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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
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FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1997

OR  
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
FOR THE TRANSITION PERIOD FROM TO  
COMMISSION FILE NUMBER 1-9210  
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OCCIDENTAL PETROLEUM CORPORATION  
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE  
(STATE OR OTHER JURISDICTION OF  
INCORPORATION OR ORGANIZATION)  
10889 WILSHIRE BOULEVARD  
LOS ANGELES, CALIFORNIA  
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

95-4035997  
(I.R.S. EMPLOYER  
IDENTIFICATION NO.)  
90024  
(ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (310) 208-8800  
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SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

TITLE OF EACH CLASS -----	NAME OF EACH EXCHANGE ON WHICH REGISTERED -----
10 1/8% Senior Notes due 2001	New York Stock Exchange
10 1/8% Senior Debentures due 2009	New York Stock Exchange
11 1/8% Senior Debentures due 2019	New York Stock Exchange
9 1/4% Senior Debentures due 2019	New York Stock Exchange
\$3.00 Cumulative CXY-Indexed Convertible Preferred Stock	New York Stock Exchange
Common Stock	New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT: NONE

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 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.

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At March 20, 1998, the aggregate market value of the voting stock held as at March 6, 1998, by nonaffiliates of the registrant was approximately \$10 billion, based on the New York Stock Exchange closing price of \$29.25 per share of Common Stock on March 20, 1998. Shares of Common Stock held by each officer and director have been excluded from this computation in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

At March 6, 1998, there were 348,999,592 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Annual Report for the year ended December 31, 1997, are incorporated by reference into Parts I and II. Portions of the registrant's definitive Proxy Statement filed in connection with its May 1, 1998, Annual Meeting of Stockholders are incorporated by reference into Part III.

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## PART I

## ITEMS 1 AND 2 BUSINESS AND PROPERTIES

## GENERAL

Occidental Petroleum Corporation, a Delaware corporation ("Occidental"), explores for, develops, produces and markets crude oil and natural gas; and manufactures and markets a variety of chlorovinyls (including basic chemicals and polymers and plastics), specialty chemicals and petrochemicals. Occidental conducts its principal operations through two subsidiaries: Occidental Oil and Gas Corporation and Occidental Chemical Corporation. Occidental's executive offices are located at 10889 Wilshire Boulevard, Los Angeles, California 90024; telephone (310) 208-8800.

Occidental was organized in April 1986 and, as the result of a reorganization effective May 21, 1986, became the successor to a California corporation of the same name organized in 1920. As used herein, the term "Occidental" refers to Occidental alone or together with one or more of its subsidiaries.

Occidental's principal businesses constitute two industry segments, the operations of which are described below. For information with respect to the revenues, net income and assets of Occidental's industry segments and of its operations in various geographic areas for each of the three years in the period ended December 31, 1997, see Note 17 to the Consolidated Financial Statements of Occidental ("Consolidated Financial Statements"), which are included in Occidental's 1997 Annual Report ("1997 Annual Report") and are incorporated by reference in Item 8 of this report, and the information appearing under the caption "Management's Discussion and Analysis," which is included in the 1997 Annual Report and is incorporated by reference in Item 7 of this report. Throughout this report, portions of the 1997 Annual Report are incorporated by reference. These portions of the 1997 Annual Report are included as Exhibit 13 to this report.

In February 1998, Occidental acquired the government's approximate 78 percent interest (the "Interest") in the Elk Hills Naval Petroleum Reserve field in California ("Elk Hills") for approximately \$3.5 billion. Prior to the purchase of the Interest in Elk Hills, Occidental sold all of the common stock of its wholly-owned subsidiary, MidCon Corp. ("MidCon"), through which it engaged in interstate and intrastate natural gas transmission and marketing. The sale of MidCon to KN Energy, Inc. closed effective January 31, 1998, for net proceeds to Occidental of approximately \$3.1 billion after certain expenses. Finally, on March 20 Occidental announced the proposed contribution of its petrochemical business to a joint venture limited partnership called Equistar Chemicals, LP ("Equistar"), in return for a 29.5 percent interest in such partnership. (For a description of the Equistar transaction, please see the information appearing under the caption "Chemical Operations -- Recent Development" elsewhere in this report.)

Occidental has also sold or agreed to sell a number of nonstrategic oil and gas producing properties described below in this report.

Occidental has undertaken these asset sales as part of a larger \$4.7 billion asset redeployment program. The focus of such program is to sell certain nonstrategic assets in order to: (i) improve average return on assets, (ii) repay debt incurred in connection with the acquisition of the Interest in Elk Hills, and (iii) fund Occidental's stock repurchase program. (See the information appearing under the caption "Item 5 -- Market for Registrant's Common Equity and Related Stockholder Matters" appearing elsewhere in this report.)

Certain statements contained in this Annual Report on Form 10-K constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risk, uncertainties and other factors that may cause the actual results, performance or achievements of Occidental to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following: general economic and business conditions; changes in political, social and economic conditions and local regulations; global commodity pricing fluctuations; competitive pricing pressures; higher than expected costs, including feedstocks; the supply/demand considerations for Occidental's products; any general economic recession domestically or internationally; not successfully completing any development of new fields, expansion, capital expenditure, efficiency improvement, acquisition or disposition; foreign currency fluctua-

tions; changes in, or failure to comply with, government regulations; demographic changes; the reduction in sales to or loss of any significant customers; changes in methods of distribution and technology; industry capacity; cost and availability of drilling equipment; changes in business strategy or development plans; availability of liquidity sufficient to meet Occidental's need for capital; availability of qualified personnel; and various other factors referenced in this Annual Report on Form 10-K. Occidental assumes no obligation to update the forward-looking information to reflect actual results or changes in the factors affecting such forward-looking information.

The forward-looking information referred to above includes, but is not limited to: (a) expectations regarding sales growth, gross margins, manufacturing productivity, and selling, general and administrative expenses; (b) the availability and utilization of net operating loss carryforwards and other deferred tax assets for income tax purposes; (c) expectations regarding Occidental's financial condition and liquidity, as well as future cash flows; (d) expectations regarding capital expenditures; and (e) the success of the development of the Interest in Elk Hills and Occidental's asset redeployment program.

## OIL AND GAS OPERATIONS

### Exploration and Production

GENERAL Through its subsidiaries, including Occidental Oil and Gas Corporation, and its approximate 29 percent equity interest in Canadian Occidental Petroleum Ltd. ("CanadianOxy"), Occidental produces or participates in the production of crude oil, condensate and natural gas in the United States, Canada, Colombia, Ecuador, the Dutch and United Kingdom sectors of the North Sea, Oman, Pakistan, Peru, Qatar, Russia and Yemen. Occidental is continuing its development programs for certain existing fields in certain of these countries and also is conducting exploration activities in several of these countries, as well as in other countries.

### Recent Developments

Elk Hills is one of the 11 largest fields in the lower 48 states and the acquisition of the Interest significantly increases the quantity and quality of Occidental's domestic reserves. Occidental expects to book initial proved reserves of approximately 300 million barrels of oil and 665 billion cubic feet of natural gas from the Interest. Through the application of improved drilling and field management techniques to develop fully Occidental's share of the field, Elk Hills reserves net to Occidental are expected ultimately to exceed such numbers. Production is expected to increase as the field is developed. Gross crude oil production averaged approximately 54,500 barrels of oil per day in January 1998, with gas sales averaging 144 million cubic feet of gas per day after reinjection of 197 million cubic feet of gas to maintain reservoir pressure. Corresponding natural gas liquids production amounts to about 11,000 barrels per day. Gross crude oil production is forecast, based on estimates prepared by Occidental's engineers and geophysicists, to rise to 65,000 barrels of oil per day in 1998 and may rise to more than 100,000 barrels per day in the year 2000, while gross natural gas sales are expected to reach 380 million cubic feet per day in 1999. Occidental is the operator of Elk Hills. Chevron remains the other unit interest holder.

In February 1998, Occidental sold its entire interest in an oil field development project in Venezuela to Union Texas Petroleum for approximately \$205 million in cash plus contingent payments of up to \$90 million over six years (not to exceed \$15 million in any one year) based on future oil prices. Occidental also has agreed to sell its natural gas properties in Oklahoma and Kansas outside of the Hugoton field to ONEOK Resources Company for approximately \$135 million. In March 1998, Occidental agreed to sell the stock of its MC Panhandle subsidiary, which owns certain natural gas interests in the West Panhandle field in Texas to Chesapeake Energy Corporation for approximately \$105 million. Also in March, Occidental announced execution of a definitive agreement to sell certain Oklahoma oil and gas properties to Anadarko Petroleum Corporation for approximately \$120 million. The transaction is scheduled to close in April subject to satisfaction of certain customary closing conditions. Other smaller packages of assets have been scheduled for disposition, and many of such sales are pending, for a total of 12 scheduled domestic oil and gas transactions.

Estimated average 1997 production attributable to the nonstrategic assets to be sold and described above was approximately 46,000 barrels of oil per day (including approximately 25,000 barrels per day attributable to the sale of Occidental's Venezuela interest) and 140 million cubic feet ("MMcf") of gas per day. Following these nonstrategic asset sales and the acquisition of Elk Hills, it is expected that Occidental's oil and gas production in the United States will increase significantly. Accordingly, the description of United States production information and description of properties set forth below concerns Occidental's historic 1997 business.

COMPARATIVE OIL AND GAS RESERVES AND PRODUCTION

(Oil in millions of barrels; natural gas in billions of cubic feet)

	1997			1996			1995		
	OIL	GAS	TOTAL*	OIL	GAS	TOTAL*	OIL	GAS	TOTAL*
International Reserves	703	823	840	694	840	834	734	639	841
U.S. Reserves	197	1,635	470	203	1,744	494	196	1,821	499
Total	900	2,458	1,310	897	2,584	1,328	930	2,460	1,340
International Production	80	40	87	84	42	91	78	46	86
U.S. Production	21	218	57	21	220	58	23	223	60
Total	101	258	144	105	262	149	101	269	146

\* Natural gas volumes have been converted to equivalent barrels based on energy content of six thousand cubic feet ("Mcf") of gas to one barrel of oil. 1995 amounts have been restated to reflect this methodology.

In 1997, Occidental added more oil to its reserves than it produced. Occidental's consolidated worldwide net proved developed and undeveloped reserves of crude oil (not including those of CanadianOxy) were 900 million barrels at year-end 1997, compared with 897 million barrels at year-end 1996. Domestic reserves of crude oil were 197 million barrels at year-end 1997, compared with 203 million barrels at year-end 1996, while international crude oil reserves increased to 703 million barrels from 694 million barrels at year-end 1996. Worldwide net crude oil reserve additions of 106 million barrels, with the single largest reserve additions in Qatar, more than replaced Occidental's worldwide production of 101 million barrels. The calculation of net reserve additions does not take into account sales of reserves. Worldwide net proved developed and undeveloped reserves of natural gas were approximately 2.5 trillion cubic feet ("Tcf") at year-end 1997, with 1.6 Tcf attributable to domestic operations. Worldwide net proved developed and undeveloped natural gas reserves were about 2.6 Tcf in the previous year. Occidental's crude oil reserves include condensate. Estimates of reserves have been made by Occidental engineers. These estimates include reserves in which Occidental holds an economic interest under service contracts and other arrangements. The reserves are stated after applicable royalties. See the information under the caption "Reserves, Production and Related Information" and the information incorporated under the caption "Supplemental Oil and Gas Information" incorporated by reference in Item 8 of this report.

Net daily worldwide oil production averaged 277,000 barrels per day compared to 286,000 barrels per day in 1996, and net worldwide natural gas production averaged 706 MMcf per day compared to 716 MMcf per day in 1996. International operations accounted for approximately 79 percent of Occidental's oil production, while approximately 84 percent of gas production came from the United States. On an oil equivalent basis, Occidental produced 394,100 net barrels per day in 1997 from operations in 12 countries, including the United States.

As a producer of crude oil and natural gas, Occidental competes with numerous other producers, as well as with nonpetroleum energy producers. Crude oil and natural gas are commodities that are sensitive to prevailing conditions of supply and demand and generally are sold at posted or contract prices. Among the methods that Occidental uses to compete are the acquisition of contract exploration blocks in areas with known oil and gas deposits and the cost-efficient development and production of its worldwide oil and gas

reserves. Specific strategies include the buying or selling of proved reserves and flexible and responsive marketing techniques, particularly for natural gas. Occidental has commenced the development process for its recent gas discoveries in the Far East. Occidental is also pursuing opportunities to increase production through (i) enhanced oil recovery projects, similar to those in Qatar, (ii) oil and gas exploration and (iii) strategic acquisitions.

Occidental's domestic oil and gas operations are affected by political developments and by federal, state and local laws and regulations relating to, among other things, increases in taxes and royalties, production limits and environmental matters.

In December 1995, Occidental agreed to deliver to Clark USA, Inc. ("Clark") approximately 17.7 million barrels of West Texas Intermediate crude ("WTI")-equivalent oil over a six-year period. In exchange, Occidental received \$100 million in cash and approximately 5.5 million shares of Clark common stock. Occidental delivered approximately 3.2 million barrels of WTI-equivalent oil to an assignee of Clark in 1997. At December 31, 1997, approximately 12.2 million barrels (depending on future oil prices) remain to be delivered.

Portions of Occidental's oil and gas assets are located in countries outside North America, some of which may be considered politically and economically unstable. These assets and the related operations are subject to the risk of actions by governmental authorities and insurgent groups. Occidental attempts to conduct its financial affairs so as to protect against such risks and would expect to receive compensation in the event of nationalization. At December 31, 1997, the carrying value of Occidental's oil and gas assets in countries outside North America aggregated approximately \$2.3 billion, or approximately 15 percent of Occidental's total assets at that date. Approximately \$950 million of such assets were located in the Middle East, and approximately \$700 million of such assets were located in Latin America. Substantially all of the remainder was located in the Netherlands (comprising, in part, the Dutch sector of the North Sea) and the Far East.

UNITED STATES Occidental produces crude oil and natural gas, principally in Texas, the Gulf of Mexico, Kansas, Oklahoma, Louisiana, New Mexico, California, Mississippi and Alaska.

#### Oil Production and Marketing

Net daily domestic production of crude oil averaged approximately 57,100 barrels in 1997, compared with 57,300 barrels in 1996. The 1997 production is net of approximately 5,200 barrels per day delivered to Clark's assignee. Net daily domestic production of natural gas averaged 596 MMcf in 1997, compared with 601 MMcf in 1996.

Occidental's average sales price for domestic crude oil was \$18.72 per barrel in 1997, compared with \$18.98 in the previous year. The average natural gas sales price in 1997 was \$2.39 per Mcf, compared with \$2.11 per Mcf during 1996.

Additionally, Occidental has an agreement to supply CITGO Petroleum Corporation ("CITGO"), at CITGO's option, with a majority of its domestic lease crude oil production through August 31, 1998. During 1997, Occidental sold CITGO approximately 38,000 barrels of oil per day under this agreement. Occidental is currently disputing certain provisions of this agreement.

In February 1998, Occidental entered into a fifteen-year contract with Tosco Corporation ("Tosco") through which Tosco will take the majority of Occidental's interest in the current gross oil production of the Interest in Elk Hills of approximately 54,500 barrels per day. Tosco will also take additional production as it increases.

#### Gas Production and Marketing

Occidental's largest concentration of gas reserves and production is the Hugoton area encompassing portions of Kansas, Oklahoma and Texas, where it produced an average of more than 210 MMcf of gas per day or approximately one-third of the domestic total. Occidental has approximately 862 billion cubic feet

("Bcf") of gas reserves and 4.2 million barrels of oil reserves in the Hugoton area. Occidental continued infill drilling and fracture-stimulation program in the Chase formation of the Hugoton field in 1997.

Occidental has an agreement to make available to certain parties, in connection with a legal settlement, up to 49,500 million British thermal units ("MMBtu") of natural gas per day through 2010 at prices related to market. Occidental also has an agreement to supply fuel gas at market prices to a CITGO refinery until 2003 to the extent that CITGO does not obtain such gas from other sources.

Occidental has various agreements to supply certain gas marketing companies with 69,400 MMBtu of natural gas per day in 1998 and with volumes ranging from 69,400 MMBtu down to 1,900 MMBtu per day from 1998 through 2003. Prices under the different agreements are based on energy equivalent crude oil prices, market-sensitive prices or contract prices, some with a yearly escalation provision. Occidental also has agreements with various public utility companies to provide approximately 40,000 MMBtu of natural gas per day through 1997 and approximately 19,100 MMBtu per day in 1998. The public utility agreements provide for market-sensitive prices.

CANADA Occidental owns an approximate 29 percent interest in CanadianOxy, which is accounted for as an equity investment. See Note 15 to the Consolidated Financial Statements.

CanadianOxy produces crude oil, natural gas, natural gas liquids and sulfur in Canada, principally in the provinces of Alberta and Saskatchewan; owns a 7.23 percent interest in Syncrude Canada Ltd., which produces synthetic crude oil from the tar sands of Northern Alberta; has interests in producing oil and gas leases onshore and offshore in the United States and in the United Kingdom sector of the North Sea and Yemen (where CanadianOxy is operator and Occidental a participant); engages in exploration activities in Canada, the United States, Indonesia, Australia, Nigeria and Colombia; and participates with Occidental in its operations in Ecuador. CanadianOxy also conducts chemical operations in Canada and the United States (where CanadianOxy is the operator and Occidental a participant), and is involved in crude oil and natural gas marketing activities, primarily in North America.

At December 31, 1997, Occidental's proportional interest in CanadianOxy's worldwide net proved developed and undeveloped reserves aggregated approximately 73 million barrels of crude oil, condensate and natural gas liquids, 238 Bcf of natural gas and 45 million barrels of synthetic crude oil recoverable from tar sands. This increase in reserves since last year reflects CanadianOxy's acquisition of Wascana Energy Inc. in April 1997.

BANGLADESH In early 1995, Occidental signed production-sharing contracts to explore a 3.4-million-acre area in the gas-producing northeastern region and to appraise the Jalalabad discovery made in 1989. Appraisal and development of the Jalalabad gas discovery is expected to result in gas production and sales before the end of 1998. A sale contract with Petrobangla, the national oil company, for the initial delivery of 100 MMcf per day of natural gas was signed in November 1996. Occidental has farmed-out 50 percent of its interest in this block to an affiliate of Unocal. Seismic exploration resulted in the definition of multiple prospects, one of which is being drilled. The first exploratory well drilled in mid-1997 blew out after encountering shallow, high-pressure gas. A replacement well will be drilled in 1998. Additional seismic acquisition is underway to determine the course of future exploration. Occidental is negotiating with Petrobangla regarding the continuation of the exploration period for several blocks. A drilling program has commenced appraisal and development of the Jalalabad natural gas discovery, and it is expected that initial gas production from this field will be delivered to Petrobangla in 1998.

COLOMBIA Occidental conducts exploration and production operations in Colombia under three contracts with Ecopetrol, the Colombian national oil company. These contracts cover the producing Cano Limon area in the Llanos region of northeastern Colombia, one exploration area in the Llanos fold belt and one exploration area in the Bogota basin. Occidental's interest in these contracts is through its 75 percent ownership of the stock of a subsidiary that owns the company conducting operations in Colombia. After giving effect to a government royalty, Occidental's net share of existing production is 15 percent from the contract covering the Llanos area.

All of Occidental's share of production is exported through a trans-Andean pipeline system operated by Ecopetrol, the state oil company, that carries crude oil to an export terminal at Covenas. Occidental has an 18.75 percent net ownership interest in the pipeline and marine terminal. The pipeline is subject to periodic attacks by insurgent groups, which from time to time disrupt the flow of oil. Gross production from Occidental's Cano Limon area declined to approximately 160,000 barrels per day in 1997, compared with 190,000 barrels per day in 1996. Part of the reduction is due to a natural decline, but there was an increase in the frequency and severity of terrorist activity against the oil pipeline during the past year which continues to restrict the pipeline's ability to transport all of the oil that the field is capable of producing.

ECUADOR Occidental operates the 494,000-acre Block 15, in the Oriente Basin, under a risk-service contract. Six oil fields were discovered from 1985 to 1992. Due to pipeline restrictions, gross production declined to approximately 17,100 barrels per day in 1997 compared to gross production of approximately 21,500 barrels per day in 1996. Development of the fields will continue in 1998 after completion of a three-dimensional seismic program and expansion of the government-owned pipeline system. After renegotiation of contract terms for the concession to provide incentives for additional exploration over 97 percent of the acreage, Occidental drilled the Eden-1, the first of four commitment wells, in the southeast corner of the block in late 1996. The well tested from four zones at a combined rate of 6,500 barrels per day of oil with an average gravity of 21 degrees API, and negotiations are under way with the Ecuador state oil company, PetroEcuador, to develop the field in 1998. Occidental also completed acquisition of two-dimensional seismic data to be used to delineate exploration prospects in the eastern portion of the block.

Occidental has an 85 percent interest in the parent of the company that holds title to Block 15. CanadianOxy owns the remaining 15 percent.

NETHERLANDS NORTH SEA Occidental has interests in seven gas-producing licenses and one exploration license in the Dutch sector of the North Sea, and a 38.6 percent interest in a 110-mile gas pipeline system that services the area. Net production for 1997 was approximately 72 MMcf of gas per day.

OMAN Occidental is the operator, with a 65 percent working interest, of the Suneinah Block, which contains the Safah field and six small fields along the southern border of the block. Exploration and field development will continue in 1998. Occidental's net share of production from the block in 1997 averaged approximately 14,400 barrels per day of crude oil, compared with 13,400 barrels per day in 1996.

A new contract area, Block 31, the Mountain Front Block, was awarded to Occidental by the government in September, and acquisition of three-dimensional seismic is scheduled for 1998 to confirm prospects defined by older seismic. Occidental has a 100 percent working interest in this area.

PAKISTAN In southern Pakistan, Occidental has a 30 percent working interest in the three Badin Blocks, which in 1997 produced a net share of 6,600 barrels of oil per day and 38 MMcf of gas per day, compared to 6,400 barrels of oil per day and 43 MMcf of gas per day in 1996. Recent exploration resulted in two oil and gas discoveries that will help maintain production at current rates.

In addition, Occidental holds exploration rights for a 356,000-acre block in northern Pakistan and for two contiguous blocks in the Central Indus gas basin totaling 2.9 million acres. Seismic exploration of the Northern Pakistan Salt Range block has delineated several prospects. One exploratory well was drilled in 1997 and the block is being evaluated for further drilling. However, the Central Indus gas basin blocks are under force majeure due to tribal unrest.

PERU Occidental conducts exploration activities under four separate service contracts with the Peruvian government. Occidental conducts production activities under one of these contracts, in which Occidental retains all the interest, covers continuing operations in the northern jungle and provides for Occidental to receive, as compensation for its services, fees, based on barrels of production, that vary with the value of a "basket" of international oils. All production is delivered to Perupetro, the Peruvian national oil company. Net production from the northern jungle block averaged approximately 49,500 barrels per day in 1997, compared to 54,000 barrels per day in 1996.

Occidental owns a 65 percent interest and a 50 percent interest, respectively, in two contiguous exploration blocks totalling 4.4 million acres. The remaining contract in which Occidental has a 70 percent interest covers a 2-million-acre block in the Hualluga Basin of the Northern Jungle Region. In 1997

Occidental was awarded a 100 percent interest in the 859,000-acre Offshore Block Z-3 along the northern coast of Peru.

QATAR In October 1994, a unified agreement was approved authorizing Occidental to implement a development plan to increase production and reserves from the Idd el Shargi North Dome field ("ISND").

Under a production-sharing agreement, Occidental is the operator of the field and will complete development of the field's three main reservoirs using horizontally drilled wells in conjunction with pressure maintenance by both water injection and gas injection to effect a high recovery from the reservoir. Average gross production increased from approximately 38,000 net barrels per day for 1996 to approximately 89,800 net barrels per day for 1997. Average net interest production from such field in 1997 amounted to approximately 45,000 barrels per day, amounting to an approximate 50 percent working interest. Proved developed and undeveloped project reserves are presently estimated by Occidental to be approximately 206 million barrels.

In December 1997, Occidental signed a second production-sharing agreement to develop the Idd el Shargi South Dome ("ISSD") field, 15 miles south of the ISND field. Occidental will operate ISSD as a satellite of the ISND field, which has sufficient capacity to handle the field's expected production of 50,000 barrels per day. Occidental expects to eventually invest up to \$450 million in capital and have a net interest of approximately 44 percent over the life of the field.

RUSSIA In 1992, Occidental and AAOT Chernogorneft Enterprise began operation of a 50 percent owned joint venture company, Vanyoganneft, which was formed to increase oil recovery and production from the Vanyogan and Ayogan oil fields and to sell the oil to foreign markets. The two oil fields are located 40 miles northeast of the city of Nizhnevartovsk in the western Siberian oil basin. During 1997, gross production averaged 54,000 barrels per day compared to 50,800 barrels per day in 1996. Approximately 39 percent of such oil was exported in 1997. Occidental expects to continue exports of a minimum of 30 percent of its oil production in 1998. Export prices are materially higher than domestic prices in Russia.

In 1992, Occidental was awarded the 1.5-million-acre Block 15 in the Russian Federation's Komi Republic. A joint venture, Parmaneft, was established between Occidental, which owns a 75 percent interest, and Ukhtaneftegaseologica, to explore for oil and gas and develop discoveries within the block. During the exploration phase, Occidental is paying 100 percent of the costs. 1996 Occidental results included a \$105 million charge, reflecting the write-down of its investment in Komi. No operations were undertaken in 1997.

YEMEN In 1991, Occidental acquired an 18 percent working interest in the 310,000-acre Masila Block (although the block consisted at one time of 6.8 million acres, substantial territory was relinquished in 1995 and 1996). CanadianOxy, the operator, with a 52 percent working interest, has made 14 oil discoveries, including one in 1997. Production started in July 1993. Occidental's net share under a production-sharing contract was 14,100 barrels per day in 1997 compared to 14,700 barrels per day in 1996.

OTHER INTERNATIONAL OPERATIONS Several of the projects listed below would involve substantial expenditures and several years would be required to complete project development.

In 1992, a substantial oil and gas discovery was made in the Malampaya prospect in Block SC-38 offshore northwest Palawan Island in the Philippines. Appraisal wells confirmed that the 1989 Camago discovery by Occidental and the Malampaya discovery contain sufficient recoverable gas for a commercial project. Each of Occidental and its partner, Shell Philippines Exploration B.V., the operator, has a 50 percent working interest in this project. With recoverable gas estimated by the operator of 3.4 Tcf, the fields have the capacity to supply a plateau rate of 400 MMcf per day for 20 years. Recoverable condensate is estimated at about 120 million barrels. Occidental and Shell have negotiated conditional gas sale agreements. Under these agreements, if approved by the Philippine government and the parties, beginning in 2002, joint ventures formed by First Philippine Holdings, British Gas and the Manila Electric Company, would consume approximately 200 MMcf of natural gas per day at newly built combined cycle gas turbine ("CCGT") power plants at Santa Tira and Calabarson, and the Philippine National Power Corporation would construct a CCGT plant in Iljian and consume approximately 150 MMcf of natural gas per day.

In East Malaysia, Occidental has made significant gas discoveries offshore Sarawak. In 1995, agreements were executed with its partners for the commercialization of these discoveries. A joint venture company will be owned by Occidental and its partners, PETRONAS, the Malaysian national oil company, Shell Gas B.V. and Nippon Oil Company to construct the country's third liquefied natural gas ("LNG") plant. Feedstock for the plant initially will come from the Occidental discovery containing recoverable gas estimated at 2.9 Tcf. Occidental is the operator, with a 33.75 percent interest in the gas discoveries. An Occidental subsidiary will have a 9 percent interest in the new LNG plant. The partners began the detailed upstream facility design in 1996. In 1997 Occidental sold 10 percent of its interest in these Malaysian operations by selling equity in two Occidental subsidiaries to a third party.

In Indonesia, Occidental has a 22.9 percent interest in the Berau Block, offshore Irian Jaya, where appraisal of five major natural gas discoveries by ARCO, the operator, will continue into 1998 to determine if the natural gas reserves are sufficient to justify construction of an LNG plant on Irian Jaya. Prior to ARCO farming in to the Berau Block, Occidental made two discoveries. The Berau Block discoveries, together with ARCO's Wiriagar Block discovery, contain an estimated 20 Tcf of natural gas, sufficient to justify construction of a multi-train LNG project which might be slated for start-up early in the next century.

In addition, during 1997 Occidental acquired new exploration blocks in the United States Gulf of Mexico and Albania. Occidental acquired interests in 15 exploration blocks in a promising deep-water section of the Gulf of Mexico. During 1998, exploration activities are planned in these areas as well as on previously acquired blocks in Albania, Angola, Bangladesh, Colombia, the Congo, Ecuador, Gabon, Indonesia, Malaysia, Netherlands, Oman, Pakistan, Papua New Guinea, Peru and the Philippines.

#### Special Items in 1997

In 1997, Occidental recorded charges of \$256 million for the write-down of various nonstrategic assets, including assets expected to be sold and related costs, and additional environmental and other reserves. The asset write-downs included \$88 million for the Austin Chalk oil and gas property and \$44 million for the Garden Banks oil and gas property. The operating results from these properties were not significant.

#### Reserves, Production and Related Information

Reference is made to Note 18 to the Consolidated Financial Statements and the information incorporated under the caption "Supplemental Oil and Gas Information" incorporated by reference in Item 8 of this report for information with respect to Occidental's oil and gas reserves, the production from and other changes in such reserves, the discounted present value of estimated future net cash flows therefrom, certain costs and other financial and statistical information regarding Occidental's oil and gas exploration and production operations. Estimates of reserves have been made by Occidental engineers and include reserves under which Occidental holds an economic interest under service contracts and other arrangements. The definitions used are in accordance with applicable Securities and Exchange Commission regulations. Accordingly, proved oil and gas reserves are those estimated quantities of crude oil, natural gas, and natural gas liquids that geological and engineering data demonstrate with reasonable certainty will be recoverable in future years from known reservoirs under existing economic and operating conditions. Proved developed oil and gas reserves are proved reserves that can be expected to be recovered through existing wells with existing equipment and operating methods. Unless otherwise stated, all references to reserves are made on a net basis. On June 10, 1997, Occidental reported to the U.S. Department of Energy (the "DOE") on Form EIA-28 the same proved oil and gas reserves at December 31, 1996, as are set forth for that date in the information incorporated under the caption "Supplemental Oil and Gas Information" contained in Occidental's 1996 Annual Report.

#### CHEMICAL OPERATIONS

##### General

Occidental conducts its chemical operations through Occidental Chemical Corporation and its various subsidiaries and affiliates (collectively, "OxyChem"). OxyChem manufactures and markets a variety of chlorovinyls (including basic chemicals and polymers and plastics), specialty chemicals and petrochemicals.

OxyChem has added capacity at several of its facilities over the past few years through "debottlenecking" projects, which expand or modify portions of existing facilities that had previously limited production, thus adding incremental capacity at a relatively low cost.

OxyChem's operations are affected by cyclical factors in the general economic environment and by specific chemical industry conditions. The chemical industry in the United States was characterized in 1997 by higher sales prices and lower hydrocarbon feedstock costs, partially offset by increased energy costs, resulting in improved margins for many chemical products, including those manufactured by OxyChem. The integration strategy adopted by OxyChem permitted it to maintain relatively high operating rates in 1997. Operating rates for certain products may decline in 1998 as a result of weakness in key Asian economies.

OxyChem's operations also have been affected by environmental regulation and associated costs. See the information appearing under the caption "Environmental Regulation" in this report.

#### Recent Development

On March 20, 1998, Occidental, Lyondell Petrochemical Company ("Lyondell") and Millennium Chemicals Inc. ("Millennium") announced the signing of a definitive master transaction agreement ("MTA") to expand Equistar, which is currently owned by subsidiaries of Lyondell and Millennium, through the contribution of the ethylene, propylene, ethylene oxide ("EO") and ethylene glycol ("EG") derivatives businesses of OxyChem (the "Petrochemicals Business"). The Petrochemicals Business includes the following:

(i) Olefins plants at Corpus Christi and Chocolate Bayou, Texas, and Lake Charles, Louisiana, producing 3.65 billion pounds per year of ethylene;

(ii) EO and EG derivatives plant located at Bayport, Texas, together with Occidental's 50 percent ownership of PD Glycol, a limited partnership which operates EO/EG plants at Beaumont, Texas (PD Glycol is a 50/50 joint venture with Du Pont);

(iii) A distribution system consisting of more than 950 miles of ethylene/propylene pipelines in the U.S. Gulf Coast and two storage wells in South Texas; and

(iv) \$205 million of OxyChem debt currently associated with these businesses (the "Assumed Debt"). The addition of the Petrochemicals Business will make Equistar the second-largest producer of ethylene in the world, with more than 11.4 billion pounds of annual capacity.

Through their respective subsidiaries, Lyondell and Millennium presently own Equistar. Pursuant to the terms and conditions set forth in the MTA, at closing three subsidiaries of OxyChem (a newly formed subsidiary to be organized prior to closing, Oxy Petrochemicals Inc. and PDG Chemical Inc. (collectively, the "Occidental Partners")) will contribute certain assets to Equistar, subject to the assumption by Equistar of certain liabilities of the Occidental Partners, including the Assumed Debt. Following the closing of the transactions contemplated by the MTA, which is expected to occur by mid-year 1998, Lyondell will own a 41 percent interest in Equistar, and Millennium and Occidental will each own a 29.5 percent interest. Prior to closing the parties must execute and deliver an Amended and Restated Partnership Agreement, a Parent Agreement and an Asset Contribution Agreement (the "Definitive Agreements") and certain other agreements. At closing, Equistar will borrow approximately \$500 million of additional debt in order to distribute cash of \$420 million to Occidental Petroleum and \$75 million to Millennium. The transaction also includes a long-term agreement for Equistar to supply the ethylene requirements (up to 2.55 billion pounds per annum) for OxyChem's chlorovinyls business.

The investment in Equistar is subject to satisfaction of certain conditions precedent, including: (i) expiration or early termination of all applicable waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976; (ii) approval by Occidental's Board of Directors; (iii) execution and delivery of the Definitive Agreements and other agreements and (iv) the implementation by Equistar of a larger credit facility.

## Chlorovinyl Products

A substantial portion of OxyChem's products are principally commodity in nature, i.e., they are equivalent to products manufactured by others that are generally available in the marketplace and are produced and sold in large volumes, primarily to industrial customers for use as raw materials. Many of OxyChem's manufacturing operations are integrated, and many of its products are both sold to others and further processed by OxyChem into other chemical products. Approximately 70 percent of OxyChem's ethylene and 45 percent of its chlorine production is consumed internally, primarily into the vinyls product chain, including ethylene dichloride ("EDC"), vinyl chloride monomer ("VCM") and polyvinyl chloride ("PVC") resin. To better manage and sharpen its focus on its chlor-alkali and plastic businesses, OxyChem combined its basic chemicals and polymers and plastics groups into the Chloro-Vinyls Group.

In March 1997, OxyChem's wholly-owned Brazilian subsidiary, Vulcan Material Plastico S.A. ("Vulcan") acquired the business and assets of Plasticos Plavinil S.A., the largest Brazilian producer of PVC laminated film. This business gives OxyChem a very strong position in several growing markets and complements the company's existing Vulcan PVC operations in the state of Rio de Janeiro.

In May 1997, OxyChem announced plans to expand production capacity of potassium hydroxide by 100,000 tons per year, bringing total capacity to 500,000 tons per year by the end of 1999. Potassium hydroxide is used by fertilizer, soap and detergent and rubber manufacturers. Also in May, OxyChem and Thai Plastic and Chemicals Public Company Limited began commercial operation of a new 22,500 tons-per-year PVC plant in Rayong Province in Thailand. Output from the new plant will be sold within Thailand and through regional exports.

In June 1997, Occidental sold its chlor-alkali chemical plant located in Tacoma, Washington for approximately \$102 million which included \$97 million in cash and the balance in the buyer's convertible preferred stock. The sale did not have a material effect on the results of operations. In addition, Occidental purchased 28,000 shares of preferred stock of Leslie's Poolmart, Inc. ("Leslie's"), an OxyChem customer, for total consideration of \$28 million, which consisted of cash and the exchange of \$10 million of Leslie's subordinated debentures held by Occidental. Also in June, OxyChem completed a 700-million-pound-per-year VCM expansion project at Ingleside, Texas, increasing production capacity at the joint-venture plant by 50 percent to 2.1 billion pounds per year.

In November 1997, OxyChem took significant steps to increase its chlorovinyl integration. A 450-million-pounds-per-year expansion at the company's Pasadena, Texas, PVC plant increased capacity at the Pasadena site to 1.8 billion pounds, thereby increasing OxyChem's total capacity to 2 billion pounds of PVC.

## Specialty Chemicals

As a counterbalance to the commodity business, Occidental organized the Specialty Business Group in 1995. The Specialty Business Group focuses on smaller-volume specialty and intermediate chemical markets where OxyChem's products may be more readily differentiated and enjoy a particular market niche. Demand for specialty chemical products is less cyclical than commodity products and specialty products are expected to provide a more steady source of earnings. OxyChem has targeted the Specialty Business Group for substantial growth in the coming years through volume expansion in existing products, development of new products and acquisitions of synergistic businesses and product lines.

In February 1997, OxyChem began several specialty chemicals projects at its Niagara Falls, New York, chemicals complex. Spending is expected to total approximately \$85 million and is scheduled to be completed by the end of 1998. An additional \$42 million has been committed at the same location in order to enhance production of specialty chemicals, as well as to make new products which are used for crop protection, pharmaceutical, coating and solvent applications. This additional investment will be used to enhance production and handling of key existing specialty chemicals, as well as make new products.

In July 1997, OxyChem announced an investment of \$17 million to increase specialty chemicals production at the company's Ashtabula, Ohio, Designed Products Plant. This investment will enhance

OxyChem's capabilities to launch and support new and existing products to serve the agricultural intermediates, pharmaceutical intermediates, coating and polymer additives industries.

In September 1997, OxyChem and Sumitomo Bakelite began production at a new glass-filled phenolic molding compound facility adjacent to OxyChem's Durez(R) division's Fort Erie, Ontario, manufacturing site. This expansion will serve component manufacturers that supply the automotive and outdoor power-equipment industries.

In December 1997, OxyChem enhanced its specialty chemical position by purchasing Elf Atochem's flame retardants business, which will enhance its capabilities in this important growth market.

In February 1998, OxyChem announced an agreement to form a joint venture company, Aqua Clear Industries, LLC, with Aqua Clear Industries, Inc. The venture will own and operate Aqua Clear's New York state-based swimming pool and spa chemical formulating, packaging and marketing business, and will be a steady consumer of OxyChem's chlorinated isocyanurates.

OxyChem continues to build on its specialty business acquired in large part through the following acquisitions. In 1996, OxyChem acquired a 64 percent equity interest (on a fully-diluted basis) in INDSPEC Holding Corporation, and, indirectly, its sole operating subsidiary INDSPEC Chemical Corporation ("INDSPEC"). INDSPEC is the largest producer of resorcinol in the world and the sole commercial producer in the United States. Resorcinol is a chemical used primarily as a bonding and stiffening agent in the manufacture of tires and tread rubber. In addition, resorcinol is used in the manufacture of high-performance wood adhesives, ultraviolet stabilizers, sunscreens, dyestuffs, pharmaceuticals, agrichemicals, carbonless paper and fire retardant plastic additives.

Also in 1996, OxyChem acquired three specialty chemical units: Laurel Industries, Inc. ("Laurel"); Natural Gas Odorizing, Inc. ("NGO"); and a plant from Power Silicates Manufacturing, Inc. ("Power Silicates"). Laurel is North America's largest producer of antimony oxide at its LaPorte, Texas, facility. Antimony oxide is used as a polymerization catalyst in the manufacture of polyethylene terephthalate resins and as a flame retardant in plastics, where it complements an OxyChem flame retardant synergist, DechPlus(R). NGO was purchased from Helmerich & Payne, and is the leading U.S. producer of mercaptan-based warning agents for use in natural gas and propane. The plant is located in Baytown, Texas. In addition, a plant in Augusta, Georgia, was purchased from Power Silicates, which produces sodium silicates for use in soap and detergent formulating, paper manufacturing and silica-based catalysts, augmenting OxyChem's five existing silicates plants by its presence in the growing southeast U.S. market.

## Principal Products

OxyChem produces the following chemical products:

	PRINCIPAL PRODUCTS	MAJOR USES
Chlorovinyls	Chlor-alkali chemicals	
	Chlorine.....	Raw material for polyvinyl chloride, chemical manufacturing, pulp and paper production, water treatment
	Caustic soda.....	Chemical manufacturing, pulp and paper production, cleaning products
	Potassium chemicals (including potassium hydroxide).....	Glass, fertilizers, cleaning products, rubber
	Ethylene dichloride.....	Raw material for vinyl chloride monomer
	Vinyl chloride monomer.....	Raw material for polyvinyl chloride
	Polyvinyl chloride.....	Calendering and film, pipe, wire insulation, flooring, footwear, bottles, siding, windows, door frames and other home construction products
Specialty Businesses	Sodium silicates.....	Soaps and detergents, catalysts, paint pigments
	Chrome chemicals.....	Metal and wood treatments, leather tanning
	ACL pool chemicals (chlorinated isocyanurates).....	Swimming pool sanitation, household and industrial disinfecting and sanitizing products
	Proprietary chemicals (chemical intermediates derived principally from fluorine, chlorine and sulfur).....	Agricultural, pharmaceutical, plastics, metal plating, aerospace and food-service applications
	Phenolic resins/molding compounds.....	Automotive brake pistons, adhesives, carbonless copy paper, pot and pan handles
	Mercaptans.....	Warning agents for natural gas and propane and agricultural chemicals
	Antimony oxide.....	Flame retardant synergist and catalysts
	Resorcinol.....	Tire manufacture, wood adhesives and flame retardant synergist
Petrochemicals	Ethylene.....	Raw material for production of polyethylene, vinyl chloride monomer, ethylene glycols and other ethylene oxide derivatives
	Benzene.....	Raw material for production of styrene, phenolic polymers and nylon
	Propylene.....	Raw material for production of polypropylene and acrylonitrile
	Ethylene glycols and other ethylene oxide derivatives.....	Polyester products, antifreeze, brake fluids

Based on statistics in chemical industry publications, Occidental believes that during 1997: it was the largest U.S. merchant marketer of chlorine and caustic soda; including OxyMar (OxyChem's joint venture with Marubeni), the second-largest U.S. producer of VCM; the third-largest producer of PVC resins in North America; the largest producer of chrome chemicals and phenolic molding compounds, antimony oxide and mercaptan warning agents, and, through its interest in INDSPEC, resorcinol; the second-largest producer of sodium silicates; and, including its PD Glycol joint venture with Du Pont, the third-largest producer of ethylene oxide and ethylene glycols. Additionally, Occidental believes it was the world's largest producer of potassium hydroxide and chlorinated isocyanurate products and the world's largest marketer of ethylene dichloride.

#### Raw Materials

Nearly all raw materials utilized in OxyChem's operations that are not produced by OxyChem or acquired from affiliates are readily available from a variety of sources. Most of OxyChem's key raw materials purchases are made through short- and long-term contracts. OxyChem is not dependent on any single nonaffiliated supplier for a material amount of its raw material or energy requirements, subject to establishing alternative means of transportation or delivery in the event of the termination of arrangements with existing suppliers.

#### Patents, Trademarks and Processes

OxyChem owns and licenses a large number of patents and trademarks and uses a variety of processes in connection with its operations, some of which are proprietary and some of which are licensed. OxyChem does not regard its business as being materially dependent on any single patent or trademark it owns or licenses or any process it uses.

#### Sales and Marketing

OxyChem's products are sold primarily to industrial users or distributors located in the United States, largely by its own sales force. OxyChem sells its products principally at current market or current market-related prices through short- and long-term sales agreements. Except for sales in the export market, OxyChem generally does not use spot markets to sell products. No significant portion of OxyChem's business is dependent on a single customer. In general, OxyChem does not manufacture its products against a backlog of firm orders; production is geared primarily to the level of incoming orders and to projections of future demand.

#### Competition

The chemical business is very competitive. Since most of OxyChem's products are commodity in nature, they compete primarily on the basis of price, quality characteristics and timely delivery. Because OxyChem's products generally do not occupy proprietary positions, OxyChem endeavors to be an efficient, low-cost producer through the employment of modern, high-yield plants, equipment and technology. OxyChem's size and the number and location of its plants also produce competitive advantages, principally in its ability to meet customer specifications and delivery requirements.

#### Properties

As of December 31, 1997, OxyChem, which is headquartered in Dallas, Texas, operated 33 chemical product manufacturing facilities in the United States. Many of the larger facilities are located in the Gulf Coast areas of Texas and Louisiana. In addition, OxyChem operates 10 chemical product manufacturing facilities in six foreign countries, with the most significant foreign plants being in Brazil. A number of additional facilities process, blend and store the chemical products. OxyChem uses an extensive fleet of barges and railroad cars and, as of December 31, 1997, owned and operated a pipeline network of over 950 miles along the Gulf Coast of Texas for the transportation of ethylene, propylene and feedstocks.

All of OxyChem's manufacturing facilities are owned or leased on a long-term basis.

## Special Items in 1997

Chemical division earnings reflected charges of \$82 million related to the write-down of various nonstrategic assets, and a charge of \$65 million for additional environmental reserves relating to various existing sites, and the related state tax effects.

## CAPITAL EXPENDITURES

Occidental's oil and gas operations, based on depletable resources, are capital intensive, involving large-scale expenditures. In particular, in the search for and development of new reserves, long lead times are often required. In addition, Occidental's chemical business requires capital expenditures to remain competitive and to comply with safety and environmental laws. Occidental's capital expenditures for its ongoing businesses totaled approximately \$1.549 billion in 1997, \$1.2 billion in 1996 and \$979 million in 1995, exclusive of the noncash consideration for acquisitions. The 1997 amount included capital expenditures aggregating \$1.15 billion for oil and gas, \$396 million for chemical and \$3 million for corporate and other. Occidental's total capital expenditures, exclusive of acquisitions, if any, for 1998 are expected to approximate \$1.2 billion, with approximately \$850 million for oil and gas, the majority of which is for international oil and gas operations. These amounts do not include the \$3.5 billion acquisition of the Elk Hills field in 1998.

## EMPLOYEES

Occidental and its subsidiaries employed a total of 12,380 persons at December 31, 1997, of whom 8,130 were located in the United States. 4,480 were employed in oil and gas operations and 7,350 in chemical operations. An additional 550 persons were employed at corporate headquarters. Approximately 1,200 U.S.-based employees are represented by labor unions. These employment statistics do not reflect the 1,810 persons employed by Occidental's former natural gas transmissions operations, which were reclassified as discontinued operations in the fourth quarter of 1997.

Occidental has a long-standing policy to ensure that fair and equal employment opportunities are extended to all persons without regard to race, color, religion, ethnicity, gender, national origin, disability, age, sexual orientation, veteran status or any other legally impermissible factor. Occidental maintains numerous diversity and outreach programs which are in effect at company locations.

## ENVIRONMENTAL REGULATION

Occidental's operations in the United States are subject to increasingly stringent federal, state and local laws and regulations relating to improving or maintaining the quality of the environment. Foreign operations are also subject to environmental protection laws. Applicable U.S. laws include the Comprehensive Environmental Response, Compensation and Liability Act, as amended by the Superfund Amendments and Reauthorization Act, the Resource Conservation and Recovery Act, as amended by the Hazardous and Solid Waste Amendments, and similar state environmental laws. The laws that require or address environmental remediation apply retroactively to previous waste disposal practices and, in many cases, the laws apply regardless of fault, legality of the original activities or ownership or control of sites. Occidental is currently participating in environmental assessments and cleanups under these laws at federal Superfund sites, comparable state sites and other remediation sites, including Occidental facilities and previously owned sites. Also, Occidental and certain of its subsidiaries have been involved in a substantial number of governmental and private proceedings involving historical practices at various sites, including, in some instances, having been named as defendants, as potentially responsible parties ("PRPs"), or as both defendants and PRPs under the federal Superfund law. These proceedings seek remediation, funding for remediation, or both, and, in some cases, compensation for alleged personal injury or property damage, punitive damages and civil penalties, aggregating substantial amounts.

Occidental has accrued reserves for its environmental liabilities. As of December 31, 1997 and 1996, Occidental had environmental reserves of approximately \$567 million and \$562 million, respectively. Occidental provided additional reserves of approximately \$136 million in 1997, \$100 million in 1996 and \$21 million in 1995 for costs associated with expected remediation efforts at a number of sites. The 1997

amount related to both the oil and gas and the chemical divisions. The 1996 and 1995 amounts related primarily to the chemical division.

Occidental's estimated operating expenses in 1997 relating to compliance with environmental laws and regulations governing ongoing operations were approximately \$93 million, compared with \$100 million in 1996 and \$104 million in 1995. The 1997 amount included \$60 million in the chemical division and \$33 million in the oil and gas division. In addition, capital expenditures for environmental compliance were \$116 million in 1997, compared with \$81 million in 1996 and \$70 million in 1995. The 1997 amount included \$85 million in the oil and gas division and \$31 million in the chemical division. Occidental presently estimates that divisional capital expenditures for environmental compliance (including environmental control facilities) will be in the range of \$115 million for 1998 and in the range of \$130 million for 1999.

### ITEM 3 LEGAL PROCEEDINGS

There is incorporated by reference herein the information regarding lawsuits, claims and related matters in Note 10 to the Consolidated Financial Statements.

In 1996, a judgment of \$742 million was entered in favor of OXY USA Inc. ("OXY USA") against Chevron USA by the state district court in Tulsa, Oklahoma. The unanimous verdict was for approximately \$229 million in compensatory damages for breach of a 1982 merger agreement and interest on these damages from 1982 to the date of judgment. Interest has continued to accrue from July 19, 1996, in an amount of approximately \$6 million per month. Chevron has appealed the decision to the Oklahoma Supreme Court, and, in connection with that appeal, has obtained an appeal bond to secure payment of any final judgment and accrued interest as required by Oklahoma law.

In 1997, Occidental was informed that the Securities and Exchange Commission (the "SEC") would conduct a private, formal investigation as a result of certain matters described in a May 12, 1997 Wall Street Journal article concerning Occidental's business dealings with several foreign consultants. According to the SEC, the purpose of its investigation is to determine whether Occidental may have violated the federal securities laws, including the Foreign Corrupt Practices Act and the reporting requirements of the Securities Exchange Act of 1934, as amended. That investigation is ongoing. Occidental has cooperated with the SEC and has produced documents in response to an SEC subpoena.

In January 1998, two shareholder derivative actions were filed in Los Angeles Superior Court against the Board of Directors of Occidental and Occidental, as a nominal defendant, with respect to the payments made in 1997 to Occidental's Chairman and President in connection with the restructuring of their respective employment agreements. The actions, brought by the Teachers' Retirement System of Louisiana and by Rita Edelson, Paul Klingenstein and Clayton J. Steenson, have been consolidated. No relief is sought against Occidental. The complaints allege, among other things, corporate waste, breach of fiduciary duty and unjust enrichment. The plaintiffs seek, among other things, compensatory damages, equitable and declaratory relief, the imposition of a constructive trust on the 1997 payments and that the Occidental Board be ordered to rescind the payments. In addition, the plaintiffs seek a declaration that the restated and amended employment agreements are null and void and an order enjoining the receipt of remuneration thereunder. The plaintiffs also seek an award of attorneys' fees and costs.

### ENVIRONMENTAL PROCEEDINGS

In 1996, the West Virginia Division of Environmental Protection ("WVDEP") filed a civil action in the Circuit Court, Kanawha County, West Virginia, against OxyChem alleging violations of hazardous waste management regulations at its Belle Plant, from October 1994 to September 1995. The Complaint sought civil penalties and injunctive relief requiring correction of the alleged violations. In December 1997 the WVDEP voluntarily dismissed the action.

In 1997, OxyChem received an Administrative Complaint from the EPA, Region 2, that alleged violations of the permit for a hazardous waste incinerator at its Durez(R) division facility in Niagara Falls, New York. The Complaint sought administrative penalties in the amount of \$230,500. In October 1997, OxyChem

entered into an administrative consent order agreeing to pay a penalty of \$27,000 and to implement a Supplemental Environmental Project at the facility, in settlement of the action.

In 1997, OxyChem received a proposed "Order on Consent" from the New York State Department of Environmental Conservation ("NYDEC") involving its chlor-alkali facility in Niagara Falls, New York. The NYDEC alleges a violation of statutory reporting requirements regarding a chemical spill at the facility that allegedly caused a further violation of water quality standards, and seeks an administrative penalty of \$100,000. OxyChem is contesting the alleged violations and the proposed administrative penalty.

#### ITEM 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of Occidental's security holders during the fourth quarter of 1997.

#### EXECUTIVE OFFICERS OF THE REGISTRANT

NAME -----	AGE AT FEBRUARY 28, 1998 -----	POSITIONS WITH OCCIDENTAL AND SUBSIDIARIES AND FIVE-YEAR EMPLOYMENT HISTORY -----
Dr. Ray R. Irani	63	Chairman and Chief Executive Officer since 1990; President from 1984 to 1996; 1984 - 1990, Chief Operating Officer; Director since 1984; 1983 - January 1991, Chief Executive Officer of Occidental Chemical Corporation ("Occidental Chemical"); Chairman of the Board of CanadianOxy since 1987; member of Executive Committee.
Dr. Dale R. Laurance	52	President and Senior Operating Officer since 1996; 1990 - 1996 Executive Vice President and Senior Operating Officer; 1984 - 1990, Executive Vice President -- Operations; Director since 1990; member of Executive Committee.
Roger L. Abel	54	Executive Vice President since 1997; President and Chief Operating Officer of Occidental Oil and Gas Corporation since 1997; 1993 - 1997, Chairman, Conoco Exploration Production Europe; 1991 - 1993, Vice President, Conoco Russia.
Stephen I. Chazen	51	Executive Vice President -- Corporate Development since 1994; 1990 - 1994, Managing Director, Merrill Lynch & Co. Incorporated.
Donald P. de Brier	57	Executive Vice President, General Counsel and Secretary since 1993; 1989 - 1993, General Counsel and member of the Management Committee of BP Exploration and Production Company.
Richard W. Hallock	53	Executive Vice President -- Human Resources since 1994; 1993 - 1994, Director, Worldwide Total Compensation of IBM; 1990 - 1993, various other human resources positions with IBM.
David A. Hentschel	64	Executive Vice President since 1997; Chairman of the Board and Chief Executive Officer of Occidental Oil and Gas Corporation since 1997; 1995 - 1997, President and Chief Executive Officer of Canadian Occidental Petroleum Corporation; 1986 - 1993, Chairman and Chief Executive Officer of Occidental Oil and Gas Corporation; 1986 - 1993, Executive Vice President.
J. Roger Hirl	66	Executive Vice President since 1984; Director since 1988; President and Chief Executive Officer of Occidental Chemical since 1991; 1983 - 1991, President and Chief Operating Officer of Occidental Chemical.

NAME	AGE AT FEBRUARY 28, 1998	POSITIONS WITH OCCIDENTAL AND SUBSIDIARIES AND FIVE-YEAR EMPLOYMENT HISTORY
Anthony R. Leach	58	Executive Vice President and Chief Financial Officer since 1991; 1984 - 1991, Vice President and Controller.
Howard Collins	54	Vice President -- Public Relations since 1993; 1986 - 1993, Director -- Public Relations.
Samuel P. Dominick, Jr.	57	Vice President and Controller since 1991; 1990 - 1991, Assistant Controller -- Internal Audit; 1985 - 1990, Director of Internal Audit.
Kenneth J. Huffman	53	Vice President -- Investor Relations since 1991; 1989 - 1991, Vice President -- Finance, American Exploration Company.
John L. Hurst	58	Vice President since 1996; Executive Vice President -- Manufacturing and Engineering of Occidental Chemical since 1996; 1988 - 1996, Executive Vice President -- Operations of Occidental Chemical.
Robert M. McGee	51	Vice President since 1994; President of Occidental International Corporation since 1991; 1981 - 1991, Senior Executive Vice President of Occidental International Corporation.
John W. Morgan	44	Vice President -- Operations since 1991; 1984 - 1991, Director -- Operations.
S.A. Smith	53	Vice President since 1984; Executive Vice President -- Worldwide Finance and Administration of Occidental Oil and Gas Corporation since 1994; 1986 - 1994, Vice President -- Financial Planning and Analysis.
Richard A. Swan	50	Vice President -- Health, Environment and Safety since 1995; 1991 - 1995, Director -- Investor Relations.
Aurmond A. Watkins, Jr.	55	Vice President -- Tax since 1991; 1986 - 1991, Director -- Taxes.
David C. Yen	43	Vice President and Treasurer since 1997; 1993 - 1997, Vice President -- Treasurer, Pratt & Whitney; 1988 - 1993, Assistant Treasurer, United Technologies Corporation.

The current term of office of each Executive Officer will expire at the April 30, 1998 organizational meeting of the Occidental Board of Directors or at such time as his successor shall be elected.

## PART II

## ITEM 5 MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

## Recent Preferred Stock Conversion

Occidental gave notice to redeem all 15,106,444 outstanding shares of its \$3.875 voting and nonvoting Cumulative Convertible Preferred Stock by March 13, 1998. Before such time all holders elected to convert the shares of the preferred stock, causing the issuance of approximately 33 million shares of common stock. Assuming dividends on the preferred shares of approximately \$58 million per annum, the conversion results in annual dividend savings to Occidental of approximately \$25 million.

## Common Stock Repurchase Program

In October, Occidental began a program to repurchase up to 40 million shares of its common stock for approximately \$1 billion. The repurchases are made in the open market or in privately negotiated transactions at the discretion of Occidental's management, depending upon financial and market conditions or as otherwise provided by the Securities and Exchange Commission and New York Stock Exchange ("NYSE") rules and regulations. Since October, approximately 13 million shares have been repurchased. The program is expected to be completed in 1998.

## Trading Price Range and Dividends

There is hereby incorporated by reference the quarterly financial data appearing under the caption "Quarterly Financial Data" and the information appearing under the caption "Management's Discussion and Analysis -- Liquidity and Capital Resources" in the 1997 Annual Report, relevant portions of which 1997 Annual Report are filed as Exhibit 13 to this report. Occidental's common stock was held by approximately 97,236 stockholders of record at year-end 1997, with an estimated 165,000 additional stockholders whose shares were held for them in street name or nominee accounts. The common stock is listed and traded principally on the NYSE and also is listed on various foreign exchanges identified in the 1997 Annual Report. The quarterly financial data on pages 57 and 58 of the 1997 Annual Report sets forth the range of trading prices for the common stock as reported on the NYSE's composite tape and quarterly dividend information.

The quarterly dividend rate for the common stock is \$.25 per share. On February 12, 1998, a dividend of \$.25 per share was declared on the common stock, payable on April 15, 1998 to stockholders of record on March 10, 1998. Occidental is subject to certain financial covenants in instruments pertaining to its long-term indebtedness which do not currently impose restrictions on dividend policy. The declaration of future cash dividends is a business decision made by the Board of Directors from time to time, and will depend on the foregoing considerations, earnings, financial condition and other factors deemed relevant by the Board; however, Occidental presently expects that dividends will continue to be paid.

## Recent Sales of Unregistered Securities

During the previous three years commencing January 1, 1995, Occidental sold the following securities which were not initially registered under the Securities Act of 1933, as amended (the "Act").

In August 1996, Occidental acquired three specialty chemical units in separate transactions for approximately \$149 million through the issuance of 5,512,355 shares of Occidental common stock, with a value of approximately \$130 million, and the balance paid in cash. The acquisitions included Laurel, NGO, and a plant in Augusta, Georgia, purchased from Power Silicates Manufacturing, Inc. The NGO shares were issued to its parent, Helmerich & Payne, Inc., while the Laurel shares were issued to certain Laurel investors.

The securities described in the foregoing paragraph were issued in reliance on the exemption from registration under Section 4(2) of the Act, and the rules promulgated under the Act, as transactions not involving a public offering. Each recipient of such securities stated that it was its intent to acquire the

securities for investment purposes. In each case the recipient had access to Occidental's public financial information. Appropriate restrictive legends were, in each case, affixed to the stock certificates issued in each transaction. The shares of Occidental common stock issued in the Laurel and NGO transactions were subsequently registered for resale in secondary offering Registration Statements on Form S-3 filed with the Securities and Exchange Commission and the registration statement in respect of the Laurel shares has been withdrawn.

ITEM 6 SELECTED FINANCIAL DATA

There is hereby incorporated by reference the information appearing under the caption "Five-Year Summary of Selected Financial Data" in the 1997 Annual Report.

ITEM 7 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

There is hereby incorporated by reference the information appearing under the caption "Management's Discussion and Analysis" in the 1997 Annual Report.

## ITEM 8 FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

## INDEX TO FINANCIAL STATEMENTS AND RELATED INFORMATION

	PAGES	
	ANNUAL REPORT	FORM 10-K
Financial Statements and Supplementary Data (pages 17 through 54 and pages 56 through 64 of Occidental's 1997 Annual Report incorporated herein by reference):		
Consolidated Statements of Operations.....	29	--
Consolidated Balance Sheets.....	30	--
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## REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders and Board of Directors, Occidental Petroleum Corporation:

We have audited, in accordance with generally accepted auditing standards, the consolidated financial statements included in Occidental Petroleum Corporation's Annual Report for the year ended December 31, 1997, incorporated by reference in this Annual Report on Form 10-K, and have issued our report thereon dated February 16, 1998. Our audit was made for the purpose of forming an opinion on those statements taken as a whole. The financial statement schedule listed in the Index to Financial Statements and Related Information is the responsibility of the Company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and regulations under the Securities Exchange Act of 1934 and is not a required part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

Los Angeles, California  
February 16, 1998

ARTHUR ANDERSEN LLP

## OCCIDENTAL PETROLEUM CORPORATION AND SUBSIDIARIES

SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS  
(In millions)

	BALANCE AT BEGINNING OF PERIOD	ADDITIONS		DEDUCTIONS	BALANCE AT END OF PERIOD
		CHARGED TO COSTS AND EXPENSES	CHARGED TO OTHER ACCOUNTS		
1997					
Allowance for doubtful accounts	\$ 24	\$ 3	\$ --	\$ (3)	\$ 24
Environmental	\$ 562	\$ 136	\$ 6	\$ (137)(a)	\$ 567
Foreign and other taxes, litigation and other reserves	935	94	16	(143)(a)	902
	\$1,497	\$ 230	\$ 22	\$ (280)	\$1,469(b)
1996					
Allowance for doubtful accounts	\$ 19	\$ 12	\$ --	\$ (7)	\$ 24
Environmental	\$ 578	\$ 100	\$ 11	\$ (127)(a)	\$ 562
Foreign and other taxes, litigation and other reserves	931	65	24	(85)(a)	935
	\$1,509	\$ 165	\$ 35	\$ (212)	\$1,497(b)
1995					
Allowance for doubtful accounts	\$ 17	\$ 8	\$ 1	\$ (7)	\$ 19
Environmental	\$ 632	\$ 21	\$ 18	\$ (93)(a)	\$ 578
Foreign and other taxes, litigation and other reserves	933	140	50	(212)(a)	931
	\$1,585	\$ 161	\$ 68	\$ (305)	\$1,509(b)

(a) Primarily represents payments.

(b) Of these amounts, \$170 million, \$204 million and \$207 million in 1997, 1996 and 1995, respectively, is classified as current.

ITEM 9 CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

PART III

ITEM 10 DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

There is hereby incorporated by reference the information regarding Occidental's directors appearing under the caption "Election of Directors" in Occidental's definitive proxy statement filed in connection with its May 1, 1998, Annual Meeting of Stockholders (the "1998 Proxy Statement"). See also the list of Occidental's executive officers and related information under "Executive Officers of the Registrant" in Part I hereof.

ITEM 11 EXECUTIVE COMPENSATION

There is hereby incorporated by reference the information appearing under the captions "Executive Compensation" (excluding, however, the information appearing under the subcaptions "Report of the Compensation Committee" and "Performance Graphs") and "Election of Directors -- Information Regarding the Board of Directors and Its Committees" in the 1998 Proxy Statement.

ITEM 12 SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

There is hereby incorporated by reference the information with respect to security ownership appearing under the caption "Security Ownership of Certain Beneficial Owners and Management" in the 1998 Proxy Statement.

ITEM 13 CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

There is hereby incorporated by reference the information appearing under the caption "Election of Directors -- Compensation Committee Interlocks and Insider Participation" in the 1998 Proxy Statement.

PART IV

ITEM 14 EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(A)(1) AND (2). FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULE

Reference is made to the Index to Financial Statements and Related Information under Item 8 in Part II hereof, where these documents are listed.

(A)(3). EXHIBITS

- 3.(i) (a)\* Restated Certificate of Incorporation of Occidental, together with all certificates amendatory thereof filed with the Secretary of State of Delaware, as amended to date (filed as Exhibit 3.(i) to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 1994, File No. 1-9210, except for Exhibit 3.(i)(b) described below that is attached to this report).
  - (b) Certificate of Amendment of Restated Certificate of Incorporation of Occidental dated April 25, 1997.
- 3.(ii)\* Bylaws of Occidental, as amended through December 15, 1994 (filed as Exhibit 3.(ii) to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 1994, File No. 1-9210).
- 4.1 Occidental Petroleum Corporation Credit Agreement, dated as of December 18, 1997.

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\*Incorporated herein by reference.

- 4.2 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 10.45 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 14(c) of Form 10-K.
- 10.1\* Consultation Agreement, dated December 16, 1974, between Occidental Petroleum Corporation, a California corporation, and Arthur Groman (filed as Exhibit 10.3 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 1987, File No. 1-9210).
- 10.2\* Employment Agreement, dated May 14, 1997, between Occidental and J. Roger Hirl (filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended June 30, 1997, File No. 1-9210).
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- 10.4\* Receipt and Acknowledgment, dated September 11, 1997, of Dr. Ray R. Irani and Ghada Irani (filed as Exhibit 10.2 to the Current Report on Form 8-K of Occidental dated October 6, 1997 (date of earliest event reported), File No. 1-9210).
- 10.5\* Employment Agreement, dated as of September 11, 1997, between Occidental and Dr. Dale R. Laurance (filed as Exhibit 10.3 to the Current Report on Form 8-K of Occidental dated October 6, 1997 (date of earliest event reported), File No. 1-9210).
- 10.6\* Receipt and Acknowledgment, dated September 11, 1997, of Dr. Dale R. Laurance and Lynda E. Laurance (filed as Exhibit 10.4 to the Current Report on Form 8-K of Occidental dated October 6, 1997 (date of earliest event reported), File No. 1-9210).
- 10.7 Employment Agreement, dated as of November 13, 1997, between Occidental and John F. Riordan.
- 10.8 Employment Agreement, dated as of April 4, 1994, between Occidental and Stephen I. Chazen.
- 10.9 Indemnification Agreement made and entered into as of February 12, 1998, between Occidental and Stephen I. Chazen.
- 10.10\* Termination of Consulting Agreement and Release, dated November 11, 1993, between OXY USA Inc. and George O. Nolley (filed as Exhibit 10.9 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 1993, File No. 1-9210).
- 10.11\* Form of Indemnification Agreement between Occidental and each of its directors (filed as Exhibit B to Occidental's Proxy Statement for its May 21, 1987, Annual Meeting of Stockholders, File No. 1-9210).
- 10.12\* 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).
- 10.13\* Occidental Petroleum Insured Medical Plan, as amended and restated effective April 29, 1994, amending and restating the Occidental Petroleum Corporation Executive Medical Plan (as amended and restated effective April 1, 1993) (filed as Exhibit 10 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ending March 31, 1994, File No. 1-9210).
- 10.14\* Occidental Petroleum Corporation 1978 Stock Option Plan (as amended and restated effective May 21, 1987) (filed as Exhibit 28(a) to Occidental's Registration Statement on Form S-8, File No. 33-14662).

-----  
 \*Incorporated herein by reference.

