

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 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

OCCIDENTAL PETROLEUM CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE  
(State or other jurisdiction of  
incorporation or organization)

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

10889 WILSHIRE BOULEVARD, LOS ANGELES, CALIFORNIA 90024  
(Address of principal executive offices) (Zip Code)

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

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 the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at June 30, 1997
----- Common stock \$.20 par value	----- 331,265,678 shares

OCCIDENTAL PETROLEUM CORPORATION AND SUBSIDIARIES

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## PART I FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

OCCIDENTAL PETROLEUM CORPORATION AND SUBSIDIARIES  
 CONSOLIDATED CONDENSED BALANCE SHEETS  
 JUNE 30, 1997 AND DECEMBER 31, 1996  
 (Amounts in millions)

	1997	1996
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Note 5)	\$ 331	\$ 279
Receivables, net	825	871
Inventories (Note 6)	632	633
Prepaid expenses and other	311	407
	-----	-----
Total current assets	2,099	2,190
LONG-TERM RECEIVABLES, net	137	152
EQUITY INVESTMENTS (Note 12)	1,032	1,039
PROPERTY, PLANT AND EQUIPMENT, at cost, net of accumulated depreciation, depletion and amortization of \$9,551 at June 30, 1997 and \$9,369 at December 31, 1996 (Note 7)	13,903	13,808
OTHER ASSETS	505	445
	-----	-----
	\$ 17,676	\$ 17,634

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

OCCIDENTAL PETROLEUM CORPORATION AND SUBSIDIARIES  
CONSOLIDATED CONDENSED BALANCE SHEETS  
JUNE 30, 1997 AND DECEMBER 31, 1996  
(Amounts in millions)

	1997	1996
<b>LIABILITIES AND EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Current maturities of long-term debt and capital lease liabilities	\$ 5	\$ 27
Notes payable	77	20
Accounts payable	960	1,023
Accrued liabilities	1,148	1,291
Domestic and foreign income taxes	104	109
Total current liabilities	2,294	2,470
LONG-TERM DEBT, net of current maturities and unamortized discount	4,743	4,511
<b>DEFERRED CREDITS AND OTHER LIABILITIES</b>		
Deferred and other domestic and foreign income taxes	2,551	2,560
Other	2,802	2,953
	5,353	5,513
<b>STOCKHOLDERS' EQUITY</b>		
Nonredeemable preferred stock, stated at liquidation value	1,307	1,325
ESOP preferred stock, at par value	1,400	1,400
Unearned ESOP shares	(1,370)	(1,394)
Common stock, at par value	66	66
Additional paid-in capital	4,275	4,463
Retained earnings(deficit)	(388)	(726)
Cumulative foreign currency translation adjustments	(4)	6
	5,286	5,140
	\$ 17,676	\$ 17,634

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

OCCIDENTAL PETROLEUM CORPORATION AND SUBSIDIARIES  
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS  
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 1997 AND 1996  
(Amounts in millions, except per-share amounts)

	Three Months Ended June 30		Six Months Ended June 30	
	1997	1996	1997	1996
<b>REVENUES</b>				
Net sales and operating revenues				
Oil and gas operations	\$ 1,055	\$ 878	\$ 1,897	\$ 1,632
Natural gas transmission operations	565	521	1,419	1,223
Chemical operations	1,103	1,058	2,178	2,126
Other	(6)	--	(16)	(2)
	2,717	2,457	5,478	4,979
Interest, dividends and other income	20	145	37	170
Gains on asset dispositions, net	(1)	(1)	(1)	4
Income from equity investments (Note 12)	15	23	37	43
	2,751	2,624	5,551	5,196
<b>COSTS AND OTHER DEDUCTIONS</b>				
Cost of sales	2,093	1,834	4,143	3,708
Selling, general and administrative and other operating expenses	226	229	465	457
Environmental remediation	11	82	17	88
Exploration expense	17	31	42	47
Interest and debt expense, net	109	120	218	260
	2,456	2,296	4,885	4,560
Income(loss) before taxes and extraordinary items	295	328	666	636
Provision for domestic and foreign income and other taxes (Note 11)	137	147	329	291
Income(loss) before extraordinary items	158	181	337	345
Extraordinary gain(loss), net (Note 3)	--	--	--	(30)
<b>NET INCOME(LOSS)</b>	158	181	337	315
Preferred dividends	(23)	(23)	(46)	(46)
<b>EARNINGS(LOSS) APPLICABLE TO COMMON STOCK</b>	\$ 135	\$ 158	\$ 291	\$ 269
<b>PRIMARY EARNINGS PER COMMON SHARE</b>				
Income(loss) before extraordinary items	\$ .41	\$ .49	\$ .88	\$ .93
Extraordinary gain(loss), net	--	--	--	(.09)
Primary earnings(loss) per common share	\$ .41	\$ .49	\$ .88	\$ .84
<b>FULLY DILUTED EARNINGS PER COMMON SHARE</b>				
Income(loss) before extraordinary items	\$ .39	\$ .47	\$ .84	\$ .91
Extraordinary gain(loss), net	--	--	--	(.09)
Fully diluted earnings(loss) per common share	\$ .39	\$ .47	\$ .84	\$ .82
<b>DIVIDENDS PER COMMON SHARE</b>	\$ .25	\$ .25	\$ .50	\$ .50
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>	330.6	322.4	330.3	320.9

