under the Plan. Benefits under this Plan will be paid only if the Administrative Committee decides in its discretion that the applicant is entitled to them. The Administrative Committee shall endeavor to act in such a way as not to discriminate in favor of any class of Employees, Participants, or other persons. Any and all disputes with respect to the Plan that may arise involving Participants, Beneficiaries or Alternate Payees shall be referred to the Administrative Committee and its decisions shall be final, conclusive, and binding. All findings of fact, interpretations, determinations, and decisions of the Administrative Committee in respect of any matter or question arising under the Plan shall be final, conclusive, and binding upon all persons, including, without limitation, Employees, Participants, Beneficiaries, Alternate Payees, and any and all other persons having, or claiming to have, any interest in or under the Plan. The factual determinations and decisions of the Administrative Committee shall be given the maximum possible deference allowed by law.

#### **12.12 Indemnity**

- (a) To the extent permitted by the Company's bylaws and applicable law, the Company shall indemnify and hold harmless each of the following persons ("Indemnified Persons") under the terms and conditions of subsection (b):
  - (1) Each Affiliate;
  - (2) Each member of the Administrative Committee

- (3) Each member of the Investment Committee; and
  - (4) Each Employee or member of the Board who has responsibility (whether by delegation from another person, an allocation of responsibilities under the terms of this Plan document, or otherwise) for a fiduciary duty, a nonfiduciary settlor function (such as deciding whether to approve a plan amendment), or a nonfiduciary administrative task relating to the Plan.
- (b) The Company shall indemnify and hold harmless each Indemnified Person against any and all claims, losses, damages, and expenses, including reasonable attorney's fees and court costs, incurred by that person on account of his good faith actions or failures to act with respect to his responsibilities relating to the Plan. The Company's indemnification shall include payment of any amounts due under a settlement of any lawsuit or investigation, but only if the Company agrees to the settlement.
- (1) An Indemnified Person shall be indemnified under this section only if he notifies an Appropriate Person at the Company of any claim asserted against or any investigation of the Indemnified Person that relates to the Indemnified Person's responsibilities with respect to the Plan.
    - (A) A person is an "Appropriate Person" to receive notice of the claim or investigation if a reasonable person would believe that the person notified would initiate action to protect the interests of the Company in response to the Indemnified Person's notice.
    - (B) The notice may be provided orally or in writing. The notice must be provided to the Appropriate Person promptly after the Indemnified Person becomes aware of the claim or investigation. No indemnification shall be provided under this section to the extent that the Plan or Company is materially prejudiced by the unreasonable delay of the Indemnified Person in notifying an Appropriate Person of the claim or investigation.
  - (2) An Indemnified Person shall be indemnified under this section with respect to attorneys' fees, court costs or other litigation expenses or any settlement of such litigation only if the Indemnified Person agrees to permit the Company to select counsel and to conduct the defense of the lawsuit and agrees not to take any action in the lawsuit that the Company believes would be prejudicial to the interests of the Company.
  - (3) No Indemnified Person, including an Indemnified Person who had a Separation from Service, shall be indemnified under this section unless he makes himself reasonably available to assist the Company with respect to the matters in issue

and agrees to provide whatever documents, testimony, information, materials, or other forms of assistance that the Company shall reasonably request.

- (4) No Indemnified Person shall be indemnified under this section with respect to any action or failure to act that is judicially determined to constitute or be attributable to the gross negligence or willful misconduct of the Indemnified Person.
- (5) Payments of any indemnity under this section shall be made only from the assets of the Company and shall not be made directly or indirectly from assets of the Plan. The provisions of this section shall not preclude such further indemnities as may be available under insurance purchased by the Company or as may be provided by the Company under any by-law, agreement or otherwise, provided that no expense shall be indemnified under this section that is otherwise indemnified by an insurance contract purchased by the Company.

### **12.13 Fiduciaries**

The fiduciaries named in this Article shall have only those specific powers, duties, responsibilities, and obligations as are specifically given them under this Plan or the Trust or otherwise delegated by the Board. The Employers shall have the sole responsibility for making the contributions required under Article 4 and Article 5, and the Company shall have the sole authority to appoint and remove the Trustee and to amend or terminate, in whole or in part, this Plan or the Trust. The Administrative Committee shall have the sole responsibility for the administration of this Plan, which responsibility is specifically described in this Plan and the Trust Agreement or otherwise delegated by the Board. The officers and Employees of the Company shall have the responsibility of implementing the Plan and carrying out its provisions as the Administrative Committee shall direct. The Investment Committee, the Trustee, and any investment manager shall have the sole responsibility for the administration of the Trust Fund and the management of the assets held under the Trust Fund, to the extent provided in the Trust Agreement. A fiduciary may rely upon any direction, information, or action of another fiduciary as being proper under this Plan or the Trust Agreement, and is not required under this Plan or the Trust Agreement to inquire into the propriety of any such direction, information, or action. It is intended under this Plan and the Trust Agreement that each fiduciary shall be responsible for the proper exercise of his or its own powers, duties, responsibilities, and obligations under this Plan and the Trust Agreement and shall not be responsible for any act or failure to act of another fiduciary. No fiduciary guarantees the Trust Fund in any manner against investment loss or depreciation in asset value. Any party may serve in more than one fiduciary capacity with respect to the Plan or Trust Agreement.

Whether or not a particular activity performed by the Administrative Committee, Investment Committee, a Committee member, or delegate is considered to rise to the level of a fiduciary duty shall depend on whether the person or entity is, when performing the activity, exercising the discretion with respect to the administration of the Plan, which under ERISA, if

applicable, requires a fiduciary standard of conduct. In the absence of an activity involving such an exercise of discretion with respect to the Plan's administration, the activity shall be considered ministerial, rather than fiduciary, in nature. If and when a Committee member or delegate is performing a "settlor" activity, under ERISA, including, by way of example, the adoption of an amendment to or decision to establish or terminate a plan, then such activity shall be deemed to be an exercise of "settlor" or sponsor responsibility and shall be subject to ordinary business judgment and not an exercise of fiduciary duty. The Administrative Committee and Investment Committee will not be subject to fiduciary liability or standards for any settlor or non-fiduciary responsibilities and/or duties delegated to it by the Board.

#### **12.14 Notice of Address**

Each person entitled to benefits from the Plan must file with the Administrative Committee or its agent, in writing, his post office address and each change of post office address. Any communication, statement, or notice addressed to such a person at his latest reported post office address will be binding upon him for all purposes of the Plan, and neither the Administrative Committee nor the Company or any Trustee shall be obliged to search for or ascertain his whereabouts.

#### **12.15 Data**

All persons entitled to benefits from the Plan must furnish to the Company such documents, evidence, or information, including information concerning marital status, as the Company considers necessary or desirable for the purpose of administering the Plan; and it shall be a condition of the Plan that each such person must furnish such information and sign such documents as the Company may require before any benefits become payable from the Plan. The Administrative Committee shall be entitled to distribute benefits to a non-Spouse beneficiary in reliance upon the signed statement of the Participant that he is unmarried without any further liability to a Spouse if such statement is false.

#### **12.16 Benefit Claims Procedures**

The provisions of this section shall be subject to, and shall apply to, the extent required under Department of Labor Regulations section 2560.503-1 (relating to the requirements of claims procedures). All decisions made under the procedures described in this section shall be final and there shall be no further right of appeal. No lawsuit may be initiated by any person before fully pursuing the procedures set out in this section, including the appeal permitted pursuant to subsection (d).

- (a) The right of a Participant, Beneficiary, Alternate Payee, or any other person entitled to claim a benefit under the Plan shall be determined by the Administrative Committee, provided, however, that the Administrative Committee may delegate its responsibility to any person. All persons entitled to claim a benefit under the Plan shall be referred to as a "Claimant" for purpose of this section. The term "Claimant" shall also include, where appropriate to the



context, any person authorized to represent the Claimant under procedures established by the Administrative Committee.

- (1) The Claimant may file a claim for benefits by written notice to the Administrative Committee.
- (2) Any claim for benefits under the Plan, pursuant to this section, shall be filed with the Administrative Committee no later than eighteen months after the date that a transaction occurred, or should have occurred, with respect to a Claimant's Account (*e.g.*, two years after benefits were credited, or should have been credited, to a Claimant's Account, or eighteen months after any withdrawal or distribution occurred or should have occurred). The Administrative Committee in its sole discretion shall determine whether this limitation period has been exceeded.
- (3) Notwithstanding anything to the contrary in this Plan, the following shall not be a claim for purposes of this section:
  - (A) A request for determination of eligibility, enrollment, or participation under the Plan without an accompanying claim for benefits under the Plan. The determination of eligibility, enrollment, or participation under the Plan may be necessary to resolve a claim, in which case such determination shall be made in accordance with the claims procedures set forth in this section.
  - (B) Any casual inquiry relating to the Plan, including an inquiry about benefits or the circumstances under which benefits might be paid under the Plan.
  - (C) A claim that is defective or otherwise fails to follow the procedures of the Plan (*e.g.*, a claim that is addressed to a party, other than the Administrative Committee, or an oral claim).
  - (D) An application or request for benefits under the Plan.
- (b) If a claim for benefits is wholly or partially denied, the Administrative Committee shall, within a reasonable period of time, but no later than 90 days after receipt of the claim (or 45 days after receipt of the claim in the case of a disability claim), notify the Claimant of the denial of benefits. In the case of a claim other than a disability claim, if special circumstances justify extending the period up to an additional 90 days, the Claimant shall be given written notice of this extension within the initial 90-day period, and such notice shall set forth the special circumstances and the date on which a decision is expected. In the case of a disability claim, the Administrative Committee may give the Claimant written notice before the end of the initial 45-period that it needs an additional 30 days to review the claim, provided that such notice shall set forth

the circumstances beyond the control of the Administrative Committee justifying extending the period and the date on which a decision is expected. If special circumstances beyond the control of the Administrative Committee's control justify extending the claim review period for an additional 30 days, the Claimant shall be provided written notice of this extension within the first 30-day period.

- (c) A notice of denial:
  - (1) Shall be written in a manner calculated to be understood by the Claimant; and
  - (2) Shall contain:
    - (A) The specific reasons for denial of the claim;
    - (B) Specific reference to the Plan provisions on which the denial is based;
    - (C) A description of any additional material or information necessary for the Claimant to perfect the claim, along with an explanation as to why such material or information is necessary; and
    - (D) An explanation of the Plan's claim review procedures and the time limits applicable to such procedures, including a statement of the Claimant's right to bring a civil action under ERISA section 502(a) following an adverse determination on review.
- (d) Within 60 days of the receipt by the Claimant of the written denial of his or her claim (or within 180 days of receipt in the case of a disability claim) or, if the claim has not been granted, within a reasonable period of time (which shall not be less than the applicable time period specified in subsection (b)), the Claimant may file a written request with the Administrative Committee that it conduct a full review of the denial of the claim. In connection with the Claimant's appeal, upon request, the Claimant may review and obtain copies of all documents, records and other information relevant to the Claimant's claim for benefits, but not including any document, record or information that is subject to any attorney-client or work-product privilege or whose disclosure would violate the privacy rights or expectations of any person other than the Claimant. The Claimant may submit issues and comments in writing and may submit written comments, documents, records, and other information relating to the claim for benefits. All comments, documents, records, and other information submitted by the Claimant shall be taken into account in the appeal without regard to whether such information was submitted or considered in the initial benefit determination.
- (e) The Administrative Committee shall deliver to the Claimant a written decision on the claim promptly, but no later than 60 days (or 45 days in the case of a

disability claim) after the receipt of the Claimant's request for such review, unless special circumstances exist that justify extending this period up to an additional 60 days (or 45 days in the case of a disability claim). If the period is extended, the Claimant shall be given written notice of this extension during the initial 60-day period (or 45-day period in the case of a disability claim) and such notice shall set forth the special circumstances and the date a decision is expected. The decision on review of the denial of the claim:

- (1) Shall be written in a manner calculated to be understood by the Claimant;
  - (2) Shall include specific reasons for the decision;
  - (3) Shall contain specific references to the Plan provisions on which the decision is based;
  - (4) Shall contain a statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to, and other information relevant to the Claimant's claim for benefits; and
  - (5) Shall contain a statement of the Claimant's right to bring a civil action under ERISA section 502(a) following an adverse determination on review.
- (f) No legal action may be commenced after the later of:
- (1) 180 days after receiving the written response of the Administrative Committee to an appeal, or
  - (2) 365 days after the Claimant's original application for benefits.
- (g) Any legal action in connection with the Plan must be filed in Harris County, Texas.

### **12.17 Member's Own Participation**

No member of the Administrative Committee or the Investment Committee may act, vote or otherwise influence a decision of the committee on which he or she serves specifically relating to his or her own participation under the Plan.

## **Article 13. Amendment and Termination**

### **13.1 Amendment and Termination**

The Company expects the Plan to be permanent and to continue indefinitely; however, this Plan is purely voluntary on the part of the Company and each Employer. The Company must necessarily and does hereby reserve the right to amend, modify, or terminate the Plan at any time by action of its Board. The Administrative Committee in its discretion may amend the Plan if it finds that such amendment does not significantly decrease benefits or significantly increase costs or it determines that the amendment is required to comply with applicable law.

No amendment of the Plan shall cause any part of the Trust Fund to be used for, or diverted to, purposes other than for the exclusive benefit of the Participants or their Beneficiaries covered by the Plan, or increase the duties and responsibilities of the Trustee without its consent, or decrease any Account balance.

### **13.2 Distribution on Termination**

Upon termination of the Plan in whole or in part, or upon complete discontinuance of contributions to the Plan by the Company, the value of the proportionate interest in the Trust Fund of each Participant affected by such termination shall be determined by the Administrative Committee as of the date of such termination or discontinuance. The Accounts of such Participants shall be fully vested and nonforfeitable, and thereafter distribution shall be made to such Participants as directed by the Administrative Committee.

Upon the partial termination of the Plan, the Board may in its sole discretion determine the timing of a distribution of the balance of the affected Participants' Accounts.

### **13.3 Successors**

In case of the merger, consolidation, liquidation, dissolution or reorganization of an Employer, or the sale by an Employer of all or substantially all of its assets, provision may be made by written agreement between the Company and any successor corporation acquiring or receiving a substantial part of the Employer's assets, whereby the Plan and the Trust Agreement will be continued by the successor. If the Plan is to be continued by the successor, then effective as of the date of the reorganization or transfer, the successor corporation shall be substituted for the Employer under the Plan and the Trust Agreement. The substitution of a successor corporation for an Employer will not in any way be considered a termination of the Plan.

### **13.4 Plan Merger or Transfer**

This Plan shall not merge or consolidate with, or transfer assets and liabilities to, or accept a transfer from, any other employee benefit plan unless each Participant, Beneficiary, or Alternate Payee in this Plan will (if the Plan had then terminated) receive a benefit immediately after the merger, consolidation, or transfer which is not less than the benefit the Participant, Beneficiary, or Alternate Payee would have been entitled to receive immediately before the merger, consolidation, or transfer of assets (if this Plan had then terminated). Subject to these limitations, the Plan may transfer assets and liabilities to, or accept a transfer of assets and liabilities from, any other employee benefit plan which is qualified under Code section 401(a) where such a transfer has been authorized by agreement between the Company and the sponsor of the other employee benefit plan and is not prohibited by law.

## **Article 14. Participating Affiliates**

### **14.1 Adoption of the Plan**

The Board or, if authorized by the Board, the Administrative Committee may designate any Affiliate as an Employer under this Plan. The Affiliate shall become an Employer and a party

to this Plan and the Trust Agreement upon acceptance of such designation effective as of the date specified by the Board or Administrative Committee.

#### **14.2 Conditions of Participation**

By accepting such designation or continuing as a party to the Plan and Trust, each Employer acknowledges that:

- (a) It is bound by such terms and conditions relating to the Plan as the Company or the Administrative Committee may reasonably require;
- (b) It must comply with all qualification requirements and employee benefit rules of the Code, ERISA and related regulations and hereby acknowledges the authority of the Company, the Administrative Committee, and the Investment Committee to review the Affiliate's compliance procedures and to require changes in such procedures to protect the Plan's qualification;
- (c) It has authorized the Company, the Administrative Committee, and the Investment Committee to act on its behalf with respect to Employer matters pertaining to the Plan and the Trust Fund;
- (d) It will cooperate fully with the Plan officials and their agents by providing such information and taking such other actions, as they deem appropriate for the efficient administration of the Plan and the Trust Fund; and
- (e) Its status as an Employer under the Plan is expressly conditioned on its being and continuing to be an Affiliate of the Company.

#### **14.3 Termination of Participation**

- (a) **Withdrawal by Affiliate.** Subject to the concurrence of the Board or Administrative Committee, any Affiliate may withdraw from the Plan and Trust, and end its status as an Employer hereunder, by communicating in writing to the Administrative Committee its desire to withdraw. The withdrawal shall be effective as of the date agreed to by the Board or Administrative Committee, as the case may be, and the Affiliate. Upon such withdrawal, the Plan shall not terminate.
- (b) **Termination by Company.** The Company, acting through the Board or, if authorized by the Board, the Administrative Committee, reserves the right, in its sole discretion and at any time, to terminate the participation in this Plan of any Employer. Such termination shall be effective immediately, upon the notice of such termination from the Company to the Trustee and the Employer being terminated, whichever occurs first, or such later effective date agreed to by the Company. Upon such termination, this Plan shall not terminate.

#### **14.4 Consequences of the Termination of an Employer**

If an Employer ceases to participate in this Plan, for whatever reason, and the Plan is not terminated then, unless otherwise directed by the Board, the Administrative Committee shall elect, in its discretion, which of the following shall apply:

- (a) The Administrative Committee may elect that the portion of the Plan attributable to the former Employer shall become a separate plan effective as of the date on which the Employer's participation in this Plan terminates. The Administrative Committee shall inform the Trustee of the portion of the Trust Fund that is attributable to the participation of the terminated Employer. As soon thereafter as is administratively feasible, the Trustee shall set apart that portion of the Trust Fund as a separate trust fund that shall be part of the separate plan of the terminated Employer. Thereafter, the administration, control, and operation of the separate plan, with respect to the terminated Employer, shall be on a separate basis, in accordance with the terms of this Plan except that:
  - (1) The terminated Employer, not the Company or the Administrative Committee, shall be the sponsor and administrator of the separate plan and shall have all duties, responsibilities, and powers that the Company, Administrative Committee and Investment Committee have under this Plan; and
  - (2) The terminated Employer, not the Company, shall have the power to amend and terminate the separate plan, in accordance with the provisions of Plan section 13.1.
- (b) Alternatively, the Administrative Committee may elect to maintain the Accounts of Participants employed by the terminated Employer as follows:
  - (1) Except as provided in paragraph (5), all Participants employed by the terminated Employer on the date on which the entity ceases participation in this Plan shall become Inactive Participants or Former Participants, as applicable.
  - (2) The Pretax Deferral, Roth Contribution, Catch-Up Contribution and After-Tax Contribution elections of an Active Participant under Article 4 shall only apply to Earnings for the portion of the Plan Year ending on the Employer's termination date.
  - (3) The terminated Employer shall transfer to the Trust Fund the Pretax Deferrals, Roth Contributions, Catch-Up Contributions, Matching Contributions and After-Tax Contributions required under the Plan relating to Earnings through the effective date of the Employer's termination of participation in this Plan.
  - (4) For purposes of being eligible to receive a distribution of his or her Account, an Inactive Participant described in paragraph (1) shall not be treated as having a Separation from Service unless and until the Administrative Committee

determines that the Participant is eligible to receive a distribution under the provisions of Code section 401(k)(2)(B)(i).

- (5) If a Participant described in paragraph (1) becomes an Employee of another Employer immediately after the effective date of the prior Employer's termination of participation in this Plan, then the Participant shall be treated under the Plan as having transferred employment from one Employer to another.
- (c) With the consent of the Employer that is no longer participating in the Plan, the Company or Administrative Committee may take such other actions with respect to the Accounts of Participants employed by that Employer as are permitted under the Code and ERISA.

## Article 15. **Top-Heavy Provisions**

### 15.1 **Application of Top-Heavy Provisions**

The provisions of this Article shall be interpreted and administered in accordance with the requirements of Code section 416 and related Treasury Regulations. The provisions of this Article shall apply for the Plan Year if, as of the Determination Date for that Plan Year, the Top-Heavy Ratio exceeds 60 percent.

### 15.2 **Definitions Applicable to this Article**

In addition to the terms defined in Plan section 2.1 or elsewhere in this Plan, whenever used in this Article, the following terms shall have the respective meanings set forth below, unless expressly provided otherwise. When the defined meaning is intended, the term is capitalized.

- (a) **"Aggregation Group"** means each Qualified Plan of the Company or any Affiliate in which a Key Employee is a participant and any other Qualified Plan which enables a Qualified Plan of the Company or any Affiliate covering a Key Employee to meet the requirements of Code sections 401(a)(4) or 410. On behalf of the Company, the Administrative Committee may elect to include within the Aggregation Group any other Qualified Plan, together with the Qualified Plans referenced in the preceding sentence, provided that such expanded Aggregation Group continues to satisfy the requirements of Code sections 401(a)(4) and 410(b) for the Plan Year.
- (b) **"Determination Date"** means the last day of the preceding Plan Year.
- (c) **"Key Employee"** means, effective for Plan Years beginning after 2001, any Employee or a former Employee (including any deceased Employee) who, at any time during the Plan Year, is one of the following:
  - (1) An officer of the Company or any Affiliate whose Section 415 Compensation exceeds \$130,000, as adjusted under Code section 416(i)(1) for Plan Years

commencing after 2002, provided however, that the number of Employees included as Key Employees under this paragraph shall not exceed the lesser of:

(A) 50 Employees; or

(B) The greater of three Employees or 10 percent of all Employees of the Company and all Affiliates.

(2) A five-percent owner of the Company or any Affiliate.

(3) A one-percent owner of the Company or any Affiliate whose Section 415 Compensation exceeds \$150,000.

Only Section 415 Compensation attributable to services performed during the Plan Year for the Company or an Affiliate shall be included. Ownership shall be determined in accordance with Code section 318 (as modified by Code section 416(i)(1)(B)(iii)). A Beneficiary or Alternate Payee whose rights under the Plan derive from a Key Employee shall also be treated as a Key Employee.

(d) **“Non-Key Employee”** means any Employee who is not a Key Employee.

(e) **“Top-Heavy Ratio”** means the ratio determined under Plan section 15.3.

### 15.3 Determination of Top-Heavy Ratio

The Top-Heavy Ratio for a Plan Year shall be determined as follows:

(a) **General Rule.** The numerator of the Top-Heavy Ratio is the sum of the amounts described in subsection (b) under all Qualified Plans in the Aggregation Group for each Key Employee. The denominator of the Top-Heavy Ratio is the sum of the amounts described in subsection (b) under all Qualified Plans in the Aggregation Group for all Employees.

(b) **Included Amounts.** When determining the Top-Heavy Ratio, the following amounts shall be included:

(1) The Employee’s total Account balance as of the Determination Date under this Plan;

(2) The Employee’s total account balance as of the Determination Date under all other Qualified Plans that are defined contribution plans included in the Aggregation Group;

(3) The present value as of the Determination Date of the Employee’s accrued benefit under all Qualified Plans that are defined benefit plans included in the Aggregation Group.



- (c) **Special Rules.** For purposes of computing the Top-Heavy Ratio and included amounts, the following rules shall apply:
- (1) The present value of accrued benefits shall be determined using reasonable actuarial assumptions.
  - (2) In the case of a distribution made for a reason other than severance from employment, death, or Disability (*e.g.*, in-service withdrawals), this provision shall be applied by substituting “five-year period” for “one-year period.”
  - (3) Any Rollover or Roth Rollover Contribution (or similar transfer) initiated by the Employee and made after December 31, 1983, to a Qualified Plan in the Aggregation Group shall be excluded when determining account balances with respect to the transferee plan.
  - (4) Account balances and accrued benefits shall be taken into account only to the extent attributable to contributions by the Company or Affiliate and contributions by the Employee while employed by the Company or an Affiliate.
  - (5) The present values of accrued benefits and account balances of any individual who has not performed services for the Company or any Affiliate during the one-year period ending on the Determination Date shall not be taken into account when determining the Top-Heavy Ratio.
  - (6) Account balances or accrued benefits of an Employee shall not be taken into account if the Employee is not a Key Employee for the Plan Year being tested but was a Key Employee in a prior Plan Year.
  - (7) To the extent required by Code section 416(e), contributions and benefits relating to Social Security or similar programs under federal or state law shall not be taken into account in determining the Top-Heavy Ratio.

#### **15.4 Required Minimum Allocations**

If the provisions of this Article apply for the Plan Year because the Top-Heavy Ratio exceeds 60 percent, then with respect to the defined contribution minimum allocation required by Code section 416(c)(2) and related Treasury Regulations, the contributions shall be made under the Retirement Plan on behalf of each Non-Key Employee who is a Participant who has not incurred a Separation from Service as of the last day of the Plan Year (regardless of whether the Non-Key Employee has less than 1,000 hours of service (or the equivalent) and regardless of the Non-Key Employee’s level of Section 415 Compensation), in an allocation for that Plan Year of not less than the lesser of:

- (a) Three percent of the Participant’s Section 415 Compensation, or

- (b) The percentage equal to the largest contribution, expressed as a percentage of Section 415 Compensation, received by any Key Employee under all defined contribution plans in the Aggregation Group.

For purposes of satisfying the requirements of this section, Pretax Deferrals and Roth Contributions shall not be included, for any Employee who is a Non-Key Employee, but shall be included for any Participant who is a Key Employee. Effective for Plan Years beginning after 2001, the allocation of Matching Contributions shall be included for all Employees. If any Qualified Plan in the Aggregation Group is a defined benefit plan, then any Participant who participates both in a defined benefit plan and would otherwise be entitled to a minimum contribution under this section shall receive the defined benefit minimum prescribed under Code section 416(c)(1) and related Treasury Regulations under the defined benefit plan and shall not receive the minimum allocation under this section.

### **15.5 Required Minimum Vesting**

If the provisions of this Article apply for the Plan Year because the Top-Heavy Ratio exceeds 60 percent, then each Participant who has not incurred a Separation from Service as of the last day of the Plan Year shall continue to vest in his or her Matching Account and any defined contribution minimum allocation, as described in Plan section 15.4, for the Plan Year in accordance with the provisions of Plan section 3.5, which provides for vesting that is in all cases equal to or more rapid than required by Code section 416(b).

### **15.6 Employees Covered by Collective Bargaining Agreement**

Notwithstanding any provision of this Article to the contrary, the provisions of Plan sections 15.4 and 15.5 shall not apply with respect to any Represented Employee covered by a collective bargaining agreement where retirement benefits were the subject of good faith bargaining between the Employer and the union.

## **Article 16. Miscellaneous Provisions**

### **16.1 No Enlargement of Employment Rights**

This Plan is strictly a voluntary undertaking on the part of the Company and the Employers and shall not be deemed to constitute a contract between the Employers and any Employee or Participant, Beneficiary, or Alternate Payee, or to be consideration for, or an inducement to, or a condition of, the employment of any Employee. Nothing contained in this Plan or any modification of the same or act done in pursuance hereof shall be construed as giving any person any legal or equitable right against the Employer, the Trustee, or the Trust Fund, unless specifically provided herein, or as giving any person a right to be retained in the employ of the Employer. All Participants shall remain subject to assignment, reassignment, promotion, transfer, layoff, reduction, suspension, and discharge to the same extent as if this Plan had never been established. No Participant, Beneficiary, or Alternate Payee, before satisfying all conditions for receiving benefits, shall have any right or interest in or to any

portion of the Trust Fund. No one shall have any right to benefits, except to the extent provided in this Plan.

### **16.2 No Examination or Accounting**

Neither this Plan nor any action taken thereunder shall be construed as giving any person the right to an accounting or to examine the books or affairs of the Company or any Affiliate.

### **16.3 Investment Risk**

The Participants and their Beneficiaries shall assume all risks in connection with any decrease in the value of any assets or funds which may be invested or reinvested in the Trust Fund which supports this Plan.

### **16.4 Non-Alienation**

- (a) Except as otherwise permitted by the Plan, no benefit payable at any time under the Plan shall be subject to the debts or liabilities of a Participant or his or her Beneficiary. Any attempt to alienate, sell, transfer, assign, pledge, or otherwise encumber any such benefit, whether presently or thereafter payable, shall be void. Except as provided in this section, no benefit under the Plan shall be subject in any manner to attachment, garnishment, or encumbrance of any kind.
- (b) Payment may be made from a Participant's Account to an Alternate Payee, pursuant to a Qualified Domestic Relations Order.
  - (1) The Administrative Committee shall establish reasonable written procedures for reviewing court orders made, pursuant to state domestic relations law (including a community property law), relating to child support, alimony payments, or marital property rights of a Spouse, former Spouse, child, or other dependent of a Participant and for notifying Participants and Alternate Payees of the receipt of such orders and of the Plan's procedures for determining if the orders are Qualified Domestic Relations Orders and for administering distributions under Qualified Domestic Relations Orders.
  - (2) Except as may otherwise be required by applicable law, such Qualified Domestic Relations Orders may not require a retroactive transfer of all or part of a Participant's Account to or for the benefit of an Alternate Payee without permitting an appropriate adjustment for earnings and investment gains or losses that have occurred in the interim, nor shall such orders require the Plan to provide rights to Alternate Payees that are not available to Beneficiaries generally.
  - (3) In cases in which a full and prompt payment of amounts assigned to an Alternate Payee will not be made, pursuant to this subsection, the assigned amounts will be transferred, within a reasonable time after determination that the order is a Qualified Domestic Relations Order, to a separate Account for the

benefit of the Alternate Payee and invested in accordance with the Alternate Payee's investment elections pursuant to Article 9.