- 10.15\* Form of Nonqualified Stock Option Grant under Occidental Petroleum Corporation 1978 Stock Option Plan (filed as Exhibit 10.19 to the Registration Statement on Form 8-B, dated June 26, 1986, of Occidental, File No. 1- 9210).
- 10.16\* Form of Incentive Stock Option Grant under Occidental Petroleum Corporation 1978 Stock Option Plan (filed as Exhibit 10.20 to the Registration Statement on Form 8-B, dated June 26, 1986, of Occidental, File No. 1- 9210).
- 10.17\* Occidental Petroleum Corporation 1987 Stock Option Plan, as amended through April 29, 1992 (filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended March 31, 1992, File No. 1-9210).
- 10.18\* Form of Nonqualified Stock Option Agreement under Occidental Petroleum Corporation 1987 Stock Option Plan (filed as Exhibit 10.2 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended March 31, 1992, File No. 1-9210).
- 10.19\* Form of Nonqualified Stock Option Agreement, with Stock Appreciation Right, under Occidental Petroleum Corporation 1987 Stock Option Plan (filed as Exhibit 10.3 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended March 31, 1992, File No. 1-9210).
- 10.20\* Form of Incentive Stock Option Agreement under Occidental Petroleum Corporation 1987 Stock Option Plan (filed as Exhibit 10.4 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended March 31, 1992, File No. 1-9210).
- 10.21\* Form of Incentive Stock Option Agreement, with Stock Appreciation Right, under Occidental Petroleum Corporation 1987 Stock Option Plan (filed as Exhibit 10.5 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended March 31, 1992, File No. 1-9210).
- 10.22\* Occidental Petroleum Corporation 1977 Executive Long-term Incentive Stock Purchase Plan, as amended through December 10, 1992 (filed as Exhibit 10.20 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 1992, File No. 1-9210).
- 10.23\* Form of award letter utilized under Occidental Petroleum Corporation 1977 Executive Long-term Incentive Stock Purchase Plan (filed as Exhibit 10.21 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 1992, File No. 1-9210).
- 10.24\* Occidental Petroleum Corporation Incentive Compensation Plan, effective as of October 28, 1991 (filed as Exhibit 10.2 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended September 30, 1991, File No. 1-9210).
- 10.25\* Occidental Petroleum Corporation 1988 Deferred Compensation Plan (as amended and restated effective as of January 1, 1994)(filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended September 30, 1994, File No. 1-9210).
- 10.26\* Memorandum, dated February 8, 1990, regarding MidCon Corp. Financial Counseling Program (filed as Exhibit 10.29 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 1989, File No. 1-9210).
- 10.27\* Occidental Petroleum Corporation Senior Executive Deferred Compensation Plan (effective as of January 1, 1986, as amended and restated effective as of January 1, 1996)(filed as Exhibit 10.24 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 1995, File No. 1-9210).
- 10.28\* Occidental Petroleum Corporation Senior Executive Supplemental Life Insurance Plan (effective as of January 1, 1986, as amended and restated effective as of January 1, 1996)(filed as Exhibit 10.25 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 1995, File No. 1-9210).

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 \*Incorporated herein by reference.

- 10.29\* Occidental Petroleum Corporation Senior Executive Supplemental Retirement Plan (effective as of January 1, 1986, as amended and restated effective as of January 1, 1996)(filed as Exhibit 10.26 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 1995, File No. 1-9210).
- 10.30\* Occidental Petroleum Corporation Senior Executive Survivor Benefit Plan (effective as of January 1, 1986, as amended and restated effective as of January 1, 1996)(filed as Exhibit 10.27 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 1995, File No. 1-9210).
- 10.31\* Occidental Petroleum Corporation 1995 Incentive Stock Plan, effective April 29, 1995 (filed as Exhibit 99.1 to Occidental's Registration Statement on Form S-8, File No. 33-64719).
- 10.32\* Form of Incentive Stock Option Agreement under Occidental Petroleum Corporation 1995 Incentive Stock Plan (filed as Exhibit 99.2 to Occidental's Registration Statement on Form S-8, File No. 33-64719).
- 10.33\* Form of Nonqualified Stock Option Agreement under Occidental Petroleum Corporation 1995 Incentive Stock Plan (filed as Exhibit 99.3 to Occidental's Registration Statement on Form S-8, File No. 33-64719).
- 10.34\* Form of Stock Appreciation Rights Agreement under Occidental Petroleum Corporation 1995 Incentive Stock Plan (filed as Exhibit 99.4 to the Registration Statement on Form S-8, File No. 33-64719).
- 10.35\* Form of Restricted Stock Agreement under Occidental Petroleum Corporation 1995 Incentive Stock Plan (filed as Exhibit 99.5 to the Registration Statement on Form S-8, File No. 33-64719).
- 10.36\* Form of Performance Stock Agreement under Occidental Petroleum Corporation 1995 Incentive Stock Plan (filed as Exhibit 99.6 to the Registration Statement on Form S-8, File No. 33-64719).
- 10.37\* Occidental Petroleum Corporation 1996 Restricted Stock Plan for Non-Employee Directors, effective April 26, 1996 (filed as Exhibit 99.1 to the Registration Statement on Form S-8, File No. 333-02901).
- 10.38\* Form of Restricted Stock Option Assignment under Occidental Petroleum Corporation 1996 Restricted Stock Plan for Non-Employee Directors (filed as Exhibit 99.2 to the Registration Statement on Form S-8, File No. 333-02901).
- 10.39\* Form of Incentive Stock Option Agreement under Occidental Petroleum Corporation 1995 Incentive Stock Plan (filed as Exhibit 10.1 to Occidental's quarterly report on Form 10-Q for the fiscal quarter ended June 30, 1996, File No. 1-9210, amends Form previously filed as Exhibit 99.2 to Occidental's Registration Statement on Form S-8, File No. 33-64719 and incorporated by reference as Exhibit 10.29 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 1995, File No. 1-9210).
- 10.40\* Form of Nonqualified Stock Option Agreement under Occidental Petroleum Corporation 1995 Incentive Stock Plan (filed as Exhibit 10.2 to Occidental's quarterly report on Form 10-Q for the fiscal quarter ended June 30, 1996, File No. 1-9210, amends Form previously filed as Exhibit 99.3 to Occidental's Registration Statement on Form S-8, File No. 33-64719 and incorporates by reference as Exhibit 10.30 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 1995, File No. 1-9210).
- 10.41\* Occidental Petroleum Corporation 1988 Deferred Compensation Plan (as amended and restated effective as of January 1, 1996)(filed as Exhibit 10.2 to Occidental's quarterly report on Form 10-Q for the fiscal quarter ended September 30, 1996, File No. 1-9210).
- 10.42\* MidCon Corp. Savings Plan (filed as Exhibit 99.1 to Occidental's Registration Statement on Form S-8, File No. 333-17879).

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\*Incorporated herein by reference.

- 10.43\* Amendment No. 1 to MidCon Corp. Savings Plan (filed as Exhibit 99.1 to Occidental's Registration Statement on Form S-8, File No. 333-17879).
- 10.44\* MidCon Corp. Supplemental Retirement Plan (effective as of January 1, 1997).
- 10.45\* Form of 1997 Performance Stock Option Agreement under the 1995 Incentive Stock Plan of Occidental Petroleum Corporation (filed as Exhibit 10.2 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended June 30, 1997, File No. 1-9210).
- 10.46\* Grant of option agreement, executed October 5, 1997, between the Department of Energy and Occidental related to the purchase of the U.S. Government's 78 percent interest in the Elk Hills field (filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended September 30, 1997, File No. 1-9210).
- 10.47\* Stock Purchase Agreement dated as of December 18, 1997, by and among Occidental, as seller, and KN Energy, Inc., as buyer, together with the exhibits thereto (filed as Exhibit 10.1 to the Current Report on Form 8-K of Occidental dated January 31, 1998 (date of earliest event reported), File No. 1-9210).
- 10.48\* Amendment No. 1 to Stock Purchase Agreement dated January 30, 1998, between Occidental, as seller, and KN Energy, Inc., as buyer, together with exhibit thereto (filed as Exhibit 10.2 to the Current Report on Form 8-K of Occidental dated January 31, 1998 (date of earliest event reported), File No. 1-9210).
- 10.49\* Supplemental Agreement dated as of January 20, 1998, by and between Occidental and KN Energy, Inc., together with the exhibits thereto (filed as Exhibit 10.3 to the Current Report on Form 8-K of Occidental dated January 31, 1998 (date of earliest event reported), File No. 1-9210).
- 12 Statement regarding computation of total enterprise ratios of earnings to fixed charges for the five years ended December 31, 1997.
- 13 Pages 17 through 54 and pages 56 through 64 of Occidental's Annual Report for the fiscal year ended December 31, 1997, which are incorporated by reference in Parts I and II of this Annual Report on Form 10-K.
- 21 List of subsidiaries of Occidental at December 31, 1997.
- 23 Consent of Independent Public Accountants.
- 27.1 Financial data schedule of Occidental for the fiscal year ended December 31, 1997 (included only in the copy of this report filed electronically with the Securities and Exchange Commission).
- 27.2 Financial data schedule of Occidental for the fiscal year ended December 31, 1995 (included only in the copy of this report filed electronically with the Securities and Exchange Commission).
- 27.3 Financial data schedule of Occidental for the fiscal year ended December 31, 1996 (included only in the copy of this report filed electronically with the Securities and Exchange Commission).
- 27.4 Financial data schedule of Occidental for the three month period ended March 31, 1996 (included only in the copy of this report filed electronically with the Securities and Exchange Commission).
- 27.5 Financial data schedule of Occidental for the six month period ended June 30, 1996 (included only in the copy of this report filed electronically with the Securities and Exchange Commission).
- 27.6 Financial data schedule of Occidental for the nine month period ended September 30, 1996 (included only in the copy of this report filed electronically with the Securities and Exchange Commission).
- 27.7 Financial data schedule of Occidental for the three month period ended March 31, 1997 (included only in the copy of this report filed electronically with the Securities and Exchange Commission).
- 27.8 Financial data schedule of Occidental for the six month period ended June 30, 1997 (included only in the copy of this report filed electronically with the Securities and Exchange Commission).

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 \*Incorporated herein by reference.

- 27.9 Financial data schedule of Occidental for the nine month period ended September 30, 1997 (included only in the copy of this report filed electronically with the Securities and Exchange Commission).

(B) REPORTS ON FORM 8-K

During the fourth quarter of 1997, Occidental filed the following Current Reports on Form 8-K:

1. Current Report on Form 8-K dated October 6, 1997 (date of earliest event reported), filed on October 17, 1997, for the purpose of reporting, under Item 5, certain recent developments.
2. Current Report on Form 8-K dated October 16, 1997 (date of earliest event reported), filed on October 17, 1997, for the purpose of reporting, under Item 5, Occidental's results of operations for the third quarter ended September 30, 1997.
3. Current Report on Form 8-K dated December 18, 1997 (date of earliest event reported), filed on December 31, 1997, for the purpose of reporting, under Item 5, Occidental's disposition of MidCon Corp.

During the first quarter of 1998 to the date hereof, Occidental filed the following Current Report on Form 8-K:

1. Current Report on Form 8-K dated January 26, 1998 (date of earliest event reported), filed on January 27, 1998, for the purpose of reporting, under Item 5, Occidental's results of operations for the fourth quarter and fiscal year ended December 31, 1997.
2. Current Report on Form 8-K dated January 30, 1998 (date of earliest event reported), filed on January 30, 1998, for the purpose of reporting, under Item 5, the filing of restated financial statements for the fiscal year ended December 31, 1996, and each of the fiscal quarters ended March 31, June 30 and September 30, 1997, such restatement to reflect the treatment of MidCon Corp. as a discontinued operation.
3. Current Report on Form 8-K dated January 31, 1998 (date of earliest event reported), filed on February 10, 1998, for the purpose of reporting, under Item 2, the acquisition of the Elk Hills field and the disposition of MidCon Corp., and, under Item 5, certain recent developments.
4. Current Report on Form 8-K dated February 11, 1998 (date of earliest event reported), filed on February 12, 1998, for the purpose of reporting, under Item 5, Occidental's recently announced preferred stock redemption.
5. Current Report on Form 8-K dated February 12, 1998 (date of earliest event reported), filed on February 26, 1998, for the purpose of reporting, under Item 5, Occidental's announcement of a record date for its annual meeting.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

## OCCIDENTAL PETROLEUM CORPORATION

March 26, 1998

By: RAY R. IRANI

-----  
 Ray R. Irani  
 Chairman of the Board of Directors  
 and  
 Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SIGNATURE -----	TITLE -----	DATE ----
RAY R. IRANI ----- Ray R. Irani	Chairman of the Board of Directors and Chief Executive Officer	March 26, 1998
ANTHONY R. LEACH ----- Anthony R. Leach	Executive Vice President and Chief Financial Officer	March 26, 1998
SAMUEL P. DOMINICK, JR. ----- Samuel P. Dominick, Jr.	Vice President and Controller (Chief Accounting Officer)	March 26, 1998
JOHN S. CHALSTY ----- John S. Chalsty	Director	March 26, 1998
EDWARD P. DJEREJIAN ----- Edward P. Djerejian	Director	March 26, 1998
ALBERT GORE ----- Albert Gore	Director	March 26, 1998
ARTHUR GROMAN ----- Arthur Groman	Director	March 26, 1998
J. ROGER HIRL ----- J. Roger Hirl	Director	March 26, 1998

## SIGNATURE

## TITLE

## DATE

-----  
JOHN W. KLUGE

Director

March 26, 1998

-----  
John W. Kluge-----  
DALE R. LAURANCE

Director

March 26, 1998

-----  
Dale R. Laurance-----  
IRVIN W. MALONEY

Director

March 26, 1998

-----  
Irvin W. Maloney-----  
GEORGE O. NOLLEY

Director

March 26, 1998

-----  
George O. Nolley-----  
RODOLFO SEGOVIA

Director

March 26, 1998

-----  
Rodolfo Segovia-----  
AZIZ D. SYRIANI

Director

March 26, 1998

-----  
Aziz D. Syriani-----  
ROSEMARY TOMICH

Director

March 26, 1998

-----  
Rosemary Tomich

## INDEX TO EXHIBITS

## EXHIBITS

## (A)(3). EXHIBITS

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 (b) Certificate of Amendment of Restated Certificate of Incorporation of Occidental dated April 25, 1997.
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- 10.21\* Form of Incentive Stock Option Agreement, with Stock Appreciation Right, under Occidental Petroleum Corporation 1987 Stock Option Plan (filed as Exhibit 10.5 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended March 31, 1992, File No. 1-9210).
- 10.22\* Occidental Petroleum Corporation 1977 Executive Long-term Incentive Stock Purchase Plan, as amended through December 10, 1992 (filed as Exhibit 10.20 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 1992, File No. 1-9210).
- 10.23\* Form of award letter utilized under Occidental Petroleum Corporation 1977 Executive Long-term Incentive Stock Purchase Plan (filed as Exhibit 10.21 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 1992, File No. 1-9210).
- 10.24\* Occidental Petroleum Corporation Incentive Compensation Plan, effective as of October 28, 1991 (filed as Exhibit 10.2 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended September 30, 1991, File No. 1-9210).

-----  
 \* Incorporated herein by reference.

- 10.25\* Occidental Petroleum Corporation 1988 Deferred Compensation Plan (as amended and restated effective as of January 1, 1994)(filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended September 30, 1994, File No. 1-9210).
- 10.26\* Memorandum, dated February 8, 1990, regarding MidCon Corp. Financial Counseling Program (filed as Exhibit 10.29 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 1989, File No. 1-9210).
- 10.27\* Occidental Petroleum Corporation Senior Executive Deferred Compensation Plan (effective as of January 1, 1986, as amended and restated effective as of January 1, 1996)(filed as Exhibit 10.24 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 1995, File No. 1-9210).
- 10.28\* Occidental Petroleum Corporation Senior Executive Supplemental Life Insurance Plan (effective as of January 1, 1986, as amended and restated effective as of January 1, 1996)(filed as Exhibit 10.25 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 1995, File No. 1-9210).
- 10.29\* Occidental Petroleum Corporation Senior Executive Supplemental Retirement Plan (effective as of January 1, 1986, as amended and restated effective as of January 1, 1996)(filed as Exhibit 10.26 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 1995, File No. 1-9210).
- 10.30\* Occidental Petroleum Corporation Senior Executive Survivor Benefit Plan (effective as of January 1, 1986, as amended and restated effective as of January 1, 1996)(filed as Exhibit 10.27 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 1995, File No. 1-9210).
- 10.31\* Occidental Petroleum Corporation 1995 Incentive Stock Plan, effective April 29, 1995 (filed as Exhibit 99.1 to Occidental's Registration Statement on Form S-8, File No. 33-64719).
- 10.32\* Form of Incentive Stock Option Agreement under Occidental Petroleum Corporation 1995 Incentive Stock Plan (filed as Exhibit 99.2 to Occidental's Registration Statement on Form S-8, File No. 33-64719).
- 10.33\* Form of Nonqualified Stock Option Agreement under Occidental Petroleum Corporation 1995 Incentive Stock Plan (filed as Exhibit 99.3 to Occidental's Registration Statement on Form S-8, File No. 33-64719).
- 10.34\* Form of Stock Appreciation Rights Agreement under Occidental Petroleum Corporation 1995 Incentive Stock Plan (filed as Exhibit 99.4 to the Registration Statement on Form S-8, File No. 33-64719).
- 10.35\* Form of Restricted Stock Agreement under Occidental Petroleum Corporation 1995 Incentive Stock Plan (filed as Exhibit 99.5 to the Registration Statement on Form S-8, File No. 33-64719).
- 10.36\* Form of Performance Stock Agreement under Occidental Petroleum Corporation 1995 Incentive Stock Plan (filed as Exhibit 99.6 to the Registration Statement on Form S-8, File No. 33-64719).
- 10.37\* Occidental Petroleum Corporation 1996 Restricted Stock Plan for Non-Employee Directors, effective April 26, 1996 (filed as Exhibit 99.1 to the Registration Statement on Form S-8, File No. 333-02901).
- 10.38\* Form of Restricted Stock Option Assignment under Occidental Petroleum Corporation 1996 Restricted Stock Plan for Non-Employee Directors (filed as Exhibit 99.2 to the Registration Statement on Form S-8, File No. 333-02901).

- -----  
\* Incorporated herein by reference.

- 10.39\* Form of Incentive Stock Option Agreement under Occidental Petroleum Corporation 1995 Incentive Stock Plan (filed as Exhibit 10.1 to Occidental's quarterly report on Form 10-Q for the fiscal quarter ended June 30, 1996, File No. 1-9210, amends Form previously filed as Exhibit 99.2 to Occidental's Registration Statement on Form S-8, File No. 33-64719 and incorporated by reference as Exhibit 10.29 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 1995, File No. 1-9210).
- 10.40\* Form of Nonqualified Stock Option Agreement under Occidental Petroleum Corporation 1995 Incentive Stock Plan (filed as Exhibit 10.2 to Occidental's quarterly report on Form 10-Q for the fiscal quarter ended June 30, 1996, File No. 1-9210, amends Form previously filed as Exhibit 99.3 to Occidental's Registration Statement on Form S-8, File No. 33-64719 and incorporates by reference as Exhibit 10.30 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 1995, File No. 1-9210).
- 10.41\* Occidental Petroleum Corporation 1988 Deferred Compensation Plan (as amended and restated effective as of January 1, 1996) (filed as Exhibit 10.2 to Occidental's quarterly report on Form 10-Q for the fiscal quarter ended September 30, 1996, File No. 1-9210).
- 10.42\* MidCon Corp. Savings Plan (filed as Exhibit 99.1 to Occidental's Registration Statement on Form S-8, File No. 333-17879).
- 10.43\* Amendment No. 1 to MidCon Corp. Savings Plan (filed as Exhibit 99.1 to Occidental's Registration Statement on Form S-8, File No. 333-17879).
- 10.44\* MidCon Corp. Supplemental Retirement Plan (effective as of January 1, 1997).
- 10.45\* Form of 1997 Performance Stock Option Agreement under the 1995 Incentive Stock Plan of Occidental Petroleum Corporation (filed as Exhibit 10.2 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended June 30, 1997, File No. 1-9210).
- 10.46\* Grant of option agreement, executed October 5, 1997, between the Department of Energy and Occidental related to the purchase of the U.S. Government's 78 percent interest in the Elk Hills field (filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended September 30, 1997, File No. 1-9210).
- 10.47\* Stock Purchase Agreement dated as of December 18, 1997, by and among Occidental, as seller, and KN Energy, Inc., as buyer, together with the exhibits thereto (filed as Exhibit 10.1 to the Current Report on Form 8-K of Occidental dated January 31, 1998 (date of earliest event reported), File No. 1-9210).
- 10.48\* Amendment No. 1 to Stock Purchase Agreement dated January 30, 1998, between Occidental, as seller, and KN Energy, Inc., as buyer, together with exhibit thereto (filed as Exhibit 10.2 to the Current Report on Form 8-K of Occidental dated January 31, 1998 (date of earliest event reported), File No. 1-9210).
- 10.49\* Supplemental Agreement dated as of January 20, 1998, by and between Occidental and KN Energy, Inc., together with the exhibits thereto (filed as Exhibit 10.3 to the Current Report on Form 8-K of Occidental dated January 31, 1998 (date of earliest event reported), File No. 1-9210).
- 12 Statement regarding computation of total enterprise ratios of earnings to fixed charges for the five years ended December 31, 1997.
- 13 Pages 17 through 54 and pages 56 through 64 of Occidental's Annual Report for the fiscal year ended December 31, 1997, which are incorporated by reference in Parts I and II of this Annual Report on Form 10-K.
- 21 List of subsidiaries of Occidental at December 31, 1997.
- 23 Consent of Independent Public Accountants.

-----  
 \* Incorporated herein by reference.

- 27.1 Financial data schedule of Occidental for the fiscal year ended December 31, 1997 (included only in the copy of this report filed electronically with the Securities and Exchange Commission).
- 27.2 Financial data schedule of Occidental for the fiscal year ended December 31, 1995 (included only in the copy of this report filed electronically with the Securities and Exchange Commission).
- 27.3 Financial data schedule of Occidental for the fiscal year ended December 31, 1996 (included only in the copy of this report filed electronically with the Securities and Exchange Commission).
- 27.4 Financial data schedule of Occidental for the three month period ended March 31, 1996 (included only in the copy of this report filed electronically with the Securities and Exchange Commission).
- 27.5 Financial data schedule of Occidental for the six month period ended June 30, 1996 (included only in the copy of this report filed electronically with the Securities and Exchange Commission).
- 27.6 Financial data schedule of Occidental for the nine month period ended September 30, 1996 (included only in the copy of this report filed electronically with the Securities and Exchange Commission).
- 27.7 Financial data schedule of Occidental for the three month period ended March 31, 1997 (included only in the copy of this report filed electronically with the Securities and Exchange Commission).
- 27.8 Financial data schedule of Occidental for the six month period ended June 30, 1997 (included only in the copy of this report filed electronically with the Securities and Exchange Commission).
- 27.9 Financial data schedule of Occidental for the nine month period ended September 30, 1997 (included only in the copy of this report filed electronically with the Securities and Exchange Commission).



CERTIFICATE OF AMENDMENT  
OF  
RESTATED CERTIFICATE OF INCORPORATION  
OF  
OCCIDENTAL PETROLEUM CORPORATION

Occidental Petroleum Corporation, a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the "Corporation"),

DOES HEREBY CERTIFY:

FIRST: That at a meeting of the Board of Directors of the Corporation on February 13, 1997, at which a quorum was present and acted throughout, resolutions were duly adopted setting forth a proposed amendment of the Restated Certificate of Incorporation of the Corporation to declassify the Board of Directors (the "Amendment"), declaring the Amendment to be advisable, and directing that the Amendment be considered at the next annual meeting of the stockholders of the Corporation.

SECOND: That thereafter on April 25, 1997, the 1997 annual meeting of the Corporation was duly held in accordance with the by-laws of the Corporation and the General Corporation Law of the State of Delaware, at which meeting the necessary number of shares of stock as required by statute were voted in favor of the following resolution adopting the Amendment:

NOW, THEREFORE, BE IT RESOLVED, that Paragraph A of Article VI of the Restated Certificate of Incorporation, as amended, of this Corporation be amended so that in its entirety the said Section A shall read as set forth below:

"A. The business and affairs of the Corporation shall be managed by or under the direction of a Board of Directors consisting of not less than ten nor more than fourteen directors, or such greater number as is provided for in the following paragraph. The Board of Directors shall initially consist of fourteen directors, until the exact number is changed from time to time within the foregoing limits by, or in such manner as may be provided in, the By-laws of the Corporation. The directors shall be divided into three classes, consisting initially of four, five and five directors and designated Class I, Class II and Class III, respectively. Each director elected prior to April 26, 1997 shall serve for the term he was elected, such that the term of each director elected at the 1995 annual meeting (Class III) shall end at the annual meeting in 1998, the term of each director elected at the 1996 annual meeting (Class I) shall end at the annual meeting in 1999, and the term of each director elected at the 1997 annual meeting (Class II) shall end at the annual meeting in 2000. Commencing April 26, 1997, the term of each director elected after that date, whether at an annual meeting or to

fill a vacancy in the Board of Directors arising for any reason, including an increase in the size of the Board of Directors, shall end at the first annual meeting following his election. Commencing with the annual meeting in 2000, the foregoing classification of the Board of Directors shall cease and all directors shall be of one class and serve for a term ending at the annual meeting following the annual meeting at which the director was elected. In no case will a decrease in the number of directors shorten the term of any incumbent director. Each director shall hold office after the annual meeting at which his term is scheduled to end until his successor shall be elected and shall qualify, subject, however, to prior death, resignation, disqualification or removal from office. Any newly created directorship resulting from an increase in the number of directors may be filled by a majority of the Board of Directors then in office, provided that a quorum is present, and any other vacancy on the Board of Directors may be filled by a majority of the directors then in office, even if less than a quorum, or by a sole remaining director.

"Notwithstanding the foregoing, whenever the holders of any one or more classes or series of preferred stock issued by the Corporation shall have the right, voting separately by class or series, to elect directors at an annual or special meeting of stockholders, the election, term of office, filling of vacancies and other features of such directorships shall be governed by the terms of the Certificate of Incorporation applicable thereto, and such directors so elected shall be in addition to the number of directors provided for in the preceding paragraph, and shall not be divided into classes pursuant to this Article VI unless expressly provided by such terms."

THIRD: That the Amendment was duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Amendment of Restated Certificate of Incorporation to be signed by Donald P. de Brier, its Executive Vice President and Secretary, this 25th day of April, 1997.

By       D. P. DE BRIER  
-----  
          Donald P. de Brier  
          Executive Vice President  
          and Secretary



CONFORMED COPY

=====

OCCIDENTAL PETROLEUM CORPORATION

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CREDIT AGREEMENT

dated as of

December 18, 1997

\$3,200,000,000

-----

BANCAMERICA ROBERTSON STEPHENS  
THE BANK OF NOVA SCOTIA  
CHASE SECURITIES INC.  
J. P. MORGAN SECURITIES INC.  
as Arrangers

BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION  
as Syndication Agent

MORGAN GUARANTY TRUST COMPANY OF NEW YORK  
as Documentation Agent

and

THE BANK OF NOVA SCOTIA  
THE CHASE MANHATTAN BANK  
as Administrative Agents

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- I Form of Addendum
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## CREDIT AGREEMENT

THIS AGREEMENT, dated as of December 18, 1997, is among OCCIDENTAL PETROLEUM CORPORATION, a Delaware corporation (hereinafter called the "Company"), the Banks (as defined below), BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, as syndication agent (hereinafter, in such capacity, together with any successor thereto in such capacity, the "Syndication Agent"), MORGAN GUARANTY TRUST COMPANY OF NEW YORK, as documentation agent (hereinafter, in such capacity, together with any successor thereto in such capacity, the "Documentation Agent"), THE BANK OF NOVA SCOTIA and THE CHASE MANHATTAN BANK, as administrative agents (hereinafter, in such capacity, together with any successors to either thereof in such capacity, the "Administrative Agents", with each reference herein to the "Administrative Agent" in the singular meaning THE BANK OF NOVA SCOTIA), THE CHASE MANHATTAN BANK, as facility agent (hereinafter, in such capacity, together with any successor thereto in such capacity, the "Facility Agent"), and ABN AMRO BANK, N.V., THE BANK OF NEW YORK, CANADIAN IMPERIAL BANK OF COMMERCE, CITICORP USA, INC., CREDIT LYONNAIS NEW YORK BRANCH, CREDIT SUISSE FIRST BOSTON, DEUTSCHE BANK AG, NEW YORK BRANCH AND CAYMAN ISLANDS BRANCH, DRESDNER BANK AG, NEW YORK BRANCH AND GRAND CAYMAN BRANCH, THE FUJI BANK, LIMITED, LOS ANGELES AGENCY, KREDIETBANK N.V., MELLON BANK, N.A., NATIONSBANK OF TEXAS, N.A., SOCIETE GENERALE, TORONTO DOMINION (TEXAS) INC., UNION BANK OF CALIFORNIA, N.A. and UNION BANK OF SWITZERLAND, HOUSTON AGENCY, as managing agents (hereinafter, in such capacity, the "Managing Agents").

## W I T N E S S E T H

WHEREAS the Company has requested the Banks to provide a \$3,200,000,000 committed credit facility to finance the Elk Hills Acquisition (as defined in Article I hereof) and to pay related costs and expenses, and for general corporate purposes, including the support of commercial paper issuances, pursuant to which the Company may borrow from the Banks pro rata on a revolving credit basis from time to time on and after the Effective Date and prior to the Termination Date;

WHEREAS the Company has also requested the Banks to provide an uncommitted credit facility pursuant to which the Company may invite Banks from time to time designated by it to bid on a competitive basis to make short-term loans to the Company; and

WHEREAS the Banks are willing to provide such credit facilities to the Company on the terms and conditions herein set forth;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants herein contained, the parties hereto agree as follows:

## ARTICLE I

### DEFINITIONS AND ACCOUNTING TERMS

SECTION 1.01. Definitions. As used in this Agreement, and unless the context requires a different meaning, the following terms have the meanings indicated (the meanings given to terms defined herein being equally applicable to both the singular and plural forms of such terms):

"Accumulated Funding Deficiency" has the meaning assigned to that term in Section 412 of the Code.

"Addendum" means an instrument, substantially in the form of Exhibit I hereto.

"Administrative Agent" has the meaning assigned to that term in the introduction to this Agreement.

"Administrative Agents" has the meaning assigned to that term in the introduction to this Agreement.

"Administrative Questionnaire" means an Administrative Questionnaire substantially in the form of Exhibit J hereto, which each Bank shall complete and provide to the Administrative Agent.

"Affected Bank" means, respectively, (i) any Bank or Participant affected by the events described in Section 2.07(a), Section 2.07(b), Section 2.07(f) or Section 2.11 hereof, (ii) any Bank affected by the events described in Section 2.12 hereof, (iii) any Bank that shall not have consented to an extension of the Termination Date requested by the Company in accordance with Section 4.01(c)(ii) hereof, or (iv) any Bank affected by the events described in Section 4.03(a) hereof, as the case may be, but, in the case of the foregoing clauses (i), (ii) and (iv), only for any period during which such Bank or Participant shall be affected by such events.

"Agents" means, collectively, the Syndication Agent, the Administrative Agent, the Administrative Agents, the Documentation Agent and the Facility Agent.

"Agreement" means this Agreement, as the same may at any time be amended or modified and in effect.

"Allocable Share" means, when used with reference to any Assenting Bank at the time any determination thereof is to be made, (a) in the case of the Revolving Credit Commitment and Revolving Credit Loans of an Affected Bank, a fraction, the numerator of which shall be the Revolving Credit Commitment of such Assenting Bank

at such time and the denominator of which shall be the aggregate of the Revolving Credit Commitments of all Assenting Banks at such time, and (b) in the case of the Competitive Loans, if any, of an Affected Bank, the outstanding principal amount thereof, divided among the Assenting Banks in such proportion as the Company and such Assenting Banks shall agree.

"Alternate Base Rate" means for any day, a rate per annum equal to the higher of (a) the Prime Rate in effect on such day and (b) the Federal Funds Effective Rate in effect for such day plus 1/2 of 1% per annum.

For purposes hereof, "Prime Rate" means the rate per annum announced by the Administrative Agent from time to time as its base rate in effect at its principal office in the City of New York; each change in the Prime Rate shall be effective on the date such change is announced as effective.

For purposes hereof, "Federal Funds Effective Rate" means, for any day, an interest rate per annum equal to the weighted average of the rates in effect on such day for overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for the day of such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

For purposes hereof, any change in the Alternate Base Rate due to a change in the Federal Funds Effective Rate shall be effective on the effective date of such change. If for any reason the Administrative Agent shall have determined (which determination shall be conclusive absent manifest error) that it is unable to ascertain the Federal Funds Effective Rate for any reason, including, without limitation, the inability or failure of the Administrative Agent to obtain sufficient bids or publications in accordance with the terms hereof, the Alternate Base Rate shall be the Prime Rate until the circumstances giving rise to such inability no longer exist.

"Alternate Base Rate Loan" means any Loan with respect to which the Interest Rate is based on the Alternate Base Rate.

"Applicable Facility Fee Percentage" means, on any date, the applicable percentage set forth below based upon the ratings applicable on such date to Index Debt; provided, however, that on any date prior to the date on which the conditions in Section 7.02 hereof are fulfilled, the Applicable Facility Fee Percentage will mean the applicable percentage set forth below multiplied by 50%:

	PERCENTAGE
	-----
LEVEL 1	
-----	
A- or better by S&P	
A3 or better by Moody's	.0600%
LEVEL 2	
-----	
BBB+ by S&P	
Baa1 by Moody's	.0700%
LEVEL 3	
-----	
BBB by S&P	
Baa2 by Moody's	.0800%
LEVEL 4	
-----	
BBB- by S&P	
Baa3 by Moody's	.1200%
LEVEL 5	
-----	
BB+ or below by S&P	
Ba1 or below by Moody's	.1700%

For purposes hereof, (i) if the ratings established (or deemed to have been established, as provided in clause (ii) below) by Moody's and S&P shall fall within different Levels, the rating in the inferior Level shall be disregarded, unless one of the ratings is below Level 4, in which case the Applicable Facility Fee Percentage will be based on the inferior of the two Levels, (ii) if Moody's or S&P shall not have in effect a rating for Index Debt (other than (a) because such rating agency shall no longer be in the business of rating corporate debt obligations or (b) as a result of a change in the rating system of Moody's or S&P), then such rating agency will be deemed to have established a rating for Index Debt in Level 5 and (iii) if any rating established (or deemed to have been established, as provided in clause (ii) above) by Moody's or S&P shall be changed (other than as a result of a change in the rating system of Moody's or S&P), such change shall be effective as of the date on which it is first publicly announced by the applicable rating agency. Each change in the Applicable Facility Fee Percentage shall apply during the period commencing on the effective date of such change and ending on the date immediately

preceding the effective date of the next such change. If the rating system of Moody's or S&P shall change, or if either such rating agency shall cease to be in the business of rating corporate debt obligations, the Company and the Banks (acting through the Administrative Agent) shall negotiate in good faith to amend the references to specific ratings in this definition to reflect such changed rating system or the non-availability of ratings from such rating agency.

"Applicable Margin" means, on any date, with respect to any Eurodollar Loan or Alternate Base Rate Loan, as the case may be, the applicable spread set forth below based upon the ratings applicable on such date to Index Debt:

	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 4	LEVEL 5
S&P	A- or better	BBB+	BBB	BBB-	BB+ or below
Moody's	A3 or better	Baa1	Baa2	Baa3	Ba1 or below
Eurodollar	.2400%	.2550%	.2950%	.3300%	.5300%
Alternate Base Rate	0	0	0	0	0

For purposes hereof, (i) if the ratings established (or deemed to have been established, as provided in clause (ii) below) by Moody's and S&P shall fall within different Levels, the rating in the inferior Level shall be disregarded, unless one of the ratings is below Level 4, in which case the Applicable Margin will be based on the inferior of the two Levels, (ii) if Moody's or S&P shall not have in effect a rating for Index Debt (other than (a) because such rating agency shall no longer be in the business of rating corporate debt obligations or (b) as a result of a change in the rating system of Moody's or S&P), then such rating agency will be deemed to have established a rating for Index Debt in Level 5 and (iii) if any rating established (or deemed to have been established, as provided in clause (ii) above) by Moody's or S&P shall be changed (other than as a result of a change in the rating system of Moody's or S&P), such change shall be effective as of the date on which it is first publicly announced by the applicable rating agency. Each change in the Applicable Margin shall apply during the period commencing on the effective date of such change and ending on the date immediately preceding the effective date of the next such change. If the rating system of Moody's or S&P shall change, or if either such rating agency shall cease to be in the business of rating corporate debt obligations, the Company and the Banks (acting through the Administrative Agent) shall negotiate in good faith to amend the references to specific ratings in this definition to reflect such changed rating system or the non-availability of ratings from such rating agency. Notwithstanding the foregoing, the Applicable Margin in effect at any time for Eurodollar Loans shall be increased (a) by .05% per annum on any date on which the aggregate principal amount of the outstanding Loans exceeds 50% of the aggregate amount of the Revolving Credit Commitments at the time in effect (or, if the Revolving Credit Commitments shall have terminated, 50% of the aggregate amount of the Revolving Credit Commitments immediately in effect prior to such termination), and (b) by an additional .05% per annum on each date after the second anniversary of the Effective Date.

"Assenting Bank" has the meaning assigned to that term in Section 2.07(e)(ii) hereof.

"Assignment and Acceptance" means an instrument substantially in the form of Exhibit F hereto.

"Bank" and "Banks" mean, respectively, (i) each bank or financial institution which becomes a party to this Agreement by signing on the signature pages hereto, by signing an Addendum or pursuant to Section 10.06(c) hereof, and (ii) all such banks and financial institutions.

"Bank Funding Default" means any failure by the Company to repay any portion of a Loan which otherwise would have been repaid in accordance with the second sentence of Section 2.05 hereof from proceeds of a new Loan or Loans, which failure is attributable solely to the failure of any Bank to make available all or any portion of the new Loan or Loans to be made by such Bank pursuant to Section 2.05 hereof.

"Board" means the Board of Governors of the Federal Reserve System of the United States.

"Borrowing" means a borrowing by the Company from the Banks (or any of them) pursuant to this Agreement (including any such borrowing made as a result of the operation of Section 2.05, Section 2.07(e)(ii), Section 2.07(e)(iii), Section 2.11(c)(i), Section 2.12(i), Section 2.13(i), Section 4.03(b)(ii), or Section 4.03(b)(iii) hereof, as the case may be).

"Borrowing Date" means the date on which a Borrowing is, or is to be, consummated, as the context may indicate.

"Business Day" means any day not a Saturday, Sunday or legal holiday in the State of New York and on which banks and the Federal Reserve Bank of New York are open for business in New York City; provided, however, that when used in connection with a Eurodollar Loan, the term "Business Day" shall also exclude any day on which banks are not open for dealings in Dollar deposits in the London Interbank Market.

"Calendar Quarter" means a calendar quarter ending on the last day of any March, June, September or December.

"Capital Adequacy Change" has the meaning assigned to that term in Section 2.07(b) hereof.

"Capital Adequacy Rule" has the meaning assigned to that term in Section 2.07(b) hereof.

"Code" means the Internal Revenue Code of 1986, as amended from time to time and in effect.

"Company" has the meaning assigned to that term in the introduction to this Agreement.

"Competitive Bid" means an offer by a Competitive Bid Bank to make a Competitive Loan pursuant to Section 2.02 hereof.

"Competitive Bid Banks" means those Banks from time to time designated by the Company, by written notice to the Administrative Agent, as Competitive Bid Banks entitled to submit Competitive Bids pursuant to Section 2.02(c) hereof.

"Competitive Bid Rate" means, as to any Competitive Bid made by a Bank pursuant to Section 2.02(c) hereof, (a) in the case of a Eurodollar Loan, the Margin, and (b) in the case of a Fixed Rate Loan, the fixed rate of interest offered by the Bank making such Competitive Bid.

"Competitive Bid Request" means a request made pursuant to Section 2.02(a) hereof substantially in the form of Exhibit A hereto.

"Competitive Borrowing" means, as the case may be, (a) a Borrowing consisting of a Competitive Loan from a Competitive Bid Bank whose Competitive Bid, accepted by the Company, is equal to the entire amount of such Borrowing, or (b) a Borrowing consisting of concurrent Competitive Loans from each of the Competitive Bid Banks whose Competitive Bid as a part of such Borrowing has been accepted by the Company, in each case pursuant to the bidding procedure described in Section 2.02 hereof.

"Competitive Loan" means a Loan from a Competitive Bid Bank to the Company pursuant to the bidding procedure described in Section 2.02 hereof.

"Confidential Information" has the meaning assigned to that term in Section 10.02 hereof.

"Consolidated Adjusted Tangible Net Worth" means the total of the Tangible Net Worth of the Company and its Specified Subsidiaries, determined on a consolidated basis in accordance with generally accepted accounting principles, after eliminating all inter-company items.

"Consolidated Debt" means the sum of, without duplication (i) Consolidated Funded Debt, including that portion of Consolidated Funded Debt maturing within one year from the date of such determination, (ii) Consolidated Short-Term Borrowings and (iii) obligations reflected for financial reporting purposes as deferred credits for revenue from sales of future production of the Company and its Specified Subsidiaries.

"Consolidated Funded Debt" means the total of all Funded Debt of the Company and its Specified Subsidiaries, determined on a consolidated basis in accordance with generally accepted accounting principles, after eliminating all inter-company items.

"Consolidated Secured Debt" means the total of all Secured Debt of the Company and its Specified Subsidiaries other than any such Secured Debt which is owed by a Specified Subsidiary to the Company or which is owed by one Specified Subsidiary to another Specified Subsidiary.

"Consolidated Short-Term Borrowings" means the total of all Short-Term Borrowings of the Company and its Specified Subsidiaries, determined on a consolidated basis in accordance with generally accepted accounting principles, after eliminating all inter-company items.

"Consolidated Subsidiary" means any Subsidiary of the Company included in the financial statements of the Company and its Subsidiaries prepared on a consolidated basis in accordance with generally accepted accounting principles.

"Continuing Bank" has the meaning assigned to that term in Section 4.01(c)(ii) hereof.

"Documentation Agent" has the meaning assigned to that term in the introduction to this Agreement.

"Dollars" and the symbol "\$" mean the lawful currency of the United States of America.

"Domestic Loans" and "Domestic Loan" mean, respectively, (a) any Loans during any period in which such Loans bear Interest Rates determined with reference to the Alternate Base Rate and (b) a single such Loan during any such period.

"Effective Date" means the date upon which the conditions of Section 7.01 shall have been satisfied. The Effective Date is December 18, 1997.

"Eligible Assignee" means a commercial bank having total assets in excess of \$8,000,000,000 or any other financial institution mutually acceptable to the Company and the Administrative Agent.

"Elk Hills Acquisition" means the acquisition by the Company from the United States Department of Energy of the U.S. Government's ownership interest in the Elk Hills Field, on the terms set forth in the Company's Current Report to the Securities and Exchange Commission on Form 8-K dated October 6, 1997.

"Employee Benefit Plan" has the meaning assigned to the term "employee benefit plan" in Section 3(3) of ERISA.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time and in effect.

"Eurodollar Loan" means any Loan with respect to which the Company shall have selected an Interest Rate based on the Eurodollar Rate in accordance with the provisions of Article II hereof.

"Eurodollar Rate" means, for any Interest Period with respect to any Eurodollar Loan, the rate per annum which is equal to the arithmetic average (as determined by the Administrative Agent (subject to Section 10.08 hereof) on the basis of quotations, if any, received by the Administrative Agent from the Reference Banks, with such average expressed as a percentage and rounded, if necessary, to the nearest 1/10,000 of one percent) of the average rate per annum at which each Reference Bank is offered deposits in Dollars by prime banks in the London Interbank Eurodollar market as of 11:00 a.m., London time, on the day which is two (2) Business Days prior to the

beginning of such Interest Period, for settlement on the first day of such Interest Period and for the approximate number of days comprised therein, in an amount comparable to the amount of such Reference Bank's portion of the principal amount of the Revolving Credit Borrowing of which such Eurodollar Loan forms a part (or, in the case of a Competitive Loan, a principal amount that would have been such Reference Bank's portion of the Revolving Credit Borrowing had such Competitive Borrowing been a Revolving Credit Borrowing).

"Event of Default" has the meaning assigned to that term in Section 8.01 hereof.

"Excepted Subsidiary" means (a) Occidental Receivables, Inc., a California corporation, but only until such time, if any, as it has been withdrawn from status as an Excepted Subsidiary by an Officers' Certificate hereinafter referred to, effective as of the date of such Officers' Certificate, (b) effective as of the date of the Officers' Certificate hereinafter referred to, any Subsidiary of the Company which has been designated as an Excepted Subsidiary after the Effective Date by an Officers' Certificate and has not been withdrawn from status as an Excepted Subsidiary by a subsequent Officers' Certificate effective as of the date of such subsequent Officers' Certificate; provided that no Subsidiary of the Company may be designated as an Excepted Subsidiary unless, immediately after giving effect to such designation, the Company could become liable with respect to at least \$1.00 of additional Funded Debt in compliance with Section 6.02(c) hereof, and (c) every Subsidiary of one or more Excepted Subsidiaries.

"Existing Credit Agreement" means the Credit Agreement dated as of March 20, 1997, among the Company, the banks party thereto, J. P. Morgan Securities Inc. and BancAmerica Securities, Inc., as Co-Syndication Agents, The Chase Manhattan Bank, as Documentation Agent, and The Bank of Nova Scotia, as Administrative Agent.

"Facility Agent" has the meaning assigned to that term in the introduction to this Agreement.

"Facility Fee" has the meaning assigned to that term in Section 2.06 hereof.

"Fixed Rate Loan" means any Competitive Loan made by a Bank pursuant to Section 2.02 hereof based upon a fixed rate per annum offered by such Bank (expressed as a percentage to 1/10,000 of one percent) and accepted by the Company.

"Funded Debt" means, with respect to any Person, all Indebtedness of such Person (a) maturing one year or more from the date of the creation thereof, (b) directly or indirectly renewable or extendible, at the option of the debtor, by its terms or by the terms of any instrument or agreement relating thereto, to a date one year or more from the date of the creation thereof, and (c) under a revolving credit or similar agreement obligating the lender or lenders to extend credit over a period of one year or more, even though such Indebtedness may also conform to the definition of Short-Term Borrowing.

"Increased Cost Change" has the meaning assigned to that term in Section 2.07(a) hereof.

"Indebtedness" means, with respect to any Person, as of the date on which Indebtedness is to be determined, (a) all items (except items of capital stock or of surplus or of deferred credits and other liabilities combined with deferred credits for financial reporting purposes or minority interests in Subsidiaries of such Person) which in accordance with generally accepted accounting principles applied in the preparation of the financial statements of the Company and its Consolidated Subsidiaries would be included in determining total liabilities as shown on the liability side of a balance sheet of such Person, (b) all indebtedness secured by any mortgage on, or other security interest in, any property or asset owned or held by such Person subject thereto, whether or not the indebtedness secured thereby shall have been assumed by such Person and (c) all indebtedness of others which such Person has directly or indirectly guaranteed, endorsed (otherwise than for collection or deposit in the ordinary course of business), discounted with recourse, agreed (contingently or otherwise) to purchase or repurchase or otherwise acquire, or in respect of which such Person has otherwise become directly or indirectly liable. For the purpose of computing the Indebtedness of any Person, there shall be excluded any particular Indebtedness which meets one or more of the following categories:

(i) Indebtedness with respect to which sufficient cash or cash equivalents or securities shall have been deposited in trust to provide for the full payment, redemption or satisfaction of the principal of, premium, if any, and interest to accrue on, such Indebtedness to the stated maturity thereof or to the date of prepayment thereof, as the case may be, and as a result of such deposit such particular Indebtedness, in accordance with generally accepted accounting principles, shall no longer be required to be reported on a balance sheet of such Person as a liability, and such cash or cash equivalents or securities shall not be required to be reported as an asset;

(ii) Indebtedness which is not classified as Indebtedness under clause (a) of the definition of Indebtedness and (x) which arises from any commitment of such Person relating to pipeline operations to pay for property or services substantially without regard to the non-delivery of such property or the non-furnishing of such services or (y) which is Indebtedness of a partnership, joint venture or similar entity less than a majority of the equity interest of which is at the time owned by such Person or by such Person and one or more Subsidiaries of such Person or, if such Person is a Subsidiary of the Company, by such Person and either the Company or one or more other Subsidiaries of the Company or by such Person and the Company and one or more other Subsidiaries of the Company and which is payable solely out of the property or assets owned or held by such partnership, joint venture or similar entity or is secured by a mortgage on, or other security interest in, the property or assets owned or held by such partnership, joint venture or similar entity, in either case without any further recourse to or liability of such Person; or

(iii) Indebtedness which is not classified as Indebtedness under clause (a) of the definition of Indebtedness and which is payable solely out of certain property or assets of such Person, or is secured by a mortgage on, or other security interest in, certain property or assets owned or held by such Person, in either case without any further recourse to or liability of such Person, to the extent such Indebtedness exceeds (x) if such Person records such property or assets on its books, the value for such property or assets recorded on such books or (y) if such Person does not record such property or assets on its books, (1) if such

Indebtedness is a general obligation of the entity which does record such property or assets on its books, the net investment in or advances to such entity as recorded on the books of such Person or (2) if such Indebtedness is payable solely out of certain property or assets of such entity, the lesser of the value for such property or assets recorded on the books of such entity or the net investment in or advances to such entity as recorded on the books of such Person, in each case determined in accordance with generally accepted accounting principles.

"Indemnified Liabilities" has the meaning assigned to that term in Section 10.07 hereof.

"Indemnitees" and "Indemnitee" have the respective meanings assigned to those terms in Section 10.07 hereof.

"Index Debt" means senior, unsecured, non-credit-enhanced, publicly-held, long-term indebtedness for borrowed money of the Company.

"Initial Termination Date" means December 17, 1998.

"Interest Payment Date" means (a) with respect to Alternate Base Rate Loans, the last day of each Calendar Quarter, commencing with the first of such dates to occur after the date of this Agreement, and the Maturity Date, (b) with respect to any Eurodollar Loan, the last day of the Interest Period applicable thereto and, in the case of a Eurodollar Loan with an Interest Period of 6 months, also the day that would have been the Interest Payment Date for such Loan had an Interest Period of 3 months been applicable to such Loan, and (c) in the case of a Fixed Rate Loan, the last day of the Interest Period applicable thereto and in the case of a Fixed Rate Loan with an Interest Period of more than 90 days, each day within such Interest Period that would have been an Interest Payment Date had such Loan been a series of consecutive Fixed Rate Loans with 90-day Interest Periods.

"Interest Period" means (a) as to any Eurodollar Loan, the period commencing on the Borrowing Date of such Loan and ending on the numerically corresponding day (or if there is no such corresponding day, the last day) in the calendar month that is 1, 2, 3 or 6 months later, as the Company may elect, (b) as to any Alternate Base Rate Loan, the period commencing on the Borrowing Date of such Loan and ending 90 days later or, if earlier, on the date of prepayment of such Loan and (c) as to any Fixed Rate Loan, the period commencing on the Borrowing Date of such Loan and ending on the date specified in the Competitive Bid accepted by the Company with respect to such Fixed Rate Loan, which period shall not be less than 8 days or more than 360 days; provided, however, that (i) if any Interest Period would end on a day which shall not be a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless, with respect to Eurodollar Loans only, such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day, and (ii) no Interest Period may be selected that ends later than the Maturity Date.

"Interest Rate" means the rate or rates of interest to be determined as provided in Article III hereof.

"Lien" means and includes any mortgage, pledge, lien, security interest, conditional sale or other title retention agreement or other similar encumbrance.

"Loans" and "Loan" mean, respectively, (a) all loans made by the Banks or Competitive Bid Banks or a single Bank or Competitive Bid Bank (as the context may indicate) to the Company pursuant to this Agreement (including any such loan made as a result of the operation of Section 2.05, Section 2.07(e)(ii), Section 2.07(e)(iii), Section 2.11(c)(i), Section 2.12(i), Section 2.13(i), Section 4.03(b)(ii) or Section 4.03(b)(iii) hereof, as the case may be), and (b) a single such loan made by any Bank or Competitive Bid Bank.

"Managing Agents" has the meaning assigned to that term in the introduction to this Agreement.

"Margin" means, as to any Competitive Bid relating to a Eurodollar Loan, the margin (expressed as a percentage rate per annum and rounded, if necessary, to the nearest 1/10,000 of one percent) to be added to or subtracted from the Eurodollar Rate to determine the interest rate offered by such Competitive Bid Bank with respect to such Eurodollar Loan.

"Maturity Date" means the Termination Date; provided, that if the Company shall so request in a notice delivered to the Administrative Agent (which shall promptly deliver a copy of such notice to each Bank) not later than the 30th day prior to the Termination Date, the Maturity Date will be extended to and will occur on December 18, 2000.

"Moody's" means Moody's Investors Service, Inc. or any successor thereto.

"Multiemployer Plan" has the meaning assigned to the term "multiemployer plan" in Section 3(37) of ERISA.

"Net Proceeds" means, as to any Specified Asset Disposition, cash proceeds as and when received by the Company or any Subsidiary, net of (a) the direct costs relating to such Specified Asset Disposition excluding amounts payable of such direct costs to the Company or any Subsidiary, (b) sales, use or other transaction taxes, (c) an assumed 37.6% federal and state income tax, paid or payable as a direct result thereof, (d) amounts required to be applied to repay principal, interest and prepayment premiums and penalties on purchase money Indebtedness secured by a Lien on the asset which is the subject of the Specified Asset Disposition, (e) amounts required to pay all foreign income taxes and (f) any withholding taxes associated with repatriation of such amounts to the United States.

"Non-Continuing Bank" has the meaning assigned to that term in Section 4.01(c)(ii) hereof.

"Officers' Certificate" means a certificate executed on behalf of the Company by its President or one of its Vice Presidents and by one of its other Vice Presidents or its Treasurer or one of its Assistant Treasurers or its Controller or one of its Assistant Controllers.

"Participants" and "Participant" mean, respectively, (a) the banks and other entities referred to in Section 10.06(b) hereof, and (b) any one of such banks or other entities.

"PBGC" means the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA.

"Person" means a corporation, an association, a partnership, an organization, a business, an individual, a government or a political subdivision thereof or a governmental agency.

"Plan" means (a) with respect to the Company, any plan described in Section 4021(a) of ERISA and not excluded pursuant to Section 4021(b) thereof, under which the Company or any Related Person to the Company has contributed, and (b) with respect to any other Person, any employee benefit plan or other plan established or maintained by such Person for the benefit of such Person's employees and to which Title IV of ERISA applies.

"Plan Administrator" has the meaning assigned to the term "administrator" in Section 3(16)(A) of ERISA.

"Plan Sponsor" has the meaning assigned to the term "plan sponsor" in Section 3(16)(B) of ERISA.

"Principal Subsidiaries" and "Principal Subsidiary" mean, respectively, (a) the following Persons (or any other Person which is, directly or indirectly, the survivor or successor in interest in any merger or consolidation involving, or the transferee with respect to all or substantially all of the assets of, the following Persons): MidCon Corp., a Delaware corporation, Natural Gas Pipeline Company of America, a Delaware corporation, Occidental Chemical Corporation, a New York corporation, Occidental Chemical Holding Corporation, a California corporation, Occidental International Exploration and Production Company, a California corporation, Occidental Oil and Gas Corporation, a California corporation, Occidental Petroleum Investment Co., a California corporation, Oxy CH Corporation, a California corporation, Oxy Chemical Corporation, a California corporation, Oxy Petrochemicals Inc., a Delaware corporation, OXY USA Inc., a Delaware corporation, and any other Person which shall have become a Subsidiary of the Company after September 30, 1997, and shall have, according to its most recent audited year-end financial statements (or, if there are no audited financial statements for its most recent fiscal year, its most recent unaudited year-end financial statements) available at the date it became a Subsidiary, total assets in excess of 5% of the consolidated assets of the Company and its Consolidated Subsidiaries shown on the Company's most recent audited year-end financial statements available at such time, and (b) any one of such Persons (or any other Person which is, directly or indirectly, the survivor or successor in interest in any merger or consolidation involving, or the transferee with respect to all or substantially all of the assets of, any one of such Persons); provided that, notwithstanding the foregoing, no Excepted Subsidiary and no Person which is not a Consolidated Subsidiary shall be a Principal Subsidiary.

"Prohibited Transaction" has the respective meanings assigned to that term in Section 4975 of the Code and in Section 406 of ERISA.

"Proportional Share" means, at the time any determination thereof is to be made and when used with reference to any Bank and any described aggregate or total amount, an amount equal to the result obtained by multiplying such described aggregate or total amount by a fraction, the numerator of which shall be such Bank's Revolving Credit Commitment at such time and the denominator of which shall be the Total

Commitment at such time; provided, however, that if prior to the time of such determination the Revolving Credit Commitments shall have been terminated pursuant to Section 8.01 hereof, any determination of Proportional Share shall be based upon the amounts of Revolving Credit Commitments and Total Commitment in effect immediately prior to such termination.

"Reference Banks" and "Reference Bank" mean, respectively, (a) the following Persons: ABN AMRO Bank N.V., The Bank of Nova Scotia, and The Chase Manhattan Bank, or any other Person hereafter appointed as a Reference Bank pursuant to Section 10.08 hereof, and (b) any one of such Persons.

"Refinancing Loan" means (A) any Revolving Credit Loan (i) which is made on the date of repayment of any other Revolving Credit Loan and (ii) all of the proceeds of which are applied, in accordance with Section 2.05 hereof, to the repayment of such other Revolving Credit Loan and (B) any Revolving Credit Loan (i) which is made on the date of prepayment of any other Revolving Credit Loan and (ii) all of the proceeds of which are applied, in accordance with Section 4.02 hereof, to the prepayment of such other Revolving Credit Loan. A Refinancing Loan may be a Eurodollar Loan, an Alternate Base Rate Loan, or a combination thereof, irrespective of whether the Loan or Loans being refinanced with the proceeds of such Refinancing Loan were bearing interest based upon the same or a different interest rate basis as such Refinancing Loan.

"Register" has the meaning assigned to that term in Section 10.06(e) hereof.

"Regulation D" means Regulation D of the Board, as the same may at any time be amended or modified and in effect.

"Regulation G" means Regulation G of the Board, as the same may at any time be amended or modified and in effect.

"Regulation U" means Regulation U of the Board, as the same may at any time be amended or modified and in effect.

"Regulation X" means Regulation X of the Board, as the same may at any time be amended or modified and in effect.

"Related Person" means, with respect to any Person, any trade or business (whether or not incorporated) which, together with such Person, is under common control as described in Section 414(c) of the Code.

"Replacement Lender" means a lending institution designated by the Company pursuant to Section 2.07(e)(iv), Section 2.11(c)(ii), Section 2.12(ii), Section 2.13(ii), or Section 4.03(b)(iv) hereof, which, at the time of such designation, is not a Bank.

"Reportable Event" means a "reportable event" described in Section 4043(b) of ERISA.

"Required Banks" means, at the time any determination thereof is to be made, (i) Banks whose Revolving Credit Commitments aggregate at least 51% of the Total Commitment, or (ii) if the Revolving Credit Commitments shall have been

terminated pursuant to Section 8.01 hereof at the time when no Loans are outstanding, Banks whose Revolving Credit Commitments immediately prior to such termination aggregated at least 51% of the Total Commitment immediately prior to such termination, or (iii) if the Revolving Credit Commitments shall have been terminated other than as provided in clause (ii) above, Banks with Revolving Credit Loans which aggregate at least 51% of the total aggregate Revolving Credit Loans.

"Revolving Credit Borrowing" means a Borrowing (a) pursuant to Section 2.01(a) or Section 2.05 hereof consisting of simultaneous Revolving Credit Loans from each of the Banks in accordance with their respective Proportional Share of such Borrowing, or (b) made as a result of the operation of Section 2.07(e)(ii), Section 2.07(e)(iii), Section 2.11(c)(i), Section 2.12(i), Section 2.13(i), Section 4.03(b)(ii), or Section 4.03(b)(iii) hereof.

"Revolving Credit Borrowing Request" means a request made pursuant to Section 2.01(b) hereof substantially in the form of Exhibit D hereto.

"Revolving Credit Commitment" means, when used with reference to any Bank at the time any determination thereof is to be made, the amount of such Bank's commitment hereunder to extend credit to the Company as set forth in Section 2.01(a) hereof, which Revolving Credit Commitment, subject to Section 8.01 hereof, shall be the amount set forth opposite the name of such Bank on Schedule I hereto or the amount set forth in an Addendum of such Bank delivered in accordance with Section 10.15 hereof, as such commitment may from time to time be adjusted under Section 2.07(e)(ii), Section 2.11(c)(i), Section 2.12(i), Section 2.13(i) or Section 4.03(b)(ii) hereof, reduced by the amount of any permanent reduction(s) in such amount made pursuant to Section 4.01 or Section 4.03 hereof.

"Revolving Credit Commitments" means each Revolving Credit Commitment, collectively.

"Revolving Credit Loan" shall have the meaning assigned to that term in Section 2.01(a) hereof.

"Secured Debt" means any Funded Debt of the Company or any Specified Subsidiary secured by a Lien on assets of the Company or any Specified Subsidiary, plus (without duplication) obligations of the Company or any Specified Subsidiary reflected for financial reporting purposes as deferred credits for revenue from sales of future production secured by a Lien on any property of the Company or any Specified Subsidiary. For the purpose of computing Secured Debt, the portion of any secured obligation which exceeds the book value (as reflected on the Company's consolidated balance sheet) of the assets of the Company and its Specified Subsidiaries securing such obligation shall be excluded.

"Short-Term Borrowing" means, with respect to any Person, all Indebtedness of such Person in respect of borrowed money maturing on demand or within one year from the date of the creation thereof and not directly or indirectly renewable or extendible, at the option of the debtor, by its terms or by the terms of any instrument or agreement relating thereto, to a date one year or more from the date of the creation thereof; provided that Indebtedness of such Person in respect of borrowed money arising under a revolving credit or similar agreement which obligates the lender or lenders to extend credit over a period of one year or more shall constitute Funded Debt and not a

Short-Term Borrowing even though the same matures on demand or within one year from the date as of which such Short-Term Borrowing is to be determined.

"Specified Asset Disposition" means a divestiture of MidCon Corp., a Delaware corporation, or any substantial portion of the assets of MidCon Corp., a Delaware corporation, or any sale of other assets determined by the Company in its sole discretion to be non-strategic assets (other than individual transactions having aggregate Net Proceeds not exceeding \$10,000,000 for each such transaction).

"Specified Subsidiary" means, at any time, any Consolidated Subsidiary, a majority (by number of votes) of the Voting Securities of which is at such time owned directly by the Company or by one or more of its Specified Subsidiaries, or by the Company and one or more of its Specified Subsidiaries, and which is not at such time designated as an Excepted Subsidiary; provided that (i) at the time any Subsidiary of the Company is withdrawn from status as an Excepted Subsidiary, such Subsidiary shall not be liable with respect to any Indebtedness which it could not become liable with respect to hereunder on the date of such withdrawal if it were then a Specified Subsidiary, and (ii) immediately after giving effect to such withdrawal, no Event of Default or Unmatured Event of Default shall have occurred and be continuing.

"S&P" means Standard & Poor's Corporation or any successor thereto.

"Subsidiary" means, with respect to any Person, any corporation, association, partnership or other business entity, a majority (by number of votes) of the Voting Securities of which is at the time owned by such Person or by one or more of its Subsidiaries or by such Person and one or more of its Subsidiaries.

"Syndication Agent" has the meaning assigned to that term in the introduction to this Agreement.

"Tangible Net Worth" of any Person means the sum of the amounts set forth on the balance sheet of such Person as (a) the par or stated value of all outstanding capital stock and (b) capital surplus, earned surplus and premium on capital stock less (i) the par or stated value of all redeemable preferred stock, (ii) that portion of the book value of all assets which would be treated as intangibles under generally accepted accounting principles, including without limitation, all such items as goodwill, trademarks, trade names, brands, copyrights, patents, licenses and rights with respect to the foregoing and unamortized debt discount and expenses, and (iii) all investments in or advances to Excepted Subsidiaries appearing on the asset side of such balance sheet.

"Taxes" has the meaning assigned to that term in Section 2.11(a) hereof.

"Termination Date" means the earlier of December 17, 1998 (subject to extension as provided in Section 4.01(c) hereof), or the date on which the Revolving Credit Commitments shall terminate in accordance with the terms of this Agreement.

"Total Commitment" means at any time the determination thereof is to be made, the aggregate amount of the Revolving Credit Commitments of the Banks, as in effect at such time.

"Transferee" has the meaning assigned to that term in Section 10.06(g) hereof.

"Unmatured Event of Default" means an event, act or occurrence which with the giving of notice or the lapse of time (or both) would become an Event of Default.

"Voting Securities" means stock or partnership interests of any class or classes (however designated), the holders of which are at the time entitled, as such holders, to vote for the election of a majority of the directors (or persons performing similar functions) of the corporation, association, partnership or other business entity in question, other than stock or partnership interests having the right so to vote solely by reason of the happening of a contingency.

SECTION 1.02. Accounting Terms. All accounting terms not specifically defined herein shall be construed in accordance with generally accepted accounting principles as in effect from time to time, including, without limitation, applicable statements, bulletins and interpretations issued by the Financial Accounting Standards Board and bulletins, opinions, interpretations and statements issued by the American Institute of Certified Public Accountants or its committees. In the event that an actual or anticipated change (which term for all purposes of this Agreement includes, without limitation, the adoption of a new statement of financial accounting standards) in generally accepted accounting principles would affect the computation of any dollar amounts or ratios referred to in the financial covenants herein, the parties to the Agreement will, promptly upon request, enter into negotiations in good faith in an effort to agree upon amendments which will most nearly preserve the original intent of such financial covenants. Pending agreement on such amendments, such financial covenants will remain in effect but will be measured by reference to generally accepted accounting principles as in effect immediately prior to such change. When used herein, the term "financial statements" shall include the notes and schedules thereto, but need not include such notes or schedules when used with reference to such statements of any Person as of any date other than the end of a fiscal year of such Person.

## ARTICLE II

### LOAN PROVISIONS

SECTION 2.01. Revolving Credit Commitments; Procedure for Requests. (a) Subject to the terms and conditions of this Agreement, each Bank, severally and not jointly, agrees to make revolving credit loans ("Revolving Credit Loans") to the Company at any time and from time to time on or after the Effective Date and until the Termination Date (and, to the extent provided in Section 2.05(b), on or after the Termination Date); provided, however, that (i) at no time shall the outstanding aggregate principal amount of all Revolving Credit Loans made by a Bank exceed its Proportional Share of the outstanding aggregate principal amount of all Revolving Credit Loans made by all Banks (notwithstanding the fact that the aggregate principal amount outstanding at any time of all Revolving Credit Loans and Competitive Loans, or, except as set forth in clause (ii) below, any combination thereof, made by a Bank may exceed the Revolving Credit Commitment of such Bank then in effect), (ii) at no time prior to the Termination Date shall the sum of the aggregate principal amount outstanding of all Revolving Credit Loans of any Bank exceed the Revolving Credit Commitment of such Bank, and (iii) at no time prior to the Termination Date shall the sum of the outstanding aggregate principal amount of all Revolving Credit Loans and Competitive Loans exceed the Total Commitment; provided further that nothing contained herein shall be deemed to prohibit the making of, or to relieve any Bank of its obligation to make, Revolving Credit Loans

the proceeds of which are to be applied solely to the repayment of principal of any Loan pursuant to Section 2.05 hereof. The Company may borrow, repay, prepay and reborrow Revolving Credit Loans on or after the Effective Date and prior to the Termination Date (and, to the extent provided in Section 2.05(b), on or after the Termination Date). The Revolving Credit Commitments shall automatically and permanently terminate on the Termination Date, subject to the right of the Company to refinance Revolving Credit Loans to the extent provided in Section 2.05(b).

(b) To effect a Revolving Credit Borrowing, the Company shall give the Administrative Agent notice (by telephone (confirmed promptly in writing) or telecopier), substantially in the form of Exhibit D hereto, (i) in the case of a Revolving Credit Borrowing consisting of Eurodollar Loans, not later than 12:00 noon, New York City time, three Business Days before such Revolving Credit Borrowing, and (ii) in the case of a Revolving Credit Borrowing consisting of Alternate Base Rate Loans, not later than 10:00 a.m., New York City time, on the proposed Borrowing Date of such Revolving Credit Borrowing. Such notice shall be irrevocable (except as provided in Section 2.07(e)(i), Section 2.11(c)(iii), Section 3.03(b) or Section 4.03(b)(i) hereof) and shall in each case refer to this Agreement and specify (x) whether the Loans then being requested are to be Eurodollar Loans or Alternate Base Rate Loans, or a combination thereof, (y) the Borrowing Date with respect to such Loans (which shall be a Business Day) and the aggregate principal amount thereof, and (z) in the case of Eurodollar Loans, the Interest Period with respect thereto. If no Interest Period with respect to any Eurodollar Loan is specified in any such notice, then the Company shall be deemed to have selected an Interest Period of one month's duration. The Administrative Agent shall promptly advise the other Banks by telecopier of any notice given pursuant to this Section 2.01(b) and of each Bank's portion of the requested Revolving Credit Borrowing.

SECTION 2.02. Competitive Loans; Procedure for Requests. (a) Subject to the terms and conditions of this Agreement, the Company may from time to time request Competitive Bid Banks to submit Competitive Bids, and the Competitive Bid Banks may submit such Competitive Bids and, from time to time on and after the Effective Date and prior to the Termination Date, may make Competitive Loans in accordance with the procedures set forth in this Section 2.02. At no time shall (i) the outstanding aggregate principal amount of all Competitive Loans made by a Competitive Bid Bank or (ii) the outstanding aggregate principal amount of all Revolving Credit Loans and Competitive Loans made by all Banks exceed the Total Commitment, notwithstanding the fact that the aggregate principal amount outstanding at any time of all Competitive Loans made by a Competitive Bid Bank may exceed the Revolving Credit Commitment of such Bank.