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

OCCIDENTAL PETROLEUM CORPORATION AND SUBSIDIARIES  
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS  
FOR THE SIX MONTHS ENDED JUNE 30, 1997 AND 1996  
(Amounts in millions)

	1997	1996
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net income(loss)	\$ 337	\$ 315
Adjustments to reconcile income to net cash provided by operating activities		
Extraordinary (gain)loss, net	--	30
Depreciation, depletion and amortization of assets	488	451
Deferred income tax provision	77	103
Other noncash charges to income	21	27
Gains on asset dispositions, net	1	(4)
Income from equity investments	(37)	(43)
Exploration expense	42	47
Changes in operating assets and liabilities	(242)	(57)
Other operating, net	(119)	(123)
	568	746
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Capital expenditures	(686)	(508)
Proceeds from disposal of property, plant and equipment, net	6	8
Buyout of operating leases	(20)	--
Purchase of businesses, net	(4)	--
Sale of businesses, net	95	24
Other investing, net	12	(24)
	(597)	(500)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from long-term debt	57	8
Net proceeds from commercial paper and revolving credit agreements	355	475
Payments on long-term debt and capital lease liabilities	(193)	(1,025)
Proceeds from issuance of common stock	13	9
Proceeds(payments) of notes payable	58	77
Cash dividends paid	(211)	(206)
Other financing, net	2	9
	81	(653)
Increase(decrease) in cash and cash equivalents	52	(407)
Cash and cash equivalents--beginning of period	279	520
Cash and cash equivalents--end of period	\$ 331	\$ 113

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

OCCIDENTAL PETROLEUM CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

June 30, 1997

1. General

The accompanying unaudited consolidated condensed financial statements have been prepared by Occidental Petroleum Corporation (Occidental) pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and disclosures normally included in notes to consolidated financial statements have been condensed or omitted pursuant to such rules and regulations, but resultant disclosures are in accordance with generally accepted accounting principles as they apply to interim reporting. The consolidated condensed financial statements should be read in conjunction with the consolidated financial statements and the notes thereto incorporated by reference in Occidental's Annual Report on Form 10-K for the year ended December 31, 1996 (1996 Form 10-K).

In the opinion of Occidental's management, the accompanying consolidated condensed financial statements contain all adjustments (consisting only of normal recurring adjustments) necessary to present fairly Occidental's consolidated financial position as of June 30, 1997 and the consolidated results of operations for the three and six months then ended and the consolidated cash flows for the six months then ended. The results of operations and cash flows for the periods ended June 30, 1997 are not necessarily indicative of the results of operations or cash flows to be expected for the full year.

Certain financial statements and notes for the prior year have been changed to conform to the 1997 presentation.

Reference is made to Note 1 to the consolidated financial statements incorporated by reference in the 1996 Form 10-K for a summary of significant accounting policies.

2. Asset Acquisitions and Dispositions

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 preferred stock. The sale did not have a material effect on the results of operations. Also in June 1997, Occidental purchased 28,000 shares of preferred stock of Leslie's Poolmart, Inc. (Leslie's) 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 April 1996, Occidental completed the acquisition of a 64 percent equity interest in INDSPEC Holding Corporation (INDSPEC) for approximately \$87 million in common stock. Under the terms of the transaction, INDSPEC's management and employees retained voting control of INDSPEC. Also in April, Occidental completed the sale of its subsidiary which engages in on-shore drilling and servicing of oil and gas wells for approximately \$32 million. In addition, certain assets of its international phosphate fertilizer trading operations were sold for approximately \$20 million. None of these transactions resulted in a material gain or loss.

3. Extraordinary Gain(Loss)

The 1996 six month results included a net extraordinary loss of \$30 million, which resulted from the early retirement of high-coupon debt in the first quarter.

4. Supplemental Cash Flow Information

Cash payments during the six months ended June 30, 1997 and 1996 included federal, foreign and state income taxes of approximately \$156 million and \$91 million, respectively. Interest paid (net of interest capitalized) totaled approximately \$203 million and \$269 million for the six month periods ended June 30, 1997 and 1996, respectively.

5. 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 when purchased. Cash equivalents totaled approximately \$215 million and \$206 million at June 30, 1997 and December 31, 1996, respectively.