- (4) No amount that is segregated pending a determination of whether a domestic relations order is a Qualified Domestic Relations Order or transferred to a separate Account for the benefit of the Alternative Payee shall be taken into account when determining the amount that:
  - (A) A Participant may withdraw from his or her Account, pursuant to Plan section 7.2;
  - (B) A Participant may receive in a Plan loan, pursuant to Plan section 8.2; or
  - (C) A Participant (or his or her Beneficiary) may receive in a distribution, pursuant to Plan section 7.3 or 7.5.
- (c) Payment may be made from an Account, to the extent required by a federal tax levy made pursuant to Code section 6331 or by the United States' collection of a judgment resulting from an unpaid federal tax assessment. Payment may be made at the time required by the tax levy or judgment collection order, even if payment would not otherwise be made at that time under the terms of the Plan and payment from the Plan would not otherwise be permitted at that time under Code section 401(a), 401(k), or 411(a)(11).
- (d) Payments from an Account may be offset to the extent permitted under Code section 401(a)(13)(C) (relating to offsets regarding breaches of duty with respect to the Plan).
- (e) A Participant or Beneficiary may disclaim his or her Account, or a portion thereof, subject to the rules which may be modified from time to time by the Administrative Committee.

## **16.5 Incompetency**

Every person receiving or claiming benefits under the Plan shall be conclusively presumed to be mentally competent and of age until the date on which the Administrative Committee or its delegee receives a written notice, in a form and manner acceptable to the Administrative Committee or its delegee, that such person is incompetent or a minor, for whom a guardian or other person legally vested with the care of his or her person or estate has been appointed; provided, however, that if the Administrative Committee or its delegee shall find that any person to whom a benefit is payable under the Plan is unable to care for his or her affairs because of incompetency, or is a minor, any payment due (unless a prior claim therefore shall have been made by a duly appointed legal representative) may be paid to the Spouse, a child, a parent, a brother or sister, or to any person or institution deemed by the Administrative Committee or its delegee to have incurred expenses for such person otherwise entitled to payment. To the extent permitted by law, any such payment so made shall be a complete discharge of liability therefore under the Plan. In the event that a guardian of the estate of any person receiving or claiming benefits under the Plan shall be appointed by a court of competent jurisdiction or a person shall otherwise qualify as a guardian within the sole discretion of the Administrative Committee or its delegee and such guardian provides proper proof of appointment, qualification, or continuing qualification, as applicable, in a form and manner acceptable to the Administrative Committee or its delegee, then, to the extent permitted by law:

- (a) Such guardian may act for the Participant, Beneficiary, or Alternate Payee and make any election required of or permitted by the Participant, Beneficiary, or Alternate Payee under this Plan, and such action or election shall be deemed to have been taken by the Participant, Beneficiary, or Alternate Payee; and
- (b) Benefit payments may be made to such guardian, and any such payment so made shall be a complete discharge of any liability therefore under the Plan.

#### **16.6 Records Conclusive**

The records of the Company, Employers, the Administrative Committee, the Investment Committee and the Trustee shall be conclusive in respect to all matters involved in the administration of the Plan.

#### **16.7 Counterparts**

This Plan may be executed in any number of counterparts, each of which shall be deemed to be an original. All the counterparts shall constitute but one and the same instrument and may be sufficiently evidenced by any one counterpart.

#### **16.8 Service of Legal Process**

The Trustee, the members of the Administrative Committee, and the Secretary of the Company are hereby designated agents of the Plan for the purpose of receiving service of summons, subpoena, or other legal process.

#### **16.9 Uncashed or Unclaimed Benefits**

- (a) Stale Checks. Effective on or after August 8, 2016, if a distribution check is issued under the Plan and such distribution check is not cashed within 6 months after issuance, the check will be characterized as stale, and the funds re-deposited into a special account under the Plan. Such funds shall be characterized on an after-tax basis and effective December 1, 2016, or as soon as practicable thereafter but in no event later than December 31, 2016, such amounts will be invested in the Plan's Stable Value Fund, defined in Appendix B(a) of the Plan, or such other fund as determined within the discretion of the Administrative Committee. The check will be reissued upon request by the Participant pursuant to procedures established by the Administrative Committee.
- (b) Lost Participants. In the event that the Administrative Committee or its delegatee, after having made a diligent search, is unable to locate a Participant, Beneficiary, or Alternate Payee who is entitled to benefits under this Plan, such benefits shall be treated as a forfeiture under Plan section 3.6. In the event that the Participant, Beneficiary, or Alternate Payee whose Account is subject to such forfeiture subsequently asserts a valid claim for benefits, the Account will be restored in the manner described in Plan section 3.6.

#### **16.10 Qualified Military Service**

Notwithstanding any provision of this Plan to the contrary, contributions, benefits and Service credit required with respect to qualified military service, within the meaning of Code section 414(u), will be provided in accordance with the mandatory provisions of Code section 414(u). In addition, in compliance with the Heroes Earnings Assistance and Relief Tax Act ("HEART"), the following provisions shall apply notwithstanding any Plan provision to the contrary:

- (a) Effective January 1, 2007, if the Participant dies while on qualified military service, the Participant's Beneficiary shall be entitled to any benefit under the Plan (other than additional allocations related to the period of qualified military service) to the same extent that the Participant would have been entitled to such benefit had the Participant resumed employment and then incurred a Separation from Service on account of death.
- (b) Effective January 1, 2009, Differential Wages shall be treated as Base Pay, as provided in Plan section 2.1(p)(2) (H), and Section 415 Compensation, as provided in Plan section 2.1(nnn)(2)(D), paid to an Active Participant by the Employer making the payment. For this purpose, Differential Wages means any payment made by an Employer with respect to any period during which the Employee is performing qualified military service and represents all or a portion of the wages the Employee would have received from the Employer if the Employee were performing service for the Employer.

- (c) Effective January 1, 2009 and even if the Employee is receiving Differential Wages, a Participant performing qualified military service will be treated as having incurred a Separation from Service during the period of such qualified military service for purposes of Plan section 7.3, but only with respect to the Participant's Pretax Account and Roth Account. If the Participant elects to receive a distribution under this deemed Separation from Service, then such Participant shall not be permitted to make Pretax Deferrals, Roth Contributions, Catch-Up Contributions or After-Tax Contributions during the six-month period beginning on the date of the distribution. Effective for withdrawals requested after August 8, 2016, if a Participant is suspended from making any Pretax Deferrals, Roth Contributions, Catch-Up Contributions and/or After Tax Contributions in accordance with the sentence above, such contributions will be automatically reinstated upon expiration of the six-month suspension period at the Default Percentage, as applicable, or if the Participant was not subject to automatic enrollment or had opted out of automatic enrollment at the percentage in place prior to the suspension.

\* \* \*

**In Witness Whereof**, Occidental Petroleum Corporation has caused this amended and restated Plan to be executed this 22 day of December, 2017.

**Corporation**

**Occidental Petroleum**

By Darin Moss

Resources

Its Vice President, Human

**OCCIDENTAL PETROLEUM CORPORATION  
MODIFIED DEFERRED COMPENSATION PLAN**

(Effective December 31, 2006

Amended and Restated Effective January 1, 2018)



## **ARTICLE I**

### **PURPOSE**

Effective December 31, 2006, the Occidental Petroleum Corporation Deferred Compensation Plan 2 (the “DCP2”) was merged with and into the Occidental Petroleum Corporation 2005 Deferred Compensation Plan (the “2005 DCP”), which was amended and restated as the Occidental Petroleum Corporation Modified Deferred Compensation Plan (the “Plan”). Effective December 31, 2006, for each Participant making a Special Transition Rule Election under Section 5.11, the Deferral Account (if any) of such Participant under the DCP2 was merged with the Deferral Account (if any) of such Participant under the 2005 DCP, the Savings Plan Restoration Account (if any) of such Participant under the DCP2 was merged with the Savings Plan Restoration Account (if any) of such Participant under the 2005 DCP, the SEDCP Deferral Account (if any) of such Participant under the DCP2 was transferred to the 2005 DCP, and all such accounts are governed by the terms of this Plan. For Participants not making such an election, any Deferral Account, Savings Plan Restoration Account, or SEDCP Deferral Account of such Participant under the DCP2 or 2005 DCP is subject to the terms of this Plan but maintained separate from each other. The Plan was amended and restated effective November 1, 2008 and was subsequently amended and restated effective January 1, 2017. This January 1, 2018 restatement of the Plan is generally effective as of January 1, 2018, except as otherwise specifically set forth herein.

The purpose of the Plan is to provide a tax-deferred opportunity for key management and highly compensated employees of Occidental Petroleum Corporation and its Affiliates (as defined below) to accumulate additional retirement income through deferrals of compensation.

This Plan is intended to satisfy the requirements of Section 409A of the Internal Revenue Code, and any regulations promulgated thereunder, so that the taxation to Participants or Beneficiaries of any compensation deferred under this Plan is deferred.

## **ARTICLE II**

### **DEFINITIONS**

Whenever the following words and phrases are used in this Plan with the first letter capitalized, they shall have the meanings specified below:

Affiliate. “Affiliate” means (i) any corporation that is a member of a controlled group of corporations (within the meaning of Code Section 1563(a), determined without regard to Code Sections 1563(a)(4) and (e)(3)(C), and with the phrase “more than 50%” substituted for the phrase “at least 80%” each place it appears in Code Section 1563(a)) of which Occidental Petroleum Corporation is a component member, or (ii) any entity (whether or not incorporated) that is under common control with Occidental Petroleum Corporation (as defined in Code Section 414(c) and the Treasury Regulations thereunder, and with the phrase “more than 50%”

substituted for the phrase “at least 80%” each place it appears in the Treasury Regulations under Code Section 414(c)).

Alternate Payee. “Alternate Payee” means a former spouse of a Participant who is recognized by a Divorce Order as having a right to receive all, or a portion of, the benefits payable under this Plan with respect to such Participant.

Amortization Method. “Amortization Method” means an annual installment method of paying a Participant’s benefits under which the Company will pay the Participant an initial payment in an amount equal to (i) plus (ii) divided by (iii), where (i) is the value of the Participant’s Deferral Accounts as of the end of the month preceding such payment, (ii) is the amount of interest that would accrue during the entire payout period on the unpaid balance credited to the Participant’s Deferral Accounts immediately following such initial payment if the Declared Rate then in effect remained unchanged and (iii) is the number of years over which annual installments are to be paid. For each Plan Year after the initial benefit payment is made, the annual benefit payment will be determined under the same equation where (i) is the value of the Participant’s Deferral Accounts as of the end of the month preceding the benefit payment, (ii) is the amount of interest that would accrue during the remaining payout period on the unpaid balance credited to the Participant’s Deferral Accounts immediately following such annual payment if the Declared Rate then in effect remained unchanged and (iii) is the number of annual payments remaining. Notwithstanding anything in the Plan to the contrary, the Amortization Method shall not be available with respect to benefits earned on or after January 1, 2017.

Base Salary. “Base Salary” means the base salary earned by a Participant during pay periods ending in a Plan Year, excluding Bonus, all severance allowances, forms of incentive compensation, Savings Plan, Retirement Plan or other Company qualified plan contributions or benefits, retainers, insurance premiums or benefits, reimbursements, and all other payments, prior to reduction for any deferrals under this Plan or any other plan of the Company or reductions under the Company’s Savings Plan allowed under Code Section 401(k).

Beneficiary. “Beneficiary” means the person or persons designated as such in accordance with Article VI.

Beneficiary Benefit. “Beneficiary Benefit” means the payment to a Participant’s Beneficiary of the value of the Participant’s Deferral Accounts pursuant to Section 5.2 on account of the Participant’s death.

Board. “Board” means the Board of Directors of Occidental Petroleum Corporation.

Bonus. “Bonus” means the bonus earned by a Participant under a regular annual incentive compensation plan (excluding without limitation a special individual or group bonus, a project bonus, and any other special bonus) during a Plan Year prior to reduction for any deferral under this Plan or any other plan of the Company.

Change in Control. “Change in Control” means (i) for purposes of Sections 8.1 and 8.2(a), any event described in (a), (b), (c) or (d) below, and (ii) for purposes of Section 5.6, any event that constitutes a “change in control event” for purposes of Code Section 409A and Treas. Reg. § 1.409A-3(i)(5) (or any successor provisions) and that is described in subsection (a), (b), (c) or (d) below:

(a) Approval by the stockholders of Occidental Petroleum Corporation (or, if no stockholder approval is required, by the Board) of the dissolution or liquidation of Occidental Petroleum Corporation, other than in the context of a transaction that does not constitute a Change in Control under subsection (b) below;

(b) Consummation of a merger, consolidation, or other reorganization, with or into, or the sale of all or substantially all of Occidental Petroleum Corporation’s business and/or assets as an entirety to, one or more entities that are not subsidiaries or other affiliates of Occidental Petroleum Corporation (a “Business Combination”), unless (i) as a result of the Business Combination, more than 50% of the outstanding voting power of the surviving or resulting entity or a parent thereof (the “Successor Entity”) immediately after the Business Combination is, or will be, owned, directly or indirectly, by holders of Occidental Petroleum Corporation’s voting securities immediately before the Business Combination; (ii) no “person” (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended from time to time (the “Exchange Act”)), excluding the Successor Entity or any employee benefit plan of Occidental Petroleum Corporation and any trustee or other fiduciary holding securities under an Occidental Petroleum Corporation employee benefit plan or any person described in and satisfying the conditions of Rule 13d-1(b)(i) of the Exchange Act (an “Excluded Person”), beneficially owns, directly or indirectly, more than 20% of the outstanding shares or the combined voting power of the outstanding voting securities of the Successor Entity, after giving effect to the Business Combination, except to the extent that such ownership existed prior to the Business Combination; and (iii) at least 50% of the members of the board of directors of the entity resulting from the Business Combination were members of the Board at the time of the execution of the initial agreement or of the action of the Board approving the Business Combination;

(c) Any “person” (as such term is used in Sections 13(d) and 14(d) of the Exchange Act, but excluding any Excluded Person) is or becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of Occidental Petroleum Corporation representing 20% or more of the combined voting power of Occidental Petroleum Corporation’s then outstanding voting securities, other than as a result of (i) an acquisition directly from Occidental Petroleum Corporation; (ii) an acquisition by Occidental Petroleum Corporation; or (iii) an acquisition by any employee benefit plan (or related trust) sponsored or maintained by Occidental Petroleum Corporation or a Successor Entity; or

(d) During any period not longer than two consecutive years, individuals who at the beginning of such period constituted the Board cease to constitute at least a majority thereof, unless the election, or the nomination for election by Occidental Petroleum Corporation’s stockholders, of each new Board member was approved by a vote of at least two-thirds (2/3) of the Board members then still in office who were Board members at the beginning of such period (including for these purposes, new members whose election or nomination was so approved), but excluding, for this purpose, any such individual whose initial assumption of office occurs as a

result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board.

Class Year Subaccount. "Class Year Subaccount" means each subaccount of a Participant's Deferral Account established for distribution purposes to separately account for deferred Base Salary and/or Bonus and/or any related Savings Plan Restoration Contributions (and interest credited thereto) for each Plan Year beginning on or after January 1, 2018.

Code. "Code" means the Internal Revenue Code of 1986, as amended.

Committee. "Committee" means the administrative committee appointed to administer the Plan pursuant to Article III.

Company. "Company" means Occidental Petroleum Corporation, or any successor thereto, and any Affiliates.

Company Management. "Company Management" means the Chairman of the Board, President or any Executive Vice President of Occidental Petroleum Corporation.

Compensation. "Compensation" means Base Salary and/or Bonus.

DCP Deferral Account. "DCP Deferral Account" means the account maintained on the books of account of the Company for each Participant pursuant to Article IV to account for amounts deferred under the 1988 DCP prior to January 1, 1999, and the amounts subsequently deferred under the Prior Plan, the DCP2, the 2005 DCP and this Plan.

DCP Deferral Amount. "DCP Deferral Amount" means an amount of a Participant's Base Salary and/or Bonus that is deferred under the Plan, including amounts deferred under the 1988 DCP, the Prior Plan, the DCP2, the 2005 DCP and this Plan.

DCP2. "DCP2" means the Occidental Petroleum Corporation Deferred Compensation Plan 2, effective as of October 12, 2006.

Declared Rate. "Declared Rate" with respect to any Plan Year means the rate at which interest will be credited on Deferral Accounts for such Plan Year. The Declared Rate for each Plan Year commencing on or after January 1, 2009, will be the monthly yield on 5-year Treasury Constant Maturities plus 2%. Notwithstanding the foregoing, the Declared Rate for DCP Deferral Amounts that were earned and deferred prior to 1994 under the 1988 DCP (including bonuses which were earned for 1993), together with accumulated interest thereon, will in no event be less than 8% for any Plan Year. Accordingly, the Declared Rate for any Plan Year may be different for DCP Deferral Amounts that were earned and deferred under the 1988 DCP prior to January 1, 1994 than for DCP Deferral Amounts earned after such date.

Deferral Account(s). “Deferral Account(s)” means a Participant’s DCP Deferral Account and/or SEDCP Deferral Account (if any) and/or Savings Plan Restoration Account (if any) maintained on the books of account of the Company for each Participant pursuant to Article IV.

Deferral Election Form. “Deferral Election Form” means a paper or electronic election form provided by the Committee on which an Eligible Employee may elect to defer Base Salary and/or Bonus in accordance with Article IV.

Distribution Election Form. “Distribution Election Form” means a paper or electronic election form provided by the Committee on which a Participant may elect the form of payment of his benefits in accordance with Articles IV and V.

Divorce Order. “Divorce Order” means any judgment, decree, or order (including judicial approval of a property settlement agreement) that relates to the settlement of marital property rights between a Participant and his former spouse pursuant to state domestic relations law (including, without limitation and if applicable, community property law), as described in Treas. Reg. § 1.409A-3(j)(4)(ii).

Early Payment Benefit. “Early Payment Benefit” means a benefit paid to a Participant in an Early Payment Year beginning prior to the Participant’s Separation from Service pursuant to Section 5.4.

Early Payment Year. “Early Payment Year” means any year beginning prior to a Participant’s Separation from Service that a Participant elects pursuant to Section 4.1(c) to have an Early Payment Benefit paid or commenced to be paid.

Early Payment Year Subaccount. “Early Payment Year Subaccount” means any subaccount of a Participant’s DCP Deferral Account established to separately account for deferred Base Salary and/or Bonus and/or any Savings Plan Restoration Contributions (and interest credited thereto) that is subject to an Early Payment Benefit election.

Eligible Employee. “Eligible Employee” means each key management employee or other highly compensated employee of the Company who is selected by Company Management to participate in the Plan.

Emergency Benefit. “Emergency Benefit” means the payment to a Participant of part or all of his Deferral Accounts in the event that the Participant has an Unforeseeable Emergency pursuant to Section 5.5.

ERISA. “ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

Fractional Method. “Fractional Method” means an installment method of paying a Deferral Account or subaccount under which the Company will determine the amount of each annual installment by dividing the value of the Deferral Account or subaccount as of the end of

the month preceding the payment date by the number of annual installments remaining to be paid.

1988 DCP. “1988 DCP” means the Occidental Petroleum Corporation 1988 Deferred Compensation Plan.

Participant. “Participant” means (i) each individual who, as of December 30, 2006, was a participant in the 2005 DCP or DCP2 and has not received a complete distribution of the benefits accrued under those plans, (ii) an Eligible Employee who has filed a completed and fully executed Deferral Election Form with the Committee and is participating in the Plan in accordance with the provisions of Article IV, and (iii) any person who has a Deferral Account by reason of his prior status as an Eligible Employee. Under no circumstances shall “Participant” mean any Alternate Payee.

Plan Year. “Plan Year” means the calendar year beginning on January 1 and ending on December 31.

Pre-2018 Subaccount. “Pre-2018 Subaccount” means the subaccount of a Participant’s Deferral Account established for distribution purposes to separately account for amounts credited to the Participant’s Deferral Account for all periods prior to January 1, 2018 (including the entire balance of a Participant’s SEDCP Deferral Account).

Prior Plan. “Prior Plan” means the Occidental Petroleum Corporation Deferred Compensation Plan as amended and restated as of January 1, 2003, under which deferrals ceased as of December 31, 2004.

Qualified Divorce Order. “Qualified Divorce Order” means a Divorce Order that (a) creates or recognizes the existence of an Alternate Payee’s right to, or assigns to an Alternate Payee the right to, receive all or a portion of the benefits payable to a Participant under this Plan; (b) clearly specifies (i) the name and the last known mailing address of the Participant and the name and mailing address of the Alternate Payee covered by the order, (ii) the amount or percentage of the Participant’s benefits to be paid by this Plan to the Alternate Payee, or the manner in which such amount or percentage is to be determined, (iii) the number of payments or period to which such order applies, and (iv) that it applies to this Plan; and (c) does not (i) require this Plan to provide any type or form of benefit, or any option, not otherwise provided under the Plan, (ii) require this Plan to provide increased benefits, or (iii) require the payment of benefits to an Alternate Payee that are required to be paid to another Alternate Payee under another Divorce Order previously determined to be a Qualified Divorce Order.

Retirement. “Retirement” means the Participant’s Separation from Service for reasons other than death after the Participant attains age 55. Notwithstanding the foregoing, with respect to Participants who executed a consulting agreement with the Company prior to October 3, 2004, “Retirement” means the termination date of the Participant’s consulting agreement.

Retirement Benefit. “Retirement Benefit” means the payment to a Participant of the value of the Participant’s Pre-2018 Subaccount and Class Year Subaccounts, as applicable, pursuant to Section 5.1 following Retirement.

Retirement Plan. “Retirement Plan” means the Occidental Petroleum Corporation Retirement Plan, as amended from time to time.

SEDCP. “SEDCP” means the Occidental Petroleum Corporation Senior Executive Deferred Compensation Plan under which certain Company executives deferred compensation.

SEDCP Deferral Account. “SEDCP Deferral Account” means the account maintained on the books of account of the Company for certain Participants pursuant to Article IV to account for amounts deferred under the SEDCP.

Savings Plan. “Savings Plan” means the Occidental Petroleum Corporation Savings Plan, as amended from time to time.

Savings Plan Restoration Account. “Savings Plan Restoration Account” means the account maintained on the books of account of the Company to reflect Savings Plan Restoration Contributions made by the Company pursuant to Section 4.6.

Savings Plan Restoration Contribution. “Savings Plan Restoration Contribution” means the amount credited to a Participant’s Savings Plan Restoration Account pursuant to Section 4.6.

Separation from Service. “Separation from Service” means a Participant’s “separation from service” as defined under Code Section 409A and Treas. Reg. § 1.409A-1(h) (or successor provisions). A Participant shall have a Separation from Service if the Participant ceases to be an employee of both:

- (i) The Company that employs the Participant; and
- (ii) All Affiliates with whom such Company would be considered a single employer under Code Section 414(b) or 414(c).

For this purpose, a Participant who ceases to be an employee of an entity described in (i) or (ii) above shall not be considered to have a Separation from Service if such cessation of employment is followed immediately by his commencement of employment with another entity described in (i) or (ii) above.

A Participant shall have a Separation from Service if it is reasonably anticipated that no further services shall be performed by the Participant, or that the level of services the Participant shall perform shall permanently decrease to no more than 20 percent of the average level of services performed by the Participant over the immediately preceding 36-month period (or the Participant’s full period of service, if the Participant has been performing services for less than 36 months).

For avoidance of doubt, the transfer of employment of a CRC Deferred Compensation Beneficiary, as that term is defined in the Employee Matters Agreement between Occidental Petroleum Corporation and California Resources Corporation, from Occidental Petroleum Corporation to California Resources Corporation shall not be a Separation from Service.

Specified Employee. “Specified Employee” means an Employee who is a “specified employee” within the meaning of Section 409A and Treas. Reg. § 1.409A-1(i) (or successor provisions) and as determined pursuant to any rules adopted for such purposes by Occidental Petroleum Corporation.

Termination Benefit. “Termination Benefit” means the payment to a Participant of the value of the Participant’s Pre-2018 Subaccount and Class Year Subaccounts, as applicable, pursuant to Section 5.1 on account of the Participant’s Separation from Service other than due to Retirement or death.

2005 DCP. “2005 DCP” means the Occidental Petroleum Corporation 2005 Deferred Compensation Plan, restated as of January 1, 2005 and as subsequently amended.

2005 DSP. “2005 DSP” means the Occidental Petroleum Corporation 2005 Deferred Stock Program, as amended from time to time.

Unforeseeable Emergency. “Unforeseeable Emergency” means a severe financial hardship to the Participant resulting from an illness or accident of the Participant, the Participant’s spouse, or a dependent (as defined in Code Section 152, without regard to Code Sections 152(b)(1), (b)(2) and (d)(1)(B)) of the Participant, loss of the Participant’s property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant.

### **ARTICLE III**

#### **ADMINISTRATION OF THE PLAN**

A Committee shall be appointed by the Board to administer the Plan and establish, adopt, or revise such rules and regulations as the Committee may deem necessary or advisable for the administration of the Plan and to interpret the provisions of the Plan, and, except as otherwise indicated herein, any such interpretations shall be conclusive and binding. All decisions of the Committee shall be by vote of at least two of the Committee members and shall be final. The Committee may appoint any agent and delegate to such agent such powers and duties in connection with the administration of the Plan as the Committee may from time to time prescribe. The Plan is intended to comply with the requirements of Code Section 409A and shall be interpreted and administered accordingly.

Members of the Committee shall be eligible to participate in the Plan while serving as members of the Committee, but a member of the Committee shall not vote or act upon any matter which relates solely to such member’s interest in the Plan as a Participant.



## ARTICLE IV

### PARTICIPATION

#### 4.1 Election to Participate.

(a) Deferral Elections. An Eligible Employee may elect to participate in the Plan and elect to defer annual Base Salary and/or Bonus under the Plan by filing with the Committee a completed and fully executed Deferral Election Form prior to the beginning of the Plan Year during which the Eligible Employee performs the services for which such Base Salary and Bonus are to be earned, or at such other time as the Committee may permit in accordance with the regulations promulgated under Code Section 409A. Deferral Election Forms must be filed in accordance with the instructions set forth in the Deferral Election Forms.

Prior to December 1, 2016, an employee who first becomes an Eligible Employee during a Plan Year may make an initial deferral election under this Plan within 30 days after the date the employee becomes an Eligible Employee provided that such Eligible Employee has not previously become eligible to participate in any other account balance plan that is required to be aggregated with this Plan as described in Treas. Reg. § 1.409A-1(c)(2) (or any successor provision). Any such election shall apply to Base Salary earned for services performed after the 30-day election window described in the previous sentence and to that portion of the Bonus earned during such Plan Year equal to the total amount of the Bonus multiplied by the ratio of the number of days remaining in the Plan Year after the 30-day election window described in the previous sentence ends over the total number of days in the Plan Year. Effective December 1, 2016, Eligible Employees may no longer make initial deferral elections pursuant to the rule in this paragraph. As of that date, Eligible Employees may only commence or resume participation in the Plan on January 1 of a Plan Year, which shall require the filing of a Deferral Election Form prior to the beginning of such Plan Year as provided in the first paragraph of this Section 4.1.

A Deferral Election Form filed for a Plan Year shall be effective for Base Salary and/or Bonus to be earned during that Plan Year only. For each subsequent Plan Year, an Eligible Employee who wishes to defer Base Salary and/or Bonus must file a new complete and fully executed Deferral Election Form in accordance with the instructions set forth in the Deferral Election Form but in any event prior to January 1 of such Plan Year.

Each Deferral Election Form will designate the DCP Deferral Amounts as a fixed dollar amount or fixed percentage (in increments of 1%) of Base Salary and/or (i) a fixed dollar amount or a fixed percentage of Bonus or (ii) 100% of any Bonus exceeding a specified dollar amount, as elected by the Participant. Deferrals of Base Salary will normally be deducted ratably during the Plan Year, except as otherwise determined by the Committee to take into account special circumstances; provided that in no event will the Committee's action alter the total amount of Deferrals for the Plan Year. In its sole discretion, the Committee may also permit amounts that an Eligible Employee has previously elected to defer under other plans or agreements with the

Company to be transferred to this Plan and credited to his Deferral Accounts that are maintained hereunder, provided that no change shall be made in the time or form of payment of such transferred amounts except as may be permitted by Code Section 409A.

(A) Minimum Deferral. For each Plan Year, the minimum amount of Base Salary that a Participant may elect to defer is \$5,000, if expressed as a dollar amount, or 5% of Base Salary, if expressed as a percentage, and the minimum amount of Bonus that a Participant may elect to defer is any of the following: (I) \$5,000, (II) 5% of Bonus, or (III) 100% of that portion of any Bonus that exceeds a dollar amount specified by the Participant on his Deferral Election Form.

(B) Maximum Deferral. For each Plan Year, the maximum amount of Base Salary that a Participant may elect to defer is 75% of Base Salary, and the maximum amount of Bonus that a Participant may elect to defer is 90% of Bonus. Notwithstanding the foregoing, effective with respect to amounts earned on or after January 1, 2007, for each Plan Year, the maximum total amount of Compensation that a Participant may elect to defer is \$75,000. For the 2007 Plan Year, the \$75,000 limit shall apply only to deferrals of Base Salary that would otherwise have been paid in 2007. For the 2008 Plan Year, the \$75,000 limit shall apply to the deferrals of Base Salary that would have otherwise been paid in 2008 plus deferrals of Bonus, earned in 2007, and otherwise paid in 2008. For the 2008 Plan Year, the \$75,000 limit shall also apply to deferrals of Base Salary that would have otherwise been paid in 2008 plus deferrals of Bonus, earned in 2008, and otherwise paid in 2009. For the 2009 and all future Plan Years, the \$75,000 limit shall apply to amounts of Base Salary and Bonus earned in any one Plan Year. For example, in Plan Year 2009, the \$75,000 limit shall first apply to deferrals of Base Salary that would have otherwise been paid in 2009 and then to deferrals of Bonus that are earned in 2009 and would otherwise be payable in 2010.

(C) Deferral Account Balance. Notwithstanding anything herein to the contrary, if as of December 31 of any Plan Year, a Participant's total Deferral Account balance is \$1,000,000 or more, then the Participant may not defer any compensation earned in the following Plan Year and any election to do so shall be considered void. If as of December 31 of any Plan Year, a Participant's total Deferral Account balance is less than \$1,000,000, then the Participant may defer compensation earned in the following Plan Year in accordance with this Article IV. For purposes of this provision, a Participant's Deferral Account balance shall exclude the balance in the Participant's Savings Plan Restoration Account, if any.