(b) To request Competitive Bids, the Company shall give the Administrative Agent (by telephone (confirmed in writing no later than 5:00 p.m., New York City time, on the same day) or telecopier) a duly completed Competitive Bid Request substantially in the form of Exhibit A hereto, to be received by the Administrative Agent (i) in the case of Eurodollar Loans, not later than 12:00 noon, New York City time, five Business Days before a proposed Competitive Borrowing, and (ii) in the case of Fixed Rate Loans, not later than 11:00 a.m., New York City time, one Business Day before a proposed Competitive Borrowing. No Alternate Base Rate Loan shall be requested in, or made pursuant to, a Competitive Bid Request. A Competitive Bid Request that does not conform substantially to the format of Exhibit A hereto may be rejected in the Administrative Agent's sole discretion, and the Administrative Agent shall promptly notify the Company of such rejection by telephone (confirmed promptly in

writing) or telecopier. A Competitive Bid Request shall in each case refer to this Agreement and specify (x) whether the Loans then being requested are to be Eurodollar Loans or Fixed Rate Loans, (y) the Borrowing Date with respect to such Loans (which shall be a Business Day) and the aggregate principal amount thereof (which shall be in amounts such that the aggregate principal amount of all Loans outstanding immediately following the Borrowing of the Loans pursuant to such Competitive Bid Request shall not exceed the Total Commitment), and (z) the Interest Period with respect thereto (which shall not end after the Termination Date). The aggregate principal amount of the Competitive Borrowing requested pursuant to any Competitive Bid Request shall not be less than \$50,000,000. Promptly after its receipt of a Competitive Bid Request that is not rejected as aforesaid, the Administrative Agent shall invite by telecopier (in the form set forth in Exhibit B hereto) the Competitive Bid Banks to bid, on the terms and conditions of this Agreement, to make Competitive Loans pursuant to the Competitive Bid Request.

(c) Each Competitive Bid Bank may, in its sole discretion, make one or more Competitive Bids to the Company responsive to the Competitive Bid Request. Each Competitive Bid by a Competitive Bid Bank must be in the form of Exhibit C hereto and must be received by the Administrative Agent by telecopier, (i) in the case of Eurodollar Loans, not later than 2:00 p.m., New York City time, four Business Days before a proposed Competitive Borrowing, and (ii) in the case of Fixed Rate Loans, not later than 9:30 a.m., New York City time, on the Borrowing Date of the proposed Competitive Borrowing. Competitive Bids that do not conform substantially to the format of Exhibit C hereto may be rejected by the Administrative Agent after conferring with, and upon the instruction of, the Company, and the Administrative Agent shall notify the Competitive Bid Bank that submitted such Competitive Bid of such rejection as soon as practicable. Each Competitive Bid shall refer to this Agreement and specify (x) the principal amount (which shall be in a minimum principal amount of \$5,000,000 and in an integral multiple of \$1,000,000 and which may equal the entire aggregate principal amount of the Competitive Borrowing requested by the Company) of the Competitive Loan that the Competitive Bid Bank is willing to make to the Company, (y) the Competitive Bid Rate at which the Competitive Bid Bank is prepared to make the Competitive Loan, and (z) the Interest Period with respect thereto. Except as provided in Section 2.07(e)(i), Section 2.11(c)(iii), Section 3.03(a), and Section 4.03(b)(i) hereof, a Competitive Bid submitted by a Competitive Bid Bank pursuant to this Section 2.02(c) shall be irrevocable. If any Competitive Bid Bank shall elect not to make a Competitive Bid with respect to a proposed Competitive Borrowing, such Competitive Bid Bank shall so notify the Administrative Agent by telecopier (i) in the case of Eurodollar Loans, not later than 2:00 p.m., New York City time, four Business Days before such proposed Competitive Borrowing, and (ii) in the case of Fixed Rate Loans, not later than 9:30 a.m., New York City time, on the Borrowing Date of such proposed Competitive Borrowing; provided, however, that the failure of any Competitive Bid Bank to give such notice shall not cause such Bank to be obligated to make any Competitive Loan as part of such Competitive Borrowing.

(d) The Administrative Agent shall notify the Company of all the Competitive Bids made, the Competitive Bid Rate and the principal amount of each Competitive Loan in respect of which a Competitive Bid was made and the identity of the Competitive Bid Bank that made each bid; such notice shall be given to the Company by telephone (confirmed immediately by telecopier) not later than (i) 45 minutes (in the case of Competitive Bids for Fixed Rate Loans) and (ii) 2 hours (in the case of other Competitive Bids) after the latest time by which such Competitive Bids were required to be received by the Administrative Agent pursuant to Section 2.02(c) hereof. The

Administrative Agent shall send a copy of all Competitive Bids to the Company for its records as soon as practicable after completion of the bidding process set forth in this Section 2.02.

(e) The Company may in its sole and absolute discretion, subject only to the provisions of this Section 2.02(e), accept or reject any Competitive Bid referred to in Section 2.02(d) hereof. The Company shall notify the Administrative Agent (by telephone or telecopier) whether and to what extent it has decided to accept or reject any or all of the Competitive Bids referred to in Section 2.02(d) hereof, (i) in the case of Eurodollar Loans, not later than 12:00 noon, New York City time, three Business Days before a proposed Competitive Borrowing, and (ii) in the case of Fixed Rate Loans, not later than 10:30 a.m., New York City time, on the Borrowing Date of the proposed Competitive Borrowing; provided, however, that (v) the failure by the Company to give such notice shall be deemed to be a rejection of all the Competitive Bids referred to in Section 2.02(d) hereof, (w) the Company shall not accept a Competitive Bid made at a particular Competitive Bid Rate if the Company has rejected a Competitive Bid made at a lower Competitive Bid Rate, (x) the aggregate principal amount of the Competitive Borrowing to be made may not exceed the principal amount of Competitive Loans requested by the Company pursuant to the related Competitive Bid Request, (y) if the Company shall accept Competitive Bids made at a particular Competitive Bid Rate but shall be restricted by other conditions hereof from borrowing the aggregate principal amount of Competitive Loans in respect of which Competitive Bids at such Competitive Bid Rate have been made, then, to the extent of the aggregate principal amount of the Competitive Borrowing to be made, the Company shall accept a pro rata portion of each Competitive Bid made at such Competitive Bid Rate based as nearly as possible on the respective principal amounts of Competitive Loans for which such Competitive Bids were made (provided that if the available principal amount of Competitive Loans to be so allocated is not sufficient to enable Competitive Loans to be so allocated to each such Competitive Bid Bank in a minimum principal amount of \$5,000,000 and in integral multiples of \$1,000,000, the Company shall select the Competitive Bid Banks to be allocated such Competitive Loans and shall round allocations up or down to the next higher or lower multiple of \$1,000,000 as it shall deem appropriate), and (z) no Competitive Bid shall be accepted for a Competitive Loan unless such Competitive Loan is in a minimum principal amount of \$5,000,000 and an integral multiple of \$1,000,000. If telephonic notice of acceptance or rejection of a Competitive Bid is given by the Company to the Administrative Agent pursuant to the immediately preceding sentence, such notice shall be confirmed in writing no later than (A) in the case of Eurodollar Loans 5:00 p.m., New York City time, on the day such notice is given, or (B) in the case of Fixed Rate Loans, 1:00 p.m., New York City time, on the day such notice is given. Except as provided in Section 2.07(e)(i), Section 2.11(c)(iii), Section 3.03(a), and Section 4.03(b)(i) hereof, a notice given by the Company pursuant to this Section 2.02(e) shall be irrevocable.

(f) The Administrative Agent shall promptly notify by telecopier each of the Competitive Bid Banks which has submitted a Competitive Bid whether or not their Competitive Bids have been accepted (and if so, in what amount and at what Competitive Bid Rate), and each successful Competitive Bid Bank shall thereupon become bound to make the Competitive Loan in respect of which its Competitive Bid has been accepted.

(g) A Competitive Borrowing shall not be made within five Business Days of the Borrowing Date of any other Competitive Borrowing, unless the Company and the Administrative Agent shall mutually agree otherwise.

(h) If the Administrative Agent shall elect to submit a Competitive Bid in its capacity as a Competitive Bid Bank, it shall submit such bid to the Company one quarter of an hour earlier than the latest time at which the other Competitive Bid Banks are required to submit their bids to the Administrative Agent pursuant to Section 2.02(c) hereof.

SECTION 2.03. General Terms Relating to the Loans. (a) Each Borrowing made by the Company on any Borrowing Date shall be (i) in the case of Competitive Loans, in an integral multiple of \$1,000,000 and in a minimum aggregate principal amount of \$5,000,000 and (ii) in the case of Revolving Credit Loans, in an integral multiple of \$10,000,000 and in a minimum aggregate principal amount of \$50,000,000. Competitive Loans shall be made by the Competitive Bid Banks in accordance with Section 2.02(e) hereof and Revolving Credit Loans shall be made by the Banks ratably in accordance with their respective Revolving Credit Commitments on the Borrowing Date of the Revolving Credit Borrowing; provided, however, that the failure of any Bank to make any Loan shall not in itself relieve any other Bank of its obligation to lend hereunder.

(b) Each Competitive Loan shall be a Eurodollar Loan or a Fixed Rate Loan, and each Revolving Credit Loan shall be a Eurodollar Loan or an Alternate Base Rate Loan, as the Company may request subject to and in accordance with Section 2.01 or Section 2.02 hereof, as applicable. Each Bank may at its option make any Eurodollar Loan by causing a foreign branch or affiliate of such Bank to make such Loan; provided, however, that (i) any exercise of such option shall not affect the obligation of the Company to repay such Loan to such Bank in accordance with the terms of this Agreement, (ii) such Bank shall promptly advise the Company of the exercise of such option, the name and address of such foreign branch or affiliate and such other information with respect to such branch or affiliate as the Company may reasonably request, and (iii) the exercise of such option, as of the time of such exercise, shall not materially increase the amounts which would have been payable by the Company to such Bank under this Agreement. Revolving Credit Loans of more than one interest rate option may be outstanding at the same time; provided, however, that, unless the Administrative Agent and the Company shall otherwise agree, the Company shall not be entitled to request any Revolving Credit Loan or Competitive Loan which, if made, would result in an aggregate of more than ten separate Revolving Credit Loans of any Bank and ten separate Competitive Loans being outstanding hereunder at any one time. For purposes of the foregoing, Revolving Credit Loans having different Interest Periods, regardless of whether they commence on the same date, and Revolving Credit Loans having different interest rate options, shall be considered separate Loans.

(c) Subject to Section 2.05 hereof, each Bank shall make available its portion, as appropriate, of each Competitive Borrowing and Revolving Credit Borrowing on the proposed Borrowing Date thereof by paying the amount required to the Administrative Agent in New York, New York, in Dollars, in immediately available funds not later than 11:00 a.m. (or 12:00 noon in the case of Alternate Base Rate Loans or Fixed Rate Loans), New York City time, and the Administrative Agent shall by 1:00 p.m., New York City time, credit the amounts so received (or, subject to Section 2.03(d) hereof, its own funds but, in either case, in Dollars in immediately available funds) to such account of the Company as it shall designate in writing to the Administrative Agent or, if Loans are not made on such date because any condition precedent to a Borrowing herein specified shall not have been met, promptly return the amounts so received to the respective Banks.

(d) Unless the Administrative Agent shall have been notified by a Bank prior to the Borrowing Date of any Loan that such Bank does not intend to make available to the Administrative Agent such Bank's portion of the Loan to be made on such Borrowing Date, the Administrative Agent may assume that such Bank has made such proceeds available to the Administrative Agent on such date, and the Administrative Agent may in reliance upon such assumption (but shall not be required to) make available to the Company a corresponding amount. If, and only if, such notice is not given and such corresponding amount is not in fact made available to the Administrative Agent by such Bank, the Administrative Agent shall be entitled to recover such amount on demand from such Bank (or, if such Bank fails to pay such amount forthwith upon such demand, from the Company) together with interest thereon in respect of each day during the period commencing on the date such amount was made available to the Company and ending on (but excluding) the date the Administrative Agent recovers such amount at a rate per annum equal to (i) in the case of such Bank, the Federal Funds Effective Rate and (ii) in the case of the Company, the applicable Interest Rate in respect of such Loan.

SECTION 2.04. Repayment of Loans; Evidence of Debt. (a) The Company hereby unconditionally promises to pay to the Administrative Agent for the account of each Bank the then unpaid principal amount of each Revolving Credit Loan and each Competitive Loan on the last day of the Interest Period applicable to such Loan or on any earlier date that shall be specified herein. Notwithstanding the foregoing, the unpaid principal amount of each Revolving Credit Loan and each Competitive Loan shall be due and payable in full on the Maturity Date.

(b) Each Bank shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Company to such Bank resulting from each Loan made by such Bank, including the amounts of principal and interest payable and paid to such Bank from time to time hereunder.

(c) The Administrative Agent shall maintain accounts in which it shall record (i) the amount of each Loan made hereunder, (ii) whether each such Loan is a Revolving Credit Loan or a Competitive Loan, (iii) the Interest Rate applicable to each such Loan, (iv) the Interest Period applicable to each such Loan, (v) the amount of any principal or interest due and payable or to become due and payable from the Company to each Bank hereunder and (vi) the amount of any sum received by the Administrative Agent hereunder for the account of the Banks and each Bank's share thereof.

(d) The failure of any Bank or the Administrative Agent to maintain the accounts referred to in Section 2.04(b) or Section 2.04(c) hereof or any error therein shall not in any manner affect the obligation of the Company to repay the Loans or to pay interest thereon in accordance with the terms of this Agreement.

(e) Any Bank may request that Loans made by it be evidenced by a promissory note. In such event, the Company shall prepare, execute and deliver to such Bank a promissory note payable to the order of such Bank (or, if requested by such Bank, to such Bank and its registered assigns) and in a form approved by the Administrative Agent. Thereafter, the Loans evidenced by such promissory note and interest thereon shall at all times be represented by one or more promissory notes in such form payable to the order of the payee named therein (or, if such promissory note is a registered note, to such payee and its registered assigns). Any assignment of such promissory note shall be made in accordance with the provisions of Section 10.06 hereof.

SECTION 2.05. Refinancings. (a) Prior to the Termination Date, the Company may refinance all or any part of any Loan with a Loan or Loans of the same or a different type made pursuant to Section 2.01 or Section 2.02 hereof; provided, however, that the aggregate principal amount of the new Borrowing shall not exceed the aggregate principal amount of the Loans being refinanced on the date of such Borrowing. Any Loan or part thereof so refinanced shall be deemed to be repaid in accordance with Section 2.04 hereof with the proceeds of a new Borrowing hereunder; provided, however, that with respect to any new Borrowing which results in any Bank extending a Loan in a different principal amount than such Bank extended in the Loan being refinanced (e.g., the refinancing of a Revolving Credit Loan with a Competitive Loan), (i) if the principal amount extended by a Bank in a refinancing is greater than the principal amount extended by such Bank in the Borrowing being refinanced, such Bank shall pay such difference to the Administrative Agent for distribution to the Banks described in (ii) below, and (ii) if the principal amount extended by a Bank in the Borrowing being refinanced is greater than the principal amount being extended by such Bank in the refinancing, the Administrative Agent shall return the difference to such Bank out of amounts received pursuant to (i) above. If the Company shall not have repaid any Revolving Credit Loan on the last day of the Interest Period with respect thereto and shall not have given notice with respect to the refinancing of such Loan in accordance with the applicable provisions of Section 2.01 or Section 2.02 hereof, as appropriate, it shall be deemed to have elected to refinance such Loan with a Revolving Credit Loan which is an Alternate Base Rate Loan to be made on the last day of the Interest Period of the Loan so refinanced.

(b) On or after the Termination Date and prior to the Maturity Date, the Company may refinance all or any part of any Revolving Credit Loan with a Revolving Credit Loan or Loans of the same or a different type made pursuant to Section 2.01 hereof; provided, however, that the aggregate principal amount of the new Borrowing shall not exceed the aggregate principal amount of the Loans being refinanced on the date of such Borrowing. Any Loan or part thereof so refinanced shall be deemed to be repaid in accordance with Section 2.04 hereof with the proceeds of a new Borrowing hereunder. If the Company shall not have repaid any Revolving Credit Loan on the last day of the Interest Period with respect thereto and shall not have given notice with respect to the refinancing of such Loan in accordance with the applicable provisions of Section 2.01 hereof, it shall be deemed to have elected to refinance such Loan with a Revolving Credit Loan which is an Alternate Base Rate Loan to be made on the last day of the Interest Period of the Loan so refinanced.

SECTION 2.06. Facility Fee. The Company agrees to pay to each Bank, through the Administrative Agent, on each March 31, June 30, September 30 and December 31 (the first such payment to be made on December 31, 1997) and on the Maturity Date, in immediately available funds, a facility fee (a "Facility Fee") at a rate per annum equal to the Applicable Facility Fee Percentage from time to time in effect on the average daily amount of (a) prior to the Termination Date, the Revolving Credit Commitment of such Bank, whether used or unused, and (b) on and after the Termination Date, the outstanding Loans of such Bank, in each case during the Calendar Quarter (or shorter period beginning on the Effective Date or ending on the Maturity Date, as the case may be) then ended; provided, however, that the amount payable by the Company under this paragraph shall be reduced by any amounts paid on account of the Facility Fees pursuant to Section 4.01 hereof. All Facility Fees shall be computed on the basis of the actual number of days elapsed in a year of 365 or 366 days, as the case may be, and shall commence to accrue on the Effective Date.

SECTION 2.07. Reserve Requirements; Change in Circumstances. (a) If after the date of this Agreement any change in applicable law or regulation or in the interpretation or administration thereof by any governmental authority charged with the interpretation or administration thereof (whether or not having the force of law but with respect to which similarly situated banks generally comply) (any such change, an "Increased Cost Change") (i) shall change the basis of taxation of payments to any Bank of the principal of or interest on any Eurodollar Loan or Fixed Rate Loan made by such Bank or any other fees or amounts payable hereunder (other than (x) taxes imposed on the overall net income of such Bank by the jurisdiction in which such Bank has its principal or lending office or by any political subdivision or taxing authority therein (or any tax which is enacted or adopted by such jurisdiction, political subdivision or taxing authority as a direct substitute for any such taxes) or (y) any tax, assessment, or other governmental charge that would not have been imposed but for the failure of any Bank to comply with any certification, information, documentation, or other reporting requirement), or (ii) shall impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, such Bank or (iii) shall impose on such Bank or on the London Interbank Market any other condition affecting this Agreement or any Eurodollar Loan made by such Bank, and the result of any of the foregoing shall be to increase the cost to such Bank of making or maintaining any Eurodollar Loan or to reduce the amount of any sum received or receivable by such Bank hereunder (whether of principal, interest or otherwise) in respect thereof by an amount deemed in good faith by such Bank to be material, then, subject to Section 2.07(d) hereof, such additional amount or amounts as will compensate such Bank for such increase or reduction will be paid by the Company to such Bank as provided in Section 2.07(c) hereof. Any such amount determined pursuant to this Section 2.07(a) shall be computed on the basis of the net effect of any Increased Cost Changes incurred by such Bank from time to time after the Effective Date of this Agreement.

(b) If any Bank shall have determined in good faith that the adoption or issuance, after the date of this Agreement, of any applicable law, rule, regulation, guideline, request or directive regarding capital adequacy (whether or not having the force of law but with respect to which similarly situated banks generally comply) (a "Capital Adequacy Rule"), or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof (any such adoption, issuance or change of a Capital Adequacy Rule being called a "Capital Adequacy Change"), or compliance therewith by any Bank (or any lending office of such Bank), has the net effect of reducing the rate of return on such Bank's capital as a consequence of its commitment to make, or the making or maintaining of, any Loans hereunder to a level below that which such Bank would have achieved but for such adoption, change or compliance (taking into consideration such Bank's policies with respect to capital adequacy and any Capital Adequacy Rule in effect as of the date of this Agreement) by an amount deemed by such Bank to be material, then from time to time the Company shall, subject to Section 2.07(d) hereof, pay to such Bank such additional amount or amounts as will compensate such Bank for such reduction as provided in Section 2.07(c) hereof; provided, however, that to the extent (i) a Bank shall increase its level of capital above the level maintained by such Bank on the date of this Agreement and there has not been a Capital Adequacy Change, or (ii) there has been a Capital Adequacy Change and a Bank shall increase its level of capital by an amount greater than the increase attributable (taking into consideration the same variables taken into consideration in determining the level of capital maintained by such Bank on the date of this Agreement) to such Capital Adequacy Change, the Company shall not be required to pay any amount or amounts

under this Agreement with respect to any such increase in capital. Thus, for example, a Bank which is "adequately capitalized" (as such term or any similar term is used by any applicable bank regulatory agency having authority with respect to such Bank) may not require the Company to make payments in respect of increases in such Bank's level of capital made under the circumstances described in clause (i) or (ii) above which improve its capital position from "adequately capitalized" to "well capitalized" (as such term or any similar term is used by any applicable bank regulatory agency having authority with respect to such Bank).

(c) A certificate of each Bank setting forth such amount or amounts as shall be necessary to compensate such Bank (or Participant pursuant to Section 10.06(b) hereof) as specified in paragraph (a) or (b) of this Section 2.07, as the case may be, shall be delivered to the Company at the end of each Calendar Quarter during which such Bank is an Affected Bank and upon the taking by the Company in respect of such Bank of one of the actions described in paragraph (e)(ii) or (e)(iv) of this Section 2.07 and shall, if submitted in good faith, be conclusive absent manifest error; provided that any certificate delivered by a Bank pursuant to this Section 2.07(c) shall (i) in the case of a certificate in respect of amounts payable pursuant to paragraph (a) of this Section 2.07, set forth in reasonable detail the basis for and the calculation of such amounts, and (ii) in the case of a certificate in respect of amounts payable pursuant to paragraph (b) of this Section 2.07, (A) set forth at least the same amount of detail in respect of the calculation of such amount as such Bank provides in similar circumstances to other similarly situated borrowers from such Bank, and (B) include a statement by such Bank that it has allocated to its Revolving Credit Commitment or outstanding Loans a proportionately equal amount of any reduction of the rate of return on such Bank's capital due to a Capital Adequacy Rule as it has allocated to each of its other commitments to lend or to each of its other outstanding loans that are affected similarly by such Capital Adequacy Rule. The Company shall pay each Bank the amount shown as due on any such certificate upon the earlier of (i) the date on which the Company takes one of the actions in respect of any such Bank described in paragraph (e)(ii) or (e)(iv) of this Section 2.07 and (ii) 30 days after receipt by the Company of such certificate.

(d) Subject to the following provisions of this Section 2.07(d), failure on the part of any Bank to demand compensation for any amounts payable pursuant to paragraphs (a) or (b) of this Section 2.07 with respect to any Interest Period shall not constitute a waiver of such Bank's rights to demand compensation for any such amounts with respect to any other Interest Period. In the case of any Increased Cost Change which is given retroactive effect to a date prior to the adoption thereof, a Bank shall be entitled to seek compensation in respect thereof pursuant to paragraph (a) of this Section 2.07 for the period commencing on such retroactive effective date and ending on the date on which the Company takes one of the actions in respect of such Bank described in paragraph (e)(ii) or (e)(iv) of this Section 2.07; provided, however, that (i) if such Bank shall fail to notify the Company within 30 days after the date of official promulgation of such Increased Cost Change that it will demand such compensation, the period for which such Bank shall be entitled to seek compensation in respect thereof shall commence on the date which is 30 days prior to such Bank's notice that it will demand compensation, and (ii) if any Increased Cost Change is given retroactive effect to a date which is more than three months prior to the date of adoption thereof, the Company's liability to pay compensation to such Bank in respect thereof for any period prior to the date which is three months prior to the adoption thereof shall, subject to the foregoing clause (i) of this proviso, be equal to 50% of the amount required to compensate such Bank in respect of such Increased Cost Change with respect to such period. In the case of any Increased

Cost Change which is given only prospective effect, a Bank shall be entitled to seek compensation in respect thereof pursuant to paragraph (a) of this Section 2.07 for the period commencing on the later of (A) the date on which such Increased Cost Change becomes effective and (B) the date 30 days prior to the notice by such Bank that it will demand such compensation, and ending on the date on which the Company takes one of the actions in respect of such Bank described in paragraph (e)(ii) or (e)(iv) of this Section 2.07. In the case of any Capital Adequacy Change, a Bank shall be entitled to seek compensation in respect thereof pursuant to paragraph (b) of this Section 2.07 only with respect to costs or reductions commencing on the later of (A) the date on which such Capital Adequacy Rule becomes effective and (B) the date 45 days prior to the notice by such Bank that it will demand such compensation, and ending on the date on which the Company takes one of the actions in respect of such Bank described in paragraph (e)(ii) or (e)(iv) of this Section 2.07.

(e) In the event that any Affected Bank shall have given notice that it is entitled to claim compensation pursuant to this Section 2.07, the Company may exercise any one or more of the following options:

(i) If any such claim for compensation relates to Loans then being requested by the Company pursuant to a notice of Borrowing as provided in this Article II (or, in the case of claims for compensation pursuant to paragraph (g) of this Section 2.07, any such claim relates to Loans outstanding during the Interest Period most recently ended and the Company has requested Eurodollar Loans pursuant to such a notice of Borrowing), the Company may, not later than 12:00 noon, New York City time, on the day which is three (3) Business Days prior to the date on which the requested Loans were to have been made, in the case of Eurodollar Loans, or not later than 9:00 a.m., New York City time, on the date on which the requested Loans were to have been made, in the case of Fixed Rate Loans or Alternate Base Rate Loans, by giving notice (by telephone (confirmed in writing promptly thereafter) or telecopier) to the Administrative Agent (which notice the Administrative Agent shall transmit to each of the Banks otherwise required to participate in the requested Loans as soon as practicable thereafter) irrevocably withdraw such notice of Borrowing.

(ii) The Company may request one or more of the non-Affected Banks to take over all (but not part) of each or any Affected Bank's then outstanding Loan(s) and to assume all (but not part) of each or any Affected Bank's Revolving Credit Commitment and obligations hereunder. If one or more Banks shall so agree in writing (in this Section 2.07(e)(ii), in Section 2.11(c)(i) hereof, in Section 2.12(i) hereof, in Section 2.13(i) hereof and in Section 4.03(b)(ii) hereof, collectively called the "Assenting Banks" and individually called an "Assenting Bank") with respect to an Affected Bank, (x) the Revolving Credit Commitment of each Assenting Bank and the obligations of such Assenting Bank under this Agreement shall be increased by its respective Allocable Share of the Revolving Credit Commitment and of the obligations of such Affected Bank under this Agreement, and (y) each Assenting Bank shall make Loans to the Company, according to such Assenting Bank's respective Allocable Share, in an aggregate principal amount equal to the outstanding principal amount of the Loan(s) of such Affected Bank, on a date mutually acceptable to the Assenting Banks and the Company. The proceeds of such Loans, together with funds of the Company, shall be used to prepay the Loan(s) of such Affected Bank, together with all interest accrued thereon and all other amounts owing to such Affected Bank

hereunder (including any amounts payable pursuant to Section 3.04 hereof in connection with such prepayment), and, upon such assumption by the Assenting Bank and prepayment by the Company, such Affected Bank shall cease to be a "Bank" for purposes of this Agreement and shall no longer have any obligations hereunder (except as provided in Section 2.11(b), Section 10.02 and Section 10.07 hereof).

(iii) Upon notice (by telephone (confirmed in writing promptly thereafter) or telecopier) to the Administrative Agent (which shall advise each Bank thereof as soon as practicable thereafter), the Company may terminate the obligations of the Banks to make or maintain Loans which result in the Affected Banks making a demand for compensation pursuant to this Section 2.07 and, in such event, the Company shall refinance all such Loans with Loans which, at the time of such refinancing, would not result in such Banks making such demand for compensation, such refinancing to be conducted in the manner contemplated by and pursuant to Section 2.05 or Section 4.02 hereof.

(iv) (A) The Company may designate one or more Replacement Lenders mutually acceptable to the Company and the Administrative Agent (whose consent shall not be unreasonably withheld) to assume the Revolving Credit Commitment and the obligations of any such Affected Bank hereunder, and to purchase the outstanding Loans of such Affected Bank and such Affected Bank's rights hereunder and with respect thereto, without recourse upon, or warranty by, or expense to, such Affected Bank, for a purchase price equal to the outstanding principal amount of the Loan(s) of such Affected Bank plus all interest accrued and unpaid thereon and all other amounts owing to such Affected Bank hereunder (including the amount which would be payable to such Affected Bank pursuant to Section 3.04 hereof if the purchase of its Loans constituted a prepayment thereof contemplated by clause (ii) of the first sentence of Section 3.04 hereof), and upon such assumption and purchase by the Replacement Lenders, each such Replacement Lender shall be deemed to be a "Bank" for purposes of this Agreement and such Affected Bank shall cease to be a "Bank" for purposes of this Agreement and shall no longer have any obligations hereunder (except as provided in Section 2.11(b), Section 10.02 and Section 10.07 hereof).

(B) As an alternative, the Company may designate one or more Replacement Lenders mutually acceptable to the Company and the Administrative Agent (whose consent shall not be unreasonably withheld) which shall upon a date mutually agreed upon by the Company and such Replacement Lenders assume the Revolving Credit Commitment and the obligations of such Affected Bank under this Agreement and shall upon such date make Loans to the Company in an aggregate principal amount equal to the outstanding principal amount of the Loan(s) of such Affected Bank. The proceeds of such Loans, together with funds of the Company, shall be used to prepay the Loan(s) of such Affected Bank, together with all interest accrued thereon and all other amounts owing to such Affected Bank hereunder (including any amounts payable pursuant to Section 3.04 hereof in connection with such prepayment), and, upon such Replacement Lenders making such Loans and such prepayment by the Company, such Replacement Lenders shall be deemed to be "Banks" for purposes of this Agreement and such Affected Bank shall cease to be a "Bank" for purposes of this Agreement and shall no longer have any obligations hereunder (except as provided in Section 2.11(b), Section 10.02 and Section 10.07 hereof). Each such

Replacement Lender shall execute and deliver to the Administrative Agent such documentation to evidence its status as a "Bank" hereunder as shall be mutually acceptable to the Company and the Administrative Agent. The effectiveness of each Replacement Lender's Revolving Credit Commitment, the making of such Loans by such Replacement Lenders and the prepayment by the Company of the Loan(s) of such Affected Bank shall be deemed to have occurred simultaneously for all purposes hereof.

(f) If in respect of any Interest Period for a Eurodollar Loan made by a Bank under Section 2.01 hereof such Bank shall be required to maintain reserves against "Eurocurrency liabilities" under Regulation D, the Company shall pay to such Bank in accordance with this Section 2.07(f) an additional amount representing such Bank's actual costs, if any, incurred during such Interest Period as a result of the applicability of the foregoing reserves to such Eurodollar Loan, which amount (i) shall be based on the effective rate at which such reserve requirements are imposed on such Bank for such Interest Period, (ii) shall be allocated to the Company in no proportionately greater amount than such Bank would allocate such costs to its other borrowers of Eurodollars to which such costs are applicable if the provisions of this Section 2.07(f) applied to all such borrowers, and (iii) in any event shall not exceed the product of the following for each day of such Interest Period:

(A) the principal amount of the Eurodollar Loan outstanding on such day made by such Bank to which such Interest Period relates; and

(B) a percentage equal to (x) the result obtained by dividing the Eurodollar Rate applicable to such Eurodollar Loan by the number one minus the maximum rate (expressed as a decimal) at which such reserve requirements are imposed by the Board on such date, minus (y) the Eurodollar Rate applicable to such Eurodollar Loan; and

(C) a fraction the numerator of which is one and the denominator of which is 360.

To be entitled to compensation pursuant to this Section 2.07(f) in respect of any Interest Period, such Bank must notify the Company of its demand for such compensation within 30 days after the end of such Interest Period. A certificate of such Bank setting forth in reasonable detail the basis for and the calculation of such amount necessary to compensate such Bank pursuant to this Section 2.07(f) shall be delivered to the Company with such notice and shall be conclusive absent manifest error. In no event shall the Company be obligated to make any payment to any Bank pursuant to this Section 2.07(f) if such payment would result in a duplication of payments pursuant to this Section 2.07(f) and any other provision of this Section 2.07.

(g) In the event that any Affected Bank shall have given notice that it is entitled to claim compensation pursuant to paragraph (f) of this Section 2.07, the Company may exercise any one or more of the options set forth in Section 2.07(e) hereof.

(h) In the event that the Company shall take any of the actions contemplated by Section 2.07(e)(ii) or Section 2.07(e)(iv) hereof, Schedule I and Schedule II hereto shall be deemed amended to reflect the addition of any Replacement Lender and any increases or decreases in the Revolving Credit Commitments of the Affected Banks and the Assenting Banks, as the case may be.

SECTION 2.08. Pro Rata Treatment. Except as permitted under Section 2.05, Section 2.07, Section 2.11, Section 2.12 and Section 4.03 hereof, (i) each payment by the Company on account of any fees pursuant to Section 2.06 hereof shall be made pro rata in accordance with the respective amounts due and owing, (ii) each payment by the Company on account of principal of and interest on the Loans shall be made pro rata according to the respective amounts due and owing, and (iii) each prepayment on account of principal of the Loans shall be applied to the Revolving Credit Loans and the Competitive Loans, as directed by the Company, pro rata according to the respective amounts outstanding.

SECTION 2.09. Payments. Except for payments made directly to a Bank or Banks under other provisions of this Agreement, the Company shall make each payment hereunder and under any instrument delivered hereunder not later than 12:00 noon (New York City time) on the day when due, in Dollars, to the Administrative Agent at its offices at One Liberty Plaza, New York, New York 10006, for the account of the Banks, in immediately available funds. The Administrative Agent shall promptly distribute to each Bank its proper share of each payment so received.

SECTION 2.10. Payments on Business Days. Whenever any payment to be made hereunder shall be due on a day which is not a Business Day, then such payment shall be made on the next succeeding Business Day (unless, with respect to a payment relating to a Eurodollar Loan, such day would fall in another calendar month, in which event payment shall be made on the next preceding Business Day).

SECTION 2.11. Net Payments. (a) All payments under this Agreement shall be made without setoff or counterclaim and in such amounts as may be necessary in order that all such payments (after deduction or withholding for or on account of any present or future taxes, levies, imposts, duties or other charges of whatsoever nature imposed by any government or any political subdivision or taxing authority thereof (herein collectively called the "Taxes") other than any Taxes on or measured by the net income, net worth or shareholders' capital of a Bank or a Participant pursuant to the income tax laws of the jurisdiction where such Bank's principal or lending office is located or where such Participant's principal or participating office is located) shall not be less than the amounts otherwise specified to be paid under this Agreement; provided that if any Bank or any Participant fails to comply with the applicable provisions of Section 10.06(g) hereof or paragraph (b) of this Section 2.11, as the case may be, then, all such payments to such Bank or to any Bank which has sold a participation pursuant to Section 10.06(b) hereof shall be net of any amounts the Company is required to withhold under applicable law. For a Bank to be entitled to compensation pursuant to this Section 2.11 (i) in the case of compensation for United States Federal income or withholding Taxes in respect of any Interest Period, such Bank must notify the Company within 30 days after the end of such Interest Period and (ii) in the case of compensation for any United States Tax other than a United States Federal income or withholding Tax in respect of any Interest Period, such Bank must notify the Company within 30 days after such Bank receives a written claim for such Tax from any government, political subdivision or taxing authority with respect to such Interest Period. A certificate as to any additional amounts payable to any Bank under this Section 2.11 submitted to the Company by such Bank shall show in reasonable detail the amount payable and the calculations used to determine such amount and shall be conclusive and binding upon the parties hereto, in the absence of manifest error. With respect to each deduction or withholding for or on account of any Taxes, the Company shall promptly (and in any event not later than 45 days thereafter) furnish to each Bank such certificates, receipts and

other documents as may be required (in the reasonable judgment of such Bank) to establish any tax credit to which such Bank may be entitled.

(b) Each Bank that is not incorporated under the laws of the United States or any State thereof agrees to file with the Administrative Agent and the Company, in duplicate, (i) on or before the later of (A) the Effective Date and (B) the date such Bank becomes a Bank under this Agreement and (ii) thereafter, for each taxable year of such Bank (in the case of a Form 4224) or for each third taxable year of such Bank (in the case of any other form) during which interest or fees arising under this Agreement are received, unless not legally able to do so as a result of a change in United States income tax law enacted, or treaty promulgated, after the date specified in the preceding clause (i), on or prior to the immediately following due date of any payment by the Company hereunder (or at any other time as required under United States income tax law), a properly completed and executed copy of either Internal Revenue Service Form 4224 or Internal Revenue Service Form 1001 and Internal Revenue Service Form W-8 or Internal Revenue Service Form W-9 and any additional form necessary for claiming complete exemption from United States withholding taxes (or such other form as is required to claim complete exemption from United States withholding taxes), if and as provided by the Code, regulations or other pronouncements of the United States Internal Revenue Service, and the Bank warrants to the Company that the form so filed will be true and complete; provided that such Bank's failure to complete and execute such Form 4224 or Form 1001, or Form W-8 or Form W-9, as the case may be, and any such additional form (or any successor form or forms) shall not relieve the Company of any of its obligations under this Agreement, except as otherwise provided in this Section 2.11. In the event that the Company is required, or has been notified by the relevant taxing authority that it will be required, to either withhold or make payment of Taxes with respect to any payments to be made by the Company under this Agreement to any transferor Bank and such requirement or notice arises as a result of the sale of a participation by such transferor Bank pursuant to Section 10.06(b) hereof, such transferor Bank shall, upon request by the Company, accompanied by a certificate setting forth in reasonable detail the basis for such request, provide to the Company copies of all tax forms required to be provided to such transferor Bank pursuant to Section 10.06(g) hereof by the Participant which purchased such participation. The obligation of each transferor Bank to provide to the Company such tax forms shall survive the termination of this Agreement or, if earlier, the termination of the Revolving Credit Commitment of such transferor Bank.

(c) In the event that any Affected Bank shall have given notice that it is entitled to claim compensation pursuant to this Section 2.11, the Company may at any time thereafter exercise any one or more of the following options:

(i) The Company may request one or more of the non-Affected Banks to take over all (but not part) of each or any Affected Bank's then outstanding Loan(s) and to assume all (but not part) of each or any Affected Bank's Revolving Credit Commitment and obligations hereunder. If one or more Banks shall so agree in writing with respect to an Affected Bank, (x) the Revolving Credit Commitment of each Assenting Bank and the obligations of such Assenting Bank under this Agreement shall be increased by its respective Allocable Share of the Revolving Credit Commitment and of the obligations of such Affected Bank under this Agreement, and (y) each Assenting Bank shall make Loans to the Company, according to such Assenting Bank's respective Allocable Share, in an aggregate principal amount equal to the outstanding principal amount of the Loan(s) of such Affected Bank, on a date mutually acceptable to the Assenting

Banks and the Company. The proceeds of such Loans, together with funds of the Company, shall be used to prepay the Loan(s) of such Affected Bank, together with all interest accrued thereon, and all other amounts owing to such Affected Bank hereunder (including any amounts payable pursuant to Section 3.04 hereof in connection with such prepayment), and, upon such assumption by the Assenting Banks and prepayment by the Company, such Affected Bank shall cease to be a "Bank" for purposes of this Agreement and shall no longer have any obligations hereunder (except as provided in Section 2.11(b), Section 10.02 and Section 10.07 hereof).

(ii) (A) The Company may designate one or more Replacement Lenders mutually acceptable to the Company and the Administrative Agent (whose consent shall not be unreasonably withheld) to assume the Revolving Credit Commitment and the obligations of any such Affected Bank hereunder, and to purchase the outstanding Loans of such Affected Bank and such Affected Bank's rights hereunder and with respect thereto, without recourse upon, or warranty by, or expense to, such Affected Bank, for a purchase price equal to the outstanding principal amount of the Loan(s) of such Affected Bank plus all interest accrued thereon and all other amounts owing to such Affected Bank hereunder (including the amount which would be payable to such Affected Bank pursuant to Section 3.04 hereof if the purchase of its Loans constituted a prepayment thereof contemplated by clause (ii) of the first sentence of Section 3.04 hereof), and upon such assumption and purchase by the Replacement Lenders, each such Replacement Lender shall be declared to be a "Bank" for purposes of this Agreement and such Affected Bank shall cease to be a "Bank" for purposes of this Agreement and shall no longer have any obligations hereunder (except as provided in Section 2.11(b), Section 10.02 and Section 10.07 hereof).

(B) As an alternative, the Company may designate one or more Replacement Lenders mutually acceptable to the Company and the Administrative Agent (whose consent shall not be unreasonably withheld) which shall upon a date mutually agreed upon by the Company and such Replacement Lenders assume the Revolving Credit Commitment and the obligations of such Affected Bank under this Agreement and shall upon such date make Loans to the Company in an aggregate principal amount equal to the outstanding principal amount of the Loan(s) of such Affected Bank. The proceeds of such Loans, together with funds of the Company, shall be used to prepay the Loan(s) of such Affected Bank, together with all interest accrued thereon and all other amounts owing to such Affected Bank hereunder (including any amounts payable pursuant to Section 3.04 hereof in connection with such prepayment), and, upon such Replacement Lenders making such Loans and such prepayment by the Company, such Replacement Lenders shall be deemed to be "Banks" for purposes of this Agreement and such Affected Bank shall cease to be a "Bank" for purposes of this Agreement and shall no longer have any obligations hereunder (except as provided in Section 2.11(b), Section 10.02 and Section 10.07 hereof). Each such Replacement Lender shall execute and deliver to the Administrative Agent such documentation to evidence its status as a "Bank" hereunder as shall be mutually acceptable to the Company and the Administrative Agent. The effectiveness of each Replacement Lender's Revolving Credit Commitment, the making of such Loans by such Replacement Lenders and the prepayment by the Company of the Loan(s) of such Affected Bank shall be deemed to have occurred simultaneously for all purposes hereof.

(iii) If any such claim for compensation relates to Loans then being requested by the Company pursuant to a notice of Borrowing as provided in Article II hereof, the Company may, not later than 12:00 noon, New York City time, on the day which is three (3) Business Days prior to the date on which the requested Loans were to have been made, in the case of Eurodollar Loans, or not later than 9:00 a.m., New York City time, on the date on which the requested Loans were to have been made, in the case of Fixed Rate Loans or Alternate Base Rate Loans, by giving notice (by telephone (confirmed in writing promptly thereafter) or telecopier) to the Administrative Agent (which notice the Administrative Agent shall transmit to each of the Banks otherwise required to participate in the requested Loans as soon as practicable thereafter) irrevocably withdraw such notice of Borrowing.

(d) In the event the Company shall take any of the actions contemplated by Section 2.11(c)(i) or Section 2.11(c)(ii) hereof, Schedule I and Schedule II hereto shall be deemed amended to reflect the addition of any Replacement Lender and any increases or decreases in the Revolving Credit Commitments of the Affected Banks and the Assenting Banks, as the case may be.

SECTION 2.12. Failed and Credit-Impaired Banks. If (a) a Bank shall be adjudged bankrupt or insolvent, or if a receiver of a Bank or of its property shall be appointed, or if any public officer shall take charge or control of a Bank or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, or if a Bank shall default in respect of its obligation to make Loans hereunder, (b) any of Moody's, S&P or Thomson Bankwatch, Inc. shall assign a rating to a Bank or its senior, unsecured, non-credit-enhanced, long-term indebtedness for borrowed money which shall be classified by such rating agency as below investment grade, or, in the case of Thomson Bankwatch, Inc., such rating shall be below C/D, or (c) the Company shall deliver to the Administrative Agent a notice stating that, as to any Bank which has senior, unsecured, non-credit-enhanced, long-term indebtedness for borrowed money which is not rated by any of the rating agencies referred to in the preceding clause (b), that it reasonably believes such Bank will become subject to any of the events referred to in clause (a) above or become unable to perform its obligations as a Bank hereunder, then the Company may at any time thereafter, subject to applicable law, exercise any one or more of the following options:

(i) The Company may request one or more of the non-Affected Banks to take over all (but not part) of each or any Affected Bank's then outstanding Loan(s) and to assume all (but not part) of each or any Affected Bank's Revolving Credit Commitment and obligations hereunder. If one or more Banks shall so agree in writing with respect to an Affected Bank, (x) the Revolving Credit Commitment of each Assenting Bank and the obligations of such Assenting Bank under this Agreement shall be increased by its respective Allocable Share of the Revolving Credit Commitment and of the obligations of such Affected Bank under this Agreement, and (y) each Assenting Bank shall make Loans to the Company, according to such Assenting Bank's respective Allocable Share, in an aggregate principal amount equal to the outstanding principal amount of the Loan(s) of such Affected Bank, on a date mutually acceptable to the Assenting Banks and the Company. The proceeds of such Loans, together with funds of the Company, shall be used to prepay the Loan(s) of such Affected Bank, together with all interest accrued thereon and all other amounts owing to such Affected Bank hereunder (excluding, in the case of an event referred to in clause (a) of

Section 2.12, any amounts payable pursuant to Section 3.04 hereof in connection with such prepayment), and, upon such assumption by the Assenting Bank and prepayment by the Company, such Affected Bank shall cease to be a "Bank" for purposes of this Agreement and shall no longer have any obligations hereunder (except as provided in Section 2.11(b), Section 10.02 and Section 10.07 hereof).

(ii) (A) The Company may designate one or more Replacement Lenders mutually acceptable to the Company and the Administrative Agent (whose consent shall not be unreasonably withheld) to assume the Revolving Credit Commitment and the obligations of any such Affected Bank hereunder, and to purchase the outstanding Loans of such Affected Bank and such Affected Bank's rights hereunder and with respect thereto, without recourse upon, or warranty by, or expense to, such Affected Bank, for a purchase price equal to the outstanding principal amount of the Loan(s) of such Affected Bank plus all interest accrued and unpaid thereon and all other amounts owing to such Affected Bank hereunder (including the amount which would be payable to such Affected Bank pursuant to Section 3.04 hereof if the purchase of its Loans constituted a prepayment thereof contemplated by clause (ii) of the first sentence of Section 3.04 hereof), and upon such assumption and purchase by the Replacement Lenders, each such Replacement Lender shall be deemed to be a "Bank" for purposes of this Agreement and such Affected Bank shall cease to be a "Bank" for purposes of this Agreement and shall no longer have any obligations hereunder (except as provided in Section 2.11(b), Section 10.02 and Section 10.07 hereof).

(B) As an alternative, the Company may designate one or more Replacement Lenders mutually acceptable to the Company and the Administrative Agent (whose consent shall not be unreasonably withheld) which shall upon a date mutually agreed upon by the Company and such Replacement Lenders assume the Revolving Credit Commitment and the obligations of such Affected Bank under this Agreement and shall upon such date make Loans to the Company in an aggregate principal amount equal to the outstanding principal amount of the Loan(s) of such Affected Bank. The proceeds of such Loans, together with funds of the Company, shall be used to prepay the Loan(s) of such Affected Bank, together with all interest accrued thereon and all other amounts owing to such Affected Bank hereunder (including any amounts payable pursuant to Section 3.04 hereof in connection with such prepayment), and, upon such Replacement Lenders making such Loans and such prepayment by the Company, such Replacement Lenders shall be deemed to be "Banks" for purposes of this Agreement and such Affected Bank shall cease to be a "Bank" for purposes of this Agreement and shall no longer have any obligations hereunder (except as provided in Section 2.11(b), Section 10.02 and Section 10.07 hereof). Each such Replacement Lender shall execute and deliver to the Administrative Agent such documentation to evidence its status as a "Bank" hereunder as shall be mutually acceptable to the Company and the Administrative Agent. The effectiveness of each Replacement Lender's Revolving Credit Commitment, the making of such Loans by such Replacement Lenders and the prepayment by the Company of the Loan(s) of such Affected Bank shall be deemed to have occurred simultaneously for all purposes hereof.

In the event the Company shall take any of the actions contemplated by Section 2.12(i) or Section 2.12(ii) hereof, Schedule I and Schedule II hereto shall be deemed amended to reflect the addition of any Replacement Lender and any increases or

decreases in the Revolving Credit Commitments of the Affected Banks and the Assenting Banks, as the case may be.

SECTION 2.13. Replacement of Non-Continuing Banks. If a Bank shall withhold consent to an extension of the Termination Date requested in accordance with Section 4.01(c)(ii) hereof, then the Company may at any time thereafter, subject to applicable law, exercise any one or more of the following options:

(i) The Company may request one or more of the non-Affected Banks to take over all (but not part) of each or any Affected Bank's then outstanding Loan(s) and to assume all (but not part) of each or any Affected Bank's Revolving Credit Commitment and obligations hereunder. If one or more Banks shall so agree in writing with respect to an Affected Bank, (x) the Revolving Credit Commitment of each Assenting Bank and the obligations of such Assenting Bank under this Agreement shall be increased by its respective Allocable Share of the Revolving Credit Commitment and of the obligations of such Affected Bank under this Agreement, and (y) each Assenting Bank shall make Loans to the Company, according to such Assenting Bank's respective Allocable Share, in an aggregate principal amount equal to the outstanding principal amount of the Loan(s) of such Affected Bank, on a date mutually acceptable to the Assenting Banks and the Company. The proceeds of such Loans, together with funds of the Company, shall be used to prepay the Loan(s) of such Affected Bank, together with all interest accrued thereon and all other amounts owing to such Affected Bank hereunder and, upon such assumption by the Assenting Bank and prepayment by the Company, such Affected Bank shall cease to be a "Bank" for purposes of this Agreement and shall no longer have any obligations hereunder (except as provided in Section 2.11(b), Section 10.02 and Section 10.07 hereof).

(ii) (A) The Company may designate one or more Replacement Lenders mutually acceptable to the Company and the Administrative Agent (whose consent shall not be unreasonably withheld) to assume the Revolving Credit Commitment and the obligations of any such Affected Bank hereunder, and to purchase the outstanding Loans of such Affected Bank and such Affected Bank's rights hereunder and with respect thereto, without recourse upon, or warranty by, or expense to, such Affected Bank, for a purchase price equal to the outstanding principal amount of the Loan(s) of such Affected Bank plus all interest accrued and unpaid thereon and all other amounts owing to such Affected Bank hereunder (including the amount which would be payable to such Affected Bank pursuant to Section 3.04 hereof if the purchase of its Loans constituted a prepayment thereof contemplated by clause (ii) of the first sentence of Section 3.04 hereof), and upon such assumption and purchase by the Replacement Lenders, each such Replacement Lender shall be deemed to be a "Bank" for purposes of this Agreement and such Affected Bank shall cease to be a "Bank" for purposes of this Agreement and shall no longer have any obligations hereunder (except as provided in Section 2.11(b), Section 10.02 and Section 10.07 hereof).

(B) As an alternative, the Company may designate one or more Replacement Lenders mutually acceptable to the Company and the Administrative Agent (whose consent shall not be unreasonably withheld) which shall upon a date mutually agreed upon by the Company and such Replacement Lenders assume the Revolving Credit Commitment and the obligations of such Affected Bank under this Agreement and shall upon such date make Loans to the Company

in an aggregate principal amount equal to the outstanding principal amount of the Loan(s) of such Affected Bank. The proceeds of such Loans, together with funds of the Company, shall be used to prepay the Loan(s) of such Affected Bank, together with all interest accrued thereon and all other amounts owing to such Affected Bank hereunder (including any amounts payable pursuant to Section 3.04 hereof in connection with such prepayment), and, upon such Replacement Lenders making such Loans and such prepayment by the Company, such Replacement Lenders shall be deemed to be "Banks" for purposes of this Agreement and such Affected Bank shall cease to be a "Bank" for purposes of this Agreement and shall no longer have any obligations hereunder (except as provided in Section 2.11(b), Section 10.02 and Section 10.07 hereof). Each such Replacement Lender shall execute and deliver to the Administrative Agent such documentation to evidence its status as a "Bank" hereunder as shall be mutually acceptable to the Company and the Administrative Agent. The effectiveness of each Replacement Lender's Revolving Credit Commitment, the making of such Loans by such Replacement Lenders and the prepayment by the Company of the Loan(s) of such Affected Bank shall be deemed to have occurred simultaneously for all purposes hereof.

In the event the Company shall take any of the actions contemplated by Section 2.13(i) or Section 2.13(ii) hereof, Schedule I and Schedule II hereto shall be deemed amended to reflect the addition of any Replacement Lender and any increases or decreases in the Revolving Credit Commitments of the Affected Banks and the Assenting Banks, as the case may be.

### ARTICLE III

#### INTEREST PROVISIONS

SECTION 3.01. Interest on Loans. (a) Subject to the provisions of Section 3.02 hereof, each Eurodollar Loan shall bear interest at a rate per annum (computed on the basis of the actual number of days elapsed over a year of 360 days) equal to the Eurodollar Rate for the Interest Period in effect for such Loan plus (i) in the case of each Competitive Loan, the Margin specified by a Bank with respect to such Loan in its Competitive Bid submitted pursuant to Section 2.02(c) hereof, and (ii) in the case of each Revolving Credit Loan, the Applicable Margin. Interest on each Eurodollar Loan shall be payable on each Interest Payment Date applicable thereto.

(b) Subject to the provisions of Section 3.02 hereof, each Alternate Base Rate Loan shall bear interest at a rate per annum (computed on the basis of the actual number of days elapsed (i) over a year of 365 or 366 days, as the case may be, if the Alternate Base Rate is based on the Prime Rate, and (ii) over a year of 360 days if the Alternate Base Rate is based on the Federal Funds Effective Rate) equal to the Alternate Base Rate. Interest on each Alternate Base Rate Loan shall be payable on each Interest Payment Date applicable thereto.

(c) Subject to the provisions of Section 3.02 hereof, each Fixed Rate Loan shall bear interest at a rate per annum (computed on the basis of the actual number of days elapsed over a year of 360 days) equal to the fixed rate of interest offered by the Competitive Bid Bank making such Loan and accepted by the Company pursuant to

Section 2.02 hereof. Interest on each Fixed Rate Loan shall be payable on each Interest Payment Date applicable thereto.

(d) Interest on each Loan shall accrue from and including the first day of the Interest Period with respect to such Loan to but excluding the last day of such Interest Period.

SECTION 3.02. Interest on Overdue Amounts. If the Company shall default in the payment when due of the principal of any Loan or of any other amount due hereunder (other than any amount not paid as a result of a Bank Funding Default for the period from which such Bank Funding Default commences to the date on which the failure to pay such amount due would become an Event of Default), the Company shall on demand from time to time pay interest, to the extent permitted by law, on such defaulted amount from the date such amount shall have become due up to (but not including) the date of actual payment thereof (x) for other than Eurodollar Loans, accruing on a daily basis, at a rate per annum (computed on the basis of a year of 365 or 366 days, as the case may be, if the Alternate Base Rate is based on the Prime Rate or on the basis of a year of 360 days if the Alternate Base Rate is based on the Federal Funds Effective Rate) which is equal to the sum of (i) the Alternate Base Rate from time to time in effect, plus (ii) two percent (2%) per annum, or (y) for Eurodollar Loans, accruing on a daily basis at a rate per annum (computed on the basis of a year of 360 days) which is two and one-half percent (2-1/2%) per annum in excess of the rate determined by the Administrative Agent two (2) Business Days prior to the beginning of periods of one day, one week, one month, two months or three months (as the Administrative Agent shall select in its sole discretion from time to time during the continuation of such default), the first of which periods shall commence on the date such amount shall have become due, as the rate at which the Administrative Agent is offered deposits in Dollars as of 11:00 a.m., London time, by prime banks in the London Interbank Eurodollar market for delivery on the first day of any such period and for the approximate number of days comprised therein, in an amount comparable to the aggregate amount due. If the Company shall default in the payment when due of the principal of any Loan or of any other amount due hereunder as a result of a Bank Funding Default, for the period from which such Bank Funding Default commences to the date on which the failure to pay such amount due would become an Event of Default or, if earlier, to (but not including) the date of actual payment thereof, the Company shall on demand from time to time pay interest, to the extent permitted by law, on such defaulted amount at a rate per annum equal to (x) for other than Eurodollar Loans, the Alternate Base Rate (computed on the basis of a year of 365 or 366 days, as the case may be, if the Alternate Base Rate is based on the Prime Rate or on the basis of a year of 360 days if the Alternate Base Rate is based on the Federal Funds Effective Rate), or (y) for any Eurodollar Loan, until the last day of the Interest Period therefor, at the Interest Rate applicable to such Eurodollar Loan determined in accordance with the provisions of Section 3.01(a) hereof, and thereafter, in accordance with clause (x) above; provided, however, that interest payable by the Company for the period set forth above on defaulted amounts not paid to a Bank as a result of such Bank's Bank Funding Default shall be payable at a rate per annum equal to the lesser of (i) the Interest Rate that would have been applicable to the Loan or Loans that were the subject of such Bank's Bank Funding Default, and (ii) the applicable Interest Rate set forth in clause (x) or (y) above, as the case may be.

SECTION 3.03. Inability to Determine Eurodollar Rate. (a) In the event, and on each occasion, that the Company has accepted a Competitive Bid with respect to a Eurodollar Loan and, on or before the date on which the Eurodollar Rate for the Interest

Period relating to such Loan is to be determined, the Administrative Agent shall have determined that by reason of circumstances affecting the London Interbank Eurodollar market or affecting the position of any Reference Bank in such market, adequate and fair means do not exist for ascertaining the Interest Rate applicable to such Loan during such Interest Period, then, and in any such event, the Competitive Bid Request submitted by the Company with respect to such Loan and the Competitive Bid submitted by the Competitive Bid Bank and accepted by the Company with respect to such Loan shall both be deemed to be rescinded and of no force and effect whatsoever. The Administrative Agent shall immediately give notice of such determination by telephone (confirmed by telecopier) to the Company and to such Competitive Bid Bank. Each such determination by the Administrative Agent shall be conclusive and binding upon the parties hereto in the absence of manifest error.

(b) In the event, and on each occasion, that the Company has submitted a Revolving Credit Borrowing Request for a Eurodollar Loan and, on or before the date on which the Eurodollar Rate for the Interest Period relating to such Loan is to be determined, the Administrative Agent shall have determined that by reason of circumstances affecting the London Interbank Eurodollar market or affecting the position of any Reference Bank in such market, adequate and fair means do not exist for ascertaining the Interest Rate applicable to such Loan during such Interest Period, then, and in any such event, such Revolving Credit Borrowing Request shall be deemed to be rescinded and of no force and effect whatsoever. The Administrative Agent shall immediately give notice of such determination by telephone (confirmed by telecopier) to the Company and the Banks. Each such determination by the Administrative Agent shall be conclusive and binding upon the parties hereto in the absence of manifest error.

SECTION 3.04. Indemnity. The Company shall compensate each Bank, upon written request by such Bank (which request shall set forth the basis for requesting such amounts), for all reasonable losses and expenses in respect of any interest paid by such Bank (or its lending branch or affiliate) to lenders of funds borrowed by it or deposited with it to make or maintain its Loans (other than Alternate Base Rate Loans) which such Bank (or its lending branch or affiliate) may sustain, to the extent not otherwise compensated for hereunder and not mitigated by the reemployment of such funds: (i) if for any reason (other than a default by such Bank) a Borrowing of any Loan does not occur on a date specified therefor in a notice of Borrowing given pursuant to Article II hereof, (ii) if any prepayment (other than a prepayment under Section 2.12(i) resulting from an event referred to in clause (a) of Section 2.12 hereof) or repayment of its Loans (other than Alternate Base Rate Loans) occurs on a date which is not the expiration date of the relevant Interest Period, (iii) if any prepayment of its Loans (other than Alternate Base Rate Loans) is not made on any date specified in a notice of prepayment given by the Company, or (iv) as a consequence of any default by the Company under this Agreement. Without prejudice to the foregoing, the Company shall indemnify each Bank against any loss or expense which such Bank (or its lending branch or affiliate) may sustain or incur as a consequence of the default by the Company in payment of principal of or interest on any Loan (other than any Alternate Base Rate Loan), or any part thereof, or of any amount due under this Agreement, including, but not limited to, any premium or penalty incurred by such Bank (or its lending branch or affiliate), in respect of funds borrowed by it or deposited with it for the purpose of making or maintaining such Loan (other than any Alternate Base Rate Loan), as determined by such Bank in the exercise of its sole discretion. A certificate as to any such loss or expense (including calculations, in reasonable detail, showing how such Bank computed such loss or expense) shall be promptly submitted by such Bank to the

Company (with a copy to the Administrative Agent) and shall, in the absence of manifest error, be conclusive and binding as to the amount thereof.

SECTION 3.05. Rate Determination Conclusive. The applicable Interest Rate for each Interest Period with respect to each Loan (other than any Fixed Rate Loan) shall be determined by the Administrative Agent and shall be conclusive and, subject to Section 3.03 and Section 4.03 hereof, binding upon the parties hereto, in the absence of manifest error. The Administrative Agent shall, at the request in writing of the Company or any Bank, deliver to the Company or such Bank a statement showing the computations used by the Administrative Agent in determining any Interest Rate in respect of the Loans payable by the Company.

#### ARTICLE IV

##### REDUCTION, TERMINATION OR EXTENSION OF THE REVOLVING CREDIT COMMITMENTS AND PREPAYMENTS

SECTION 4.01. Reduction, Termination or Extension of the Total Commitment. (a) The Company may, from time to time on at least five (5) Business Days' prior notice (by telephone (confirmed in writing promptly thereafter) or telecopier) received by the Administrative Agent (which shall advise each Bank thereof as soon as practicable thereafter), permanently reduce the Total Commitment (such reduction shall reduce each Bank's Revolving Credit Commitment ratably according to its respective Proportional Share of the amount of such reduction and Schedule I hereto shall be deemed amended to reflect the reduction in such Revolving Credit Commitments) but only upon (i) repayment of that portion of the aggregate unpaid principal amount of all Revolving Credit Loans which exceeds the amount of the Total Commitment as so reduced (such repayment to be applied to each Bank's Revolving Credit Loans in the same proportion as its Revolving Credit Commitment is reduced), and (ii) payment to the Administrative Agent, for the ratable account of the Banks, of the Facility Fees on the portion of the Total Commitment so reduced which have accrued through the date of such reduction; provided, however, the Company may not so reduce the Total Commitment at any time to an amount less than the aggregate principal amount of all Competitive Loans then outstanding. Any such reduction shall be in an aggregate amount of \$50,000,000 or an integral multiple of \$10,000,000 in excess of \$50,000,000. The Company may at any time, on like notice, terminate the Total Commitment (and each Bank's Revolving Credit Commitment) upon payment in full of all Loans and the accrued interest thereon and the Facility Fees accrued through the date of such termination; provided, however, that the Company may not terminate the Total Commitment at any time that Competitive Loans are then outstanding.

(b) The Company shall reduce the Total Commitment pursuant to Section 4.01(a) hereof (or, after the Termination Date, repay Loans without refinancing such Loans pursuant to Section 2.05(b) hereof) by the end of the calendar quarter next succeeding the calendar quarter in which Net Proceeds of any Specified Asset Disposition shall have been received (such reduction or prepayment shall reduce each Bank's Revolving Credit Commitment or outstanding Loans ratably according to its respective Proportional Share of the amount of such reduction or prepayment and Schedule I hereto shall be deemed amended to reflect the reduction in such Revolving Credit Commitments) by the amount (if any) by which the Net Proceeds of Specified Asset

Dispositions after the Effective Date and prior to the last day of the calendar quarter in which the Net Proceeds are received exceed the sum of (i) the aggregate amount of all reductions of the Total Commitment made pursuant to Section 4.01(a) hereof prior to the end of such succeeding calendar quarter and (ii) the aggregate amount of the Revolving Credit Loans repaid after the Termination Date and not refinanced pursuant to Section 2.05(b) hereof prior to the end of such succeeding calendar quarter. On the date of any such reduction of the Revolving Credit Commitments, (i) the Company shall repay that portion of the aggregate unpaid principal amount of all Revolving Credit Loans which exceeds the amount of the Total Commitment as so reduced (such repayment to be applied to each Bank's Revolving Credit Loans in the same proportion as its Revolving Credit Commitment is reduced), and (ii) the Company shall pay to the Administrative Agent, for the ratable account of the Banks, the Facility Fees on the portion of the Total Commitment so reduced which have accrued through the date of such reduction.

(c)(i) The Company may, upon notice (by telephone (confirmed in writing promptly thereafter) or telecopier) received by the Administrative Agent (which shall advise each Bank thereof as soon as practicable thereafter) not earlier than sixty (60) days and not later than fifty (50) days prior to the Initial Termination Date, request that the Banks extend the Termination Date for an additional 364 days from the Initial Termination Date. Each Bank shall, by notice to the Company and the Administrative Agent given not later than the fifteenth (15th) day after the date of the Company's notice, advise the Company and the Administrative Agent whether or not such Bank agrees to such extension (and any Bank that does not so advise the Company on or before such day shall be deemed to have advised the Company that it will not agree to such extension).

(ii) If (and only if) Banks holding Revolving Credit Commitments that represent at least 66 2/3% of the Revolving Credit Commitments shall have agreed to extend the Initial Termination Date (such Banks being called the "Continuing Banks" and the Banks that shall not have agreed to extend the Initial Termination Date being called the "Non-Continuing Banks"), then (A) the Termination Date shall be extended by 364 days (provided, that if such date is not a Business Day, then the Termination Date as so extended shall be the next preceding Business Day), and (B) the Revolving Credit Commitment of each Non-Continuing Bank shall terminate (with the result that the total Revolving Credit Commitments will decrease by the amount of such Revolving Credit Commitment), and all Loans of each such Non-Continuing Bank shall become due and payable, together with all interest accrued thereon and all other amounts owed to such Non-Continuing Bank hereunder, on the Initial Termination Date. In the event that the Initial Termination Date is extended pursuant to the immediately preceding sentence, the Company may replace Non-Continuing Banks pursuant to Section 2.13 hereof.

Notwithstanding the foregoing, no extension of the Initial Termination Date shall be effective with respect to any Bank unless, on and as of the Initial Termination Date, the conditions set forth in Section 7.02 shall be satisfied (with all references to a Loan being deemed to be references to such extension) and the Administrative Agent shall have received a certificate to that effect dated the Initial Termination Date and executed by a financial officer of the Company.

SECTION 4.02. Prepayments. (a) The Company may from time to time, upon at least (i) two (2) Business Days' prior notice (in the event such notice pertains to Domestic Loans) or (ii) three (3) Business Days' prior notice (in the event such notice pertains to Eurodollar Loans) (by telephone (confirmed in writing promptly thereafter) or telecopier) received by the Administrative Agent (prior to 12:00 noon, New York City

time, in the event such notice pertains to Domestic Loans) (which shall advise each Bank thereof as soon as practicable thereafter), prepay any Revolving Credit Borrowing in whole or in part, without, except as provided in Section 3.04 hereof, premium or penalty (such prepayment to be pro rata to the Banks according to the respective unpaid principal amounts of the Revolving Credit Loans owing to them); provided, however, that each such prepayment shall be in an aggregate amount of \$50,000,000 or an integral multiple of \$10,000,000 in excess of \$50,000,000. Except as provided in Section 2.07(e)(ii), Section 2.07(e)(iii), Section 2.11(c)(i), Section 2.12(i), Section 2.13(i), Section 4.03(a), Section 4.03(b)(ii) or Section 4.03(b)(iii) hereof, the Company shall not have the right to prepay any Competitive Borrowing.

(b) Each notice of prepayment shall specify the Borrowing to be prepaid, the prepayment date and the aggregate principal to be prepaid, and shall be irrevocable. All prepayments under this Section 4.02 shall be accompanied by accrued interest on the principal amount being prepaid to the date of prepayment.

SECTION 4.03. Required Termination of the Revolving Credit Commitments and Prepayment. (a) In the event that at any time any Affected Bank shall have reasonably determined in good faith (which determination shall be conclusive and binding upon the parties hereto, in the absence of manifest error) that the making or continuation of its Revolving Credit Commitment to make Eurodollar Loans or its Eurodollar Loans have become unlawful under any applicable law, governmental rule, requirement, regulation, guideline or order, then, and in any such event, such Affected Bank shall as soon as practicable give notice (by telephone (confirmed in writing promptly thereafter) or telecopier) to the Company and to the Administrative Agent (which shall transmit such notice to each of the Banks as soon as practicable thereafter), of such determination. Thereupon, the Revolving Credit Commitment of such Affected Bank and the obligation of such Affected Bank to make or maintain its Loan(s) shall be terminated and the Company shall forthwith, and in any event no later than the earlier of (x) the next succeeding Interest Payment Date with respect to such Loan(s) or (y) ten (10) days after receipt of notice from such Affected Bank under this Section 4.03(a), prepay the outstanding Loan(s) of such Affected Bank without premium or penalty, together with all interest accrued thereon and all other amounts owing to such Affected Bank hereunder (including any amounts payable pursuant to Section 3.04 hereof in connection with such prepayment).

(b) In lieu of prepaying the Loan(s) of the Affected Bank as required by Section 4.03(a) hereof, the Company may exercise any one or more of the following options:

(i) If such determination by an Affected Bank relates to Eurodollar Loans then being requested by the Company pursuant to a notice of Borrowing as provided in Sections 2.01, 2.02 or 2.05 hereof, the Company may, not later than 9:00 a.m., New York City time, on the day which is three (3) Business Days prior to the date on which such Loans were to have been made by giving notice (by telephone (confirmed in writing promptly thereafter) or telecopier) to the Administrative Agent (which shall transmit such notice to each of the Banks otherwise required to participate in such Loans as soon as practicable thereafter) irrevocably withdraw such notice of Borrowing.