6. Inventories

A portion of inventories is valued under the LIFO method. The valuation of LIFO inventory for interim periods is based on management's estimates of year-end inventory levels and costs. Inventories consist of the following (in millions):

Balance at =====	June 30, 1997 =====	December 31, 1996 =====
Raw materials	\$ 108	\$ 135
Materials and supplies	192	184
Work in progress	24	17
Finished goods	362	344
	-----	-----
	686	680
LIFO reserve	(54)	(47)
	-----	-----
Total	\$ 632	\$ 633
	=====	=====

7. Property, Plant and Equipment

Reference is made to the consolidated financial statements and Note 1 thereto incorporated by reference in the 1996 Form 10-K for a description of investments in property, plant and equipment.

8. Retirement Plans and Postretirement Benefits

Reference is made to Note 14 to the consolidated financial statements incorporated by reference in the 1996 Form 10-K for a description of the retirement plans and postretirement benefits of Occidental and its subsidiaries.



## 9. Lawsuits, Claims and Related Matters

Occidental and certain of its subsidiaries have been named in a substantial number of governmental proceedings as defendants or potentially responsible parties under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) and corresponding state acts. These 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. As to those proceedings for which Occidental does not have sufficient information to determine a range of liability, Occidental does have sufficient information on which to base the opinion below.

It is impossible at this time to determine the ultimate legal liabilities that may arise from various lawsuits, claims and proceedings, including environmental proceedings described above, pending against Occidental and its subsidiaries, some of which may involve substantial amounts. However, in management's opinion, after taking into account reserves, none of such pending lawsuits, claims and proceedings should have a material adverse effect upon Occidental's consolidated financial position or results of operations in any given year.

## 10. Other Commitments and Contingencies

Occidental has certain other commitments under contracts, guarantees and joint ventures and certain other contingent liabilities. Additionally, Occidental has agreed to participate in the development of certain natural gas reserves and construction of a liquefied natural gas plant in Malaysia; however, Occidental has not yet entered into any material development or construction contracts.

Reference is made to Note 11 to the consolidated financial statements incorporated by reference in the 1996 Form 10-K for information concerning Occidental's long-term purchase obligations for certain products and services.

In management's opinion, none of such commitments and contingencies discussed above should have a material adverse effect upon Occidental's consolidated financial position or results of operations in any given year.

## 11. Income Taxes

The provision for taxes based on income for the 1997 and 1996 interim periods was computed in accordance with Interpretation No. 18 of APB Opinion No. 28 on reporting taxes for interim periods and was based on projections of total year pretax income.

At December 31, 1996, Occidental had, for U.S. federal income tax return purposes, an alternative minimum tax credit carryforward of \$200 million available to reduce future income taxes. The alternative minimum tax credit carryforward does not expire.

Occidental is subject to audit by taxing authorities for varying periods in various tax jurisdictions. Management believes that any required adjustments to Occidental's tax liabilities will not have a material adverse impact on its financial position or results of operations in any given year.

12. 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 June 30, 1997, Occidental's equity investments consisted primarily of joint-interest pipelines, including a pipeline in the Dutch sector of the North Sea, an investment of approximately 30 percent in the common shares of Canadian Occidental Petroleum Ltd. and various chemical partnerships and joint ventures. The following table presents Occidental's proportional interest in the summarized financial information of its equity method investments (in millions):

	Periods Ended June 30			
	Three Months		Six Months	
	1997	1996	1997	1996
Revenues	\$ 245	\$ 228	\$ 480	\$ 420
Costs and expenses	230	205	443	377
Net income	\$ 15	\$ 23	\$ 37	\$ 43

13. 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 tables present summarized financial information for OXY USA (in millions):

	Periods Ended June 30			
	Three Months		Six Months	
	1997	1996	1997	1996
Revenues	\$ 214	\$ 244	\$ 524	\$ 478
Costs and expenses	196	217	438	428
Net income	\$ 18	\$ 27	\$ 86	\$ 50

Balance at	June 30, 1997	December 31, 1996
Current assets	\$ 130	\$ 183
Intercompany receivable	\$ 417	\$ 428
Noncurrent assets	\$ 2,131	\$ 2,028
Current liabilities	\$ 256	\$ 277
Interest bearing note to parent	\$ 97	\$ 105
Noncurrent liabilities	\$ 1,204	\$ 1,221
Stockholders' equity	\$ 1,121	\$ 1,036

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Occidental's net income for the first six months of 1997 totaled \$337 million, on net sales and operating revenues of \$5.5 billion, compared with net income of \$315 million, on net sales and operating revenues of \$5.0 billion, for the same period of 1996. Occidental's net income for the second quarter of 1997 was \$158 million, on net sales and operating revenues of \$2.7 billion, compared with \$181 million, on net sales and operating revenues of \$2.5 billion, for the same period of 1996. Primary earnings per common share were \$.88 for the first six months of 1997, compared with \$.84 for the same period of 1996. Primary earnings per common share were \$.41 for the second quarter of 1997, compared with \$.49 for the same period of 1996.