(b) Distribution Elections.

(i) Distribution Elections for 2018 and Subsequent Plan Years. An Eligible Employee who files a Deferral Election Form for any Plan Year beginning on or after January 1, 2018 also may file a Distribution Election Form with each such Deferral Election Form to elect to have all deferrals for such Plan Year paid either (A) in a lump sum or annual payments for any other number of years between two (2) and 20 years following

his Retirement or (B) as an Early Payment Benefit in accordance with Section 4.1(c). Such Distribution Election Form shall apply to all Base Salary and/or Bonus deferred for such Plan Year, and shall also apply to any Savings Plan Restoration Contributions attributable to such deferred Base Salary and/or Bonus (as described further in Section 4.1(c) below). Subject to Section 5.1(d), a Distribution Election Form filed for a Plan Year shall become irrevocable no later than December 31 of the immediately preceding Plan Year. A Distribution Election Form filed for a Plan Year shall be effective for deferrals for that Plan Year only. If an Eligible Employee fails to file a Distribution Election Form for any Plan Year, he or she shall be deemed to have elected to have the deferrals for such Plan Year paid in a single lump sum following Separation from Service as provided in Section 5.1(a).

(ii) Pre-2018 Distribution Elections. With respect to deferrals for Plan Years beginning prior to January 1, 2018, an Eligible Employee was permitted to file a Distribution Election Form simultaneously with the Eligible Employee's first Deferral Election Form to elect the form of payment of all such deferrals to the extent paid as a Retirement Benefit. In addition, a Participant could elect either the Fractional Method or Amortization Method for calculating installments for benefits earned before January 1, 2017. Each Plan Year, an Eligible Employee also had the opportunity to make an election to receive all or a portion of the deferrals for such Plan Year as an Early Payment Benefit in accordance with Section 4.1(c).

(c) Early Payment Benefit Election. With respect to Base Salary and/or Bonus earned after December 31, 2007, an Eligible Employee may irrevocably elect to receive Base Salary and/or Bonus deferred pursuant to Section 4.1(a) prior to Separation from Service in an Early Payment Year. An Early Payment Benefit election filed for the Plan Year beginning January 1, 2008, or for any subsequent Plan Year, shall be effective for the deferred Base Salary and/or Bonus earned during that Plan Year only. A Participant may make an election for an Early Payment Benefit with respect to deferred Base Salary and/or Bonus earned in any future Plan Year by filing a new Early Payment Benefit election with the Committee prior to January 1 of such Plan Year.

Effective January 1, 2017, an Early Payment Benefit election filed with respect to all or a portion of the deferred Base Salary and/or Bonus to be earned during a Plan Year shall also apply to the same portion of any Savings Plan Restoration Contributions attributable to such deferred Base Salary and/or Bonus. For example: (i) any Early Payment Benefit election made by the Participant with respect to deferred Base Salary earned by the Participant for the 2017 Plan Year shall also apply to the portion of the Savings Plan Restoration Contribution made on behalf of a Participant for the 2017 Plan Year that is attributable to such deferred Base Salary and (ii) any Early Payment Benefit election made by the Participant with respect to deferred Bonus earned by the Participant for the 2017 Plan Year and paid during the 2018 Plan Year shall also apply to the portion of the Savings Plan Restoration Contribution made on behalf of a Participant for the 2018 Plan Year that is attributable to such deferred Bonus.

The following additional rules shall apply to Early Payment Benefit elections:

(A) In an Early Payment Benefit election filed for any Plan Year beginning on or after January 1, 2018, a Participant may elect to have all deferrals for such Plan Year paid in the form of a lump sum prior to Separation from Service in an Early Payment Year. For prior Plan Years, (I) a Participant's Early Payment Benefit election could apply to all or a portion of the deferrals for such Plan Year, as designated by the Participant, (II) a Participant's Early Payment Benefit election could designate both an Early Payment Year prior to Separation from Service and a form of payment, with the available forms being a lump sum payment or annual installments over two (2) to five (5) years, (III) a Participant who elected an installment form also could elect the Amortization Method or Fractional Method for Early Payment Benefits earned before January 1, 2017, (IV) the Early Payment Year elected was required to be a year beginning at least two (2) years after the end of the Plan Year for which the election was made, and (V) the default form of distribution if the Participant failed to designate a payment form was a lump sum.

(B) Prior to January 1, 2018, a Participant could not at any time have Early Payment Benefits scheduled for more than two Early Payment Years. However, after an Early Payment Year occurred and all payments with respect to the corresponding Early Payment Year election were completed, a Participant could elect a new Early Payment Year for future deferrals. Effective January 1, 2018, this restriction on the number of Early Payment Years no longer applies.

4.2 DCP Deferral Accounts. The Committee shall establish and maintain a separate DCP Deferral Account for each Participant. A DCP Deferral Amount shall be credited by the Company to the Participant's DCP Deferral Account, subject to the Committee's authority in Section 4.1(a), as of the date that the Participant's Base Salary and/or Bonus would otherwise have been paid. Such DCP Deferral Account shall be debited by the amount of any payments made by the Company to the Participant or the Participant's Beneficiary therefrom as of the date of payment. With respect to Early Payment Benefits earned prior to January 1, 2018, the Committee shall establish an Early Payment Year Subaccount within a Participant's DCP Deferral Account for each Early Payment Year elected by that Participant. Any such Early Payment Year Subaccount shall be debited by the amount of any Early Payment Benefit paid by the Company to the Participant in such Early Payment Year pursuant to Section 5.4 as of the date of payment.

Effective January 1, 2018, for distribution purposes, the Committee shall establish a separate Class Year Subaccount within a Participant's Deferral Account for each Plan Year beginning on or after January 1, 2018 for which the Participant has deferrals under the Plan and a Pre-2018 Subaccount within a Participant's Deferral Account for all previously deferred amounts. A Class Year Subaccount shall be further designated as an Early Payment Year Subaccount for each Plan Year beginning on or after January 1, 2018 for which a Participant makes an Early Payment Benefit election in accordance with Section 4.1(c). All such subaccounts shall be debited by the amount of any payments made by the Company to the Participant or the Participant's Beneficiary therefrom as of the date of payment pursuant to Article V.

4.3 SEDCP Deferral Accounts. The Committee shall maintain a separate SEDCP Deferral Account for each Participant who was a participant in the SEDCP on December 31, 1998. The balance of such Participant's accounts under the SEDCP as of December 31, 1998 remained credited to each such Participant's SEDCP Deferral Account under the Occidental Petroleum Corporation Deferred Compensation Plan, a predecessor to this Plan, as of January 1, 1999. SEDCP Deferral Accounts shall be debited by the amount of any payments made by the Company to the Participant or the Participant's Beneficiary therefrom as of the date of payment.

4.4 Interest. Each Deferral Account of a Participant shall be deemed to bear interest on the monthly balance of such Deferral Account at the Declared Rate, compounded monthly. Except as provided in Section 5.2(a), with respect to SEDCP Deferral Accounts for Participants who die prior to becoming eligible for Retirement, interest will be credited to each Deferral Account on a monthly basis on the last day of each month as long as any amount remains credited to such Deferral Account. Amounts of deferred Compensation that are credited to a DCP Deferral Account and amounts of Savings Plan Restoration Contributions that are credited to a Savings Plan Restoration Account prior to the end of a calendar month shall accrue interest from the date of crediting, computed from date of crediting to the end of the month. Effective August 1, 2016, interest shall be credited to Deferral Accounts at the Declared Rate on a daily basis with monthly compounding.

4.5 Valuation of Deferral Accounts. The value of a Deferral Account as of any date shall equal the amounts previously credited to such Deferral Account less any payments debited to such Deferral Account plus the interest deemed to be earned on such Deferral Account in accordance with Section 4.4 through such date. When payments are made from a DCP Deferral Account for any reason other than an Early Payment Benefit elected after January 1, 1994, such payments shall be deemed to be made on a proportionate or pro-rata basis from DCP Deferral Amounts (including accumulated interest thereon) that were earned and deferred under the 1988 DCP prior to January 1, 1994, and DCP Deferral Amounts (including accumulated interest thereon) that were earned and deferred after that date.

4.6 Savings Plan Restoration Contribution.

(a) General Rule. Effective for Plan Years beginning on and after January 1, 2017, the Company shall credit to the Savings Plan Restoration Account of any Participant an amount equal to the amount by which the contribution that would otherwise have been made by the Company on behalf of the Participant to the Savings Plan for such Plan Year is reduced by reason of the reduction in the Participant's Base Salary for such Plan Year and/or the Participant's Annual Bonus (as defined in the Savings Plan) paid in such Plan Year because of deferrals under this Plan, assuming that the Participant's contribution percentage under the Savings Plan for the Plan Year is 5 percent. The Savings Plan Restoration Contribution shall be credited to the Savings Plan Restoration Account of each Participant for each Plan Year at the same time as the Company contribution for such Plan Year is made to the Savings Plan. With respect to Plan Years beginning prior to January 1, 2017, Savings Plan Restoration Contributions were credited to Participants' Savings Plan Restoration Accounts under this Plan for periods prior to January 1, 2009, but not for the period from January 1, 2009 through December 31, 2016

(during which period such contributions were instead credited under the Occidental Petroleum Corporation Supplemental Retirement Plan II).

(b) Vesting. A Participant's interest in credits to his Savings Plan Restoration Account attributable to periods prior to January 1, 2009 and earnings thereon shall vest at the same rate and at the same time as would have been the case had such contribution been made to the Savings Plan. As of January 1, 2017, all amounts credited to a Participant's Savings Plan Restoration Account, including credits attributable to periods prior to January 1, 2009, credits attributable to periods on and after January 1, 2017 and credits under paragraph (c) below are 100% vested at all times.

(c) Transfer of Non-Vested Savings Plan Restoration Account from Prior Plan. Effective as of January 1, 2005, that portion of a Participant's Savings Plan Restoration Account under the Prior Plan that was not vested as of December 31, 2004, was transferred to and credited to such Participant's Savings Plan Restoration Account under the 2005 DCP and is governed by the terms of this Plan, including any Distribution Election Form filed under the 2005 DCP on or before December 31, 2005. If the Participant was not participating in the 2005 DCP in 2005, the Participant could nevertheless make an election in accordance with Section 5.1(b) and 5.2 of the 2005 DCP if such election was made by December 31, 2005. If the Participant did not file a Distribution Election Form on or before December 31, 2005, with respect to such amount, together with interest, the Participant was deemed to have made an election to receive distribution in accordance with Section 5.1(a).

4.7 Statement of Deferral Accounts. The Committee shall submit to each Participant, within 120 days after the close of each Plan Year, a statement in such form as the Committee deems desirable, setting forth the Participant's Deferral Account(s).

4.8 Pre-Merger Payment Elections. Any payment elections made or deemed to be made by a Participant under the DCP2 or the 2005 DCP and in effect immediately prior to the merger of the two plans on December 31, 2006 shall remain in effect with respect to the portions of the applicable Deferral Accounts attributable to amounts deferred under each plan and shall continue in effect unless and until changed in accordance with the terms of this Plan. The Committee shall establish and maintain separate subaccounts for each Deferral Account as may be necessary to account for amounts subject to different payout elections.

## **ARTICLE V**

### **BENEFITS**

#### 5.1 Separation from Service for a Reason other than Death.

(a) Form and Time of Benefit. Except as otherwise provided in Sections 5.1 and 5.4, upon a Participant's Separation from Service for a reason other than death (including Retirement), the Company shall pay to the Participant in a single lump sum within the first 90 days of the calendar year following the year of the Participant's Separation from Service an amount equal to the value of the Participant's Deferral Accounts as of the end of the month

preceding payment. To the extent that a Retirement Benefit is paid in annual installments pursuant to Section 5.1(b) or 5.1(c), each installment shall be paid within the first 90 days of each calendar year, beginning with the year following the Participant's Retirement and shall be determined based on the value of the Deferral Account or subaccount as of the last day of the month preceding payment. Notwithstanding anything herein to the contrary, in the event that a Participant who is a Specified Employee is entitled to a distribution from the Plan upon or by virtue of such Participant's Separation from Service for a reason other than death, the lump sum payment or the first annual installment payment, as the case may be, shall be paid in the month next following the date that is six (6) months after the date of the Participant's Separation from Service, if later than the time provided above. Any additional installment payments shall be paid within the first 90 days of each subsequent calendar year.

(b) Payment of Class Year Subaccounts. On a Distribution Election Form filed in accordance with the requirements set forth in Section 4.1(b) hereof, a Participant may elect to have a Class Year Subaccount (other than a Class Year Subaccount designated as an Early Payment Year Subaccount), if paid as a Retirement Benefit, paid to him following Retirement in a lump sum or annual payments for any other number of years between two (2) and 20 years. The amount of any installments shall be determined using the Fractional Method. If a Participant's Separation from Service is for any reason other than Retirement or death, then all of the Participant's Class Year Subaccounts shall be paid as a Termination Benefit in a lump sum as provided in Section 5.1(a).

(c) Payment of Pre-2018 Subaccounts.

(i) Retirement Benefit. A Participant who commenced participation in the Plan prior to January 1, 2018 and has a Pre-2018 Subaccount was permitted to elect, on a Distribution Election Form filed simultaneously with and in the same manner as the first Deferral Election Form that the Participant was required to file in accordance with the requirements set forth in Section 4.1 hereof, (A) to have the Pre-2018 Subaccount, but which will not include any amounts attributable to an Early Payment Year Subaccount if Separation from Service occurs after beginning of the relevant Early Payment Year, if paid as a Retirement Benefit, paid to him in a lump sum or annual payments for any other number of years between two (2) and 20 years, and (B) to have the amount of each annual installment determined under either the Amortization Method (if permitted hereunder) or the Fractional Method. If such a Participant failed to elect either the Amortization Method or the Fractional Method, such Participant is deemed to have elected the Fractional Method.

Notwithstanding the foregoing, in the case of an Eligible Employee who commences or resumes participation in the Plan in 2017, (A) the only payment forms that such Participant could elect with respect to his Retirement Benefit were a lump sum or annual payments over five (5), ten (10), fifteen (15) or twenty (20) years and (B) only the Fractional Method for determining installments is available.

(ii) Termination Benefit. If a Participant's Separation from Service is for any reason other than Retirement or death, then the Participant's Pre-2018 Subaccount shall be paid as a Termination Benefit in a lump sum as provided in Section 5.1(a).

(iii) Effect of Pre-Retirement Separation from Service on Spousal Survivor Benefits. Spousal survivor benefits (if any) under Section 5.3 of the Plan shall not be payable to the spouse of a Participant whose Separation from Service occurs prior to Retirement and receives a Termination Benefit under this Section 5.1(c).

(d) Payment Election Changes.

(i) Single Payment. Notwithstanding anything herein to the contrary, an election to receive distribution in a series of annual installments shall be treated as a single payment for purposes of Code Section 409A.

(ii) Permitted Changes. Subject to paragraph (iii) below, a Participant may change his election as to the form of payment of any Class Year Subaccount or Pre-2018 Subaccount, to the extent paid as a Retirement distribution, subject to the following conditions: (A) the election shall not be effective until twelve (12) months after the election is filed with the Committee; (B) the election must defer the lump sum payment or the initial amount of an installment payment for a period of at least five (5) years from the date that the lump sum payment or initial amount of the installment payment, as the case may be, was otherwise payable; and (C) the election must be made at least twelve (12) months prior to the beginning of the calendar year in which the lump sum payment or initial amount of the installment payment, as the case may be, would have been payable if no change as to the form of distribution were ever made.

(iii) Additional Rules. Effective January 1, 2017, a Participant may only make one change pursuant to this Section 5.1(d). Effective January 1, 2018, this limitation shall apply separately to each Class Year Subaccount (other than a Class Year Subaccount designated as an Early Payment Year Subaccount) and any Pre-2018 Subaccount within a Participant's Deferral Account. Effective January 1, 2018, the available forms of payment under this Section 5.1(d) shall be a lump sum or annual installments for any number of years between two (2) and 20 years and only the Fractional Method shall be available. Such change must satisfy all of the requirements of this Section 5.1(d). Changes to Class Year Subaccounts that are designated as an Early Payment Year Subaccount must satisfy all the requirements of Section 5.4. No change may be made following a Participant's Separation from Service.

5.2 Beneficiary Benefits.

(a) Payment of Class Year Subaccounts and Pre-2018 Subaccounts.

(i) General Rules. If Participant's Separation from Service is due to death, the Company will pay to the Participant's Beneficiary in a single lump sum a Beneficiary Benefit that is an amount equal to the aggregate value of the Participant's Class Year Subaccounts and Pre-2018 Subaccount (other than his or her SEDCP Deferral Account (if any) and amounts in any Early Payment Year Subaccount attributable to an Early Payment



Year beginning before the date of the Participant's death (if any)). If such Participant also has an SEDCP Deferral Account, the Company will also pay to the Participant's Beneficiary annual payments over the greater of (A) 10 years or (B) until the Participant would have attained age 65 equal to 25% of the amount deferred under the SEDCP (excluding any interest on such deferrals), which payments shall be in full satisfaction of the benefits payable with respect to the Participant's SEDCP Deferral Account. Notwithstanding the foregoing, the Participant's Beneficiary shall instead be paid the amount credited to the Participant's SEDCP Deferral Account as of the end of the month in which his death occurred plus interest at a rate of 8% per annum, compounded annually, from the end of such month and credited annually on each anniversary of the end of such month payable in equal installments (using the Amortization Method) over the period described in the preceding sentence, if the Committee determines that the present value of such benefit is greater than the present value of the benefit described in the preceding sentence. In comparing the present value of these two alternative benefits, the Committee shall use in each case a discount factor of 8%.

(ii) Death after Attaining Age 55. Notwithstanding the foregoing, if a Participant's Separation from Service is due to death after attaining age 55, payment to his Beneficiary of his Class Year Subaccounts and Pre-2018 Subaccount (other than payment of his or her SEDCP Deferral Account (if any) and amounts in any Early Payment Year Subaccount attributable to an Early Payment Year beginning before the date of the Participant's death (if any)) shall be made in the same form or forms as payment of the Participant's Retirement Benefit would have been made to the Participant if he were living.

(iii) Beneficiary Distribution Elections. Notwithstanding the foregoing, a Participant who commenced participation in the Plan before January 1, 2017 could elect, on a Beneficiary Distribution Election Form filed simultaneously with and in the same manner as the first Deferral Election Form that the Participant was required to file in accordance with the requirements set forth in Section 4.1 hereof, that, if his Separation from Service is due to death prior to attaining age 55, payment to his Beneficiary of his Class Year Subaccounts and Pre-2018 Subaccount (other than payment of his or her SEDCP Deferral Account (if any) and amounts in any Early Payment Year Subaccount attributable to an Early Payment Year beginning before the date of the Participant's death (if any)) shall be made in any form and calculated in any other manner described in Section 5.1(c) (which may be different than the form of payment elected by the Participant for his Retirement Benefit). Such a Participant may change his election as to the form of payment to his Beneficiary subject to the following conditions: (A) the election shall not be effective until twelve (12) months after the election is filed with the Committee; (B) the election must be made at least twelve (12) months prior to the beginning of the calendar year in which the lump sum payment or initial amount of the installment payment, as the case may be, would have been payable if no change as to the form of distribution were ever made; and (C) payment must be calculated using the Fractional Method. Each such change must satisfy all of the requirements of this Section 5.2(a)(iii).

Notwithstanding the foregoing, in the case of an Eligible Employee who commences or resumes participation in the Plan on or after January 1, 2017, the elections described above in this Section 5.2(a)(iii) shall not be available. In the event of such a Participant's Separation from Service due to death prior to attaining age 55, payment to his Beneficiary of his Class Year Subaccounts and Pre-2018 Subaccount instead shall be made as provided in Section 5.2(a)(i) above.

(iv) Death after Separation from Service. If a Participant dies after Separation from Service but before commencement or completion of his Class Year Subaccounts and Pre-2018 Subaccount under the Plan, payment to his Beneficiary shall be made in the same amount, at the same time and in the same form as payment would have been made to the Participant if he were living under this Plan. If installment payments to the Participant have already commenced, then the remaining installments (if any) shall be paid to his Beneficiary in the same amounts and at the same times as such remaining installments would have been paid to the Participant if he were living.

(v) Timing of Payments to Beneficiary. The payment or payments to a Beneficiary of a deceased Participant under this Section 5.2(a) (including payments with respect to the SEDCP Deferral Account) shall be made or commence during the period beginning on the date of the Participant's death and ending on December 31 of the first calendar year following the calendar year in which the Participant's death occurs. If payment is to be made in installments, the first installment only shall be made during the period specified in the preceding sentence, with any subsequent installments paid within the first 90 days of each subsequent calendar year. The amount of any such payment shall be equal to, or determined based on, the value of the Participant's Class Year Subaccounts and Pre-2018 Subaccount as of the end of the month preceding payment.

(b) Death of Beneficiary before Completion of Payments. Effective January 1, 2017, in the event that the Beneficiary of a deceased Participant dies prior to the completion of payments under this Plan to that Beneficiary, then the remaining benefit shall be paid in a lump sum to the person or persons designated by the Beneficiary in accordance with procedures established by the Committee or, if no such person has been designated, then to the Beneficiary's estate. Such lump sum payment shall be made during the period beginning on the date of the Beneficiary's death and ending on December 31 of the first calendar year following the calendar year in which the Beneficiary's death occurs.

(c) Prior Elections. Any election as to the form and manner of payment to a Beneficiary in effect under the terms of the DCP2 or the 2005 DCP immediately prior to the merger of the two plans on December 31, 2006, shall remain in effect with respect to the portions of the applicable Deferral Accounts attributable to amounts deferred under each plan and shall continue in effect unless or until changed in accordance with the terms of this Plan. The Committee shall establish and maintain separate subaccounts for each Deferral Account as may be necessary to account for amounts subject to different beneficiary payout elections.

5.3 Spousal Survivor Benefits with Respect to SEDCP Deferral Accounts. If a Participant who has an SEDCP Deferral Account dies after becoming eligible for Retirement or

after commencement of payment of his Retirement Benefit and a spouse to whom he had been married to for at least one (1) year prior to his death survives beyond completion of payment of the Participant's SEDCP Deferral Account balance, the Company shall pay such spouse a lump sum payment in an amount equal to 10% of the Participant's SEDCP Deferral Account balance valued as of the earlier of the date of the Participant's Retirement or death. Such lump sum spousal survivor benefit shall be paid 120 days following the later of the completion of payment of the Participant's SEDCP Deferral Account balance or the Participant's death. No benefit shall be payable under this Section 5.3 if the Participant's spouse does not survive beyond completion of payment of the Participant's SEDCP Deferral Account balance. Notwithstanding the foregoing, no spousal survivor benefit shall be payable to the spouse of any Participant who received benefits pursuant to Section 5.1(c)(ii) (Termination Benefit) or Section 5.6 (Immediate Payment on Change in Control).

5.4 Early Payment. Payment of the amounts credited to any Early Payment Year Subaccount of a Participant shall be paid or commence to be paid within the first 90 days of the year elected as the Early Payment Year in accordance with the Participant's election under Section 4.1(c), with any subsequent annual payments paid in the first 90 days of each applicable year. The amount of each annual installment will be determined under the Fractional Method unless the Participant otherwise irrevocably elects the Amortization Method at the time of making the Early Payment Benefit election. A Participant may not elect the Amortization Method for Early Payment Benefits earned on or after January 1, 2017. A Participant may not elect installment payments for Early Payment Benefits earned on or after January 1, 2018.

Effective January 1, 2018, a Participant may change his or her election as to the Early Payment Year for any Early Payment Year Subaccount subject to the following conditions: (a) the election shall not be effective until twelve (12) months after the election is filed with the Committee; (b) the election must defer the lump sum payment or initial amount of the installment payment for a period of at least five (5) years from the date that the lump sum payment or initial amount of the installment payment was otherwise payable; and (c) the election must be made at least twelve (12) months prior to the beginning of the calendar year in which the lump sum payment or initial amount of the installment payment would have been payable if no change as to the form of distribution were ever made. In addition, if a Participant makes an election pursuant to this provision, payment of the Early Payment Year Subaccount subject to such election must be made in a lump sum payment in the new Early Payment Year. There is no limit on the number of changes a Participant may make pursuant to this provision.

Notwithstanding the foregoing, if a Participant has a Separation from Service for any reason prior to the Early Payment Year elected by the Participant in accordance with Section 4.1(c) or the preceding paragraph, the election made by the Participant to receive the Early Payment Benefit shall terminate. In the case of an Early Payment Benefit Subaccount established for any Plan Year beginning on or after January 1, 2018, the amount credited to the Early Payment Year Subaccount shall be paid according to the Retirement election made at the same time as the Early Payment election, as set forth in Section 5.1(a) or Section 5.2(a), as applicable, unless the Participant has not yet reached age 55, in which case the Early Payment benefit will be paid in a single lump sum following the Participants' Separation from Service In

the case of Early Payment Benefits earned before January 1, 2018, the amount credited to the Participant's Early Payment Year Subaccount shall be paid, together with the other amounts credited to the Participant's Pre-2018 Subaccount, as set forth in Section 5.1 or 5.2, as the case may be. If the Participant has a Separation from Service for any reason after the start of the Early Payment Year but before the commencement or completion of the Early Payment Benefit, the benefit or remaining benefit attributable to the relevant Early Payment Year Subaccount shall be paid to the Participant (or his Beneficiary) in accordance with the Participant's Early Payment Benefit election without regard to the Participant's Separation from Service (i.e., once the Early Payment Year is reached, the Participant's subsequent Separation from Service for any reason shall not affect the payment of the relevant Early Payment Year Subaccount).

5.5 Emergency Benefit. In the event that the Committee, upon written petition of the Participant, determines in its sole discretion that the Participant has suffered an Unforeseeable Emergency, the Company shall pay to the Participant, within 60 days following such determination, an Emergency Benefit that does not exceed the amount reasonably necessary to satisfy such Unforeseeable Emergency plus amounts necessary to pay taxes reasonably anticipated as a result of the distribution, after taking into account the extent to which such hardship is or may be relieved through reimbursement or compensation by insurance or otherwise or by liquidation of the Participant's assets to the extent the liquidation of such assets would not itself cause severe financial hardship and the additional compensation available to the Participant upon the termination of the Participant's current deferral elections under the Plan, as described in the following paragraph of this Section 5.5. Such Emergency Benefit shall be taken pro rata from each of the Participant's Deferral Accounts, including the Participant's DCP Deferral Account, SEDCP Deferral Account and Savings Plan Restoration Account, as applicable, and pro rata from any subaccounts, such as an Early Payment Year Subaccount, within any such Deferral Account.

Whenever a Participant receives a distribution under this Section 5.5, the Participant will be deemed to have revoked all current deferral elections under the Plan effective as of the date of the distribution. The Participant will not be permitted to participate in the next enrollment period under the Plan and will be precluded from electing to make new deferrals under the Plan for a minimum period of one (1) year (or such lesser period as the Committee may permit) following receipt of the distribution. Such new election shall comply with the provisions of Section 4.1(a).

5.6 Effect of Change in Control. In the event of a Change in Control, the Board may, in its sole discretion, within the 30 days preceding such Change in Control, irrevocably take action to terminate and liquidate the Plan, provided that the requirements of Treas. Reg. § 1.409A-3(j)(4)(ix)(B) (or any successor provision) are satisfied.

5.7 Small Benefit. Notwithstanding any election by a Participant to receive payment of a Class Year Subaccount or Pre-2018 Subaccount maintained for the Participant under the Plan in an installment payment form, if the aggregate value of all of the Participant's Class Year Subaccounts and Pre-2018 Subaccounts with the same scheduled commencement date and same installment form is less than \$50,000 on the scheduled commencement date, then all such subaccounts shall be paid to the Participant in a single lump sum on the scheduled

commencement date. This provision shall not apply to any Early Payment Year Subaccount that is being paid pursuant to an Early Payment Benefit election to the extent permissible under Code Code Section 409A.

#### 5.8 Tax Withholding and Reporting.

(a) To the extent required by the law in effect at the time payments are made, the Company shall withhold from payments made hereunder the taxes required to be withheld by Federal, state and local law.

(b) The Company shall have the right at its option to (i) require a Participant to pay or provide for payment of the amount of any taxes that the Company may be required to withhold with respect to interest or other amounts that the Company credits to a Participant's Deferral Accounts or (ii) deduct from any amount of salary, bonus or other payment otherwise payable in cash to the Participant the amount of any taxes that the Company may be required to withhold with respect to interest or other amounts that the Company credits to a Participant's Deferral Accounts. In addition, as permitted by Treas. Reg. § 1.409A-3(j)(4) (vi) (or any successor provision), payments may be made under the Plan to pay any Federal Insurance Contributions Act (FICA) tax imposed under Code Sections 3101 and 3121(v)(2) on the Participant's Deferral Accounts, and to pay any income tax imposed under Code Section 3401 (*i.e.*, wage withholding) or the corresponding withholding provisions of applicable state or local law as a result of payment of the FICA amount, as well as to pay the additional income tax attributable to the pyramiding wages and taxes. The total payment may not exceed the aggregate FICA tax amount and the income tax withholding related to such FICA tax amount.

## 5.9 Reemployment.

(a) If, after a Participant's Separation from Service, such Participant is reemployed by the Company prior to the scheduled payment of any benefits in a cash lump sum payment or while he is receiving benefits in the form of annual installment payments, the payment of the lump sum amount or the future installments, as the case may be, shall be made as scheduled without regard to the Participant's reemployment.

(b) A reemployed Participant may elect to again participate in this Plan and to defer additional Base Salary and/or Bonus as provided in Section 4.1, in which case a new Deferral Account shall be established for such Participant to which allocations relating to the period following the Participant's re-employment shall be credited. A Participant who was reemployed before January 1, 2018 was permitted to file a new Distribution Election Form with respect to his Pre-2018 Subaccount, simultaneously with and in the same manner as the first Deferral Election Form filed by the Participant upon his reemployment, governing the payment of his new Retirement Benefit in accordance with Section 5.1(c) and payment to his Beneficiary in accordance with Section 5.2(a)(iii) (provided that payment of any amounts previously forfeited pursuant to Section 4.6 and restored upon the Participant's reemployment shall be made in the form applicable at the time of his prior termination in accordance with the rules set forth herein). A Participant shall be permitted to file a separate Distribution Election Form for each Class Year Subaccount established following the Participant's reemployment as provided in Section 4.1.