(ii) The Company may request one or more of the non-Affected Banks to take over all (but not part) of each Affected Bank's then outstanding Loan(s) and

to assume all (but not part) of each Affected Bank's Revolving Credit Commitment and obligations hereunder. If one or more Banks shall so agree in writing with respect to an Affected Bank, (x) the Revolving Credit Commitment of each Assenting Bank and the obligations of such Assenting Bank under this Agreement shall be increased by its respective Allocable Share of the Revolving Credit Commitment and of the obligations of such Affected Bank under this Agreement, and (y) each Assenting Bank shall make Loans to the Company, according to such Assenting Bank's respective Allocable Share, in an aggregate principal amount equal to the outstanding principal amount of the Loan(s) of such Affected Bank, on a date mutually acceptable to the Assenting Banks, such Affected Bank and the Company. The proceeds of such Loans, together with funds of the Company, shall be used to prepay the Loan(s) of such Affected Bank, together with all interest accrued thereon, and all other amounts owing to such Affected Bank hereunder (including any amounts payable pursuant to Section 3.04 hereof in connection with such prepayment), and, upon such assumption by the Assenting Banks and prepayment by the Company, such Affected Bank shall cease to be a "Bank" for purposes of this Agreement and shall no longer have any obligations hereunder (except as provided in Section 2.11(b), Section 10.02 and Section 10.07 hereof). Any such prepayment shall occur prior to the time any prepayment pursuant to Section 4.03(a) hereof is required to be made.

(iii) Upon notice (by telephone (confirmed in writing promptly thereafter) or telecopier) to the Administrative Agent (which shall advise each Bank thereof as soon as practicable thereafter), the Company may terminate the obligations of the Banks to make or maintain Loans as Eurodollar Loans and, in such event, the Company shall, prior to the time any prepayment pursuant to Section 4.03(a) hereof is required to be made, refinance all of the Eurodollar Loans with Domestic Loans, or prepay such Eurodollar Loans, in the manner contemplated by and pursuant to Section 2.05 or Section 4.02 hereof, respectively.

(iv) (A) The Company may designate one or more Replacement Lenders mutually acceptable to the Company and the Administrative Agent (whose consent shall not be unreasonably withheld) to assume the Revolving Credit Commitment and the obligations of each such Affected Bank hereunder, and to purchase, prior to the time any prepayment pursuant to Section 4.03(a) hereof is required to be made, the outstanding Loans of such Affected Bank and such Affected Bank's rights hereunder and with respect thereto, without recourse upon, or warranty by, or expense to, such Affected Bank, for a purchase price equal to the outstanding principal amount of the Loan(s) of such Affected Bank plus all interest accrued thereon and all other amounts owing to such Affected Bank hereunder (including the amount which would be payable to such Affected Bank pursuant to Section 3.04 hereof if the purchase of its Loans constituted a prepayment thereof contemplated by clause (ii) of the first sentence of Section 3.04 hereof), and upon such assumption and purchase by the Replacement Lenders, each such Replacement Lender shall be deemed to be a "Bank" for purposes of this Agreement and such Affected Bank shall cease to be a "Bank" for purposes of this Agreement and shall no longer have any obligations hereunder (except as provided in Section 2.11(b), Section 10.02 and Section 10.07 hereof).

(B) As an alternative, the Company may designate one or more Replacement Lenders mutually acceptable to the Company and the Administrative

Agent (whose consent shall not be unreasonably withheld) which shall upon a date mutually agreed upon by the Company and such Replacement Lenders assume the Revolving Credit Commitment and the obligations of such Affected Bank under this Agreement and shall upon such date make Loans to the Company in an aggregate principal amount equal to the outstanding principal amount of the Loan(s) of such Affected Bank. The proceeds of such Loans, together with funds of the Company, shall be used to prepay the Loan(s) of such Affected Bank, together with all interest accrued thereon and all other amounts owing to such Affected Bank hereunder (including any amounts payable pursuant to Section 3.04 hereof in connection with such prepayment), and, upon such Replacement Lenders making such Loans and such prepayment by the Company, such Replacement Lenders shall be deemed to be "Banks" for purposes of this Agreement and such Affected Bank shall cease to be a "Bank" for purposes of this Agreement and shall no longer have any obligations hereunder (except as provided in Section 2.11(b), Section 10.02 and Section 10.07 hereof). Each such Replacement Lender shall execute and deliver to the Administrative Agent such documentation to evidence its status as a "Bank" hereunder as shall be mutually acceptable to the Company and the Administrative Agent. The effectiveness of each Replacement Lender's Revolving Credit Commitment, the making of such Loans by such Replacement Lenders and the prepayment by the Company of the Loan(s) of such Affected Bank shall be deemed to have occurred simultaneously for all purposes hereof.

In the event the Company shall take any of the actions contemplated by Section 4.03(b)(ii) or Section 4.03(b)(iv) hereof, Schedule I and Schedule II hereto shall be deemed amended to reflect the addition of any Replacement Lender and any increases or decreases in the Revolving Credit Commitments of the Affected Banks and the Assenting Banks, as the case may be.

#### ARTICLE V

##### REPRESENTATIONS AND WARRANTIES

SECTION 5.01. Representations and Warranties of the Company. The Company represents and warrants to the Banks, the Agents and the Managing Agents as follows:

(a) Company's Organization; Corporate Power. The Company is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware; the Company is duly qualified or licensed and in good standing as a foreign corporation authorized to do business in each other jurisdiction where, because of the nature of its activities or properties, such qualification or licensing is required, except for such jurisdictions where the failure to be so qualified or licensed will not materially adversely affect the financial condition, business or operations of the Company and its Consolidated Subsidiaries, taken as a whole, or prevent the enforcement of contracts to which the Company is a party; and the Company has all requisite corporate power and authority (i) to own its assets and to carry on the business in which it is engaged, (ii) to execute, deliver and perform its obligations under this Agreement, (iii) to borrow in the manner and for the purpose contemplated by this Agreement, and (iv) to execute, deliver and perform its obligations under all other agreements and

instruments executed and delivered by the Company pursuant to or in connection with this Agreement.

(b) Domestic Specified Subsidiaries; Organization; Corporate Power. As of the Effective Date, each domestic Specified Subsidiary is a corporation or other entity (as the case may be) duly incorporated or formed, validly existing and in good standing under the laws of the state or jurisdiction of its incorporation or formation; and, as of the Effective Date, each domestic Specified Subsidiary has all requisite corporate power and authority to own its assets and to carry on the business in which it is engaged.

(c) Company's Corporate Authority; No Conflict. The execution and delivery by the Company of this Agreement, the performance by the Company of its obligations under this Agreement, the Borrowings by the Company in the manner and for the purpose contemplated by this Agreement, the execution and delivery by the Company of all other agreements and instruments which shall have been executed and delivered by the Company pursuant hereto or in connection herewith, and the performance by the Company of its obligations under all other agreements and instruments which shall have been executed and delivered by the Company pursuant hereto or in connection herewith, have been duly authorized by all necessary corporate action (including any necessary stockholder action) on the part of the Company, and do not and will not (i) violate any provision of any law, rule or regulation (including, without limitation, Regulation U and Regulation X) presently in effect having applicability to the Company (or any Specified Subsidiary), or of any order, writ, judgment, decree, determination or award (which is, individually or in the aggregate, material to the consolidated financial condition, business or operations of the Company and its Consolidated Subsidiaries) presently in effect having applicability to the Company (or any Specified Subsidiary) or of the charter or by-laws of the Company (or any Specified Subsidiary), or (ii) subject to the Company's compliance with any applicable covenants pertaining to its incurrence of unsecured indebtedness, result in a breach of or constitute a default under any indenture or loan or credit agreement, or result in a breach of or constitute a default under any other agreement or instrument (which is, individually or in the aggregate, material to the consolidated financial condition, business or operations of the Company and its Consolidated Subsidiaries), to which the Company or any Specified Subsidiary is a party or by which the Company or any Specified Subsidiary or its respective properties may be bound or affected, or (iii) result in, or require, the creation or imposition of any Lien of any nature upon or with respect to any of the properties now owned or hereafter acquired by the Company (other than any right of setoff or banker's lien or attachment that any Bank or other holder of a Loan may have under applicable law), and the Company is not in default under or in violation of its charter or by-laws.

(d) Valid and Binding Obligations of the Company. This Agreement constitutes, and each other agreement or instrument executed and delivered by the Company pursuant hereto or in connection herewith will each constitute, the legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and by general principles of equity, including, without limitation, concepts of materiality, reasonableness,

good faith and fair dealing and the possible unavailability of specific performance or injunctive relief (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(e) Company's Financial Condition. The Company's audited consolidated financial statements as at December 31, 1996, copies of which have been furnished to each Bank, have been prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding fiscal year and fairly present the consolidated financial condition of the Company and its Consolidated Subsidiaries as at such date and the results of their operations for the period then ended; since December 31, 1996 to and including the Effective Date, there has been no material adverse change in their consolidated financial condition, business or operations, except as set forth in the Company's annual report on Form 10-K for the year ended December 31, 1996, and its quarterly reports on Form 10-Q for the quarters ended March 31, 1997, June 30, 1997, and September 30, 1997, in each case to the Securities and Exchange Commission, (copies of each of which have been furnished to each Bank) or as disclosed in writing to the Banks prior to the Effective Date; and, since the Effective Date, there has been no material adverse change in their consolidated financial condition from the most recent consolidated financial statements of the Company and its Consolidated Subsidiaries which have been furnished to the Banks pursuant to this Agreement, except as disclosed in writing to the Banks.

(f) Litigation with Respect to the Company or Its Subsidiaries. As of the Effective Date, no litigation (including, without limitation, derivative actions), arbitration proceedings or governmental proceedings are pending or, to the knowledge of the Company, threatened against the Company or any Subsidiary of the Company which are likely (to the extent not covered by insurance) materially and adversely to affect the consolidated financial condition of the Company and its Consolidated Subsidiaries or materially to impair the Company's ability to perform its obligations under this Agreement, except as set forth in the Company's annual report on Form 10-K for the year ended December 31, 1996, or its quarterly reports on Form 10-Q for the quarters ended March 31, 1997, June 30, 1997, and September 30, 1997, to the Securities and Exchange Commission, or as disclosed in writing to the Banks prior to the Effective Date.

(g) Regulatory Approvals with Respect to This Agreement. No authorization, consent, approval, license or formal exemption from, nor any filing, declaration or registration with, any court, governmental agency or regulatory authority (Federal, state, local or foreign), including, without limitation, the Securities and Exchange Commission, or with any securities exchange, is or will be required in connection with the execution and delivery by the Company of this Agreement, the performance by the Company of its obligations under this Agreement, or the Borrowings by the Company in the manner and for the purpose contemplated by this Agreement (except for such authorizations, consents, approvals, licenses, exemptions, filings, declarations or registrations, if any, which may be required to be obtained or made subsequent to the Effective Date, all of which, if then required, will have been duly obtained or made on or before each date on which the foregoing representation and warranty shall be made, deemed made or reaffirmed, as the case may be, will be sufficient for all purposes thereof and will be in full force and effect on each such date).

(h) ERISA. As of the Effective Date, no material liability to the PBGC has been, or is expected by the Company or any Related Person to the Company to be, incurred by the Company or any Related Person to the Company. No Reportable Event which presents a material risk of termination of any Plan maintained by the Company or a Related Person to the Company has occurred and is continuing at the Effective Date. No Plan maintained by the Company or a Related Person to the Company had an Accumulated Funding Deficiency, whether or not waived, as of the last day of the most recent fiscal year of such Plan ending prior to the Effective Date. Neither the Company nor any Related Person to the Company has engaged in a Prohibited Transaction prior to the Effective Date.

(i) Investment Company Act. The Company is not an "investment company" or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended.

(j) Public Utility Holding Company Act. The Company is not a "holding company", or a "subsidiary company" of a "holding company", or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company", within the meaning of the Public Utility Holding Company Act of 1935, as amended.

(k) Regulation U; Regulation G; Regulation X. The Company is not engaged principally, or as one of its important activities, in the business of extending, or arranging for the extension of, credit for the purpose of purchasing or carrying any margin stock within the meaning of Regulation U or Regulation G, and no part of the proceeds of any Loan will be used for any purpose which would be in violation of such regulations or in violation of Regulation X.

(l) Company's Tax Returns and Tax Liability. The Company and its Subsidiaries, except for any Subsidiary (x) incorporated under the laws of any jurisdiction other than the United States of America or any State thereof or the District of Columbia or (y) having substantially all of its properties and assets or conducting substantially all of its business outside the United States of America and having assets immaterial in comparison to the assets of the Company and its Consolidated Subsidiaries, have filed all tax returns required to be filed by them and have paid or provided adequate reserves or obtained adequate indemnity for the payment of all taxes and assessments payable by them which have become due, other than (i) those not yet delinquent, (ii) those the nonpayment of which would not be reasonably likely to result in a material adverse effect on the consolidated financial condition of the Company and its Consolidated Subsidiaries, (iii) those being contested in good faith and (iv) those involving foreign taxes and assessments which are involved in a good faith dispute.

(m) Environmental and Public and Employee Health and Safety Matters. As of the Effective Date, the Company and each Subsidiary has complied with all applicable Federal, state, and other laws, rules and regulations relating to environmental pollution or to environmental regulation or control or to public or employee health or safety, except (i) to the extent that the failure to so comply would not be reasonably likely to result in a material and adverse effect on the consolidated financial condition of the Company and its Consolidated

Subsidiaries or (ii) as set forth in the Company's annual report on Form 10-K for the year ended December 31, 1996, or its quarterly reports on Form 10-Q for the quarters ended March 31, 1997, June 30, 1997, and September 30, 1997, to the Securities and Exchange Commission, or as disclosed in writing to the Banks prior to the Effective Date. As of the Effective Date, the Company's and the Subsidiaries' facilities do not manage any hazardous wastes, hazardous substances, hazardous materials, toxic substances or toxic pollutants regulated under the Resource Conservation and Recovery Act, the Comprehensive Environmental Response Compensation and Liability Act, the Hazardous Materials Transportation Act, the Toxic Substance Control Act, the Clean Air Act, the Clean Water Act or any other applicable law relating to environmental pollution or public or employee health and safety, in violation of any such law, or any rules or regulations promulgated pursuant thereto, except (A) for violations that would not be reasonably likely to result in a material and adverse effect on the consolidated financial condition of the Company and its Consolidated Subsidiaries or (B) as set forth in the Company's annual report on Form 10-K for the year ended December 31, 1996, or its quarterly reports on Form 10-Q for the quarters ended March 31, 1997, June 30, 1997, and September 30, 1997, to the Securities and Exchange Commission, or as disclosed in writing to the Banks prior to the Effective Date. As of the Effective Date, the Company is aware of no events, conditions or circumstances involving environmental pollution or contamination or public or employee health or safety, in each case applicable to it or its Subsidiaries, that would be reasonably likely to result in a material and adverse effect on the consolidated financial condition of the Company and its Consolidated Subsidiaries except as set forth in the Company's annual report on Form 10-K for the year ended December 31, 1996, or its quarterly reports on Form 10-Q for the quarters ended March 31, 1997, June 30, 1997, and September 30, 1997, to the Securities and Exchange Commission, or as disclosed in writing to the Banks prior to the Effective Date.

(n) True and Complete Disclosure. To the best of the Company's knowledge and belief, all factual information heretofore or contemporaneously furnished by or on behalf of the Company or any Subsidiary of the Company to any Bank, any Agent or any Managing Agent for purposes of or in connection with this Agreement or any transaction contemplated hereby is, and all other such factual information hereafter furnished by or on behalf of the Company or any Subsidiary of the Company to any Bank, any Agent or any Managing Agent will be, true and accurate (taken as a whole) on the date as of which such information is dated or certified and not incomplete by omitting to state any material fact necessary to make such information (taken as a whole) not misleading at such time.

## ARTICLE VI

### COVENANTS

SECTION 6.01. Affirmative Covenants of the Company. So long as any Loan shall remain unpaid or any Bank shall have any Revolving Credit Commitment

hereunder, the Company will, unless the Required Banks shall have otherwise consented in writing:

(a) Reports, Certificates and Other Information. Furnish to each Bank:

(i) Interim Reports. Within 60 days after the end of each of the first three quarterly fiscal periods in each fiscal year of the Company, a consolidated balance sheet of the Company as at the end of such period (setting forth in comparative form the consolidated figures as of the end of the previous fiscal year), the related consolidated statement of operations for such period and (in the case of the second and third quarterly periods) for the period from the beginning of the current fiscal year to the end of such quarterly period (setting forth in each case in comparative form the consolidated figures for the corresponding periods of the previous fiscal year) and the related consolidated statement of cash flows for the period from the beginning of the current fiscal year to the end of such quarterly period (setting forth in comparative form the consolidated figures from the corresponding period of the previous fiscal year), all in reasonable detail and certified, subject to changes resulting from year-end audit adjustments, by a financial officer of the Company (it being understood that the delivery of (A) the Company's Form 10-Q setting forth such statements for each such period and (B) a certification by a financial officer of the Company to the effect that such statements fairly present in all material respects the financial condition and results of operations of the Company on a consolidated basis (subject to changes resulting from year-end audit adjustments) shall satisfy the requirements of this Section 6.01(a)(i)).

(ii) Annual Reports. Within 120 days after the end of each fiscal year of the Company, a consolidated balance sheet of the Company as at the end of such year, and the related consolidated statements of operations and cash flows for such year, setting forth in each case in comparative form the consolidated figures for the previous fiscal year, accompanied by the opinion thereon of independent public accountants of recognized national standing selected by the Company, which opinion shall be prepared in accordance with generally accepted auditing standards relating to reporting and shall be based upon an audit by such accountants of the relevant accounts (it being understood that the delivery of the Company's Form 10-K setting forth such statements for such year shall satisfy the requirements of this Section 6.01(a)(ii)).

(iii) Officers' Certificates. Together with each delivery of financial statements pursuant to Sections 6.01(a)(i) and 6.01(a)(ii) hereof, an Officers' Certificate (A) stating that the signers have reviewed the relevant terms of this Agreement and have made, or caused to be made under their supervision, a review of the transactions and condition of the corporation or corporations covered by such financial statements during the accounting period in question, and that such review has not disclosed the existence during such accounting period, and that the signers do not otherwise have knowledge of the existence as at the date of such Officers' Certificate, of any Event of Default or Unmatured Event of Default, or, if any such Event of Default or Unmatured Event of Default existed or

exists, specifying the nature and period of existence thereof and what action the Company has taken or is taking or proposes to take with respect thereto and (B) demonstrating in reasonable detail compliance during such accounting period with Sections 6.01(h), 6.02(b) and 6.02(c) hereof.

(iv) Accountants' Certificates. Together with each delivery of financial statements pursuant to Section 6.01(a)(ii) hereof, a certificate signed by the independent public accountants reporting thereon (A) briefly setting forth the scope of their examination (which shall include a review of this Section 6.01(a) and of Sections 6.01(b), 6.01(e), 6.01(h) and 6.02 (other than Section 6.02(e)) hereof), (B) stating whether or not their examination has disclosed the existence, during the fiscal year covered by such financial statements, of any Event of Default or Unmatured Event of Default and, if their examination has disclosed such an Event of Default or Unmatured Event of Default, specifying the nature and period of existence thereof, and (C) stating that they have examined the Officers' Certificate delivered therewith pursuant to Section 6.01(a)(iii) hereof.

(v) Reports to SEC and to Stockholders. Promptly upon their becoming publicly available, copies of all financial statements, reports, notices and proxy statements sent by the Company to its stockholders, and of all regular and periodic reports filed by the Company or any of its Specified Subsidiaries with the Securities and Exchange Commission or any governmental authority succeeding to any of its functions, which in each case have not been delivered under paragraph (a)(i) or (a)(ii) of this Section 6.01.

(vi) Officers' Certificates as to Status of Excepted Subsidiaries. (A) Promptly after the designation of a Subsidiary of the Company as an Excepted Subsidiary or the withdrawal of such designation, an Officers' Certificate setting forth the name of the Subsidiary and whether it is being designated as, or withdrawn from designation as, an Excepted Subsidiary, and (B) as soon as practicable after the designation of a Subsidiary of the Company as an Excepted Subsidiary or the withdrawal of such designation, or, at the option of the Company, together with the next delivery of any financial statements to the Banks pursuant to Section 6.01(a)(i) or Section 6.01(a)(ii) hereof, an Officers' Certificate setting forth in reasonable detail, and certifying the correctness of, all facts and computations required in order to establish that such designation or withdrawal of designation is permitted in accordance with this Agreement, and listing all Subsidiaries of the Company that are designated as Excepted Subsidiaries at such time.

(vii) Officers' Certificates as to Status of Principal Subsidiaries. As soon as practicable after the determination that a Person which shall have become a Subsidiary of the Company after September 30, 1997, is a Principal Subsidiary or, at the option of the Company, together with the next delivery of any financial statements to the Banks pursuant to Section 6.01(a)(i) or Section 6.01(a)(ii) hereof, an Officers' Certificate confirming the same.

(viii) Notice of Default. Forthwith upon any principal officer of the Company obtaining knowledge of the occurrence of an Event of Default or an Unmatured Event of Default, an Officers' Certificate specifying the nature and period of existence thereof and what action the Company has taken or is taking or proposes to take with respect thereto.

(ix) Other Information. With reasonable promptness, such other information and data with respect to the Company or any of its Specified Subsidiaries as from time to time may be reasonably requested by any Bank.

(b) Taxes. Pay or provide adequate reserves or obtain adequate indemnity for the payment of, and cause each Subsidiary to pay or provide adequate reserves or obtain adequate indemnity for the payment of, all taxes and assessments payable by it which become due, other than (i) those not yet delinquent, (ii) those the nonpayment of which would not be reasonably likely to result in a material adverse effect on the consolidated financial condition of the Company and its Consolidated Subsidiaries, (iii) those being contested in good faith and (iv) those involving foreign taxes and assessments which are involved in a good faith dispute with respect to tax or other matters.

(c) Preservation of Corporate Existence, etc. Subject to Section 6.02(a) hereof, do or cause to be done all things necessary to preserve and keep in full force and effect the corporate existence and the rights (charter and statutory) of the Company and each Specified Subsidiary; provided, however, that the Company shall not be required to preserve any such right or franchise if the Company shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Company or any Specified Subsidiary and that the loss thereof is not disadvantageous in any material respect to the Banks under this Agreement.

(d) Inspections; Discussions. Permit any authorized representatives designated by a Bank, at such Bank's expense, to make reasonable inspections of any of the properties of the Company or any of its Specified Subsidiaries, including its and their books of account, and to discuss its and their affairs, finances and accounts with its and their officers, all at such reasonable times and as often as may be reasonably requested by such Bank; provided that if required by the Company, any such Bank shall, as a condition to being permitted to make any such inspection, certify to the Company that the same is being made solely in order to assist such Bank in evaluating its extension of credit to the Company under this Agreement.

(e) Books and Records. Maintain, and cause each of its Consolidated Subsidiaries to maintain, a system of accounting established and administered in accordance with generally accepted accounting principles applied on a consistent basis, and set aside, and cause each of its Consolidated Subsidiaries to set aside, on its books all such proper reserves as shall be required by generally accepted accounting principles.

(f) Maintenance of Properties. Cause all properties used or useful in the conduct of its business or the business of a Specified Subsidiary to be maintained and kept in good condition, repair and working order and supplied with all

necessary equipment, and cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as in the judgment of the Company may be necessary so that the business carried on in connection therewith may be properly and advantageously conducted at all times; provided, however, that nothing in this Section 6.01(f) shall prevent the Company from discontinuing the operation or maintenance, or both the operation and maintenance, of any of such properties if such discontinuance is, in the judgment of the Company, desirable in the conduct of its business or the business of any Specified Subsidiary and not disadvantageous in any material respect to the Banks under this Agreement.

(g) Maintenance of Insurance. Insure and keep insured, and cause each Specified Subsidiary to insure and keep insured, with reputable insurance companies, so much of its respective properties, to such an extent and against such risk (including fire), as companies engaged in similar businesses and of similar size customarily insure properties of a similar character; or, in lieu thereof, in the case of itself or of any one or more of its Specified Subsidiaries, maintain or cause to be maintained a system or systems of self-insurance which will accord with the approved practices of companies owning or operating properties of a similar character in maintaining such systems.

(h) Consolidated Adjusted Tangible Net Worth. Maintain Consolidated Adjusted Tangible Net Worth at least equal to \$2,600,000,000 at all times.

(i) Compliance with Laws, etc. Not violate any laws, rules, regulations, or governmental orders to which it is subject (including any such laws, rules, regulations or governmental orders relating to the protection of the environment or to public or employee health or safety), which violation would be reasonably likely to result in a material adverse effect on the consolidated financial condition of the Company and its Consolidated Subsidiaries; and not permit any Subsidiary of the Company to violate any laws, rules, regulations, or governmental orders of Federal, state or local governmental entities within the United States to which it is subject (including any such laws, rules, regulations or governmental orders relating to the protection of the environment or to public or employee health or safety), which violation would be reasonably likely to result in a material adverse effect on the consolidated financial condition of the Company and its Consolidated Subsidiaries.

(j) Delivery of Certain Documentation with Respect to Plans. (i) As soon as possible and in any event within 30 days after it knows or has reason to know that, regarding any Plan with respect to the Company or a Related Person to the Company, a Prohibited Transaction or a Reportable Event which presents a material risk of termination of any Plan maintained by the Company or a Related Person to the Company has occurred (whether or not the requirement for notice of such Reportable Event has been waived by the PBGC), deliver to the Syndication Agent and each Bank a certificate of a responsible officer of the Company setting forth the details of such Prohibited Transaction or Reportable Event, (ii) upon request of the Syndication Agent or any Bank made from time to time after the occurrence of any such Prohibited Transaction or Reportable Event, deliver to the Syndication Agent and each Bank a copy of the most recent actuarial report and annual report completed with respect to any Plan maintained by the Company or a Related Person to the Company, and (iii) as soon as possible, and in any event

within 10 days, after it knows or has reason to know that any of the following have occurred with respect to any Plan maintained by the Company or a Related Person to the Company: (A) any such Plan has been terminated, (B) the Plan Sponsor intends to terminate any such Plan, (C) the PBGC has instituted or will institute proceedings under Section 4042 of ERISA to terminate any such Plan, or (D) the Company or any Related Person to the Company withdraws from any such Plan, deliver to the Syndication Agent and each Bank a written notice thereof. For purposes of this Section 6.01(j), the Company shall be deemed to have knowledge of all facts known by the Plan Administrator of any Plan or Employee Benefit Plan of which the Company or any Related Person to the Company is the Plan Sponsor.

(k) Contributions to Plans. Pay, and use its best efforts to cause each Related Person with respect to the Company to pay, when due, all contributions required to meet the minimum funding standards set forth in Sections 302 through 308 of ERISA with respect to each Plan maintained by the Company or a Related Person to the Company.

(l) Use of Proceeds. Use the proceeds of the Loans to finance the Elk Hills Acquisition and to pay related costs and expenses, for general corporate purposes, including the support of commercial paper issuances, and not for any purpose which is in violation of Regulation G, Regulation U, or Regulation X.

SECTION 6.02. Negative Covenants of the Company. So long as any Loan shall remain unpaid or any Bank shall have any Revolving Credit Commitment hereunder, the Company will not, without the prior written consent of the Required Banks:

(a) Mergers, Consolidations, Sales. Consolidate with or merge into any other corporation or convey or transfer its properties substantially as an entirety to any Person, unless:

(i) the corporation formed by such consolidation or into which the Company is merged or the Person which acquires by conveyance or transfer the properties and assets of the Company substantially as an entirety, shall be a corporation organized and existing under the laws of the United States or any state or the District of Columbia, and shall expressly assume the due and punctual payment of the principal of and interest on all the Loans and the performance of every covenant of this Agreement on the part of the Company to be performed or observed; and

(ii) immediately after giving effect to such transaction, no Event of Default or Unmatured Event of Default shall have occurred and be continuing.

Upon any consolidation or merger by the Company with or into any other corporation, or any conveyance or transfer by the Company of its properties and assets substantially as an entirety to any Person which is permitted by this Section 6.02(a), the successor corporation formed by such consolidation or into which the Company is merged or to which such conveyance or transfer is made shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Agreement with the same effect as if such successor

corporation had been named as the Company herein; and, in the event of such conveyance or transfer, the Company (which term shall for this purpose mean the Person named as the "Company" in the introduction to this Agreement or any successor corporation which shall theretofore become such in the manner described in this Section 6.02(a)) shall be discharged from all obligations and covenants under this Agreement and may be dissolved and liquidated.

(b) Restriction on Secured Debt. Incur, create, assume, guarantee or otherwise become liable with respect to, or permit any Specified Subsidiary to incur, create, assume, guarantee or otherwise become liable with respect to, any Secured Debt, which would cause Consolidated Secured Debt to exceed 15% of the sum of (x) the principal amount of the additional Funded Debt permitted at the time of calculation under Section 6.02(c) hereof and (y) Consolidated Debt at the time of calculation.

(c) Restriction on Funded Debt. Create, incur, assume, guarantee or in any other way become liable for, or permit any Specified Subsidiary to create, incur, assume, guarantee or in any other way become liable for, any Indebtedness included in Consolidated Debt (other than in connection with any renewal, extension or refunding of such Indebtedness which does not increase the net amount of the Consolidated Debt outstanding), unless immediately thereafter, and after giving effect thereto, the ratio of Consolidated Debt to Consolidated Adjusted Tangible Net Worth would not exceed 2.6 to 1.0.

(d) Restriction on Dividends from Principal Subsidiaries. Enter into any agreement, or permit any Principal Subsidiary to enter into any agreement, containing any provision which would limit or restrict the declaration or payment of dividends by such Principal Subsidiary (i) if such agreement is an agreement for borrowed money, to an amount which is less than 75% of such Principal Subsidiary's cumulative net income, as determined in accordance with generally accepted accounting principles and computed on a consolidated basis for such Principal Subsidiary and its Subsidiaries, from the first day of the fiscal year of such Principal Subsidiary in which such agreement is executed, and (ii) if such agreement is not for borrowed money, to an amount which would materially adversely affect the Company's ability to perform its obligations under this Agreement.

(e) Change in Control. Permit any Person or group (within the meaning of Rule 13d-5 of the Securities and Exchange Commission as in effect on the date hereof) beneficially to own more than 50% (by number of votes) of the Voting Securities of the Company unless such Voting Securities shall have been acquired in a transaction or series of transactions approved prior to such acquisition by the Board of Directors of the Company, and the directors so approving shall include directors who constitute a majority of the Board of Directors and who are persons either (i) who are directors on the date hereof or (ii) who were nominated or elected by a majority of the directors who (A) are directors on the date hereof or (B) shall have been nominated or elected as described in this clause (ii).

## ARTICLE VII

## CONDITIONS OF CREDIT

The obligations of the Banks to make Loans hereunder are subject to (a) the Revolving Credit Commitments having become effective as provided in Section 7.01 below and (b) the satisfaction of the conditions set forth in Section 7.02 below.

SECTION 7.01. Conditions to Effectiveness of Commitments. The Revolving Credit Commitments shall become effective at such time as the following conditions shall have been satisfied:

(a) State Certificates as to the Company:

(i) The Syndication Agent shall have received (with a photocopy for each Bank) a copy of the Restated Certificate of Incorporation of the Company and each amendment, if any, thereto (but not the certificates of designation of preferences of preferred stock), certified by the Secretary of State of the State of Delaware (as of a date shortly before the Effective Date) as being true and correct copies of such documents on file in the office of such Secretary of State.

(ii) The Syndication Agent shall have received (with a photocopy for each Bank) the signed Certificate or Certificates of the Secretary of State of the State of Delaware, in regular form (as of a date shortly before the Effective Date), listing the Restated Certificate of Incorporation of the Company and each amendment, if any, thereto, together with the certificates of designation of preferences of preferred stock and the certificates of merger or ownership, on file in the office of such Secretary of State and stating that such documents are the only charter documents of the Company on file in such office filed on the date the Restated Certificate of Incorporation was filed or thereafter and that the Company is duly incorporated and in good standing in the State of Delaware and as to the franchise tax status of the Company.

(b) The Syndication Agent and the Administrative Agent shall have received (with a photocopy for each Bank) the signed certificate of the President or a Vice President and the Secretary or an Assistant Secretary of the Company, dated the Effective Date and in the form of Exhibit E hereto (appropriately completed), certifying, among other things, (i) a true and correct copy of resolutions adopted by the Board of Directors or Executive Committee of the Board of Directors of the Company authorizing the execution, delivery and performance by the Company of this Agreement, (ii) a true and correct copy of the By-laws of the Company as in effect on the Effective Date, and (iii) the incumbency and specimen signatures of officers of the Company executing (x) the documents specified in clause (i) above, and (y) any other documents delivered to the Syndication Agent or the Administrative Agent on the Effective Date.

(c) The Syndication Agent and the Administrative Agent shall have received (with a photocopy for each Bank) the signed opinion of Robert E. Sawyer, Esq., Associate General Counsel of the Company and counsel to the

Company, dated the Effective Date and given upon the express instructions of the Company, in the form of Exhibit G hereto, with such changes (if any) therein as shall be acceptable to the Syndication Agent and special counsel to the Agents, and as to such other matters as the Syndication Agent may reasonably request.

(d) The Syndication Agent and the Administrative Agent shall have received (with a photocopy for each Bank) the signed opinion of Cravath, Swaine & Moore, special counsel to the Agents, dated the Effective Date, in the form of Exhibit H hereto, with such changes (if any) therein as shall be acceptable to the Syndication Agent.

(e) The Syndication Agent and the Administrative Agent shall have received (with a photocopy for each Bank) such other instruments and documents as the Syndication Agent and the Administrative Agent may have reasonably requested.

(f) Each of the Agents, the Managing Agents and the Company shall have executed one or more counterparts of this Agreement.

SECTION 7.02. Conditions Precedent to All Loans. The obligation of each Bank to make each Loan shall be subject to the fulfillment at or prior to the time of the making of such Loan of each of the following further conditions:

(a) The representations and warranties on the part of the Company contained in this Agreement shall be true and correct in all material respects at and as of the Borrowing Date for each Loan (other than any Refinancing Loan), as though made on and as of such date (except to the extent that such representations and warranties expressly relate solely to an earlier date).

(b) Both before and after giving effect to such Loan (other than any Refinancing Loan), the Company shall be in compliance with the requirements of any applicable covenants pertaining to its incurrence of unsecured indebtedness.

(c) No Event of Default and no Unmatured Event of Default (other than any Unmatured Event of Default which occurs as a result of a Bank Funding Default) shall have occurred and be continuing on the Borrowing Date for such Loan (other than any Refinancing Loan), or would result from the making of such Loan.

(d) Either (i) the Elk Hills Acquisition shall have been (or shall simultaneously be) completed or (ii) the Company shall have (A) advised the Syndication Agent and the Administrative Agent that the Elk Hills Acquisition will be completed on a date not later than the fifth Business Day following the date on which such Loan is to be, or is available to be, made, (B) furnished to the Syndication Agent and the Administrative Agent a letter from the United States Department of Energy confirming that the Department of Energy is prepared, subject to the satisfaction of applicable closing conditions, to complete the Elk Hills Acquisition on such date and (C) implemented arrangements satisfactory to the Syndication Agent and the Administrative Agent for the deposit of all proceeds of Loans made hereunder and all proceeds of commercial paper issued by the Company to provide funds for the Elk Hills Acquisition in an account with

the Administrative Agent pursuant to an escrow agreement permitting the withdrawal of such funds at the direction of the Administrative Agent to (w) pay amounts to the Department of Energy for the completion of the Elk Hills Acquisition (and, if the Elk Hills Acquisition shall have been completed, the escrow agreement shall terminate and any funds remaining in the escrow account upon such termination shall be paid to the Company), (x) repay such Loans, (y) repay Loans, if any, made to repay commercial paper issued by the Company as contemplated by this Section 7.02 which have not been repaid by the Company at the maturity date of such commercial paper or (z) if no amounts are or will become due under (x) and (y) above, to the Company, whereupon the escrow agreement shall terminate.

Each Borrowing by the Company shall be deemed to be a representation and warranty by the Company on the date of such Borrowing that each of the conditions contained in this Section 7.02 has been satisfied.

## ARTICLE VIII

### EVENTS OF DEFAULT

SECTION 8.01. Events of Default. If any of the following events, acts or occurrences (herein called an "Event of Default") shall occur and be continuing:

(a) default, and continuance thereof for three (3) Business Days or, in the case of any default which results from a Bank Funding Default, five (5) Business Days after the Company shall have been advised by the Administrative Agent of such Bank Funding Default, in the payment when due of any amount owing by the Company hereunder in respect of the principal of, or interest on, any Loan or in respect of the Facility Fee; or

(b) any representation or warranty on the part of the Company contained in this Agreement or in any certificate, letter or other writing or instrument furnished or delivered to any Bank or the Syndication Agent or the Administrative Agent pursuant hereto or in connection herewith, shall at any time prove to have been incorrect in any material respect when made, deemed made or reaffirmed, as the case may be; or

(c) the Company shall default in the performance or observance of any term, covenant, condition or agreement on its part to be performed or observed under Section 6.01(h), 6.02(b), 6.02(c) or 6.02(d) hereof (other than a default which would not have occurred or would not be continuing if the calculations pursuant to the aforesaid Sections were made without giving effect to changes in generally accepted accounting principles which require implementation after the Effective Date); or

(d) the Company shall default in any material respect in the performance or observance of any other term, covenant, condition or agreement on its part to be performed or observed hereunder (and not constituting an Event of Default under any other clause of this Section 8.01), and such default shall continue unremedied for thirty (30) days after written notice thereof shall have been given to the Company by the Facility Agent or any Bank; or

(e) either (i) the Company or any Specified Subsidiary shall generally fail to pay, or admit in writing its inability to pay, its debts as they become due, or shall voluntarily commence any case or proceeding or file any petition under any bankruptcy, insolvency or similar law or seeking dissolution, liquidation or reorganization or the appointment of a receiver, trustee, custodian or liquidator for itself or a substantial portion of its property, assets or business or to effect a plan or other arrangement with its creditors (except the voluntary dissolution, not under any bankruptcy or insolvency law, of a Specified Subsidiary), or shall file any answer admitting the jurisdiction of the court and the material allegations of any involuntary petition filed against it in any bankruptcy, insolvency or similar case or proceeding, or shall be adjudicated bankrupt, or shall make a general assignment for the benefit of creditors, or shall consent to, or acquiesce in the appointment of, a receiver, trustee, custodian or liquidator for itself or a substantial portion of its property, assets or business, or (ii) corporate action shall be taken by the Company or any Specified Subsidiary for the purpose of effectuating any of the foregoing; or

(f) involuntary proceedings or an involuntary petition shall be commenced or filed against the Company or any Specified Subsidiary under any bankruptcy, insolvency or similar law or seeking the dissolution, liquidation or reorganization of the Company or such Specified Subsidiary (as the case may be) or the appointment of a receiver, trustee, custodian or liquidator for the Company or such Specified Subsidiary (as the case may be) or of a substantial part of the property, assets or business of the Company or such Specified Subsidiary (as the case may be), or any writ, judgment, warrant of attachment, execution or similar process shall be issued or levied against a substantial part of the property, assets or business of the Company or any Specified Subsidiary, and such proceedings or petition shall not be dismissed, or such writ, judgment, warrant of attachment, execution or similar process shall not be released, vacated or fully bonded, within sixty (60) days after commencement, filing or levy, as the case may be; or

(g) (i) the Company or any Specified Subsidiary shall default (as principal or guarantor or other surety) in the payment when due (subject to any applicable notice or grace period), whether at stated maturity or otherwise, of any principal of or interest on (howsoever designated) any indebtedness for borrowed money, whether such indebtedness now exists or shall hereafter be created, or (ii) an event of default (with respect to the Company or any Specified Subsidiary) as defined in any mortgage, indenture or instrument under which there may be issued, or by which there may be secured or evidenced, any indebtedness for borrowed money of, or guaranteed by, the Company or any Specified Subsidiary, whether such indebtedness now exists or shall hereafter be created, shall occur and shall permit such indebtedness to become due and payable prior to its stated maturity or due date; provided that no default under this subsection (g) shall be deemed to exist as a result of a default or event of default (as described in clause (i) or clause (ii) above) in respect of any such indebtedness (1) which is payable solely out of the property or assets of a partnership, joint venture or similar entity of which the Company or any Specified Subsidiary is a participant, or is secured by a mortgage on, or other security interest in, the property or assets owned or held by such entity, in either case without any further recourse to or liability of the Company or any Specified Subsidiary as a participant in such entity, or (2) if the principal of and interest on such indebtedness, when added to the principal of and interest on

all other such indebtedness then in default (exclusive of indebtedness under clause (1) above), does not exceed \$50,000,000; or

(h) with respect to any Plan (other than a Multiemployer Plan) as to which the Company or any Related Person to the Company may have any liability, there shall exist an unfunded current liability under the Code which is material to the consolidated financial condition of the Company and its Consolidated Subsidiaries, and (x) steps are undertaken to terminate such Plan or (y) such Plan is terminated or (z) any Reportable Event which presents a material risk of termination with respect to such Plan shall occur;

then, and in any such event (x) if such event relates to the Company and is described in clause (e) or clause (f) of this Section 8.01, (i) the Revolving Credit Commitments shall immediately terminate, and (ii) all sums then owing by the Company hereunder (and, in the event payment is to be made on a day which is not the expiration date of the relevant Interest Period, together with such amounts as will compensate each Bank in such Bank's sole discretion for any losses incurred by it (or its lending branch or affiliate) in respect of funds borrowed by it or deposited with it for the purpose of making or maintaining its Loans hereunder) shall become and be immediately due and payable, without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived by the Company, and (y) in the case of any other such event, the Facility Agent shall, at the direction of the Required Banks, at the same or different times, take one or more of the following actions: (i) declare the Revolving Credit Commitments to be terminated, whereupon the Revolving Credit Commitments shall forthwith terminate, or (ii) declare all sums then owing by the Company hereunder to be forthwith due and payable, whereupon all such sums (and, in the event payment is to be made on a day which is not the expiration date of the relevant Interest Period, together with such amounts as will compensate each Bank in such Bank's sole discretion for any losses incurred by it (or its lending branch or affiliate) in respect of funds borrowed by it or deposited with it for the purpose of making or maintaining its Loans hereunder) shall become and be immediately due and payable without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived by the Company. Promptly following the making of any such declaration, the Facility Agent shall give notice thereof to the Company and each Bank, but failure to do so or any delay in so doing shall not impair the effect of such declaration.

#### ARTICLE IX

##### THE AGENTS, THE MANAGING AGENTS AND THE BANKS

SECTION 9.01. Appointment and Powers of the Administrative Agent and the Facility Agent. Each Bank hereby irrevocably designates and appoints each of the Administrative Agent and the Facility Agent its agent hereunder and hereby authorizes each such Agent to take such action on its behalf and to exercise such rights, remedies, powers and privileges hereunder as are specifically authorized to be exercised by such Agent by the terms hereof, together with such rights, remedies, powers and privileges as are reasonably incidental thereto. Each of the Administrative Agent and the Facility Agent may execute any of its respective duties as such Agent hereunder by or through agents or attorneys-in-fact and shall be entitled to retain counsel and to act in reliance upon the advice of such counsel concerning all matters pertaining to the agency hereby created and its duties hereunder, and shall not be liable for the negligence or

misconduct of any agents or attorneys-in-fact selected by it with reasonable care. The Agents and the Managing Agents shall have no duties or responsibilities to any Bank, except those expressly set forth in this Agreement, or any fiduciary relationship with any Bank, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or otherwise exist against any Agent or any Managing Agent.

SECTION 9.02. Exculpatory Provisions. No Bank, Agent or Managing Agent, nor any of their respective directors, officers or employees shall be liable for any action taken or omitted to be taken by them hereunder or in connection herewith, except for their own gross negligence or wilful misconduct; nor shall any Bank, Agent or Managing Agent be responsible in any manner to any Person for the representations, warranties or other statements made by any other Person or for the due execution or delivery, validity, effectiveness, genuineness, value, sufficiency or enforceability against the Company or any other obligor of this Agreement or any other document furnished pursuant thereto or in connection herewith. Neither the Agents, the Managing Agents nor any of their respective officers shall be under any obligation to any Bank to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement, or to inspect the properties, books or records of the Company or any of its Subsidiaries.

SECTION 9.03. Reliance by the Administrative Agent and the Facility Agent. Each of the Administrative Agent and the Facility Agent shall be entitled to rely, and shall be fully protected in relying, upon any writing, resolution, notice, consent, certificate, affidavit, letter, cablegram, telegram, telecopy, telex or teletype message, statement, order or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, counsel to the Company), independent accountants and other experts selected by any such Agent. Each of the Administrative Agent and the Facility Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other documents executed and delivered in connection herewith unless it shall first receive such advice or concurrence of the Required Banks as it deems appropriate or it shall first be indemnified to its satisfaction by the Banks against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. Neither the Administrative Agent nor the Facility Agent shall be liable to any Bank for acting, or refraining from acting, under this Agreement or any other documents executed and delivered in connection herewith in accordance with a request of the Required Banks, and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Banks and their respective successors and assigns.

SECTION 9.04. Notice of Default. Neither the Administrative Agent nor the Facility Agent shall be deemed to have knowledge or notice of the occurrence of any Event of Default or Unmatured Event of Default hereunder unless it has received notice from a Bank or the Company referring to this Agreement, describing such Event of Default or Unmatured Event of Default and stating that such notice is a "notice of default". In the event that the Administrative Agent or the Facility Agent receives such a notice, it shall give notice thereof to the Banks and to such other Agent. The Facility Agent shall take such action with respect to such Event of Default or Unmatured Event of Default as shall be reasonably directed by the Required Banks; provided, however, that unless and until the Facility Agent shall have received such direction, the Facility Agent may (but shall not be obligated to) take such action, or refrain from taking such action,

with respect to such Event of Default or Unmatured Event of Default as it shall deem advisable in the best interests of the Banks; provided further that the Facility Agent shall have the right, power and authority to take the affirmative action specified in Section 8.01 hereof only upon the direction of the Required Banks.

SECTION 9.05. Indemnification. Each Bank hereby agrees, in the ratio that such Bank's Revolving Credit Commitment from time to time bears to the Total Commitment from time to time, to indemnify and hold harmless each Agent and each Managing Agent, as agents hereunder, from and against any and all losses, liabilities (including liabilities for penalties), actions, suits, judgments, demands, damages, costs and expenses (including, without limitation, attorneys' fees and expenses) incurred or suffered by such Agent or Managing Agent in such capacity as a result of any action taken or omitted to be taken by such Agent or Managing Agent in such capacity or otherwise incurred or suffered by, made upon, or assessed against such Agent or Managing Agent in such capacity; provided that no Bank shall be liable for any portion of any such losses, liabilities (including liabilities for penalties), actions, suits, judgments, demands, damages, costs or expenses resulting from or attributable to gross negligence or wilful misconduct on the part of such Agent or Managing Agent or its officers, employees or agents. Without limiting the generality of the foregoing, each Bank hereby agrees, in the ratio aforesaid, to reimburse each Agent and Managing Agent promptly following its demand for any out-of-pocket expenses (including, without limitation, attorneys' fees and expenses) incurred by such Agent or Managing Agent hereunder and not reimbursed to such Agent or Managing Agent by the Company. Each Bank's obligations under this paragraph shall survive the termination of this Agreement or, if earlier, the termination of the Revolving Credit Commitment of such Bank, and the discharge of the Company's obligations hereunder.

SECTION 9.06. Nonreliance on the Agents, the Managing Agents and Other Banks. Each Bank expressly acknowledges that neither any Agent, any Managing Agent nor any of their respective officers, directors, employees, agents, attorneys-in-fact or affiliates has made any representations or warranties to it and that no act by any such Agent or Managing Agent hereafter taken, including any review of the affairs of the Company, shall be deemed to constitute any representation or warranty by such Agent or Managing Agent to any Bank. Each Bank represents to each Agent and Managing Agent that it has, independently and without reliance upon any Agent or Managing Agent or any other Bank, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, financial and other condition and creditworthiness of the Company and made its own decision to make its Loans hereunder and enter into this Agreement. Each Bank also represents that it will, independently and without reliance upon any Agent or Managing Agent or any other Bank, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement, and to make such investigation as it deems necessary to inform itself as to the business, operations, property, financial and other condition and creditworthiness of the Company.

SECTION 9.07. The Agents and the Managing Agents in Their Individual Capacities. Each Agent and each Managing Agent and their affiliates may make loans to, accept deposits from and generally engage in any kind of business with the Company as though such Agent or Managing Agent were not an Agent or Managing Agent hereunder. With respect to its Loans made or renewed by it, each Agent and Managing Agent shall have the same rights and powers under this Agreement as any Bank and may exercise the

same as though it were not an Agent or Managing Agent, and the terms "Bank" and "Banks" shall include each Agent and Managing Agent in its individual capacity.

SECTION 9.08. Excess Payments. Except for payments made pursuant to Section 2.07, Section 2.11, Section 2.12, Section 2.13 or Section 4.03 hereof, if any Bank shall obtain any payment or other recovery (whether voluntary, involuntary, by application of offset or otherwise) on account of principal of or interest on any Revolving Credit Loan in excess of its pro rata share of payments and other recoveries obtained by all Banks or holders on account of principal of and interest on Revolving Credit Loans then owing to them, such Bank or other holder shall purchase from the other Banks or holders such participation in the Revolving Credit Loans owing to them as shall be necessary to cause such purchasing Bank or holder to share the excess payment or other recovery ratably with each of them; provided, however, that if all or any portion of the excess payment or other recovery is thereafter recovered from such purchasing Bank or holder, the purchase shall be rescinded and the purchase price restored to the extent of such recovery, but without interest. The Company agrees that any Bank or holder so purchasing a participation from another Bank or holder pursuant to this Section 9.08 may, to the fullest extent permitted by law, exercise all its rights of payment (including offset) with respect to such participation as fully as if such Bank or holder were the direct creditor of the Company in the amount of such participation.

SECTION 9.09. Obligations Several. The obligations of the Banks hereunder are several, and neither any Bank nor the Agents nor the Managing Agents shall be responsible for the obligations of any other Person hereunder, nor will the failure of any Bank to perform any of its obligations hereunder relieve the Agents, Managing Agents or any Bank from the performance of their respective obligations hereunder. Nothing contained in this Agreement, and no action taken by the Banks or any Agent or Managing Agent pursuant hereto or in connection herewith, shall be deemed to constitute the Banks, together or with the Agents and the Managing Agents, a partnership, association, joint venture or other entity.

SECTION 9.10. Resignation by any Agent or Managing Agent. Any Agent and any Managing Agent may resign as such at any time upon at least 30 days' prior notice to the Company and the Banks. In the event of such resignation by the Administrative Agent or the Facility Agent, the Required Banks (with the consent of the Company (which shall not be unreasonably withheld) in the event that there then does not exist an Event of Default or Unmatured Event of Default), shall as promptly as practicable appoint a successor Administrative Agent or Facility Agent, as the case may be.

## ARTICLE X

### MISCELLANEOUS

SECTION 10.01. No Waiver; Modifications in Writing. No failure or delay on the part of the Administrative Agent or the Facility Agent or any Bank in exercising any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy. The remedies provided for herein are cumulative and are not exclusive of any remedies that may be available to the Administrative Agent or the Facility Agent or any Bank at law, in

equity or otherwise. Each request by the Company for any amendment, modification, supplement, termination or waiver of or to any provision of this Agreement shall be directed to the Facility Agent, and no such amendment, modification, supplement, termination or waiver of or to any provision of this Agreement, nor consent to any departure by the Company therefrom, shall be effective unless the same shall be in writing and signed by the Company and by or on behalf of the Facility Agent and the Required Banks; provided, however, that no such amendment, modification, supplement, termination, waiver or consent, as the case may be, which has the effect of (x) reducing the rate or amount, or extending the stated maturity or due date, of any sum payable by the Company to any Bank hereunder, or (y) except as provided in Section 2.07(e)(ii), Section 2.11(c)(i), Section 2.12(i), Section 2.13(i), Section 4.03(b)(ii) and Section 10.06(c) hereof, increasing the amount, or extending the stated expiration or termination date, of any Bank's Revolving Credit Commitment hereunder, or (z) changing this Section 10.01, Section 10.06 or Section 10.07 hereof or the definitions of the terms "Allocable Share", "Applicable Facility Fee Percentage", "Applicable Margin", "Event of Default", "Proportional Share", "Reference Bank", "Reference Banks", "Required Banks", "Revolving Credit Commitment", "Total Commitment" and "Unmatured Event of Default", or changing the designation of the "Required Banks" as the Banks entitled to direct the Facility Agent pursuant to Section 8.01 hereof shall be effective unless the same shall be signed by or on behalf of each Bank; provided further that no such amendment, modification, supplement, termination, waiver or consent, as the case may be, which has the effect of (x) increasing the duties or obligations of any Agent or any Managing Agent hereunder, or (y) increasing the standard of care or performance required on the part of any Agent or any Managing Agent hereunder, or (z) reducing or eliminating the indemnities or immunities to which any Agent or Managing Agent is entitled hereunder (including, without limitation, any amendment or modification of this Section 10.01) shall be effective unless the same shall be signed by or on behalf of the Agent or Managing Agent affected thereby. Any waiver of any provision of this Agreement, and any consent to any departure by the Company from the terms of any provision of this Agreement, shall be effective only in the specific instance and for the specific purpose for which given. No notice to or demand on the Company in any case shall entitle the Company to any other or further notice or demand in similar or other circumstances.

SECTION 10.02. Confidentiality. Each Agent, Managing Agent and Bank shall maintain in confidence and not publish, disseminate or disclose in any manner or to any Person and shall not use (x) any material, nonpublic information relating to the Company and its Subsidiaries or (y) any technical, nonfinancial information, data or know-how which is identified in writing as confidential by the Company, in either case which may be furnished pursuant to this Agreement, including any such information which may be furnished pursuant to Article VI hereof (hereinafter collectively called "Confidential Information"), subject to each Agent, Managing Agent and Bank's (a) obligation to disclose any such Confidential Information pursuant to a request or order under applicable laws and regulations or pursuant to a subpoena or other legal process, (b) right to disclose any such nontechnical or financial Confidential Information to bank examiners, its affiliates, auditors, counsel, other professional advisors, other Banks, and other banks or other entities in connection with an offer by such Bank to sell a Participation to such other bank or other entity or to make an assignment pursuant to Section 10.06(c) hereof, (c) right to use any such Confidential Information in connection with the transactions set forth herein, and (d) right to disclose any such Confidential Information in connection with the transactions set forth herein or in connection with any litigation or dispute involving the Agents, Managing Agents and Banks and the Company

or any of its Subsidiaries or any transfer or other disposition by such Bank of any of its loans or other extensions of credit to the Company or any of the Company's Subsidiaries; provided, however, that Confidential Information disclosed pursuant to clause (b) or (d) of this sentence shall be so disclosed subject to such procedures as are reasonably calculated to maintain the confidentiality thereof; and provided further that Confidential Information disclosed pursuant to applicable laws, regulations, subpoenas or other legal process shall be so disclosed subject to such confidentiality provisions, if any, as may be provided under applicable law. The Agents, Managing Agents and Banks agree, to the extent permitted by applicable law, to use their best efforts promptly to notify the Company in writing of each order, subpoena or other legal process providing for the disclosure and/or production of Confidential Information and shall, to the extent permitted by applicable law, use their best efforts promptly to supply the Company with a copy of such order, subpoena or other legal process, in order that the Company may intervene in the relevant administrative or legal proceeding or take other appropriate legal action to protect the confidentiality of such Confidential Information. Notwithstanding the foregoing provisions of this Section 10.02, (i) the foregoing obligation of confidentiality shall not apply to any such Confidential Information that was known to such Bank or any of its affiliates prior to the time it received such Confidential Information from the Company or its Subsidiaries pursuant to this Agreement, other than as a result of the disclosure thereof by a Person who, to the knowledge or reasonable belief of such Agent, Managing Agent or Bank, was prohibited from disclosing it by any duty of confidentiality arising (under this Agreement or otherwise) by contract or law, and (ii) the foregoing obligation of confidentiality shall not apply to any such Confidential Information that becomes part of the public domain independently of any act of such Agent, Managing Agent or Bank not permitted hereunder (through publication, the issuance of a patent disclosing such information or otherwise) or when identical or substantially similar information is received by such Agent, Managing Agent or Bank without restriction as to its disclosure or use, from a Person who, to the knowledge or reasonable belief of such Agent, Managing Agent or Bank, was not prohibited from disclosing it by any duty of confidentiality arising (under this Agreement or otherwise) by contract or law. The obligations of each Agent, Managing Agent or Bank under this Section 10.02 shall survive the termination of this Agreement or, if earlier, the termination of the Revolving Credit Commitment of such Bank.

SECTION 10.03. Notices, etc. Except where telephonic instructions or notices are authorized herein to be given, all notices, demands, instructions and other communications required or permitted to be given to or made upon any party hereto shall be in writing and (except for financial statements and other documents to be furnished pursuant to Article VI hereof (with the exception of notices of the occurrence of an Event of Default or an Unmatured Event of Default which is continuing), which may be sent by first-class mail, postage prepaid) shall be personally delivered or sent by registered or certified mail, postage prepaid, return receipt requested, or by telecopier, and shall be deemed to be given for purposes of this Agreement on the day that such writing is delivered or sent to the intended recipient thereof in accordance with the provisions of this Section 10.03. Unless otherwise specified in a notice sent or delivered in accordance with the foregoing provisions of this Section 10.03, notices, demands, instructions and other communications in writing shall be given to or made upon the respective parties hereto at their respective addresses (or to their respective telecopier numbers) indicated on Schedule II hereto, and, in the case of telephonic instructions or notices, by calling the telephone number or numbers indicated for such party on such Schedule.

Anything herein to the contrary notwithstanding, notices from the Company pursuant to Sections 2.01, 2.02, 2.05, 2.07, 2.11, 2.12, 2.13, 4.01, 4.02 and 4.03 hereof shall be effective, for the purposes of this Agreement, only when actually received by all Persons to whom such notices are required to be sent or given.

SECTION 10.04. Costs, Expenses and Taxes. The Company agrees to pay all costs and expenses of the Agents in connection with the arrangement of the credit facilities provided for herein and the negotiation, preparation, printing, reproduction, execution and delivery of this Agreement, any amendments or modifications of (or supplements to) any of the foregoing and any and all other documents furnished in connection with the execution and delivery of this Agreement, including the reasonable fees and out-of-pocket expenses of outside counsel to the Agents relative thereto (limited, however, to such fees and expenses of only one outside counsel who shall represent the Agents), and all costs and expenses (whether of the Agents or any Bank or otherwise and including, without limitation, attorneys' fees and expenses), if any, in connection with the enforcement of this Agreement or any other agreement furnished pursuant hereto or in connection herewith. In addition, the Company shall pay all stamp, transfer and other transaction taxes payable or determined to be payable in connection with the execution and delivery of this Agreement, and the Company shall pay all such transaction taxes payable or determined to be payable in connection with the making of any Loan by any Bank, and the Company agrees to save and hold each Agent, each Managing Agent and each Bank harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such transaction taxes. If any action, suit or proceeding arising from any of the foregoing is brought against any Agent or any Managing Agent, any Bank, or any other Person indemnified or intended to be indemnified pursuant to this Section 10.04, the Company, to the extent and in the manner directed by the Person or Persons indemnified or intended to be indemnified, will resist and defend such action, suit or proceeding or cause the same to be resisted and defended by counsel designated by the Company (which counsel shall be satisfactory to the Person or Persons indemnified or intended to be indemnified). If the Company shall fail to do any act or thing which it has covenanted to do hereunder or any representation or warranty on the part of the Company contained herein shall be breached, the Facility Agent may (but shall not be obligated to) do the same or cause it to be done or remedy any such breach, and may expend its funds for such purpose. Any and all amounts so expended by the Facility Agent shall be repayable to it by the Company immediately upon the Facility Agent's demand therefor, with interest at a rate per annum (computed on the basis of a year consisting of 365 or, when appropriate, 366 days) equal to the sum of (i) the Alternate Base Rate in effect from time to time during the period from and including the date so expended by such Agent to the date of repayment, plus (ii) two percent (2%) per annum. The obligations of the Company under this Section 10.04 shall survive the termination of this Agreement and the discharge of the Company's other obligations hereunder.

SECTION 10.05. Confirmations. The Company and each Bank agree from time to time, upon written request received by one from the other, to confirm to the other in writing the aggregate unpaid principal amount of the Loans of such Bank then outstanding.

SECTION 10.06. Successors and Assigns; Participations. (a) This Agreement shall be binding upon and inure to the benefit of the Company, the Banks, the Agents, the Managing Agents, and their respective successors and permitted assigns; provided, however, that any assignment or transfer by a Bank of any or all of its rights

hereunder shall not materially increase the amount which would have been payable to the Bank making such assignment or transfer by the Company under this Agreement in the absence of such assignment or transfer; and provided further that except in accordance with the provisions of Section 6.02(a) hereof, the Company may not assign its rights hereunder or in connection herewith or any interest herein without the prior written consent of all of the Banks. This Agreement shall not be construed so as to confer any right or benefit upon any Person other than the parties to this Agreement and each of their respective successors and permitted assigns.

(b) Any Bank may without the consent of the Company sell participations to one or more banks or other entities that, in the ordinary course of their business, regularly extend credit of the types and in the amounts extended by Banks under this Agreement (such banks and other entities hereinafter referred to, collectively, as "Participants") in all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Revolving Credit Commitment and the Loan or Loans owing to it); provided, however, that (i) such Bank's obligations under this Agreement shall remain unchanged, (ii) such Bank shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) the Participants shall be entitled to the cost protection provisions contained in Section 2.07, Section 2.11, and Section 3.04 hereof (provided that no Participant shall be entitled to receive any greater amount pursuant to such provisions than the transferor Bank would have been entitled to receive in respect of the amount of the participation transferred by such transferor Bank to such Participant had no such transfer occurred and provided further that such Participant shall have fully complied with the provisions of Section 10.06(g) hereof) and the cost protection provisions of Section 2.11 hereof shall be applied by assuming that such Bank did not sell any participation to any Participant, (iv) the Company, the Agents, the Managing Agents and the other Banks shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement and in connection with the cost protection provisions of this Agreement to which any Participant is entitled pursuant to this Section 10.06(b), (v) such Bank shall retain the sole right and responsibility to enforce the obligations of the Company relating to the Loans, (vi) such Bank shall not, except with respect only to changes in the amount of the Revolving Credit Commitment of such Bank, or the principal amount of its Loans outstanding or the Interest Rate or Interest Period with respect thereto, or the amount of any fees payable to it hereunder or extension of the Initial Termination Date or the Maturity Date, enter into any agreement with any Participant that would require the consent of such Participant with respect to the exercise by such Bank of its voting rights under this Agreement, and (vii) each such sale shall be made in the ordinary course of such Bank's commercial banking business and in compliance with all applicable laws.

(c) Any Bank may assign, with the prior written consent of the Company and the Administrative Agent, to one or more Eligible Assignees, or without the consent of the Company or the Administrative Agent to one or more Banks, all or a portion of its interests, rights and obligations under this Agreement (including, without limitation, all or a portion of its Revolving Credit Commitment and the same portion of the applicable Loan or Loans at the time owing to it, other than any Competitive Loans owing to it, which may, but need not, be assigned); provided, however, that (i) each such assignment shall be of a constant, and not a varying, percentage of all the assigning Bank's rights and obligations under this Agreement, the Loan or Loans at the time owing to such assigning Bank, other than any Competitive Loans owing to it, which may, but need not, be assigned, (ii) except in the case of an assignment of a Bank's entire interest hereunder, the amount of the Revolving Credit Commitment of the assigning Bank which it retains shall

be in a principal amount of not less than \$50,000,000 and the amount of such Revolving Credit Commitment which it assigns (determined as of the date the Assignment and Acceptance with respect to such assignment is delivered to the Administrative Agent) shall be an integral multiple of \$5,000,000; provided, however, that no assignment may be made that, taken together with any simultaneous assignments, would result in any Bank having a Revolving Credit Commitment which is less than \$50,000,000, (iii) the parties to each such assignment shall execute and deliver to the Administrative Agent, for its acceptance and recording in the Register, an Assignment and Acceptance with respect to such assignment and a processing and recordation fee of (A) \$1,000 in the case of an assignment to any Bank and (B) \$2,500 in all other cases (except that such fee shall not be payable if the Eligible Assignee is an affiliate of the assignor Bank), (iv) each such assignment shall be made in the ordinary course of the assigning Bank's commercial banking business and in compliance with all applicable laws, (v) no such assignment shall be effective unless the Eligible Assignee to which such assignment is made has fully complied with the provisions of Section 10.06(g) hereof and (vi) the Company shall have received a copy of the Assignment and Acceptance signed by the parties thereto. Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Assignment and Acceptance, which effective date shall be at least five Business Days after the execution thereof, (x) the Eligible Assignee thereunder shall be a party hereto and, to the extent provided in such Assignment and Acceptance, have the rights and obligations of a Bank hereunder, (y) the assignor Bank thereunder shall, to the extent provided in such Assignment and Acceptance, be released (except as provided in Section 2.11(b), Section 10.02 and Section 10.07 hereof) from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Bank's rights and obligations under this Agreement, such Bank shall cease to be a party hereto), and (z) Schedule I and Schedule II hereto shall be deemed amended to reflect the addition of such Eligible Assignee and the decrease in the Revolving Credit Commitment of the assignor Bank. Each assignee of an interest under this Agreement shall take such interest subject to any request made, waiver or consent given or other action taken hereunder prior to the effective date of the Assignment and Acceptance related to such assignment, and, until the effective date of such Assignment and Acceptance, the Administrative Agent and the Company shall be entitled conclusively to assume that no assignment of any interest under this Agreement has been made by any Bank or any assignee. Notwithstanding any other provision of this Section 10.06, any Bank may at any time assign all or any portion of its rights under this Agreement held by it to a Federal Reserve Bank; provided that no such assignment shall release a Bank from any of its obligations hereunder.

(d) By executing and delivering an Assignment and Acceptance, the assignor Bank and the Eligible Assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) the assignor Bank represents and warrants that it is the legal and beneficial owner of the interest being assigned thereby free and clear of any adverse claim, (ii) such assignor Bank makes no representation or warranty, and assumes no responsibility with respect to any statements, warranties or representations made by the Company, in or in connection with this Agreement or with the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto, (iii) such assignor Bank makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Company or the performance or observance by the Company of its obligations under this Agreement or any other instrument or document furnished pursuant hereto, (iv) such Eligible Assignee confirms that it has received a copy of this Agreement together with copies of the financial statements and other documents referred

to in Section 5.01(e), Section 6.01(a) (i), Section 6.01(a)(ii) and Section 6.01(a)(v) hereof and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance, (v) such Eligible Assignee will, independently and without reliance upon any Agent or any Managing Agent, such assignor Bank or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement, (vi) such Eligible Assignee appoints and authorizes each of the Administrative Agent and Facility Agent to take such action as such Agent on its behalf and to exercise such powers under this Agreement as are delegated to such Agent by the terms hereof, together with such powers as are reasonably incidental thereto, (vii) such Eligible Assignee agrees that it will perform all of the obligations, in accordance with the terms thereof, of the assignor Bank under this Agreement which are assumed by such Eligible Assignee under such Assignment and Acceptance, and (viii) such Eligible Assignee confirms that it is an Eligible Assignee.

(e) The Administrative Agent shall maintain at its address listed on Schedule II hereto a copy of each Assignment and Acceptance delivered to it and a register for the recordation of the names and addresses of the Banks and the Revolving Credit Commitment of, and principal amount of the Loans owing to, each Bank from time to time (the "Register"). The entries in the Register shall be conclusive, in the absence of manifest error, and the Company, the Agents, the Managing Agents and the Banks may treat each person whose name is recorded in the Register as a Bank hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Company or any Bank at any reasonable time and from time to time upon reasonable prior notice.

(f) Upon its receipt of an Assignment and Acceptance executed by an assigning Bank and an Eligible Assignee, together with the written consent of the Company to such assignment, the Administrative Agent shall, if such Assignment and Acceptance has been completed and is precisely in the form of Exhibit F hereto (or as agreed upon by the Company and the Administrative Agent), (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register, (iii) give prompt notice thereof to the Company, and (iv) deliver a copy of such Assignment and Acceptance to the Company.

(g) If, pursuant to this Section 10.06, any interest in this Agreement or any Loan is transferred to any Participant (a "Transferee") which is organized under the laws of any jurisdiction other than the United States or any state thereof, the transferor Bank shall cause such Transferee, concurrently with the effectiveness of such transfer, (i) to represent to the transferor Bank (for the benefit of the transferor Bank, the Administrative Agent and the Company) that under applicable law and treaties no taxes will be required to be withheld by the Administrative Agent, the Company or the transferor Bank with respect to any payments to be made to such Transferee in respect of the Loans, (ii) to furnish to the transferor Bank in duplicate, for each taxable year of such Transferee during which interest arising under or in connection with this Agreement is received, and before payment by the Company of any such interest during such year (or at any other time as required under United States income tax law), a properly completed and executed copy of either Internal Revenue Service Form 4224 or Internal Revenue Service Form 1001 and Internal Revenue Service Form W-8 or Internal Revenue Service Form W-9 and any additional form (or such other form) as is necessary to claim complete exemption from United States withholding taxes (wherein such Transferee claims

entitlement to complete exemption from United States withholding taxes on all payments hereunder), (iii) to agree (for the benefit of the transferor Bank, the Administrative Agent and the Company) to provide to the transferor Bank a new Internal Revenue Service Form 4224 or Internal Revenue Service Form 1001 and Internal Revenue Service Form W-8 or Internal Revenue Service Form W-9 and any such additional form (or any successor form or forms) upon the expiration or obsolescence of any previously delivered form and comparable statements in accordance with applicable United States laws and regulations and amendments duly executed and completed by such Transferee, and to comply from time to time with all applicable United States laws and regulations with regard to such withholding tax exemption, and (iv) to represent to the transferor Bank (for the benefit of the transferor Bank, the Administrative Agent and the Company) that the form or forms so filed will be true and complete.