The increase in net sales and operating revenues for the three and six months ended June 30, 1997, compared with the same periods in 1996, reflected higher revenues in all three operating divisions. The decrease in net income for the second quarter of 1997, compared with the same period in 1996, primarily reflected the impact of lower domestic natural gas and worldwide crude oil prices in the oil and gas division, lower gas sales margins for MidCon and the inclusion in 1996 of a favorable litigation settlement, partially offset by charges in 1996 for additional environmental reserves and the related tax effects at the Chemical division. Excluding the impact of the favorable litigation settlement and charges for additional environmental reserves and the related tax effects, Chemical division earnings were higher in the second quarter of 1997 compared with the second quarter of 1996.

Interest, dividends and other income for the three and six months ended June 30, 1996 includes \$130 million received for a litigation settlement related to Love Canal.

Income from equity investments decreased for the three and six months ended June 30, 1997, compared with the similar periods of 1996. The decrease primarily reflected lower equity earnings from oil and gas investments.

The following table sets forth the sales and earnings of each operating division and corporate items (in millions):

	Periods Ended June 30			
	Three Months		Six Months	
	1997	1996	1997	1996
	=====	=====	=====	=====
DIVISIONAL NET SALES				
Oil and gas	\$ 1,055	\$ 878	\$ 1,897	\$ 1,632
Natural gas transmission	565	521	1,419	1,223
Chemical	1,103	1,058	2,178	2,126
Other	(6)	--	(16)	(2)
NET SALES	\$ 2,717	\$ 2,457	\$ 5,478	\$ 4,979
	=====	=====	=====	=====
DIVISIONAL EARNINGS				
Oil and gas	\$ 133	\$ 144	\$ 361	\$ 305
Natural gas transmission	39	51	130	172
Chemical	184	212	276	330
	-----	-----	-----	-----
	356	407	767	807
UNALLOCATED CORPORATE ITEMS				
Interest expense, net	(101)	(112)	(202)	(242)
Income taxes, administration and other	(97)	(114)	(228)	(220)
	-----	-----	-----	-----
INCOME BEFORE EXTRAORDINARY ITEMS	158	181	337	345
Extraordinary gain(loss), net	--	--	--	(30)
	-----	-----	-----	-----
NET INCOME	\$ 158	\$ 181	\$ 337	\$ 315
	=====	=====	=====	=====

Environmental remediation expense was \$17 million for the first six months of 1997, compared with \$88 million for the same period of 1996. The 1996 amount included a second quarter charge of \$75 million for additional environmental reserves.

Oil and gas earnings for the first six months of 1997 were \$361 million, compared with \$305 million for the same period of 1996. The increase in earnings primarily reflected higher worldwide oil and natural gas prices, mainly in the first quarter, and increased domestic natural gas production in both quarters. Oil and gas earnings for the second quarter of 1997 were \$133 million, compared with \$144 million for the second quarter of 1996. The decrease in second quarter earnings in 1997, compared with the same period in 1996, reflected lower domestic natural gas and worldwide crude oil prices, partially offset by increased gas production and lower exploration expense. The increase in revenues in the second quarter of 1997, compared with the same period in 1996, primarily reflected higher oil trading activity. The increase in revenues for the six months ended June 30, 1997, compared to the same period in 1996, reflected higher oil trading activity in the second quarter, as well as higher domestic natural gas and worldwide crude oil prices in the first quarter. Approximately 30 percent and 26 percent of oil and gas revenues were attributed to oil trading activity in the first six months of 1997 and 1996, respectively. The results of oil trading were not significant. Oil and gas prices are sensitive to complex factors, which are outside the control of Occidental. Accordingly, Occidental is unable to predict with certainty the direction, magnitude or impact of future trends in sales prices for oil and gas.

Natural gas transmission earnings for the first six months of 1997 were \$130 million, compared with \$172 million for the same period of 1996. Natural gas transmission earnings for the second quarter of 1997 were \$39 million, compared with \$51 million for the same period of 1996. The decline in earnings in both 1997 periods primarily reflected lower gas sales margins. The increase in revenues for the six months ended June 30, 1997, compared to the same period in 1996, reflected higher gas sales prices and volumes.

Chemical earnings for the first six months of 1997 were \$276 million, compared with earnings before special items of \$278 million for the same period of 1996. The 1996 results, after inclusion of \$130 million 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, were \$330 million. Chemical earnings for the second quarter of 1997 were \$184 million, compared with earnings before special items of \$160 million for the second quarter of 1996. The improvement in 1997 second quarter earnings, compared with the same period in 1996, reflected improved profit margins in petrochemicals and chlorine partially offset by lower margins in caustic soda. The 1996 second quarter results were \$212 million after the previously mentioned items. Most of Occidental's chemical products are commodity in nature, the prices of which are sensitive to a number of complex factors. Occidental is unable to accurately forecast the trend of sales prices for its commodity chemical products.

Divisional earnings include credits in lieu of U.S. federal income taxes. In the first six months of 1997, divisional earnings benefited by \$44 million which included \$7 million, \$24 million and \$13 million at oil and gas, natural gas transmission and chemical, respectively. In the first six months of 1996, divisional earnings benefited by \$45 million which included \$8 million, \$24 million and \$13 million at oil and gas, natural gas transmission and chemical, respectively.