5.10 Qualified Divorce Orders. Subject to the policies and procedures established by the Committee under Section 9.3(b) hereof and the provisions of this Plan, benefits may be paid from the balance of a Participant's Deferral Account(s) in accordance with a Qualified Divorce Order.

## 5.11 Special 2006 Transition Rule Elections.

(a) Notwithstanding anything herein to the contrary, pursuant to the transition rules under Code Section 409A and the regulations and guidance thereunder, each Participant who has not separated from service as of October 12, 2006 may make a new payment election (a "Special Transition Rule Election") with respect to (i) the balance of his Deferral Accounts as of December 31, 2006 together with interest credited thereto prior to distribution (his "December 31 Balance") and/or (ii) any deferred 2006 bonus (i.e., that portion of any bonus earned in 2006 and payable in 2007 that the Participant elected to defer under this Plan) plus interest credited thereto prior to distribution (his "2006 Deferred Bonus"). As part of such election, the Participant may elect to receive his Retirement Benefit in any form described in Section 5.1 and calculated under either the Amortization Method or the Fractional Method. In addition, the Participant may elect up to two Early Payment Years with installment payments (if any) calculated under the Amortization Method or the Fractional Method. Notwithstanding the provisions of Section 4.1 or Section 5.4 to the contrary, a Participant may elect any Early Payment Year other than 2006 regardless of the year in which the Compensation was deferred, except that (i) the earliest Early

Payment Year that a Participant may elect with respect to his 2006 Deferred Bonus is 2008, and (ii) if a Participant elects 2007 as an Early Payment Year with respect to his December 31 Balance, payment will be made in July of 2007. A Participant may elect that all, any portion or no portion of his December 31 Balance and/or all, any portion or no portion of his 2006 Deferred Bonus be paid in an Early Payment Year, but (i) the Participant may not select more than two Early Payment Years under this Special Transition Rule Election and may not elect any additional Early Payment Years under Section 4.1 if such election would result in more than two scheduled Early Payment Years and (ii) the Participant may not make different elections with respect to the form or manner of calculation of his Retirement Benefit with respect to his December 31 Balance and his 2006 Deferred Bonus.

(b) Notwithstanding anything herein to the contrary, if a Participant has separated from service due to Retirement as of October 12, 2006, he may make a new payment election with respect to his December 31 Balance. As part of such election, the Participant may elect (i) to receive a lump sum distribution of his entire Deferral Account balance in July of 2007 or (ii) to change the number of Retirement Benefit installment payments as permitted under Section 5.1, provided that the Participant may not extend the number of installments to more than twenty annual installments (including installment payments that have already been made).

(c) If a Participant elects 2007 as an Early Payment Year for his December 31 Balance, he may not elect to defer any Compensation earned in 2007 under this Plan.

(d) In addition, as part of the special election hereunder, a Participant may change the form and manner of calculation of the payment of benefits to his Beneficiary in the event that the Participant dies while employed by the Company after becoming eligible for Retirement.

(e) A Participant must elect the same form and manner of calculating his Retirement Benefit under (a) or (b) above and the same form and manner of calculating his Beneficiary Benefit under (d) above as he elects for such benefits under the 2005 DCP and the DCP2.

(f) Any election hereunder must be made by November 3, 2006, or such later date as permitted by the Committee, but in no event later than December 31, 2006.

(g) A Participant's election hereunder shall supersede any previous election made or deemed to be made under this Plan, the 2005 DCP, or the DCP2. If a Participant does not timely make an election hereunder, the elections he otherwise made or makes or was deemed to make shall apply and may be changed only in accordance with the other terms of this Plan and any Compensation deferred on or after January 1, 2007, shall be subject to the Participant's election under the 2005 DCP (or, the DCP2 if the Participant was a participant in the DCP2 but not the 2005 DCP) or as subsequently amended in accordance with the other terms of this Plan. However, any distribution election that had not become effective by October 12, 2006, shall be null and void.

## 5.12 Plan Provisions Control.

(a) Payment Commencement Prior to November 1, 2008. Notwithstanding anything herein to the contrary, if installment payments to a Participant or Beneficiary have commenced prior to November 1, 2008 in accordance with the prior provisions of the Plan, the Participant's remaining account shall be paid over the remaining number of installments in accordance with the rules set forth herein (i.e., within the first 90 days of 2009 and each subsequent calendar year, except as otherwise provided herein).

(b) Distribution Elections Made Prior to November 1, 2008. Notwithstanding anything herein to the contrary, if a Participant has made a distribution election, including a beneficiary distribution election, prior to November 1, 2008, and such election remains in effect on and after that date, including without limitation under Section 4.8 or Section 5.2(g), distributions to such Participant (or his Beneficiary) shall commence and be made in accordance with the rules set forth herein, with such distribution election used only to determine the applicable form of payment (i.e., whether distribution shall be made in a lump sum or installments and, if installments, the number of such installments and the method used for calculating such installments).

## **ARTICLE VI**

### **BENEFICIARY DESIGNATION**

Each Participant shall have the right, at any time, to designate any person or persons as the Beneficiary to whom payments under this Plan shall be made in the event of the Participant's death prior to complete distribution to the Participant of the benefits due under the Plan. Each Beneficiary designation shall become effective only when filed in writing with the Committee during the Participant's lifetime on a paper form prescribed by the Committee. Any Beneficiary designation made by a Participant under the DCP2 and/or the 2005 DCP shall continue to apply under this Plan until the Participant files a new Beneficiary designation form with the Committee. Notwithstanding the preceding sentence, if a Participant had selected different Beneficiaries under the DCP2 and the 2005 DCP, the following rules shall apply:

(a) If the Participant does not make a new election under Section 5.11, the Beneficiary designation under the DCP2 shall apply to the subaccount for the DCP2 under this Plan and the Beneficiary designation under the 2005 DCP shall apply to the subaccount for the 2005 DCP under this Plan unless or until the Participant files a new Beneficiary designation form with the Committee.

(b) If the Participant does make a new election under Section 5.11, the Participant will be treated as having no Beneficiary designation on file until the Participant files a new Beneficiary designation with the Committee.



The filing of a new Beneficiary designation form will cancel any inconsistent Beneficiary designation previously filed.

If a Participant fails to designate a Beneficiary as provided above, or if all designated Beneficiaries predecease the Participant, any benefits remaining unpaid shall be paid in accordance with the Participant's Beneficiary designation under the Company's Retirement Plan, and if there is no such valid Beneficiary designation, to the Participant's then surviving spouse, or if none, to the Participant's estate, unless directed otherwise by the court that has jurisdiction over the assets belonging to the Participant's probate estate.

## ARTICLE VII

### CLAIMS PROCEDURE

7.1 Applications for Benefits. All applications for benefits under the Plan shall be submitted to Occidental Petroleum Corporation, Attention: Deferred Compensation Committee, 5 Greenway Plaza, Suite 110, Houston, TX 77046-0521. Applications for benefits must be in writing on the forms prescribed by the Committee and must be signed by the Participant, or in the case of a Beneficiary Benefit, by the Beneficiary or legal representative of the deceased Participant.

7.2 Claims Procedure.

(a) Within a reasonable period of time, but not later than 90 days after receipt of a claim for benefits, the Committee or its delegate shall notify the claimant of any adverse benefit determination on the claim, unless special circumstances require an extension of time for processing the claim. In no event may the extension period exceed 90 days from the end of the initial 90-day period. If an extension is necessary, the Committee or its delegate shall provide the claimant with a written notice to this effect prior to the expiration of the initial 90-day period. The notice shall describe the special circumstances requiring the extension and the date by which the Committee or its delegate expects to render a determination on the claim.

(b) In the case of an adverse benefit determination, the Committee or its delegate shall provide to the claimant written or electronic notification setting forth in a manner calculated to be understood by the claimant (i) the specific reason or reasons for the adverse benefit determination; (ii) reference to the specific Plan provisions on which the adverse benefit determination is based; (iii) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why the material or information is necessary; and (iv) a description of the Plan's claim review procedures and the time limits applicable to such procedures, including a statement of the claimant's right to bring a civil action under Section 502(a) of ERISA following an adverse final benefit determination on review and in accordance with Section 7.4.

(c) Within 60 days after receipt by the claimant of notification of the adverse benefit determination, the claimant or his duly authorized representative, upon written

application to the Committee, may request that the Committee fully and fairly review the adverse benefit determination. On review of an adverse benefit determination, upon request and free of charge, the claimant shall have reasonable access to, and copies of, all documents, records and other information relevant to the claimant's claim for benefits. The claimant shall have the opportunity to submit written comments, documents, records, and other information relating to the claim for benefits. The Committee's (or delegate's) review shall take into account all comments, documents, records, and other information submitted regardless of whether the information was previously considered in the initial adverse benefit determination.

(d) Within a reasonable period of time, but not later than 60 days after receipt of such request for review, the Committee or its delegate shall notify the claimant of any final benefit determination on the claim, unless special circumstances require an extension of time for processing the claim. In no event may the extension period exceed 60 days from the end of the initial 60-day period. If an extension is necessary, the Committee or its delegate shall provide the claimant with a written notice to this effect prior to the expiration of the initial 60-day period. The notice shall describe the special circumstances requiring the extension and the date by which the Committee or its delegate expects to render a final determination on the request for review. In the case of an adverse final benefit determination, the Committee or its delegate shall provide to the claimant written or electronic notification setting forth in a manner calculated to be understood by the claimant (i) the specific reason or reasons for the adverse final benefit determination; (ii) reference to the specific Plan provisions on which the adverse final benefit determination is based; (iii) a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant to the claimant's claim for benefits; and (iv) a statement of the claimant's right to bring a civil action under Section 502(a) of ERISA following an adverse final benefit determination on review and in accordance with Section 7.4.

7.3 Section 409A Compliance. Any claim for benefits under this Article must be made by the claimant no later than the time prescribed by Treas. Reg. § 1.409A-3(g) (or any successor provision). If a claimant's claim or appeal is approved, any resulting payment of benefits will be made no later than the time prescribed for payment of benefits by Treas. Reg. § 1.409A-3(g) (or any successor provision).

7.4 Limitations on Actions. No legal action may be commenced prior to the completion of the benefit claims procedure described herein. In addition, no legal action may be commenced after the later of (a) 180 days after receiving the written response of the Committee to an appeal, or (b) 365 days after an applicant's original application for benefits.

## **ARTICLE VIII**

### **AMENDMENT AND TERMINATION OF PLAN**

8.1 Amendment. The Board may amend the Plan in whole or in part at any time for any reason, including but not limited to, tax, accounting or other changes, which may result in termination of the Plan for future deferrals. The Executive Compensation and Human Resources

Committee of the Board may amend the Plan to (a) ensure that this Plan complies with the requirements of Code Section 409A for deferral of taxation on compensation deferred hereunder until the time of distribution and (b) add provisions for changes to deferral elections and elections as to time and manner of distributions and other changes that comply with the requirements of Code Section 409A for the deferral of taxation on deferred compensation until the time of distribution. The Committee appointed pursuant to Article III, in its discretion, may amend the Plan if the Committee determines that such amendment does not significantly increase or decrease Plan benefits or costs. Notwithstanding the foregoing, except for any amendment required to preserve the deferral of taxation of amounts deferred under this Plan, no amendment shall (a) reduce the amounts that have been credited to the Deferral Account(s) of any Participant prior to the date such amendment is adopted or (b) eliminate the spousal survivor benefit under Section 5.3. Any amendment that would change the terms of the amendment provisions of this Section 8.1 or the terms of the termination provisions of Section 8.2, shall not be effective prior to the date that is two years after the date such amendment is adopted, unless the amendment is required by a change in the tax or other applicable laws or accounting rules, or the amendment is required in order to preclude any amounts deferred under this Plan from being included in the income of Participants prior to a date of distribution as specified under this Plan. Notwithstanding the foregoing, following a Change in Control, no amendment shall (a) reduce the amounts that have been credited to the Deferral Account(s) of any Participant prior to the date such amendment is adopted; (b) eliminate the spousal survivor benefits under Section 5.3; or (c) change the terms of the amendment provisions of this Section 8.1 or the terms of the termination provisions of Section 8.2.

## 8.2 Termination.

(a) Company's Right to Terminate. The Board may terminate the Plan at any time, if in the Board's judgment, the continuance of the Plan would not be in the Company's best interest due to tax, accounting or other effects thereof, or potential payouts thereunder, or other reasons, provided that any termination of the Plan shall not be effective prior to the date that is two years after the date the Board adopts a resolution to terminate the Plan, unless (i) the termination of the Plan is required by a change in the tax or other applicable laws or accounting rules, or (ii) the Participants have become subject to tax on the amounts deferred under the Plan. Notwithstanding the foregoing, following a Change in Control, the Plan may not be terminated prior to the date that is three years after the date the Change in Control occurs, or, if earlier, the date on which amounts deferred under the Plan have become taxable to Participants. In the event the Board adopts a resolution terminating the Plan, the Board or the Committee shall determine the date as of which deferral elections shall cease to have effect in accordance with the requirements of Code Section 409A.

(b) Payments Upon Termination. Distributions to the Participants or their Beneficiaries shall be made on the dates on which the Participants or their Beneficiaries would receive benefits hereunder without regard to the termination of the Plan, except that payments may, in the discretion of the Board, be accelerated if:

(i) The Plan is terminated and liquidated pursuant to Section 5.6 of the Plan;

(ii) Accelerated payment is otherwise permitted by Treas. Reg. § 1.409A-3(j)(4)(ix) (or any successor provision) or other guidance issued by the Secretary of the Treasury, or

(iii) The Plan is terminated because Participants have become subject to tax on their deferrals due to the Plan's failure to satisfy the requirements of Code Section 409A. Payment to a Participant may not exceed the amount required to be included in income as a result of such failure.

## ARTICLE IX

### MISCELLANEOUS

9.1 Unsecured General Creditor. The rights of a Participant, Beneficiary, or their heirs, successors, and assigns, as relates to any Company promises hereunder, shall not be secured by any specific assets of the Company, nor shall any assets of the Company be designated as attributable or allocated to the satisfaction of such promises.

9.2 Trust Fund. The Company shall be responsible for the payment of all benefits provided under the Plan. At its discretion, the Company may establish one or more trusts, with such trustees as the Board or Committee may approve, for the purpose of providing for the payment of such benefits. Such trust or trusts may be irrevocable, but the assets thereof shall be subject to the claims of the Company's creditors. To the extent any benefits provided under the Plan are actually paid from any such trust, the Company shall have no further obligation with respect thereto, but to the extent not so paid, such benefits shall remain the obligation of, and shall be paid by, the Company. No assets shall be transferred to a trust if such transfer would result in the taxation of benefits prior to distribution under Code Section 409A(b).

9.3 Nonassignability.

(a) Neither a Participant nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage or otherwise encumber, hypothecate or convey in advance of actual receipt the amounts, if any, payable hereunder, or any part thereof, or interest therein which are, and all rights to which are, expressly declared to be unassignable and non-transferable. No part of the amounts payable shall, prior to actual payment, be subject to seizure or sequestration for the payment of any debts, judgments, alimony or separate maintenance owed by a Participant or any other person, nor be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency.

(b) Notwithstanding subsection (a), the right to benefits payable with respect to a Participant pursuant to a Qualified Divorce Order may be created, assigned, or recognized. The Committee shall establish appropriate policies and procedures to determine whether a Divorce Order presented to the Committee constitutes a Qualified Divorce Order under this Plan,

and to administer distributions pursuant to the terms of Qualified Divorce Orders. In the event that a Qualified Divorce Order exists with respect to benefits payable under the Plan, such benefits otherwise payable to the Participant specified in the Qualified Divorce Order shall be payable to the Alternate Payee specified in such Qualified Divorce Order.

9.4 Release from Liability to Participant. A Participant's right to receive benefits under the Plan shall be reduced to the extent that any portion of a Participant's Deferral Account(s) has been paid or set aside for payment to an Alternate Payee pursuant to a Qualified Divorce Order. The Participant shall be deemed to have released the Company and the Plan from any claim with respect to such amounts in any case in which (a) the Company, the Plan, or any Plan representative has been served with legal process or otherwise joined in a proceeding relating to such amounts, and (b) the Participant fails to obtain an order of the court in the proceeding relieving the Company and the Plan from the obligation to comply with the judgment, decree or order.

9.5 Employment Not Guaranteed. Nothing contained in this Plan nor any action taken hereunder shall be construed as a contract of employment or as giving any Participant any right to be retained in employment with the Company. Accordingly, subject to the terms of any written employment agreement to the contrary, the Company shall have the right to terminate or change the terms of employment of a Participant at any time and for any reason whatsoever, with or without cause.

9.6 Gender, Singular & Plural. All pronouns and any variations thereof shall be deemed to refer to the masculine or feminine as the identity of the person or persons may require. As the context may require, the singular may be read as the plural and the plural as the singular.

9.7 Captions. The captions of the articles, sections, and paragraphs of the Plan are for convenience only and shall not control or affect the meaning or construction of any of its provisions.

9.8 Validity. In the event any provision of this Plan is held invalid, void, or unenforceable, the same shall not affect, in any respect whatsoever, the validity of any other provision of this Plan.

9.9 Notice. Any notice or filing required or permitted to be given to the Committee under the Plan shall be sufficient if in writing and hand delivered, or sent by registered or certified mail, to the principal office of the Company. Such notice shall be deemed given as to the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification.

9.10 Applicable Law. The Plan shall be governed by and construed in accordance with Code Section 409A, and any regulations promulgated thereunder. To the extent that the Plan covers individuals who first became Participants prior to January 1, 2017 (including their Beneficiaries and others claiming benefits through such Participants), it shall be governed in accordance with the laws of the State of California to the extent such laws are not preempted by ERISA. To the extent that the Plan covers individuals who first become Participants on or after

January 1, 2017 (including their Beneficiaries and others claiming benefits through such Participants), it shall be governed in accordance with the laws of the State of Texas to the extent such laws are not preempted by ERISA.

# **Occidental Petroleum Corporation Supplemental Retirement Plan II**

Effective as of January 1, 2005

Amended and Restated as of January 1, 2018

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# **Article 1. Introduction**

## **1.1 Adoption and Restatements of the Plan**

The Occidental Petroleum Corporation Supplemental Retirement Plan II (the “Plan”) was originally adopted by Occidental Petroleum Corporation (the “Company”), effective as of January 1, 2005.

Effective November 1, 2008, the Occidental Petroleum Corporation Supplemental Retirement Plan (the “Supplemental Retirement Plan”) was merged with and into this Plan, which was amended and restated as of that date. Effective November 1, 2008, the account of each participant under the Supplemental Retirement Plan was transferred to this Plan and has since been governed by the terms of this Plan.

The Plan was previously restated as of January 1, 2017 to incorporate all amendments to the Plan adopted subsequent to the November 1, 2008 restatement and, in addition, to make further changes to the Plan, including to the Plan’s participation, contribution and distribution provisions.

This January 1, 2018 restatement of the Plan is generally effective as of January 1, 2018, except as otherwise specifically set forth herein. This restatement makes additional changes to the Plan’s distribution provisions.

## **1.2 Purpose of the Plan**

It is the purpose of this Plan to provide eligible employees with benefits that will compensate them for the loss of benefits under the Retirement Plan or Savings Plan during their period of service in the Plan Year on account of the maximums and other limitations imposed by law upon contributions to such qualified plans, including for these purposes the maximum contributions that may be made under Code section 415, the maximum amount of compensation that may be taken into account under Code section 401(a) (17), and the limitation on pensionable compensation that may be taken into account under Code section 415 and 401(a)(4). The portion of the Plan reflecting credits to compensate for the maximum limits imposed by Code section 415 is intended to constitute an “excess plan” as defined in ERISA section 3(36). The remaining portion of the Plan is intended to constitute a plan which is unfunded and maintained primarily for the purpose of providing deferred compensation to a select group of management or highly compensated employees and is intended to meet the exemptions provided in ERISA sections 201(2), 301(a)(3), and 401(a)(1), as well as the requirements of Department of Labor Regulation section 2520.104-23. The Plan shall be administered and interpreted so as to meet the requirements of these exemptions and the regulation.

## **1.3 Status of the Plan**

- (a) **Nonqualified Plan.** The Plan is not qualified within the meaning of Code section 401(a). The Plan is intended to provide an unfunded and unsecured promise to pay money in the future and thus not to involve, pursuant to Treas. Reg. § 1.83-3(e),

the transfer of “property” for purposes of Code section 83. Likewise, allocations under this Plan to the account maintained for a Participant, and earnings credited thereon, are not intended to confer an economic benefit upon the Participant nor is the right to the receipt of future benefits under the Plan intended to result in any Participant, Beneficiary or Alternate Payee being in constructive receipt of any amount so as to result in any benefit due under the Plan being includible in the gross income of any Participant, Beneficiary or Alternate Payee in advance of the date on which payment of any benefit due under the Plan is actually made.

- (b) **Compliance with Code Section 409A.** This Plan is intended to comply with the requirements of Code section 409A and related regulatory guidance, so that the taxation of Participants and Beneficiaries on any compensation deferred under this Plan is deferred. Notwithstanding the foregoing, any amounts that are credited and paid annually from a Participant’s account following the Participant’s attainment of a specified age, as described in Sections 5.1(b)(1) and 5.8(b)(1), are intended to qualify as short-term deferrals under Treas. Reg. § 1.409A-1(b)(4) (or any successor provision) and accordingly to be exempt from such requirements.
- (c) **No Guarantees of Intended Tax Treatment.** The Plan shall be administered and interpreted so as to satisfy the requirements for the intended tax treatment under the Code described in this section. However, the treatment of benefits earned under and benefits received from this Plan, for purposes of the Code and other applicable tax laws (such as state income and employment tax laws), shall be determined under the Code and other applicable tax laws and no guarantee or commitment is made to any Participant, Beneficiary or Alternate Payee with respect to the treatment of accruals under or benefits payable from the Plan for purposes of the Code and other applicable tax laws.

#### **1.4 Application of the January 1, 2017 Restatement of the Plan**

- (a) **General Effective Date.** The January 1, 2017 restatement of the Plan was generally effective as of January 1, 2017. It applied to active Participants who receive allocations under the Plan for Plan Years beginning on and after January 1, 2017 and, in addition, to Participants, including terminated Participants, with undistributed benefits under the Plan as of January 1, 2017.
- (b) **Earlier Application of Certain Provisions of Restatement.** Certain provisions of the January 1, 2017 restatement took effect on dates prior to January 1, 2017, as set forth herein. In this regard:
  - (1) Section 3.1 applies to any individual who has not met the Plan’s prior participation requirements on or before November 30, 2016.
  - (2) Section 3.2 applies to any individual who is reemployed by an Employer or again meets the requirements of Section 3.1 on or after December 1, 2016.

- (3) Article 4 (Benefits) generally sets forth the allocations earned by Participants for Plan Years beginning on or after January 1, 2017. The provisions governing allocations earned by Participants for prior Plan Years are set forth in earlier iterations of the Plan. Notwithstanding the foregoing sentence, however, (A) effective August 1, 2016, the contingent credits described in Section 4.1 shall be credited on a payroll basis in lieu of a monthly basis and (B) for the 2016 Plan Year, the allocation described in Section 4.2 shall be made solely in accordance with the provisions of the January 1, 2017 restatement. In addition, effective August 1, 2016, interest shall be credited to Participants' accounts on the basis described in Section 4.3.

### **1.5 Application of the January 1, 2018 Restatement of the Plan**

This January 1, 2018 restatement of the Plan is generally effective as of January 1, 2018. This restatement of the Plan applies to active Participants who receive allocations under the Plan for Plan Years beginning on and after January 1, 2018 and, in addition, to Participants, including terminated Participants, with undistributed benefits under the Plan as of January 1, 2018. All distributions made under the Plan on or after January 1, 2018 shall be made in accordance with the provisions of this restatement, as amended from time to time.

## Article 2. Definitions

### 2.1 Definitions

Whenever the following words and phrases are used in the Plan with the first letter capitalized, they shall have the meanings specified below, unless the context clearly indicates otherwise:

- (a) **“Administrative Committee”** means the committee with authority to administer the Plan as provided under Section 6.1.
- (b) **“Affiliate”** means:
  - (1) Any corporation or other business organization while it is controlled by or under common control with the Company within the meaning of Code sections 414 and 1563;
  - (2) Any member of an affiliated service group within the meaning of Code section 414(m) of which the Company or any Affiliate is a member;
  - (3) Any entity which, pursuant to Code section 414(o) and related Treasury regulations, must be aggregated with the Company or any Affiliate for plan qualification purposes; or
  - (4) Any corporation, trade or business which is more than 50 percent owned, directly or indirectly, by the Company and which is designated by the Board or, if authorized by the Board, the Administrative Committee as an Affiliate.
- (c) **“Alternate Payee”** means a former spouse of a Participant who is recognized by a Divorce Order as having a right to receive all, or a portion of, the benefits payable under this Plan with respect to the Participant.
- (d) **“Annual Bonus”** means the bonus awarded by an Employer to an active Participant during the Plan Year under a regular annual incentive compensation plan such as the Company’s Variable Compensation Program, Incentive Compensation Program or Executive Incentive Compensation Plan (but excluding, without limitation, a special individual or group bonus, a project bonus, and any other special bonus).
- (e) **“Annual Bonus Paid”** means up to the first \$100,000 of bonus paid to a Participant, who is not a “named executive officer”, as that term is defined in Regulations S-K under the Securities Exchange Act of 1934 (17 CFR §229.402(a)(3)), during the Plan Year under a regular annual incentive compensation plan, such as the Company’s Variable Compensation Program or Incentive Compensation Program (but excluding without limitation a special individual or group bonus, a project bonus, and any other special bonus). For avoidance of doubt, “Annual Bonus Paid” means no more than \$100,000 of bonus paid to a Participant, who is not a “named executive officer”, as

that term is defined in Regulations S-K under the Securities Exchange Act of 1934 (17 CFR §229.402(a)(3)), during the Plan Year under any one or more regular annual incentive compensation plans.

- (f) **“Base Pay of Record”** means the base salary and wages earned while a Participant from an Employer for services rendered, including pretax deferrals under the Savings Plan, and amounts contributed pursuant to the Occidental Petroleum Flexible Spending Accounts Plan, as amended from time to time.
- (1) Base Pay of Record does not include:
- (A) Bonuses, incentives, overtime, shift differential, and overseas differentials;
  - (B) Reimbursement for expenses or allowances, including automobile allowances and moving allowances;
  - (C) Any amount contributed by the Employer (other than pretax deferrals under the Savings Plan and any amounts contributed pursuant to the Occidental Petroleum Flexible Spending Accounts Plan, as amended from time to time) to any qualified plan or plan of deferred compensation;
  - (D) Any amount paid by an Employer for other fringe benefits, such as health and hospitalization, and group life insurance benefits, or perquisites; and
  - (E) Allowances paid during furlough and, for purposes of paragraph (2)(F), such furloughs shall not be treated as paid leaves of absence.
- (2) Base Pay of Record is determined in accordance with the following rules:
- (A) For Participants compensated by salary, Base Pay of Record means the actual base salary of record for the Participant (subject to the exclusions listed above).
  - (B) For Participants compensated based on mileage driven (primarily truck drivers), Base Pay of Record means the number of miles driven multiplied by the applicable mileage pay rate (subject to the exclusions listed above), plus the Participant’s scheduled number of hours worked in the pay period multiplied by the Participant’s base hourly rate (subject to the exclusions listed above).
  - (C) For Participants compensated at an hourly rate, Base Pay of Record means the base hourly rate (subject to the exclusions listed above)

multiplied by the number of regularly scheduled hours worked in a pay period. If the active Participant's regularly scheduled work week is more than 40 hours, Base Pay of Record shall include an additional amount equal to the base hourly rate (subject to the exclusions listed above) times one half the number of regularly scheduled hours worked in excess of 40 in the work week.

- (D) For Participants compensated on an eight, ten, twelve, or some other assigned hour Shift Basis and whose annual compensation is pre-determined under the Company's payroll recordkeeping system, Base Pay of Record for each pay period shall be the Participant's pre-determined annual compensation (subject to the exclusions listed above) divided by the number of pay periods applicable to the Participant during the Plan Year. For the purpose of this paragraph, the term "Shift Basis" means any arrangement whereby Participants work the assigned hour daily shifts which may result in alternating work weeks of more and less than 40 hours per week.
- (E) Base Pay of Record includes vacation pay received in periodic payments and annual vacation payments made to Employees paid by commission, but does not include single sum vacation payments to active or terminating Employees.
- (F) Base Pay of Record includes base salary or wages received during paid leaves of absence and periodic notice pay, but does not include single sum notice pay payments or any severance pay payments.
- (G) Base Pay of Record does not include long-term disability payments or payments made to any Participant pursuant to the Occidental Chemical Corporation Weekly Sickness and Accident Plan unless:
  - (i) Such payments are made to the Participant through the payroll accounting department of the Company or an Affiliate, and
  - (ii) The Participant is ineligible for participation in the Retirement Plan.

(g) **"Base Pay Paid"** means the Employee Base Pay of Record, reduced for any deferral of base salary under the Deferred Compensation Plan.

(h) **"Beneficiary"** means the person or persons designated by the Participant to receive payment under this Plan in the event of the Participant's death prior to the complete distribution to the Participant of the benefits due under the Plan. A beneficiary designation shall become effective only when filed with the Administrative Committee during the Participant's lifetime in a manner prescribed by the

Administrative Committee. The filing of any new Beneficiary designation form will cancel any inconsistent Beneficiary designation previously filed.