SECTION 10.07. Indemnification. In consideration of the execution and delivery of this Agreement by the Banks and the agreement to extend and maintain the credit provided hereunder, the Company hereby agrees to indemnify, exonerate and hold each of the Banks, the Agents, the Managing Agents, and each of the officers, directors, employees and agents of each of the Banks, the Agents and the Managing Agents, and each Person, if any, who controls any such Bank, such Agent or any such Managing Agent, or any such officer, director, employee or agent, within the meaning of the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (herein collectively called the "Indemnitees" and individually called an "Indemnitee"), free and harmless from and against any and all actions, claims, causes of action, suits, losses, liabilities, damages and expenses, including without limitation, reasonable attorneys' fees and disbursements (herein collectively called the "Indemnified Liabilities"), which may be incurred by or asserted against the Indemnitees or any Indemnitee as a result of, or arising out of, or relating to, or in connection with, any investigation, litigation or proceeding related to (i) any use made or proposed to be made by the Company of the proceeds of any Loan, (ii) the consummation of the transactions contemplated by any such use or proposed use, (iii) any untrue statement or alleged untrue statement of any material fact made by the Company in connection therewith, or (iv) the omission or alleged omission by the Company to state in connection therewith a material fact required to be so stated or necessary to make the statements made, in light of the circumstances under which they were made, not misleading, whether or not any such Indemnitee is a party thereto, and, to the extent that the foregoing undertaking may be unenforceable for any reason, the Company hereby agrees to make the maximum contribution to the payment and satisfaction of each of the Indemnified Liabilities which is permissible under applicable law; provided, however, that there shall be no right to indemnification or contribution under this Section 10.07 for Indemnified Liabilities based upon or arising out of actions or omissions by any Bank in a capacity other than that of a lender to the Company or by any Agent or any Managing Agent in its capacity other than that as agent for the Banks hereunder. Each Indemnitee will use its best efforts to promptly notify the Company of each event of which it has knowledge which may give rise to a claim under the indemnification provisions of this Section 10.07. If any action, suit or proceeding arising from any of the foregoing is brought against any Agent or any Managing Agent, any Bank or any other Person indemnified or intended to be indemnified pursuant to this Section 10.07, the Company, to the extent and in the manner directed by the Person or Persons indemnified or intended to be indemnified, will resist and defend such action, suit or proceeding or cause the same to be resisted and defended by counsel designated by the Company (which counsel shall be reasonably satisfactory to the Person or Persons indemnified or intended to be indemnified). Each Indemnitee will use its best efforts to cooperate in the defense of any such action, suit or proceeding. If

the Company shall fail to do any act or thing which it has covenanted to do hereunder or any representation or warranty on the part of the Company contained herein shall be breached, the Facility Agent may (but shall not be obligated to) do the same or cause it to be done or remedy any such breach, and may expend its funds for such purpose. Any and all amounts so expended by the Facility Agent shall be repayable to it by the Company immediately upon the Facility Agent's demand therefor, with interest at a rate per annum (computed on the basis of a year consisting of 365 or, when appropriate, 366 days) equal to the sum of (i) the Alternate Base Rate in effect from time to time during the period from and including the date so expended by the Facility Agent to the date of repayment, plus (ii) two percent (2%) per annum. The Company shall have no obligation to any Indemnatee under this Section 10.07 to the extent that Indemnified Liabilities result from gross negligence or wilful misconduct on the part of such Indemnatee. The obligations of the Company under this Section 10.07 shall survive the termination of this Agreement and the discharge of the Company's other obligations hereunder. The obligations of each Bank (and of each other Indemnatee with respect to such Bank) under this Section 10.07 shall survive the termination of this Agreement or, if earlier, the termination of the Revolving Credit Commitment of such Bank.

SECTION 10.08. Reference Banks. Each Reference Bank agrees to use its best efforts to furnish quotations to the Administrative Agent as contemplated hereby by 10:30 a.m., New York City time, on the day such quotations are required to be furnished hereunder. If any Reference Bank does not furnish a timely quotation, the Administrative Agent shall determine the relevant Eurodollar Rate on the basis of the quotations, if any, furnished by the remaining Reference Banks and, in the event that all Reference Banks fail to so furnish a quotation, on the basis of such other information as the Administrative Agent in its sole discretion shall deem appropriate. If any Reference Bank assigns its Loans to an unaffiliated institution, the Administrative Agent shall, in consultation with the Company, and with the consent of the Required Banks, appoint another Bank to act as a Reference Bank hereunder. If the Company is entitled to replace any Bank (which is also a Reference Bank) as provided in Section 2.07(e), Section 2.11(c), Section 2.12, Section 2.13 or Section 4.03(b) hereof, the Company may, in consultation with the Administrative Agent, and with the consent of the Required Banks, appoint a replacement Reference Bank.

SECTION 10.09. Headings. Article and Section headings used in this Agreement are for convenience of reference only and shall not affect the construction of this Agreement.

SECTION 10.10. Circumstances Requiring Consultation. In the event that (i) additional amounts have become payable to an Affected Bank as a result of the occurrence of circumstances referred to in Section 2.07 hereof, (ii) any Affected Bank shall have made a determination pursuant to Section 4.03(a) hereof, or (iii) additional amounts have become payable to any Bank or any Participant pursuant to Section 2.11 hereof, then, and in any such event, such Affected Bank, Bank or Participant, as the case may be, shall promptly consult with the Administrative Agent and the Company in order to endeavor, and such Affected Bank, Bank or Participant, as the case may be, shall use its best efforts, to take such action as, in the good faith judgment of such Affected Bank, Bank or Participant, is then reasonable and practicable under the circumstances (including, without limitation, changing the location of its lending office or participating office, as the case may be, in order to move the situs of such Affected Bank's or Bank's Loans or such Participant's participation to another jurisdiction, if possible without material liability, cost or expense to such Affected Bank, Bank or Participant and without

material reduction to such Affected Bank or Bank of any amount otherwise receivable by such Affected Bank or Bank under this Agreement or receivable by such Participant under its participation) to mitigate or eliminate the effect of such event. In addition, in the event that (i) any Bank or Participant shall, as a result of reserves maintained by such Bank or Participant with any Federal Reserve Bank of the United States in connection with any of the Loans or participations, be entitled to receive, and receive, amounts from such Federal Reserve Bank (in the form of interest or otherwise) in respect of such reserves, or (ii) any Bank or Participant shall receive any similar (or other) benefit as a result of actions taken by such Bank or Participant with respect to any Capital Adequacy Rule, then, and in any such event, such Bank or Participant shall promptly consult with the Administrative Agent and the Company in order to endeavor, and such Bank or Participant shall use its best efforts, to take such action as, in the good faith judgment of such Bank or Participant, is then reasonable and practicable under the circumstances to give the benefit of such amounts or benefits to the Company.

SECTION 10.11. Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto on separate counterparts, each of which counterparts, when so executed and delivered, shall be deemed to be an original and all of which counterparts, taken together, shall constitute but one and the same Agreement.

SECTION 10.12. GOVERNING LAW. THIS AGREEMENT SHALL BE DEEMED TO BE A CONTRACT MADE UNDER THE LAWS OF THE STATE OF NEW YORK, AND FOR ALL PURPOSES SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF SAID STATE WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

SECTION 10.13. CONSENT TO JURISDICTION AND SERVICE OF PROCESS; WAIVER OF JURY TRIAL. ALL JUDICIAL PROCEEDINGS BROUGHT AGAINST THE COMPANY WITH RESPECT TO THIS AGREEMENT MAY BE BROUGHT IN ANY STATE OR FEDERAL COURT OF COMPETENT JURISDICTION IN THE CITY OF NEW YORK, AND BY EXECUTION AND DELIVERY OF THIS AGREEMENT, THE COMPANY ACCEPTS, FOR ITSELF AND IN CONNECTION WITH ITS PROPERTIES, GENERALLY AND UNCONDITIONALLY, THE NONEXCLUSIVE JURISDICTION OF THE AFORESAID COURTS, AND IRREVOCABLY AGREES TO BE BOUND BY ANY FINAL JUDGMENT RENDERED THEREBY IN CONNECTION WITH THIS AGREEMENT FROM WHICH NO APPEAL HAS BEEN TAKEN OR IS AVAILABLE. THE COMPANY IRREVOCABLY AGREES THAT ALL PROCESS IN ANY SUCH PROCEEDINGS IN ANY SUCH COURT MAY BE EFFECTED BY MAILING A COPY THEREOF BY REGISTERED OR CERTIFIED MAIL (OR ANY SUBSTANTIALLY SIMILAR FORM OF MAIL), POSTAGE PREPAID, TO IT AT ITS ADDRESS SET FORTH ON SCHEDULE II HERETO OR AT SUCH OTHER ADDRESS OF WHICH THE ADMINISTRATIVE AGENT SHALL HAVE BEEN NOTIFIED PURSUANT HERETO, SUCH SERVICE BEING HEREBY ACKNOWLEDGED BY THE COMPANY TO BE EFFECTIVE AND BINDING SERVICE IN EVERY RESPECT. EACH OF THE COMPANY, THE AGENTS, THE MANAGING AGENTS AND THE BANKS IRREVOCABLY WAIVES, TO THE EXTENT PERMITTED BY APPLICABLE LAW, TRIAL BY JURY AND ANY OBJECTION, INCLUDING, WITHOUT LIMITATION, ANY OBJECTION OF THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY SUCH

ACTION OR PROCEEDING IN ANY SUCH JURISDICTION. NOTHING HEREIN SHALL AFFECT THE RIGHT TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY APPLICABLE LAW OR LIMIT THE RIGHT OF ANY BANK TO BRING PROCEEDINGS AGAINST THE COMPANY IN THE COURT OF ANY OTHER COMPETENT JURISDICTION.

SECTION 10.14. Severability of Provisions. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

SECTION 10.15. Procedures Relating to Addendum. On or prior to the Effective Date a bank may deliver an Addendum in accordance with the provisions of this Section 10.15.

(a) Banks Listed on the Signature Pages. A bank listed on the signature pages hereto may become a party hereto, and may increase or decrease the amount of its Revolving Credit Commitment as set forth opposite its name on Schedule I hereto by delivering an Addendum, appropriately completed and duly executed, to the Company. Upon acceptance of such Addendum by the Company, such bank shall become a party to this Agreement as a Bank with the Revolving Credit Commitment set forth in such Addendum with the same effect as if such bank had executed this Agreement by signing on the signature pages hereto.

(b) Banks Not Listed on Signature Pages. A bank not listed on the signature pages to this Agreement may become a party hereto by delivering an Addendum, appropriately completed and duly executed, to the Company. Upon acceptance of such Addendum by the Company, such bank shall become a party to this Agreement as a Bank with the Revolving Credit Commitment set forth in such Addendum with the same effect as if such bank had executed this Agreement by signing on the signature pages hereto.

(c) Automatic Amendment of the Agreement. Upon acceptance by the Company of an Addendum conforming to the requirements of this Section 10.15, Schedule I and Schedule II hereto shall be amended automatically to reflect the changes in Revolving Credit Commitments and other information set forth in such Addendum.

(d) Notification of Administrative Agent, etc. The Company shall notify the Administrative Agent promptly of the Company's acceptance of any Addendum and shall furnish the Administrative Agent copies of the same. The Company may not accept an Addendum after the Effective Date.

SECTION 10.16. Maximum Interest. Nothing contained in this Agreement shall be deemed to establish or require the payment of interest at a rate in excess of the maximum rate permitted by applicable law. In the event that the rate of interest required to be paid to any of the Banks under this Agreement exceeds the maximum rate permitted by applicable law, the rate of interest required to be paid to such Banks hereunder shall be automatically reduced to the maximum rate permitted by applicable law.

SECTION 10.17. Special Termination Provision. If the Effective Date has not occurred on or prior to March 10, 1998, then the obligations of the Banks hereunder shall terminate and this Agreement shall cease to be binding upon the parties hereto, except that the obligations of the Company under Section 10.04 and Section 10.07 hereof shall survive such termination.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

OCCIDENTAL PETROLEUM CORPORATION,

by

DAVID C. YEN

-----  
Name: David C. Yen  
Title: Vice President and Treasurer

BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, in its individual capacity and as Syndication Agent,

by

J. STEPHEN MERNICK

-----  
Name: J. Stephen Mernick  
Title: Senior Vice President

THE BANK OF NOVA SCOTIA, in its individual capacity and as Administrative Agent,

by

M. VAN OTTERLOO

-----  
Name: M. Van Otterloo  
Title: Senior Relationship Manager

THE CHASE MANHATTAN BANK, in its individual capacity, as Administrative Agent and as Facility Agent,

by

THOMAS H. KOZLARK

-----  
Name: Thomas H. Kozlark  
Title: Vice President

MORGAN GUARANTY TRUST COMPANY OF NEW YORK, in its individual capacity and as Documentation Agent,

by

DIANA H. IMHOF

-----  
Name: Diana H. Imhof  
Title: Vice President

ABN AMRO BANK, N.V., in its  
individual capacity and as a  
Managing Agent,

by

PAUL K. STIMPFL

-----  
Name: Paul K. Stimpfl  
Title: Vice President

JOHN A. MILLER

-----  
Name: John A. Miller  
Title: Group Vice President

ARAB BANK PLC, GRAND CAYMAN,

by

NOFAL S. BARBAR

-----  
Name: Nofal S. Barbar  
Title: Executive Vice President,  
Regional Manager

AUSTRALIA AND NEW ZEALAND BANKING  
GROUP LIMITED,

by

KYLE LOUGHLIN

-----  
Name: Kyle Loughlin  
Title: Vice President

BANK BRUSSELS LAMBERT, NEW YORK  
BRANCH,

by

JOYCE THUNNISSEN

-----  
Name: Joyce Thunnissen  
Title: Vice President

DOMINICK H. J. VANGAEVER

-----  
Name: Dominick H. J. Vangaever  
Title: Senior Vice President Credit

THE BANK OF NEW YORK, in its individual capacity and as a Managing Agent,

by

RAYMOND J. PALMER

-----  
Name: Raymond J. Palmer  
Title: Vice President

BANQUE NATIONALE DE PARIS,

by

CLIVE BETTLES

-----  
Name: Clive Bettles  
Title: Senior Vice President & Manager

MITCHELL M. OZAWA

-----  
Name: Mitchell M. Ozawa  
Title: Vice President

CANADIAN IMPERIAL BANK OF COMMERCE, in its individual capacity and as a Managing Agent,

by

ALEKSANDRA K. DYMANUS

-----  
Name: Aleksandra K. Dymanus  
Title: Authorized Signatory

CANADIAN IMPERIAL BANK OF COMMERCE, in its individual capacity and as a Managing Agent,

by

ROBIN W. ELLIOTT

-----  
Name: Robin W. Elliott  
Title: Authorized Signatory

CITICORP USA, INC., in its individual capacity and as a Managing Agent,

by

MARK STANFIELD PACKARD

-----  
Name: Mark Stanfield Packard  
Title: Assistant Vice President

CREDIT LYONNAIS NEW YORK BRANCH, in its individual capacity and as a Managing Agent,

by

PHILIPPE SOUSTRA

-----  
Name: Philippe Soustra  
Title: Senior Vice President

CREDIT SUISSE FIRST BOSTON, in its individual capacity and as a Managing Agent,

by

JAMES P. MORAN

-----  
Name: James P. Moran  
Title: Director

by

ERIC J. ECKHOLDT

-----  
Name: Eric J. Eckholdt  
Title: Associate

DEUTSCHE BANK AG, NEW YORK BRANCH AND CAYMAN ISLANDS BRANCH, in its individual capacity and as a Managing Agent,

by

STEPHAN A. WIEDEMANN

-----  
Name: Stephan A. Wiedemann  
Title: Director

by

THOMAS A. FOLEY

-----  
Name: Thomas A. Foley  
Title: Assistant Vice President

DRESDNER BANK AG, NEW YORK BRANCH  
AND GRAND CAYMAN BRANCH, in its  
individual capacity and as a  
Managing Agent,

by

BRIGITTE SACIN

-----  
Name: Brigitte Sacin  
Title: Assistant Treasurer

by

JOHN W. SWEENEY

-----  
Name: John W. Sweeney  
Title: Assistant Vice President

BANKBOSTON, N.A.,

by

J. R. VAUGHAN, JR.

-----  
Name: J. R. Vaughan, Jr.  
Title: Director  
Energy & Utilities

THE FUJI BANK, LIMITED, LOS ANGELES  
AGENCY, in its individual capacity  
and as a Managing Agent,

by

MASAHITO FUKUDA

-----  
Name: Masahito Fukuda  
Title: Joint General Manager

THE INDUSTRIAL BANK OF JAPAN, LTD.,  
LOS ANGELES AGENCY,

by

CARL-ERIC BENZINGER

-----  
Name: Carl-Eric Benzinger  
Title: SVP & Senior Manager

KREDIETBANK N.V., in its individual  
capacity and as a Managing Agent,

by

ROBERT SNAUFFER

-----  
Name: Robert Snauffer  
Title: Vice President

by

TOD R. ANGUS

-----  
Name: Tod R. Angus  
Title: Vice President

THE LONG-TERM CREDIT BANK OF JAPAN,  
LTD.,

by

MOTOKAZU UEMATSU

-----  
Name: Motokazu Uematsu  
Title: Deputy General Manager

MELLON BANK, N.A., in its  
individual capacity and as a  
Managing Agent,

by

JOHN S. MCCABE

-----  
Name: John S. McCabe  
Title: Senior Vice President

NATIONSBANK OF TEXAS, N.A., in its  
individual capacity and as a  
Managing Agent,

by

DENISE A. SMITH

-----  
Name: Denise A. Smith  
Title: Senior Vice President

ROYAL BANK OF CANADA,

by

ANDREW C. WILLIAMSON

-----  
Name: Andrew C. Williamson  
Title: Senior Manager

THE SAKURA BANK, LIMITED LOS  
ANGELES AGENCY,

by

OFUSA SATO

-----  
Name: Ofusa Sato  
Title: Senior Vice President &  
Assistant General Manager

SOCIETE GENERALE, in its individual  
capacity and as a Managing Agent,

by

GEORGE Y. L. CHAN

-----  
Name: George Y. L. Chan  
Title: Vice President

STANDARD CHARTERED BANK,

by

MARY MACHADO-SCHAMMEL

-----  
Name: Mary Machado-Schammel  
Title: Vice President

by

SYLVIA D. RIVERA

-----  
Name: Sylvia D. Rivera  
Title: Assistant Vice President

TORONTO DOMINION (TEXAS), INC., in  
its individual capacity and as a  
Managing Agent,

by  
                  JIMMY SIMIEN  
-----  
Name: Jimmy Simien  
Title: Vice President

UNION BANK OF CALIFORNIA, N.A., in  
its individual capacity and as a  
Managing Agent,

by  
                  WALTER M. ROTH  
-----  
Name: Walter M. Roth  
Title: Vice President

UNION BANK OF SWITZERLAND, HOUSTON  
AGENCY, in its individual capacity  
and as a Managing Agent,

by  
                  CYNTHIA A. P. DEERE  
-----  
Name: Cynthia A. P. Deere  
Title: Director

by  
                  W. BENSON VANCE  
-----  
Name: W. Benson Vance  
Title: Assistant Vice President

WACHOVIA BANK N.A.,

by  
                  CHARLES S. ZIMMERMAN  
-----  
Name: Charles S. Zimmerman  
Title: Vice President

SCHEDULE I TO  
CREDIT AGREEMENT

AMOUNT OF COMMITMENTS

NAME OF BANK -----	AMOUNT OF REVOLVING CREDIT COMMITMENT -----
BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION	\$170,000,000
THE BANK OF NOVA SCOTIA	\$170,000,000
THE CHASE MANHATTAN BANK	\$170,000,000
MORGAN GUARANTY TRUST COMPANY OF NEW YORK	\$170,000,000
ABN AMRO BANK, N.V.	\$110,000,000
THE BANK OF NEW YORK	\$110,000,000
CANADIAN IMPERIAL BANK OF COMMERCE	\$110,000,000
CITICORP USA, INC.	\$110,000,000
CREDIT LYONNAIS NEW YORK BRANCH	\$110,000,000
CREDIT SUISSE FIRST BOSTON	\$110,000,000
DEUTSCHE BANK AG, NEW YORK BRANCH AND CAYMAN ISLANDS BRANCH	\$110,000,000
DRESDNER BANK AG, NEW YORK BRANCH AND GRAND CAYMAN BRANCH	\$110,000,000
THE FUJI BANK, LIMITED, LOS ANGELES AGENCY	\$110,000,000
KREDIETBANK N.V.	\$110,000,000
MELLON BANK, N.A.	\$110,000,000
NATIONSBANK OF TEXAS, N.A.	\$110,000,000
SOCIETE GENERALE	\$110,000,000
TORONTO DOMINION (TEXAS), INC.	\$110,000,000

NAME OF BANK -----	AMOUNT OF REVOLVING CREDIT COMMITMENT -----
UNION BANK OF CALIFORNIA, N.A.	\$110,000,000
UNION BANK OF SWITZERLAND, HOUSTON AGENCY	\$110,000,000
AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED	\$85,000,000
BANKBOSTON, N.A.	\$85,000,000
BANQUE NATIONALE DE PARIS	\$85,000,000
THE INDUSTRIAL BANK OF JAPAN, LTD., LOS ANGELES AGENCY	\$85,000,000
ROYAL BANK OF CANADA	\$85,000,000
THE SAKURA BANK, LIMITED LOS ANGELES AGENCY	\$85,000,000
ARAB BANK PLC, GRAND CAYMAN	\$50,000,000
BANK BRUSSELS LAMBERT, NEW YORK BRANCH	\$50,000,000
THE LONG-TERM CREDIT BANK OF JAPAN, LTD.	\$50,000,000
STANDARD CHARTERED BANK	\$50,000,000
WACHOVIA BANK N.A.	\$50,000,000
TOTAL	\$3,200,000,000

SCHEDULE II TO  
CREDIT AGREEMENT

Address, Telecopier and Telephone Numbers

Occidental Petroleum Corporation	OCCIDENTAL PETROLEUM CORPORATION 10889 Wilshire Boulevard Los Angeles, CA 90024 Attention: Treasurer Tel. No. 310-208-8800 Telecopier No. 310-443-6694
Bank of America National Trust and Savings Association	BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION 333 Clay Street, Suite 4500 Houston, TX 77006 Attention: Joseph Goodreault Tel. No. 713-651-4924 Telecopier No. 713-651-4841
The Bank of Nova Scotia	THE BANK OF NOVA SCOTIA 580 California Street, Suite 2100 San Francisco, CA 94104 Attention: Maarten Van Otterloo Tel. No. 415-616-4161 Telecopier No. 415-397-0791
The Chase Manhattan Bank	THE CHASE MANHATTAN BANK Global Oil & Gas Group 707 Travis, Eighth Floor Houston, TX 77002 Attention: Peter Lind Tel. No. 713-216-8880 Telecopier No. 713-216-8882
Morgan Guaranty Trust Company of New York	MORGAN GUARANTY TRUST COMPANY OF NEW YORK 60 Wall Street New York, NY 10260 Attention: Robert M. Osieski Diana Imhof Tel. No. 212-648-7173 212-648-6948 Telecopier No. 212-648-5018
ABN Amro Bank, N.V.	ABN AMRO BANK, N.V. 300 South Grand Avenue, Suite 1115 Los Angeles, CA 90071-7519 Attention: Paul Stimfl Tel. No. 213-687-2303 Telecopier No. 213-687-2061

Arab Bank Plc, Grand Cayman ARAB BANK PLC, GRAND CAYMAN  
520 Madison Avenue  
New York, NY 10022-4237  
Attention: Khanh Vuong  
Tel. No. 212-715-9700  
Telecopier No. 212-593-4632

Australia and New Zealand Banking Group Limited AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED  
1177 Avenue of the Americas  
New York, NY 10036-2798  
Attention: Kyle Loughlin  
Tel No. 212-801-9853  
Telecopier No. 212-801-9131

Bank Brussels Lambert, New York Branch BANK BRUSSELS LAMBERT, NEW YORK BRANCH  
630 Fifth Avenue, 6th Floor  
New York, NY 10111  
Attention: Joyce Thunnissen  
Tel No. 212-632-5317  
Telecopier No. 212-333-5786

The Bank of New York THE BANK OF NEW YORK  
One Wall Street, 19th Floor  
New York, NY 10286  
Attention: Felicia La Forgia  
Tel No. 212-635-7861  
Telecopier No. 212-635-7923

Banque Nationale de Paris BANQUE NATIONALE DE PARIS  
725 So. Figueroa Street, Suite 2090  
Los Angeles, CA 90017  
Attention: Mitchell (Mitch) M. Ozawa  
Tel. No. 213-688-6424  
Telecopier No. 213-488-9602

Canadian Imperial Bank of Commerce CANADIAN IMPERIAL BANK OF COMMERCE  
Two Paces West  
2727 Paces Ferry Road  
Suite 1200  
Atlanta, GA 30339  
Attention: Kathryn McGovern  
Tel. No. 770-319-4821  
Telecopier No. 770-319-4950

copy to:  
CIBC Oppenheimer Corp.  
Two Houston Center  
Suite 1200  
909 Fannin Street  
Houston, TX 77010  
Attention: Brian R. Swinford  
Tel. No. 713-658-8400

Citicorp USA, Inc.	CITICORP USA, INC. 1200 Smith Street, Suite 2000 Houston, TX 77002 Attention: Greg Morzano Tel. No. 713-654-3559 Telecopier No. 713-654-2849
Credit Lyonnais New York Branch	CREDIT LYONNAIS NEW YORK BRANCH 1000 Louisiana, Suite 5360 Houston, TX 77002 Attention: Page Dillehunt Tel. No. 713-753-8719 Telecopier No. 713-751-0307
Credit Suisse First Boston	CREDIT SUISSE FIRST BOSTON 11 Madison Avenue, 20th Floor New York, NY 10010 Attention: James Moran Tel. No. 212-325-9176 Telecopier No. 212-325-8350
Deutsche Bank AG, New York Branch and Cayman Islands Branch	DEUTSCHE BANK AG, NEW YORK BRANCH AND CAYMAN ISLANDS BRANCH 31 West 52nd Street New York, NY 10019 Attention: Steve Pottle Tel. No. 212-469-7787 Telecopier No. 212-469-8212
Dresdner Bank AG, New York Branch and Grand Cayman Branch	DRESDNER BANK AG, NEW YORK BRANCH AND GRAND CAYMAN BRANCH 333 So. Grand Avenue, Suite 1700 Los Angeles, CA 90071 Attention: Jon Bland Tel. No. 213-473-5410 Telecopier No. 213-473-5450
BankBoston, N.A.	BANKBOSTON, N.A. 100 Federal Street Mail Stop 01-08-02 Boston, MA 02110 Attention: Sally Dwyer Tel. No. 617-434-5934 Telecopier No. 617-434-3652
The Fuji Bank, Limited, Los Angeles Agency	THE FUJI BANK, LIMITED, LOS ANGELES AGENCY 333 So. Hope Street, Suite 3900 Los Angeles, CA 90071 Attention: Mano Mylvaganam Tel. No. 213-253-4130 Telecopier No. 213-253-4178

The Industrial Bank of Japan, Ltd., Los Angeles Agency	THE INDUSTRIAL BANK OF JAPAN, LTD., LOS ANGELES AGENCY 350 Grand Street, Suite 1500 Los Angeles, CA 90071 Attention: Carl-Eric Benzinger Tel. No. 213-893-6422 Telecopier No. 213-488-9840
Kredietbank N.V.	KREDIETBANK N.V. 550 So. Hope Street, Suite 1775 Los Angeles, CA 90071 Attention: Luc Cools Tel. No. 213-624-0401 Telecopier No. 213-629-5801
The Long-Term Credit Bank of Japan, Ltd.	THE LONG-TERM CREDIT BANK OF JAPAN, LTD. 300 S. Grand Avenue Los Angeles, CA 90071 Attention: Dennis Blank Tel. No. 213-689-6330 Telecopier No. 213-622-6908
Mellon Bank, N.A.	MELLON BANK, N.A. 400 So. Hope Street, 5th Floor Los Angeles, CA 90071-2806 Attention: John McCabe Tel. No. 213-553-9675 Telecopier No. 213-629-0492
NationsBank of Texas, N.A.	NATIONSBANK OF TEXAS, N.A. 901 Main Street, 64th Floor Dallas, TX 75202 Attention: Tiffany Borlaug Tel. No. 214-508-1425 Telecopier No. 214-508-1286
Royal Bank of Canada	ROYAL BANK OF CANADA 12450 Greenspoint Drive, Suite 1450 Houston, TX 77060 Attention: Andy Williamson Tel. No. 281-874-5661 Telecopier No. 281-874-0081
The Sakura Bank, Limited Los Angeles Agency	THE SAKURA BANK, LIMITED LOS ANGELES AGENCY 515 So. Figueroa Street, Suite 400 Los Angeles, CA 90071 Attention: Pam Schorr Tel. No. 213-489-8615 Telecopier No. 213-623-8692



Societe Generale	SOCIETE GENERALE 2029 Century Park East, Suite 2900 Los Angeles, CA 90067 Attention: George Y.L. Chan Tel. No. 310-788-7105 Telecopier No. 310-551-1537
Standard Chartered Bank	STANDARD CHARTERED BANK 707 Wilshire Boulevard, W14-19 Los Angeles, CA 90017 Attention: Mary Machado Tel. No. 213-614-4756 Telecopier No. 213-614-5158
Toronto Dominion (Texas), Inc.	TORONTO DOMINION (TEXAS), INC. 909 Fannin Street Houston, TX 77010 Attention: John Geresi Tel. No. 713-653-8207 Telecopier No. 713-951-9921
Union Bank of California, N.A.	UNION BANK OF CALIFORNIA, N.A. 4200 Lincoln Plaza 500 North Akard Dallas, TX 75201 Attention: Dustin Gaspari Tel. No. 214-922-4200 Telecopier No. 214-922-4209 Dallas
Union Bank of Switzerland, Houston Agency	UNION BANK OF SWITZERLAND, HOUSTON AGENCY 1100 Louisiana, Suite 4500 Houston, TX 77002 Attention: Cindy Deere Tel. No. 713-655-6544 Telecopier No. 713-655-6555
Wachovia Bank N.A.	WACHOVIA BANK N.A. 191 Peach Street, NE Mail Code 373 Atlanta, GA 30303 Attention: Charles Zimmerman Tel. No. 404-332-1494 Telecopier No. 404-332-6898

COMPETITIVE BID REQUEST

[Date]

The Bank of Nova Scotia, as  
Administrative Agent  
for the Banks referred to below  
600 Peachtree St. N.E., Suite 2700  
Atlanta, Georgia 30308-2214

Attention: Loan Administration

Ladies and Gentlemen:

The undersigned, Occidental Petroleum Corporation, a Delaware corporation (the "Company"), refers to the Credit Agreement dated as of December 18, 1997 (the "Credit Agreement"), among the Company, each bank party thereto, Bank of America National Trust and Savings Association, as syndication agent, Morgan Guaranty Trust Company of New York, as documentation agent, The Bank of Nova Scotia and The Chase Manhattan Bank, as administrative agents (with each reference herein to the administrative agent in the singular meaning The Bank of Nova Scotia) and The Chase Manhattan Bank, as facility agent. Capitalized terms used herein and not defined shall have the meanings assigned to such terms in the Credit Agreement.

The Company hereby gives you notice pursuant to Section 2.02(b) of the Credit Agreement that it requests a Competitive Borrowing under the Credit Agreement, and in that connection sets forth below the terms on which such Competitive Borrowing is requested to be made:

- (A) Date of Competitive Borrowing -----
- (B) Principal amount of Competitive Borrowing 1/ -----
- (C) Interest rate basis 2/ -----
- (D) Interest Period and the last day thereof 3/ -----

Upon acceptance of any or all of the Competitive Loans offered by the Banks in response to this request, the Company shall be deemed to have represented and warranted

-----  
1/ Not less than \$50,000,000 or greater than the available Total Commitment.

2/ Eurodollar Loan or Fixed Rate Loan.

3/ Which, in the case of Fixed Rate Loans, shall not be less than 8 days or more than 360 days, and which in each case shall end not later than the Maturity Date.

that each of the conditions to lending specified in Section 7.02 of the Credit Agreement has been satisfied.

Very truly yours,

OCCIDENTAL PETROLEUM CORPORATION

By \_\_\_\_\_  
Name:  
Title:

NOTICE OF COMPETITIVE BID REQUEST

[Date]

[Name of Bank]  
[Address]  
Attention:

Ladies and Gentlemen:

Reference is made to the Credit Agreement dated as of December 18, 1997, (the "Credit Agreement"), among Occidental Petroleum Corporation, a Delaware corporation (the "Company"), each bank party thereto, Bank of America National Trust and Savings Association, as syndication agent, Morgan Guaranty Trust Company of New York, as documentation agent, The Bank of Nova Scotia and The Chase Manhattan Bank, as administrative agents (with each reference herein to the administrative agent in the singular meaning The Bank of Nova Scotia) and The Chase Manhattan Bank, as facility agent. Capitalized terms used herein and not defined shall have the meanings assigned to such terms in the Credit Agreement.

The Company made a Competitive Bid Request on \_\_\_\_\_, pursuant to Section 2.02 of the Credit Agreement and in that connection you are invited to submit a Competitive Bid by [Date]/[Time] 1/. Your Competitive Bid must comply with Section 2.02 of the Credit Agreement and the terms set forth below on which the Competitive Bid Request was made:

- (A) Date of Competitive Borrowing -----
- (B) Principal amount of Competitive Borrowing -----
- (C) Interest rate basis -----

-----  
1/ The Competitive Bid must be received by the Administrative Agent (i) in the case of Eurodollar Loans, not later than 2:00 p.m., New York City time, four Business Days before a proposed Competitive Borrowing and (ii) in the case of Fixed Rate Loans, not later than 9:30 a.m., New York City time, on the Borrowing Date of the proposed Competitive Borrowing.

(D) Interest Period and the last  
day thereof -----

Very truly yours,

THE BANK OF NOVA SCOTIA, as  
Administrative Agent

By -----  
Name:  
Title:

COMPETITIVE BID

[Date]

The Bank of Nova Scotia, as  
Administrative Agent for the  
Banks referred to below  
600 Peachtree St. N.E., Suite 2700  
Atlanta, Georgia 30308-2214

Attention: Loan Administration

Ladies and Gentlemen:

The undersigned, [Name of Bank], refers to the Credit Agreement dated as of December 18, 1997 (the "Credit Agreement"), among Occidental Petroleum Corporation, a Delaware corporation (the "Company"), each bank party thereto, Bank of America National Trust and Savings Association, as syndication agent, Morgan Guaranty Trust Company of New York, as documentation agent, The Bank of Nova Scotia and The Chase Manhattan Bank, as administrative agents (with each reference herein to the administrative agent in the singular meaning The Bank of Nova Scotia) and The Chase Manhattan Bank, as facility agent. Capitalized terms used herein and not defined shall have the meanings assigned to such terms in the Credit Agreement.

The undersigned hereby makes a Competitive Bid pursuant to Section 2.02(c) of the Credit Agreement, in response to the Competitive Bid Request made by the Company on \_\_\_\_\_, and in that connection sets forth below the terms on which such Competitive Bid is made:

- (A) Principal amount 1/ -----
- (B) Competitive Bid Rate 2/ -----
- (C) Interest Period and the  
last day thereof -----

-----  
1/ Not less than \$5,000,000 and in integral multiples of \$1,000,000 and which may equal the entire aggregate principal amount of the Competitive Borrowing requested by the Company. Multiple bids will be accepted by the Administrative Agent.

2/ I.e., in the case of Eurodollar Loans, the Margin, and in the case of Fixed Rate Loans, the fixed rate of interest offered (expressed as a percentage rate per annum rounded, if necessary, to the nearest 1/10,000 of one percent).

The undersigned hereby confirms that it is prepared to extend credit to the Company upon acceptance by the Company of this bid in accordance with Section 2.02(e) of the Credit Agreement.

Very truly yours,

[NAME OF BANK]

By

-----

Name:  
Title:

REVOLVING CREDIT BORROWING REQUEST

[Date]

The Bank of Nova Scotia, as  
Administrative Agent  
for the Banks referred to below  
600 Peachtree St. N.E., Suite 2700  
Atlanta, Georgia 30308-2214

Attention: Loan Administration

Ladies and Gentlemen:

The undersigned, Occidental Petroleum Corporation, a Delaware corporation (the "Company"), refers to the Credit Agreement dated as of December 18, 1997 (the "Credit Agreement"), among the Company, each bank party thereto (the "Banks"), Bank of America National Trust and Savings Association, as syndication agent, Morgan Guaranty Trust Company of New York, as documentation agent, The Bank of Nova Scotia and The Chase Manhattan Bank, as administrative agents (with each reference herein to the administrative agent in the singular meaning The Bank of Nova Scotia) and The Chase Manhattan Bank, as facility agent. Capitalized terms used herein and not defined shall have the meanings assigned to such terms in the Credit Agreement.

The Company hereby gives you notice pursuant to Section 2.01(b) of the Credit Agreement that it requests a Revolving Credit Borrowing under the Credit Agreement, and in that connection sets forth below the terms on which such Revolving Credit Borrowing is requested to be made:

- (A) Date of Revolving Credit Borrowing -----
- (B) Principal amount of  
Revolving Credit Borrowing 1/ -----

-----  
1/ Not less than  
\$50,000,000 and in integral multiples of \$10,000,000.

(C) Interest rate basis 2/

(D) Interest Period and the last  
day thereof 3/

-----  
-----  
Upon the borrowing of the Revolving Credit Loans to be made by the Banks in response to this request, the Company shall be deemed to have represented and warranted that each of the conditions to lending specified in Section 7.02 of the Credit Agreement has been satisfied.

Very truly yours,

OCCIDENTAL PETROLEUM CORPORATION

By

-----  
Name:  
Title:

-----  
2/ Eurodollar Loan or Alternate Base Rate Loan, or a combination thereof.

3/ Which shall end not later than the Maturity Date.

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OCCIDENTAL PETROLEUM CORPORATION  
Certificate  
(Pursuant to Section 7.01(b))

I, the undersigned, [an] [the] [Assistant]  
Secretary of OCCIDENTAL PETROLEUM CORPORATION, a Delaware  
corporation (the "Company"), DO HEREBY CERTIFY that:

1. This Certificate is furnished pursuant to Section 7.01(b) of that certain Credit Agreement, dated as of December 18, 1997 among the Company, each bank party thereto, Bank of America National Trust and Savings Association, as syndication agent, Morgan Guaranty Trust Company of New York, as documentation agent, The Bank of Nova Scotia and The Chase Manhattan Bank, as administrative agents, and The Chase Manhattan Bank, as facility agent (such credit agreement, as in effect on the date of this Certificate, being herein called the "Credit Agreement"). Unless otherwise defined herein, capitalized terms used in this Certificate have the meanings assigned to those terms in the Credit Agreement.

2. There have been no amendments to the Restated Certificate of Incorporation of the Company since  
 , 19 . \*/

3. Attached hereto as Annex A is a true and correct copy of the By-laws of the Company as in effect on the date hereof.

4. Attached hereto as Annex B is a true and correct copy of the resolutions duly adopted by the [Executive Committee of] the Board of Directors of the Company on, and effective as of , 19 , which resolutions have not been revoked, modified, amended or rescinded and are still in full force and effect.

5. The persons named in Annex C attached hereto have been duly elected and have duly qualified as, and at all times since , 19 (to and including the date hereof) have been, officers of the Company, holding the respective offices set forth therein opposite their names, and the signatures set forth therein opposite their names are their genuine signatures.

-----  
\*/ Insert a date which is on or before the date of the Secretary of State's Certificate furnished pursuant to clause (i) of Section 7.01(a) of the Credit Agreement.

6. I know of no proceeding for the dissolution or liquidation of the Company or threatening its existence.

WITNESS my hand as of this      th day of December, 1997.

-----  
Name:  
Title: [Assistant] Secretary  
OCCIDENTAL PETROLEUM CORPORATION

I, the undersigned, a Vice President of the Company, DO HEREBY CERTIFY that                      is [a] [the] duly elected and qualified [Assistant] Secretary of the Company and the signature above is his genuine signature.

WITNESS my hand as of this      th day of December, 1997.

-----  
Name:  
Title: Vice President  
OCCIDENTAL PETROLEUM CORPORATION

ASSIGNMENT AND ACCEPTANCE

Dated \_\_\_\_\_,---

Reference is made to the Credit Agreement dated as of December 18, 1997 (the "Credit Agreement"), among OCCIDENTAL PETROLEUM CORPORATION, a Delaware corporation (the "Company"), each bank party thereto (the "Banks"), Bank of America National Trust and Savings Association, as syndication agent, Morgan Guaranty Trust Company of New York, as documentation agent, The Bank of Nova Scotia and The Chase Manhattan Bank, as administrative agents (in such capacity, the "Administrative Agents", with each reference herein to the "Administrative Agent" in the singular meaning The Bank of Nova Scotia) and The Chase Manhattan Bank, as facility agent (in such capacity, the "Facility Agent"). Capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Credit Agreement.

(the "Assignor") and  
(the "Assignee") agree as follows:

1. The Assignor hereby sells and assigns to the Assignee, and the Assignee hereby purchases and assumes from the Assignor, a % interest in and to all the Assignor's rights and obligations under the Credit Agreement as of the Effective Date (as defined below) (including, without limitation, such percentage interest in the Revolving Credit Commitment of the Assignor on the Effective Date and such percentage interest in the Revolving Credit Loans [and Competitive Loans], if any, owing to the Assignor outstanding on the Effective Date together with such percentage interest in all unpaid interest with respect to such Revolving Credit Loans [and Competitive Loans] and Facility Fees, if any, accrued to the Effective Date [excluding, however, any interest in the Competitive Loans owing to the Assignor outstanding on the Effective Date or in the unpaid interest with respect to such Competitive Loans owing to the Assignor]).

2. The Assignor (i) represents that as of the date hereof, its Revolving Credit Commitment (without giving effect to assignments thereof which have not yet become effective) is \$ \_\_\_\_\_ and the outstanding balance of its Revolving Credit Loans (unreduced by any assignments thereof which have not yet become effective) is \$ \_\_\_\_\_ [and the outstanding balance of its Competitive Loans (unreduced by any assignments thereof which have not yet become effective) is \$ \_\_\_\_\_]; (ii) makes no representation or warranty with respect to, and assumes no responsibility with respect to any statements, warranties or representations made by the Company in or in connection with, the Credit Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Agreement or any other instrument or document furnished pursuant thereto; (iii) represents and warrants that it is the legal and beneficial owner of the interest being assigned by it hereunder and that such interest is free and clear of any adverse claim; and (iv) makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Company or the performance or observance by the Company of any of its obligations under the Credit Agreement or any other instrument or document furnished pursuant thereto.

3. The Assignee (i) represents and warrants that it is legally authorized to enter into this Assignment and Acceptance; (ii) confirms that it has received a copy of

the Credit Agreement, together with copies of the most recent financial statements and other documents referred to in Section 5.01(e), Section 6.01(a)(i), Section 6.01(a)(ii) and Section 6.01(a)(v) thereof and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance; (iii) agrees that it will, independently and without reliance upon any Agent, the Assignor or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement; (iv) confirms that it is an Eligible Assignee; (v) appoints and authorizes each of the Facility Agent and the Administrative Agent to take such action as agent on its behalf and to exercise such powers under the Credit Agreement as are delegated to the Facility Agent or the Administrative Agent, as the case may be, by the terms thereof, together with such powers as are reasonably incidental thereto; (vi) agrees that it will perform in accordance with their terms all the obligations of the Assignor under the Credit Agreement, assumed by it under this Assignment and Acceptance, which by the terms of the Credit Agreement are required to be performed by it as a Bank; [and] (vii) agrees that it will keep confidential all information with respect to the Company furnished to it by the Company or the Assignor (other than information generally available to the public or otherwise available to the Assignor on a nonconfidential basis) [; and (viii) attaches the forms referred to in Section 10.06(g) of the Credit Agreement as to the Assignee's complete exemption from United States withholding taxes with respect to all payments to be made to the Assignee under the Credit Agreement \*/ ].

4. The effective date for this Assignment and Acceptance shall be (the "Effective Date") \*\*/ . Following the execution of this Assignment and Acceptance, it will be delivered to the Administrative Agent for acceptance and recording by the Administrative Agent pursuant to Section 10.06(e) of the Credit Agreement.

5. Upon such acceptance and recording, from and after the Effective Date, (i) the Assignee shall be a party to the Credit Agreement and, to the extent provided in this Assignment and Acceptance, have the rights and obligations of a Bank thereunder and (ii) the Assignor shall, to the extent provided in this Assignment and Acceptance, relinquish its rights and be released from its obligations under the Credit Agreement (except as provided in Section 2.11(b), Section 10.02 and Section 10.07 thereof).

6. Upon such acceptance and recording, from and after the Effective Date, the Administrative Agent shall make all payments in respect of the interest assigned hereby (including payments of principal, interest, fees and other amounts) to the Assignee. The Assignor and Assignee shall, directly between themselves, make all appropriate adjustments in payments received from the Administrative Agent for periods prior to the Effective Date or with respect to the making of this assignment.

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\*/ If the Assignee is organized under the laws of a jurisdiction outside the United States.

\*\*/ See Section 10.06(c). Such date shall be at least five Business Days after the execution of this Assignment and Acceptance and delivery thereof to the Administrative Agent.

7. Attached hereto is a Schedule containing the information in respect of the Assignee that is set forth in Schedule II to the Credit Agreement in respect of each Bank.

8. THIS ASSIGNMENT AND ACCEPTANCE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

[NAME OF ASSIGNOR]

By \_\_\_\_\_  
Name:  
Title:

[NAME OF ASSIGNEE]

By \_\_\_\_\_  
Name:  
Title:

Accepted this        day  
      -----  
of  
      -----

THE BANK OF NOVA SCOTIA,  
as Administrative Agent

By \_\_\_\_\_  
Name:  
Title:

[LETTERHEAD OF ROBERT E. SAWYER, ESQ.,  
COUNSEL TO THE COMPANY]

December 18, 1997

To each of the Banks party  
to the Credit Agreement  
hereinafter referred to,  
to Bank of America National  
Trust and Savings Association,  
as Syndication Agent,  
to Morgan Guaranty Trust  
Company of New York,  
as Documentation Agent  
to The Bank of Nova Scotia and  
The Chase Manhattan Bank,  
as Administrative Agents, and  
to The Chase Manhattan Bank,  
as Facility Agent

Re: Occidental Petroleum Corporation  
Credit Agreement dated as of  
December 18, 1997

Ladies and Gentlemen:

I am an Associate General Counsel of Occidental Petroleum Corporation, a Delaware corporation (the "Company"), and have acted as counsel to the Company in connection with the negotiation, execution and delivery by the Company of the (a) Credit Agreement, dated as of December 18, 1997 (the "Credit Agreement"), among the Company, each bank party thereto (collectively, the "Banks", and individually, a "Bank"), Bank of America National Trust and Savings Association, as syndication agent (in such capacity, the "Syndication Agent"), Morgan Guaranty Trust Company of New York, as documentation agent (in such capacity, the "Documentation Agent"), The Bank of Nova Scotia and The Chase Manhattan Bank, as administrative agents (in such capacity, the "Administrative Agents") and The Chase Manhattan Bank, as facility agent (in such capacity, the "Facility Agent").

This opinion is being delivered to you pursuant to Section 7.01(c) of the Credit Agreement. Unless otherwise defined herein, terms used herein have the meanings assigned to such terms in the Credit Agreement.

I am familiar with the corporate proceedings taken by the Company in connection with the negotiation and authorization of the Credit Agreement and the transactions contemplated thereby. In addition, I have made such inquiry of such officers

and attorneys of the Company and its Subsidiaries and examined such corporate records, certificates of officers of the Company, of officers of the Company's Subsidiaries and of public officials and such other documents and such questions of law and fact as I have considered necessary or appropriate to form the basis of the opinions hereinafter expressed.

Based upon, and subject to, the foregoing and the four final paragraphs hereof, I am of the opinion that:

1. The Company is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware; and the Company has all requisite corporate power and authority (a) to own its assets and to carry on the business in which it is engaged, (b) to execute, deliver and perform its obligations under the Credit Agreement and (c) to borrow in the manner and for the purpose contemplated by the Credit Agreement.

2. The execution and delivery by the Company of the Credit Agreement, the performance by the Company of its obligations under the Credit Agreement, and the Borrowings by the Company in the manner and for the purpose contemplated by the Credit Agreement have been duly authorized by all necessary corporate action (including any necessary stockholder action) on the part of the Company, and do not and will not (a) violate any provision of any Federal, New York or California law, rule or regulation (including, without limitation, Regulation U and Regulation X) presently in effect having applicability to the Company (or any Specified Subsidiary), or of any order, writ, judgment, decree, determination or award known to me which is presently in effect and which has applicability to the Company (or any Specified Subsidiary), or of the charter or By-laws of the Company (or any Specified Subsidiary), or (b), subject to the Company's compliance with any applicable covenants pertaining to its incurrence of unsecured indebtedness, result in a breach of or constitute a default under any indenture or loan or credit agreement, or any other agreement or instrument, in each case known to me, to which the Company or any Specified Subsidiary is a party or by which the Company or any Specified Subsidiary or its respective properties may be bound or affected, or (c) to the best of my knowledge, result in, or require, the creation or imposition of any Lien of any nature upon or with respect to any of the properties now owned or hereafter acquired by the Company (other than any right of set-off or banker's lien or attachment that any Bank may have under applicable law), and, to the best of my knowledge, the Company is not in default under or in violation of its charter or By-laws as presently in effect. The Borrowing on the date hereof of Loans in an aggregate principal amount equal to the Total Commitment would not result in a breach of or constitute a default under any indenture or loan or credit agreement, or any other agreement or instrument, in each case known to me, to which the Company or any Specified Subsidiary is a party or by which the Company or any Specified Subsidiary or its respective properties may be bound or affected.

3. The Credit Agreement has been duly executed and delivered by the Company and constitutes a legal, valid and binding obligation of the Company, and is enforceable against the Company in accordance with its terms, and, if the Credit Agreement had referred to California law rather than New York law as the governing law, or if a California court having jurisdiction were to decide that, notwithstanding the reference to New York law, the Credit Agreement should be

construed in accordance with, and governed by, California law, then the Credit Agreement would be enforceable against the Company in accordance with its terms.

4. Except as set forth in the Company's annual report on Form 10-K for the year ended December 31, 1996, or its quarterly reports on Form 10-Q for the quarters ended March 31, 1997, June 30, 1997 and September 30, 1997, to the Securities and Exchange Commission, and except as disclosed in writing to the Banks prior to the Effective Date, there are, to the best of my knowledge, no actions, suits, proceedings or investigations pending or threatened against the Company or any Subsidiary of the Company or any of its respective properties before any court, governmental agency or regulatory authority (Federal, state, local or foreign) which are likely (to the extent not covered by insurance) to have a material adverse effect on the present consolidated financial condition of the Company and its Consolidated Subsidiaries, taken as a whole, or materially to impair the Company's ability to perform its obligations under the Credit Agreement.

5. No authorization, consent, approval, license or formal exemption from, nor any filing, declaration or registration with, any Federal, New York or California court, governmental agency or regulatory authority including, without limitation, the Securities and Exchange Commission, or with any securities exchange located in the United States, is or will be required in connection with the execution, delivery and performance by the Company of the Credit Agreement, or the Borrowings by the Company in the manner and for the purpose contemplated by the Credit Agreement, except for informational reports the failure to file which does not affect the validity of the Credit Agreement, and except as may be required in the ordinary course to comply with the affirmative covenants in the Credit Agreement.

6. To the best of my knowledge, neither the Company nor any Related Person to the Company has incurred any liability to the PBGC under Title IV of ERISA which has not been fully discharged.

7. The Company is not an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

8. The Company is not a "holding company", or a "subsidiary company" of a "holding company", or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company", within the meaning of the Public Utility Holding Company Act of 1935, as amended.

I am a member of the California and New York Bars and for purposes of this opinion do not hold myself out as an expert on, nor do I express any opinion as to, the laws of any jurisdiction other than the laws of the State of California, the laws of the State of New York, the Federal laws of the United States and the General Corporation Law of the State of Delaware.

In rendering the opinion set forth in numbered paragraph 3 above with respect to the Credit Agreement, I have assumed, with your approval, the due

authorization, execution and delivery of the Credit Agreement on the part of all parties to the Credit Agreement, other than the Company, and the legality, validity, binding effect on, and enforceability against, all such other parties of the Credit Agreement. That opinion is subject to (i) bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally, (ii) the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law, (iii) the effect of general rules of contract law that limit the enforceability of provisions requiring indemnification of a party for liability for its own action or inaction to the extent the action or inaction involves gross negligence, recklessness, willful misconduct or unlawful conduct, and (iv) the possible challenge to the provisions of the Credit Agreement which provide for a higher rate of interest after a default in payment of principal or interest under California Civil Code Section 1671, which renders invalid liquidated damages provisions in contracts if such provisions are found to have been unreasonable under the circumstances existing at the time the contract was made.

With your approval, I have relied, as to certain matters of fact, on information obtained from public officials, officers of the Company and its Subsidiaries and other sources believed by me to be responsible, and I have assumed that the signatures on all documents examined by me are genuine, that all documents submitted to me as originals are authentic and that all documents submitted to me as copies conform with the originals, which assumptions I have not independently verified. Also with your approval, I have relied, as to certain legal matters, on advice of other lawyers employed by the Company who are more familiar with such matters.

This opinion is rendered only to the Banks, the Syndication Agent, the Documentation Agent, the Administrative Agents and the Facility Agent and is solely for their benefit in connection with the Credit Agreement. This opinion may not be relied upon by the Banks, the Syndication Agent, the Documentation Agent, the Administrative Agents or the Facility Agent for any other purpose or by any other person, firm or corporation for any purpose without my prior written consent.

Very truly yours,

[LETTERHEAD OF CRAVATH, SWAIN & MOORE, SPECIAL  
COUNSEL TO THE AGENTS]

December 18, 1997

Occidental Petroleum Corporation  
Credit Agreement dated as of December 18, 1997

Dear Ladies and Gentlemen:

We have acted as special counsel for the Agents under and as defined in the Credit Agreement dated as of December 18, 1997 (the "Credit Agreement"), among Occidental Petroleum Corporation (the "Company"), each bank party thereto (the "Banks"), Bank of America National Trust and Savings Association, as syndication agent (in such capacity, the "Syndication Agent"), Morgan Guaranty Trust Company of New York, as documentation agent (in such capacity, the "Documentation Agent"), The Bank of Nova Scotia and The Chase Manhattan Bank, as administrative agents (in such capacity, the "Administrative Agents") and The Chase Manhattan Bank, as facility agent (in such capacity, the "Facility Agent"). In that connection, we have examined originals or copies certified or otherwise identified to our satisfaction of the Credit Agreement and such other documents as we have deemed necessary for purposes of this opinion.

Based upon the foregoing, and assuming that the Credit Agreement has been duly authorized, executed and delivered by the Company in conformity with all laws applicable to it, we are of the opinion that the Credit Agreement constitutes a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms (subject to applicable bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other laws affecting creditors' rights generally from time to time in effect and subject to general principles of equity (including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing), regardless of whether considered in a proceeding in equity or at law). With respect to the foregoing opinion, (i) insofar as provisions contained in the Credit Agreement provide for indemnification, the enforceability thereof may be limited by public policy considerations, (ii) the availability of a decree for specific performance or an injunction is subject to the discretion of the court requested to issue any such decree or injunction and (iii) we express no opinion as to the effect (if any) of any law of any jurisdiction (other than the State of New York) in which any Bank is located which limits the rate of interest that such Bank may charge or collect. We express no opinion as to Section 10.13 of the Credit Agreement insofar as such Section relates to the subject matter jurisdiction of the United States District Court for the Southern District of New York to adjudicate any controversy related to the Credit Agreement or provides for the waiver of an inconvenient forum.

We are members of the Bar of the State of New York and the foregoing opinion is limited to the laws of the State of New York and the Federal laws of the United States of America.

This opinion is rendered solely to you in connection with the above matter. This opinion may not be relied upon for any other purpose or relied upon by or furnished to any other person without our prior written consent.

Very truly yours,

To the Banks, the Syndication Agent,  
the Documentation Agent,  
the Administrative Agents, and  
the Facility Agent referred to above,  
c/o Bank of America National Trust and  
Savings Association,  
as Syndication Agent

ADDENDUM

Reference is made to the Credit Agreement dated as of December 18, 1997 (the "Credit Agreement"), among Occidental Petroleum Corporation, a Delaware corporation (the "Company"), each bank party thereto (the "Banks"), Bank of America National Trust and Savings Association, as syndication agent (in such capacity, the "Syndication Agent"), Morgan Guaranty Trust Company of New York, as documentation agent (in such capacity, the "Documentation Agent"), The Bank of Nova Scotia and The Chase Manhattan Bank, as administrative agents (in such capacity, the "Administrative Agents", with each reference herein to the to "Administrative Agent" in the singular meaning The Bank of Nova Scotia) and The Chase Manhattan Bank, as facility agent (in such capacity, the "Facility Agent"). Capitalized terms used herein and not defined shall have the meanings assigned to such terms in the Credit Agreement.

This instrument is submitted by the undersigned pursuant to Section 10.15 of the Credit Agreement and is an Addendum as defined in the Credit Agreement.

1. The undersigned hereby agrees to become a party to the Credit Agreement with the Revolving Credit Commitment set forth below. The undersigned is [not] listed on Schedule I to the Credit Agreement.

Revolving Credit Commitment: \$ -----

\*/ 2. The following information with respect to the undersigned is supplied for purposes of Schedule II to the Credit Agreement:

Name of Bank: -----  
Address: -----  
-----  
Attention: -----  
Tel. No. -----  
Telecopier No. -----  
-----

3. This instrument may be executed by the undersigned and accepted by the Company on separate counterparts, each of which counterparts shall be deemed to be an original and all of which counterparts, taken together, shall constitute but one and the same instrument.

-----  
\*/ If Schedule II to the Credit Agreement already contains this information, this item need not be completed.

IN WITNESS WHEREOF, the undersigned has caused this instrument to be executed by its officer thereunto duly authorized as of the date set forth below.

Date: -----, -----  
-----  
[Name of Bank]

By  
-----  
Name:  
Title:

Accepted:  
OCCIDENTAL PETROLEUM CORPORATION

By -----  
Name:  
Title:

Date: -----, -----

OCCIDENTAL PETROLEUM CORPORATION  
\$3,200,000,000 SENIOR CREDIT FACILITY  
ADMINISTRATIVE DETAILS REPLY FORM

Please complete this form and return to The Bank of Nova Scotia

1) Legal Name of Institution For Signature

Page: -----

2) Name and Title of Individual to Execute Signature

Page: -----

3) Name of Person(s) to Receive Draft Credit

Agreement: -----

4) Address to Send Draft Credit

Agreement: -----

5)      Contacts      Credit Contact      Operations Contact      Legal Contact

Name:                      -----

Title:                     -----

Address:                  -----

Telephone #:              -----

Facsimile #:              -----

-----

6) Payment Instructions:

Method of Payment:      Fedwire                      Chips  
  -----

Pay to: -----

Name of Bank: -----

City, State,              -----

Zip: -----

ABA Number:                      Reference  
  -----

Account Number:                      Account Name:  
  -----

Attention: -----

7) The Bank of Nova Scotia Administrative Details:

For payment of principal, fees, or interest to the Bank of Nova Scotia, please credit our account at the Federal Reserve Bank of New York, ABA#026002532, for further credit to Account #0610135 - BNS San Francisco Loan Servicing Account, Reference: Occidental \$3.2 billion.

Primary Account Administrator	Secondary Account Administrator
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The Bank of Nova Scotia	Michael Silveira Tel: (404) 877-1522 Fax: (404) 888-8998	Norm Campbell Tel: (404) 877-1523 Fax: (404) 888-8998
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Please return this form by fax to The Bank of Nova Scotia  
Michael Silveira, Fax: (404) 888-8998



AGREEMENT

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This Agreement is made as of the 13th day of November, 1997, by and between Occidental Petroleum Corporation, a Delaware corporation headquartered in California (hereinafter, "Employer"), and Mr. John F. Riordan (hereinafter, "Employee").

WITNESSETH:

WHEREAS, Employee has been rendering services to Employer since 1958, most recently as Chief Executive Officer of MidCon Corp. (hereinafter "MidCon"), a wholly-owned subsidiary of Employer, since April 1, 1986, and

WHEREAS, on October 6, 1997, Employer announced the proposed divestiture of MidCon (hereinafter, the "MidCon Divestiture"), and

WHEREAS, the parties now desire to address the specific duties of Employee up until the date upon which the proposed MidCon Divestiture is consummated (hereinafter, the "MidCon Divestiture Date"), including his assistance in the effort to divest MidCon, and thereafter in a more limited service role, in each case on the terms and conditions specified below, and

WHEREAS, the purpose of the Agreement is to specify the rights and obligations of the parties relating to the foregoing matters;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein set forth, Employer and Employee hereby agree as follows:

1. Duties.

(a) Prior to the MidCon Divestiture Date, subject to the early termination provisions of this Agreement, Employee shall, for the compensation specified in Paragraph 3(a) below, (i) serve as and perform the duties of President and Chief Executive Officer of MidCon, or in such other capacity and with such other duties for Employer or any of the subsidiaries of Employer or any corporation affiliated with Employer as the Chief Executive Officer of Employer may direct, and (ii) assist Employer in such manner as may be requested from time to time by the Chief Executive Officer of Employer in its efforts to divest MidCon. In performing duties hereunder, Employee shall comply with Employer's Code of Business Conduct and Corporate Policies, as the same may be amended from time to time, and shall not render paid or unpaid services on a self-employed basis or to any other employer.

(b) In the event that the MidCon Divestiture occurs during the term of this Agreement and while Employee is still serving Employer as President and Chief Executive Officer of MidCon pursuant to Paragraph 1(a) above, then subsequent to the MidCon Divestiture Date and for the balance of the term of this Agreement, Employee shall, for the compensation specified in Clause 3(b)(i) below, make himself available, as Employer may from time to time request in writing, on reasonable notice, to consult with Employer with respect to its business affairs and operations, in Los Angeles or at such other places as Employer may from time to time request. During this post-divestiture period, Employee shall comply with Employer's Code of Business and Corporate Policies, as the same may be amended from time to time and shall not accept employment with, or act as a consultant for, or perform services for any person, firm or corporation directly or indirectly engaged in any business competitive with Employer, without the prior written consent of Employer.

2. Term. The term of this Agreement shall extend for a period of five (5) years, commencing on November 13, 1997, and ending midnight November 12, 2002, unless terminated prior thereto in accordance with the provisions of this Agreement.

3. Compensation.

(a) For all services performed pursuant to Paragraph 1(a) above prior to the MidCon Divestiture Date, subject to the early termination provisions of this Agreement, Employee shall receive a salary from Employer at the rate of Five Hundred Ninety Thousand Dollars (\$590,000) per annum, payable semi-monthly. Employee's salary shall be subject to annual increase (and, as part of across the board reductions for other officers of Employer, decrease) at the reasonable discretion of the Board of Directors of Employer and its Compensation Committee. Employee shall not receive any salary pursuant to this Paragraph 3(a) after the MidCon Divestiture Date.

(b) In the event that the MidCon Divestiture occurs during the term of this Agreement and while Employee is still serving Employer as President and Chief Executive Officer of MidCon pursuant to Paragraph 1(a) above, then subsequent to the MidCon Divestiture Date Employee shall be entitled to receive:

(i) an Incentive Bonus equal to three times (3x) his then current salary under Paragraph 3(a) above, payable in equal semi-monthly installments over the period from the MidCon Divestiture Date to November 12, 2002, which Incentive Bonus payments shall constitute Employee's sole compensation for his services under Paragraph 1(b) of this Agreement, and

(ii) if, and only if, (A) Employer terminates Employee following the MidCon Divestiture Date, or (B) Employee becomes an employee of the entity (or any subsidiary or affiliate thereof) that acquires MidCon (the "MidCon Acquiror") and subsequently leaves the employment of the MidCon Acquiror on or before November 12, 2002, a Severance Bonus equal to two times (2x) his then current salary under Paragraph 3(a), payable within ten (10) business days after Employee ceases to be employed by either Employer or the MidCon Acquiror.

During the post-divestiture period described in this Paragraph 3(b), fifty percent (50%) of all remuneration or wages earned by Employee, either as an employee, independent contractor or consultant to any person, firm or corporation, which is determined by the Chief Executive Officer of Employer to be a major competitor of Employer, shall be set off against Employer's duty of compensation to Employee; in furtherance of the

foregoing, Employee shall promptly notify Employer of his employment in any capacity during such period and of the amount of remuneration or wages he has received or will receive. In the event that Employee becomes entitled to the bonuses described in this Paragraph 3(b), and thereafter dies prior to his having received the full amount of such bonuses, the entire unpaid balance of such bonuses shall thereupon be paid to his estate.

4. Participation in Benefit Programs.

(a) Prior to the MidCon Divestiture Date, while Employee is serving under Paragraph 3(a) above, Employee shall be eligible to participate in (i) all benefit programs and under the same terms and conditions as are generally applicable to salaried employees and senior executives of Employer (including the senior executive deferred compensation plan and the 1988 deferred compensation plan), except that Employee shall be eligible to participate in the MidCon Retirement Plan, Savings Plan and Supplemental Retirement Plan, rather than Employer's versions of such plans, (ii) the MidCon ESOP plan, and (iii) Employer's Incentive Compensation Plan and 1995 Incentive Stock Plan, in all cases for so long as such programs and plans remain in effect, and Employee shall also be eligible to receive awards or grants under such Plans at Employer's sole discretion.

(b) During the limited service periods specified in Paragraph 1(b) above and Paragraph 6(c) below,

(i) Employee shall be eligible to (A) participate in employee benefit programs of Employer, including the medical and dental programs, PRA and PSA, under the same terms and conditions as are generally applicable and available to salaried employees and senior executives, except for incentive compensation programs such as the incentive cash bonus and stock awards and option programs, and (B) exercise all stock options previously granted to Employee under Employer's 1987 Stock Option and 1995 Incentive Stock Plan, which options are or become exercisable under the provisions of such Plans; and

(ii) Any awards to Employee pursuant to Employer's 1977 Executive Long-Term Incentive Stock Purchase Plan and 1995 Incentive Stock Plan shall continue to vest in the same manner and in the same amounts as such awards would have vested if Employee had continued as a full-time employee.

5. Duty of Loyalty. While Employee is receiving any payment or compensation in accordance with the provisions of this Agreement, Employee shall not act in a disloyal manner to Employer.

6. Termination Prior to the MidCon Divestiture.

(a) Cause. Prior to the MidCon Divestiture Date, notwithstanding the term of this Agreement, Employer may discharge Employee and terminate this Agreement without severance or other pay upon one week's written notice or pay in lieu of such notice for cause, including without limitation, (i) failure to satisfactorily perform his duties or responsibilities hereunder or negligence in complying with Employer's legal obligations, (ii) refusal to carry out any lawful order of Employer, (iii) breach of any legal duty to Employer, (iv) breach of Paragraph 5 of the Agreement, or (v) conduct constituting moral turpitude or conviction of a crime which may diminish Employee's ability to effectively act on Employer's behalf or with or on behalf of others, or (vi) death.

(b) Incapacity. If, prior to the MidCon Divestiture Date, Employee is incapacitated from performing the essential functions of his job pursuant to this Agreement by reason of illness, injury, or disability, Employer may terminate this Agreement by at least one week's written notice to Employee, but only in the event that such conditions shall aggregate not less than one hundred eighty (180) days during any twelve month period. In the event Employee shall (i) continue to be incapacitated subsequent to termination for incapacity pursuant to this Paragraph 6(b), and (ii) be a participant in and shall qualify for benefits under Employer's Long Term Disability Plan ("LTD"), then Employer will continue to compensate Employee, for so long as Employee remains eligible to receive LTD benefits, in an amount equal to the difference between 60% of Employer's annual compensation as set forth in Paragraph 3(a) hereof and the maximum annual benefit under the LTD, payable monthly on a prorated basis.

(c) Without Cause. Prior to the MidCon Divestiture Date, Employer may at any time terminate the employment of Employee without cause or designate a termination for cause as a termination without cause, and in such event Employer shall, in lieu of continued employment, compensate Employee at the rate and in the manner provided in Paragraph 3(a) hereof for a period after termination equivalent to (i) 2 years,

or (ii) until the expiration of this Agreement, whichever of (i) or (ii) is shorter in time. At the end of that period, Employee will receive a salary at the annual rate of \$50,000, payable semi-monthly, until November 12, 2002. From the date of such termination through November 12, 2002, Employee shall make himself available, as Employer may from time to time request in writing, on reasonable notice, as a source of information to Employer with respect to the business affairs and operations of MidCon and its affiliates wherein he has knowledge, or with respect to other matters deemed by Employer to be within his expertise, in Los Angeles and at such other places as Employer may from time to time request. All remuneration or wages earned by Employee in excess of \$590,000, either as an employee, independent contractor or consultant to any person, firm or corporation, other than Employer, shall be set off against Employer's duty of compensation to Employee under this Paragraph 6(c); in furtherance of the foregoing, Employee shall promptly notify Employer of his employment in any capacity during such period and of the amount of remuneration or wages he has received or will receive.