Net interest expense for the first six months of 1997 was \$202 million, compared with \$242 million for the same period of 1996. Net interest expense for the second quarter of 1997 was \$101 million, compared with \$112 million for the second quarter of 1996. The lower expense primarily reflected lower average debt levels and lower average interest rates.

Occidental and certain of its subsidiaries are parties to various lawsuits, environmental and other proceedings and claims, some of which involve substantial amounts. See Note 9 to the consolidated condensed financial statements. Occidental also has commitments under contracts, guarantees and joint ventures and certain other contingent liabilities. See Note 10 to the consolidated condensed financial statements. In management's opinion, after taking into account reserves, none of these matters should have a material adverse effect upon Occidental's consolidated financial position or results of operations in any given year.

#### FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Occidental's net cash provided by operating activities was \$568 million for the first six months of 1997, compared with \$746 million for the same period of 1996. The variance resulted mainly from changes in operating assets and liabilities. This primarily reflects net lower natural gas inventory drawdowns at MidCon and overall lower accounts payable and other liabilities. The 1996 noncash charges included the previously mentioned \$130 million favorable litigation settlement, partially offset by the \$75 million charge for additional environmental reserves. The 1997 and 1996 noncash charges also included employee benefit plans expense and various other charges.

Occidental's net cash used by investing activities was \$597 million for the first six months of 1997, compared with cash used of \$500 million for the same period of 1996. Capital expenditures were \$686 million in 1997, including \$527 million in oil and gas, \$31 million in natural gas transmission and \$127 million in chemical. Capital expenditures were \$508 million in 1996, including \$339 million in oil and gas, \$69 million in natural gas transmission and \$90 million in chemical. The increase in 1997 from 1996 reflected higher spending in oil and gas, primarily in Qatar and in the United States. Net proceeds from the sale of businesses and disposal of property, plant and equipment for the first six months of 1997 totaled \$101 million which included the proceeds from the sale of a chemical plant. Net proceeds from the sale of businesses and disposals of property, plant and equipment for the first six months of 1996 totaled \$32 million, which primarily reflected the proceeds from the sale of an on-shore drilling and well servicing subsidiary.

Financing activities provided net cash of \$81 million in the first six months of 1997, compared with a use of \$653 million for the same period of 1996. The 1997 amount reflected cash proceeds of \$277 million from borrowings, net of repayments. The 1996 amount reflected net cash used of \$465 million to reduce debt, net of proceeds from borrowings, primarily for the redemption of the 11.75% Senior Debentures. The payment of dividends totaled \$211 million and \$206 million in 1997 and 1996, respectively.

For 1997, Occidental expects that cash generated from operations and any asset sales generally will be adequate to meet its operating requirements, capital spending and dividend payments. Additionally, Occidental has substantial borrowing capacity which may also be used to meet cash requirements.

Available but unused lines of committed bank credit totaled approximately \$1.6 billion at June 30, 1997, compared with \$2.0 billion at December 31, 1996.

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 preferred stock. The sale did not have a material effect on the results of operations.

In April 1996, Occidental completed the sale of its subsidiary which engages in on-shore drilling and servicing of oil and gas wells for approximately \$32 million. In addition, certain assets of its international phosphate fertilizer trading operation were sold for approximately \$20 million. Also in April, Occidental completed the acquisition of a 64 percent equity interest in INDSPEC for approximately \$87 million in common stock. Under the terms of the transaction, INDSPEC's management and employees retained voting control of INDSPEC. None of these transactions resulted in a material gain or loss.

## ENVIRONMENTAL MATTERS

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 varied environmental protection laws. Costs associated with environmental compliance have increased over time and are generally expected to continue to rise in the future.

A number of 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.

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 potentially responsible party (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.

As of June 30, 1997, Occidental had been notified by the Environmental Protection Agency (EPA) or equivalent state agencies or otherwise had become aware that it had been identified as being involved at 227 Superfund or comparable state sites. (This number does not include 80 sites where Occidental has been successful in resolving its involvement.) The 227 sites include 81 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 144 sites, Occidental has had no recent or significant communication or activity with government agencies or other PRPs at 2 sites, has denied involvement at 30 sites and has yet to determine involvement in 17 sites. With respect to the remaining 95 of these sites, Occidental is in various stages of evaluation. For 87 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 87 sites include 24 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 95 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 under the caption "Results of Operations."

## ITEM 1. LEGAL PROCEEDINGS

## GENERAL

There is incorporated by reference herein the information regarding legal proceedings in Item 3 of Part I of Occidental's 1996 Annual Report on Form 10-K, Item 1 of Part II of Occidental's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 1997 and Note 9 to the consolidated condensed financial statements in Part I hereof.

In 1991, Continental Trend Resources (CTR) obtained a jury verdict against OXY USA (OXY USA) in the U.S. District Court for the Western District of Oklahoma for \$269,000 in actual damages and \$30 million in punitive damages for tortious interference with contract. The verdict has been on appeal since 1991, during which time interest on the original verdict has been accruing. In November 1996, the 10th Circuit Court of Appeals reduced the punitive damage award to \$6 million. In July 1997, OXY USA paid CTR \$9.5 million as a final settlement of this case.