If a Participant fails to designate a Beneficiary as provided above, or if all designated Beneficiaries predecease the Participant, the Participant's Beneficiary shall be the person or persons entitled to receive the Participant's benefits under the Retirement Plan in the event of the Participant's death (i.e., the Participant's designated beneficiary or beneficiaries under the Retirement Plan, or if no beneficiary designation is in effect under the Retirement Plan, then according to the terms of the Retirement Plan), provided, that if a Participant has previously designated a Beneficiary under Appendix A of the Occidental Petroleum Corporation Supplemental Retirement Plan who survives the Participant, the Participant's Beneficiary shall be the person or persons so designated under Appendix A of the Occidental Petroleum Corporation Supplemental Retirement Plan.

- (i) **"Board"** means the Board of Directors of the Company.
- (j) **"Code"** means the Internal Revenue Code of 1986, as amended.
- (k) **"Company"** means Occidental Petroleum Corporation and any successor thereto.
- (l) **"Deferred Compensation Plan"** means the Occidental Petroleum Corporation Modified Deferred Compensation Plan, as amended from time to time.
- (m) **"Divorce Order"** means any judgment, decree, or order (including judicial approval of a property settlement agreement) that relates to the settlement of marital property rights between a Participant and his or her former spouse pursuant to a state domestic relations law (including, without limitation and if applicable, community property law), as described in Treas. Reg. § 1.409A-3(j)(4)(ii) (or any successor provision).
- (n) **"Employee"** means any person who is an Eligible Employee, as defined in the Retirement Plan.

Notwithstanding the foregoing, no individual shall be considered an Employee if such individual is not classified as a common-law employee in the employment records of the Employer, without regard to whether the individual is subsequently determined to have been a common-law employee of the Employer. The persons excluded by this paragraph from being Employees are to be interpreted broadly to include and to have at all times included individuals engaged by the Employer to perform services for such entity in a relationship that the entity characterizes as other than an employment relationship, such as where the Employer engages the individual to perform services as an independent contractor or leases the individual's services from a third party. The exclusion of the individual from being an Employee shall apply even if a determination is subsequently made by the Internal Revenue Service, another governmental agency, a court or other tribunal, after the individual is engaged to



perform such services, that the individual is an employee of the Employer for purposes of pertinent Code sections or for any other purpose.

In addition, an individual who has been an Employee and a Participant in the Plan shall cease to be treated as an Employee if: (1) the individual is classified as a temporary employee by the Employer and (2) the individual's level of services for the Employer has been reduced to the extent that the individual is treated as having experienced a Separation from Service for purposes of this Plan. Whether an individual who ceases to be an Employee under this provision is entitled to a distribution shall be determined solely by reference to Article 5.

- (o) **“Employer”** means the Company and any Affiliate which is designated by the Board or the Administrative Committee and which adopts the Plan.

The Board or, if authorized by the Board, the Administrative Committee may designate any Affiliate as an Employer under this Plan. The Affiliate shall become an Employer and a party to this Plan upon acceptance of such designation effective as of the date specified by the Board or Administrative Committee.

By accepting such designation or continuing as a party to the Plan, each Employer acknowledges that:

- (1) It is bound by such terms and conditions relating to the Plan as the Company or the Administrative Committee may reasonably require;
- (2) The Company and the Administrative Committee have the authority to review the Affiliate's compliance procedures and to require changes in such procedures to protect the Plan;
- (3) It has authorized the Company and the Administrative Committee to act on its behalf with respect to Employer matters pertaining to the Plan;
- (4) It shall cooperate fully with Plan officials and their agents by providing such information and taking such other actions as they deem appropriate for the efficient administration of the Plan; and
- (5) Its status as an Employer under the Plan is expressly conditioned on its being and continuing to be an Affiliate of the Company.

Subject to the concurrence of the Board or Administrative Committee, any Affiliate may withdraw from the Plan, and end its status as an Employer hereunder, by communicating to the Administrative Committee its desire to withdraw. Upon withdrawal, which shall be effective as of the date agreed to by the Board or Administrative Committee, as the case may be, and the Affiliate, the Plan shall be considered frozen as to Employees of such Affiliate.

- (p) **“Entry Date”** means the first day of the next payroll period that follows each April 1, July 1 and October 1 by more than 14 days.
- (q) **“ERISA”** means the Employee Retirement Income Security Act of 1974, as amended.
- (r) **“Participant”** means (1) a person meeting the requirements to participate in the Plan set forth in Article 3 and (2) any other person who has an account under the Plan because he previously met such requirements.
- (s) **“Plan Year”** means the calendar year.
- (t) **“Qualified Divorce Order”** means a Divorce Order that:
- (1) Creates or recognizes the existence of an Alternate Payee’s right to, or assigns to an Alternate Payee the right to, receive all or a portion of the benefits payable to a Participant under this Plan;
  - (2) Clearly specifies:
    - (A) The name and the last known mailing address of the Participant and the name and mailing address of the Alternate Payee covered by the order;
    - (B) The amount or percentage of the Participant’s benefits to be paid by this Plan to the Alternate Payee, or the manner in which such amount or percentage is to be determined;
    - (C) The number of payments or period to which such order applies; and
    - (D) That it applies to this Plan; and
  - (3) Does not:
    - (A) Require this Plan to provide any type or form of benefit, or any option, not otherwise provided under the Plan;
    - (B) Require this Plan to provide increased benefits;
    - (C) Require the payment of benefits to an Alternate Payee that are required to be paid to another Alternate Payee under another Divorce Order previously determined to be a Qualified Divorce Order; or
    - (D) Require the payment of benefits under this Plan at a time or in a manner that would cause the Plan to fail to satisfy the requirements of

Code section 409A (or other applicable section) and any regulations promulgated thereunder or otherwise jeopardize the deferred taxation of any amounts under this Plan.

- (u) **“Retirement Plan”** means the Occidental Petroleum Corporation Retirement Plan, as amended from time to time.
- (v) **“Savings Plan”** means the Occidental Petroleum Corporation Savings Plan, as amended from time to time.
- (w) **“Separation from Service”** means a Participant’s “separation from service” as defined under Code section 409A and Treas. Reg. § 1.409A-1(h) (or successor provisions). For this purpose, a Participant shall have a Separation from Service if the Participant ceases to be an employee of both:
  - (1) The Participant’s Employer;
  - (2) All Affiliates with whom the Participant’s Employer would be considered a single employer under Code section 414(b) or 414(c).

For purposes of the preceding provisions, a Participant who ceases to be an employee of an entity described in (1) or (2) above shall not be considered to have a Separation from Service if such cessation of employment is followed immediately by his or her commencement of employment with another entity described in (1) or (2) above.

A Participant shall have a Separation from Service if it is reasonably anticipated that no further services shall be performed by the Participant, or that the level of services the Participant shall perform shall permanently decrease to no more than 20 percent of the average level of services performed by the Participant over the immediately preceding 36-month period (or the Participant’s full period of service, if the Participant has been performing services for less than 36 months).

- (x) **“Specified Employee”** means an Employee who is a “specified employee” within the meaning of Code section 409A and Treas. Reg. § 1.409A-1(i) (or successor provisions) and as determined pursuant to any rules adopted for such purposes by the Company.
- (y) **“Supplemental Retirement Plan”** means the Occidental Petroleum Corporation Supplemental Retirement Plan in effect on December 31, 2004 and as amended from time to time, prior to its merger into this Plan effective November 1, 2008.
- (z) **“Threshold Amount”** means the amount determined by the Company and communicated to Employees in advance of the Plan Year as the level of annualized Base Pay of Record at which the sum of all contributions made by and on behalf of an Employee under the Savings Plan and Retirement Plan would exceed the dollar limit

in effect for the Plan Year under Code section 415(c)(1)(A), based on (1) an assumed level of Annual Bonus for a particular level of Base Pay of Record determined by the Company in advance of the Plan Year, (2) the maximum contribution rates for the most highly compensated employees and maximum employer matching contribution rates under the Savings Plan, and (3) the employer contribution rate under the Retirement Plan.

- (aa) **“Wage Base”** means the dollar amount of wages, within the meaning set forth in Code section 3121(a), upon which the Employer must pay Social Security Old Age, Survivors and Disability taxes for a Plan Year.

## **Article 3. Participation**

### **3.1 Effective Date of Participation**

An Employee who met the requirements for participation in the Plan on or before November 30, 2016 under the provisions of the Plan as in effect prior to the Plan's January 1, 2017 restatement shall become a Participant at the time set forth in such prior provisions. Any other Employee shall become a Participant in the Plan on the first Entry Date after the date on which the Employee meets the requirements of paragraph (a), (b) or (c) below:

- (a) The Employee's annualized Base Pay of Record exceeds the Threshold Amount for the Plan Year.
- (b) The Employee (1) is eligible to participate in both the Retirement Plan and the Deferred Compensation Plan, (2) is eligible to receive a bonus granted under any management incentive compensation plan of an Employer, and (3) has made a deferral election with respect to such bonus under the Deferred Compensation Plan.
- (c) The Employee's Base Pay Paid plus Annual Bonus Paid exceeds the amount specified in Code section 401(a)(17), as adjusted and in effect for the Plan Year.

Notwithstanding the foregoing, any Employee who is entitled to receive supplemental retirement benefits upon his or her retirement pursuant to a written contract of employment between the Employee and the Company or an Affiliate shall be ineligible to be a Participant effective for future allocations as of the first day of the Plan Year following the effective date of such contractual provision.

An individual who ceases to be an Employee shall cease active participation in the Plan for purposes of any allocations for the Plan Year under Article 4, regardless of the individual's entitlement, if any, to subsequent payments of base salary, wages, or awards of Annual Bonuses.

### **3.2 Reemployment; Resumption of Participation**

If a Participant terminates employment and is subsequently reemployed as an Employee by an Employer, the Participant shall resume active participation in the Plan on the first Entry Date after the date on which the Participant again meets one or more of the requirements set forth in Section 3.1. A Participant who ceases to actively participate in the Plan because he no longer meets any of the requirements set forth in Section 3.1 shall resume active participation in the Plan on the first Entry Date after the date on which the Participant again meets one or more such requirements. This provision shall apply to any Participant who is reemployed or again meets the requirements of Section 3.1 on or after December 1, 2016.

### **3.3 Allocations to New Participants**

Allocations under Article 4 of the Plan shall be based solely on compensation paid for services performed after the date the Employee becomes a Participant in accordance with Section 3.1.

## Article 4. Benefits

### 4.1 Allocations Relating to the Retirement Plan

#### (a) Restoring Shortfall Due to Qualified Plan Contribution and Compensation Limits.

- (1) **Eligibility.** Effective for Plan Years beginning on and after January 1, 2017, the following Employees who become Participants shall earn an allocation in the amount specified in paragraph (2) for services performed in the Plan Year:

An Employee:

- (i) Who is eligible to participate in the Savings Plan and the Retirement Plan for the Plan Year, and
- (ii) Whose annualized Base Pay of Record exceeds the Threshold Amount applicable to the Employee for the Plan Year.

If the Employee's annualized Base Pay of Record increases during the Plan Year such that it exceeds the Threshold Amount, the Employee shall be eligible for the allocation specified in paragraph (2) as of the first Entry Date after the date on which the Employee's annualized Base Pay of Record exceeds the Threshold Amount. If the Employee's annualized Base Pay of Record decreases during the Plan Year such that it no longer exceeds the Threshold Amount, then the Employee shall cease to be eligible for the allocation specified in paragraph (2) as of the first Entry Date after the date on which the Employee's annualized Base Pay of Record falls below the Threshold Amount (regardless of any payment election made by the Employee under Section 5.1(b)(1)(B)).

#### (2) Allocation Amount.

- (i) **Contingent Credit.** For services performed during a Plan Year by a Participant described in paragraph (1), a credit shall be made for each payroll period to a contingent account maintained for such Participant. The amount of the credit is set forth below. For avoidance of doubt, references below to the "Annual Bonus paid" refer only to the portion of an Employee's Annual Bonus that is actually paid to the Employee and not deferred under the Deferred Compensation Plan.

The amount of the credit shall equal the sum of:

- (A) 7 percent of Base Pay of Record and Annual Bonus paid for the payroll period below the Wage Base; plus

- (B) 12 percent of Base Pay of Record and Annual Bonus paid for the payroll period above the Wage Base.
- (ii) **Annual Reorganization.** The amounts contingently credited to the account maintained for the Participant during the Plan Year under paragraph (i) shall be reduced as of the last day of the Plan Year, but not below zero, by the amount determined under this paragraph. The reduction amount is intended to be equal to the Employee's allocation under the Retirement Plan for the Plan Year assuming that the Employee maximized deferrals under the Savings Plan. After the reduction described in this paragraph, the remaining amount shall be permanently credited to the account maintained for the Participant.
  - (A) No reduction shall apply to the account maintained for any Participant who is not an Employee on the last day of the Plan Year.
  - (B) The reduction amount for other Participants shall be equal to the dollar limit in effect for the Plan Year under Code section 415(c)(1)(A) minus any Retirement Plan allocations to date, minus the sum of (x) the Contribution Percentage Limit for the Plan Year, determined under Appendix E of the Savings Plan (or any successor provision) times the Participant's Base Pay Paid and, effective January 1, 2015, 5 percent of the Annual Bonus Paid for the Plan Year, and (y) effective January 1, 2015, 7 percent times the sum of the Participant's Base Pay Paid and Annual Bonus Paid for the Plan Year.

For purposes of determining the reduction under this paragraph, no portion of the sum of the Participant's Base Pay Paid and Annual Bonus Paid for the Plan Year in excess of the amount specified in Code section 401(a)(17) in effect for the Plan Year shall be taken into account. The reduction amount shall not be less than zero.

- (iii) **Earnings Allocation.** The Employer shall also permanently credit earnings on the allocations under paragraph (i) for the Plan Year as if such allocations shared in earnings at the rate and in the manner described in Section 4.3. The earning allocation under this paragraph shall not be subject to reduction under paragraph (ii).
- (b) **Restoring Shortfall Due to Qualified Plan Limit on Pensionable Compensation.**
- (1) **Eligibility.** Effective for Plan Years beginning on and after January 1, 2017, the following Employees who become Participants shall earn an allocation in the

amount specified in paragraph (2) for services performed during the applicable Plan Year. An Employee:

- (i) Who is a participant in the Retirement Plan and eligible to participate in the Deferred Compensation Plan, and
  - (ii) Who makes a deferral election with respect to Annual Bonus under the Deferred Compensation Plan for the Plan Year.
- (2) **Allocation Amount.** The amount to be allocated to the account of a Participant described in paragraph (1) for services performed during the relevant Plan Year shall equal 12 percent multiplied by the amount of Annual Bonus the Participant has deferred under the Deferred Compensation Plan. Notwithstanding the preceding sentence, no allocation shall be made to the account of a Participant who is not an Employee on the date such bonus is awarded.

The allocation described in this Section 4.1(b) shall be made to the account of each Participant effective as of the date on which the Participant is awarded his or her Annual Bonus.

## 4.2 Allocations Relating to Savings Plan

- (a) **Eligibility for Allocations Relating to Limits Under Code Section 401(a)(17).** An Employee who is eligible to participate in the Savings Plan for the Plan Year and whose Base Pay Paid plus Annual Bonus Paid for the Plan Year exceeds the amount specified in Code section 401(a)(17), as adjusted and in effect for the Plan Year, shall earn an allocation in the amount specified in paragraph (b) for the applicable Plan Year for services performed during such Plan Year.
- (b) **Allocation Amount.** The amount to be allocated with respect to a Participant described in paragraph (a) above for services performed during the Plan Year shall equal the sum of:
  - (1) 7 percent of the Employee's Base Pay Paid plus Annual Bonus Paid in excess of the amount specified in Code section 401(a)(17) as adjusted and in effect for the Plan Year; and
  - (2) 5 percent of the amount allocated under paragraph (1) which shall be allocated to the account maintained for the Participant in lieu of interest on such amount for the Plan Year.

The amounts to be allocated to a Participant's account for the Plan Year under this Section 4.2 shall be calculated and allocated in December of such Plan Year or within 70 days following the end of such Plan Year.



### **4.3 Maintenance of Accounts**

- (a) Each Employer shall establish and maintain, in the name of each Participant employed by that Employer, an individual account which shall consist of all amounts credited to the Participant. As of the end of each month, the Administrative Committee shall increase the balance, if any, of the Participant's individual account as of the last day of the preceding month, by multiplying such amount by a number equal to one plus .167% plus the monthly yield on 5-Year Treasury Constant Maturities for the monthly processing period. Notwithstanding the foregoing, any allocation made to a Participant's account pursuant to Section 4.1(b) shall be credited with interest, at a rate equivalent to that set forth in the preceding sentence, from the date such allocation is made to the Participant's account.

Effective August 1, 2016, interest shall be credited to individual accounts, at a rate equal to the monthly yield on 5-year Treasury Constant Maturities plus 2%, on a daily basis with monthly compounding.

- (b) The individual account of each Participant shall represent a liability, payable when due under this Plan, out of the general assets of the Company, or from the assets of any trust, custodial account or escrow arrangement which the Company may establish for the purpose of assuring availability of funds sufficient to pay benefits under this Plan, provided that no assets shall be transferred to a trust or other account if such transfer would result in the taxation of benefits prior to distribution under Code section 409A(b). The money and any other assets in any such trust or account shall at all times remain the property of the Company, and neither this Plan nor any Participant shall have any beneficial ownership interest in the assets thereof. No property or assets of the Company shall be pledged, encumbered, or otherwise subjected to a lien or security interest for payment of benefits hereunder. Accounting for this Plan shall be based on generally accepted accounting principles.
- (c) Within each account shall be maintained different subaccounts described in Section 5.1. Rules and procedures may be established relating to the maintenance, adjustment, and liquidation of Participants' accounts and subaccounts.

### **4.4 Vesting and Forfeiture**

Notwithstanding any other Plan provision, all benefits under this Plan shall be contingent and forfeitable and no Participant shall have a vested interest in any benefit unless, while he is still employed by an Employer, he becomes fully vested in his or her benefit under the Retirement Plan (or would have become vested if he were a participant in the Retirement Plan). A person who terminates employment with an Employer for any reason prior to becoming vested hereunder shall not receive a benefit, provided that, upon rehire by an Employer, any amounts forfeited by a Participant at the time of his or her termination of

employment shall be restored, without interest, to his or her account and, as provided in Section 5.8, shall be subject to the same payment election or elections previously made by the Participant with respect to such amounts.

## Article 5. Payments

### 5.1 Timing and Form of Payments: Post-2017 Allocations

(a) **Payment Events.** Allocations under the Plan for each Plan Year beginning on or after January 1, 2018, to the extent vested, shall be paid on the earlier to occur of the following payment events:

- (1) The Participant's Separation from Service; or
- (2) The Participant's death.

(b) **Timing and Form.**

(1) **Separation from Service.**

(A) **Timing of Payment.** If payment is made on account of the Participant's Separation from Service, payment shall be made or commence within the first 90 days of the calendar year following the calendar year in which the Participant's Separation from Service occurs. Notwithstanding the foregoing, in the case of a Participant who is a Specified Employee, payment shall be made or commence in the month next following the date that is six (6) months after the date of the Participant's Separation from Service, if later than the time provided above.

(B) **Annual Payment Elections.** During an election period prior to the beginning of the 2018 Plan Year and each subsequent Plan Year, a Participant shall have the opportunity to make a payment election with respect to the allocations to be credited to the Participant's account under Article 4 for such Plan Year (including earnings credited under Section 4.3) (i.e., a single payment election must be made for all allocations under Article 4 for the Plan Year). A Participant may elect to have such allocations (including earnings) paid in a single lump sum or in annual installments over any number of years between two and 20 years following Separation from Service. Subject to Section 5.3, an election for a Plan Year shall become irrevocable no later than December 31 of the immediately preceding Plan Year. All payment elections shall be made in accordance with the provisions of this Plan and the rules and procedures established by the Administrative Committee for the time and manner of making elections.

Notwithstanding the foregoing, a Participant who is participating in the Plan solely because the Participant has met the requirements of Section 3.1(b) (and not the requirements of Sections 3.1(a) and 3.1(c)) shall

not be given the opportunity to make a payment election pursuant to this provision, but instead shall be deemed to have made a lump sum election under paragraph (D) unless a prior payment election remains in effect under paragraph (C).

- (C) Continuation of Payment Elections. Once a Participant has made a payment election with respect to the allocations credited to his or her subaccount for any Plan Year under paragraph (B) (or is deemed to have made a lump sum election under paragraph (D)), such election shall continue in effect for all subsequent Plan Years unless and until changed by the Participant for future allocations and earnings during an annual election period as provided for in paragraph (B). In addition, if a Participant commenced participation in the Plan prior to December 1, 2016 and made an election as to the form of payment upon Separation from Service with respect to allocations for Plan Years prior to 2018, as provided in Section 5.2, the most recent such election shall continue in effect and apply to allocations for the 2018 Plan Year and all subsequent Plan Years unless and until changed by the Participant for future allocations and earnings during an annual election period as provided for in paragraph (B). A payment election shall cease to have effect upon a Participant's cessation of active participation in the Plan and shall not apply with respect to future allocations following any subsequent resumption of active participation by the Participant.
- (D) Default Lump Sum Payment Election. If no payment election is in effect for a Participant for a Plan Year under the foregoing provisions, the Participant shall be deemed to have elected to have the allocations credited to his or her subaccount for the Plan Year paid in a single lump sum. Allocations for the first Plan Year in which a Participant commences participation in the Plan or resumes active participation in the Plan after a cessation of participation shall be paid in a single lump sum in accordance with this provision (unless subject to a payment election as provided for in paragraph (B)).
- (E) Maintenance of Class Year Subaccounts. The allocations credited to a Participant's account under Article 4 for each Plan Year beginning on or after January 1, 2018 (including earnings credited under Section 4.3) shall be credited to a separate "class year subaccount" within the Participant's account for distribution purposes.
- (F) Calculation and Payment of Installments. If the Participant elects to have payment of a subaccount made in annual installments, the installments shall be paid within the first 90 days of each calendar year during the installment period (except that the first installment may be

delayed in the case of a Specified Employee as provided above). During the installment period, the subaccount shall continue to be adjusted as provided in Section 4.3(a) until the installments have been completed. The amount of each annual installment from a subaccount shall equal the amount credited to the subaccount as of the last day of the month preceding the date of payment multiplied by a fraction, the numerator of which is one (1), and the denominator of which is the number of installments (including the current installment) which remain to be paid. If payment is being made from more than one subaccount at the same time, the total amount of the annual installment received by a Participant shall equal the sum of all installments made from all such subaccounts.

(G) **Small Benefits.** Notwithstanding any election by a Participant pursuant to Section 5.1, Section 5.2 or Section 5.3 to receive payment of any class-year subaccount or pre-2018 subaccount in an installment payment form, if the aggregate value of all subaccounts with the same scheduled commencement date and same installment form is less than \$50,000 on the scheduled commencement date, then all such subaccounts shall be paid to the Participant in a single lump sum on the scheduled commencement date.

(2) **Death.** If payment is made on account of the Participant's death, then notwithstanding any payment elections made by the Participant, payment of the Participant's entire vested account shall be made to the Participant's Beneficiary in a single lump sum during the period beginning on the date of the Participant's death and ending on December 31 of the first calendar year following the calendar year in which the Participant's death occurs.

## 5.2 Timing and Form of Payments: Pre-2018 Allocations

(a) **Payment Events.** The portion of a Participant's vested account attributable to allocations for Plan Years beginning before January 1, 2018 shall be paid on the earliest to occur of the following payment events:

- (1) The Participant's attainment of a specified age elected by the Participant that is age 60 or above;
- (2) The Participant's Separation from Service; or
- (3) The Participant's death.

(b) **Timing and Form.**

- (1) **Attainment of Specified Age.** If payment is made on account of a Participant's attainment of a specified age (60 or above), payment shall be made to the Participant in a single lump sum within the first 90 days of the calendar year following the calendar year in which the Participant reaches the specified age. In addition, within the first 70 days of each subsequent calendar year, the Participant shall be paid any additional amounts credited since the prior payment date. In the case of any Participant who elected to receive payment upon attainment of a specified age and reached that specified age in 2017 or earlier, any final payment under this provision shall be made within the first 70 days of 2018.
  - (2) **Separation from Service.**
    - (A) If payment is made on account of a Participant's Separation from Service, payment shall be made or commence at the time set forth Section 5.1(b)(1)(A). If the Participant elects to have payment made in annual installments, such installments shall be calculated and paid in the same manner as provided in Section 5.1(b)(1)(F).
    - (B) If a Participant who is receiving installment payments on account of his or her Separation from Service has also made a specified age election and attains the specified age before the completion of all installments, the remaining installments shall be paid to him or her at the scheduled time or times without regard to his or her attainment of such age.
  - (3) **Death.** If payment is made on account of the Participant's death, payment shall be made to the Participant's Beneficiary in a single lump sum during the period beginning on the date of the Participant's death and ending on December 31 of the first calendar year following the calendar year in which the Participant's death occurs.
- (c) **Payment Elections for Pre-2018 Allocations.**
- (1) **One-Time Payment Election.** An Employee who became a Participant on or after November 1, 2008 and before December 1, 2016 was permitted to make a payment election at the commencement of his or her participation in the Plan (within 30 days after date the Employee first met one or more of the requirements for participation then set forth in Section 3.1) in accordance with the rules and procedures established by the Administrative Committee for the time and manner of making elections. At that time, the Participant could make an election to have payment made at a specified age (60 or above) prior to Separation from Service and/or an election as to form of payment following Separation from Service, with the available forms following Separation from Service being a single lump sum or annual installments over 5, 10, 15, or 20

years. Any such election made by a Participant applies to the entire portion of the Participant's vested account attributable to allocations for Plan Years beginning before January 1, 2018. An Employee who became a Participant in 2017 was not permitted to make a payment election with respect to allocations for the 2017 Plan Year and, accordingly, as provided in paragraph (3) below, such allocations shall be paid in a single lump sum at the time provided in Section 5.2(b)(2)(A).

- (2) **Transition Elections.** An Employee who became a Participant before November 1, 2008 was permitted to make a transition election as set forth in Section 5.9. If the Employee did not make a transition election with respect to form of payment upon Separation from Service and had previously made an election to have payment upon Separation from Service made in a lump sum or in annual installments over 5, 10, 15 or 20 years, payment on account of the Participant's Separation from Service shall be made in accordance with Section 5.2(b)(2)(A) in the form previously elected by the Participant. For this purpose, if the Participant had different payment elections in effect for his or her account under this Plan and his or her account under the Supplemental Retirement Plan prior to November 1, 2008, or had an election in effect under one plan but not the other, these pre-2018 subaccounts shall continue to be maintained separately and these provisions shall be applied separately to these subaccounts.
- (3) **Default Payment.** If a Participant did not elect to have payment made at a specified age, payment shall be made on the earlier of the Participant's Separation from Service or death in accordance with Section 5.2(b)(2) or (3), as applicable. If a Participant did not elect an installment payment option for payment on account of a Separation from Service, any payment on account of the Participant's Separation from Service shall be made in a single lump sum at the time provided in Section 5.2(b)(2)(A).
- (4) **Maintenance of Pre-2018 Subaccounts.** The entire portion of a Participant's vested account attributable to allocations for Plan Years beginning before January 1, 2018 shall be credited to a single "pre-2018 subaccount" within the Participant's account for distribution purposes, except as otherwise provided in paragraph (2) above.
- (5) **Small Benefits.** Notwithstanding any election by a Participant pursuant to Section 5.1, Section 5.2 or Section 5.3 to receive payment of any pre-2018 subaccount or class-year subaccount in an installment payment form, if the aggregate value of all subaccounts with the same scheduled commencement date and same installment form is less than \$50,000 at the time payment in such form is scheduled to commence, then all such subaccounts shall be paid to the Participant in a single lump sum on the scheduled commencement date.

### 5.3 Payment Election Changes

- (a) **Changes in Time or Form of Payment.** A Participant may elect to change the time or form of payment of any subaccount maintained within his or her account (i.e., any class year subaccount maintained pursuant to Section 5.1 or pre-2018 subaccount maintained pursuant to Section 5.2), in accordance with the rules set forth below. For purposes of these rules, an election to receive distribution in a series of annual installments shall be treated as a single payment.



- (1) **Permitted Changes.**
    - (A) A Participant may elect to change the time or form of payment upon Separation from Service.
    - (B) A Participant who has made a specified age election with respect to allocations for Plan Years beginning before 2018 may elect another specified age that is age 65 or above, subject to the limitations of paragraph (2).
  - (2) **Requirements.** Any election by a Participant under this paragraph shall meet the following requirements:
    - (A) The election shall not be effective until at least 12 months after the election is filed with the Administrative Committee;
    - (B) The election must defer payment (or payment of the initial installment, if applicable) for a period of at least five years from the date that payment (or payment of the initial installment, if applicable) would otherwise have been made; and
    - (C) The election must be made at least 12 months prior to the beginning of the calendar year in which payment (or payment of the initial installment, if applicable) is otherwise scheduled to be made.
  - (3) **Additional Rules.** Effective January 1, 2017, a Participant may make only one change pursuant to this Section 5.3. If a Participant has more than one subaccount maintained within his or her account, the Participant may make one change to each subaccount and any change must apply to the entire subaccount. A change must satisfy all of the requirements of Section 5.3(a)(2). No change may be made following a Participant's Separation from Service.
- (b) **Procedures.** All payment elections under this Plan shall be made in accordance with the provisions of this Plan and the rules and procedures established by the Administrative Committee for the time and manner of making elections.

#### 5.4 Death

If a Participant dies before the complete distribution of his or her account, the account or remaining account shall be paid to the Participant's Beneficiary in a single lump sum during the period beginning on the date of the Participant's death and ending on December 31 of the first calendar year following the calendar year in which the Participant's death occurs.

## 5.5 Valuation of Benefits

The amount of any payment to a Participant under this Article shall be determined based on the value of the Participant's vested account or subaccount as of the last day of the month preceding the date of payment.

## 5.6 Qualified Divorce Orders

Subject to the policies and procedures established by the Administrative Committee under Section 9.3(b), payment may be made from the balance of a Participant's vested account to the extent necessary to fulfill a Qualified Divorce Order.