(d) The divestiture of MidCon shall not constitute a termination for the purposes of this Paragraph 6. In the event of a MidCon Divestiture, Employee shall be entitled to compensation only pursuant to Paragraph 3(b) of this Agreement.

7. Confidential Information. Employee agrees that he will not divulge to any person, nor use to the detriment of Employer or any of its affiliates or subsidiaries, nor use in any business or process of manufacture competitive with or similar to any business or process of manufacture of Employer or any of its affiliates or subsidiaries, at any time during employment by Employer or thereafter, any trade secrets or confidential information obtained during the course of his employment with Employer, without first obtaining the written permission of Employer. Employee agrees that, at the time of leaving the employ of Employer, he will deliver to Employer, and not keep or deliver to anyone else, any and all credit cards, notes, notebooks, memoranda, documents and, in general, any and all material relating to Employer's business, including copies thereof, whether in paper or electronic format.

8. Relocation. In the event that Employee elects to relocate and such relocation is not covered by his new employer at the time of such relocation, then, in such event, Employee's relocation shall be covered by and subject to Employer's written relocation policy as effective on November 13, 1997, but only if such relocation is within the continental United States.

9. Resignations. Effective on the MidCon Divestiture Date, Employee shall resign as Executive Vice President of Employer, as President and Chief Executive Officer of MidCon and from each other office or directorship in which he serves subsidiaries or affiliated companies of Employer.

10. Modification. This Agreement contains all the terms and conditions agreed upon by the parties hereto, and no other agreements, oral or otherwise, regarding the subject matter of this Agreement shall be deemed to exist or bind either of the parties hereto. This Agreement cannot be modified except by a subsequent writing signed by both parties.

11. Prior Agreement. This Agreement supersedes and replaces any and all previous agreements between the parties.

12. Severability. If any provision of this Agreement is illegal and unenforceable in whole or in part, the remainder of the Agreement shall remain enforceable to the extent permitted by law.

13. Governing Law. This Agreement shall be construed and enforced in accordance with the laws of the State of California. In the event that any ambiguity or questions of intent or interpretation arise, no presumption or binder of proof shall arise favoring or disfavoring Employer by virtue of authorship of this Agreement and the terms and provisions of this Agreement shall be given their meaning under law.

14. Assignment. This Agreement shall be binding upon Employee, his heirs, executors and assigns and upon Employer, its successors and assigns.

15. Arbitration. In consideration for entering into this Agreement and for the position, compensation, benefits and other promises provided hereunder, Employee and Employer agree to be bound by the arbitration provisions attached hereto as Attachment 1 and incorporated herein by this reference.

[signatures appear on the following page]

IN WITNESS WHEREOF, the parties hereto have executed  
this Agreement the day and year first above written.

OCCIDENTAL PETROLEUM CORPORATION

By: RICHARD W. HALLOCK

-----  
J. F. RIORDAN

-----  
John F. Riordan

ARBITRATION PROVISIONS ("Provisions")

Incorporated by Reference into and Made a Part of the Agreement, dated as of November 13, 1997 (the "Agreement"), between Occidental Petroleum Corporation (the "Employer") and John F. Riordan (the "Employee")

In recognition of the fact that differences may arise between the Employer and the Employee arising out of or relating to certain aspects of the Employee's employment with the Employer or the termination of that employment, and in recognition of the fact that resolution of any differences in the courts is rarely timely or cost-effective for either party, the Employer and Employee have agreed to the incorporation of the Provisions into the Agreement in order to establish and gain the benefits of a speedy, impartial and cost-effective dispute resolution procedure. By so doing, the Employer and the Employee mutually agree to arbitrate Claims (as defined below) and each knowingly and voluntarily waive their rights before a jury. Each party's promise to resolve Claims (as defined below) by arbitration in accordance with these Provisions is consideration for the other party's like promise, in addition to any other consideration.

1. Claims

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1.1 Except as provided in Paragraph 1.2 below, "Claims" (collectively called "Claim" or "Claims" in these Provisions) means all claims or controversies between the Employer and Employee or between the Employee and others arising out of, or relating to or concerning the Employee's employment with the Employer or termination thereof for which a state or federal court otherwise would be authorized to grant relief, including, but not limited to, claims based on any purported breach of contract, tort, state or federal statute or ordinance, common law, constitution or public policy, claims for wages or other compensation, or of discrimination, or violation of public policy of any type. Claims expressly include the Employee's Claims against the Employer, and any subsidiary and related or affiliated entity, successor or assign, and any of their officers, directors, employees, managers, representatives, attorneys or agents, and Claims against others arising out of, relating to or concerning the Employee's employment with the Employer or termination thereof.

1.2 These Provisions do not apply to or cover: claims for workers' compensation benefits, claims for unemployment compensation benefits, or claims for which the National Labor Relations Board has exclusive jurisdiction; claims by the Employer for injunctive and/or other equitable relief for intellectual property, unfair competition and/or the use and/or unauthorized disclosure of trade secrets or confidential information; and claims based upon an employee pension or benefit plan the terms of which contain an arbitration or other non-judicial resolution procedure, in which case the provisions of such plan shall apply. Employee shall further retain the right to seek injunctive and/or other equitable relief expressly made available by a statute which forms

the basis of a Claim which is subject to arbitration under these Provisions. Where one or more of the included Claims in a dispute are covered under these Provisions and one or more of the included Claims in the dispute are not covered under these Provisions, such covered and non-covered claims shall be separated and shall be heard separately in the appropriate forum for each claim.

2. Agreement to Arbitrate All Claims  
-----

2.1 Except for claims excluded from these Provisions by Paragraph 1.2 above and as otherwise provided in Paragraph 1.2 and 4.1, the Employer and the Employee hereby agree to the resolution by exclusive, final and binding arbitration of all Claims.

2.2 The parties further agree that any issue or dispute concerning the formation, applicability, interpretation, or enforceability of these Provisions, including any claim or contention that all or any part of these Provisions is void or voidable, shall be subject to arbitration as provided herein. The arbitrator, and not any federal, state or local court or agency, shall have authority to decide any such issue or dispute.

3. Governing Law  
-----

3.1 Except as modified by these Provisions, the arbitration shall be conducted pursuant to the rules set forth in the California Arbitration Act, California Civil Code or Procedure Section 1281, et. seq.

3.2 The Arbitrator shall apply the substantive law (and the law of remedies, if applicable) of the State of California, or federal law, or both, as applicable to the Claims asserted.

4. Binding Effect  
-----

4.1 The arbitration Award (see Section 10, herein) shall be final and binding on the parties except that both parties shall have the right to appeal to the appropriate court any errors of law in the decision rendered by the Arbitrator.

4.2 The Award may be entered as a judgment in any court of competent jurisdiction and shall serve as a bar to any court action for any Claim or allegation which was, or could have been, raised in Arbitration.

4.3 For Claims covered by these Provisions, Arbitration is the exclusive remedy, except as provided by Paragraph 1.2. The parties shall be precluded from bringing or raising in court or before any other forum any dispute which could have been brought or raised pursuant to Arbitration.

4.4 Nothing in these Provisions shall prevent a party from pursuing any legal right to bring an action to vacate or enforce an Award or to compel arbitration pursuant to applicable California law.

#### 5. Initiating Arbitration

To initiate the arbitration process, the aggrieved party must provide the other party or parties with: a written request to arbitrate any covered Claims which states the Claim or Claims for which arbitration is sought. The written request to arbitrate must be received within the limitations periods applicable under the law to such Claims.

#### 6. Selection of the Arbitrator

6.1 All Claims shall be decided by a single neutral decision-maker, called the "Arbitrator."

6.2 To be qualified to serve, the Arbitrator must be an attorney in good standing with at least seven years experience in employment law or a retired judge and be available to hear the matter within sixty (60) days of selection and on consecutive days.

6.3 Within fifteen calendar days after receipt of the written request to arbitrate, the parties will attempt to agree on the selection of a qualified Arbitrator pursuant to Paragraph 6.2 above. If the parties fail to agree on the selection of an Arbitrator within that fifteen calendar day period, the Employer will designate an alternate dispute resolution service (by way of example, American Arbitration Association, National Arbitration Forum, Judicial Arbitration and Mediation Services/Endispute) which has the capacity of providing the parties with a list of potential qualified arbitrators. The parties shall request that designated alternate dispute resolution service to provide them with a list of nine persons who meet the requirements of Paragraph 6.2 above. Each party shall rate the nine names by giving the most preferred arbitrator the number nine and using descending successive numbers to rate the remaining choices in descending order of that party's preference and returning the list to the alternate dispute resolution service for calculation. The arbitrator candidate with the highest combined rating will be the Arbitrator. The functions of the alternate dispute resolution service shall be strictly limited to providing the list of arbitrator candidates and tallying the respective parties' ratings of the candidates in accordance with this Section 6 and no rules of that service shall otherwise apply.

7. Arbitration Procedures:  
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7.1 All parties may be represented by counsel throughout the arbitration process, including without limitation, at the arbitration hearing.

7.2 The Arbitrator shall afford each party a full and fair opportunity to present relevant and material proof, to call and cross-examine witnesses, and to present its argument.

7.3 The Arbitrator shall not be bound by any formal rules of evidence with the exception of applicable law regarding the attorney-client privilege and work product doctrine, and any applicable state or federal law regarding confidentiality of documents and other information (including, without limitation, pursuant to rights of privacy).

7.4 The Arbitrator shall decide the relevance of any evidence offered, and the Arbitrator's decision on any question of evidence or argument shall be final and binding.

7.5 The Arbitrator may receive and consider the evidence of witnesses by affidavit and shall give it such weight as the Arbitrator deems appropriate after consideration of any objection made to its admission.

7.6 Either party, at its expense, may arrange and pay for the cost of a court reporter to provide a stenographic record of the proceedings. The other party may obtain a copy of the recording by paying the reporter's normal fee for such copy. If both parties agree to utilize the services of a court reporter, the parties shall share the expense equally and shall be billed and responsible for payment individually.

7.7 Either party shall have the right to file a pre- or post-hearing brief. The time for filing such briefs shall be set by the Arbitrator.

7.8 The Arbitrator has authority to entertain a written or oral motion to dismiss and motion for summary judgment, dispositive of all or part of any Claim, to which the Arbitrator shall apply the standards governing such motions under the Federal Rules of Civil Procedure.

8. Discovery  
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8.1 Discovery shall be governed by this Paragraph 8, notwithstanding Code of Civil Procedure Section 1283.05 to the contrary.

8.2 Discovery shall be conducted in the most expeditious and cost-effective manner possible, and shall be limited to that which is relevant and for which the party seeking it has substantial, demonstrable need.

8.3 All parties shall be entitled to receive, reasonably prior to the hearing, copies of relevant documents which are requested in writing, clearly described and governed by Paragraph 8.2 above, and sought with reasonable advance notice given the nature of the requests. Upon request, Employee shall also be entitled to a true copy of his or her personnel file kept in the ordinary course of business and pursuant to the Employer policy. Any other requests for documents shall be made by subpoena as provided for in Section 9 herein.

8.4 Except as mutually agreed by the parties, all parties shall be entitled to submit no more than twenty interrogatories (including subparts) and twenty requests for admission (including subparts), on each of the other parties, which are requested in writing, clearly described and governed by Paragraph 8.2 above, and sought with reasonable advance notice given the nature of the requests.

8.5 Upon reasonable request and scheduling, each party shall be entitled to take three depositions in total of relevant parties, representative of the opposing party, or third parties, of up to two days duration each.

8.6 Physical and/or mental examinations may be conducted in accordance with the standards established by the Federal Rules of Civil Procedure.

8.7 At a mutually agreeable date, the parties will exchange lists of experts who will testify at the arbitration. Each party may depose the other party's experts and obtain documents they reviewed and relied upon and these depositions will not be charged against the party's limit of three depositions.

8.8 Any disputes relative to discovery or requests for discovery other than specifically provided for herein, shall be presented to the Arbitrator who shall make final and binding decisions in accordance with Paragraphs 8.1 and 8.2 herein.

## 9. Subpoenas

9.1 Subject to formal request and a determination of both need and relevance by the Arbitrator in accordance with Paragraphs 8.1 and 8.2 above, each party may issue a subpoena for production of documents or persons (other than those provided for in Sections 8.3, 8.5 and 8.7) relevant to the procedure. The Arbitrator's decision regarding relevance and the need for subpoenas shall be final and binding.

9.2 The Arbitrator is empowered to subpoena witnesses or documents to the extent permitted in a judicial proceeding, upon his or her own initiative or at the request of a party.

9.3 The party requesting the production of any witness or proof shall bear the costs of such production.

10. The Award

10.1 The Arbitrator shall render his or her decision and award (collectively the "Award") based solely on the evidence and authorities presented, the applicable policies of the Employer, any applicable written employment agreement, the applicable law argued by the parties, and these Provisions as interpreted by the Arbitrator.

10.2 The Award shall be made promptly by the Arbitrator, and unless otherwise agreed by the parties, not later than sixty (60) days from the closing of the hearing, or the date post-hearing briefs are filed, whichever is later.

10.3 The Award shall be in writing and signed and dated by the Arbitrator. The Award shall decide all issues submitted, shall contain express findings of fact and law (including findings on each issue of fact and law raised by a party), and provide the reasons supporting the decision including applicable law. The Arbitrator shall give signed and duplicate original copies of the Award to all parties at the same time.

11. Damages and Relief

11.1 The Arbitrator shall have the same authority to award remedies and damages as provided to a judge and/or jury under applicable state or federal laws, where the aggrieved party has met his or her burden of proof.

11.2 Both parties have a duty to mitigate their damages by all reasonable means. The Arbitrator shall take a party's failure to mitigate into account in granting relief in accordance with applicable state and federal law.

11.3 Arbitration of damages or other remedies may be conducted in a bifurcated proceeding.

12. Fees and Expenses

12.1 All parties shall share equally the fees of the Arbitrator. Each party will deposit funds or post other appropriate security for its share of the Arbitrator's fee, in an amount and manner determined by the Arbitrator, at least ten (10) days before the first day of hearing. Additionally, each party shall pay for its own expenses associated with the arbitration process and attorneys' fees, if any. If any party prevails on a statutory claim which entitles the prevailing party to attorneys' fees, or if there is a written agreement providing for fees, the Arbitrator may award reasonable fees to the prevailing party in accordance with such statute or agreement.

12.2 The Arbitrator may additionally award either party its reasonable attorneys' fees and costs, including reasonable expenses associated with production of witnesses or proof, upon a finding that the other party (a) engaged in unreasonable delay, or (b) failed to comply with the Arbitrator's discovery order.



EMPLOYMENT AGREEMENT  
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This Agreement is made as of the 4th day of April, 1994 by and between Occidental Petroleum Corporation, a Delaware corporation (hereinafter referred to as "Employer"), and Stephen I. Chazen (hereinafter referred to as "Employee").

WITNESSETH  
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Employer hereby agrees to employ Employee, and Employee agrees to perform services and to work for Employer, upon the following terms and conditions:

1. Duties - Employee shall serve in the capacity of Executive Vice President - Corporate Development.

In performing his duties, Employee agrees to observe and follow the reasonable policies and procedures established by the Employer, which are subject to change by the Employer from time to time.

2. Term of Employment - The term of employment shall be for a period of five (5) years (unless terminated prior thereto in accordance with the provisions of this Agreement, or unless extended by mutual agreement of the parties), commencing on May 1, 1994, or such earlier date as Employee may specify. In order to be valid, any such extension shall be in writing and signed by the Chairman, President & Chief Executive Officer on behalf of Employer.

3. Compensation - In consideration for his services to be performed under this Agreement, Employee shall receive, in addition to all other benefits provided in this Agreement, an aggregate salary of no less than three hundred fifty thousand dollars (\$350,000) per year payable by Employer in equal semimonthly installments or on such basis as is generally established for principal executives of Employer from time to time.

4. Participation in Benefit Programs - During the term of this Agreement, Employee shall be entitled to participate

in all benefit programs generally applicable to salaried employees of employer in force or adopted by Employer from time to time. Employee will be required to participate in the tax preparation program conducted by Arthur Andersen & Co.

5. Compensation Plans - Employee shall be:

(i) eligible to participate in Employer's Incentive Compensation Plan according to its terms, and shall be guaranteed to receive a bonus under such Plan for the year 1994 of forty percent (40%) of his base salary for 1994 or \$140,000 (this bonus shall be payable in December 1994 or January 1995 in the discretion of the Company); (ii) eligible to receive annual grants under Employer's 1987 Stock Option Plan and shall receive an option grant of fifty thousand (50,000) shares under such Plan after Employee's execution of this Agreement and the commencement of services pursuant to this Agreement, and (iii) a participant in Employer's 1977 Executive Long Term Incentive Stock Purchase Plan and shall be guaranteed to receive a grant of forty percent (40%) of Employee's base salary or \$140,000 in January, 1995 under such Plan. Employee's participation in each of the foregoing Plans shall be in accordance with and subject to all of the terms and conditions of such Plans.

6. Additional Payments - In order to compensate

Employee for cost he will incur with this change of employment, Employer shall pay to Employee an aggregate of \$200,000, payable after Employee's execution of this Agreement.

7. Exclusivity of Services - Employee agrees to

devote his full-time, exclusive services to Employer hereunder, except for such time as Employee may require in connection with his personal investments.

8. Vacation - Employee shall be entitled to a total

of four (4) weeks of paid vacation in each contract year.

9. Termination -

a. Cause - Notwithstanding the term of this

Agreement, Employer may discharge Employee and terminate this Agreement for material cause, upon written notice, in the event that Employee (i) shall willfully breach this agreement, or (ii) shall refuse to carry out any lawful order of Employer or act in a disloyal manner inimical to Employer. In any such event, Employer shall give Employee notice of such cause and Employee shall have 30 days to cure such breach.

b. Incapacity - If, during the term of this

Agreement, Employee is materially incapacitated from fully performing his duties pursuant to this Agreement by reason of

illness, disability or other incapacity (unless incurred as a direct result of his assignments hereunder) or by reason of any statute, law, ordinance, regulation, order, judgment or decree, Employer may terminate this Agreement without liability by written notice to Employee, but only in the event that such conditions shall aggregate not less than one-hundred eighty (180) days during any one contract year of the term of employment.

c. Without Cause - Either party may terminate this Agreement without cause at any time, by giving the other party not less than 6 (six) months written notice of termination. Employer may terminate the employment of Employee without cause at any time (including a time during such notice period); and in such event Employer shall compensate Employee (in lieu of said notice and continued employment and, except for benefits specified hereunder, in complete satisfaction of all of its obligations under this Agreement) at his then current rate and in the manner provided in Paragraph 3 above for a period after termination equivalent to the shortest of: (i) twenty-four months; or (ii) until the expiration of the term of this Agreement. In any event, Employer's maximum liability for any breach of this Agreement, including but not limited to, termination without cause and/or notice shall be no more than twenty-four (24) months compensation plus the benefits specified hereunder (or a lesser amount as determined in accordance with subsection (ii) of this paragraph) at the rate set forth above.

During this period of compensation, Employee shall continue to be eligible to (i) participate in all employee benefit plans of Employer (except the short and long-term disability plans unless Employee has already become eligible under such plans), in which he is participating at the time of the notice, and (ii) exercise all stock options previously granted to Employee under Employer's 1987 Stock Option Plan, which options are or become exercisable under the provisions of such Plan as though he were still a full time employee. During the period, any award(s) to Employee pursuant to Employer's Executive Long-Term Incentive Stock Purchase Plan shall continue to vest in the same manner and in the same amounts as such award(s) would have vested if Employee had continued as a full time employee. However, this employee benefits participation and stock plan vesting will cease if Employee accepts a full time position with another employer.

In the event Employer compensates Employee (in lieu of said notice and continued employment) under the first paragraph of 9(c) above for a period exceeding twelve months, then in such event, all remuneration or wages earned during the second twelve months of such period by Employee, either as employee, independent contractor or consultant to any person,

firm or corporation other than employer, shall be a set-off to Employer's duty of compensation to Employee.

10. Initial Relocation - Employee's relocation from Madison, New Jersey to Los Angeles, California (including the sale of Employee's existing residence in Madison, New Jersey), shall be covered by and subject to Employer's existing written relocation policy. This will include the movement of household goods from New Jersey, plus any additional relocation benefits as approved by the Executive Vice President of Human Resources.

11. Indemnity and Insurance. - In any situation where under applicable law Employer has the power to indemnify Employee in respect of any judgments, fines, settlements, loss, cost or expense (including attorneys' fees) of any nature related to or arising out of Employee's activities as an agent, employee, officer or director of Employer or in any other capacity on behalf of or at the request of Employer, Employer agrees that it will indemnify Employee to the fullest extent permitted by applicable law, including but not limited to making such findings and determinations and taking any and all such actions as Employer may, under applicable law, be permitted to have the discretion to take so as to effectuate such indemnification. Employer further agrees to furnish Employee for the remainder of his life, with Directors' and Officers' liability insurance insuring Employee against occurrences which occur during his employment with Employer, such insurance to have policy limits aggregating not less than \$100 million, and otherwise to be in substantially the same form and to contain substantially the same terms, conditions and exceptions as the liability insurance policies provided for officers and directors of Employer in force from time to time.

12. Confidential Information - Employee agrees that he will not divulge to any person, nor use to the detriment of Employer or any of its affiliates or subsidiaries, nor use in any business competitive with or similar to any business of Employer or any of its affiliates or subsidiaries, at any time during employment by Employer or thereafter, any trade secrets or confidential information obtained during the course of his employment with Employer, without first obtaining the written permission of Employer.

Employee agrees that, at the time of leaving the employ of Employer, he will deliver to Employer and not keep or deliver to anyone else any and all notes, notebooks, memoranda, documents and, in general, any and all material relating to Employer's business.

13. Entire Agreement; Modification - This Agreement constitutes the entire agreement of the parties relating to the subject matter hereof, and supercedes all previous agreements, arrangements, and understandings, whether express or implied, relating to the subject matter hereof. No other agreements, oral, implied or otherwise, regarding the subject matter of this Agreement shall be deemed to exist or bind either of the parties hereto. This Agreement cannot be modified except by a writing signed by both parties.

14. Severability - If any provision of this Agreement is illegal and unenforceable in whole or in part, the remainder of this Agreement shall remain enforceable to the extent permitted by law.

15. Governing Law - This Agreement shall be construed and enforced in accordance with the laws of the State of California.

16. Assignment - This Agreement shall be binding upon Employee, his heirs, executors and assigns and upon Employer, its successors and assigns.

17. Sole Contract - Employee represents and warrants to Employer that he is not barred by or subject to any contractual or other obligation that would be violated by the execution or performance of this Agreement.

18. No Waiver - The failure of a party to insist upon strict adherence to any term of this Agreement on any occasion shall not be considered a waiver nor deprive that party of the right to insist upon adherence to that term or any other term of this Agreement. Any waiver or amendment to this Agreement must be in writing.

19. Withholdings - All compensation provided by Employer under this Agreement is subject to any and all withholding by Employer as required by applicable law.

20. Arbitration - Both parties agree that any and all disputes that relate to the termination of this Agreement and/or Employee's employment (including whether Employer had sufficient cause for termination or the manner in which the termination is effected) shall be submitted to binding arbitration and judgment under the Commercial Arbitration Rules of the American Arbitration Association. Should the arbitrator rule in Employee's favor on any dispute, the maximum exclusive remedy shall be that as set forth in Paragraph 9(c) above. The judgment on the award may be entered in any court having jurisdiction. The parties to any arbitration under this paragraph shall bear

the cost of the arbitration and the fee of the neutral arbitrator in such manner as determined by the arbitrator.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement the day and year first above written.

OCCIDENTAL PETROLEUM CORPORATION

By: DALE R. LAURANCE  
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By: STEPHEN I. CHAZEN  
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Stephen I. Chazen



INDEMNIFICATION AGREEMENT  
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This Agreement is made and entered into as of February 12, 1998 between Stephen I. Chazen ("Indemnitee") and Occidental Petroleum Corporation, a Delaware corporation (the "Company").

WHEREAS, it is essential to the Company that it retain and attract as directors and officers the most capable persons available;

WHEREAS, Indemnitee is an officer of the Company;

WHEREAS, both the Company and Indemnitee recognize the increased risk of litigation and other claims being asserted against directors and officers of public companies in today's environment;

WHEREAS, in recognition of Indemnitee's need for substantial protection against personal liability in order to enhance Indemnitee's continued service to the Company in an effective manner, and in part to provide Indemnitee with specific contractual assurance that the indemnification protection provided by the By-Laws of the Company will be available to Indemnitee (regardless of, among other things, any amendment to or revocation of such By-Laws or any change in the composition of the Company's Board of Directors or any acquisition transaction relating to the Company), and in order to induce Indemnitee to continue to provide services to the Company as a director or officer thereof, the Company wishes to provide in this Agreement for the indemnification of and the advancing of expenses to Indemnitee to the fullest extent (whether partial or complete) permitted by law and as set forth in this Agreement, and, to the extent insurance is maintained, for the continued coverage of Indemnitee under the Company's directors' and officers' liability insurance policies (the "D&O Insurance");

NOW, THEREFORE, in consideration of the premises and of Indemnitee continuing to serve the Company directly or, at its request, with another enterprise, and intending to be legally bound hereby, the parties hereto agree as follows:

1. Certain Definitions.

(a) Change in Control: shall be deemed to have occurred if (i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company or a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of the Company representing 25% or more of the total voting power represented by the Company's then outstanding Voting Securities, or (ii) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board of Directors of the Company and any new director whose election by the Board of Directors or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof, or (iii) the stockholders of the Company approve a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the Voting Securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into Voting Securities of the surviving entity) at least 80% of the total voting power represented by the Voting Securities of the Company or such surviving entity outstanding immediately after such merger or consolidation, or the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company (in one transaction or a series of transactions) of all or substantially all the Company's assets.

(b) Claim: any threatened, pending or completed action, suit, proceeding or alternate dispute resolution mechanism or any inquiry, hearing or investigation, whether conducted by the Company or any other party, that Indemnitee in good faith believes might lead to the institution of any such action,

suit or proceeding or alternate dispute resolution mechanism, whether civil, criminal, administrative, investigative or other.

(c) Expenses: include attorneys' fees and all other costs, travel expenses, fees of experts, transcript costs, filing fees, witness fees, telephone charges, postage, delivery service fees, expenses and obligations of any nature whatsoever paid or incurred in connection with investigating, defending, being a witness in or participating in (including on appeal), or preparing to defend, be a witness in or participate in any Claim relating to any Indemnifiable Event.

(d) Indemnifiable Event: any event or occurrence related to the fact that Indemnitee is or was a director, officer, employee, agent or fiduciary of the Company, or is or was serving at the request of the Company as a director, officer, employee, agent or fiduciary of another corporation, partnership, joint venture, employee benefit plan, trust or other enterprise, or related to anything done or not done by Indemnitee in any such capacity.

(e) Potential Change in Control: shall be deemed to have occurred if (i) the Company enters into an agreement or arrangement, the consummation of which would result in the occurrence of a Change in Control; (ii) any person (including the Company) publicly announces an intention to take or to consider taking actions which if consummated would constitute a Change in Control; or (iii) the Board adopts a resolution to the effect that, for purposes of this Agreement, a Potential Change in Control has occurred.

(f) Reviewing Party: any appropriate person or body consisting of a member or members of the Company's Board of Directors or any other person or body appointed by the Board who is not a party to the particular Claim for which Indemnitee is seeking indemnification, or Independent Legal Counsel.

(g) Independent Legal Counsel: Independent Legal Counsel shall refer to an attorney, selected in accordance with the provisions of Section 3 hereof, who shall not have otherwise performed services for the Company or Indemnitee within the last five years (other than in connection with seeking indemnification under this Agreement). Independent Legal Counsel shall not be any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee's rights under this Agreement, nor shall Independent Legal Counsel be any person who has been sanctioned or censured for ethical violations of applicable standards of professional conduct.

(h) Voting Securities: any securities of the Company which vote generally in the election of directors.

## 2. Basic Indemnification Arrangement.

(a) In the event Indemnitee was, is or becomes a party to or witness or other participant in, or is threatened to be made a party to or witness or other participant in, a Claim by reason of (or arising in part out of) an Indemnifiable Event, the Company shall indemnify Indemnitee to the fullest extent permitted by law as soon as practicable but in any event no later than thirty days after written demand is presented to the Company, against any and all Expenses, judgments, fines, penalties and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, judgments, fines, penalties or amounts paid in settlement) of such Claim and any federal, state, local or foreign taxes (net of the value to Indemnitee of any tax benefits resulting from tax deductions or otherwise) imposed on the Indemnitee as a result of the actual or deemed receipt of any payments under this Agreement (including the creation of the trust referred to in Section 4 hereof). If so requested by Indemnitee, the Company shall advance (within two business days of such request) any and all Expenses to Indemnitee (an "Expense Advance"). Notwithstanding anything in this Agreement or in the By-Laws of the Company to the contrary and except as provided in Section 5, prior to a Change in Control Indemnitee shall not be entitled to indemnification pursuant to this Agreement in connection with any Claim initiated by Indemnitee against the Company or any director or officer of the Company unless the Company has joined in or consented to the initiation of such Claim.

(b) Notwithstanding the foregoing, (i) the obligations of the Company under Section 2(a) shall be subject to the condition that the Reviewing Party shall not have determined (in a written opinion, in any case in which the Independent Legal Counsel referred to in Section 3 hereof is involved) that Indemnitee would not be permitted to be indemnified under applicable law, and (ii) the obligation of the Company to make an Expense Advance pursuant to Section 2(a) shall be subject to the condition that, if, when and to the extent that the Reviewing party determines that Indemnitee would not be permitted to be so indemnified under applicable law, the Company shall be entitled to be reimbursed by Indemnitee (who hereby agrees to reimburse the Company) for all such amounts theretofore paid; provided, however, that if Indemnitee has commenced legal proceedings in a court of competent jurisdiction to secure a determination that Indemnitee should be indemnified under applicable law, any determination made by the Reviewing Party that Indemnitee would not be permitted to be indemnified under applicable law shall not be binding and Indemnitee shall not be required to reimburse the Company for any Expense Advance until a final judicial determination is made with respect thereto (as to which all rights of appeal therefrom have been exhausted or lapsed). Indemnitee's obligation to reimburse the Company for Expense Advances shall be unsecured and no interest shall be charged thereon. If there has not been a Change in Control, the Reviewing Party shall be selected by the Board of Directors, and if there has been such a Change in Control (other than a Change in Control which has been approved by a majority of the Company's Board of Directors who were directors immediately prior to such Change in Control), the reviewing Party shall be the Independent Legal Counsel referred to in Section 3 hereof. If there has been no determination by the Reviewing Party or if the Reviewing Party determines that Indemnitee substantively would not be permitted to be indemnified in whole or in part under applicable law, Indemnitee shall have the right to commence litigation in any court in the State of Delaware having subject matter jurisdiction thereof and in which venue is proper seeking an initial determination by the court or challenging any such determination by the Reviewing Party or any aspect thereof, or the legal or factual bases therefor and the Company hereby consents to service of process and to appear in any such proceeding. Any determination by the Reviewing Party otherwise shall be conclusive and binding on the Company and Indemnitee.

3. Change in Control. The Company agrees that if there is a Change in Control of the Company (other than a Change in Control which has been approved by a majority of the Company's Board of Directors who were directors immediately prior to such Change in Control) then Independent Legal Counsel shall be selected by Indemnitee and approved by the Company (which approval shall not be unreasonably withheld), and such Independent Legal Counsel shall determine whether Indemnitee is entitled to indemnity payments and Expense Advances under this Agreement or any other agreement or under the Certificate of Incorporation or By-Laws of the Company now or hereafter in effect relating to Claims for Indemnifiable Events. Such Independent Legal Counsel, among other things, shall render its written opinion to the Company and Indemnitee as to whether and to what extent the Indemnitee will be permitted to be indemnified. The Company agrees to pay the reasonable fees of the Independent legal Counsel and to indemnify fully such Independent Legal Counsel against any and all expenses (including attorneys' fees), claims, liabilities and damages arising out of or relating to this Agreement the engagement of Independent Legal Counsel pursuant hereto.

4. Establishment of Trust. In the event of a Potential Change in Control, the Company shall, upon written request by Indemnitee, create a trust for the benefit of Indemnitee and from time to time upon written request of Indemnitee shall fund such trust in an amount (the "Trust Fund Amount") which is the lesser of (a) the total of all sums sufficient to satisfy any and all Expenses reasonably anticipated at the time of each such request to be incurred in connection with investigating, preparing for and in connection with investigation, preparing for and defending any Claim relating to an Indemnifiable Event, plus amounts of any and all Claims relating to an Indemnifiable Event from time to time actually paid or claimed, reasonably anticipated or proposed to be paid, or (b) Five Million Dollars (\$5,000,000). The Trust Fund Amount shall be determined by the Company's Board of Directors provided that no Change in Control shall have occurred but shall be determined by the Independent Legal Counsel after the occurrence of a Change in Control. The Company shall maintain funds in the trust account in the Trust Fund Amount, depositing such additional amounts as may be appropriate as a result of disbursements from the account or increases which, from time to time, may occur in the Trust Fund Amount. The terms of the trust shall provide that upon a Change in Control (i) the trust shall not be revoked or the principal thereof invaded, without the written consent of the Indemnitee, (ii) the trustee shall advance, within two

business days of a request by Indemnitee, any and all Expenses to Indemnitee (and Indemnitee hereby agrees to reimburse the trust under the circumstances under which the Indemnitee would be required to reimburse the Company under Section 2(b) of this Agreement), (iii), the trust shall continue to be funded by the Company in accordance with the funding obligation set forth above, (iv) the trustee shall promptly pay to Indemnitee all amounts for which Indemnitee shall be entitled to indemnification pursuant to this Agreement or otherwise, and (v) all unexpended funds in such trust shall revert to the Company upon a final determination by the Reviewing Party or a court of competent jurisdiction, as the case may be, that the Indemnitee has been fully indemnified under the terms of this Agreement. The trustee shall be chosen by Indemnitee. Nothing in this Section 4 shall relieve the Company of any of its obligations under this Agreement. All income earned on the assets held in the trust shall be reported as income by the Company for federal, state, local and foreign tax purposes.

5. Indemnification for Additional Expenses. The Company shall indemnify Indemnitee against any and all expenses (including attorneys' fees) and, if requested by Indemnitee, shall (within two business days of such request) advance such expenses to Indemnitee, which are incurred by Indemnitee in connection with any Claim asserted against Indemnitee or which are incurred in connection with any action brought by Indemnitee for (i) indemnification or advance payment of expenses by the Company under this Agreement or any other agreement or under the Certificate of Incorporation or By-Laws of the Company now or hereafter in effect relating to Claims for Indemnifiable Events and/or (ii) recovery under any directors' and officers' liability insurance policies maintained by the Company, regardless of whether Indemnitee ultimately determined to be entitled to such indemnification, advance expense payment or insurance recovery, as the case may be.

6. Partial Indemnity, Etc. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of the Expenses, judgments, fines, penalties and amounts paid in settlement of a Claim but not, however, for all of the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion thereof to which Indemnitee is entitled. Moreover, notwithstanding any other provision of this Agreement, to the extent that Indemnitee has been successful on the merits or otherwise in defense of any or all Claims relating in whole or in part to an Indemnifiable Event or in defense of any issue or matter therein, including dismissal without prejudice, Indemnitee shall be indemnified against all Expenses incurred in connection therewith. In connection with any determination by the reviewing Party or otherwise as to whether Indemnitee is entitled to be indemnified hereunder, the burden of proof shall be on the Company to establish that Indemnitee is not so entitled.

7. No Presumption. For purposes of this Agreement, the termination of any claim, action, suit or proceeding, by judgment, order, settlement (whether with or without court approval) or conviction, or upon a plea of nolo contendere or its equivalent, shall not create a presumption that Indemnitee did not meet any particular standard of conduct or have any particular belief or that a court has determined that indemnification is not permitted by applicable law.

8. Non-exclusivity, Etc. The rights of the Indemnitee hereunder shall be in addition to any other rights Indemnitee may have under the Certificate of Incorporation or By-Laws of the Company or the Delaware General Corporation Law or otherwise. To the extent that a change in the Delaware General Corporation Law (whether by statute or judicial decision) permits greater indemnification by agreement than would be afforded currently under the Certificate of Incorporation and By-Laws of the Company and this Agreement, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greatest benefits so afforded by such change.

9. No Construction as Employment Agreement. Nothing contained herein shall be construed as giving Indemnitee any right to be retained in the employ of the Company or any of its subsidiaries.

10. Liability Insurance. To the extent the Company maintains an insurance policy or policies providing directors' and officers' liability insurance, Indemnitee shall be covered by such policy or policies, in accordance with its or their terms, to the maximum extent of the coverage provided for any Company director or officer.

11. Period of Limitations. No legal action shall be brought and no cause of action shall be asserted by or in the right of the Company or any affiliate of the Company against Indemnitee, Indemnitee's spouse, heirs, executors, administrators or personal or legal representatives after the expiration of two years from the date of accrual of such cause of action, and any claim or cause of action of the Company or its affiliates shall be extinguished and deemed released unless asserted by the timely filing of a legal action within such two-year period; provided, however, that if any shorter period of limitations is otherwise applicable to any such cause of action such shorter period shall govern.

12. Amendments, Etc. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

13. Subrogation. In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and shall do everything that may be necessary to secure such rights, including the execution of such documents as may be necessary to enable the Company effectively to bring suit to enforce such rights.

14. No Duplication of Payments. The Company shall not be liable under this Agreement to make any payment in connection with any claim made against Indemnitee to the extent Indemnitee has otherwise actually received payment (under any insurance policy, the Certificate of Incorporation or the By-Laws of the Company or otherwise) of the amounts otherwise Indemnifiable hereunder.

15. Indemnification Procedures.

(a) Promptly after receipt by Indemnitee of notice of the commencement of or the threat of commencement of any action, suit or proceeding, Indemnitee shall notify the Company of the commencement or threat thereof; but the omission so to notify or delay in notifying the Company will not relieve the Company from any liability which it may have to Indemnitee except to the extent that the Company is actually prejudiced by any such omission or delay.

(b) The Company shall give prompt notice of the commencement of such action, suit or proceeding to the insurers on the D&O Insurance, if any, in accordance with the procedures set forth in the respective policies in favor of Indemnitee. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of Indemnitee, all amounts payable as a result of such action, suit or proceeding in accordance with the terms of such policies.

(c) In the event such action, suit or proceeding is other than by or in the right of the Company, Indemnitee may, at his option, either control the defense thereof himself, require the Company to defend him or accept the defense provided under the D&O Insurance; provided, however, that Indemnitee may not control the defense himself or require the Company to defend him if such decision would jeopardize the coverage provided by the D&O Insurance to the Company and/or the other directors and officers covered thereby. In the event that Indemnitee requires the Company to defend him, or in the event that Indemnitee proceeds under the D&O Insurance but Indemnitee determines that such insurers under the D&O Insurance are unable or unwilling to adequately defend, contest and protect Indemnitee against any such action, suit or proceeding, the Company shall promptly undertake to defend any such action, suit or proceeding, at the Company's sole cost and expense, utilizing counsel of Indemnitee's choice who has been approved by the Company. If appropriate, the Company shall have the right to participate in the defense of such action, suit or proceeding.

(d) In the event such action, suit or proceeding is by or in the right of the Company, Indemnitee, at his option, may either control the defense thereof himself or accept the defense provided under the D&O Insurance; provided, however, that Indemnitee may not control the defense himself if such decision would jeopardize the coverage provided by the D&O Insurance, if any, to the Company and/or the other directors and officers covered thereby.

(e) In the event the Company shall fail timely to defend, contest or otherwise protect Indemnitee against any such action, suit or proceeding which is not by or in the right of the Company, Indemnitee shall have the right to do so, including without limitation, the right to make any compromise or settlement thereof, and to recover from the Company all attorneys' fees, reimbursements and all amounts paid as a result thereof.

16. Binding Effect, Etc. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors, assigns, including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business and/or assets of the Company, spouses, heirs, and personal and legal representatives. The Company shall require and cause any successor (whether direct or indirect by purchase, merger, consolidation or otherwise) to all, substantially all, or a substantial part, of the business and/or assets of the Company, by written agreement in form and substance satisfactory to Indemnitee, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place. This agreement shall continue in effect regardless of whether Indemnitee continues to serve as a director and officer of the Company or of any other enterprise at the Company's request.

17. Severability. The provisions of this Agreement shall be severable. In the event that any of the provisions hereof (including any provision within a single section, paragraph or sentence) are held by a court of competent jurisdiction to be invalid, void or otherwise unenforceable, the remaining provisions shall remain enforceable to the fullest extent permitted by law. Furthermore, to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of this Agreement containing any provision held to be invalid, void or otherwise unenforceable, that is not itself invalid, void or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

18. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Delaware applicable to contracts made and to be performed in such state without giving effect to the principles of conflicts of laws.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Agreement as of the day and year first written above.

STEPHEN I. CHAZEN  
-----  
Stephen I. Chazen  
  
OCCIDENTAL PETROLEUM CORPORATION

By: DALE R. LAURANCE  
-----  
Dale R. Laurance  
President and Senior Operating  
Officer

## OCCIDENTAL PETROLEUM CORPORATION AND SUBSIDIARIES

COMPUTATION OF TOTAL ENTERPRISE RATIOS OF EARNINGS TO FIXED CHARGES  
FOR THE FIVE YEARS ENDED DECEMBER 31, 1997  
(Amounts in millions, except ratios)

	1997	1996	1995	1994	1993
Income (loss) from continuing operations(a)	\$ 245	\$ 486	\$ 325	\$(236)	\$(190)
Add:					
Provision (credit) for taxes on income (other than foreign oil and gas taxes)	47	9	155	(59)	(23)
Interest and debt expense(b)	446	492	591	586	598
Portion of lease rentals representative of the interest factor	39	38	43	50	49
	532	629	789	577	624
Earnings (loss) before fixed charges	\$ 777	\$1,115	\$1,114	\$ 341	\$ 434
Fixed charges					
Interest and debt expense including capitalized interest(b)	\$ 462	\$ 499	\$ 595	\$ 589	\$ 609
Portion of lease rentals representative of the interest factor	39	38	43	50	49
Total fixed charges	\$ 501	\$ 537	\$ 638	\$ 639	\$ 658
Ratio of earnings to fixed charges	1.55	2.08	1.75	n/a(c)	n/a(c)

(a) Includes (1) minority interest in net income of majority-owned subsidiaries having fixed charges and (2) income from less-than-50-percent-owned equity investments adjusted to reflect only dividends received.

(b) Includes proportionate share of interest and debt expense of 50-percent-owned equity investments.

(c) Not computed due to less than one-to-one coverage. Earnings were inadequate to cover fixed charges by \$298 million in 1994 and \$224 million in 1993.



FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA Occidental Petroleum Corporation  
Dollar amounts in millions, and Subsidiaries  
except per-share amounts

For the years ended December 31,	1997	1996	1995	1994	1993
<b>RESULTS OF OPERATIONS(a)</b>					
Net sales and operating revenues	\$ 8,016	\$ 7,987	\$ 8,389	\$ 7,128	\$ 5,747
Income (loss) from continuing operations	\$ 217	\$ 514	\$ 358	\$ (223)	\$ (194)
Net income (loss)	\$ (390)	\$ 668	\$ 511	\$ (36)	\$ 283
Preferred dividend requirements	\$ 88	\$ 93	\$ 93	\$ 76	\$ 39
Earnings (loss) applicable to common stock	\$ (478)	\$ 575	\$ 418	\$ (112)	\$ 244
Basic earnings (loss) per common share from continuing operations	\$ .39	\$ 1.30	\$ .83	\$ (.96)	\$ (.76)
Basic earnings (loss) per common share	\$ (1.43)	\$ 1.77	\$ 1.31	\$ (.36)	\$ .80
Diluted earnings (loss) per common share	\$ (1.43)	\$ 1.73	\$ 1.31	\$ (.36)	\$ .80
Earnings before special items(b)	\$ 691	\$ 643	\$ 603	\$ 52	\$ 33
<b>FINANCIAL POSITION(a)</b>					
Total assets	\$ 15,282	\$ 14,981	\$ 15,342	\$ 15,376	\$ 14,395
Long-term debt, net	\$ 4,925	\$ 4,511	\$ 4,819	\$ 5,816	\$ 5,721
Capital lease liabilities, net	\$ 235	\$ 237	\$ 259	\$ 291	\$ 319
Stockholders' equity	\$ 4,286	\$ 5,140	\$ 4,630	\$ 4,457	\$ 3,958
Dividends per common share	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
AVERAGE SHARES OUTSTANDING (thousands)	334,341	323,782	318,073	310,806	304,852

- (a) See Management's Discussion and Analysis and the Notes to Consolidated Financial Statements for information regarding accounting changes, asset acquisitions and dispositions, discontinued operations, and charges for asset write-downs, litigation matters, environmental remediation and other costs and other special items affecting comparability.
- (b) Earnings before special items reflect adjustments to net income(loss) to exclude the after-tax effect of certain infrequent transactions that may affect comparability between years. See the Special Items table for the specific nature of these items in 1997, 1996 and 1995. For the years ended December 31, 1997, 1996, 1995, 1994 and 1993, these special items aggregated charges (benefits) of \$1.081 billion, which includes the \$750 million charge on the MidCon sale reported in discontinued operations, (\$25) million, \$92 million, \$88 million and (\$250) million, respectively. Management believes the presentation of earnings before special items provides a meaningful comparison of earnings between years to the readers of the consolidated financial statements. Earnings before special items is not considered to be an alternative to operating income in accordance with generally accepted accounting principles.

#### MANAGEMENT'S DISCUSSION AND ANALYSIS

##### 1997 BUSINESS ENVIRONMENT

**OIL AND NATURAL GAS INDUSTRY** During the year, worldwide crude oil supply continued to rise and by year-end exceeded the growth in demand. Energy prices remained strong through the first three quarters as global energy demand continued to increase sharply. Prices for the benchmark grade West Texas Intermediate (WTI) remained strong through most of the year. However, prices began to weaken in December and by the end of the year had reached the lowest point in two and one-half years.

Among the factors depressing the markets were intensifying economic difficulties in key Southeast Asian countries, Japan and Korea. In addition, the slow start to the winter heating season and generally mild weather throughout the Northern Hemisphere suppressed demand for domestic heating oil and led to rising inventories and weak fuel oil prices. Also, OPEC decided in late 1997 to officially raise its production ceiling significantly for the first time in four years, from 25.0 to 27.5 million barrels per day. Lastly, sizable, delayed production started up in the North Sea.

Later in the year, the downward pressure on crude oil prices was reinforced by a sharp sell-off of WTI contracts on the New York Mercantile Exchange (NYMEX) futures market.

The U.S. natural gas market remained strong throughout 1997 despite the late onset and mild weather of the 1997 - 1998 winter, but prices weakened at year-end.

**CHEMICAL INDUSTRY** Overall chemical industry product demand and prices remained strong domestically benefiting from strong end-use markets such as construction, automotive and pulp and paper. International sales and demand were weakened by economic troubles in the Far East and the strong U.S. dollar in the latter part of 1997.

Chlorine demand remained strong and pricing for chlorine continued to improve throughout most of 1997. Caustic soda prices continued to soften during the first half of 1997 due to high customer inventory levels in certain important sectors. Caustic soda pricing improved the second half of 1997 as demand strengthened in key sectors. However, overall, caustic soda prices were lower in 1997 compared with 1996. Polyvinyl chloride (PVC) demand continued to grow from 1996 levels with continued price improvements realized during the first half of

the year. These price improvements eroded in the second half as industry capacity increased and feedstock costs remained high, resulting in lower margins.

DISCONTINUED OPERATIONS Occidental completed the sale of all of the issued and outstanding shares of common stock of MidCon Corp. (MidCon), its natural gas transmission and marketing business, to K N Energy, Inc. (K N Energy), on January 31, 1998.

Occidental sold the shares to K N Energy in return for a cash payment of \$2.1 billion. After payment of the redemption price for the Cumulative MidCon-Indexed Convertible Preferred Stock (CMIC Preferred Stock), taxes and certain other expenses of the sale, the estimated net cash proceeds from the transaction were approximately \$1.7 billion. Additionally, in connection with the sale K N Energy issued a fixed-rate interest bearing note secured by letters of credit, payable January 4, 1999, to Occidental in the initial principal amount of \$1.4 billion, in exchange for a note previously issued to Occidental by the MidCon Corp. ESOP Trust (the Trust). K N Energy also assumed responsibility for certain Texas intrastate pipeline lease obligations of MidCon to an Occidental subsidiary with a 29-year term and average lease rentals of approximately \$30 million per year.

Concurrently with the closing of the sale, Occidental effected the redemption of all 1,400,000 issued and outstanding shares of Occidental's CMIC Preferred Stock, par value \$1.00 per share, which were issued to and held by the Trust.

As a result of these transactions, in the fourth quarter of 1997 Occidental classified MidCon and its subsidiaries as a discontinued operation and recorded an estimated after-tax charge against earnings of approximately \$750 million.

1997 INCOME SUMMARY Occidental reported a net loss of \$390 million (a loss of \$1.43 per share) in 1997, on net sales and operating revenues of \$8.0 billion. The net loss included the \$750 million charge discussed above and net charges of \$277 million for the write-down of various assets and additional environmental and other reserves and a \$75 million pretax charge to amend certain employment agreements with two senior executives. Earnings before special items were \$691 million in 1997 and \$643 million in 1996.

The charges of \$277 million include charges related to Occidental's intent, announced in the fourth quarter of 1997, to sell nonstrategic oil and gas and chemical assets, its decision to idle certain facilities and the impairment of certain properties.

DIVISIONAL OPERATIONS The following discussion of Occidental's two operating divisions and corporate items should be read in conjunction with Note 17 to the Consolidated Financial Statements.

Divisional earnings exclude interest income, interest expense, unallocated corporate expenses, extraordinary items and income from equity investments, but include gains and losses from dispositions of divisional assets.

Foreign income and other taxes and certain state taxes are included in divisional earnings on the basis of operating results. U.S. federal income taxes are not allocated to divisions except for amounts in lieu thereof that represent the tax effect of operating charges or credits resulting from purchase accounting adjustments which arise due to the implementation in 1992 of Statement of Financial Accounting Standards (SFAS) No. 109 -- "Accounting for Income Taxes." Divisional earnings in 1997 benefited by \$39 million from credits allocated of \$13 million and \$26 million in oil and gas and chemical, respectively. Divisional earnings in 1996 benefited by \$41 million from credits allocated of \$15 million and \$26 million in oil and gas and chemical, respectively. Divisional earnings in 1995 benefited by \$43 million from net credits allocated of \$16 million and \$27 million in oil and gas and chemical, respectively.

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

#### DIVISIONAL OPERATIONS

In millions

For the years ended December 31,	1997	1996	1995
=====	=====	=====	=====
SALES			
Oil and Gas	\$ 3,667	\$ 3,680	\$ 3,019
Chemical	4,349	4,307	5,370
	-----	-----	-----
	\$ 8,016	\$ 7,987	\$ 8,389
=====	=====	=====	=====
EARNINGS (LOSS)			
Oil and Gas	\$ 401	\$ 480	\$ 45
Chemical	471	668	1,080
	-----	-----	-----
	872	1,148	1,125
Unallocated corporate items			
Interest expense, net	(407)	(454)	(548)
Income taxes	(60)	(109)	(162)
Other	(188)	(71)	(57)
	-----	-----	-----
Income (loss) from			
continuing operations	217	514	358
Discontinued operations, net	(607)	184	153
Extraordinary gain (loss), net	--	(30)	--
	-----	-----	-----
Net income (loss)	\$ (390)	\$ 668	\$ 511
=====	=====	=====	=====

#### OIL AND GAS

In millions, except as indicated

For the years ended December 31,	1997	1996	1995
=====	=====	=====	=====
DIVISIONAL SALES	\$ 3,667	\$ 3,680	\$ 3,019

DIVISIONAL EARNINGS	\$	401	\$	480	\$	45
EARNINGS BEFORE SPECIAL						
ITEMS(a)	\$	657	\$	585	\$	249
AVERAGE SALES PRICES						
CRUDE OIL PRICES (per barrel)						
U.S	\$	18.72	\$	18.98	\$	15.78
Other Western Hemisphere	\$	11.88	\$	12.66	\$	10.28
Eastern Hemisphere	\$	17.21	\$	17.66	\$	15.85
GAS PRICES						
(per thousand cubic feet)						
U.S	\$	2.39	\$	2.11	\$	1.51
Eastern Hemisphere	\$	2.40	\$	2.23	\$	2.07
EXPENSED EXPLORATION(b)	\$	119	\$	120	\$	106
CAPITAL EXPENDITURES						
Development	\$	815	\$	540	\$	373
Exploration	\$	178	\$	164	\$	130
Acquisitions and other	\$	157	\$	58	\$	72
-----						

(a) Earnings before special items represents divisional earnings adjusted for the effect of certain infrequent transactions that may affect comparability between years. Earnings before special items is not considered to be an alternative to operating income in accordance with generally accepted accounting principles.

(b) Includes amounts previously shown in exploration capital expenditures.

Occidental explores for and produces oil and natural gas, domestically and internationally. Occidental seeks long-term improvement in profitability and cash flow through a combination of improved oper-

ations in existing fields, enhanced oil recovery (EOR) projects, high-potential exploration and complementary property acquisitions.

Earnings before special items in 1997 were \$657 million, compared with earnings before special items of \$585 million in 1996. The increase primarily reflected higher natural gas prices, partially offset by lower worldwide crude oil prices.

The operating results of 1996, compared with 1995, reflected higher worldwide crude oil prices, increased international oil production and higher domestic natural gas prices, partially offset by higher exploration costs. The change in sales for 1996, compared with 1995, largely reflected higher worldwide crude oil production and prices and increased oil trading revenue. Approximately one-third of oil and gas sales for 1997, 1996 and 1995 were attributable to oil trading activity. The results are not significant. Occidental participates in oil trading to remain aware of the complexities affecting price volatility and supply/demand fundamentals in order to optimize its long-term global oil marketing.

The 1997 results included pretax charges of \$256 million for the write-down of various assets and additional environmental and other reserves. For additional information see Note 3 to the Consolidated Financial Statements.

The 1996 results included a \$105 million charge for the write-down of Occidental's investment in an oil and gas project in the Republic of Komi in the former Soviet Union. The 1995 results included charges of \$95 million related to reorganization costs and \$109 million for settlement of litigation. The reorganization of the worldwide oil and gas operations in late 1995 allowed Occidental to redeploy its resources, to reduce costs and to sharpen its focus on improving performance.

#### CHEMICAL

In millions, except as indicated	1997	1996	1995
=====	=====	=====	=====
DIVISIONAL SALES	\$ 4,349	\$ 4,307	\$ 5,370
DIVISIONAL EARNINGS	\$ 471	\$ 668	\$ 1,080
EARNINGS BEFORE SPECIAL ITEMS(a)	\$ 618	\$ 578	\$ 1,040
KEY PRODUCT INDEXES			
(1987 through 1990 average price = 1.0)			
Chlorine	1.79	1.36	1.36
Caustic soda	.77	1.16	1.28
PVC commodity resins	.83	.80	1.02
KEY PRODUCT VOLUMES			
Chlorine (thousands of tons)	3,201	3,254	3,170
Caustic soda (thousands of tons)	3,436	3,401	3,275
PVC commodity resins (millions of pounds)	1,441	1,279	1,212
CAPITAL EXPENDITURES			
Basic chemicals	\$ 156	\$ 102	\$ 121
Polymers and plastics	86	75	33
Chlorovinyls	\$ 242	\$ 177	\$ 154
Petrochemicals	\$ 40	\$ 41	\$ 43
Specialty businesses	\$ 106	\$ 39	\$ 30
Other	\$ 8	\$ 5	\$ 16
-----	-----	-----	-----

(a) Earnings before special items represents divisional earnings adjusted for the effect of certain infrequent transactions that may affect comparability between years. Earnings before special items is not considered to be an alternative to operating income in accordance with generally accepted accounting principles.

OxyChem's businesses are highly integrated, both vertically and horizontally. Chemicals from the chlorovinyls business are used in the specialty business and chlorine from chlorovinyls is combined with ethylene from petrochemicals to make the raw material used for PVC. To better manage the company's interrelationships and to further integrate and focus its chlor-alkali and plastic businesses, OxyChem combined its basic chemicals and polymers and plastics groups into the chlorovinyls unit, resulting in improved efficiencies and a stronger competitive position.

Earnings before special items were \$618 million in 1997, compared with \$578 million in 1996. The increase reflected higher margins for a number of OxyChem's key products, primarily chlorine, ethylene dichloride (EDC) and petrochemicals resulting from higher sales prices and lower feedstock costs. The 1997 results also benefited from OxyChem's ongoing commitment to controlling costs and maintaining the reliable operations of its manufacturing facilities. Additionally, the 1997 results also benefited from the impact of full-year operations from specialty businesses acquired in 1996, offsetting lower than expected results in other specialty product areas.

The 1997 earnings included pretax charges of \$147 million related to additional environmental matters and the write-down of various assets. Included in the 1996 results was a \$170 million pretax gain related to favorable litigation settlements, and a charge of \$75 million for additional environmental reserves relating to various existing sites, and the related state tax effects. The 1995 results reflected a \$40 million pretax gain related to the sale of a PVC facility at Addis, Louisiana.

CORPORATE The increased costs in unallocated corporate other items in 1997, compared with 1996, reflected lower equity earnings in 1997, which included currency devaluations related to Thailand chemical joint ventures and a charge to extinguish existing liabilities and open-ended financial commitments under employment agreements with two senior executives.

The 1996 income tax amount included a benefit of approximately \$100 million primarily from a reduction in the deferred tax asset valuation allowance due to the realization of benefits from operating loss and credit carryforwards in the United States and Peru.

The increased costs in unallocated corporate other items in 1996, compared with 1995, primarily reflected lower equity income from unconsolidated chemical investments and costs associated with the initial establishment of an Employee Stock Ownership Plan at MidCon.

**SPECIAL ITEMS** Special items are infrequent transactions that may affect comparability between years. The special items included in the 1997, 1996 and 1995 results are detailed below. For further information, see Note 3 and Note 17 to the Consolidated Financial Statements and the discussion above.

SPECIAL ITEMS				
Benefit (Charge)	In millions	1997	1996	1995
=====	=====	=====	=====	=====
<b>OIL AND GAS</b>				
Write-down of various assets	\$	(140)	\$ (105)	\$ --
Environmental reserves		(46)	--	--
Litigation, reorganization and other		(70)	--	(204)
-----				
<b>CHEMICAL</b>				
Write-down of various assets		(82)	--	--
Environmental reserves		(65)	(75)	--
Favorable litigation settlements		--	170	--
Gain on sale of PVC facility		--	--	40
-----				
<b>CORPORATE</b>				
Charge on MidCon sale(a)		(750)	--	--
Employment agreements		(75)	--	--
Tax reserve reversal		--	100	--
Extraordinary loss on debt redemption(a)		--	(30)	--
-----				

(a) These amounts are shown after-tax.

#### CONSOLIDATED OPERATIONS--REVENUES

SELECTED REVENUE ITEMS			
In millions	1997	1996	1995
=====	=====	=====	=====
Net sales and operating revenues	\$ 8,016	\$ 7,987	\$ 8,389
Interest, dividends and other income	\$ 88	\$ 244	\$ 105
Income from equity investments	\$ 1	\$ 70	\$ 94
-----			

Net sales and operating revenues remained about the same in 1997, compared with 1996, for both operating divisions. The decrease in sales in 1996, compared with 1995, primarily reflected the absence of revenues from divested assets partially offset by higher worldwide crude oil prices and production and increased oil trading activity.

In 1996, interest, dividends and other income included the gain of \$170 million related to favorable litigation settlements.

The decrease in income from equity investments in 1997, compared with 1996, reflected lower income primarily from chemical investments and the effect of currency devaluations in chemical joint ventures in Thailand. The decrease in income from equity investments in 1996, compared with 1995, primarily reflected lower earnings from certain chemical investments.

#### CONSOLIDATED OPERATIONS--EXPENSES

SELECTED EXPENSE ITEMS			
In millions	1997	1996	1995
=====	=====	=====	=====
Cost of sales	\$ 5,060	\$ 5,060	\$ 5,492
Selling, general and administrative and other operating expenses	\$ 1,002	\$ 933	\$ 996
Environmental remediation	\$ 136	\$ 100	\$ 21
Interest and debt expense, net	\$ 434	\$ 482	\$ 579
-----			

Cost of sales was the same in 1997 compared with 1996. The decrease in cost of sales from 1995 to 1996 reflected the absence of costs related to divested assets partially offset by higher prices on oil traded and higher chemical feedstock costs.

Selling, general and administrative and other operating expenses in 1997 reflected a portion of the asset write-downs and the charge to amend certain employment agreements. Selling, general and administrative and other operating expenses in 1995 reflected the charges for reorganization costs and litigation settlements.

Environmental remediation included charges of \$111 million in 1997 and \$75 million in 1996, for additional environmental reserves related to various existing sites.

The decrease in interest and debt expense from 1996 to 1997 and from 1995 to 1996 primarily reflected lower outstanding average debt levels and lower average

interest rates.

LIQUIDITY AND CAPITAL RESOURCES

OPERATING ACTIVITIES

In millions	1997	1996	1995
	=====	=====	=====
NET CASH PROVIDED	\$ 1,397	\$ 1,987	\$ 1,501

Included in operating activities was net cash provided by operating activities of discontinued operations of \$266 million, \$398 million and \$139 million in 1997, 1996 and 1995, respectively.

The lower operating cash flow in 1997, compared with 1996, reflects lower income from continuing operations, higher working capital usage and lower cash flow from discontinued operations.

Operating assets and liabilities reflect generally higher working capital usage and the absence of items that were of benefit in 1996 including the sale of \$100 million of accounts receivable and proceeds from litigation settlements.

The 1996 improvement in net cash provided by operating activities, compared with 1995, reflected higher operating earnings in the oil and gas division, proceeds from litigation settlements and proceeds from the sale of an additional \$100 million of receivables.

Net cash provided by operating activities in 1995 reflected the proceeds of \$100 million from an advance sale of crude oil, further discussed below.

Other noncash charges in 1997 mainly reflected the special charges taken in the fourth quarter. See Special Items table above.

Other noncash charges of \$298 million in 1996 primarily reflected the \$105 million charge for the write-down of Occidental's investment in Komi and additional environmental reserves. Other noncash charges of \$209 million in 1995 primarily reflected the charges of \$95 million for reorganization costs at the oil and gas division. Each of the three years also included charges for employee benefit plans and other items.

## INVESTING ACTIVITIES

In millions	1997	1996	1995
	=====	=====	=====
NET CASH USED	\$ (1,505)	\$ (979)	\$ (136)

Included in investing activities was net cash used by investing activities of discontinued operations of \$79 million, \$223 million and \$143 million in 1997, 1996 and 1995, respectively. The increase in net cash used in investing activities in 1997, compared with 1996, primarily reflects the increase in capital expenditures and lower proceeds from disposals of property, plant and equipment.

Net cash used in investing activities included Occidental's capital expenditure program as discussed below.

## CAPITAL EXPENDITURES

In millions	1997	1996	1995
	=====	=====	=====
Oil and Gas	\$ 1,150	\$ 762	\$ 575
Chemical	396	262	243
Corporate and other	3	14	11
	-----	-----	-----
	\$ 1,549	\$ 1,038	\$ 829
	=====	=====	=====

The spending in the oil and gas business continues to be the major part of Occidental's capital expenditure program, underscoring Occidental's commitment to this core business. Significant capital was also spent on the chemical business to maintain and upgrade Occidental's businesses and to provide for expansion. In oil and gas most of the international increase was in Qatar. The increase in chemicals reflected higher spending in the specialty business and in chlorovinyls.

Capital expenditures for 1998 are estimated to be approximately \$1.2 billion, with about two-thirds allocated to oil and gas. The capital expenditure amount does not include the acquisition, in 1998, of the U.S. government's 78 percent interest in the Elk Hills Naval Petroleum Reserve (Elk Hills field) for \$3.5 billion.

The 1997 proceeds from the sale of businesses included the proceeds from the sale of a chlor-alkali chemical plant located in Tacoma, Washington for approximately \$102 million, which included \$97 million in cash and the balance in the buyer's convertible preferred stock. Also in 1997, Occidental purchased 28,000 shares of preferred stock of Leslie's Poolmart, Inc. (Leslie's), a customer of OxyChem, for total consideration of \$28 million, which consisted of cash and the exchange of \$10 million of Leslie's subordinated debentures held by Occidental.

The 1996 proceeds from the sale of businesses and disposals of property, plant and equipment included the sale of a subsidiary which engaged in onshore drilling and servicing of oil and gas wells and the sale of Occidental's royalty interest in the Congo.

The 1995 operating lease buyouts of \$141 million included \$71 million for the Swift Creek chemical plant. This plant was part of the agricultural chemical products business sold in the fourth quarter of 1995. The 1995 net proceeds from the sale of businesses and disposal of property, plant and equipment reflected the proceeds from the sale of Occidental's high-density polyethylene business (HDPE), its agricultural chemicals business, its PVC facilities at Addis, Louisiana and Burlington South, New Jersey, and a portion of Occidental's oil and gas operation in Pakistan.

## FINANCING ACTIVITIES

In millions	1997	1996	1995
	=====	=====	=====
NET CASH USED	\$ (37)	\$ (1,330)	\$ (961)

Included in financing activities was net cash provided by financing activities of discontinued operations of \$53 million and \$12 million in 1997 and 1995, respectively, and net cash used of \$88 million in 1996.

Cash used for financing activities in 1997 included \$119 million used for the common stock repurchase program. In October 1997, Occidental's board of directors authorized the repurchase of up to 40 million shares of Occidental's common stock. The repurchases will be made in the open market or in privately negotiated transactions at the discretion of Occidental's management, depending upon financial and market conditions or as otherwise provided by the Securities and Exchange Commission and New York Stock Exchange rules and regulations. The repurchase program will be initially funded with temporary financing. As of December 31, 1997, 4.1 million shares have been repurchased. In 1997, net proceeds from the issuance of long-term debt and other borrowings and payments of capital lease liabilities totaled \$400 million.

The increase in 1996 cash used for financing activities, compared with 1995, reflected repayment of high-coupon debt using proceeds from asset sales that

occurred in 1996 and 1995 and cash flow from operations. In 1996, payments of long-term debt and capital lease liabilities and net proceeds from borrowings totaled \$860 million.

In 1995, payments of long-term debt and capital lease liabilities and net proceeds from borrowings totaled \$602 million.

Occidental paid preferred and common stock dividends of \$422 million in 1997, \$415 million in 1996 and \$406 million in 1995.

Occidental has a centralized cash-management system that funds the working capital and capital expenditure requirements of its various subsidiaries. There are no provisions under existing debt agreements that significantly restrict the ability to move funds among operating entities.

ANALYSIS OF FINANCIAL POSITION The changes in the following components of Occidental's balance sheet are discussed below:

SELECTED BALANCE SHEET COMPONENTS

In millions	1997	1996
=====	=====	=====
Receivables from joint ventures, partnerships and other	\$ 210	\$ 131
Long-term debt, net	\$ 4,925	\$ 4,511
Deferred credits and other liabilities	\$ 4,201	\$ 3,493
Stockholders' equity	\$ 4,286	\$ 5,140
- - - - -	- - - - -	- - - - -

The increase in receivables from joint ventures, partnerships and other primarily reflected receivables on insurance claims and receivables from certain oil and gas joint venture partners.

Long-term debt, net of current maturities and unamortized discount, increased primarily reflecting higher commercial paper borrowing. The table below presents principal amounts by currency, including any sinking fund requirements, by year of maturity for Occidental's long-term debt obligations, excluding unamortized discount, at December 31, 1997:

DEBT CURRENCY DENOMINATIONS AND INTEREST RATES

In millions, except rates

Year of Maturity	U.S. Dollar Fixed Rate	U.S. Dollar Variable Rate	Dutch Guilder Variable Rate	Canadian Dollar Variable Rate	Grand Total
1999	\$ 169	\$ 96	\$ --	\$ --	\$ 265
2000	180	104	104	38	426
2001	516	--	--	--	516
2002	120	1,775	--	6	1,901
2003	163	--	--	--	163
Thereafter	1,679	115	--	--	1,794
Total	\$ 2,827	\$ 2,090	\$ 104	\$ 44	\$ 5,065
Average interest rate	9.91%	5.95%	3.88%	4.76%	8.06%

The estimated fair value of Occidental's long-term debt at December 31, 1997 was \$5.376 billion. Occidental has the option to call certain issues of long-term debt prior to their maturity dates.

At December 31, 1997, Occidental had available approximately \$1.5 billion of committed credit lines which are utilized, as needed, for daily operating and other purposes. Occidental also has a \$3.2 billion committed line of credit specifically to fund the purchase of the Elk Hills field subject to periodic reduction based on proceeds from asset sales. These lines of credit are primarily used to back up the issuance of commercial paper.

The increase in deferred credits and other liabilities primarily reflected accruals associated with the sale of MidCon.

The decrease in stockholders' equity primarily reflected the net loss, dividends declared, common stock repurchases and unfavorable foreign currency translation adjustments, partially offset by the issuance of common stock to various employee benefit plans.