Occidental has been informed by the SEC that it is conducting a private, formal investigation into the matters that were the subject of the internal inquiry by Occidental described in a Wall Street Journal article on May 12, 1997. Other agencies may also seek information on the internal inquiry. Occidental is cooperating with the SEC in its conduct of the investigation.

In January 1997, Amoco Production Company and Amoco Trading Corporation (collectively, Amoco), filed a complaint against Natural Gas Pipeline Company of America (Natural) before the Federal Energy Regulatory Commission (FERC) contending that Natural improperly had provided its affiliate MidCon Gas Services Corp. (MidCon Gas) transportation service on preferential terms, seeking termination of currently effective contracts and the imposition of civil penalties. A subsequent FERC audit made proposed findings that Natural has favored MidCon Gas. In July, Amoco and Natural agreed to a settlement of this proceeding and of a pending rate case. Amoco has filed to withdraw its complaint subject to the FERC's procedures. The FERC may retain continuing jurisdiction of the matter.

In 1996, the District of Columbia Circuit Court of Appeals ordered that Kansas natural gas producers, including OXY USA, refund Kansas ad valorem taxes collected from gas purchasers as surcharges over maximum lawful prices between 1983 and 1988, although their collection of such taxes had been authorized by the FERC. OXY USA has joined other producers in filing a petition for adjustment before the FERC seeking relief from requirements to pay interest on refunds. Other petitions and applications are pending before the FERC concerning various issues regarding refund obligations.

## ENVIRONMENTAL PROCEEDINGS

In 1996, the Environmental Protection Agency (EPA) filed an administrative complaint against Natural Gas Odorizing, Inc. (NGO), which was recently acquired by Occidental, alleging failure to file during 1994 an Inventory Update Report under the Toxic Substances Control Act regarding its facility in Baytown, Texas, and proposed an administrative civil penalty of \$136,000. In July 1997, this matter was settled by a Consent Order under which NGO agreed to pay an administrative civil penalty of \$81,600.

In April 1997, Occidental Chemical Corporation (OCC) received an administrative complaint from the EPA, Region 2, that alleges violations of the permit for a hazardous waste incinerator at its Durez Division facility in Niagara Falls, New York. The complaint seeks administrative civil penalties in the amount of \$230,500. OCC is contesting the alleged violations and the administrative civil penalties.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

- 10.1 Employment Agreement, dated May 14, 1997, between Occidental Petroleum Corporation, a Delaware corporation, and J. Roger Hirl
- 10.2 Form of 1997 Performance Stock Option Agreement under the 1995 Incentive Stock Plan of Occidental Petroleum Corporation
- 11 Statement regarding the computation of earnings per share for the three and six months ended June 30, 1997 and 1996
- 12 Statement regarding the computation of total enterprise ratios of earnings to fixed charges for the six months ended June 30, 1997 and 1996 and the five years ended December 31, 1996
- 27 Financial data schedule 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)

(b) Reports on Form 8-K

During the quarter ended June 30, 1997, Occidental filed the following Current Report on Form 8-K:

- 1. Current Report on Form 8-K dated April 17, 1997 (date of earliest event reported), filed on April 18, 1997, for the purpose of reporting, under Item 5, Occidental's results of operations for the quarter ended March 31, 1997

From June 30, 1997 to the date hereof, Occidental filed the following Current Reports on Form 8-K:

- 1. Current Report on Form 8-K dated July 17, 1997 (date of earliest event reported), filed on July 18, 1997, for the purpose of reporting, under Item 5, Occidental's results of operations for the quarter ended June 30, 1997
- 2. Current Report on Form 8-K dated July 18, 1997 (date of earliest event reported), filed on July 22, 1997, for the purpose of reporting, under Item 5, recent developments in legal proceedings



SIGNATURES

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

OCCIDENTAL PETROLEUM CORPORATION

DATE: August 13, 1997

S. P. Dominick, Jr.

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

EXHIBIT INDEX

EXHIBITS

- - - - -

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AGREEMENT

-----

This Employment Agreement is made as of the 14th day of May, 1997, by and between Occidental Petroleum Corporation, a Delaware corporation (hereinafter referred to as "Employer") and J. Roger Hirl (hereinafter referred to as "Employee").

WITNESSETH:

WHEREAS, Employee has been rendering services to Employer pursuant to a written agreement which expires on May 14, 1997, and

WHEREAS, the parties now desire to provide for a continuation of Employee's employment by Employer, and to specify the rights and obligations of the parties during such continued employment;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein, Employer and Employee hereby agree to continue such employment upon the following terms and conditions:

1. Duties. Employee shall perform the duties of -----  
President and Chief Executive Officer, Occidental Chemical Corporation, or shall serve in such other capacity and with such other duties for Employer or any of the subsidiaries of Employer of any corporation affiliated with Employer (any such subsidiary or affiliated corporation hereafter to be deemed Employer under this Agreement) as Employer may direct. In performing such duties, Employee will comply with Employer's Code of Business Conduct and Corporate Policies, as the same may be amended from time to time.