## 5.7 Tax Withholding

- (a) To the extent required by law in effect at the time payments are made, the Participant's Employer shall withhold from payments made hereunder the taxes required to be withheld by Federal, state and local law.
- (b) The Participant's Employer shall have the right at its option (1) to require a Participant to pay or provide for payment of the amount of any taxes that the Employer may be required to withhold with respect to amounts credited to the Participant's account or (2) deduct from any amount of salary, bonus or other payment otherwise payable in cash to the Participant the amount of any taxes that the Employer may be required to withhold with respect to amounts credited to the Participant's account. In addition, as permitted by Treas. Reg. § 1.409A-3(j)(4)(vi) (or any successor provision), payments may be made under the Plan to pay any Federal Insurance Contributions Act (FICA) tax imposed under Code sections 3101 and 3121(v) (2) on the Participant's account, and to pay any income tax imposed under Code section 3401 (*i.e.*, wage withholding) or the corresponding withholding provisions of applicable state or local law as a result of payment of the FICA amount, as well as to pay the additional income tax attributable to the pyramiding wages and taxes. The total payment may not exceed the aggregate FICA tax amount and the income tax withholding related to such FICA tax amount.

## 5.8 Reemployment

- (a) **Continued distribution of account.** If a Participant who is receiving payment or is scheduled to receive payment of his or her account or any subaccount due to his or her Separation from Service is reemployed by an Employer or Affiliate prior to the complete distribution of the account or subaccount, the account or subaccount shall be paid to the Participant at the scheduled time or times without regard to the Participant's reemployment.
- (b) **New account.** If a terminated Participant is reemployed by an Employer and resumes active participation in the Plan, the following additional rules shall apply:

- (1) Any post-2017 allocations attributable to the period following the Participant's reemployment and resumption of active participation in the Plan, to the extent vested, shall be paid in accordance with Section 5.1 (*i.e.*, in a default lump sum as provided for in Section 5.1(b)(1)(D) unless and until changed by the Participant during an annual election period as provided for in Section 5.1(b)(1)(B)).
- (2) With respect to any unvested amounts forfeited from the Participant's account at the time of his or her first termination, to the extent such amounts vest following the Participant's reemployment, such amounts shall be paid in accordance with the payment election that previously applied to such amounts. For this purpose, the following additional rules shall apply with respect to any pre-2018 allocations:
  - (A) If the Participant had previously elected (including pursuant to Section 5.9(b)(1)) to have payment made at a specified age (60 or above) prior to Separation from Service or death and has reached such specified age at the time of his reemployment, the Participant shall be paid, within the first 70 days of each calendar year following the calendar year containing his reemployment date (or vesting date, if later), the amount credited to his pre-2018 subaccount as of the last day of the month preceding the date of payment.
  - (B) Any election made as a terminated Participant pursuant to Section 5.9(b)(2) or (3) shall not be taken into account for purposes of this provision. Instead, if the Participant had, prior to such transition election, made an election under this Plan to have payment upon termination made in a lump sum or in annual installments over 5, 10, 15 or 20 years, payment on account of the Participant's subsequent Separation from Service shall be made in accordance with Section 5.2(b)(2) in the form previously elected by the Participant.
  - (C) If the Participant has no prior election taken into account under the foregoing provisions, payment shall be made in a single lump sum in accordance with Section 5.2(b)(2) upon the Participant's subsequent Separation from Service.

## 5.9 Special Transition Rule Elections

- (a) **2005 Transition Elections.** Any Employee who was a Participant during the 2005 Plan Year was permitted to make an election with respect to the time and form of payment of the account maintained for the Participant upon the earlier of the

Participant's Separation from Service or the 60<sup>th</sup> day after the adoption of the Plan by the Board, but in no event later than December 31, 2005.

(b) **2008 Transition Elections.** Participants were permitted to make the additional transition elections described below during a transition election period in 2008. All payments to Participants pursuant to this Section 5.9 are subject to the rules set forth in Sections 5.4 through 5.8.

(1) **Active Participants.**

- (A) Each Participant who had not separated from service before the end of the transition election period was permitted to make any payment election available under Section 5.2 (i.e., an election to have payment made at a specified age (60 or above) prior to Separation from Service and/or an election as to form of payment upon Separation from Service). Payment pursuant to any such election shall be made as provided in Section 5.2.
- (B) To the extent a Participant did not make the available elections pursuant to this provision, payment of the Participant's account shall be made as set forth in Sections 5.2(b)(2) and (3).
- (C) Notwithstanding the foregoing, in the case of any Participant previously covered by Appendix A of the Supplemental Retirement Plan who made the election described in Appendix A to have payment made or commence upon attainment of a specified age between 55 and 70-1/2, if the Participant did not make a transition election under this Section 5.9(b)(1) to have payment made at a new specified age, then payment to the Participant shall be made or commence within the first 90 days of the calendar year following the later of: (A) the Participant's Separation from Service and (B) the Participant's attainment of the specified age previously elected by the Participant, provided that, if the Participant is a Specified Employee and payment is made on account of the Participant's Separation from Service, payment shall be made or commence in the month next following the date that is six (6) months after the date of the Participant's Separation from Service, if later than the time provided above. Payment shall be made in the form (i.e., lump sum or installments over 5, 10, 15 or 20 years) elected by the Participant under this Section 5.9(b)(1) or, if the Participant did not make a transition election, the form previously elected by the Participant under Appendix A of the Supplemental Retirement Plan, or, if none, in a lump sum.

(2) **Terminated Participants.**

- (A) Each Participant who had a Separation from Service before the end of the transition election period was permitted to elect to have his or her account or remaining account paid in a single lump sum in March 2009, provided, that a Participant who was a Specified Employee received such distribution in the month next following the date that is six (6) months after the date of the Participant's Separation from Service, if later than the time provided above.
- (B) If a Participant did not make an election pursuant to this provision:
  - (I) If installment payments to the Participant had already commenced, the Participant's remaining account shall be paid over the remaining number of installments in accordance with the rules set forth in Section 5.2(b)(2).
  - (II) If payment to the Participant had not commenced, payment shall be made in accordance with the rules set forth in Section 5.2(b)(2). If the Participant has previously made a payment election as to form of payment upon Separation from Service (i.e., a lump sum or installments over 5, 10, 15 or 20 years), payment shall be made in the form previously elected.
- (3) **Exhibit A Participant.** Payment to the Participant identified in Exhibit A commenced within the first 90 days of the year indicated on Exhibit A and is being made in the form of 10 annual installments in accordance with the rules set forth in Section 5.2(b)(2).
- (4) **Maintenance of Separate Accounts.** If a Participant did not make a transition election under the foregoing provisions (so that prior elections continue to apply) and had different payment elections in effect under for his or her account under this Plan and his or her account under the Supplemental Retirement Plan prior to November 1, 2008, or had an election in effect under one plan but not the other, the accounts shall continue to be maintained separately and the above provisions shall be applied separately to each account.

## Article 6. Administration

### 6.1 The Administrative Committee

The Plan shall be administered by an Administrative Committee. The Administrative Committee shall be composed of three or more members, who shall be appointed by the Board and shall hold office at the discretion of the Board. Such members may, but need not, be Employees of the Company.

Any member of the Administrative Committee may resign by delivering his written resignation to the Board and to the Administrative Committee Secretary. Such resignation shall be effective no earlier than the date of the written notice.

### 6.2 Compensation and Expenses

The members of the Administrative Committee who are Employees shall serve without compensation for services as a member. All expenses of the Administrative Committee shall be paid directly by the Company. Such expenses may include any expenses incident to the functioning of the Administrative Committee, including, but not limited to, fees of the Plan's accountants, outside counsel and other specialists and other costs of administering the Plan.

### 6.3 Manner of Action

A majority of the members of the Administrative Committee at the time in office shall constitute a quorum for the transaction of business. All resolutions adopted and other actions taken by the Administrative Committee at any meeting shall be by the vote of a majority of those present at any such meeting. The Administrative Committee may take action without a meeting if a majority of the members at the time in office give written consent.

### 6.4 Chairman, Secretary, and Employment of Specialists

The members of the Administrative Committee shall elect one of their number as Chairman and shall elect a Secretary who may, but need not, be a member. They may authorize one or more of their number or any agent to execute or deliver any instrument or instruments on their behalf, and may employ such counsel, auditors, and other specialists and such other services as they may require in carrying out the provisions of the Plan.

### 6.5 Subcommittees

The Administrative Committee may appoint one or more subcommittees and delegate such of its power and duties as it deems desirable to any such subcommittee, in which case every reference herein made to the Administrative Committee shall be deemed to mean or include the subcommittees as to matters within their jurisdiction. The members of any such subcommittee shall consist of such officers or other employees of the Company and such other persons as the Administrative Committee may appoint.

### 6.6 Other Agents

The Administrative Committee may also appoint one or more persons or agents to aid it in carrying out its duties as a fiduciary, and delegate such of its powers and duties as it deems desirable to such person or agents.

## **6.7 Records**

All resolutions, proceedings, acts, and determinations of each Committee shall be recorded by the Secretary thereof or under his supervision, and all such records, together with such documents and instruments as may be necessary for the administration of the Plan, shall be preserved in the custody of the Secretary.

## **6.8 Rules**

Subject to the limitations contained in the Plan, the Administrative Committee shall be empowered from time to time in its discretion to adopt by-laws and establish rules for the conduct of its affairs and the exercise of the duties imposed upon it under the Plan.

## **6.9 Powers and Duties**

The Administrative Committee shall have responsibility for the general administration of the Plan and for carrying out its provisions. The Administrative Committee shall have such powers and duties as may be necessary to discharge its functions hereunder, including, but not limited to, the following:

- (a) To construe and interpret the Plan, to supply all omissions from, correct deficiencies in and resolve ambiguities in the language of the Plan;
- (b) To decide all questions of eligibility, to determine the right of any person to an allocation and the amount thereof, and to determine the manner and time of payment of any benefits hereunder, all in accordance with the Plan;
- (c) To obtain from the Employees such information as shall be necessary for the proper administration of the Plan and, when appropriate, to furnish such information promptly to other persons entitled thereto;
- (d) To prepare and distribute, in such manner as the Company determines to be appropriate, information explaining the Plan; and
- (e) To establish and maintain such accounts in the name of each Participant as are necessary.

In administering the Plan, the Administrative Committee shall exercise its powers in a manner designed to ensure that the Plan complies with the requirements of Code section 409A, to the extent applicable.

## **6.10 Decisions Conclusive**

The Administrative Committee shall exercise its powers hereunder in a uniform and nondiscriminatory manner. Any and all disputes with respect to the Plan which may arise involving Participants or their Beneficiaries shall be referred to the Administrative Committee and its decision shall be final, conclusive, and binding. Furthermore, if any question arises as to the meaning, interpretation, or application of any provision hereof, the decision of the Administrative Committee with respect thereto shall be final.

### **6.11 Fiduciaries**

The fiduciaries named in this Article shall have only those specific powers, duties, responsibilities, and obligations as are specifically given them under this Plan. The Company shall have the sole authority to amend or terminate, in whole or in part, this Plan. The Administrative Committee shall be a fiduciary under the Plan and shall have the sole responsibility for the administration of this Plan. The officers and Employees of the Company shall have the responsibility of implementing the Plan and carrying out its provisions as the Administrative Committee shall direct. A fiduciary may rely upon any direction, information, or action of another fiduciary as being proper under this Plan, and is not required under this Plan to inquire into the propriety of any such direction, information, or action. It is intended under this Plan that each fiduciary shall be responsible for the proper exercise of his own powers, duties, responsibilities, and obligations under this Plan and shall not be responsible for any act or failure to act of another fiduciary. No fiduciary guarantees in any manner the payment of benefits from this Plan. Any party may serve in more than one fiduciary capacity with respect to the Plan.

### **6.12 Notice of Address**

Each person entitled to benefits from the Plan must file with the Administrative Committee or its agent, in writing, his mailing address and each change of his mailing address. Any communication, statement, or notice addressed to such a person at his latest reported mailing address will be binding upon him for all purposes of the Plan, and neither the Administrative Committee nor the Company shall be obliged to search for or ascertain his whereabouts.

### **6.13 Data**

All persons entitled to benefits from the Plan must furnish to the Administrative Committee such documents, evidence, or information, including information concerning marital status, as the Administrative Committee considers necessary or desirable for the purpose of administering the Plan. It shall be an express condition of the Plan that each such person must furnish such information and sign such documents as the Administrative Committee may require before any benefits become payable from the Plan, provided that payment shall in all cases be made by the time required by Code section 409A. The Administrative Committee shall be entitled to distribute to a non-spouse Beneficiary in reliance upon the signed statement of the Participant that he is unmarried without any further liability to a spouse if such statement is false.

### **6.14 Adjustments**

Subject to the requirements of Code section 409A, the Administrative Committee may adjust benefits under the Plan or make such other adjustments with respect to a Participant or Beneficiary as are required to correct administrative errors or provide uniform treatment in a manner consistent with the intent and purposes of the Plan.

### **6.15 Member's Own Participation**

No member of the Administrative Committee may act, vote or otherwise influence a decision specifically relating to his own participation under the Plan.



## 6.16 Indemnification

- (a) To the extent permitted by the Company's bylaws and applicable law, the Company shall indemnify and hold harmless each of the following persons ("**Indemnified Persons**") under the terms and conditions of this section:
- (1) The Administrative Committee and each of its members, which, for purposes of this section, includes any Employee to whom the Administrative Committee has delegated fiduciary or other duties.
  - (2) The Board and each member of the Board and any Employer who has responsibility (whether by delegation from another person, an allocation of responsibilities under the terms of this Plan document, or otherwise) for a fiduciary duty, a nonfiduciary settlor function (such as deciding whether to approve a plan amendment), or a nonfiduciary administrative task relating to the Plan.
- (b) The Company shall indemnify and hold harmless each Indemnified Person against any and all claims, losses, damages, and expenses, including reasonable attorney's fees and court costs, incurred by that person on account of his or her good faith actions or failures to act with respect to his or her responsibilities relating to the Plan. The Company's indemnification shall include payment of any amounts due under a settlement of any lawsuit or investigation, but only if the Company agrees to the settlement.
- (1) An Indemnified Person shall be indemnified under this section only if he or she notifies an Appropriate Person at the Company of any claim asserted against or any investigation of the Indemnified Person that relates to the Indemnified Person's responsibilities with respect to the Plan.
    - (A) A person is an "**Appropriate Person**" to receive notice of the claim or investigation if a reasonable person would believe that the person notified would initiate action to protect the interests of the Company in response to the Indemnified Person's notice.
    - (B) The notice may be provided orally or in writing. The notice must be provided to the Appropriate Person promptly after the Indemnified Person becomes aware of the claim or investigation. No indemnification shall be provided under this section to the extent that the Company is materially prejudiced by the unreasonable delay of the Indemnified Person in notifying an Appropriate Person of the claim or investigation.
  - (2) An Indemnified Person shall be indemnified under this section with respect to attorney's fees, court costs or other litigation expenses or any settlement of

such litigation only if the Indemnified Person agrees to permit the Company to select counsel and to conduct the defense of the lawsuit.

- (3) No Indemnified Person shall be indemnified under this section with respect to any action or failure to act that is judicially determined to constitute or be attributable to the willful misconduct of the Indemnified Person.
- (4) Payments of any indemnity under this section shall be made only from insurance or other assets of the Company. The provisions of this section shall not preclude such further indemnities as may be available under insurance purchased by the Company or as may be provided by the Company under any by-law, agreement or otherwise, provided that no expense shall be indemnified under this section that is otherwise indemnified by the Company or by an insurance contract purchased by the Company.
- (5) Payment of any indemnity under this section that is not exempt from Code section 409A shall comply with Code section 409A's requirements for reimbursement plans, as set forth in Treas. Reg. § 1.409A-3(i)(1)(iv) (or any successor provision). For this purpose, (i) the indemnity under this section shall continue for the Indemnified Person's lifetime, and, if later, until the complete disposition of all covered claims, (ii) the amount of expenses indemnified during one taxable year of an Indemnified Person shall not affect the amount of expenses indemnified in any other taxable year; (iii) payment of an indemnity shall be made by the last day of the Indemnified Person's taxable year following the taxable year in which the expense was incurred and (iv) the Indemnified Person's right to indemnification shall not be subject to liquidation or exchange for any other benefit. If, after payment of any amount to the Indemnified Person pursuant to this provision, it is determined, pursuant to paragraph (3) above or otherwise, that the Indemnified Person is not entitled to indemnification, the Indemnified Person shall promptly repay such amount to the Company.

## **Article 7. Amendment and Termination**

### **7.1 Amendment and Termination**

The Company expects the Plan to be permanent, but since future conditions affecting the Company or any Employer cannot be anticipated or foreseen, the Company must necessarily and does hereby reserve the right to amend, modify, or terminate the Plan at any time by action of the Board, except that no amendment shall reduce the dollar amount permanently credited to a Participant's account and any such termination or amendment shall apply uniformly to all Participants. The Administrative Committee, in its discretion, may amend the Plan if it finds that such amendment does not significantly increase or decrease benefits or costs. Notwithstanding the foregoing, the Board or the Administrative Committee may amend the Plan to:

- (a) Ensure that this Plan complies with the requirements of Code section 409A for deferral of taxation on compensation deferred hereunder until the time of distribution; and
- (b) Add provisions for changes to elections as to time and manner of distributions and other changes that comply with the requirements of Code section 409A for the deferral of taxation on deferred compensation until the time of distribution.

### **7.2 Payments Upon Termination**

If the Plan is terminated, distributions to Participants and Beneficiaries shall be made on the dates on which such distributions would be made under the Plan without regard to such termination, except that payments may, in the discretion of the Board, be accelerated if:

- (a) Accelerated payment is permitted under Treas. Reg. § 1.409A-3(j)(4)(ix) (or any successor provision); or
- (b) The Plan is terminated because Participants have become subject to tax on their deferrals due to the Plan's failure to satisfy the requirements of Code section 409A. Payment to a Participant may not exceed the amount required to be included in income as a result of such failure.

### **7.3 Reorganization of Employer**

In the event of a merger or consolidation of an Employer, or the transfer of substantially all of the assets of an Employer to another corporation, such continuing, resulting or transferee corporation shall have the right to continue and carry on the Plan and to assume all liabilities of the Employer hereunder without obtaining the consent of any Participant or Beneficiary. If such successor shall assume the liabilities of the Employer hereunder, then the Employer shall be relieved of all such liability, and no Participant or Beneficiary shall have the right to assert any claim against the Employer for benefits under or in connection with the Plan.

## Article 8. Claims and Appeals Procedures

### 8.1 Application for Benefits

All applications for benefits under the Plan shall be submitted to: Occidental Petroleum Corporation, Attention: Administrative Committee, 5 Greenway Plaza, Suite 110, Houston, TX 77046-0521. Applications for benefits must be in writing on the forms prescribed by the Administrative Committee and must be signed by the Participant, Beneficiary, spouse, Alternate Payee, or other person claiming benefits under this Plan (each of which may be “**Claimant**”).

### 8.2 Claims Procedure for Benefits

- (a) If a Claimant believes he is entitled to a benefit, or a benefit different from the one received, then the Claimant may file a claim for the benefit by writing a letter to the Administrative Committee or its authorized delegate. Any such claim must be made no later than the time prescribed by Treas. Reg. § 1.409A-3(g) (or any successor provision).
- (b) Within a reasonable period of time, but not later than 90 days after receipt of a claim for benefits, the Administrative Committee or its delegate shall notify the Claimant of any adverse benefit determination on the claim, unless special circumstances require an extension of time for processing the claim. In no event may the extension period exceed 90 days from the end of the initial 90-day period. If an extension is necessary, the Administrative Committee or its delegate shall provide the Claimant with a written notice to this effect prior to the expiration of the initial 90-day period. The notice shall describe the special circumstances requiring the extension and the date by which the Administrative Committee or its delegate expects to render a determination on the claim.
- (c) In the case of an adverse benefit determination, the Administrative Committee or its delegate shall provide to the Claimant written or electronic notification setting forth in a manner calculated to be understood by the claimant:
  - (1) The specific reason or reasons for the adverse benefit determination;
  - (2) Reference to the specific Plan provisions on which the adverse benefit determination is based;
  - (3) A description of any additional material or information necessary for the Claimant to perfect the claim and an explanation of why the material or information is necessary; and
  - (4) A description of the Plan’s claim review procedures and the time limits applicable to such procedures, including a statement of the Claimant’s right to bring a civil action under Section 502(a) of ERISA following an adverse final benefit determination on review and in accordance with Section 8.3.

- (d) Within 60 days after receipt by the Claimant of notification of the adverse benefit determination, the Claimant or his duly authorized representative, upon written application to the Administrative Committee, may request that the Administrative Committee fully and fairly review the adverse benefit determination. On review of an adverse benefit determination, upon request and free of charge, the Claimant shall have reasonable access to, and copies of, all documents, records and other information relevant to the claimant's claim for benefits. The Claimant shall have the opportunity to submit written comments, documents, records, and other information relating to the claim for benefits. The Administrative Committee's (or delegate's) review shall take into account all comments, documents, records, and other information submitted regardless of whether the information was previously considered in the initial adverse benefit determination.
- (e) Within a reasonable period of time, but not later than 60 days after receipt of such request for review, the Administrative Committee or its delegate shall notify the Claimant of any final benefit determination on the claim, unless special circumstances require an extension of time for processing the claim. In no event may the extension period exceed 60 days from the end of the initial 60-day period. If an extension is necessary, the Administrative Committee or its delegate shall provide the Claimant with a written notice to this effect prior to the expiration of the initial 60-day period. The notice shall describe the special circumstances requiring the extension and the date by which the Administrative Committee or its delegate expects to render a final determination on the request for review. In the case of an adverse final benefit determination, the Administrative Committee or its delegate shall provide to the claimant written or electronic notification setting forth in a manner calculated to be understood by the Claimant:
- (1) The specific reason or reasons for the adverse final benefit determination;
  - (2) Reference to the specific Plan provisions on which the adverse final benefit determination is based;
  - (3) A statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant to the Claimant's claim for benefits; and
  - (4) A statement of the claimant's right to bring a civil action under Section 502(a) of ERISA following an adverse final benefit determination on review and in accordance with Section 8.3.
- (f) If a Claimant's claim or appeal is approved, any resulting payment of benefits will be made no later than the time prescribed for payment of benefits by Treas. Reg. § 1.409A-3(g) (or any successor provision).

### **8.3 Limitations on Actions**

All decisions made under the procedure set out in this Article shall be final and there shall be no further right of appeal. No person may initiate a lawsuit before fully exhausting the claims procedures set out in this Article, including appeal. To provide for an expeditious resolution of any dispute concerning a claim for benefits that has been denied and to ensure that all evidence pertinent to such claim is available, no lawsuit may be brought contesting a denial of benefits more than the later of:

- (a) 180 days after receiving the written response of the Administrative Committee to an appeal; or
- (b) 365 days after an applicant's original application for benefits.

## **Article 9. General Provisions**

### **9.1 Unsecured General Creditor**

The rights of a Participant, Beneficiary, Alternate Payee or their heirs, successors, and assigns, as relates to any Company or Employer promises hereunder, shall not be secured by any specific assets of the Company or any Employer, nor shall any assets of the Company or any Employer be designated as attributable or allocated to the satisfaction of such promises.

### **9.2 Trust Fund**

The Company shall be responsible for the payment of all benefits provided under the Plan. At its discretion, the Company may establish one or more trusts, with such trustees as the Board or Administrative Committee may approve, for the purpose of providing for the payment of such benefits. Such trust or trusts may be irrevocable, but the assets thereof shall be subject to the claims of the Company's creditors. To the extent any benefits provided under the Plan are actually paid from any such trust, the Company shall have no further obligation with respect thereto, but to the extent not so paid, such benefits shall remain the obligation of, and shall be paid by, the Company. No assets shall be transferred to a trust if such transfer would result in the taxation of benefits prior to distribution under Code section 409A(b).

### **9.3 Nonassignability**

- (a) Neither a Participant nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage or otherwise encumber, hypothecate or convey in advance of actual receipt the amount, if any, payable hereunder, or any part thereof, or interest therein which are, and all rights to which are, expressly declared to be unassignable and non-transferable. No part of the amounts payable shall, prior to actual payment, be subject to seizure or sequestration for the payment of any debts, judgments, alimony or separate maintenance owed by a Participant or any other person, nor be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency.
- (b) Notwithstanding paragraph (a), the right to benefits payable with respect to a Participant pursuant to a Qualified Divorce Order may be created, assigned, or recognized. The Administrative Committee shall establish appropriate policies and procedures to determine whether a Divorce Order presented to the Administrative Committee constitutes a qualified Divorce Order under this Plan, and to administer distributions pursuant to the terms of Qualified Divorce Orders. In the event that a Qualified Divorce Order exists with respect to benefits payable under the Plan, such benefits otherwise payable to the Participant specified in the Qualified Divorce Order shall be payable to the Alternate Payee specified in such Qualified Divorce Order.

### **9.4 Release from Liability to Participant**

A Participant's right to receive benefits under the Plan shall be reduced to the extent that any portion of the account maintained for the Participant has been paid or set aside for payment to an Alternate Payee pursuant to a Qualified Divorce Order. The Participant shall be deemed to have released the Company and the Plan from any claim with respect to such amounts in any case in which: (a) the Company, the Plan, or any Plan representative has been served with legal process or otherwise joined in a proceeding relating to such amounts; and (b) the Participant fails to obtain an order of the court in the proceeding relieving the Company and the Plan from the obligation to comply with the judgment, decree or order.

### **9.5 Employment Not Guaranteed**

Nothing contained in this Plan nor any action taken hereunder shall be construed as a contract of employment or as giving any Participant any right to be retained in employment with the Company or any Employer. Accordingly, subject to the terms of any written employment agreement to the contrary, the Company and Employer shall have the right to terminate or change the terms of employment of a Participant at any time and for any reason whatsoever, with or without cause.

### **9.6 Gender, Singular & Plural**

All pronouns and any variations thereof shall be deemed to refer to the masculine or feminine as the identity of the person or persons may require. As the context may require, the singular may be read as the plural and the plural as the singular.

### **9.7 Captions**

The captions of the articles, sections, and paragraphs of the Plan are for convenience only and shall not control or affect the meaning or construction of any of its provisions.

### **9.8 Validity**

In the event any provision of this Plan is held invalid, void, or unenforceable, the same shall not affect, in any respect whatsoever, the validity of any other provision of this Plan.

### **9.9 Notice**

Any notice or filing required or permitted to be given to the Administrative Committee under the Plan shall be sufficient if in writing and hand delivered, or sent by registered or certified mail, to the principal office of the Company. Such notice shall be deemed given as to the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification.

### **9.10 Applicable Law**

The Plan shall be governed by and construed in accordance with Code section 409A (or any successor provision), and any regulations promulgated thereunder, to the extent applicable. To the extent that the Plan covers individuals who first became Participants prior to January 1, 2017 (including their Beneficiaries and others claiming benefits through such Participants), it shall be governed in accordance with the laws of the State of California to the extent such laws are not preempted by ERISA. To the extent that the Plan covers individuals who first become Participants on or after January 1, 2017 (including their Beneficiaries and



others claiming benefits through such Participants), it shall be governed in accordance with the laws of the State of Texas to the extent such laws are not preempted by ERISA.

**IN WITNESS WHEREOF**, Occidental Petroleum Corporation has caused its duly authorized officer to execute this document this 20<sup>th</sup> day of December, 2017.

**OCCIDENTAL PETROLEUM CORPORATION**

By Darin Moss

**OCCIDENTAL PETROLEUM CORPORATION  
2015 LONG-TERM INCENTIVE PLAN**

**FORM OF AMENDMENT TO NOTICE OF GRANT OF PERFORMANCE RETENTION INCENTIVE AWARD  
(PERFORMANCE-BASED VESTING: EQUITY-SETTLED AWARD)**

This Amendment (the “**Amendment**”) to the Notice of Grant of Performance Retention Incentive Award (Performance-based Vesting: Equity-Settled Award) (the “**Notice**”) previously granted under the Occidental Petroleum Corporation 2015 Long-Term Incentive Plan, as the same may be amended and restated from time to time (the “**Plan**”), is hereby made by and between OCCIDENTAL PETROLEUM CORPORATION, a Delaware corporation (“**Occidental**”), and \_\_\_\_\_ (the “**Grantee**”), to be effective as of January 1, 2018 (the “**Effective Date**”). Capitalized terms used but not defined herein shall have the meanings assigned to such terms in the Plan, the Notice or the Standard Award Terms and Conditions attached to the Notice.

**WHEREAS**, Occidental granted Performance Shares to the Grantee on July 8, 2015 pursuant to the Notice; and

**WHEREAS**, the Committee and the Grantee desire to amend the Notice as set forth below in order to remove the Grantee’s authorization that Occidental withhold all applicable Tax-Related Items legally payable by the Grantee first from any Dividend Equivalents or cash dividends payable pursuant to the Award.

**NOW, THEREFORE, BE IT RESOLVED**, that, the Notice is hereby amended as set forth below, effective as of the Effective Date:

The final paragraph in the section of the Notice titled “Dividends, Voting and Other Rights” shall be deleted in its entirety.

**FURTHER RESOLVED**, that, as amended hereby, the Notice is specifically ratified and reaffirmed.

*[Signature Page Follows]*

**IN WITNESS WHEREOF**, Occidental has caused the execution of this Amendment by its duly authorized officer, and the Grantee has executed this Amendment, all effective as provided herein.