**ACQUISITIONS AND COMMITMENTS** In October 1997, Occidental announced that it signed an agreement with the U.S. Department of Energy to acquire the Elk Hills field. The acquisition closed February 5, 1998 and the \$3.5 billion purchase price was funded using a portion of the proceeds from the divestiture of MidCon together with the proceeds of commercial paper. The Elk Hills field is located near Bakersfield, California.

Also, in the second quarter of 1997, Occidental acquired certain oil and gas production and exploration assets from Suemaur Exploration for approximately \$50 million. These assets were located onshore in south Texas adjacent to other Occidental properties.

In August 1996, Occidental acquired three specialty chemical producers in separate transactions for approximately \$149 million through the issuance of 5,512,355 shares of Occidental common stock, with a value of approximately \$130 million, and the balance paid in cash. The acquisitions included Laurel Industries, Inc., North America's largest producer of antimony oxide at its LaPorte, Texas facility; Natural Gas Odorizing, Inc., the leading U.S. producer of mercaptan-based warning agents for use in natural gas and propane from its single plant in Baytown, Texas; and a plant in Augusta, Georgia purchased from Power Silicates Manufacturing, Inc., which produces sodium silicates for use in soap and detergent formulating, paper manufacturing and silica-based catalysts. These acquisitions have been accounted for by the purchase method. Accordingly, the cost of each acquisition was allocated to the assets acquired, goodwill and liabilities assumed based upon their estimated respective fair values.

In April 1996, Occidental completed its acquisition of a 64 percent equity interest (on a fully-diluted basis) in INDSPEC for approximately \$92 million through the issuance of 3,346,421 shares of Occidental common stock, with a value of approximately \$87 million, and the balance paid in cash. INDSPEC is the world's largest producer of resorcinol, which is used to manufacture rubber tires, engineered wood products, agricultural chemicals and fire-retardant plastic additives. Under the terms of the acquisition agreement, INDSPEC's management and employees have retained voting control of INDSPEC.

In December 1995, Occidental entered into a transaction with Clark USA, Inc. (Clark) under which Occidental agreed to deliver approximately 17.7 million barrels of WTI-equivalent oil over a six-year period. In exchange, Occidental received \$100 million in cash and approximately 5.5 million shares of Clark common stock. As a result of this transaction, Occidental owned approximately a 19 percent voting interest of Clark, accounted for on the cost method. A later recapitalization resulted in Occidental receiving additional shares which raised its economic ownership, but not its voting interest, to approximately 30 percent. Occidental has accounted for the consideration received in the transaction as deferred revenue which is being amortized into revenue as WTI-equivalent oil is produced and delivered during the term of the agreement. At December 31, 1997, approximately 12.2 million barrels remain to be delivered.

Commitments at December 31, 1997 for major capital expenditures during 1998 and thereafter were approximately \$437 million. Total capital expenditures for 1998 are estimated to be approximately \$1.2 billion. These amounts do not

include the \$3.5 billion acquisition of the Elk Hills field in 1998. Occidental believes that, through internally generated funds and financing activity, it will have sufficient funds to continue its current capital spending programs.

HEDGING ACTIVITIES Occidental's market risk exposures relate primarily to commodity prices, interest rates and foreign currency. Therefore, Occidental periodically uses commodity futures contracts, options and swaps to hedge the impact of oil and natural gas price fluctuations; uses interest rate swaps and futures contracts to hedge interest rates on debt; and uses forward exchange contracts to hedge the risk associated with fluctuations in foreign currency exchange rates. Occidental does not engage in activities using complex or highly leveraged instruments. Gains and losses on commodity futures contracts are deferred until recognized as an adjustment to sales revenue or purchase costs when the related transaction being hedged is finalized. Gains and losses on foreign currency forward exchange contracts that hedge identifiable future commitments are deferred until recognized when the related item being hedged is settled. All other contracts are recognized in periodic income. In addition, the oil and gas division engages in oil and gas trading activity, primarily through the use of futures contracts. The results are not significant and are included in periodic income.

At December 31, 1997, Occidental was a party to futures contracts, which expire in 1998, related to the selling price of natural gas. The contracts cover 15.5 billion cubic feet of natural gas. The fair market value of the contracts was approximately \$6 million.

Interest rate swaps are entered into as part of Occidental's overall strategy to maintain part of its debt on a floating-rate basis. Occidental has outstanding interest rate swaps as of December 31, 1997 on fixed-rate debt for notional amounts totaling \$530 million, converting this fixed-rate debt to floating-rate debt. The swap rate difference resulted in approximately \$2 million, \$1 million and \$5 million of additional interest expense in 1997, 1996 and 1995, respectively, compared to what interest expense would have been had the debt remained at fixed rates. The impact of the swaps on the weighted average interest rates for all debt in 1997, 1996 and 1995 was not significant. Occidental will continue its strategy of maintaining part of its debt on a floating-rate basis.

The following table provides information on the interest rate swaps at December 31, 1997:

#### INTEREST RATE SWAPS

In millions, except rates

	Year of Maturity			Fair Value(a)
	1998	1999	2000	
Interest rate swaps				
Fixed to variable	\$ 330	\$ 96	\$ 104	\$ (6)
Average receive rate(b)	5.20%	5.60%	5.75%	

(a) Represents estimated settlement value.

(b) Current variable pay rate at December 31, 1997 is 5.81 percent.

In December 1997, Occidental entered into two fixed-rate interest rate locks for a total notional amount of \$400 million with a settlement date of March 1998. The interest rate locks were entered into to fix the interest rate on the expected issuance of long-term debt in 1998 with maturities for up to 10 years. The fixed reference rate is between 5.84 percent and 5.87 percent. At December 31, 1997, Occidental would be required to pay approximately \$3 million to terminate its interest rate lock agreement.

Many of Occidental's foreign oil and gas operations and foreign chemical operations are located in countries whose currencies generally depreciate against the U.S. dollar on a continuing basis. Generally, an effective currency forward market does not exist for these countries; therefore, Occidental attempts to manage its exposure primarily by balancing monetary assets and liabilities and maintaining cash positions only at levels necessary for operating purposes. Additionally, almost all of Occidental's oil and gas foreign entities have the U.S. dollar as the functional currency since the cash flows are mainly denominated in U.S. dollars. The effect of exchange rate transactions in foreign currencies is included in periodic income. Foreign currencies that are in a net liability position are thus protected from the unfavorable effects of devaluation. However, in certain foreign chemical equity basis joint ventures where the local currency is the functional currency, Occidental has exposure on joint-venture debt that is denominated in U.S. dollars. Most of Occidental's 1997 foreign exchange devaluation was related to its Thailand chemical joint ventures. For entities that have a net foreign currency asset position, Occidental maintains those positions at low levels so that the exposure to currency devaluation is relatively insignificant.

At December 31, 1997, Occidental had one foreign currency forward exchange contract that matures in 2000, hedging Canadian dollar denominated debt as shown below:

#### FOREIGN CURRENCY RISK

In millions, except contract rate

	Notional Amount	Contract Rate	Fair Value(a)
Canadian dollar forward exchange contracts	38	1.4282	.40

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(a) Equivalent to the unrealized net gain(loss) on existing contracts.

TAXES Deferred tax liabilities were \$723 million at December 31, 1997, net of deferred tax assets of \$1.3 billion. The current portion of the deferred tax assets of \$305 million is included in prepaid expenses and other. The net deferred tax assets are expected to be realized through future operating income and reversal of taxable temporary differences.

LAWSUITS, CLAIMS, COMMITMENTS, CONTINGENCIES AND RELATED MATTERS Occidental and certain of its subsidiaries have been named as defendants or as potentially responsible parties (PRPs) in a substantial number of lawsuits, claims and proceedings, including governmental proceedings under the Comprehensive

Environmental Response, Compensation and Liability Act (CERCLA) and corresponding state acts. These governmental proceedings seek funding, remediation and, in some cases, compensation for alleged property damage, punitive damages and civil penalties, aggregating substantial amounts. Occidental is usually one of many companies in these proceedings, and has to date been successful in sharing response costs with other financially sound companies. Occidental has accrued reserves at the most likely cost to be incurred in those proceedings where it is probable that Occidental will incur remediation costs which can be reasonably estimated.

During the course of its operations, Occidental is subject to audit by taxing authorities for varying periods in various tax jurisdictions. It is impossible at this time to determine the ultimate liabilities that Occidental and its subsidiaries may incur resulting from the foregoing lawsuits, claims and proceedings, audits, commitments, contingencies and related matters. Several of these matters may involve substantial amounts, and if these were to be ultimately resolved unfavorably to the full amount of their maximum potential exposure, an event not currently anticipated, it is possible that such event could have a material adverse effect upon Occidental's consolidated financial position or results of operations. However, in management's opinion, after taking into account reserves, it is unlikely that any of the foregoing matters will have a material adverse effect upon Occidental's consolidated financial position or results of operations. See Note 10 to the Consolidated Financial Statements.

**ENVIRONMENTAL EXPENDITURES** Occidental's operations in the United States are subject to stringent federal, state and local laws and regulations relating to improving or maintaining the quality of the environment. Foreign operations also are subject to environmental protection laws. Costs associated with environmental compliance have increased over time and may continue to rise in the future. Environmental expenditures, related to current operations, are factored into the overall business planning process. These expenditures are mainly considered an integral part of production in manufacturing quality products responsive to market demand.

**ENVIRONMENTAL REMEDIATION** The laws which require or address environmental remediation apply retroactively to previous waste disposal practices. And, in many cases, the laws apply regardless of fault, legality of the original activities or ownership or control of sites. Occidental is currently participating in environmental assessments and cleanups under these laws at federal Superfund sites, comparable state sites and other remediation sites, including Occidental facilities and previously owned sites. Also, Occidental and certain of its subsidiaries have been involved in a substantial number of governmental and private proceedings involving historical practices at various sites including, in some instances, having been named as defendants and/or as PRPs under the federal Superfund law. These proceedings seek funding and/or remediation and, in some cases, compensation for alleged personal injury or property damage, punitive damages and civil penalties, aggregating substantial amounts.

Occidental does not consider the number of Superfund and comparable state sites at which it has been notified that it has been identified as being involved to be a relevant measure of exposure. Although the liability of a PRP, and in many cases its equivalent under state law, may be joint and several, Occidental is usually one of many companies cited as a PRP at these sites and has, to date, been successful in sharing cleanup costs with other financially sound companies. Also, many of these sites are still under investigation by the Environmental Protection Agency (EPA) or the equivalent state agencies. Prior to actual cleanup, the parties involved assess site conditions and responsibility and determine the appropriate remedy. The majority of remediation costs are incurred after the parties obtain EPA or equivalent state agency approval to proceed. The ultimate future cost of remediation of certain of the sites for which Occidental has been notified that it has been identified as involved cannot be reasonably determined at this time.

As of December 31, 1997, Occidental had been notified by the EPA or equivalent state agencies or otherwise had become aware that it had been identified as being involved at 198 Superfund or comparable state sites. (This number does not include those sites where Occidental has been successful in resolving its involvement.) The 198 sites include 77 former Diamond Shamrock Chemical sites as to which Maxus Energy Corporation has retained all liability, and 2 sites at which the extent of such retained liability is disputed. Of the remaining 119 sites, Occidental has had no recent or significant communication or activity with government agencies or other PRPs at 2 sites, has denied involvement at 16 sites and has yet to determine involvement in 17 sites. With respect to the remaining 84 of these sites, Occidental is in various stages of evaluation. For 76 of these sites, where environmental remediation efforts are probable and the costs can be reasonably estimated, Occidental has accrued reserves at the most likely cost to be incurred. The 76 sites include 15 sites as to which present information indicates that it is probable that Occidental's aggregate exposure is immaterial. In determining the reserves, Occidental uses the most current information available, including similar past experiences, available technology, regulations in effect, the timing of remediation and cost-sharing arrangements. For the remaining 8 of the 84 sites being evaluated, Occidental does not have sufficient information to determine a range of liability, but Occidental does have sufficient information on which to base the opinion expressed above in the Lawsuits, Claims, Commitments, Contingencies and Related Matters section. For management's opinion on lawsuits and proceedings and on other environmental loss contingencies, see the above noted section.

ENVIRONMENTAL COSTS Occidental's costs, some of which may include estimates relating to compliance with environmental laws and regulations, are shown below for each division:

In millions	1997	1996	1995
OPERATING EXPENSES			
Oil and Gas	\$ 33	\$ 41	\$ 41
Chemical	60	59	63
	-----	-----	-----
	\$ 93	\$ 100	\$ 104
	=====	=====	=====
REMEDIATION EXPENSES			
Oil and Gas	\$ 46	\$ --	\$ 3
Chemical	90	100	18
	-----	-----	-----
	\$ 136	\$ 100	\$ 21
	=====	=====	=====
CAPITAL EXPENDITURES			
Oil and Gas	\$ 85	\$ 54	\$ 43
Chemical	31	27	27
	-----	-----	-----
	\$ 116	\$ 81	\$ 70
	=====	=====	=====

Operating expenses are incurred on a continuous basis. Remediation expenses relate to existing conditions caused by past operations and do not contribute to current or future revenue generation. Capital expenditures relate to longer lived improvements in facilities. Although total costs may vary in any one year, over the long term, divisional operating and capital expenditures for environmental compliance generally are expected to increase. As of December 31, 1997 and 1996, Occidental had environmental reserves of approximately \$567 million and \$562 million, respectively. The net increase reflects additional provisions that were partially offset by payments for remediation programs and settlement agreements.

FOREIGN INVESTMENTS Portions of Occidental's assets are located in countries outside North America, some of which may be considered politically and economically unstable. These assets and the related operations are subject to the risk of actions by governmental authorities and insurgent groups. Occidental attempts to conduct its financial affairs so as to protect against such risks and would expect to receive compensation in the event of nationalization. At December 31, 1997, the carrying value of Occidental's assets in countries outside North America aggregated approximately \$2.6 billion, or approximately 17 percent of Occidental's total assets at that date. Of such assets, approximately \$950 million was located in the Middle East, approximately \$950 million was located in Latin America, and substantially all of the remainder were located in the Netherlands and the Far East.

#### 1998 OUTLOOK

SUMMARY OF RECENT STRATEGIC DEVELOPMENTS In the fourth quarter of 1997 and in early 1998, Occidental announced a series of strategic steps that are expected to provide benefit in 1998 and future years.

DISPOSITION OF MIDCON In October 1997, Occidental announced it would sell its natural gas pipeline business and focus its attention on its two core businesses - - oil and gas and chemicals. As discussed above the sale of MidCon was completed on January 31, 1998 for net proceeds of \$3.1 billion after certain expenses.

ELK HILLS FIELD ACQUISITION Also in October, Occidental announced it had reached agreement with the U.S. Department of Energy to purchase the Elk Hills field also discussed above. The purchase was completed in February 1998. This field is one of the 11 largest in the lower 48 states and significantly increases both the size and quality of Occidental's domestic reserves. Occidental believes it will be able to increase the field's recoverable reserves and add annual production of oil and gas significantly through the application of improved drilling and field management techniques. The acquisition was funded using a portion of the proceeds from the divestiture of MidCon together with the proceeds of commercial paper. The commercial paper will eventually be repaid from the proceeds of sales of other nonstrategic assets and issuance of other debt securities.

In February 1998, Occidental entered into a fifteen-year contract with Tosco Corporation (Tosco) pursuant to which Tosco will take the majority of Occidental's oil production from the Elk Hills field. Tosco, who recently purchased Unocal's downstream assets in California, is the second largest refiner in California and the nation's largest independent refiner.

SALES OF NONSTRATEGIC ASSETS Occidental also announced in October that it planned to sell \$1.6 billion of nonstrategic oil and gas and chemical assets. The first major asset sale of this program was announced in February 1998 when Occidental sold its Venezuela oilfield development for approximately \$205 million in cash plus contingent payments of up to \$90 million over six years based on oil prices.

PREFERRED STOCK REDEMPTION PROGRAM In early 1998, Occidental stated it will redeem all 15,106,444 outstanding shares of its \$3.875 voting and non-voting Cumulative Convertible Preferred Stock. If all the shares of the preferred stock were converted into common stock, Occidental would issue approximately 33

million shares of common stock. Annual preferred dividends related to these shares are approximately \$58 million.

**COMMON STOCK REPURCHASE PROGRAM** In October, Occidental began a program to repurchase up to 40 million shares of its common stock for approximately \$1 billion dollars. Since then, approximately 10 million shares have been repurchased. The program is continuing and is expected to be completed in 1998.

**NEW ENHANCED OIL RECOVERY PROJECT IN QATAR** Occidental was awarded a contract in late 1997 by the Emirate of Qatar to perform EOR in Qatar's Idd el Shargi South Dome field (ISSD field). Ultimate gross recovery is expected to be approximately 300 million barrels from this field using EOR techniques similar to those being successfully employed by Occidental on the Idd el Shargi North Dome field (ISND field) pursuant to a contract awarded to Occidental in 1994. Because of the proximity of the two fields, Occidental will operate the ISSD field as a satellite of the ISND field.

**OIL AND NATURAL GAS** The petroleum industry is a highly competitive business subject to significant volatility due to numerous external market forces. Oil prices have continued to decline in the first quarter of 1998. Occidental is unable to accurately predict the future trend of oil prices.

Crude oil and natural gas prices will continue to be affected by market fundamentals such as weather, inventory levels, competing fuel prices, overall demand and the availability of supply. While fundamentals are a decisive factor affecting crude oil prices over the longer term, day-to-day prices may be more volatile due to futures trading on the NYMEX and other exchanges.

Occidental completed the acquisition of Elk Hills in February 1998 and expects to complete the sale of certain nonstrategic assets by the end of 1998. With the completion of these transactions, Occidental will focus on growing its core operations in the United States, Latin America and the Middle East. Outside these core areas, Occidental will pursue selected growth opportunities through focused exploration, EOR projects and high-return acquisitions. Improvements in production at Elk Hills and successful development of the new Qatar field are expected to be key to the near-term success of Occidental's oil and gas business.

Occidental continues to look to exploration as a growth vehicle in the oil and gas business. During 1998, Occidental expects to drill or participate in over 30 exploratory wells, of which approximately 80 percent will be in the international arena. The number of exploration wells in the United States is expected to increase in future years as preliminary geological and geophysical studies are completed in Elk Hills and the Gulf of Mexico.

EOR activities are expected to continue to provide a major impetus for growth in 1998 and beyond. Occidental will continue to build on its successes in applying engineering and technological skills to assist foreign governments in maximizing production from their oil fields.

In addition, Occidental and its partners are moving ahead with plans to develop large, long-lived natural gas reserves discovered in the Far East. Through business partnerships with multinational and national oil companies, work is proceeding to develop domestic gas markets in Bangladesh and the Philippines and to enter liquid natural gas export markets from projects to be completed in Malaysia and Indonesia.

#### CHEMICAL

**CHLOROVINYLS** In 1997, demand for chlorine and chlorine-related derivatives continued to be strong. Caustic soda demand recovered during the second half of 1997, which led to price improvements.

A strong integrated position in the vinyls chain offers the strongest outlet for chlorine production via EDC, vinyl chloride monomer (VCM) and PVC. Demand for EDC, which is principally exported, remained strong through 1997, as did chlorine consumption for VCM and other end uses. However, pressure resulting from the Asian economic crisis could negatively affect pricing in the chlorovinyls chain in 1998.

Due to strong demand, the chlorine and caustic soda industry operated essentially at capacity in 1997. Some new capacity will become available in 1998, primarily in the United States and Asia Pacific.

Chlorine markets will continue to experience pressure from various environmental groups and regulatory authorities seeking alternatives to, or substitutes for, compounds containing chlorine. While there has been less demand for chlorine in some market segments, such as pulp and paper, demand from the PVC industry has more than offset those reductions. Occidental continues to believe that the overall market for chlorine will remain strong, led by PVC demand.

Overall, chlorine prices in 1997 were higher than average 1996 prices. Chlorine prices are expected to soften in 1998, while caustic soda prices should strengthen due to stronger demand for caustic soda in all key markets.

Demand in North America for PVC resin grew 4 percent in 1997 after a robust 1996 growth of 13 percent. This solid growth continues to be led primarily by strong construction markets. North American export sales increased to 1.4 billion pounds and represents 10 percent of annual North American production.

PVC resin prices improved during the first half of 1997, but margins were held in check by higher feedstock prices. Margins eroded in the second half due to continued capacity additions in the global market, as well as weak export markets in Southeast Asia that affected domestic margins. Operating rates are expected to stabilize in 1998 and rise in 1999 as capacity additions slow. North American demand is expected to remain solid with a growth rate of approximately 4 percent.

OxyChem's 450-million-pound-per-year PVC expansion started up during the fourth quarter of 1997 and is currently operating at planned rates for 1998. In addition, a 700-million-pound-per-year VCM expansion, owned equally by OxyChem and Marubeni Corporation and managed by OxyChem, came on stream as scheduled during 1997. OxyChem's strategy of maximizing the benefits of the vertical integration of its chlorovinyls business has provided the basis for a successful marketing effort. The business is well positioned and has long-standing relationships with key customers in major PVC markets including: pipe, vinyl siding and building profiles, flooring, compounds and formulators.

OxyChem's international presence also provides a solid operational base for strategic exports to Asian and Latin American markets. However, the global market outlook currently is uncertain due to Asian economic problems.

**PETROCHEMICALS** The primary petrochemicals -- ethylene, propylene, butadiene and benzene -- are precursors to a wide variety of consumer and industrial products that include fibers, tires and plastics. Petrochemicals account for approximately 20 percent of all world chemical trade, and changes in global economic conditions have an immediate effect on the domestic petrochemical industry. The cycles in the petrochemical business have been characterized by periods of high profitability, as demonstrated in the late 1980s, followed by large capacity increases and subsequent depressed margins as experienced in 1991 through 1993.

The petrochemicals business experienced increased profitability in 1997 as feedstock costs moderated and unanticipated industry operating problems occurred. The tighter supply/demand situation, coupled with continued growth in most world economies, allowed producers to increase margins on most petrochemical products.

OxyChem continued to operate its plants at capacity as ethylene demand was sustained by strong performances in OxyChem's chlorovinyls and ethylene oxide and derivative businesses.

Across the industry, demand for polyethylene and polyethylene terephthalate (PET) resins led to record demand for ethylene. Propylene continued its growth, primarily in new polypropylene applications such as carpets, automobiles and high-performance fabrics. Propylene derivative capacity grew 4 percent in 1997 and demand grew at 5 percent. Overall, OxyChem expects a growth rate of approximately 4 percent in ethylene and propylene for 1998.

The demand for ethylene glycol is expected to result in strong growth globally in both the polyester fabrics and PET bottle resins markets in 1998. These markets are expected to grow in excess of 6 percent annually as technology improvements lead to expanding market share.

**SPECIALTY BUSINESSES** The Specialty Business Group was formed in 1995 to emphasize OxyChem's leadership position in many smaller-volume chemical markets. Specialty chemical products are less cyclical than commodity chemicals and provide a more steady source of earnings.

The Specialty Business Group is funding research and development, in keeping with its strategy of alignment with customer-driven new product requirements and higher utilization of existing equipment. Capital spending increased substantially in 1997 for plant expansion and revitalization of under-utilized facilities. This investment was less costly than what would have been required if new, stand-alone capacity had been installed.

Among these investments are several specialty chemical projects totaling \$85 million under way at the Niagara Falls, New York chemicals complex, and scheduled for completion by the end of 1998. An additional \$42 million is planned at the same location for new facilities to serve customers with chemical intermediates for crop protection, pharmaceutical, coating and solvent applications.

OxyChem is continuing an aggressive expansion and acquisition program and has targeted the Specialty Business Group for substantial growth in the coming years through volume expansion in existing products, development of new products, and acquisitions of synergistic businesses and product lines.

Several additional investments were undertaken in 1997 to effect product-line extensions and strengthen the business. Major capacity expansions at OxyChem's two isocyanurate production facilities in 1997 increased capacity by 25 percent, and an additional expansion is under way in 1998. Debottlenecking of the sodium silicate plant acquired last year in Augusta, Georgia was successfully completed, and an expansion is planned at the silicates facility in Mobile, Alabama. OxyChem and Sumitomo Bakelite began production at a new glass-filled phenolic molding compound facility in Fort Erie, Ontario.

Late in the year, OxyChem acquired the Thermoguard antimony oxide/sodium antimonate and Pyronil brominated plasticizer product lines of flame retardants from Elf Atochem North America, Inc.

**SFAS NO. 128** In February 1997, the Financial Accounting Standards Board (FASB) issued SFAS No. 128 -- "Earnings per Share," which establishes standards for computing and presenting earnings per share (EPS). The statement requires dual presentation of basic and diluted EPS on the face of the income statement for all entities with complex capital structures and requires a reconciliation of the numerator and denominator of the basic EPS computation to the numerator and denominator of the diluted EPS computation. Occidental's adoption of SFAS No. 128, effective for the year ended December 31, 1997, did not have a material impact on Occidental's earnings per share.

STATEMENT OF POSITION NO. 96-1 In October 1996, the American Institute of Certified Public Accountants issued Statement of Position No. 96-1 -- "Environmental Remediation Liabilities" (SOP 96-1), which provides authoritative guidance on specific accounting issues that are present in the recognition, measurement, display and disclosure of environmental remediation liabilities. Occidental's implementation of SOP 96-1, effective January 1, 1997, did not have a material impact on Occidental's financial position or results of operations.

SFAS NO. 125 In June 1996, the FASB issued SFAS No. 125 -- "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." The statement provides consistent standards for distinguishing transfers of financial assets that are sales, from transfers that are secured borrowings. Occidental's implementation of SFAS No. 125, effective January 1, 1997, did not have an impact on Occidental's financial position or results of operations.

SFAS NO. 123 In October 1995, the FASB issued SFAS No. 123 -- "Accounting for Stock-Based Compensation." This statement defines, among other things, a fair-value based method of accounting for options under an employee stock option plan. However, it also allows an entity to continue to account for such items using Accounting Principles Board (APB) Opinion No. 25 -- "Accounting for Stock Issued to Employees," under which no compensation expense is recognized. Occidental elected this option, which alternatively requires pro forma disclosures of net income and earnings per share, as if compensation expense had been recognized. As permitted by SFAS No. 123, Occidental will continue to use the accounting prescribed by APB Opinion No. 25. Effective for the year ended December 31, 1996, the required pro forma disclosures have been made as indicated above at Note 12 to the Consolidated Financial Statements.

SFAS NO. 121 In March 1995, the FASB issued SFAS No. 121 -- "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." The statement requires a review of long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If it is determined that an impairment loss has occurred based on expected future cash flows, then a loss will be recognized in the income statement using a fair-value based model. Occidental's adoption of SFAS No. 121, effective January 1, 1996, did not have a material impact on Occidental's financial position or results of operations.

YEAR 2000 COMPLIANCE Occidental has completed a preliminary assessment of its information systems to determine what modifications, if any, are necessary for proper functioning of these systems in the year 2000. Costs related to maintenance or modification of these systems will be expensed as incurred. Occidental does not anticipate the related costs will be significant.

SAFE HARBOR STATEMENT REGARDING OUTLOOK AND OTHER FORWARD-LOOKING DATA Portions of the Annual Report, including the Letter to Stockholders, Oil and Gas and Chemical divisional discussions and Management's Discussion and Analysis, are forward-looking and involve risks and uncertainties that could significantly affect expected results. Factors that could cause results to differ materially include, but are not limited to: global commodity pricing fluctuations; competitive pricing pressures; higher than expected costs including feedstocks; the supply/demand considerations for Occidental's products; any general economic recession domestically or internationally; regulatory uncertainties; and not successfully completing any development of new fields, expansion, capital expenditure, efficiency improvement, acquisition or disposition.

REPORT OF MANAGEMENT The management of Occidental Petroleum Corporation is responsible for the integrity of the financial data reported by Occidental and its subsidiaries. Fulfilling this responsibility requires the preparation and presentation of consolidated financial statements in accordance with generally accepted accounting principles. Management uses internal accounting controls, corporate-wide policies and procedures and judgment so that such statements reflect fairly the consolidated financial position, results of operations and cash flows of Occidental.

CONSOLIDATED STATEMENTS OF OPERATIONS  
In millions, except per-share amounts

Occidental Petroleum Corporation  
and Subsidiaries

For the years ended December 31,	1997	1996	1995
=====	=====	=====	=====
<b>REVENUES</b>			
Net sales and operating revenues			
Oil and gas operations	\$ 3,667	\$ 3,680	\$ 3,019
Chemical operations	4,349	4,307	5,370
	-----	-----	-----
	8,016	7,987	8,389
Interest, dividends and other income	88	244	105
Gains on disposition of assets, net (Note 4)	(4)	11	45
Income from equity investments (Note 15)	1	70	94
	-----	-----	-----
	8,101	8,312	8,633
	-----	-----	-----
<b>COSTS AND OTHER DEDUCTIONS</b>			
Cost of sales	5,060	5,060	5,492
Selling, general and administrative and other operating expenses	1,002	933	996
Depreciation, depletion and amortization of assets	822	761	768
Environmental remediation	136	100	21
Exploration expense	119	120	106
Interest and debt expense, net	434	482	579
	-----	-----	-----
	7,573	7,456	7,962
	-----	-----	-----
<b>INCOME(LOSS) FROM CONTINUING OPERATIONS BEFORE TAXES</b>	528	856	671
Provision for domestic and foreign income and other taxes (Note 11)	311	342	313
	-----	-----	-----
<b>INCOME(LOSS) FROM CONTINUING OPERATIONS</b>	217	514	358
Discontinued operations, net (Note 4)	(607)	184	153
Extraordinary gain(loss), net (Note 5)	--	(30)	--
	-----	-----	-----
<b>NET INCOME(LOSS)</b>	\$ (390)	\$ 668	\$ 511
	=====	=====	=====
<b>EARNINGS(LOSS) APPLICABLE TO COMMON STOCK</b>	\$ (478)	\$ 575	\$ 418
	=====	=====	=====
<b>BASIC EARNINGS PER COMMON SHARE</b>			
Income(loss) from continuing operations	\$ .39	\$ 1.30	\$ .83
Discontinued operations, net	(1.82)	.56	.48
Extraordinary gain(loss), net	--	(.09)	--
	-----	-----	-----
<b>BASIC EARNINGS(LOSS) PER COMMON SHARE (Note 13)</b>	\$ (1.43)	\$ 1.77	\$ 1.31
	=====	=====	=====
<b>DILUTED EARNINGS(LOSS) PER COMMON SHARE (Note 13)</b>	\$ (1.43)	\$ 1.73	\$ 1.31
	=====	=====	=====

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

CONSOLIDATED BALANCE SHEETS  
In millions, except share amounts

Assets at December 31,	1997	1996
<b>CURRENT ASSETS</b>		
Cash and cash equivalents (Note 1)	\$ 113	\$ 258
Trade receivables, net of reserves of \$24 in both 1997 and 1996	603	626
Receivables from joint ventures, partnerships and other	210	131
Inventories (Notes 1 and 6)	604	582
Prepaid expenses and other (Note 11)	386	313
TOTAL CURRENT ASSETS	1,916	1,910
LONG-TERM RECEIVABLES, NET	153	153
EQUITY INVESTMENTS (Notes 1 and 15)	921	985
PROPERTY, PLANT AND EQUIPMENT, AT COST (Notes 1, 4 and 9)		
Oil and gas operations	9,039	8,554
Chemical operations	6,077	5,893
Corporate and other	1,441	1,439
	16,557	15,886
Accumulated depreciation, depletion and amortization	(7,967)	(7,690)
	8,590	8,196
OTHER ASSETS (Note 1)	470	416
NET ASSETS OF DISCONTINUED OPERATIONS (Note 4)	3,232	3,321
	\$ 15,282	\$ 14,981

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

Occidental Petroleum Corporation  
and Subsidiaries

Liabilities and Equity at December 31,	1997	1996
=====	=====	=====
<b>CURRENT LIABILITIES</b>		
Current maturities of long-term debt and capital lease liabilities (Notes 7 and 9)	\$ 6	\$ 27
Notes payable (Note 1)	35	20
Accounts payable	717	617
Accrued liabilities (Note 1)	957	970
Dividends payable	106	107
Domestic and foreign income taxes (Note 11)	49	96
	-----	-----
TOTAL CURRENT LIABILITIES	1,870	1,837
	-----	-----
LONG-TERM DEBT, NET OF CURRENT MATURITIES AND UNAMORTIZED DISCOUNT (Note 7)	4,925	4,511
	-----	-----
<b>DEFERRED CREDITS AND OTHER LIABILITIES</b>		
Deferred and other domestic and foreign income taxes (Note 11)	1,028	839
Other (Notes 1, 8, 9 and 14)	3,173	2,654
	-----	-----
	4,201	3,493
	-----	-----
<b>CONTINGENT LIABILITIES AND COMMITMENTS (Notes 7, 9 and 10)</b>		
<b>STOCKHOLDERS' EQUITY (Notes 1, 4, 7, 12 and 19)</b>		
Nonredeemable preferred stock, \$1.00 par value; authorized 50 million shares; outstanding shares: 1997--22,491,478 and 1996--26,493,209; stated at liquidation value of \$50 per share	1,125	1,325
ESOP preferred stock, \$1.00 par value; authorized and outstanding shares: 1997 and 1996 -- 1,400,000	1,400	1,400
Unearned ESOP shares	(1,348)	(1,394)
Common stock, \$.20 par value; authorized 500 million shares; outstanding shares: 1997--341,126,546 and 1996--329,227,688	68	66
Additional paid-in capital	4,149	4,463
Retained earnings(deficit)	(1,094)	(726)
Cumulative foreign currency translation adjustments	(14)	6
	-----	-----
	4,286	5,140
	-----	-----
	\$ 15,282	\$ 14,981
	=====	=====

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

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY Occidental Petroleum Corporation  
In millions and Subsidiaries

	Non- redeemable Preferred Stock (Note 12)	ESOP Preferred Stock (Note 12)	Unearned ESOP Shares (Note 12)	Common Stock (Notes 4 and 12)	Additional Paid-in Capital (Notes 7 and 12)	Retained Earnings (Deficit) (Notes 7, 12 and 14)	Cumulative Foreign Currency Translation Adjustments (Note 1)
=====	=====	=====	=====	=====	=====	=====	=====
BALANCE, DECEMBER 31, 1994	\$ 1,325	\$ --	\$ --	\$ 63	\$ 5,004	\$ (1,929)	\$ (6)
Net income	--	--	--	--	--	511	--
Dividends on common stock	--	--	--	--	(318)	--	--
Dividends on preferred stock	--	--	--	--	(93)	--	--
Issuance of common stock	--	--	--	1	28	--	--
Pension liability adjustment	--	--	--	--	--	16	--
Exercises of options and other, net	--	--	--	--	10	--	18
-----	-----	-----	-----	-----	-----	-----	-----
BALANCE, DECEMBER 31, 1995	\$ 1,325	\$ --	\$ --	\$ 64	\$ 4,631	\$ (1,402)	\$ 12
Net income	--	--	--	--	--	668	--
Dividends on common stock	--	--	--	--	(325)	--	--
Dividends on preferred stock	--	--	--	--	(93)	--	--
Issuance of common stock	--	--	--	2	240	--	--
Issuance of preferred stock	--	1,400	(1,394)	--	(6)	--	--
Pension liability adjustment	--	--	--	--	--	8	--
Exercises of options and other, net	--	--	--	--	16	--	(6)
-----	-----	-----	-----	-----	-----	-----	-----
BALANCE, DECEMBER 31, 1996	\$ 1,325	\$ 1,400	\$ (1,394)	\$ 66	\$ 4,463	\$ (726)	\$ 6
Net income(loss)	--	--	--	--	--	(390)	--
Dividends on common stock	--	--	--	--	(335)	--	--
Dividends on preferred stock	--	--	--	--	(88)	--	--
Issuance of common stock	--	--	--	--	23	--	--
Release of ESOP shares	--	--	46	--	(29)	--	--
Repurchase and retirement of common stock	--	--	--	(1)	(118)	--	--
Preferred stock conversions	(200)	--	--	3	197	--	--
Pension liability adjustment	--	--	--	--	--	17	--
Exercises of options and other, net	--	--	--	--	36	5	(20)
-----	-----	-----	-----	-----	-----	-----	-----
BALANCE, DECEMBER 31, 1997	\$ 1,125	\$ 1,400	\$ (1,348)	\$ 68	\$ 4,149	\$ (1,094)	\$ (14)
=====	=====	=====	=====	=====	=====	=====	=====

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

For the years ended December 31,	1997	1996	1995
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Income(loss) from continuing operations, after extraordinary gain(loss), net	\$ 217	\$ 484	\$ 358
Adjustments to reconcile income to net cash provided by operating activities:			
Extraordinary (gain)loss, net	--	30	--
Depreciation, depletion and amortization of assets	822	761	768
Amortization of debt discount and deferred financing costs	11	7	32
Deferred income tax provision	(9)	(3)	70
Other noncash charges (credits) to income	426	298	209
Gains on disposition of assets, net	4	(11)	(45)
Income from equity investments	(1)	(70)	(94)
Exploration expense	119	120	106
Changes in operating assets and liabilities:			
Decrease(increase) in accounts and notes receivable	(125)	201	117
Decrease(increase) in inventories	(20)	(32)	(85)
Increase in prepaid expenses and other assets	(75)	(6)	(33)
Increase(decrease) in accounts payable and accrued liabilities	13	(65)	(34)
Increase(decrease) in current domestic and foreign income taxes	(66)	39	44
Other operating, net	(185)	(164)	(51)
	1,131	1,589	1,362
Operating cash flow from discontinued operations	266	398	139
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>1,397</b>	<b>1,987</b>	<b>1,501</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Capital expenditures	(1,549)	(1,038)	(829)
Proceeds from disposal of property, plant and equipment, net (Note 4)	25	229	178
Buyout of operating leases	(21)	--	(141)
Purchase of businesses, net	(22)	(18)	(7)
Sale of businesses, net (Note 4)	95	31	756
Equity investments, net	46	40	50
	(1,426)	(756)	7
Investing cash flow from discontinued operations	(79)	(223)	(143)
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<b>(1,505)</b>	<b>(979)</b>	<b>(136)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from long-term debt	107	65	322
Net proceeds from commercial paper and revolving credit agreements	667	645	(528)
Payments of long-term debt and capital lease liabilities	(374)	(1,570)	(396)
Proceeds from issuance of common stock	21	25	28
Repurchase of common stock	(119)	--	--
Proceeds (payments) of notes payable, net	17	(1)	(5)
Cash dividends paid	(422)	(415)	(406)
Other financing, net	13	9	12
	(90)	(1,242)	(973)
Financing cash flow from discontinued operations	53	(88)	12
<b>NET CASH USED BY FINANCING ACTIVITIES</b>	<b>(37)</b>	<b>(1,330)</b>	<b>(961)</b>
<b>INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(145)</b>	<b>(322)</b>	<b>404</b>
<b>CASH AND CASH EQUIVALENTS--BEGINNING OF YEAR</b>	<b>258</b>	<b>580</b>	<b>176</b>
<b>CASH AND CASH EQUIVALENTS--END OF YEAR</b>	<b>\$ 113</b>	<b>\$ 258</b>	<b>\$ 580</b>

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

## Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**NATURE OF OPERATIONS** Occidental is a multinational organization whose principal lines of business are oil and gas exploration and production and chemicals. Internationally, Occidental has oil and gas production in 11 countries and exploration projects in 19 countries. Additionally, Occidental has oil and gas exploration and production in the United States, including the Gulf of Mexico. Occidental also is one of the world's largest chemical producers, with interests in chlorovinyls (basic chemicals and polymers and plastics), specialty chemicals and petrochemicals.

**PRINCIPLES OF CONSOLIDATION** The consolidated financial statements include the accounts of Occidental Petroleum Corporation, all subsidiaries where the Company has majority ownership of voting stock and Occidental's proportionate interests in oil and gas exploration and production ventures (Occidental). All material intercompany accounts and transactions have been eliminated. Investments in less than majority-owned enterprises, including a joint-interest pipeline, but excluding oil and gas exploration and production ventures, are accounted for on the equity method (see Note 15).

The consolidated financial statements have been restated to reflect the natural gas transmission and marketing business as a discontinued operation as further discussed in Note 4. Unless indicated otherwise, all financial information in the Notes to Consolidated Financial Statements excludes discontinued operations.

In addition, certain financial statements, notes and supplementary data for prior years have been changed to conform to the 1997 presentation.

**RISKS AND UNCERTAINTIES** The process of preparing consolidated financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the consolidated financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts, generally not by material amounts. Management believes that these estimates and assumptions provide a reasonable basis for the fair presentation of Occidental's financial position and results of operations.

Included in the accompanying balance sheet is net property, plant and equipment at a carrying value of \$8.59 billion as of December 31, 1997. These carrying values are based on Occidental's plans and intentions to continue to operate, maintain and, where it is economically desirable, to expand its businesses. If future economic conditions result in changes in management's plans or intentions, the carrying values of the affected assets will be reviewed again and any appropriate adjustments made.

Included in the accompanying consolidated balance sheet are deferred tax assets of \$1.3 billion as of December 31, 1997, the noncurrent portion of which is netted against deferred income tax liabilities. Realization of these assets is dependent upon Occidental generating sufficient future taxable income. Occidental expects to realize the recorded deferred tax assets through future operating income and reversal of taxable temporary differences.

The accompanying consolidated balance sheet includes assets of approximately \$2.6 billion as of December 31, 1997 relating to Occidental's operations in countries outside North America. Some of these countries may be considered politically and economically unstable. These assets and the related operations are subject to the risk of actions by governmental authorities and insurgent groups. Occidental attempts to conduct its financial affairs so as to protect against such risks and would expect to receive compensation in the event of nationalization.

Since Occidental's major products are commodities, significant changes in the prices of oil and gas and chemical products could have a significant impact on Occidental's results of operations for any particular year.

**FOREIGN CURRENCY TRANSLATION** The functional currency applicable to Occidental's foreign oil and gas operations, except for operations in the Dutch sector of the North Sea, is the U.S. dollar since cash flows are denominated principally in U.S. dollars. Chemical operations in Latin America, which historically have been subject to high inflation rates, use the U.S. dollar as the functional currency. The effect of exchange-rate changes on transactions denominated in nonfunctional currencies generated a gain of approximately \$7 million in 1997, a loss of approximately \$3 million in 1996 and a gain of approximately \$1 million in 1995. The currency devaluation in Thailand and the strength of the U.S. dollar relative to other currencies negatively impacted the cumulative foreign currency translation adjustment and income from equity investments in 1997.

**CASH AND CASH EQUIVALENTS** Cash equivalents consist of highly liquid money-market mutual funds and bank deposits with initial maturities of three months or less. Cash equivalents totaled approximately \$50 million and \$205 million at December 31, 1997 and 1996, respectively.

**TRADE RECEIVABLES** In 1992, Occidental entered into an agreement to sell, under a revolving sale program, an undivided percentage ownership interest in a designated pool of domestic trade receivables, with limited recourse. Under this program, Occidental serves as the collection agent with respect to the receivables sold. An interest in new receivables is sold as collections are made from customers. As of December 31, 1997, Occidental had received cash proceeds totaling \$600 million, all of which was received prior to 1997. After MidCon is removed from the program the balance of Occidental's receivables program will be \$350 million. Fees and expenses under this program are included in Selling, general and administrative and other operating expenses. During the years ended December 31, 1997, 1996 and 1995, the cost of this program amounted to approximately 5.9 percent, 5.8 percent and 6.3 percent, respectively, of the weighted average amount of proceeds received.

**INVENTORIES** Product and raw material inventories, except certain domestic chemicals, are stated at cost determined on the first-in, first-out (FIFO) and average-cost methods and did not exceed market value. The remaining product and raw material inventories are stated at cost using the last-in, first-out (LIFO) method and also did not exceed market value. Inventories of materials and supplies are valued at cost or less (see Note 6).

**PROPERTY, PLANT AND EQUIPMENT** Property additions and major renewals and improvements are capitalized at cost. Interest costs incurred in connection with major capital expenditures are capitalized and amortized over the lives of the related assets (see Note 17). Depreciation and depletion of oil and gas producing properties is determined principally by the unit-of-production method and is based on estimated recoverable reserves. The unit-of-production method of depreciation, based on estimated total productive life, also is used for certain chemical plant and equipment. Depreciation of other plant and equipment has been provided primarily using the straight-line method.

Oil and gas properties are accounted for using the successful-efforts method. Costs of acquiring nonproducing acreage, costs of drilling successful exploration wells and development costs are capitalized. Producing and nonproducing properties are evaluated periodically and, if conditions warrant, an impairment reserve is provided. Annually, a determination is made whether it is probable that significant impairment of the carrying cost for individual fields or groups of fields has occurred, considering a number of factors, including profitability, political risk and Occidental's estimate of future oil and gas prices. If impairment is believed probable, a further analysis is performed using Occidental's estimate of future oil and gas prices to determine any impairment to be recorded for specific properties. Annual lease rentals and exploration costs, including geologic and geophysical costs and exploratory dry-hole costs, are expensed as incurred.

At December 31, 1997 corporate property, plant and equipment and accumulated depreciation, depletion and amortization included \$1.2 billion and \$353 million, respectively, for an intrastate pipeline owned by Occidental.

**OTHER ASSETS** Other assets include tangible and intangible assets, certain of which are amortized over the estimated periods to be benefited.

**NOTES PAYABLE** Notes payable at December 31, 1997 and 1996 consisted of short-term notes due to financial institutions and other corporations. The weighted average interest rate on short-term borrowings outstanding as of December 31, 1997 and 1996 was 10.2 percent and 5.4 percent, respectively.

**ACCRUED LIABILITIES -- CURRENT** Accrued liabilities include the following (in millions):

Balance at December 31,	1997	1996
=====	=====	=====
Accrued payroll, commissions and related expenses	\$ 116	\$ 158
Accrued interest expense	\$ 90	\$ 93
- - - - -	- - - - -	- - - - -

**ENVIRONMENTAL COSTS** Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Reserves for estimated costs that relate to existing conditions caused by past operations and that do not contribute to current or future revenue generation are recorded when environmental remedial efforts are probable and the costs can be reasonably estimated. In determining the reserves, Occidental uses the most current information available, including similar past experiences, available technology, regulations in effect, the timing of remediation and cost-sharing arrangements. The environmental reserves are based on management's estimate of the most likely cost to be incurred and are reviewed periodically and adjusted as additional or new information becomes available. Probable recoveries or reimbursements are recorded as an asset. The environmental reserves are included in accrued liabilities and other noncurrent liabilities and amounted to \$117 million and \$450 million, respectively, at December 31, 1997 and \$137 million and \$425 million, respectively, at December 31, 1996.

Environmental reserves are discounted only when the aggregate amount of the estimated costs for a specific site and the timing of cash payments are reliably determinable. As of December 31, 1997 and 1996, reserves that were recorded on a discounted basis were not material.

**DISMANTLEMENT, RESTORATION AND RECLAMATION COSTS** The estimated future abandonment costs of oil and gas properties and removal costs for offshore production platforms, net of salvage value, are accrued over their operating lives. Such costs are calculated at unit-of-production rates based upon estimated proved recoverable reserves and are taken into account in determining depreciation, depletion and amortization. For all other operations, appropriate reserves are provided when a decision is made to dispose of a property, since Occidental makes capital renewal expenditures on a continual basis while an asset is in operation. Reserves for dismantlement, restoration and reclamation costs are included in accrued liabilities and other noncurrent liabilities and amounted to \$11 million and \$202 million, respectively, at December 31, 1997 and \$9 million and \$215 million, respectively, at December 31, 1996.

**HEDGING ACTIVITIES** Occidental periodically uses commodity futures contracts, options and swaps to hedge the impact of oil and natural gas price fluctuations and uses forward exchange contracts to hedge the risk associated with fluctuations in foreign currency exchange rates. Gains and losses on commodity futures contracts are deferred until recognized as an adjustment to sales revenue or purchase costs when the related transaction being hedged is finalized. Gains and losses on foreign currency forward exchange contracts that hedge identifiable future commitments are deferred until recognized when the related item being hedged is settled. All other contracts are recognized in periodic income. The cash flows from such contracts are included in operating activities in the consolidated statements of cash flows.

Interest rate swaps and futures are entered into, from time to time, on specific debt as part of Occidental's overall strategy to maintain part of its debt on a floating-rate basis and to fix interest rates on anticipated future debt issuances.

**SUPPLEMENTAL CASH FLOW INFORMATION** Excluding MidCon, cash payments during the years 1997, 1996 and 1995 included federal, foreign and state income taxes of approximately \$182 million, \$216 million and \$148 million, respectively. Interest paid (net of interest capitalized) totaled approximately \$404 million, \$486 million and \$544 million for the years 1997, 1996 and 1995, respectively. See Note 4 for detail of noncash investing and financing activities regarding certain acquisitions.

## Note 2 FINANCIAL INSTRUMENTS

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**COMMODITY FUTURES AND FORWARD CONTRACTS** Occidental's oil and gas segment has, from time to time, engaged in some form of commodity derivative activity, generally limited to hedging arrangements. The oil and gas division engages in oil and gas trading activity primarily through the use of futures contracts. The results are not significant and are included in periodic income.

**FORWARD EXCHANGE AND INTEREST RATE CONTRACTS** Occidental is engaged in both oil and gas and chemical activities internationally. International oil and gas transactions are mainly denominated in U.S. dollars; consequently, foreign currency exposure is not deemed material. Many of Occidental's foreign oil and gas operations and foreign chemical operations are located in countries whose currencies generally depreciate against the U.S. dollar on a continuing basis. An effective currency forward market does not exist for these countries; therefore, Occidental attempts to manage its exposure primarily by balancing monetary assets and liabilities and maintaining cash positions only at levels necessary for operating purposes. Additionally, almost all of Occidental's oil and gas foreign entities have the U.S. dollar as the functional currency since the cash flows are mainly denominated in U.S. dollars. The effect of exchange rate transactions in foreign currencies is included in periodic income. Foreign currencies which are in a net liability position are thus protected from the unfavorable effects of devaluation. For entities that have a net foreign currency asset position, Occidental maintains those positions at low levels so that the exposure to currency devaluation is relatively insignificant. At December 31, 1997, Occidental had one foreign currency forward purchase exchange contract totaling \$38 million which hedged foreign currency denominated debt. This contract matures in 2000.

From time to time, Occidental enters into interest rate swaps and futures contracts to hedge interest rates on debt. In November 1993, Occidental entered into interest rate swaps on newly issued fixed-rate debt for notional amounts totaling \$530 million. This converted fixed-rate debt into variable-rate debt, based on the London Interbank Offered Rate (LIBOR), with interest rates ranging from 6.41 percent to 6.64 percent at December 31, 1997. These agreements mature at various dates from 1998 through 2000. Notional amounts do not represent cash flow. Credit risk exposure, which is not material, is limited to the net interest differentials. The swap rate difference resulted in approximately \$2 million, \$1 million and \$5 million of additional interest expense in 1997, 1996 and 1995, respectively, compared to what interest expense would have been had the debt remained at fixed rates. The impact of the swaps on the weighted average interest rates for all debt in 1997, 1996 and 1995 was not significant.

In December 1997, Occidental entered into two fixed-rate interest rate locks for a total notional amount of \$400 million with a settlement date of March 1998. The interest rate locks were entered into to fix the interest rate on the expected issuance of long-term debt in 1998. The fixed reference rate is between 5.84 percent and 5.87 percent. The interest rate locks are accounted for under hedge accounting.

FAIR VALUE OF FINANCIAL INSTRUMENTS Occidental values financial instruments as required by Statement of Financial Accounting Standards (SFAS) No. 107. The carrying amounts of cash and cash equivalents and short-term notes payable approximate fair value because of the short maturity of those instruments. Occidental estimates the fair value of its long-term debt based on the quoted market prices for the same or similar issues or on the yields offered to Occidental for debt of similar rating and similar remaining maturities. The estimated fair value of Occidental's long-term debt at December 31, 1997 and 1996 was \$5.376 billion and \$4.968 billion, respectively, compared with a carrying value of \$4.925 billion and \$4.511 billion, respectively. The fair value of interest rate swaps and futures is the amount at which they could be settled, based on estimates obtained from dealers. Based on these estimates at December 31, 1997 and 1996, Occidental would be required to pay approximately \$9 million and \$10 million, respectively, to terminate its interest rate swap and futures agreements. Occidental will continue its strategy of maintaining part of its debt on a floating-rate basis.

The carrying value of other on-balance sheet financial instruments approximates fair value and the cost, if any, to terminate off-balance sheet financial instruments is not significant.

#### Note 3 1997 SPECIAL CHARGES

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In the fourth quarter of 1997, Occidental announced its intent to sell nonstrategic oil and gas and chemical assets. Also, a decision was made to idle certain facilities. In connection with these decisions, and the impairment of certain properties, certain oil and gas and chemical assets were written down. The related charges for these write-downs amounting to \$222 million are included in cost of sales and selling, general and administrative and other operating expenses in the accompanying Consolidated Statement of Operations. The asset write-downs included the Austin Chalk oil and gas property for \$88 million and the Garden Banks oil and gas property for \$44 million. The operating results from these properties were not significant.

The total fourth quarter charges were \$478 million which included the write-downs mentioned above as well as additional environmental and other reserves and a charge to amend certain employment agreements with two senior executives.

#### Note 4 BUSINESS COMBINATIONS, ASSET ACQUISITIONS AND DISPOSITIONS, AND DISCONTINUED OPERATIONS

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Occidental completed the sale of all of the issued and outstanding shares of common stock of MidCon, its natural gas transmission and marketing business, to K N Energy, Inc. (K N Energy), on January 31, 1998.

Occidental sold the shares to K N Energy in return for a cash payment of \$2.1 billion. After payment of the redemption price for the Cumulative MidCon-Indexed Convertible Preferred Stock (CMIC Preferred Stock), taxes and certain other expenses of the sale, the estimated net cash proceeds from the transaction were approximately \$1.7 billion. Additionally, in connection with the sale K N Energy issued a fixed-rate interest bearing note secured by letters of credit, payable January 4, 1999, to Occidental in the initial principal amount of \$1.4 billion, in exchange for a note previously issued to Occidental by the MidCon Corp. ESOP Trust (the Trust). K N Energy also assumed responsibility for certain Texas intrastate pipeline lease obligations of MidCon to an Occidental subsidiary with a 29-year term and average lease rentals of approximately \$30 million per year.

Concurrently with the closing of the sale, Occidental effected the redemption of all 1,400,000 issued and outstanding shares of Occidental's CMIC Preferred Stock, par value \$1.00 per share, which were issued to and held by the Trust.

As a result of these transactions, in the fourth quarter of 1997 Occidental classified MidCon and its subsidiaries as a discontinued operation and recorded an estimated after-tax charge against earnings of approximately \$750 million.

The \$607 million net loss in 1997 from discontinued operations included the charge on the sale and \$143 million in net income from the operation for the year.

As of December 31, 1997 and 1996, the operating assets and liabilities of MidCon have been reclassified as net assets of discontinued operations on the balance sheet. The balance at December 31, 1997 consisted of current assets of \$428 million; net property, plant and equipment of \$5.536 billion; other assets of \$64 million; current liabilities of \$442 million and long-term liabilities of \$2.354 billion.

In 1997, Occidental sold a chlor-alkali chemical plant located in Tacoma, Washington for approximately \$102 million, which included \$97 million in cash and the balance in the buyer's convertible preferred stock. Also in 1997, Occidental purchased 28,000 shares of preferred stock of Leslie's Poolmart, Inc. (Leslie's), a customer of OxyChem, for total consideration of \$28 million, which consisted of cash and the exchange of \$10 million of Leslie's subordinated debentures held by Occidental.

In addition, in the second quarter of 1997, Occidental acquired certain oil and gas production and exploration assets from Suemaur Exploration for approximately \$50 million. These assets were located onshore in south Texas adjacent to other Occidental properties.

In August 1996, Occidental acquired three specialty chemical producers in separate transactions for approximately \$149 million through the issuance of 5,512,355 shares of Occidental common stock, with a value of approximately \$130 million, and the balance paid in cash. The acquisitions included Laurel Industries, Inc., North America's largest producer of antimony oxide at its LaPorte, Texas facility; Natural Gas Odorizing, Inc., the leading U.S. producer of mercaptan-based warning agents for use in natural gas and propane from its single plant in Baytown, Texas; and a plant in Augusta, Georgia purchased from Power Silicates Manufacturing, Inc., which produces sodium silicates for use in soap and detergent formulating, paper manufacturing and silica-based catalysts. These acquisitions have been accounted for by the purchase method. Accordingly, the cost of each acquisition was allocated to the assets acquired, goodwill and liabilities assumed based upon their estimated respective fair values.

In April 1996, Occidental completed its acquisition of a 64 percent equity interest (on a fully-diluted basis) in INDSPEC Chemical Corporation (INDSPEC) for approximately \$92 million through the issuance of 3,346,421 shares of Occidental common stock, with a value of approximately \$87 million, and the balance paid in cash. INDSPEC is the world's largest producer of resorcinol which is used to manufacture rubber tires, engineered wood products, agricultural chemicals and fire-retardant plastic additives. Under the terms of the agreement, INDSPEC's management and employees have retained voting control of INDSPEC.

In April 1996, Occidental completed the sale of its subsidiary which engaged in onshore drilling and servicing of oil and gas wells for approximately \$32 million. Also in April 1996, certain assets of an international phosphate fertilizer trading operation were sold for approximately \$20 million in interest-bearing notes. In July 1996, Occidental sold its royalty interest in the Congo for \$215 million to the Republic of the Congo.

In October 1995, Occidental sold its agricultural chemicals business. During May 1995, Occidental sold its high-density polyethylene business. Occidental also sold its polyvinyl chloride (PVC) facilities at Addis, Louisiana and Burlington South, New Jersey. In addition, Occidental sold certain Canadian oil and gas assets, which were acquired as part of the purchase of Placid Oil Company (Placid) in December 1994, and a portion of the oil and gas operation in Pakistan. The combined cash proceeds from these asset dispositions were in excess of \$900 million.

During the second quarter of 1995, Occidental and Canadian Occidental Petroleum Ltd. (CanadianOxy) formed partnerships into which they contributed primarily sodium chlorate manufacturing facilities. Occidental retained a direct interest of less than 20 percent in these partnerships accounted for on the equity method.

#### Note 5 EXTRAORDINARY GAIN(LOSS) AND ACCOUNTING CHANGES

The 1996 results included a net extraordinary loss of \$30 million, which resulted from the early extinguishment of all the then outstanding \$955 million principal amount of the 11.75% Senior Debentures.

In February 1997, the Financial Accounting Standards Board issued SFAS No. 128 -- "Earnings per Share," which establishes standards for computing and presenting earnings per share (EPS). The statement requires dual presentation of basic and diluted EPS on the face of the income statement for all entities with complex capital structures and requires a reconciliation of the numerator and denominator of the basic EPS computation to the numerator and denominator of the diluted EPS computation. Occidental's adoption of SFAS No. 128, effective for the year ended December 31, 1997, did not have a material impact on Occidental's earnings per share.

In October 1996, the American Institute of Certified Public Accountants issued Statement of Position No. 96-1 -- "Environmental Remediation Liabilities" (SOP 96-1), which provides authoritative guidance on specific accounting issues that are present in the recognition, measurement, display and disclosure of environmental remediation liabilities. Occidental's implementation of SOP 96-1, effective January 1, 1997, did not have a material impact on Occidental's financial position or results of operations.

#### Note 6 INVENTORIES

Inventories of approximately \$243 million and \$215 million were valued under the LIFO method at December 31, 1997 and 1996, respectively. Inventories consisted of the following (in millions):

Balance at December 31,	1997	1996
=====	=====	=====
Raw materials	\$ 102	\$ 135
Materials and supplies	189	173
Work in process	22	17
Finished goods	342	304
	-----	-----
	655	629
LIFO reserve	(51)	(47)
	-----	-----
TOTAL	\$ 604	\$ 582
=====	=====	=====

Long-term debt consisted of the following (in millions):

Balance at December 31,	1997	1996
=====	=====	=====
<b>OCCIDENTAL PETROLEUM CORPORATION</b>		
11.125% senior debentures due 2019, callable June 1, 1999 at 105.563	\$ 144	\$ 144
10.125% senior debentures due 2009	276	276
9.25% senior debentures due 2019, putable August 1, 2004 at par	300	300
10.125% senior notes due 2001	330	330
9.375% to 9.75% medium-term notes due 1998 through 2001	34	99
8.5% medium-term notes due 2004, callable September 15, 1999 at par	250	250
11.125% senior notes due 2010	150	150
8.5% senior notes due 2001	150	150
8.75% medium-term notes due 2023	100	100
5.76% to 11% medium-term notes due 1998 through 2008	965	1,180
10.42% senior notes due 2003, callable December 1, 1998 at par	50	50
5.969% to 7.353% commercial paper	1,079	567
6.03% to 6.5% revolving credits	235	80
7.3% to 8.8% retail medium-term notes due 1998 through 2004, callable at various dates	97	139
	-----	-----
	4,160	3,815
	-----	-----
<b>OXY USA INC.</b>		
7% debentures due 2011, callable anytime at par	274	274
7.2% unsecured notes due 2020 (Note 16)	7	7
6.625% debentures due 1998 through 1999, callable anytime at par (Note 16)	55	55
6.125% debentures due 1997 (Note 16)	--	15
5.7% to 7.8% unsecured notes due 1998 through 2007	53	56
	-----	-----
	389	407
	-----	-----
<b>OTHER SUBSIDIARY DEBT</b>		
3.65% to 8.5% unsecured notes due 1998 through 2030	513	432
6% secured notes due 1998 through 2007	8	10
	-----	-----
	521	442
	-----	-----
	5,070	4,664
Less:		
Unamortized discount, net	(140)	(148)
Current maturities	(5)	(5)
	=====	=====
<b>TOTAL</b>	<b>\$ 4,925</b>	<b>\$ 4,511</b>
	=====	=====

At December 31, 1997, \$1.85 billion of notes due in 1998 were classified as non-current since it is management's intention to refinance this amount on a long-term basis, initially utilizing available lines of bank credit with maturities extending to 2002.

At December 31, 1997, minimum principal payments on long-term debt, including sinking fund requirements, subsequent to December 31, 1998 aggregated \$5.065 billion, of which \$265 million is due in 1999, \$426 million in 2000, \$516 million in 2001, \$1.901 billion in 2002, \$163 million in 2003 and \$1.794 billion thereafter. Unamortized discount is generally being amortized to interest expense on the effective interest method over the lives of the related issues.

At December 31, 1997, under the most restrictive covenants of certain financing agreements, the capacity for the payment of cash dividends and other distributions on, and for acquisitions of, Occidental's capital stock was approximately \$1.5 billion, assuming that such dividends, distributions and acquisitions were made without incurring additional borrowings.

At December 31, 1997, Occidental had available lines of committed bank credit of approximately \$1.5 billion. Occidental also has a \$3.2 billion committed line of credit specifically to fund the purchase of the Elk Hills Naval Petroleum Reserve (Elk Hills field) subject to periodic reduction based on proceeds from asset sales. Bank fees on these committed lines of credit ranged from 0.04 percent to 0.1875 percent.

In December 1995, Occidental entered into a transaction with Clark USA, Inc. (Clark) under which Occidental agreed to deliver approximately 17.7 million barrels of West Texas Intermediate (WTI)-equivalent oil over a six-year period. In exchange, Occidental received \$100 million in cash and approximately 5.5 million shares of Clark common stock. As a result of this transaction, Occidental owned approximately a 19 percent voting interest of Clark, accounted for on the cost method. A later recapitalization resulted in Occidental receiving additional shares which raised its economic ownership, but not its voting interest, to approximately 30 percent. Occidental has accounted for the consideration received in the transaction as deferred revenue, which is being amortized into revenue as WTI-equivalent oil is produced and delivered during the term of the agreement. Reserves dedicated to the transaction are excluded from the estimate of proved oil and gas reserves (see Supplemental Oil and Gas Information). At December 31, 1997, 12.2 million barrels remain to be delivered.

Note 9 LEASE COMMITMENTS

The present value of net minimum lease payments, net of the current portion, totaled \$235 million and \$237 million at December 31, 1997 and 1996, respectively. These amounts are included in Other liabilities.

Operating and capital lease agreements frequently include renewal and/or purchase options and require Occidental to pay for utilities, taxes, insurance and maintenance expense.

At December 31, 1997, future net minimum lease payments for capital and operating leases (excluding oil and gas and other mineral leases) were the following (in millions):

	CAPITAL =====	OPERATING =====
1998	\$ 17	\$ 85
1999	17	61
2000	212	54
2001	3	53
2002	1	34
Thereafter	43	234
TOTAL MINIMUM LEASE PAYMENTS	----- 293	----- \$ 521 =====
Less:		
Executory costs	(4)	
Imputed interest	(52)	
Current portion	(2)	
PRESENT VALUE OF NET MINIMUM LEASE PAYMENTS, NET OF CURRENT PORTION	----- \$ 235 =====	

Rental expense for operating leases, net of sublease rental income, was \$113 million in 1997, \$114 million in 1996 and \$127 million in 1995.

Included in the 1997 and 1996 property, plant and equipment accounts were \$410 million and \$429 million, respectively, of property leased under capital leases and \$156 million and \$144 million, respectively, of related accumulated amortization.

Note 10 LAWSUITS, CLAIMS, COMMITMENTS, CONTINGENCIES AND RELATED MATTERS

Occidental and certain of its subsidiaries have been named as defendants or as potentially responsible parties in a substantial number of lawsuits, claims and proceedings, including governmental proceedings under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) and corresponding state acts. These governmental proceedings seek funding, remediation and, in some cases, compensation for alleged property damage, punitive damages and civil penalties, aggregating substantial amounts. Occidental is usually one of many companies in these proceedings, and has to date been successful in sharing response costs with other financially sound companies. Occidental has accrued reserves at the most likely cost to be incurred in those proceedings where it is probable that Occidental will incur remediation costs which can be reasonably estimated.

During the course of its operations, Occidental is subject to audit by taxing authorities for varying periods in various tax jurisdictions.

At December 31, 1997, commitments for major capital expenditures during 1998 and thereafter were approximately \$437 million.

Occidental has entered into agreements providing for future payments to secure terminal and pipeline capacity, drilling services, electrical power, steam and certain chemical raw materials. At December 31, 1997, the net present value of the fixed and determinable portion of the obligations under these agreements aggregated \$93 million, which was payable as follows (in millions): 1998 -- \$14, 1999 -- \$12, 2000 -- \$10, 2001 -- \$9, 2002 -- \$9 and 2003 through 2014 -- \$39. Payments under these agreements, including any variable component, were \$16 million in 1997, \$18 million in 1996 and \$22 million in 1995.

Occidental has certain other commitments under contracts, guarantees and joint ventures, and certain other contingent liabilities. Additionally, Occidental agreed to participate in the development of certain natural gas reserves and construction of a liquefied natural gas plant in Malaysia.

It is impossible at this time to determine the ultimate liabilities that Occidental and its subsidiaries may incur resulting from the foregoing lawsuits, claims and proceedings, audits, commitments, contingencies and related matters. Several of these matters may involve substantial amounts, and if these were to be ultimately resolved unfavorably to the full amount of their maximum potential exposure, an event not currently anticipated, it is possible that such event could have a material adverse effect upon Occidental's consolidated financial position or results of operations. However, in management's opinion, after taking into account reserves, it is unlikely that any of the foregoing matters will have a material adverse effect upon Occidental's consolidated financial position or results of operations.

Note 11 DOMESTIC AND FOREIGN INCOME AND OTHER TAXES

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

For the years ended December 31, =====	Domestic =====	Foreign =====	Total =====
1997	\$ (184)	\$ 712	\$ 528
1996	\$ 254	\$ 602	\$ 856
1995	\$ 183	\$ 488	\$ 671

The provisions (credits) for domestic and foreign income and other taxes consisted of the following (in millions):

For the years ended December 31, =====	U.S. Federal =====	State and Local =====	Foreign =====	Total =====
1997				
Current	\$ 52	\$ 28	\$ 240	\$ 320
Deferred	(12)	(23)	26	(9)
	\$ 40	\$ 5	\$ 266	\$ 311
1996				
Current	\$ 67	\$ 21	\$ 257	\$ 345
Deferred	(6)	2	1	(3)
	\$ 61	\$ 23	\$ 258	\$ 342
1995				
Current	\$ 21	\$ 47	\$ 175	\$ 243
Deferred	95	(17)	(8)	70
	\$ 116	\$ 30	\$ 167	\$ 313

The following is a reconciliation, stated as a percentage of pretax income, of the U.S. statutory federal income tax rate to Occidental's effective tax rate on income (loss) from continuing operations:

For the years ended December 31,	1997	1996	1995
U.S. federal statutory tax rate	35%	35%	35%
Operations outside the United States(a)	22	16	15
State taxes, net of federal benefit	1	2	7
State tax benefit from operating loss carryforwards	--	--	(4)
Reserves not previously benefited	--	--	(7)
Nondeductible depreciation and other expenses	2	2	1
Reduction in deferred tax asset valuation allowance	--	(12)	--
Other	(1)	(3)	--
Tax rate provided by Occidental	59%	40%	47%

(a) Included in these figures is the impact of not providing U.S. taxes on the unremitted earnings of certain foreign subsidiaries. The effect of this is to reduce the U.S. federal tax rate by approximately 13 percent in 1997, 6 percent in 1996 and 5 percent in 1995.