2. Term of Employment. The term of employment shall -----  
be for a period of five (5) years, commencing on May 14, 1997, and ending midnight May 13, 2002, unless terminated prior thereto in accordance with the provisions of this Agreement or

unless extended by mutual agreement of the parties in accordance with Paragraph 8 hereof.

3. Compensation. For the services to be performed hereunder, Employee shall be compensated by Employer at the rate of not less than Five Hundred Ninety Thousand Dollars (\$590,000) per annum, payable semimonthly. The minimum salary hereunder shall be automatically adjusted to the level of any increase in annual compensation as the Employer may determine during the term of this Agreement.

4. Participation in Benefit Programs. Employee shall be eligible to participate in all benefits programs and under the same terms and conditions as are generally applicable to salaried employees and senior executives of Employer during the term of this Agreement. Employee also shall be eligible to participate in (i) Employer's Incentive Compensation Plan and (ii) Employer's 1995 Incentive Stock Plan, as long as Employer continues such plans during the term of this Agreement, and to receive awards or grants under such Plans at Employer's sole discretion.

5. Exclusivity of Services. Employee shall not render paid or unpaid services on a self-employed basis or to any other employer.

6. Termination.  
(a) Cause - 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 the Employer's behalf or with or on behalf of others, or (vi) death.

(b) Incapacity - If, during the term of this Agreement, 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 hereof and the maximum annual benefit under the LTD, payable monthly on a prorated basis.

(c) Without Cause. 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 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 (the "Compensation Period").

During the Compensation Period, Employee shall continue to be eligible to (i) participate in all employee benefit plans of Employer, in which he is participating at the time of the notice and so long as such plans are available to salaried employees and senior executives, and (ii) 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.

Following the Compensation Period, Employee's employment shall continue (as a consultant to Employer) for an additional period until May 13, 2002 (the "Consultancy Period"), during which additional period Employee will receive a salary at the annual rate of \$50,000 payable semimonthly. During both the Compensation Period and the Consultancy Period, any award(s) 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 award(s) would have vested if Employee had continued as a full-time employee.

During the Compensation Period or the Consultancy Period, Employee 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.

All remuneration or wages earned by Employee after the first twelve (12) months of the Compensation Period or during the Consultancy Period in excess of \$50,000 either as an employee, independent contractor or consultant to any person, firm or corporation, other than Employer, shall be set off against the Employer's duty of compensation to the Employee during the Compensation and Consultancy Periods. Employee shall promptly notify Employer of his employment in any capacity during such Periods and of the amount of remuneration or wages he will receive.

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. 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.

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

10. 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.

11. 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 the Employer by virtue of authorship of this Agreement and the terms and provisions of this Agreement shall be given their meaning under law.

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

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

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

OCCIDENTAL PETROLEUM CORPORATION

By: R. R. IRANI  
-----

J. ROGER HIRL  
-----  
J. Roger Hirl

ATTACHMENT 1

ARBITRATION PROVISIONS ("Provisions")

Incorporated by Reference into and Made a Part of the Agreement, dated May 14, 1997 (the "Agreement"), between Occidental Petroleum Corporation (the "Employer") and J. Roger Hirl (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  
-----

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 an 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 -----

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

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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.

OCCIDENTAL PETROLEUM CORPORATION  
PERFORMANCE STOCK OPTION AGREEMENT

Name of Optionee: -----

Date of Grant: -----

Number of Optioned Shares: -----

Option Price: -----

Vesting Requirement: See Paragraph 3 below.

AGREEMENT (this "Agreement") made as of the Date of Grant by and between OCCIDENTAL PETROLEUM CORPORATION, a Delaware corporation (hereinafter called "Occidental," and, collectively with its Subsidiaries, the "Company"), and the Optionee.

1. GRANT OF STOCK OPTION. Subject to and upon the terms, conditions, and restrictions set forth in this Agreement and in the Occidental Petroleum Corporation 1995 Incentive Stock Plan (the "Plan"), Occidental hereby grants to the Optionee as of the Date of Grant a stock option (the "Option") to purchase up to the number of shares of Common Stock stated above (the "Optioned Shares"). The Option may be exercised from time to time in accordance with the terms of this Agreement. The Option is intended to be a nonqualified stock option and shall not be treated as an "incentive stock option" within the meaning of that term under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), or any successor provision thereto.

2. TERM OF OPTION. The term of the Option shall commence on the Date of Grant and, unless earlier terminated in accordance with Section 6 hereof, shall expire ten (10) years from the Date of Grant.