**OCCIDENTAL PETROLEUM CORPORATION**

By: \_\_\_\_\_

Name: Darin S. Moss

Title: Vice President Human Resources

**ACCEPTED AND AGREED:**

\_\_\_\_\_  
[Grantee Name]

Date: \_\_\_\_\_

SIGNATURE PAGE TO

AMENDMENT TO NOTICE OF GRANT OF PERFORMANCE RETENTION INCENTIVE AWARD (PERFORMANCE-BASED VESTING: EQUITY-SETTLED AWARD)

**OCCIDENTAL PETROLEUM CORPORATION AND SUBSIDIARIES**  
**COMPUTATION OF TOTAL ENTERPRISE RATIOS OF EARNINGS TO FIXED CHARGES**

(Amounts in millions, except ratios)

For the years ended December 31,	2017	2016	2015	2014	2013
Income (loss) from continuing operations	\$ 1,311	\$ (1,002) (a)	\$ (8,146) (b)	\$ (130) (c)	\$ 4,932 (d)
Subtract:					
Net income attributable to noncontrolling interest	—	—	—	(14)	—
Adjusted income (loss) from equity investments (e)	(60)	43	21	64	52
	<u>1,251</u>	<u>(959)</u>	<u>(8,125)</u>	<u>(80)</u>	<u>4,984</u>
Add:					
Provision for (benefits from) taxes on income (other than foreign oil and gas taxes)	(776)	(1,281)	(2,070)	(280)	1,353
Interest and debt expense	345	292	147	77	132
Portion of lease rentals representative of the interest factor	93	79	63	52	60
	<u>(338)</u>	<u>(910)</u>	<u>(1,860)</u>	<u>(151)</u>	<u>1,545</u>
Earnings before fixed charges	<u>\$ 913</u>	<u>\$ (1,869)</u>	<u>\$ (9,985)</u>	<u>\$ (231)</u>	<u>\$ 6,529</u>
Fixed charges:					
Interest and debt expense including capitalized interest	\$ 397	\$ 356	\$ 285	\$ 257	\$ 269
Portion of lease rentals representative of the interest factor	93	79	63	52	60
Total fixed charges	<u>\$ 490</u>	<u>\$ 435</u>	<u>\$ 348</u>	<u>\$ 309</u>	<u>\$ 329</u>
Ratio of earnings to fixed charges	<u>1.86</u>	<u>(4.30)</u>	<u>(28.69)</u>	<u>(0.75)</u>	<u>19.83</u>
Insufficient coverage	<u>\$ —</u>	<u>\$ (2,304) (f)</u>	<u>\$ (10,333) (f)</u>	<u>\$ (540) (f)</u>	<u>\$ —</u>

**Note:** Results of California Resources Corporation have been reflected as discontinued operations for all periods presented.

- (a) Includes a \$69 million after-tax gain from the sale of domestic oil and gas assets, a \$68 million after-tax impairment and related charges for international oil and gas assets, a \$56 million after-tax gain on sale of the Occidental Tower in Dallas and a non-core specialty chemicals business, a \$103 million dollar after-tax charge related to the termination of crude oil supply contracts, and a \$416 million dollar after-tax impairment and related items charge related to a reserve for doubtful accounts and the distribution of remaining CRC stock.
- (b) Includes a \$7.1 billion dollar after-tax impairment and related charges on domestic and international oil and gas assets due to the decline in oil and gas prices and the decision to sell, minimize or cease involvement in non-core assets and changes in development plans for non-producing assets; a \$813 million after-tax impairment and related items charge for midstream and marketing operations primarily related to the Century gas processing plant; a \$310 million after-tax impairment and related items charge primarily related to an other-than-temporary impairment for Occidental's California Resources investment and employee severance; and a \$78 million after-tax impairment and related items charge related to chemical operations.
- (c) Includes a \$4.2 billion dollar after-tax impairment charge related to the decline in crude oil market prices, a \$338 million after-tax gain for the sale of the Hugoton assets, a \$403 million after-tax gain for the sale of the BridgeTex assets, a \$861 million after-tax gain for the sale of a portion of an investment in the General Partner of Plains All-American Pipeline L.P., and a \$1.2 billion after-tax impairment related to Joslyn and an other-than-temporary impairment for Occidental's California Resources investment.
- (d) The 2013 amount includes a \$624 million after-tax gain for the sale of a portion of an investment in the General Partner of Plains All-American Pipeline L.P., a \$85 million after-tax gain for the sale of an investment in Carbocloro, a Brazilian chemical facility and \$387 million of after-tax charges related to the impairment of non-producing domestic acreage. The 2012 amount includes after-tax charges of \$1.1 billion for the impairment of domestic gas assets and related items.
- (e) Represents adjustments to arrive at distributed income of equity investees.
- (f) The 2016, 2015 and 2014 ratio of earnings to fixed charges excluding certain items (a), (b) and (c) is (3.24), (4.98) and 11.96, respectively.

## LIST OF SUBSIDIARIES

The following is a list of the Registrant's subsidiaries at December 31, 2017.

Name	Jurisdiction of Formation
Aventine LLC	New Mexico
Bravo Pipeline Company	Delaware
Cain Chemical Inc.	Delaware
Centurion Pipeline GP, Inc.	Delaware
Centurion Pipeline L.P.	Delaware
Centurion Pipeline LP, Inc.	Delaware
Concord Petroleum Corporation	Panama
Conn Creek Shale Company	Delaware
D.S. Ventures, LLC	Texas
DMM Financial LLC	Delaware
Downtown Plaza II	Oklahoma
FP Westport Commodities Limited	United Kingdom
FP Westport GmbH	Switzerland
FP Westport Limited	United Kingdom
FP Westport LLC	Delaware
FP Westport Services LLC	Delaware
FP Westport Trading LLC	Delaware
Glenn Springs Holdings, Inc.	Delaware
Grand Bassa Tankers, Inc.	Delaware
Grupo OxyChem de Mexico, S.A. de C.V.	Mexico
Hooker Chemical Investment Co.	California
Houndstooth Resources, LLC	Texas
INDSPEC Chemical B.V.	The Netherlands
INDSPEC Chemical Corporation	Delaware
INDSPEC Chemical Export Sales, LLC	Delaware
INDSPEC Holding Corporation	Delaware
Ingleside Cogeneration GP 2, Inc.	Delaware
Ingleside Cogeneration GP, Inc.	Delaware
Ingleside Cogeneration Limited Partnership	Delaware
Interore Trading Ltd.	Liberia
Joslyn Partnership	Alberta, Canada
Laguna Petroleum Corporation	Texas
Liwa Oil & Gas Ltd.	Bermuda
Mariana Properties, Inc.	Delaware
Marico Exploration, Inc.	New Mexico
MC2 Technologies LLC	Delaware
Miller Springs Remediation Management, Inc.	Delaware
Moncrief Minerals Partnership, L.P.	Texas
Natural Gas Odorizing, Inc.	Oklahoma
NGL Ventures LLC	Delaware
Occidental (Bermuda) Ltd.	Bermuda
Occidental (Colombia Block), Inc.	Nevis
Occidental (East Shabwa), LLC	Nevis
Occidental Advance Sale Finance, Inc.	California
Occidental Al Hosn, LLC	Delaware
Occidental Andina, LLC	Delaware
Occidental Angola (Block 23) Holdings Ltd.	Bermuda
Occidental Angola (Block 8) Holdings Ltd.	Bermuda

Name	Jurisdiction of Formation
Occidental Angola Holdings Ltd.	Bermuda
Occidental Angola, Inc.	California
Occidental Brazil Holdings, Inc.	Nevis
Occidental Brazilian Investments, LLC	Nevis
Occidental Canada Holdings Ltd.	Nova Scotia
Occidental Chemical Asia, Limited	Japan
Occidental Chemical Belgium B.V.B.A.	Belgium
Occidental Chemical Chile Limitada	Chile
Occidental Chemical Corporation	New York
Occidental Chemical de Mexico, S.A. de C.V.	Mexico
Occidental Chemical Export Sales, LLC	Delaware
Occidental Chemical Far East Limited	Hong Kong
Occidental Chemical Holding Corporation	California
Occidental Chemical International, Inc.	California
Occidental Chemical Investment (Canada) 1, Inc.	Delaware
Occidental Chile Investments, LLC	Delaware
Occidental Chile Minority Holder, LLC	Delaware
Occidental CIS Services, Inc.	Delaware
Occidental Colombia (Series G) Ltd.	Bermuda
Occidental Colombia (Series J) Ltd.	Bermuda
Occidental Colombia (Series K) Ltd.	Bermuda
Occidental Colombia (Series L) Ltd.	Bermuda
Occidental Colombia (Series M) Ltd.	Bermuda
Occidental Colombia (Series N) Ltd.	Bermuda
Occidental Colombia (Series O) Ltd.	Bermuda
Occidental Crude Sales, Inc. (Canada)	Delaware
Occidental Crude Sales, Inc. (International)	Delaware
Occidental Crude Sales, LLC (South America)	Delaware
Occidental de Colombia, LLC	Delaware
Occidental del Ecuador, Inc.	Nevis
Occidental Dolphin Holdings Ltd.	Bermuda
Occidental Energy Marketing, Inc.	Delaware
Occidental Energy Transportation LLC	Delaware
Occidental Energy Ventures LLC	Delaware
Occidental EOR (Algeria) Ltd.	Bermuda
Occidental Exploradora del Peru Ltd.	Bermuda
Occidental Exploration and Production Company	California
Occidental Exploration Ltd.	Bermuda
Occidental Hafar, LLC	Delaware
Occidental International (Libya), Inc.	Delaware
Occidental International Corporation	Delaware
Occidental International Exploration and Production Company	California
Occidental International Holdings Ltd.	Bermuda
Occidental International Oil and Gas Ltd.	Bermuda
Occidental International Services, Inc.	Delaware
Occidental Joslyn GP 1 Co.	Nova Scotia
Occidental Joslyn GP 2 Co.	Nova Scotia
Occidental Karawan Holding Ltd.	Bermuda
Occidental Karawan, LLC	Delaware
Occidental Latin America Holdings, Inc.	Delaware
Occidental Libya Oil & Gas B.V.	The Netherlands
Occidental LNG (Malaysia) Ltd.	Bermuda
Occidental MENA Manager Ltd.	Bermuda

Name	Jurisdiction of Formation
Occidental Middle East Development Company	Delaware
Occidental Midstream Projects Ltd.	Bermuda
Occidental Mukhaizna, LLC	Delaware
Occidental of Abu Dhabi (Bab) Ltd.	Bermuda
Occidental of Abu Dhabi (Shah) Ltd.	Bermuda
Occidental of Abu Dhabi Ltd.	Bermuda
Occidental of Abu Dhabi, LLC	Delaware
Occidental of Albania (Onshore-2) Ltd.	Bermuda
Occidental of Albania (Onshore-3) Ltd.	Bermuda
Occidental of Bahrain (Block 1) Ltd.	Bermuda
Occidental of Bahrain (Block 3) Ltd.	Bermuda
Occidental of Bahrain (Block 4) Ltd.	Bermuda
Occidental of Bahrain (Offshore), LLC	Delaware
Occidental of Bahrain Deep Gas, LLC	Delaware
Occidental of Bahrain Ltd.	Bermuda
Occidental of Bahrain Onshore Deep Gas, Ltd.	Bermuda
Occidental of Bangladesh, Inc.	Delaware
Occidental of Colombia (Caimanes), Inc.	Nevis
Occidental of Colombia (Chipiron), Inc.	Nevis
Occidental of Colombia (Cocodrilos), Inc.	Nevis
Occidental of Colombia (Cosecha), Inc.	Nevis
Occidental of Colombia (Los Gavilanes), Inc.	Nevis
Occidental of Colombia (Medina), Inc.	Nevis
Occidental of Colombia (Siriri), Inc.	Nevis
Occidental of Colombia (Teca) Ltd.	Bermuda
Occidental of Dubai, Inc.	Nevis
Occidental of Iraq Holdings Ltd.	Bermuda
Occidental of Iraq, LLC	Delaware
Occidental of Oman, Inc.	Nevis
Occidental of Russia Ltd.	Bermuda
Occidental of South Africa (Offshore), Inc.	Nevis
Occidental of the Adriatic Ltd.	Bermuda
Occidental of Yemen (Block 75), LLC	Delaware
Occidental of Yemen Holdings (Block 75) Ltd.	Bermuda
Occidental Oil and Gas (Oman) Ltd.	Nevis
Occidental Oil and Gas Corporation	Texas
Occidental Oil and Gas International Inc.	Delaware
Occidental Oil and Gas International, LLC	Delaware
Occidental Oil and Gas of Peru, LLC	Delaware
Occidental Oil and Gas Pakistan LLC	Nevis
Occidental Oil Asia Pte. Ltd.	Singapore
Occidental Oil Shale, Inc.	California
Occidental Oman (Block 27) Holdings Ltd.	Bermuda
Occidental Oman Gas Company LLC	Delaware
Occidental Oman Gas Holdings Ltd.	Bermuda
Occidental Oman North Holdings, Ltd.	Bermuda
Occidental OOOI Holder, Inc.	Delaware
Occidental Oriente Exploration and Production Ltd.	Cayman Islands
Occidental Overseas Holdings B.V.	The Netherlands
Occidental Overseas Operations, Inc.	Delaware
Occidental Peninsula II, Inc.	Nevis
Occidental Peninsula, LLC	Delaware
Occidental Permian Ltd.	Texas



Name	Jurisdiction of Formation
Occidental Permian Manager LLC	Delaware
Occidental Permian Services, Inc.	Delaware
Occidental Peruana, Inc.	California
Occidental Petrolera de Argentina Ltd.	Bermuda
Occidental Petrolera del Peru (Block 101), Inc.	Nevis
Occidental Petrolera del Peru (Block 103), Inc.	Nevis
Occidental Petroleum (Pakistan), Inc.	Delaware
Occidental Petroleum Corporation Political Action Committee	California
Occidental Petroleum de Venezuela, S.A.	Venezuela
Occidental Petroleum of Nigeria	Nigeria
Occidental Petroleum of Oman Ltd.	Nevis
Occidental Petroleum of Qatar Ltd.	Bermuda
Occidental Power Marketing, L.P.	Delaware
Occidental Power Services, Inc.	Delaware
Occidental PVC, LLC	Texas
Occidental Qatar Energy Company LLC	Delaware
Occidental Red Sea Development, LLC	Nevis
Occidental Research Corporation	California
Occidental Resource Recovery Systems, Inc.	California
Occidental Resources Company	Cayman Islands
Occidental Shah Gas Holdings Ltd.	Bermuda
Occidental South America Finance, LLC	Delaware
Occidental Specialty Marketing, Inc.	Delaware
Occidental Tower Corporation	Delaware
Occidental Transportation Holding Corporation	Delaware
Occidental West Texas Overthrust, Inc.	Texas
Occidental Yemen Ltd.	Bermuda
Occidental Yemen Sabatain, Inc.	Nevis
Oceanic Marine Transport Ltd.	Bermuda
OEVC Energy, LLC	Texas
OEVC Midstream Projects, LLC	Delaware
OOG Partner LLC	Delaware
OOOI Chem Holdings, LLC	Delaware
OOOI Chem Sub, LLC	Delaware
OOOI Chemical International, LLC	Delaware
OOOI Chemical Management, Inc.	Delaware
OOOI Chile Holder, Inc.	Delaware
OOOI Ecuador Management, LLC	Delaware
OOOI Oil and Gas Management, Inc.	Delaware
OOOI Oil and Gas Sub, LLC	Delaware
OOOI South America Management, LLC	Delaware
Opcal Insurance, Inc.	Hawaii
OPM GP, Inc.	Delaware
Oxy BridgeTex Limited Partnership	Texas
Oxy BT Holdings GP, Inc.	Texas
Oxy BT Holdings LP, Inc.	Texas
Oxy C & I Bulk Sales, LLC	Delaware
Oxy Canada Sales, Inc.	Delaware
Oxy Cogeneration Holding Company, Inc.	Delaware
Oxy Colombia Holdings, Inc.	Delaware
OXY CV Pipeline LLC	Delaware
Oxy Delaware Basin Plant, LLC	Delaware
Oxy Delaware Basin, LLC	Texas

Name	Jurisdiction of Formation
Oxy Dolphin E&P, LLC	Nevis
Oxy Dolphin Pipeline, LLC	Nevis
Oxy Energy Canada, Inc.	Delaware
Oxy Energy Services, LLC	Delaware
Oxy Expatriate Services, Inc.	Delaware
Oxy FFT Holdings, Inc.	Delaware
Oxy Holding Company (Pipeline), Inc.	Delaware
OXY Inc.	California
Oxy Ingleside Energy Center, LLC	Delaware
Oxy Ingleside LPG Pipeline, LLC	Delaware
Oxy Ingleside LPG Storage Company, LLC	Delaware
Oxy Ingleside LPG Terminal, LLC	Delaware
Oxy Ingleside Oil Pipeline, LLC	Delaware
Oxy Ingleside Oil Storage Company, LLC	Delaware
Oxy Ingleside Oil Terminal, LLC	Delaware
Oxy Levelland Pipeline Company, LLC	Delaware
Oxy Levelland Terminal Company, LLC	Delaware
OXY Libya E&P Area 35 Ltd.	Bermuda
OXY Libya E&P Concession 103 Ltd.	Bermuda
OXY Libya E&P EPSA 1981 Ltd.	Bermuda
OXY Libya E&P EPSA 1985 Ltd.	Bermuda
OXY Libya Exploration, SPC	Cayman Islands
OXY Libya, LLC	Delaware
OXY Little Knife, LLC	Delaware
OXY LPG LLC	Delaware
Oxy LPG Terminal, LLC	Delaware
OXY Mexico Holdings I, LLC	Delaware
OXY Mexico Holdings II, LLC	Delaware
OXY Middle East Holdings Ltd.	Bermuda
Oxy Midstream Holding Company, LLC	Delaware
Oxy Midstream Operating Company, LLC	Delaware
Oxy Midstream Strategic Development, LLC	Delaware
OXY of Angola (Block 23), LLC	Delaware
OXY of Angola (Block 8), LLC	Delaware
OXY of Saudi Arabia Ltd.	Cayman Islands
OXY Oil Partners, Inc.	Delaware
Oxy Oleoducto SOP, LLC	Delaware
Oxy Overseas Services Ltd.	Bermuda
OXY PBLP Manager, LLC	Delaware
Oxy Permian Gathering, LLC	Delaware
Oxy Petroleum de Mexico, S. de R.L. de C.V.	Mexico
Oxy Pipeline I Company	Delaware
Oxy Renewable Energy LLC	Texas
Oxy Salt Creek Pipeline LLC	Delaware
Oxy SENM Gathering LP	Texas
OXY Support Services, LLC	Delaware
Oxy Tall City Holdings	Texas
Oxy Technology Ventures, Inc.	Delaware
Oxy Transport I Company	Delaware
OXY Tulsa Inc.	Delaware
OXY USA Inc.	Delaware
OXY USA WTP LP	Delaware
Oxy Vinyls Canada Co.	Nova Scotia

Name	Jurisdiction of Formation
Oxy Vinyls Export Sales, LLC	Delaware
Oxy Vinyls, LP	Delaware
OXY VPP Investments, Inc.	Delaware
OXY West, LLC	Texas
Oxy Westwood Corporation	California
Oxy Y-1 Company	New Mexico
OXYCHEM (CANADA), INC.	Alberta, Canada
OxyChem do Brasil Ltda.	Brazil
OxyChem Ingleside Ethylene Holdings, Inc.	Delaware
Oxychem Shipping Ltd.	Malta
OxyChile Investments, LLC	Delaware
OxyCol Holder Ltd.	Bermuda
OXYMAR	Texas
Permian Basin Limited Partnership	Delaware
Permian VPP Holder, LP	Delaware
Permian VPP Manager, LLC	Delaware
Placid Oil Company	Delaware
Ramlat Oxy Ltd.	Bermuda
Rio de Viento, Inc.	Wyoming
San Patricio Pipeline LLC	Delaware
Scanports Shipping, LLC	Delaware
Swiflite Aircraft Corporation	New Jersey
Tall City Express, LLC	Texas
Transok Properties, LLC	Delaware
Troy Potter, Inc.	Texas
Turavent Oil GmbH	Switzerland
Tuscaloosa Holdings, Inc.	Delaware
Vintage Gas, Inc.	Oklahoma
Vintage Petroleum Argentina Ltd.	Cayman Islands
Vintage Petroleum Boliviana, Ltd.	Bermuda
Vintage Petroleum International Finance B.V.	The Netherlands
Vintage Petroleum International Holdings, Inc.	Delaware
Vintage Petroleum International Ventures, Inc.	Cayman Islands
Vintage Petroleum International, Inc.	Oklahoma
Vintage Petroleum Italy, Inc.	Oklahoma
Vintage Petroleum South America Holdings, Inc.	Cayman Islands
Vintage Petroleum South America, LLC	Oklahoma
Vintage Petroleum Turkey, Inc.	Cayman Islands
VPI MENA Yemen Holdings Ltd.	Bermuda
YT Ranch LLC	Colorado

**Consent of Independent Registered Public Accounting Firm**

The Board of Directors  
Occidental Petroleum Corporation:

We consent to the incorporation by reference in the registration statement (Nos. 333-55404, 333-63444, 333-83124, 333-104827, 333-142705, 333-203801, 333-207413, and 333-205047) on Forms S-3 and S-8 of Occidental Petroleum Corporation of our reports dated February 23, 2018, with respect to the consolidated balance sheets of Occidental Petroleum Corporation as of December 31, 2017 and 2016, and the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2017, and the related notes and financial statement schedule II (collectively, the "consolidated financial statements"), and the effectiveness of internal control over financial reporting as of December 31, 2017, which reports appear in the December 31, 2017 annual report on Form 10-K of Occidental Petroleum Corporation.

/s/ KPMG LLP

Houston, Texas  
February 23, 2018



**RYDER SCOTT COMPANY**  
**PETROLEUM CONSULTANTS**

TBPE REGISTERED ENGINEERING FIRM F-1580 FAX (713) 651-0849  
1100 LOUISIANA SUITE 4600 HOUSTON, TEXAS 77002-5294 TELEPHONE (713) 651-9191

**CONSENT OF INDEPENDENT PETROLEUM ENGINEERS**

To the Board of Directors  
Occidental Petroleum Corporation:

We consent to the (i) inclusion in the Occidental Petroleum Corporation (Occidental) Form 10-K for the year ended December 31, 2017, and the incorporation by reference in Occidental's registration statements (Nos. 333-55404, 333-63444, 333-83124, 333-104827, 333-142705, 333-203801, 333-207413, and 333-205047) (the "Registration Statements"), of references to our name and to our letter dated January 29, 2017, relating to our review of the methods and procedures used by Occidental for estimating its oil and gas proved reserves (our "Letter"), (ii) filing of our Letter with the Securities and Exchange Commission as Exhibit 99.1 to the Form 10-K and (iii) incorporation by reference of our Letter in the Registration Statements.

/s/ Ryder Scott Company, L.P.

**RYDER SCOTT COMPANY, L.P.**  
TBPE Firm Registration No. F-1580

Houston, Texas  
February 23, 2018

SUITE 600, 1015 4TH STREET, S.W. CALGARY, ALBERTA T2R 1J4 TEL (403) 262-2799 FAX (403) 262-2790  
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**RULE 13a – 14(a) / 15d – 14(a)**  
**CERTIFICATION**  
**PURSUANT TO §302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Vicki Hollub, certify that:

1. I have reviewed this annual report on Form 10-K of Occidental Petroleum Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 22, 2018

/s/ Vicki Hollub

\_\_\_\_\_  
Vicki Hollub

President and Chief Executive Officer

**RULE 13a – 14(a) / 15d – 14(a)**  
**CERTIFICATION**  
**PURSUANT TO §302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Cedric W. Burgher, certify that:

1. I have reviewed this annual report on Form 10-K of Occidental Petroleum Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 22, 2018

/s/ Cedric W. Burgher

\_\_\_\_\_  
Cedric W. Burgher  
Senior Vice President and  
Chief Financial Officer

**CERTIFICATION OF CEO AND CFO PURSUANT TO  
18 U.S.C. § 1350,  
AS ADOPTED PURSUANT TO  
§ 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K of Occidental Petroleum Corporation (the "Company") for the fiscal period ended December 31, 2017, as filed with the Securities and Exchange Commission on February 22, 2018 (the "Report"), Vicki Hollub, as Chief Executive Officer of the Company, and Cedric W. Burgher, as Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of her or his knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Vicki Hollub

Name: Vicki Hollub  
Title: President and Chief Executive Officer  
Date: February 22, 2018

/s/ Cedric W. Burgher

Name: Cedric W. Burgher  
Title: Senior Vice President and Chief Financial Officer  
Date: February 22, 2018

A signed original of this written statement required by Section 906 has been provided to Occidental Petroleum Corporation and will be retained by Occidental Petroleum Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.



**OCCIDENTAL PETROLEUM CORPORATION**

**Process Review  
of the  
Estimated  
Future Proved Reserves and Income  
Attributable to Certain  
Fee, Leasehold and Royalty Interests  
and  
Certain Economic Interests  
Derived Through Certain Production Sharing Contracts**

**SEC Parameters**

**As of**

**December 31, 2017**

*/s/ Dean C. Rietz*

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Dean C. Rietz, P.E.  
TBPE License No. 70507  
President

**RYDER SCOTT COMPANY, L.P.**  
TBPE Firm Registration No. F-1580

**[SEAL]**



**RYDER SCOTT COMPANY**  
**PETROLEUM CONSULTANTS**

TBPE REGISTERED ENGINEERING FIRM F-1580 FAX (713) 651-0849  
1100 LOUISIANA SUITE 4600 HOUSTON, TEXAS 77002-5294 TELEPHONE (713) 651-9191

January 29, 2018

Occidental Petroleum Corporation  
5 Greenway Plaza, Suite 110  
Houston, Texas 77046

Ladies and Gentlemen:

At your request, Ryder Scott Company, L.P. (Ryder Scott) has conducted a process review of the methods and analytical procedures utilized by the engineering and geological staff of Occidental Petroleum Corporation (Occidental) for estimating the proved reserves volumes, preparing the economic evaluations and determining the reserves classifications as of December 31, 2017, based on the definitions and disclosure guidelines of the United States Securities and Exchange Commission (SEC) Title 17, Code of Federal Regulations, Modernization of Oil and Gas Reporting, Final Rule released January 14, 2009 in the Federal Register (SEC regulations). The results of our third party reserves process review, completed on January 29, 2018 and presented herein, were prepared for public disclosure by Occidental in filings made with the SEC in accordance with the disclosure requirements set forth under Section 229.1202(a)(8) of the SEC regulations.

Based on our review, including the data, technical processes and interpretations presented by Occidental, it is our opinion that the overall procedures and methodologies utilized by Occidental in estimating the proved reserves volumes, documenting the changes in reserves from prior estimates, preparing the economic evaluations and determining the reserves classifications for the reviewed properties are appropriate for the purpose thereof, and comply with the SEC regulations as of December 31, 2017. Ryder Scott has not been engaged to render an opinion as to the reasonableness of reserves quantities reported by Occidental.

***Properties Reviewed***

The proved reserves reviewed herein are attributable to the fee, leasehold and royalty interests of Occidental in certain properties located in the United States in the states of New Mexico and Texas and derived through Occidental's economic interest as defined in contractual arrangements for certain properties located in Colombia.

The properties reviewed herein were selected by Occidental. Ryder Scott and Occidental concur that these properties are a valid representation of Occidental's total net proved reserves portfolio as of December 31, 2017. Based on the estimates prepared by Occidental, the portion of total company net liquid and net gas reserves reviewed by us are expressed as a percentage and presented in summary form on the following page. At Occidental's request and provided by Occidental, we have also presented the portion of the total company net proved reserves reviewed by us on a barrel of oil equivalent (BOE) basis.

SUITE 600, 1015 4TH STREET, S.W. CALGARY, ALBERTA T2R 1J4 TEL (403) 262-2799 FAX (403) 262-2790  
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Percentage of Total Company Estimated Net Reserves  
 Reviewed by Ryder Scott  
 SEC Parameters  
**Occidental Petroleum Corporation**

As of December 31, 2017

	Oil/Condensate	NGL	Total Liquid Hydrocarbons	Gas	Equivalent BOE
Total Proved Developed	23.3%	14.4%	21.3%	6.6%	17.6%
Total Proved Undeveloped	32.0%	24.9%	30.2%	18.6%	27.6%
Total Company Proved	27.9%	17.5%	23.7%	9.4%	20.2%

The net liquid hydrocarbons reviewed are comprised of oil, condensate and natural gas liquids (NGL) and are based on standard 42 gallon barrels. All net gas volumes reviewed are based on an "as sold" basis expressed in millions of cubic feet (MMCF) at the official temperature and pressure bases of the areas in which the gas reserves are located. Reserves reviewed and noted herein on a BOE basis are based on converting natural gas on the basis of relative energy content using a factor of 6,000 cubic feet of natural gas per one BOE. It should be noted that barrel of oil equivalence does not necessarily result in price equivalence as the equivalent price of natural gas on a BOE basis is, and has been substantially lower than the corresponding price for crude oil currently and for a number of years.

**Reserves Process Review Discussion**

A process review, according to Paragraph 2.2(h) contained in the Society of Petroleum Engineers (SPE) Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information (SPE auditing standards), is "the result of an investigation by a person who is qualified by experience and training equivalent to that of a Reserves Auditor to address the adequacy and effectiveness of an entity's internal processes and controls relative to reserves estimation."

In order to arrive at our conclusions and to substantiate our opinion relative to Occidental's internal reserves estimation process and controls, we conducted our investigation in a manner that closely conforms to the SPE auditing standards for a reserves audit. Under Paragraph 2.2(f) of the SPE auditing standards, a reserves audit includes "the process of reviewing certain of the pertinent facts interpreted and assumptions made that have resulted in an estimate of reserves and/or Reserves Information prepared by others and the rendering of an opinion about (1) the appropriateness of the methodologies employed, (2) the adequacy and quality of the data relied upon, (3) the depth and thoroughness of the reserves estimation process, [and] (4) the classification of reserves appropriate to the relevant definitions used."

Our process review, however, differs from an SPE reserves audit in that we have not conducted our investigation with sufficient rigor to express an opinion as to "the reasonableness of the estimated reserve quantities and/or the Reserves Information" as required under item (5) Paragraph 2.2(f) of the SPE auditing standards for a reserves audit. Our review should not be construed to be a complete and comprehensive appraisal of the subject properties or deemed to convey the same level of information contained in a third party reserves audit or reserves evaluation report.

### ***Applicable Petroleum Reserves Definitions***

The determination of the proved reserves classifications as discussed herein are based on the definitions as set forth in the Securities and Exchange Commission's Regulations Part 210.4-10(a) released January 14, 2009 in the Federal Register, Volume 74, pages 2158 through 2197.