The tax effects of temporary differences and carryforwards resulting in deferred income taxes at December 31, 1997 and 1996 were as follows (in millions):

Items resulting in temporary differences and carryforwards	1997		1996	
	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES
Property, plant and equipment differences	\$ 172	\$ 1,542	\$ 197	\$ 1,650
Discontinued operations -- loss accruals and sale	147	165	160	--
Equity investments and partnerships	--	118	--	153
Environmental reserves	255	--	224	--
Postretirement benefit accruals	154	--	153	--
State income taxes	74	--	84	--
Tax credit carryforwards	165	--	200	--
All other	425	208	445	189
Subtotal	1,392	2,033	1,463	1,992
Valuation allowance	(82)	--	(85)	--
Total deferred taxes	\$ 1,310	\$ 2,033	\$ 1,378	\$ 1,992

Included in total deferred tax assets was a current portion aggregating \$305 million and \$225 million as of December 31, 1997 and 1996, respectively, that was reported in Prepaid expenses and other.

A deferred tax liability of approximately \$80 million at December 31, 1997 has not been recognized for temporary differences related to Occidental's investment in certain foreign subsidiaries primarily as a result of unremitted earnings of consolidated subsidiaries, as it is Occidental's intention, generally, to reinvest such earnings permanently.

The pension liability adjustments recorded directly to retained earnings were net of an income tax charge of \$10 million in 1997, \$6 million in 1996 and \$9 million in 1995.

The foreign currency translation adjustment credited directly to retained earnings was net of an income tax benefit of \$6 million in 1997 and \$2 million in 1996 and an income tax charge of \$10 million in 1995.

The charge to additional paid-in capital relative to the MidCon ESOP in 1997 was net of an income tax benefit of \$15 million.

The extraordinary loss that resulted from the early extinguishment of high-coupon debt was reduced by an income tax benefit of \$16 million in 1996.

Discontinued operations included income tax charges of \$240 million in 1997, \$112 million in 1996 and \$89 million in 1995.

At December 31, 1997, Occidental had, for U.S. federal income tax return purposes, an alternative minimum tax credit carryforward of \$165 million available to reduce future income taxes. The alternative minimum tax credit carryforward does not expire.

Note 12 NONREDEEMABLE PREFERRED STOCK, ESOP PREFERRED STOCK AND COMMON STOCK

The following is an analysis of nonredeemable preferred stock and common stock (shares in thousands):

	Non- redeemable Preferred Stock	Common Stock
BALANCE, DECEMBER 31, 1994	26,495	316,853
Issued	--	1,523
Options exercised and other, net	--	335
BALANCE, DECEMBER 31, 1995	26,495	318,711
Issued	--	10,145
Options exercised and other, net	(2)	372
BALANCE, DECEMBER 31, 1996	26,493	329,228
Issued	--	1,079
Preferred stock conversions	(4,002)	14,276
Repurchase program	--	(4,148)
Options exercised and other, net	--	692
BALANCE, DECEMBER 31, 1997	22,491	341,127

NONREDEEMABLE PREFERRED STOCK Occidental has authorized 50,000,000 shares of preferred stock with a par value of \$1.00 per share. In February 1994, Occidental issued 11,388,340 shares of \$3.00 cumulative CXY-indexed convertible preferred stock in a public offering for net proceeds of approximately \$557 million. The shares are convertible into Occidental common stock in accordance with a conversion formula that is indexed to the market price of the common shares of CanadianOxy. The shares of CXY-indexed convertible preferred stock are redeemable on or after January 1, 1999, in whole or in part, at the option of Occidental, at a redemption price of \$51.50 per share declining ratably to \$50.00 per share on or after January 1, 2004, in each case plus accumulated and unpaid dividends to the redemption date. In 1997, 4,001,691 shares of CXY-indexed convertible preferred stock were converted by the holders into 14,275,974 shares of Occidental's common stock. As of December 31, 1997, the aggregate number of shares of Occidental common stock issuable upon conversion of all of the remaining outstanding shares of the CXY-indexed convertible preferred stock was 19,954,361, based on the conversion ratio then in effect of 2.702.

In February 1993, Occidental issued 11,500,000 shares of \$3.875 cumulative convertible preferred stock. In December 1994, Occidental issued 3,606,484 shares of \$3.875 cumulative convertible voting preferred stock in connection with the Placid acquisition. The shares of both series are redeemable on or after February 18, 1998, in whole or in part, at the option of Occidental, at a redemption price of \$51.9375 per share declining ratably to \$50.00 per share on or after February 18, 2003, in each case plus accumulated and unpaid dividends to the redemption date. Each series of \$3.875 preferred stock is convertible at the option of the holder into common stock of Occidental at a conversion price of \$22.76 per share, subject to adjustment in certain events. See Note 19 for a discussion of subsequent events.

ESOP PREFERRED STOCK In November 1996, Occidental established the MidCon Corp. Employee Stock Ownership Plan (MidCon ESOP) for the benefit of employees of MidCon. Pursuant to the MidCon ESOP, Occidental issued 1,400,000 shares of its CMIC Preferred Stock to the MidCon Corp. ESOP Trust. The CMIC Preferred Stock was convertible into Occidental common stock based on the value of MidCon. The MidCon ESOP paid for the CMIC Preferred Stock with a \$1.4 billion 30-year promissory note (ESOP Note), with interest at 7.9 percent per annum, guaranteed by MidCon. Generally, the shares held by the MidCon ESOP were released and allocated to participant accounts based on the proportion of the payment on the note for the respective period compared to the total remaining payments due on the note. Dividends on the CMIC Preferred Stock were payable at an annual rate of \$21 per share, when and as declared by Occidental's Board of Directors. As a result of the sale of MidCon the CMIC Preferred Stock was redeemed. The effects of the MidCon ESOP are included in discontinued operations.

COMMON STOCK REPURCHASE PROGRAM In October 1997, the Occidental board of directors authorized the repurchase of up to 40 million shares of Occidental's common stock. The repurchases will be made in the open market or in privately negotiated transactions at the discretion of Occidental's management, depending upon financial and market conditions or as otherwise provided by the Securities and Exchange Commission and New York Stock Exchange rules and regulations. As of December 31, 1997, 4.1 million shares were repurchased and retired for a total cost of \$119 million.

#### STOCK INCENTIVE PLANS

STOCK OPTIONS AND STOCK APPRECIATION RIGHTS Options to purchase common stock of Occidental have been granted to officers and employees under stock option plans adopted in 1987 and 1995. During 1997, options for 1,362,022 shares became exercisable, and options for 4,004,510 shares were exercisable at December 31, 1997 at a weighted-average exercise price of \$22.25. Generally, these options vest over three years with a maximum term of ten years and one month. At December 31, 1997, options with stock appreciation rights (SAR) for 811,000 shares were outstanding, all of which options were exercisable.

The following is a summary of stock option transactions during 1997, 1996 and 1995 (shares in thousands):

	1997		1996		1995	
	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	SHARES	WEIGHTED AVERAGE EXERCISE PRICE
BEGINNING BALANCE	5,952	\$ 22.637	5,481	\$ 22.263	5,098	\$ 22.121
Granted or issued	1,789	\$ 25.058	1,335	\$ 24.375	1,127	\$ 23.125
Exercised	(845)	\$ 22.219	(483)	\$ 21.276	(431)	\$ 19.230
Canceled or expired	(127)	\$ 25.582	(381)	\$ 24.958	(313)	\$ 27.222
ENDING BALANCE	6,769	\$ 23.274	5,952	\$ 22.637	5,481	\$ 22.263
OPTIONS EXERCISABLE AT YEAR-END	4,005		3,589		3,517	

For options outstanding at December 31, 1997 the exercise prices were between \$17.75 and \$29.625 and the weighted average remaining contractual life was approximately 7 years.

RESTRICTED STOCK AWARDS Pursuant to the 1995 Incentive Stock Plan, employees may be awarded Occidental restricted common stock at the par value of \$.20 per share, with such shares vesting after four years (five years for awards issued prior to December 1995) or earlier under certain conditions. The related expense is amortized over the vesting period. In 1997, 149,885 shares were awarded at a weighted-average grant-date value of \$23.375 per share; 171,649 shares were awarded in 1996 at a weighted-average grant-date value of \$21.431 per share; and 21,339 shares were awarded in 1995 at a weighted-average grant-date value of \$20.875 per share.

**PERFORMANCE STOCK AWARDS AND OPTIONS** Performance stock awards were made to various executive officers in January 1997 pursuant to the 1995 Incentive Stock Plan. The number of shares of common stock to be received, under these awards, by such officers at the end of the performance period will depend on the attainment of performance objectives based on a peer company comparison of total stockholder return for such period. Based on Occidental's ranking among its peers, the grantees will receive shares of common stock in an amount ranging from zero to 175 percent of the Target Share Award (as such amount is defined in the grant). The shares vest or fail to vest by the end of the four-year performance term. In 1997, 97,832 shares were awarded at a weighted-average grant-date value of \$23.375 per share; and 101,630 shares were awarded in 1996 at a weighted-average grant date value of \$21.375 per share.

In 1997, 4,655,000 Performance Stock Options were granted to certain executive officers at an exercise price of \$25.375. These options expire 10 years from the grant date and have no value unless and until one of the following events occur, at which time the grants become fully vested and exercisable: for twenty consecutive trading days, the New York Stock Exchange closing price of the common stock must be a) \$30 or more per share within the first three years after grant date; b) \$35 or more per share after the third year and through the fifth year; or c) \$40 or more per share from the sixth year until expiration. None of the options were exercisable at December 31, 1997. Any income effect will be recognized at the time the options are exercisable.

Under the 1995 Stock Incentive Plan, a total of approximately 10,000,000 shares may be awarded. At December 31, 1997, 1,700,898 shares were available for the granting of all future awards under these plans, all of which were available to issue stock options, SARs, restricted stocks and performance stock awards.

Occidental accounts for these plans under Accounting Principles Board Opinion No. 25. Had the compensation expense for these plans been determined in accordance with SFAS No. 123 -- "Accounting for Stock Based Compensation" (SFAS No. 123), Occidental's pro forma net income would have been a loss of \$396 million in 1997, and net income of \$666 million and \$510 million in 1996 and 1995, respectively. Basic and diluted earnings per share would have been a loss of \$1.44 for 1997 and would not have changed for 1996 and 1995. The method of accounting under SFAS No. 123 has not been applied to options granted prior to January 1, 1995; therefore, the resulting pro forma compensation expense may not be representative of that to be expected in future years. The fair value of each option grant, for pro forma calculation purposes, is estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions used for grants in 1997, 1996 and 1995, respectively: dividend yield of 3.94, 4.20 and 4.32 percent; expected volatility of 22.36, 23.92 and 24.19 percent; risk-free rate of return 6.27, 6.79 and 6.93 percent; and expected lives of 5, 5 and 7 years.

**1996 RESTRICTED STOCK PLAN FOR NON-EMPLOYEE DIRECTORS** Under the 1996 Restricted Stock Plan for Non-Employee Directors, each non-employee Director of the Company will receive awards of restricted common stock each year as additional compensation for their services as a member of the Board of Directors. A maximum of 50,000 shares of common stock may be awarded under the Directors Plan and 3,500 and 3,250 shares of common stock were awarded during 1997 and 1996, respectively. At December 31, 1997, 43,250 shares of common stock were available for the granting of future awards.

Note 13 EARNINGS PER SHARE

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In 1997, Occidental adopted SFAS No. 128, which establishes standards for computing and presenting earnings per share. As a result, earnings per share for 1996 and 1995 were restated as indicated below. Basic earnings per share was computed by dividing net income, less preferred dividend requirements, by the weighted average number of common shares outstanding during each year. The computation of diluted earnings per share further assumes the dilutive effect of stock options and the conversion of preferred stocks. The adoption of SFAS No. 128 resulted in changing only the previously reported fully diluted earnings per share for 1995 from \$1.30 per share to \$1.31 per share.

The following is a calculation of earnings per share for the years ended December 31 (in thousands, except per-share amounts):

	1997			1996			1995		
	INCOME	SHARES	PER-SHARE AMOUNT	INCOME	SHARES	PER-SHARE AMOUNT	INCOME	SHARES	PER-SHARE AMOUNT
<b>BASIC EARNINGS</b>									
<b>PER SHARE</b>									
Income from continuing operations	\$ 216,970			\$ 514,088			\$ 357,959		
Preferred stock dividends	(87,736)			(92,701)			(92,703)		
Earnings(loss) from continuing operations applicable to common stock	129,234	334,341	\$ .39	421,387	323,782	\$ 1.30	265,256	318,073	\$ .83
Discontinued operations, net	(606,625)		(1.82)	183,733		.56	152,992		.48
Extraordinary gain(loss), net	--		--	(29,836)		(0.09)	--		--
Earnings(loss) applicable to common stock	\$(477,391)		\$ (1.43)	\$ 575,284		\$ 1.77	\$ 418,248		\$ 1.31
<b>DILUTED EARNINGS</b>									
<b>PER SHARE</b>									
Earnings(loss) from continuing operations applicable to common stock	\$ 129,234	334,341		\$ 421,387	323,782		\$ 265,256	318,073	
Dilutive effect of exercise of options outstanding	--	575		--	363		--	158	
Dilutive effect of convertible preferred stock	--	--		34,164	28,068		--	--	
Earnings(loss) from continuing operations applicable to common stock	129,234	334,916	\$ .39	455,551	352,213	\$ 1.29	265,256	318,231	\$ .83
Discontinued operations, net	(606,625)		(1.82)	183,733		.52	152,992		.48
Extraordinary gain(loss), net	--		--	(29,836)		(0.08)	--		--
Earnings(loss) applicable to common stock	\$(477,391)		\$ (1.43)	\$ 609,448		\$ 1.73	\$ 418,248		\$ 1.31

The following items were not included in the computation of diluted earnings per share because their effect was anti-dilutive for the years ended December 31:

	1997	1996	1995
<b>Stock Options</b>			
Number of shares	508	1,188	2,134
Price range	\$ 26.000 - \$ 29.625	\$ 24.875 - \$ 29.625	\$ 22.000 - \$ 31.125
Expiration range	8/21/98 - 12/1/07	3/31/97 - 8/18/00	8/16/96 - 4/28/03
Convertible Preferred Stock	\$3.875		
Number of shares	33,186	33,186	33,186
Dividends paid	\$ 58,538	\$ 58,538	\$ 58,538
Convertible Preferred Stock	\$3.00		

Number of shares		19,954	--	30,566
Dividends paid	\$	29,199	\$	34,165

Note 14 RETIREMENT PLANS AND POSTRETIREMENT BENEFITS

Occidental has various defined contribution retirement plans for its salaried, domestic union and nonunion hourly, and certain foreign national employees that provide for periodic contributions by Occidental based on plan-specific criteria, such as base pay, age level and/or employee contributions. Occidental contributed and expensed \$53 million in both 1997 and 1996 and \$58 million in 1995 under the provisions of these plans.

Occidental provides medical and dental benefits and life insurance coverage for certain active, retired and disabled employees and their eligible dependents. Beginning in 1993, certain salaried participants pay for all medical cost increases in excess of increases in the Consumer Price Index (CPI). The benefits generally are funded by Occidental as

the benefits are paid during the year. The cost of providing these benefits is based on claims filed and insurance premiums paid for the period. The total cost of these benefits was approximately \$79 million in 1997, \$89 million in 1996 and \$78 million in 1995. The 1997, 1996 and 1995 costs included \$31 million, \$37 million and \$17 million, respectively, for postretirement costs, as discussed below.

Occidental's retirement and postretirement defined benefit plans are accrued based on various assumptions and discount rates, as described below. The actuarial assumptions used could change in the near term as a result of changes in expected future trends and other factors which, depending on the nature of the changes, could cause increases or decreases in the liabilities accrued.

RETIREMENT PLANS Pension costs for Occidental's defined benefit pension plans, determined by independent actuarial valuations, are funded by payments to trust funds, which are administered by independent trustees. The components of the net pension cost for 1997, 1996 and 1995 were as follows (in millions):

For the years ended December 31,	1997	1996	1995
Service cost -- benefits earned during the period	\$ 8	\$ 9	\$ 9
Interest cost on projected benefit obligation	25	23	23
Actual return on plan assets	(46)	(31)	(43)
Net amortization and deferral	26	21	32
Curtailments and settlements	(1)	1	12
Net pension cost	\$ 12	\$ 23	\$ 33

In 1997, 1996 and 1995, Occidental recorded adjustments to retained earnings of credits of \$17 million, \$8 million and \$16 million, respectively, to reflect the net-of-tax difference between the additional liability required under pension accounting provisions and the corresponding intangible asset.

The following table sets forth the defined benefit plans' funded status and amounts recognized in Occidental's consolidated balance sheets at December 31, 1997 and 1996 (in millions):

	1997		1996	
	ASSETS EXCEED ACCUMU- LATED BENEFITS	ACCUMU- LATED BENEFITS EXCEED ASSETS	ASSETS EXCEED ACCUMU- LATED BENEFITS	ACCUMU- LATED BENEFITS EXCEED ASSETS
Balance at December 31,				
PRESENT VALUE OF THE ESTIMATED PENSION BENEFITS TO BE PAID IN THE FUTURE				
Vested benefits	\$ 187	\$ 90	\$ 75	\$ 208
Nonvested benefits	12	3	4	11
Accumulated benefit obligations	199	93	79	219
Effect of projected future salary increases(a)	13	6	12	9
Total projected benefit obligations	212	99	91	228
Plan assets at fair value	231	65	95	169
PROJECTED BENEFIT OBLIGATION IN EXCESS OF(LESS THAN) PLAN ASSETS	\$ (19)	\$ 34	\$ (4)	\$ 59
Projected benefit obligation in excess of (less than) plan assets	\$ (19)	\$ 34	\$ (4)	\$ 59
Unrecognized net asset(obligation)	(1)	(4)	1	(8)
Unrecognized prior service (cost) benefit	(3)	(4)	--	(9)
Unrecognized net gain (loss)	(13)	5	(4)	(25)
Additional minimum liability(b)	--	4	--	39
PENSION LIABILITY(ASSET)	\$ (36)	\$ 35	\$ (7)	\$ 56

(a) The effect of salary increases related primarily to international salary-based plans.

(b) A related amount up to the limit allowable under SFAS No. 87 -- "Employers' Accounting for Pensions" has been included in other assets. Amounts exceeding such limits have been charged to retained earnings.

The discount rate used in determining the actuarial present value of the projected benefit obligations was 7.5 percent in 1997 and 1996. The rate of increase in future compensation levels used in determining the actuarial present value of the projected benefit obligations was between 4.5 percent and 5.5 percent in both 1997 and 1996. The expected long-term rate of return on assets was 8 percent in 1997 and 1996.



POSTRETIREMENT BENEFITS The postretirement benefit obligation as of December 31, 1997 and 1996 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 a CPI increase of 3 percent in 1997 and 1996 (except for union employees). For union employees, the health care cost trend rates were projected at annual rates ranging ratably from 8.5 percent in 1997 to 5 percent through the year 2004 and level thereafter. The effect of a 1 percent annual increase in these assumed cost trend rates would increase the accumulated postretirement benefit obligation by approximately \$14 million in 1997; the annual service and interest costs would not be materially affected. The weighted average discount rate used in determining the accumulated postretirement benefit obligation as of December 31, 1997 and 1996 was 7.5 percent. Occidental's funding policy generally is to pay claims as they come due.

The following table sets forth the postretirement plans' combined status, reconciled with the amounts included in the consolidated balance sheets at December 31, 1997 and 1996 (in millions):

Balance at December 31,	1997	1996
=====	=====	=====
Accumulated postretirement benefit obligation		
Retirees	\$ 220	\$ 255
Fully eligible active plan participants	48	49
Other active plan participants	69	73
	-----	-----
Total accumulated postretirement benefit obligation	\$ 337	\$ 377
	=====	=====
Unfunded status	\$ 337	\$ 377
Unrecognized prior service cost	(2)	(5)
Unrecognized net gain (loss)	73	40
	-----	-----
Accrued postretirement benefit cost	\$ 408	\$ 412
	=====	=====

Net periodic postretirement benefit cost for 1997, 1996 and 1995 included the following components (in millions):

For the years ended December 31,	1997	1996	1995
=====	=====	=====	=====
Service cost -- benefits attributed to service during the period	\$ 6	\$ 6	\$ 7
Interest cost on accumulated postretirement benefit obligation	27	29	34
Net amortization and deferral	1	2	2
Curtailments and settlements	(3)	--	(26)
	-----	-----	-----
Net periodic postretirement benefit cost	\$ 31	\$ 37	\$ 17
	=====	=====	=====

#### Note 15 INVESTMENTS

Investments in companies, other than oil and gas exploration and production companies, in which Occidental has a voting stock interest of at least 20 percent, but not more than 50 percent, and certain partnerships are accounted for on the equity method. At December 31, 1997, Occidental's equity investments consisted primarily of a pipeline in the Dutch sector of the North Sea, an investment of approximately 30 percent in the common shares of CanadianOxy and various chemical partnerships and joint ventures. Equity investments paid dividends of \$50 million, \$48 million and \$34 million to Occidental in 1997, 1996 and 1995, respectively. Cumulative undistributed earnings since acquisition, in the amount of \$204 million, of 50-percent-or-less-owned companies have been accounted for by Occidental under the equity method. At December 31, 1997 and 1996, Occidental's investment in equity investees exceeded the historical underlying equity in net assets by approximately \$226 million and \$258 million, respectively, which is being amortized into income over periods not exceeding 40 years. The aggregate market value of the investment in CanadianOxy, based on the quoted market price for CanadianOxy common shares, was \$910 million at December 31, 1997, compared with an aggregate book value of \$263 million.

Occidental and its subsidiaries' purchases from certain chemical partnerships were \$232 million, \$183 million and \$192 million in 1997, 1996 and 1995, respectively. Occidental and its subsidiaries' sales to certain chemical partnerships were \$328 million, \$245 million and \$263 million, in 1997, 1996 and 1995, respectively.

The following table presents Occidental's proportional interest in the summarized financial information of its equity method investments (in millions):

For the years ended December 31,	1997	1996	1995
Revenues	\$ 959	\$ 849	\$ 764
Costs and expenses	958	779	670
Net income	\$ 1	\$ 70	\$ 94
Balance at December 31,	1997	1996	
Current assets	\$ 297	\$ 257	
Noncurrent assets	\$ 1,564	\$ 1,108	
Current liabilities	\$ 252	\$ 156	
Noncurrent liabilities	\$ 1,113	\$ 657	
Stockholders' equity	\$ 496	\$ 552	

Investments also include certain cost method investments, in which Occidental owns less than 20 percent of the voting stock. At December 31, 1997, these investments consisted primarily of the shares in Clark (see Note 8).

Note 16 SUMMARIZED FINANCIAL INFORMATION OF WHOLLY-OWNED SUBSIDIARY

Occidental has guaranteed the payments of principal of, and interest on, certain publicly traded debt securities of its subsidiary, OXY USA Inc. (OXY USA).

The following table presents summarized financial information for OXY USA (in millions):

For the years ended December 31,	1997	1996	1995
Revenues	\$ 1,004	\$ 982	\$ 709
Costs and expenses	1,004	882	778
Net income (loss)	\$ --	\$ 100	\$ (69)
Balance at December 31,	1997	1996	
Current assets	\$ 150	\$ 183	
Intercompany receivable	\$ 29(a)	\$ 428	
Noncurrent assets	\$ 2,024	\$ 2,028	
Current liabilities	\$ 259	\$ 277	
Interest bearing note to parent	\$ 89	\$ 105	
Noncurrent liabilities	\$ 1,106	\$ 1,221	
Stockholders' equity	\$ 749(a)	\$ 1,036	

(a) Includes effect of dividend distribution of an intercompany receivable.

Note 17 INDUSTRY SEGMENTS AND GEOGRAPHIC AREAS

Occidental conducts its continuing operations through two industry segments: oil and gas and chemical. The oil and gas segment explores for, develops, produces and markets crude oil and natural gas domestically and internationally. The chemical segment manufactures and markets, domestically and internationally, a variety of chlorovinyls (basic chemicals and polymers and plastics) specialty chemicals and petrochemicals.

Earnings of industry segments and geographic areas exclude interest income, interest expense, unallocated corporate expenses, discontinued operations, extraordinary items and income from equity investments, but include gains from dispositions of segment and geographic area assets (see Note 4). Intersegment sales and transfers between geographic areas are made at prices approximating current market values and are not significant.

Foreign income and other taxes and certain state taxes are included in segment earnings on the basis of operating results. U.S. federal income taxes are not allocated to segments except for amounts in lieu thereof that represent the tax effect of operating charges or credits resulting from purchase accounting adjustments which arise due to the implementation in 1992 of SFAS No. 109 -- "Accounting for Income Taxes."

Identifiable assets are those assets used in the operations of the segments. Corporate assets consist of cash, short-term investments, certain corporate receivables, an intrastate pipeline, other assets and net assets of discontinued operations.

INDUSTRY SEGMENTS  
In millions

	Oil and Gas	Chemical	Corporate	Total
=====				
YEAR ENDED DECEMBER 31, 1997				
TOTAL REVENUES	\$ 3,680	\$ 4,353	\$ 68	\$ 8,101
	=====	=====	=====	=====
Pretax operating profit (loss)(a,b)	\$ 664	\$ 497	\$ (633)	\$ 528
Income taxes	(263)	(26)	(22)	(311)
Discontinued operations, net	--	--	(607)	(607)
	-----	-----	-----	-----
NET INCOME (LOSS)	\$ 401(c)	\$ 471(d)	\$ (1,262)(e)	\$ (390)
	=====	=====	=====	=====
Property, plant and equipment additions, net(f)	\$ 1,040	\$ 396	\$ 3	\$ 1,439
	=====	=====	=====	=====
Depreciation, depletion and amortization	\$ 528	\$ 261	\$ 33	\$ 822
	=====	=====	=====	=====
TOTAL ASSETS	\$ 4,789	\$ 5,486	\$ 5,007	\$ 15,282
=====				
YEAR ENDED DECEMBER 31, 1996				
TOTAL REVENUES	\$ 3,695	\$ 4,484	\$ 133	\$ 8,312
	=====	=====	=====	=====
Pretax operating profit (loss)(a,b)	\$ 739	\$ 683	\$ (566)	\$ 856
Income taxes	(259)	(15)	(68)	(342)
Discontinued operations, net	--	--	184	184
Extraordinary gain (loss), net	--	--	(30)	(30)
	-----	-----	-----	-----
NET INCOME (LOSS)	\$ 480(g)	\$ 668(h)	\$ (480)(i)	\$ 668
	=====	=====	=====	=====
Property, plant and equipment additions, net(f)	\$ 651	\$ 262	\$ 14	\$ 927
	=====	=====	=====	=====
Depreciation, depletion and amortization	\$ 493	\$ 236	\$ 32	\$ 761
	=====	=====	=====	=====
TOTAL ASSETS	\$ 4,496	\$ 5,429	\$ 5,056	\$ 14,981
=====				
YEAR ENDED DECEMBER 31, 1995				
TOTAL REVENUES	\$ 3,043	\$ 5,410	\$ 180	\$ 8,633
	=====	=====	=====	=====
Pretax operating profit (loss)(a,b)	\$ 211	\$ 1,107	\$ (647)	\$ 671
Income taxes	(166)	(27)	(120)	(313)
Discontinued operations, net	--	--	153	153
	-----	-----	-----	-----
NET INCOME (LOSS)	\$ 45(j)	\$ 1,080(k)	\$ (614)	\$ 511
	=====	=====	=====	=====
Property, plant and equipment additions, net(f)	\$ 480	\$ 243	\$ 11	\$ 734
	=====	=====	=====	=====
Depreciation, depletion and amortization	\$ 451	\$ 262	\$ 55	\$ 768
	=====	=====	=====	=====
TOTAL ASSETS	\$ 4,594	\$ 5,181	\$ 5,567	\$ 15,342
=====				

(a) Research and development costs were \$16 million in 1997 and 1996 and \$21 million in 1995.

(b) Divisional earnings include charges and credits in lieu of U.S. federal income taxes. In 1997, the amounts allocated to the divisions were credits of \$13 million and \$26 million in oil and gas and chemical, respectively. In 1996, the amounts allocated to the divisions were credits of \$15 million and \$26 million in oil and gas and chemical, respectively. In 1995, the amounts allocated to the divisions were credits of \$16 million and \$27 million in oil and gas and chemical, respectively.

(c) Includes pretax charges of \$256 million for the write-down of various nonstrategic and impaired assets including assets expected to be sold and related costs and additional environmental and other reserves.

(d) Includes pretax charges of \$147 million related to additional environmental matters and the write-down of various idled assets.

(e) Includes a pretax charge of \$75 million for the extinguishment of existing liabilities and open-ended financial commitments under employment agreements with two senior executives and an after-tax charge of \$750 million for the discontinued natural gas transmission operation.

(f) Excludes acquisitions of other businesses of \$29 million in chemical in 1997, \$58 million in chemical in 1996 and \$11 million in oil and gas in 1995. Includes capitalized interest of \$14 million in 1997, \$5 million in 1996 and \$4 million in 1995.

(g) Includes a charge of \$105 million for the write-down of investment in the Republic of Komi.

(h) Includes a pretax gain of \$170 million related to favorable litigation settlements and a charge of \$75 million for additional environmental reserves, and the related state tax effects.

(i) Includes a \$100 million reduction in the deferred tax asset valuation allowance.

(j) Includes charges of \$109 million for settlement of litigation and \$95 million for reorganization costs.

(k) Includes a pretax gain of \$40 million from the sale of a PVC facility at Addis, Louisiana.

GEOGRAPHIC AREAS(a,b)  
In millions

	United States	Other Western Hemisphere	Eastern Hemisphere	Corporate	Total
=====					
YEAR ENDED DECEMBER 31, 1997					
TOTAL REVENUES	\$ 6,261(c)	\$ 678	\$ 1,094	\$ 68	\$ 8,101
	=====	=====	=====	=====	=====
Geographic earnings (loss) before taxes	\$ 564	\$ 191	\$ 406	\$ (633)	\$ 528
Income taxes	(18)	(64)	(207)	(22)	(311)
Discontinued operations, net	--	--	--	(607)	(607)
	-----	-----	-----	-----	-----
NET INCOME (LOSS)	\$ 546	\$ 127	\$ 199	\$ (1,262)	\$ (390)
	=====	=====	=====	=====	=====
TOTAL ASSETS	\$ 7,584	\$ 997	\$ 1,694	\$ 5,007	\$ 15,282
=====					
YEAR ENDED DECEMBER 31, 1996					
TOTAL REVENUES	\$ 6,379(c)	\$ 769	\$ 1,031	\$ 133	\$ 8,312
	=====	=====	=====	=====	=====
Geographic earnings (loss) before taxes	\$ 922	\$ 260	\$ 240	\$ (566)	\$ 856
Income taxes	(15)	(90)	(169)	(68)	(342)
Discontinued operations, net	--	--	--	184	184
Extraordinary gain (loss), net	--	--	--	(30)	(30)
	-----	-----	-----	-----	-----
NET INCOME (LOSS)	\$ 907	\$ 170	\$ 71	\$ (480)	\$ 668
	=====	=====	=====	=====	=====
TOTAL ASSETS	\$ 7,659	\$ 897	\$ 1,369	\$ 5,056	\$ 14,981
=====					
YEAR ENDED DECEMBER 31, 1995					
TOTAL REVENUES	\$ 6,985(c)	\$ 672	\$ 796	\$ 180	\$ 8,633
	=====	=====	=====	=====	=====
Geographic earnings (loss) before taxes	\$ 913	\$ 182	\$ 223	\$ (647)	\$ 671
Income taxes	(24)	(56)	(113)	(120)	(313)
Discontinued operations, net	--	--	--	153	153
	-----	-----	-----	-----	-----
NET INCOME (LOSS)	\$ 889	\$ 126	\$ 110	\$ (614)	\$ 511
	=====	=====	=====	=====	=====
TOTAL ASSETS	\$ 7,446	\$ 783	\$ 1,546	\$ 5,567	\$ 15,342
=====					

- (a) Included in the consolidated balance sheets were liabilities of approximately \$336 million, \$254 million and \$285 million at December 31, 1997, 1996 and 1995, respectively, which pertained to operations based outside the United States and Canada.
- (b) Investments in foreign countries are subject to the actions of those countries, which could significantly affect Occidental's operations and investments in those countries.
- (c) Includes export sales, consisting of chemical products, of approximately \$438 million, \$673 million and \$1.039 billion in 1997, 1996 and 1995, respectively.

Capitalized costs relating to oil and gas producing activities and related accumulated depreciation, depletion and amortization, were as follows (in millions):

	United States	Other Western Hemisphere	Eastern Hemisphere	Total Worldwide
=====				
DECEMBER 31, 1997				
Proved properties	\$ 4,806	\$ 1,765	\$ 1,801	\$ 8,372
Unproved properties	71	12	80	163
	-----	-----	-----	-----
TOTAL PROPERTY COSTS(a)	4,877	1,777	1,881	8,535
Support facilities	13	143	60	216
	-----	-----	-----	-----
TOTAL CAPITALIZED COSTS	4,890	1,920	1,941	8,751
Accumulated depreciation, depletion and amortization	(2,916)	(1,390)	(685)	(4,991)
	-----	-----	-----	-----
NET CAPITALIZED COSTS	\$ 1,974	\$ 530	\$ 1,256	\$ 3,760
	=====	=====	=====	=====
Share of equity investees' net capitalized costs(b)	\$ 84	\$ 432	\$ 133	\$ 649
	=====	=====	=====	=====
DECEMBER 31, 1996				
Proved properties	\$ 4,695	\$ 1,891	\$ 1,274	\$ 7,860
Unproved properties	64	33	97	194
	-----	-----	-----	-----
TOTAL PROPERTY COSTS(a)	4,759	1,924	1,371	8,054
Support facilities	11	125	54	190
	-----	-----	-----	-----
TOTAL CAPITALIZED COSTS	4,770	2,049	1,425	8,244
Accumulated depreciation, depletion and amortization	(2,760)	(1,554)	(522)	(4,836)
	-----	-----	-----	-----
NET CAPITALIZED COSTS	\$ 2,010	\$ 495	\$ 903	\$ 3,408
	=====	=====	=====	=====
Share of equity investees' net capitalized costs(b)	\$ 76	\$ 80	\$ 152	\$ 308
	=====	=====	=====	=====
DECEMBER 31, 1995				
Proved properties	\$ 4,614	\$ 1,754	\$ 1,224	\$ 7,592
Unproved properties	78	36	184	298
	-----	-----	-----	-----
TOTAL PROPERTY COSTS(a)	4,692	1,790	1,408	7,890
Support facilities	21	119	50	190
	-----	-----	-----	-----
TOTAL CAPITALIZED COSTS	4,713	1,909	1,458	8,080
Accumulated depreciation, depletion and amortization	(2,680)	(1,474)	(381)	(4,535)
	-----	-----	-----	-----
NET CAPITALIZED COSTS	\$ 2,033	\$ 435	\$ 1,077	\$ 3,545
	=====	=====	=====	=====
Share of equity investees' net capitalized costs(b)	\$ 68	\$ 66	\$ 164	\$ 298
	=====	=====	=====	=====

(a) Includes costs related to leases, exploration costs, lease and well equipment, pipelines and terminals, gas plants and other equipment.

(b) Excludes amounts applicable to synthetic fuels.

Costs incurred relating to oil and gas producing activities, whether capitalized or expensed, were as follows (in millions):

	United States	Other Western Hemisphere	Eastern Hemisphere	Total Worldwide
=====	=====	=====	=====	=====
DECEMBER 31, 1997				
Acquisition of properties				
Proved	\$ 50	\$ --	\$ 50	\$ 100
Unproved	41	--	--	41
Exploration costs	19	37	122	178
Development costs	270	102	443	815
	-----	-----	-----	-----
	\$ 380	\$ 139	\$ 615	\$ 1,134
	=====	=====	=====	=====
Share of equity investees' costs	\$ 35	\$ 514	\$ 51	\$ 600
=====	=====	=====	=====	=====
DECEMBER 31, 1996				
Acquisition of properties				
Proved	\$ 8	\$ --	\$ 28	\$ 36
Unproved	9	--	--	9
Exploration costs	30	55	80	165
Development costs	212	118	244	574
	-----	-----	-----	-----
	\$ 259	\$ 173	\$ 352	\$ 784
	=====	=====	=====	=====
Share of equity investees' costs	\$ 35	\$ 36	\$ 54	\$ 125
=====	=====	=====	=====	=====
DECEMBER 31, 1995				
Acquisition of properties				
Proved	\$ 4	\$ --	\$ 55	\$ 59
Unproved	7	--	4	11
Exploration costs	29	34	70	133
Development costs	173	110	118	401
	-----	-----	-----	-----
	\$ 213	\$ 144	\$ 247	\$ 604
	=====	=====	=====	=====
Share of equity investees' costs	\$ 28	\$ 23	\$ 25	\$ 76
=====	=====	=====	=====	=====

The results of operations of Occidental's oil and gas producing activities, which exclude oil trading activities and items such as asset dispositions, corporate overhead and interest, were as follows (in millions):

	United States	Other Western Hemisphere(a)	Eastern Hemisphere	Total Worldwide
=====				
FOR THE YEAR ENDED DECEMBER 31, 1997				
Revenues	\$ 920	\$ 478	\$ 969(b)	\$ 2,367
Production costs	246	154	172	572
Exploration expenses	17	19	83	119
Other operating expenses	50	49	105	204
Other expense -- asset write-downs	132	--	--	132
Depreciation, depletion and amortization	246(c)	85	178	509
	-----	-----	-----	-----
PRETAX INCOME (LOSS)	229	171	431	831
Income tax expense (benefit)(d)	46	56	206(b)	308
	-----	-----	-----	-----
RESULTS OF OPERATIONS	\$ 183	\$ 115	\$ 225	\$ 523
	=====	=====	=====	=====
Share of equity investees' results of operations	\$ 8	\$ (4)	\$ 25	\$ 29
=====				
FOR THE YEAR ENDED DECEMBER 31, 1996				
Revenues	\$ 906	\$ 571	\$ 912(b)	\$ 2,389
Production costs	241	157	184	582
Exploration expenses	25	28	67	120
Other operating expenses	49	51	124	224
Other expense -- write-down of investment in Komi	--	--	105	105
Depreciation, depletion and amortization	234(c)	83	164	481
	-----	-----	-----	-----
PRETAX INCOME (LOSS)	357	252	268	877
Income tax expense (benefit)(d)	81	89	169(b)	339
	-----	-----	-----	-----
RESULTS OF OPERATIONS	\$ 276	\$ 163	\$ 99	\$ 538
	=====	=====	=====	=====
Share of equity investees' results of operations	\$ 8	\$ 3	\$ 25	\$ 36
=====				
FOR THE YEAR ENDED DECEMBER 31, 1995				
Revenues	\$ 702	\$ 467	\$ 679(b)	\$ 1,848
Production costs	238	157	141	536
Exploration expenses	22	30	54	106
Other operating expenses	51	67	118	236
Depreciation, depletion and amortization	249(c)	69	128	446
	-----	-----	-----	-----
PRETAX INCOME (LOSS)	142	144	238	524
Income tax expense (benefit)(d)	16	52	113(b)	181
	-----	-----	-----	-----
RESULTS OF OPERATIONS(e)	\$ 126	\$ 92	\$ 125	\$ 343
	=====	=====	=====	=====
Share of equity investees' results of operations	\$ 6	\$ 1	\$ 25	\$ 32
=====				

- (a) Includes amounts applicable to operating interests in which Occidental receives an agreed-upon fee per barrel of crude oil produced.
- (b) Revenues and income tax expense include taxes owed by Occidental but paid by governmental entities on its behalf.
- (c) Includes a credit of \$13 million, \$15 million and \$16 million in 1997, 1996 and 1995, respectively, under the method of allocating amounts in lieu of taxes.
- (d) U.S. federal income taxes reflect expense allocations related to oil and gas activities, including allocated interest and corporate overhead. Foreign income taxes were included in geographic areas on the basis of operating results.
- (e) The 1995 amounts have been restated as a result of cost reclassifications to be on a consistent basis with 1997 and 1996. The new presentation reflects the current cost structure of the oil and gas producing activities of Occidental.

On January 31, 1998 Occidental completed the sale of MidCon as discussed in Note 4.

In February 1998, Occidental announced that it will redeem in March 1998, all of the 15,106,444 outstanding voting and nonvoting shares of its \$3.875 preferred stock at a call price of \$51.9375 per share plus accumulated and unpaid dividends to but not including the redemption date. Each share of preferred stock is convertible at the option of the holder, until the close of business on the redemption date, into approximately 2.2 shares of Occidental common stock. If all the shares of preferred stock were converted into common stock, Occidental would issue approximately 33.2 million shares of common stock.

Also in February 1998, Occidental sold its entire interest in an oilfield development project in Venezuela for approximately \$205 million cash plus contingent payments of up to \$90 million over six years based on oil prices. The gain on the sale was not material.

On February 5, 1998, Occidental acquired the U.S. government's 78 percent interest in the Elk Hills field for \$3.5 billion. The Elk Hills field acquisition was funded using a portion of the proceeds from the sale of MidCon, together with proceeds of commercial paper borrowings.

From January 1, 1998 through February 16, 1998 Occidental repurchased 6.1 million shares of its common stock under the common stock repurchase program. See Note 12 for a discussion of the common stock repurchase program.

#### REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders and Board of Directors, Occidental Petroleum Corporation:

We have audited the accompanying consolidated balance sheets of OCCIDENTAL PETROLEUM CORPORATION (a Delaware corporation) and consolidated subsidiaries as of December 31, 1997 and 1996, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1997 (included on pages 29 through 56). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Occidental Petroleum Corporation and consolidated subsidiaries as of December 31, 1997 and 1996, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1997, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

ARTHUR ANDERSEN LLP  
Los Angeles, California  
February 16, 1998

Three months ended =====	MARCH 31 =====	JUNE 30 =====	SEPTEMBER 30 =====	DECEMBER 31 =====	TOTAL YEAR =====
Divisional net sales					
Oil and gas	\$ 842	\$ 1,055	\$ 883	\$ 887	\$ 3,667
Chemical	1,075	1,103	1,124	1,047	4,349
Net sales	\$ 1,917	\$ 2,158	\$ 2,007	\$ 1,934	\$ 8,016
Gross profit	\$ 589	\$ 554	\$ 560	\$ 469	\$ 2,172
Divisional earnings					
Oil and gas	\$ 228	\$ 133	\$ 136	\$ (96)	\$ 401
Chemical	92	184	223	(28)	471
Unallocated corporate items	320	317	359	(124)	872
Interest expense, net	(101)	(101)	(100)	(105)	(407)
Income taxes	(85)	(62)	(17)	104	(60)
Other	(7)	(16)	(112)	(53)	(188)
Income (loss) from continuing operations	127	138	130	(178)	217
Discontinued operations, net	52	20	27	(706)	(607)
Extraordinary gain(loss), net	--	--	--	--	--
Net income (loss)	\$ 179	\$ 158	\$ 157(a)	\$ (884)(b)	\$ (390)
Basic earnings per common share					
Income (loss) from continuing operations	\$ .32	\$ .35	\$ .32	\$ (.58)	\$ .39
Discontinued operations, net	.16	.06	.08	(2.07)	(1.82)
Extraordinary gain (loss), net	--	--	--	--	--
Basic earnings (loss) per common share	\$ .48	\$ .41	\$ .40	\$ (2.65)	\$ (1.43)
Diluted earnings per common share					
Income (loss) from continuing operations	\$ .31	\$ .34	\$ .31	\$ (.58)	\$ .39
Discontinued operations, net	.15	.05	.07	(2.07)	(1.82)
Extraordinary gain (loss), net	--	--	--	--	--
Diluted earnings (loss) per common share	\$ .46	\$ .39	\$ .38	\$ (2.65)	\$ (1.43)
Dividends per common share	\$ .25	\$ .25	\$ .25	\$ .25	\$ 1.00
Market price per common share					
High	\$ 26 3/4	\$ 25 7/8	\$ 26 1/4	\$ 30 3/4	
Low	\$ 23 1/8	\$ 21 3/4	\$ 23 3/8	\$ 25 7/8	

(a) Includes a pretax charge of \$75 million for the extinguishment of existing liabilities and open-ended financial commitments under employment agreements with two senior executives.

(b) Includes pretax charges of \$256 million for the write-down of various nonstrategic and impaired assets including assets expected to be sold and related costs and additional environmental and other reserves in the oil and gas division, \$147 million related to additional environmental matters and the write-down of various idled assets in the chemical division and an after-tax charge of \$750 million for the discontinued natural gas transmission operation.

1996 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	TOTAL YEAR
Divisional net sales					
Oil and gas	\$ 753	\$ 879	\$ 1,149	\$ 899	\$ 3,680
Chemical	1,068	1,058	1,084	1,097	4,307
Net sales	\$ 1,821	\$ 1,937	\$ 2,233	\$ 1,996	\$ 7,987
Gross profit	\$ 481	\$ 544	\$ 550	\$ 616	\$ 2,191
Divisional earnings					
Oil and gas	\$ 161	\$ 144	\$ 20	\$ 155	\$ 480
Chemical	118	212	228	110	668
Unallocated corporate items	279	356	248	265	1,148
Interest expense, net	(132)	(113)	(107)	(102)	(454)
Income taxes	(44)	(83)	36	(18)	(109)
Other	(17)	(11)	(13)	(30)	(71)
Income (loss) from continuing operations	86	149	164	115	514
Discontinued operations, net	78	32	30	44	184
Extraordinary gain(loss), net	(30)	--	--	--	(30)
Net income (loss)	\$ 134	\$ 181(a)	\$ 194(b)	\$ 159	\$ 668
Basic earnings per common share					
Income (loss) from continuing operations	\$ .20	\$ .39	\$ .44	\$ .28	\$ 1.30
Discontinued operations, net	.24	.10	.09	.13	.56
Extraordinary gain (loss), net	(.09)	--	--	--	(.09)
Basic earnings (loss) per common share	\$ .35	\$ .49	\$ .53	\$ .41	\$ 1.77
Diluted earnings per common share					
Income (loss) from continuing operations	\$ .20	\$ .39	\$ .42	\$ .28	\$ 1.29
Discontinued operations, net	.24	.09	.09	.13	.52
Extraordinary gain (loss), net	(.09)	--	--	--	(.08)
Diluted earnings (loss) per common share	\$ .35	\$ .48	\$ .51	\$ .41	\$ 1.73
Dividends per common share	\$ .25	\$ .25	\$ .25	\$ .25	\$ 1.00
Market price per common share					
High	\$ 27	\$ 27 1/4	\$ 25 7/8	\$ 25 5/8	
Low	\$ 20 1/8	\$ 24 1/4	\$ 21 1/2	\$ 20 1/2	

(a) Includes a \$130 million benefit related to a favorable litigation settlement, and a charge of \$75 million for additional environmental reserves relating to various existing sites, and the related state tax effects in the chemical division.

(b) Includes a charge of \$105 million for the write-down of an investment in an oil and gas project in the Republic of Komi, a \$40 million benefit related to a favorable litigation settlement in the chemical division and a \$100 million benefit for a reduction in the deferred tax asset valuation allowance.

## SUPPLEMENTAL OIL AND GAS INFORMATION (Unaudited)

The following tables set forth Occidental's net interests in quantities of proved developed and undeveloped reserves of crude oil, condensate and natural gas and changes in such quantities. Crude oil reserves include condensate. The reserves are stated after applicable royalties. Estimates of reserves have been made by Occidental engineers. These estimates include reserves in which Occidental holds an economic interest under service contracts and other arrangements.

## RESERVES

Oil in millions of barrels, natural gas in billions of cubic feet

	United States		Other Western Hemisphere		Eastern Hemisphere		Total Worldwide	
	Oil	Gas	Oil(a)	Gas	Oil	Gas	Oil	Gas
<b>PROVED DEVELOPED AND UNDEVELOPED RESERVES</b>								
BALANCE AT DECEMBER 31, 1994	218	1,979	418	--	282	354	918	2,333
Revisions of previous estimates	6	25	14	--	51	(14)	71	11
Improved recovery	6	6	24	--	12	--	42	6
Extensions and discoveries	5	35	8	--	12	373	25	408
Purchases of proved reserves	--	4	--	--	--	9	--	13
Sales of proved reserves	(16)(b)	(5)	--	--	(9)(b)	(37)	(25)	(42)
Production	(23)	(223)	(47)	--	(31)	(46)	(101)	(269)
BALANCE AT DECEMBER 31, 1995	196	1,821	417	--	317	639	930	2,460
Revisions of previous estimates	11	26	(19)	--	77	200	69	226
Improved recovery	1	--	--	--	18	--	19	--
Extensions and discoveries	16	105	3	--	11	40	30	145
Purchases of proved reserves	1	18	--	--	--	3	1	21
Sales of proved reserves	(1)	(6)	--	--	(46)	--	(47)	(6)
Production	(21)	(220)	(47)	--	(37)	(42)	(105)	(262)
BALANCE AT DECEMBER 31, 1996	203	1,744	354	--	340	840	897	2,584
Revisions of previous estimates	(1)	23	3	--	14	(2)	16	21
Improved recovery	11	--	--	--	2	--	13	--
Extensions and discoveries	6	58	--	--	34	22	40	80
Purchases of proved reserves	1	38	--	--	36	10	37	48
Sales of proved reserves	(2)	(10)	--	--	--	(7)	(2)	(17)
Production	(21)	(218)	(41)	--	(39)	(40)	(101)	(258)
BALANCE AT DECEMBER 31, 1997	197	1,635	316	--	387	823	900	2,458
<b>PROPORTIONAL INTEREST IN EQUITY INVESTEE'S RESERVES</b>								
December 31, 1994	5	32	11	84	25	46	41	162
December 31, 1995	5	36	12	81	21	39	38	156
December 31, 1996	5	47	14	77	20	30	39	154
DECEMBER 31, 1997	5	45	45	168	27	25	77	238

See footnotes on following page.

## RESERVES continued

Oil in millions of barrels, natural gas in billions of cubic feet

	United States		Other Western Hemisphere		Eastern Hemisphere		Total Worldwide	
	Oil	Gas	Oil(a)	Gas	Oil	Gas	Oil	Gas
<b>PROVED DEVELOPED RESERVES</b>								
December 31, 1994	169	1,851	258	--	173	264	600	2,115
December 31, 1995	149	1,747	283	--	195	235	627	1,982
December 31, 1996	153	1,677	260	--	213	205	626	1,882
DECEMBER 31, 1997	151	1,571	235	--	251	207	637	1,778
<b>PROPORTIONAL INTEREST IN EQUITY INVESTEES' RESERVES</b>								
December 31, 1994	4	27	7	77	24	38	35	142
December 31, 1995	5	30	10	75	16	31	31	136
December 31, 1996	4	41	13	69	15	25	32	135
DECEMBER 31, 1997	4	31	38	140	21	20	63	191

- (a) Portions of these reserves are being produced pursuant to exclusive service contracts.
- (b) Includes approximately 14 million and 6 million barrels of oil (which approximate 17.7 million barrels of WTI-equivalent oil) in the United States and Eastern Hemisphere, respectively, associated with the advance sale of crude oil (see Note 8).

STANDARDIZED MEASURE, INCLUDING YEAR-TO-YEAR CHANGES THEREIN, OF DISCOUNTED FUTURE NET CASH FLOWS For purposes of the following disclosures, estimates were made of quantities of proved reserves and the periods during which they are expected to be produced. Future cash flows were computed by applying year-end prices to Occidental's share of estimated annual future production from proved oil and gas reserves, net of royalties. Future development and production costs were computed by applying year-end costs to be incurred in producing and further developing the proved reserves. 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 pretax 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 each of December 31, 1997, 1996 and 1995. However, such arbitrary assumptions have not necessarily proven to be the case in the past. Other assumptions of equal validity would give rise to substantially different results.

STANDARDIZED MEASURE OF DISCOUNTED FUTURE NET CASH FLOWS  
In millions

	United States	Other Western Hemisphere(a)	Eastern Hemisphere	Total Worldwide
=====				
AT DECEMBER 31, 1997				
Future cash flows	\$ 7,462	\$ 3,335	\$ 7,197	\$ 17,994
Future costs				
Production costs and other operating expenses	(2,863)	(1,661)	(3,172)	(7,696)
Development costs(b)	(456)	(230)	(1,485)	(2,171)
	-----	-----	-----	-----
FUTURE NET CASH FLOWS BEFORE INCOME TAXES	4,143	1,444	2,540	8,127
Future income tax expense	(1,246)	(458)	(249)	(1,953)
	-----	-----	-----	-----
FUTURE NET CASH FLOWS	2,897	986	2,291	6,174
Ten percent discount factor	(1,215)	(352)	(917)	(2,484)
	-----	-----	-----	-----
STANDARDIZED MEASURE	1,682	634	1,374	3,690
Share of equity investees' standardized measure	89	202	179	470
	-----	-----	-----	-----
	\$ 1,771	\$ 836	\$ 1,553	\$ 4,160
=====				
AT DECEMBER 31, 1996				
Future cash flows	\$ 8,887	\$ 4,642	\$ 8,399	\$ 21,928
Future costs				
Production costs and other operating expenses	(3,296)	(1,853)	(3,139)	(8,288)
Development costs(b)	(514)	(289)	(1,184)	(1,987)
	-----	-----	-----	-----
FUTURE NET CASH FLOWS BEFORE INCOME TAXES	5,077	2,500	4,076	11,653
Future income tax expense	(1,646)	(875)	(457)	(2,978)
	-----	-----	-----	-----
FUTURE NET CASH FLOWS	3,431	1,625	3,619	8,675
Ten percent discount factor	(1,462)	(555)	(1,418)	(3,435)
	-----	-----	-----	-----
STANDARDIZED MEASURE	1,969	1,070	2,201	5,240
Share of equity investees' standardized measure	117	104	234	455
	-----	-----	-----	-----
	\$ 2,086	\$ 1,174	\$ 2,435	\$ 5,695
=====				
AT DECEMBER 31, 1995				
Future cash flows	\$ 6,110	\$ 4,206	\$ 5,639	\$ 15,955
Future costs				
Production costs and other operating expenses	(2,479)	(1,824)	(2,303)	(6,606)
Development costs(b)	(496)	(269)	(689)	(1,454)
	-----	-----	-----	-----
FUTURE NET CASH FLOWS BEFORE INCOME TAXES	3,135	2,113	2,647	7,895
Future income tax expense	(916)	(655)	(234)	(1,805)
	-----	-----	-----	-----
FUTURE NET CASH FLOWS	2,219	1,458	2,413	6,090
Ten percent discount factor	(979)	(564)	(957)	(2,500)
	-----	-----	-----	-----
STANDARDIZED MEASURE	1,240	894	1,456	3,590
Share of equity investees' standardized measure	76	53	239	368
	-----	-----	-----	-----
	\$ 1,316	\$ 947	\$ 1,695	\$ 3,958
=====				

(a) Includes amounts applicable to operating interests in which Occidental receives an agreed-upon fee per barrel of crude oil produced.

(b) Includes dismantlement and abandonment costs.

CHANGES IN THE STANDARDIZED MEASURE OF DISCOUNTED FUTURE  
NET CASH FLOWS FROM PROVED RESERVE QUANTITIES  
In millions

For the years ended December 31,	1997	1996	1995
BEGINNING OF YEAR	\$ 5,240	\$ 3,590	\$ 3,302
Sales and transfers of oil and gas produced, net of production costs and other operating expenses	(1,561)	(1,640)	(1,169)
Net change in prices received per barrel, net of production costs and other operating expenses	(2,071)	2,604	672
Extensions, discoveries and improved recovery, net of future production and development costs	379	576	170
Change in estimated future development costs	(455)	(620)	(110)
Revisions of quantity estimates	132	863	394
Development costs incurred during the period	798	573	401
Accretion of discount	498	305	369
Net change in income taxes	795	(655)	(195)
Purchases and sales of reserves in place, net	92	(403)	(247)
Changes in production rates and other	(157)	47	3
NET CHANGE	(1,550)	1,650	288
END OF YEAR	\$ 3,690	\$ 5,240	\$ 3,590

The information set forth below does not include information with respect to operations of equity investees.

The following table sets forth, for each of the three years in the period ended December 31, 1997, Occidental's approximate average sales prices and average production costs of oil and gas. Production costs are the costs incurred in lifting the oil and gas to the surface and include gathering, treating, primary processing, field storage, property taxes and insurance on proved properties, but do not include depreciation, depletion and amortization, royalties, income taxes, interest, general and administrative and other expenses.

AVERAGE SALES PRICES AND AVERAGE PRODUCTION COSTS OF OIL AND GAS

For the years ended December 31,	United States	Other Western Hemisphere(a, b)	Eastern Hemisphere(a)
1997			
Oil -- Average sales price (\$/bbl.)	\$ 18.72	\$ 11.88	\$ 17.21
Gas -- Average sales price (\$/Mcf)	\$ 2.39	\$ --	\$ 2.40
Average oil and gas production cost (\$/bbl.)(c)	\$ 4.17	\$ 3.73	\$ 3.63
1996			
Oil -- Average sales price (\$/bbl.)	\$ 18.98	\$ 12.66	\$ 17.66
Gas -- Average sales price (\$/Mcf)	\$ 2.11	\$ --	\$ 2.23
Average oil and gas production cost (\$/bbl.)(c)	\$ 4.05	\$ 3.37	\$ 4.09
1995			
Oil -- Average sales price (\$/bbl.)	\$ 15.78	\$ 10.28	\$ 15.85
Gas -- Average sales price (\$/Mcf)	\$ 1.51	\$ --	\$ 2.07
Average oil and gas production cost (\$/bbl.)(c)	\$ 4.16	\$ 3.35	\$ 3.61

(a) Sales prices include royalties with respect to certain of Occidental's interests.

(b) Sales prices include fees received under service contracts.

(c) Natural gas volumes have been converted to equivalent barrels based on energy content of six Mcf of gas to one barrel of oil.

The following table sets forth, for each of the three years in the period ended December 31, 1997, Occidental's net productive and dry exploratory and development wells drilled.

## NET PRODUCTIVE AND DRY--EXPLORATORY AND DEVELOPMENT WELLS DRILLED

For the years ended December 31, =====	United States =====	Other Western Hemi- sphere =====	Eastern Hemi- sphere =====	Total Worldwide =====
1997				
Oil-- Exploratory	--	2.3	1.0	3.3
Development	98.8	15.6	43.6	158.0
Gas-- Exploratory	1.2	--	1.4	2.6
Development	76.0	--	2.1	78.1
Dry-- Exploratory	5.6	--	10.2	15.8
Development	18.1	1.0	1.1	20.2
-----				
1996				
Oil-- Exploratory	--	2.8	3.6	6.4
Development	61.6	23.2	18.4	103.2
Gas-- Exploratory	2.6	--	2.0	4.6
Development	103.2	--	1.7	104.9
Dry-- Exploratory	5.5	2.5	6.2	14.2
Development	15.6	0.5	2.1	18.2
-----				
1995				
Oil-- Exploratory	1.4	0.7	2.0	4.1
Development	79.3	20.6	26.8	126.7
Gas-- Exploratory	9.0	--	1.7	10.7
Development	90.1	--	4.7	94.8
Dry-- Exploratory	5.5	2.7	7.9	16.1
Development	14.5	0.4	--	14.9
-----				

The following table sets forth, as of December 31, 1997, Occidental's productive oil and gas wells (both producing wells and wells capable of production). The numbers in parentheses indicate the number of wells with multiple completions.

## PRODUCTIVE OIL AND GAS WELLS

Wells at December 31, 1997 =====	United States =====	Other Western Hemisphere =====	Eastern Hemisphere =====	Total Worldwide =====
Oil-- Gross(a)	8,634 (250)	411 (-)	798 (46)	9,843 (296)
Net(b)	4,955 (57)	282 (-)	421 (34)	5,658 (91)
Gas-- Gross(a)	3,531 (179)	-- (-)	115 (-)	3,646 (179)
Net(b)	2,489 (46)	-- (-)	37 (-)	2,526 (46)
-----				

- (a) The total number of wells in which interests are owned or which are operated under service contracts.  
(b) The sum of fractional interests.

The following table sets forth, as of December 31, 1997, Occidental's participation in exploratory and development wells being drilled.

## PARTICIPATION IN EXPLORATORY AND DEVELOPMENT WELLS BEING DRILLED

Wells at December 31, 1997 =====	United States =====	Other Western Hemi- sphere =====	Eastern Hemi- sphere =====	Total Worldwide =====
Exploratory and development wells-- Gross	34	5	15	54
Net	27	4	7	38
-----				

At December 31, 1997, Occidental was participating in 43 pressure maintenance and waterflood projects in the United States, 4 in Latin America, 10 in the



The following table sets forth, as of December 31, 1997, Occidental's holdings of developed and undeveloped oil and gas acreage.

## OIL AND GAS ACREAGE

Thousands of acres		United States	Other Western Hemisphere	Eastern Hemisphere	Total Worldwide
Developed(a) --	Gross(b)	2,587	129	11,389	14,105
	Net(c)	1,544	120	5,451	7,115
Undeveloped(d) --	Gross(b)	1,625	2,857	32,472	36,954
	Net(c)	851	2,649	16,382	19,882

- (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 shares of production, if under production-sharing agreements.  
 (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.

The following table sets forth, for each of the three years in the period ended December 31, 1997, Occidental's domestic oil and natural gas production.

## OIL AND NATURAL GAS PRODUCTION--DOMESTIC

	Oil Production Thousands of barrels per day			Natural Gas Production Millions of cubic feet per day		
	1997	1996	1995	1997	1996	1995
California	1	2	5	--	--	--
Gulf of Mexico	12	10	11	138	154	157
Kansas	6	6	6	190	186	193
Louisiana	5	6	7	39	43	39
Mississippi	--	1	1	5	3	4
New Mexico	2	3	3	28	24	22
Oklahoma	4	4	5	50	52	57
Texas	22	21	21	123	126	128
Wyoming	--	--	--	9	9	8
Other States	5	4	5	14	4	4
TOTAL	57	57	64	596	601	612

The following table sets forth, for each of the three years in the period ended December 31, 1997, Occidental's international oil and natural gas production.

## OIL AND NATURAL GAS PRODUCTION--INTERNATIONAL

	Oil Production Thousands of barrels per day			Natural Gas Production Millions of cubic feet per day		
	1997	1996	1995	1997	1996	1995
Colombia	24	29	30	--	--	--
Congo	--	4	9	--	--	--
Ecuador	15	18	20	--	--	--
Netherlands	--	--	--	72	72	78
Oman	14	13	12	--	--	--
Pakistan	7	6	6	38	43	49
Peru	50	54	58	--	--	--
Qatar	45	38	20	--	--	--
Russia	26	25	23	--	--	--
Venezuela	25	27	21	--	--	--
Yemen	14	15	15	--	--	--
TOTAL	220	229	214	110	115	127

## LIST OF SUBSIDIARIES

The following is a list of the Registrant's subsidiaries at December 31, 1997, other than certain subsidiaries that did not in the aggregate constitute a significant subsidiary.

NAME - - - - -	JURISDICTION OF FORMATION -----
B & D Cogen Funding Corp.	Delaware
Compania Occidental de Hidrocarburos, Inc.	California
Glenn Springs Holdings, Inc.	Delaware
Laurel Industries, Inc.	Ohio
MC Exploration Corporation	Delaware
MC Leasing, Inc.	Delaware
MC Panhandle, Inc.	Delaware
MidCon Texas Pipeline, L.P.	Delaware
Natural Gas Odorizing, Inc.	Oklahoma
Occidental C.O.B. Partners	Delaware
Occidental Chemical Chile S.A.I.	Chile
Occidental Chemical Corporation	New York
Occidental Chemical Europe, S.A.	Belgium
Occidental Chemical Holding Corporation	California
Occidental Chemical International, Inc.	California
Occidental Crude Sales, Inc.	Delaware
Occidental de Colombia, Inc.	Delaware
Occidental Exploration and Production Company	California
Occidental International Exploration and Production Company	California
Occidental International Holdings Ltd.	Bermuda
Occidental Netherlands, Inc.	Delaware
Occidental of Oman, Inc.	Nevis
Occidental of Russia Ltd.	Bermuda
Occidental Oil and Gas Corporation	California
Occidental Peninsula, Inc.	Delaware
Occidental Peruana, Inc.	California
Occidental Petroleum (Malaysia) Ltd.	Bermuda
Occidental Petroleum (Pakistan), Inc.	Delaware
Occidental Petroleum (South America), Inc.	Delaware
Occidental Petroleum Investment Co.	California
Occidental Petroleum of Qatar Ltd.	Bermuda
Occidental Philippines, Inc.	California
Occidental Quimica do Brasil Ltda.	Brazil
Occidental Receivables, Inc.	California
Occidental Tower Corporation	Delaware
Oxy CH Corporation	California
Oxy Chemical Corporation	California
Oxy Durez Holding Company Ltd.	Canada
Oxy Petrochemicals Inc.	Delaware
OXY USA Inc.	Delaware
Oxy VCM Corporation	Delaware
Oxy Westwood Corporation	California
OxyChem (Canada), Inc.	Canada
PDG Chemical Inc.	Delaware
Placid Oil Company	Delaware
Repsol Occidental Corporation	Delaware

## CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference of (a) our report, dated February 16, 1998, appearing in Occidental Petroleum Corporation's Annual Report for the year ended December 31, 1997, and (b) our report, dated February 16, 1998, appearing in Occidental Petroleum Corporation's Annual Report on Form 10-K for the year ended December 31, 1997, into Occidental Petroleum Corporation's previously filed Registration Statements Nos. 33-5487, 33-5490, 33-14662, 33-23798, 33-40054, 33-44791, 33-47636, 33-60492, 33-59395, 33-64719, 333-11897 and 333-17879.

Los Angeles, California  
March 26, 1998

ARTHUR ANDERSEN LLP

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1997, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000,000

12-MOS			
DEC-31-1997			
DEC-31-1997			113
		0	
		627	
		24	
		604	
	1,916		16,557
		7,967	
		15,282	
	1,870		5,160
		0	
		2,525	
			68
		1,693	
15,282			8,016
	8,101		5,844
		5,844	
		255	
		0	
		434	
		527	
			311
	217		
		(607)	
		0	
			0
		(390)	
		(1.43)	
		(1.43)	

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1995, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000,000

12-MOS		
DEC-31-1995		
DEC-31-1995		580
	0	
	659	
	19	
	563	
2,259		15,449
	7,251	
	15,342	
2,300		5,078
0		
	1,325	
		64
15,342		3,241
		8,389
	8,633	
		6,221
	6,221	
	127	
	0	
	579	
	577	
		313
358		
	153	
	0	
		0
	511	
	1.31	
	1.31	

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1996, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000,000

12-MOS		
DEC-31-1996		
DEC-31-1996		258
	0	
	650	
	24	
	582	
	1,910	
		15,886
	7,690	
	14,981	
1,837		
		4,748
0		
	2,725	
		66
14,981		2,349
		7,987
	8,312	
		5,796
	5,796	
	220	
	0	
	482	
	786	
		342
514		
	184	
	(30)	
		0
	668	
	1.77	
	1.73	

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE  
 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 1996,  
 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000,000

3-MOS		
MAR-31-1996		
MAR-31-1996		148
	0	
	769	
	18	
	572	
1,918		15,564
	7,352	
	14,906	
1,702		5,216
0		
	1,325	
		64
14,906		3,280
		1,821
	1,865	
		1,340
	1,340	
	22	
	0	
140		
	169	
		100
86		
	78	
	(30)	
		0
	134	
	0.35	
	0.35	

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE  
 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 1996,  
 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000,000

6-MOS	
JUN-30-1996	JUN-30-1996
	145
	0
	649
	15
	544
1,892	
	15,671
7,466	
14,963	
1,710	
	5,051
0	
	1,325
	64
14,963	3,450
	3,758
3,965	
	2,732
	2,732
	135
	0
260	
	427
	229
235	
	110
	(30)
	0
	315
	0.84
	0.84

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 1996, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000,000

9-MOS		
SEP-30-1996		
SEP-30-1996		172
	0	
	720	
	22	
	546	
	1,821	
		15,695
	7,616	
	14,843	
	1,755	
		4,821
	0	
	1,325	
		66
	3,678	
14,843		5,991
	6,273	
		4,416
	4,416	
	171	
	0	
	373	
	596	
		251
	399	
	140	
	(30)	
		0
	509	
	1.37	
	1.33	

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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 1997,  
 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000,000

3-MOS			
MAR-31-1997			
MAR-31-1997			303
		0	
		606	
		25	
		537	
	1,856		16,094
		7,870	
		15,130	
	1,793		4,875
		0	
		2,725	
			66
		2,426	
15,130			1,917
	1,950		1,327
		1,327	
		31	
		0	
	108		
		270	
			161
	127		
		52	
		0	
			0
		179	
		.48	
		.46	

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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 1997,  
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1,000,000

6-MOS  
 JUN-30-1997  
 JUN-30-1997

		315
	0	
	645	
	25	
	574	
1,917		
		16,314
7,974		
15,283		
1,851		
		4,980
0		
	2,707	
		66
15,283		2,513
		4,075
4,138		
		2,931
	2,931	
	60	
	0	
216		
	524	
		289
265		
	72	
	0	
		0
		337
		.88
		.84

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 1997, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000,000

9-MOS		
SEP-30-1997		
SEP-30-1997		164
	0	
	561	
	25	
	563	
	1,686	
		16,286
	7,812	
	15,132	
1,673		5,021
0		
	2,611	
		68
	2,678	
15,132		6,082
	6,170	
		4,379
	4,379	
	84	
	0	
	323	
	734	
		364
395		
	99	
	0	
		0
	494	
	1.29	
	1.23	