### ***Reserves and Uncertainty***

The SEC defines reserves as the "estimated remaining quantities of oil and gas and related substances anticipated to be economically producible, as of a given date, by application of development projects to known accumulations." All reserve estimates involve an assessment of the uncertainty relating to the likelihood that the actual remaining quantities recovered will be greater or less than the estimated quantities determined as of the date the estimate is made. The uncertainty depends chiefly on the amount of reliable geologic and engineering data available at the time of the estimate and the interpretation of these data. The relative degree of uncertainty may be conveyed by placing reserves into one of two principal classifications, either proved or unproved. Unproved reserves are less certain to be recovered than proved reserves and may be further sub-classified as probable and possible reserves to denote progressively increasing uncertainty as to their recoverability.

In many cases, the analysis of the available geoscience and engineering data and the subsequent interpretation of this data may indicate a range of possible outcomes in an estimate, irrespective of the method selected by the evaluator. When a range in the quantity of reserves is identified, the evaluator must determine the uncertainty associated with the incremental quantities of the reserves. If the reserves quantities are estimated using the deterministic incremental approach, the uncertainty for each discrete incremental quantity of the reserves is addressed by the reserves category assigned by the evaluator. Therefore, it is the categorization of reserve quantities as proved, probable or possible that addresses the inherent uncertainty in the estimated quantities reported. For proved reserves, uncertainty is defined by the SEC as reasonable certainty that the estimates of the quantities actually recovered are "much more likely to be achieved than not." The SEC defines probable reserves as "those additional reserves that are less certain to be recovered than proved reserves but which, together with proved reserves, are as likely as not to be recovered." The SEC defines possible reserves as "those additional reserves that are less certain to be recovered than probable reserves." All quantities of reserves within the same reserves category must meet the SEC definitions as noted above.

The reserves for the properties reviewed by us were estimated by Occidental using deterministic methods and presented as incremental quantities. Under the deterministic incremental approach, discrete quantities of reserves are estimated and assigned separately as proved, probable or possible based on their individual level of uncertainty. At Occidental's request, this reserves process review addresses only the proved reserves attributable to the properties reviewed herein.

Reserves estimates will generally be revised only as additional geologic or engineering data become available or as economic conditions change. For proved reserves, the SEC states that "as changes due to increased availability of geoscience (geological, geophysical, and geochemical), engineering, and economic data are made to the estimated ultimate recovery (EUR) with time, reasonably certain EUR is much more likely to increase or remain constant than to decrease." Moreover, estimates of proved, probable and possible reserves quantities and their associated reserves categories may be revised due to other factors such as the results of future operations, effects of regulation by governmental agencies or geopolitical or economic risks.

### ***Reserves Process Review Procedure***

Certain technical personnel responsible for the preparation of Occidental's proved reserves estimates presented the data, methods and procedures used in 1) estimating the reserves volumes as of December 31, 2017; 2) documenting the changes in reserves from prior estimates; 3) preparing the economic evaluations associated with the estimated December 31, 2017 reserves; and 4) determining the reserves classifications for each of the subject properties reviewed. We consulted with these technical personnel and had access to their workpapers and supporting data in the course of our review. Furthermore, if in the course of our examination something came to our attention which brought into question the appropriateness of the methodologies employed, the adequacy of the data relied upon or the documentation of the reserves estimation process, additional clarification was requested from Occidental until we had satisfactorily resolved our questions relating thereto.

### ***Methodology and Procedure Employed by Occidental for Estimating Reserves***

The estimation of reserves involves two distinct determinations. The first determination results in the estimation of the quantities of recoverable oil and gas and the second determination results in the estimation of the uncertainty associated with those estimated quantities in accordance with the definitions set forth by the Securities and Exchange Commission's Regulations Part 210.4-10(a). The process of estimating the quantities of recoverable oil and gas reserves relies on the use of certain analytical procedures. These analytical procedures fall into three broad categories or methods: (1) performance-based methods; (2) volumetric-based methods; and (3) analogy. These methods may be used individually or in combination by the reserves evaluator in the process of estimating the quantities of reserves. Reserves evaluators must select the method or combination of methods which in their professional judgment is most appropriate given the nature and amount of reliable geoscience and engineering data available at the time of the estimate, the established or anticipated performance characteristics of the reservoir being evaluated and the stage of development or producing maturity of the property.

The proved reserves for the properties that we reviewed were estimated by performance methods, analogy, reservoir modeling or a combination of methods. Approximately 32 percent of the proved reserves attributable to producing wells or reservoirs for the properties reviewed were estimated by performance methods using decline curve analysis and/or material balance which utilized extrapolations of historical production and pressure data in those cases where such data were considered to be definitive. The remaining 68 percent of the proved reserves attributable to the producing wells for the properties reviewed were estimated by a combination of methods including type curves supported by analogs and reservoir modeling to 1) estimate those reserves where there were inadequate historical performance data to establish a definitive producing trend and 2) estimate the incremental reserves attributable to enhanced/improved oil recovery. The data used by Occidental in their analysis of the proved reserves for the producing properties reviewed by us was considered sufficient for the purpose thereof.

Approximately 35 percent of the proved developed non-producing reserves were estimated by performance methods using analogy to prior established decline trends. The remaining 65 percent of the proved developed non-producing reserves and all of the proved undeveloped reserves were estimated by a combination of methods including volumetrics and type curves supported by analogs and reservoir modeling as noted above. The data used by Occidental in their analysis of the non-producing and undeveloped reserves for the properties reviewed by us was considered sufficient for the purpose thereof.

Of the properties reviewed, approximately 78 percent of the proved producing reserves and 29 percent of the proved non-producing and undeveloped reserve volumes are related to the application of enhanced/improved recovery techniques. These enhanced/improved recovery techniques include water and CO<sub>2</sub> injection and infill drilling.

Occidental uses the latest available production, new well and seismic data in its reserves estimation process. Typically, this data is from the third quarter of the year for which reserves are estimated, though material data is considered whenever it becomes available prior to finalization of reserves estimates. The data used by Occidental in their analysis of the proved reserves for the properties reviewed by us was considered sufficient for the purpose thereof.

**Primary Economic Assumptions Employed by Occidental for Estimating Reserves**

To estimate economically recoverable proved reserves and related future net cash flows, Occidental considered many factors and assumptions including, but not limited to, the use of reservoir parameters derived from geological, geophysical and engineering data which cannot be measured directly, economic criteria based on current costs and SEC pricing requirements, and forecasts of future production rates. Under the SEC regulations 210.4-10(a)(22)(v) and (26), proved reserves must be anticipated to be economically producible from a given date forward based on existing economic conditions including the prices and costs at which economic producibility from a reservoir is to be determined. To confirm that the proved reserves reviewed by us meet the SEC requirements to be economically producible, we have reviewed certain primary economic data utilized by Occidental relating to hydrocarbon prices and costs as noted herein.

The hydrocarbon prices in effect on December 31, 2017 for the properties reviewed were determined by Occidental using the unweighted 12-month average first-day-of-the-month benchmark prices appropriate to the geographic area where the hydrocarbons are sold and adjustments for differentials as described herein. In certain geographic areas, the price reference and benchmark prices may be defined by contractual arrangements. For hydrocarbon products sold under contract, the contract prices including fixed and determinable escalations, exclusive of inflation adjustments, were used until expiration of the contract.

The table below summarizes Occidental's net volume weighted benchmark prices adjusted for differentials for the properties reviewed by us and referred to herein as Occidental's "average realized prices." The average realized prices shown in the table below were determined from Occidental's estimate of the total future gross revenue before production taxes for the properties reviewed by us and Occidental's estimate of the total net reserves for the properties reviewed by us for the geographic area. The data shown in the table below is presented in accordance with SEC disclosure requirements for each of the geographic areas reviewed by us.

Geographic Area	Product	Price Reference	Average Benchmark Prices	Average Realized Prices
North America				
United States	Oil/Condensate	WTI Cushing	\$51.34/Bbl	\$47.38/Bbl
	NGLs	WTI Cushing	\$51.34/Bbl	\$21.94/Bbl
	Gas	Henry Hub	\$3.08/MMBTU	\$2.16/MCF
Colombia	Oil/Condensate	WTI Cushing	\$51.34/Bbl	\$48.51/Bbl
	NGLs	WTI Cushing	\$51.34/Bbl	N/A
	Gas	Henry Hub	\$3.08/MMBTU	\$3.08/MMBTU

As indicated above, the product prices that were used by Occidental to determine the future gross revenue for each property reviewed by us reflect adjustments to the benchmark prices for gravity, quality, local conditions, gathering and transportation fees and distance from market, referred to herein as "differentials." The differentials used by Occidental were accepted as factual data. We have not conducted an independent verification of the data used by Occidental.

While it may reasonably be anticipated that the future prices received for the sale of production and the operating costs and other costs relating to such production may also increase or decrease from existing levels, such changes were, in accordance with rules adopted by the SEC, omitted from consideration by Occidental in this process and omitted by us in conducting this review.

Accumulated gas production imbalances, if any, were not taken into account in the proved reserve estimates of gas reviewed. The proved gas volumes included herein attribute gas consumed in operations as reserves for those fields where the inclusion of such volumes was appropriate.

Operating costs used by Occidental are based on the operating expense reports of Occidental and include only those costs directly applicable to the leases or wells for the properties reviewed by us. The operating costs include a portion of general and administrative costs allocated directly to the leases and wells. For operated properties, the operating costs include an appropriate level of corporate general administrative and overhead costs. The operating costs for non-operated properties include the Council of Petroleum Accounting Societies overhead costs that are allocated directly to the leases and wells under terms of operating agreements. The operating costs used by Occidental were accepted as factual data and reviewed by us for their reasonableness; however, we have not conducted an independent verification of the data used by Occidental.

Development costs used by Occidental are based on authorizations for expenditure (AFE) for the proposed work or actual costs for similar projects. The development costs used by Occidental were accepted as factual data and reviewed by us for their reasonableness; however, we have not conducted an independent verification of the data used by Occidental.

The proved developed non-producing and undeveloped reserves for the properties reviewed by us were incorporated by Occidental in accordance with Occidental's plans to develop these reserves as of December 31, 2017. The implementation of Occidental's development plans as presented to us is subject to the approval process adopted by Occidental's management. As a result of our inquiries during the course of our review, Occidental has informed us that the development activities for the properties reviewed by us have been subjected to and received the internal approvals required by Occidental's management at the appropriate local, regional and corporate level. In addition to the internal approvals as noted, certain development activities may still be subject to partner AFE processes, Joint Operating Agreement requirements or other administrative approvals external to Occidental. Additionally, Occidental has informed us that they are not aware of any existing laws or regulations that would require the company to significantly alter their current development plans. While these plans could change from those under existing economic conditions as of December 31, 2017, such changes were, in accordance with rules adopted by the SEC, omitted from consideration in making this evaluation.

#### ***Future Production Rate Assumptions Employed by Occidental for Estimating Reserves***

Occidental's forecasts of future production rates are based on historical performance from wells currently on production. If no production decline trend has been established, future production rates were held constant, or adjusted for the effects of curtailment where appropriate, until a decline in ability to produce was anticipated. An estimated rate of decline was then applied to depletion of the reserves. If a decline trend has been established, this trend was used as the basis for estimating future production rates.

Test data and other related information were used by Occidental to estimate the anticipated initial production rates for those wells or locations that are not currently producing. For reserves not yet on production, sales were estimated to commence at an anticipated date determined by Occidental. Wells or locations that are not currently producing may start producing earlier or later than anticipated in Occidental's estimates due to unforeseen factors causing a change in the timing to initiate production. Such factors may include delays due to weather, the availability of rigs, the sequence of drilling, completing or recompleting wells and constraints set by regulatory bodies.

The future production rates from wells currently on production or wells or locations that are not currently producing may be more or less than estimated by Occidental because of changes including, but not limited to, reservoir performance, operating conditions related to surface facilities, compression and artificial lift, pipeline capacity or other operating conditions, market demand and allowables or other constraints set by regulatory bodies.

#### ***Reserves Derived by Occidental Through Certain Production Sharing Contracts***

The reserves for certain properties located in Colombia reviewed herein are limited to the period prior to expiration of current contracts providing the legal right to produce or an economic interest in such production. Furthermore, properties in different countries may be subjected to significantly varying contractual fiscal terms that affect the net revenue to Occidental for the production of these volumes. The prices and economic return received for these net volumes can vary significantly based on the terms of these contracts. Ryder Scott has not conducted an exhaustive audit or verification of such contractual information. Neither our review of such contractual information nor our acceptance of Occidental's representations regarding such contractual information should be construed as a legal opinion on this matter.

#### ***Possible Effects of Regulation on Occidental's Estimate of Reserves***

Ryder Scott did not evaluate the country and geopolitical risks in the countries where Occidental operates or has interests. Occidental's operations may be subject to various levels of governmental controls and regulations. These controls and regulations may include, but may not be limited to, matters relating to land tenure and leasing, the legal rights to produce hydrocarbons including the granting, extension or termination of production sharing contracts, the fiscal terms of various production sharing contracts, drilling and production practices, environmental protection, marketing and pricing policies, royalties, various taxes and levies including income tax and are subject to change from time to time. Such changes in governmental regulations and policies may cause volumes of proved reserves actually recovered and amounts of proved income actually received to differ significantly from the quantities estimated by Occidental as reviewed herein.

We have not made any field examination of the properties. No consideration was given in this review to potential environmental liabilities that may exist nor to any costs for the potential liabilities to restore and clean up damages, if any, caused by past operating practices.

Occidental has informed us that they are not aware of any existing laws or regulations that would materially impact their ability to recover the estimated proved reserves for the properties reviewed by us.



### ***Data Reviewed in Conducting the Third Party Reserves Process Review***

Occidental has informed us that they have furnished or otherwise made available to us all of the material accounts, records, geological and engineering data, and reports and other data required for this review. In conducting our process review of Occidental's estimates of proved reserves and forecasts of future production and income, we have reviewed data used by Occidental with respect to property interests owned or otherwise held, production and well tests from examined wells, normal direct costs of operating the wells or leases, other costs such as transportation and processing fees, ad valorem and production taxes, recompletion and development costs, development plans, product prices based on the SEC regulations, adjustments or differentials to product prices, geological structural and isochore maps, well logs, core analyses, and pressure measurements. Ryder Scott reviewed such factual data for its reasonableness; however, we have not conducted an independent verification of the data utilized by Occidental. We consider the factual data utilized by Occidental to be appropriate and sufficient for the purpose of our review of the methods and analytical procedures utilized by the engineering and geological staff of Occidental for estimating the proved reserves volumes and preparing the economic evaluations.

### ***Reserves Process Review Opinion***

We found no bias in the utilization and analysis of data in proved reserves estimates for these properties. Furthermore, we found the estimation process incorporated all pertinent data, utilized a thorough and detailed analytical approach and was supported by a well documented audit trail.

We consider the assumptions, data, methods and analytical procedures used by Occidental and as reviewed by us appropriate for the purpose thereof, and we have used all such methods and procedures that we consider necessary and appropriate under the circumstances to render the conclusions set forth herein.

Based on our review, including the data, technical processes and interpretations presented by Occidental, it is our opinion that the overall procedures and methodologies utilized by Occidental in estimating the proved reserves volumes, documenting the changes in reserves from prior estimates, preparing the economic evaluations and determining the reserves classifications for the reviewed properties comply with the SEC regulations as of December 31, 2017. Ryder Scott has not been engaged to render an opinion as to the reasonableness of reserves quantities reported by Occidental.

### ***Standards of Independence and Professional Qualification***

Ryder Scott is an employee-owned independent petroleum engineering consulting firm. We do not serve as officers or directors of any privately-owned or publicly-traded oil and gas company and are separate and independent from the operating and investment decision-making process of our clients. No single client or job represents a material portion of our annual revenue. These factors allow us to maintain our independence and objectivity in the performance of our services.

Ryder Scott requires that staff engineers and geoscientists receive professional accreditation in the form of a registered or certified professional engineer's license or a registered or certified professional geoscientist's license, or the equivalent thereof, from an appropriate governmental authority or a recognized self-regulating professional organization.

We are independent petroleum engineers with respect to Occidental. Neither we nor any of our employees have any financial interest in the subject properties and neither the employment to do this work nor the compensation is contingent on the results of our review.

The results of the reserves process review, presented herein, are based on technical analysis conducted by teams of geoscientists and engineers from Ryder Scott. The professional qualifications of

the undersigned, the technical person primarily responsible for overseeing the review of the reserves information discussed in this report, are included as an attachment to this letter.

**Terms of Usage**

The results of our third party reserves process review, presented in report form herein, were prepared in accordance with the disclosure requirements set forth in the SEC regulations and are intended for public disclosure as an exhibit in filings made with the SEC by Occidental.

Occidental makes periodic filings on Form 10-K with the SEC under the 1934 Exchange Act. Furthermore, Occidental has certain registration statements filed with the SEC under the 1933 Securities Act into which any subsequently filed Form 10-K is incorporated by reference. We have consented to the incorporation by reference in the registration statements on Form S-3 and Form S-8 of Occidental of the references to our name as well as to the references to our third party report for Occidental, which appear in the December 31, 2017 annual report on Form 10-K of Occidental, the inclusion in that Form 10-K of such references and the filing of such report as an exhibit to such Form 10-K. Our written consent for such use is included as a separate exhibit to the filings made with the SEC by Occidental.

We have provided Occidental with a digital version of the original signed copy of this report letter. In the event there are any differences between the digital version included in filings made by Occidental and the original signed report letter, the original signed report letter shall control and supersede the digital version.

The data and work papers used in the preparation of this report are available for examination by authorized parties in our offices. Please contact us if we can be of further service.

Very truly yours,

**RYDER SCOTT COMPANY, L.P.**  
TBPE Firm Registration No. F-1580

/s/ Dean C. Rietz

Dean C. Rietz, P.E.  
TBPE License No. 70507  
President

[SEAL]

DCR/pl

### **Professional Qualifications of Primary Technical Person**

The conclusions presented in this report are the result of technical analysis conducted by teams of geoscientists and engineers from Ryder Scott Company, L.P. Dean C. Rietz was the primary technical person responsible for this process review.

Mr. Rietz, an employee of Ryder Scott Company, L.P. (Ryder Scott) since 1995, is the President and a member of the Board of Directors. He is responsible for coordinating and supervising staff of the company and contract engineers and geologists in ongoing reservoir evaluation studies worldwide. Before joining Ryder Scott, Mr. Rietz served in a number of engineering positions with Intera, H.J. Gruy, and Chevron. For more information regarding Mr. Rietz's geographic and job specific experience, please refer to the Ryder Scott Company website at [www.ryderscott.com/Company/Employees](http://www.ryderscott.com/Company/Employees).

Mr. Rietz earned a Bachelor of Science degree in Petroleum Engineering from The University of Oklahoma in 1984 and a Master of Science degree in Petroleum Engineering from the University of Houston in 1992. He is a licensed Professional Engineer in the State of Texas and a member of the Society of Petroleum Engineers.

As part of his 2017 license renewal, as well as prior years, Mr. Rietz acquired the minimum of 15 professional development hours, including one PDH hour related to ethics. Some of these hours were associated with his attendance at a day long public forum, (i.e., the 2017 Ryder Scott Company Reserves Conference) relating to reservoir engineering or the definitions and disclosure guidelines contained in the United States Securities and Exchange Commission Title 17, Code of Federal Regulations, Modernization of Oil and Gas Reporting, Final Rule released January 14, 2009 in the Federal Register. In 2016, Mr. Rietz co-authored a paper on a new method for shale forecasting (SPE-181536). Mr. Rietz has authored or co-authored several papers relating to reservoir simulation and reserves evaluation. He is an adjunct Professor at the University of Houston and a short course instructor for the Society of Petroleum Engineers teaching on the subject of reservoir simulation. Also, Mr. Rietz was an SPE distinguished lecturer for the 2016-2017 season.

Based on his educational background, professional training and more than 20 years of practical experience in the estimation and evaluation of petroleum reserves, Mr. Rietz has attained the professional qualifications as a Reserves Estimator set forth in Article III of the "Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information" promulgated by the Society of Petroleum Engineers as of February 19, 2007.

## PETROLEUM RESERVES DEFINITIONS

As Adapted From:  
RULE 4-10(a) of REGULATION S-X PART 210  
UNITED STATES SECURITIES AND EXCHANGE COMMISSION (SEC)

### PREAMBLE

On January 14, 2009, the United States Securities and Exchange Commission (SEC) published the "Modernization of Oil and Gas Reporting; Final Rule" in the Federal Register of National Archives and Records Administration (NARA). The "Modernization of Oil and Gas Reporting; Final Rule" includes revisions and additions to the definition section in Rule 4-10 of Regulation S-X, revisions and additions to the oil and gas reporting requirements in Regulation S-K, and amends and codifies Industry Guide 2 in Regulation S-K. The "Modernization of Oil and Gas Reporting; Final Rule", including all references to Regulation S-X and Regulation S-K, shall be referred to herein collectively as the "SEC regulations". The SEC regulations take effect for all filings made with the United States Securities and Exchange Commission as of December 31, 2009, or after January 1, 2010. Reference should be made to the full text under Title 17, Code of Federal Regulations, Regulation S-X Part 210, Rule 4-10(a) for the complete definitions (direct passages excerpted in part or wholly from the aforementioned SEC document are denoted in italics herein).

*Reserves are estimated remaining quantities of oil and gas and related substances anticipated to be economically producible, as of a given date, by application of development projects to known accumulations.* All reserve estimates involve an assessment of the uncertainty relating the likelihood that the actual remaining quantities recovered will be greater or less than the estimated quantities determined as of the date the estimate is made. The uncertainty depends chiefly on the amount of reliable geologic and engineering data available at the time of the estimate and the interpretation of these data. The relative degree of uncertainty may be conveyed by placing reserves into one of two principal classifications, either proved or unproved. Unproved reserves are less certain to be recovered than proved reserves and may be further sub-classified as probable and possible reserves to denote progressively increasing uncertainty in their recoverability. Under the SEC regulations as of December 31, 2009, or after January 1, 2010, a company may optionally disclose estimated quantities of probable or possible oil and gas reserves in documents publicly filed with the SEC. The SEC regulations continue to prohibit disclosure of estimates of oil and gas resources other than reserves and any estimated values of such resources in any document publicly filed with the SEC unless such information is required to be disclosed in the document by foreign or state law as noted in §229.1202 Instruction to Item 1202.

Reserves estimates will generally be revised only as additional geologic or engineering data become available or as economic conditions change.

Reserves may be attributed to either natural energy or improved recovery methods. Improved recovery methods include all methods for supplementing natural energy or altering natural forces in the reservoir to increase ultimate recovery. Examples of such methods are pressure maintenance, natural gas cycling, waterflooding, thermal methods, chemical flooding, and the use of miscible and immiscible displacement fluids. Other improved recovery methods may be developed in the future as petroleum technology continues to evolve.

Reserves may be attributed to either conventional or unconventional petroleum accumulations. Petroleum accumulations are considered as either conventional or unconventional based on the nature of their in-place characteristics, extraction method applied, or degree of processing prior to sale. Examples of unconventional petroleum accumulations include coalbed or coalseam methane (CBM/CSM), basin-

centered gas, shale gas, gas hydrates, natural bitumen and oil shale deposits. These unconventional accumulations may require specialized extraction technology and/or significant processing prior to sale.

Reserves do not include quantities of petroleum being held in inventory.

Because of the differences in uncertainty, caution should be exercised when aggregating quantities of petroleum from different reserves categories.

### **RESERVES (SEC DEFINITIONS)**

Securities and Exchange Commission Regulation S-X §210.4-10(a)(26) defines reserves as follows:

**Reserves.** *Reserves are estimated remaining quantities of oil and gas and related substances anticipated to be economically producible, as of a given date, by application of development projects to known accumulations. In addition, there must exist, or there must be a reasonable expectation that there will exist, the legal right to produce or a revenue interest in the production, installed means of delivering oil and gas or related substances to market, and all permits and financing required to implement the project.*

Note to paragraph (a)(26): *Reserves should not be assigned to adjacent reservoirs isolated by major, potentially sealing, faults until those reservoirs are penetrated and evaluated as economically producible. Reserves should not be assigned to areas that are clearly separated from a known accumulation by a non-productive reservoir (i.e., absence of reservoir, structurally low reservoir, or negative test results). Such areas may contain prospective resources (i.e., potentially recoverable resources from undiscovered accumulations).*

### **PROVED RESERVES (SEC DEFINITIONS)**

Securities and Exchange Commission Regulation S-X §210.4-10(a)(22) defines proved oil and gas reserves as follows:

**Proved oil and gas reserves.** *Proved oil and gas reserves are those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible—from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations—prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence the project within a reasonable time.*

(i) *The area of the reservoir considered as proved includes:*

(A) *The area identified by drilling and limited by fluid contacts, if any, and*

(B) *Adjacent undrilled portions of the reservoir that can, with reasonable certainty, be judged to be continuous with it and to contain economically producible oil or gas on the basis of available geoscience and engineering data.*

### **PROVED RESERVES (SEC DEFINITIONS) CONTINUED**

(ii) *In the absence of data on fluid contacts, proved quantities in a reservoir are limited by the lowest known hydrocarbons (LKH) as seen in a well penetration unless geoscience, engineering, or performance data and reliable technology establishes a lower contact with reasonable certainty.*

*(iii) Where direct observation from well penetrations has defined a highest known oil (HKO) elevation and the potential exists for an associated gas cap, proved oil reserves may be assigned in the structurally higher portions of the reservoir only if geoscience, engineering, or performance data and reliable technology establish the higher contact with reasonable certainty.*

*(iv) Reserves which can be produced economically through application of improved recovery techniques (including, but not limited to, fluid injection) are included in the proved classification when:*

*(A) Successful testing by a pilot project in an area of the reservoir with properties no more favorable than in the reservoir as a whole, the operation of an installed program in the reservoir or an analogous reservoir, or other evidence using reliable technology establishes the reasonable certainty of the engineering analysis on which the project or program was based; and*

*(B) The project has been approved for development by all necessary parties and entities, including governmental entities.*

*(v) Existing economic conditions include prices and costs at which economic producibility from a reservoir is to be determined. The price shall be the average price during the 12-month period prior to the ending date of the period covered by the report, determined as an unweighted arithmetic average of the first-day-of-the-month price for each month within such period, unless prices are defined by contractual arrangements, excluding escalations based upon future conditions.*

## PETROLEUM RESERVES STATUS DEFINITIONS AND GUIDELINES

As Adapted From:  
RULE 4-10(a) of REGULATION S-X PART 210  
UNITED STATES SECURITIES AND EXCHANGE COMMISSION (SEC)

and

### PETROLEUM RESOURCES MANAGEMENT SYSTEM (SPE-PRMS)

Sponsored and Approved by:  
SOCIETY OF PETROLEUM ENGINEERS (SPE)  
WORLD PETROLEUM COUNCIL (WPC)  
AMERICAN ASSOCIATION OF PETROLEUM GEOLOGISTS (AAPG)  
SOCIETY OF PETROLEUM EVALUATION ENGINEERS (SPEE)

Reserves status categories define the development and producing status of wells and reservoirs. Reference should be made to Title 17, Code of Federal Regulations, Regulation S-X Part 210, Rule 4-10(a) and the SPE-PRMS as the following reserves status definitions are based on excerpts from the original documents (direct passages excerpted from the aforementioned SEC and SPE-PRMS documents are denoted in italics herein).

### **DEVELOPED RESERVES (SEC DEFINITIONS)**

Securities and Exchange Commission Regulation S-X §210.4-10(a)(6) defines developed oil and gas reserves as follows:

*Developed oil and gas reserves are reserves of any category that can be expected to be recovered:*

*(i) Through existing wells with existing equipment and operating methods or in which the cost of the required equipment is relatively minor compared to the cost of a new well; and*

*(ii) Through installed extraction equipment and infrastructure operational at the time of the reserves estimate if the extraction is by means not involving a well.*

### **Developed Producing (SPE-PRMS Definitions)**

While not a requirement for disclosure under the SEC regulations, developed oil and gas reserves may be further sub-classified according to the guidance contained in the SPE-PRMS as Producing or Non-Producing.

#### **Developed Producing Reserves**

*Developed Producing Reserves are expected to be recovered from completion intervals that are open and producing at the time of the estimate.*

*Improved recovery reserves are considered producing only after the improved recovery project is in operation.*

**Developed Non-Producing**

*Developed Non-Producing Reserves include shut-in and behind-pipe reserves.*

**Shut-In**

*Shut-in Reserves are expected to be recovered from:*

- (1) completion intervals which are open at the time of the estimate, but which have not started producing;*
- (2) wells which were shut-in for market conditions or pipeline connections; or*
- (3) wells not capable of production for mechanical reasons.*

**Behind-Pipe**

*Behind-pipe Reserves are expected to be recovered from zones in existing wells, which will require additional completion work or future re-completion prior to start of production.*

*In all cases, production can be initiated or restored with relatively low expenditure compared to the cost of drilling a new well.*

**UNDEVELOPED RESERVES (SEC DEFINITIONS)**

Securities and Exchange Commission Regulation S-X §210.4-10(a)(31) defines undeveloped oil and gas reserves as follows:

*Undeveloped oil and gas reserves are reserves of any category that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion.*

- (i) Reserves on undrilled acreage shall be limited to those directly offsetting development spacing areas that are reasonably certain of production when drilled, unless evidence using reliable technology exists that establishes reasonable certainty of economic producibility at greater distances.*
- (ii) Undrilled locations can be classified as having undeveloped reserves only if a development plan has been adopted indicating that they are scheduled to be drilled within five years, unless the specific circumstances, justify a longer time.*
- (iii) Under no circumstances shall estimates for undeveloped reserves be attributable to any acreage for which an application of fluid injection or other improved recovery technique is contemplated, unless such techniques have been proved effective by actual projects in the same reservoir or an analogous reservoir, as defined in [Regulation S-X §210.4-10(a)(2)], or by other evidence using reliable technology establishing reasonable certainty.*