3. RIGHT TO EXERCISE. Subject to the expiration or earlier termination of the Option, the Optionee shall become vested in and entitled to exercise the Option if, and only if, the Common Stock attains one of the performance targets described hereafter: If, (i) at any time prior to the third anniversary of the Date of Grant, the Fair Market Value per Share for twenty consecutive trading days is thirty dollars (\$30.00) or more, (ii) at any time from the third anniversary of the Date of Grant to the day preceding the fifth anniversary of the Date of Grant, the Fair Market Value per Share for twenty consecutive trading days is thirty-five dollars (\$35.00) or more, or (iii) at any time from the fifth anniversary of the Date of Grant to the day preceding the tenth anniversary of the Date of Grant, the Fair Market Value per Share for twenty consecutive trading days is forty dollars (\$40.00) or more, then, on the first trading day following the earliest of such twenty day periods to occur, the Optionee's rights in and to the Option shall become fully vested and the Option shall become fully exercisable. For the purposes of this paragraph 3, "trading day" means any day on which securities trading is conducted on the New York Stock Exchange. To the extent the Option is exercisable, it may be exercised in whole or in part.

4. OPTION NONTRANSFERABLE. The Option granted hereby shall be neither transferable nor assignable by the Optionee other than by will or by the laws of descent and distribution and may be exercised, during the lifetime of the Optionee, only by the Optionee, or in the event of his or her legal incapacity, by his or her guardian or legal representative acting on behalf of the Optionee in a fiduciary capacity under state law and court supervision.

5. NOTICE OF EXERCISE; PAYMENT. To the extent then exercisable, the Option shall be exercised by oral or written notice to Occidental stating the number of Optioned Shares for which the Option is being exercised and the intended manner of payment. Payment equal to the aggregate Option Price of the Optioned Shares shall be (a) in cash in the form of currency or check or other cash equivalent acceptable to

Occidental, (b) by actual or constructive transfer to Occidental of nonforfeitable, nonrestricted shares of Common Stock that have been owned by the Optionee for (i) more than one year prior to the date of exercise and for more than two years from the date on which the option was granted, if they were originally acquired by the Optionee pursuant to the exercise of an incentive stock option, or (ii) more than six months prior to the date of exercise, if they were originally acquired by the Optionee other than pursuant to the exercise of an incentive stock option, or (c) by any combination of the foregoing methods of payment. Nonforfeitable, nonrestricted shares of Common Stock that are transferred by the Optionee in payment of all or any part of the Option Price shall be valued on the basis of their Fair Market Value per Share. The requirement of payment in cash shall be deemed satisfied if the Optionee makes arrangements that are satisfactory to Occidental with a broker that is a member of the National Association of Securities Dealers, Inc. to sell a sufficient number of the shares of Common Stock, which are being purchased pursuant to the exercise, so that the net proceeds of the sale transaction will at least equal the amount of the aggregate Option Price, and pursuant to which the broker undertakes to deliver to Occidental the amount of the aggregate Option Price not later than the date on which the sale transaction will settle in the ordinary course of business. The date of such notice shall be the exercise date. Any oral notice of exercise shall be confirmed in writing to Occidental before the close of business the same day.

6. TERMINATION OF AGREEMENT. This Agreement and the Option granted hereby shall terminate automatically and without further notice on the earliest of the following dates:

(a) Five years or the remaining term of the Option, whichever is less, after the date the Optionee ceases to be an employee of the Company by reason of the Optionee's (i) death, (ii) permanent disability or (iii) retirement under a retirement plan of the Company at or after the earliest voluntary retirement age provided for in such retirement plan or retirement at an earlier age with the consent of the Board;

(b) Immediately upon the voluntary or involuntary resignation of the Optionee other than in connection with retirement as provided in 6(a)(iii) above; or

(c) Ten years from the Date of Grant.

In the event that the Optionee commits an act that the Committee determines to have been intentionally committed and materially inimical to the interests of the Company, this Agreement shall terminate at the time of that determination notwithstanding any other provision of this Agreement. This Agreement shall not be exercisable for any number of Optioned Shares in excess of the number of Optioned Shares for which this Agreement is then exercisable on the date of termination of employment. For the purposes of this Agreement, the continuous employment of the Optionee with the Company shall not be deemed to have been interrupted, and the Optionee shall not be deemed to have ceased to be an employee of the Company, by reason of the transfer of his or her employment among Occidental and its Subsidiaries or an approved leave of absence.

7. ACCELERATION OF OPTION. In the event of a Change of Control, the Option granted hereby shall become immediately exercisable in full. For purposes of this Agreement, "Change of Control" means the occurrence of any of the following events:

(a) any "person," as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") (other than the Company, any trustee or other fiduciary holding securities under an employee benefit plan of the Company or any company owned, directly or indirectly, by the stockholders of Occidental in substantially the same proportions as their ownership of the Common Stock of Occidental), is or becomes after the effective date of the Plan as provided in Section 16 of the Plan (the "Effective Date") the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of Occidental (not including in the securities beneficially owned by such person any securities acquired directly from Occidental or its affiliates) representing 50 percent or more of the combined voting power of Occidental's then-outstanding securities;

(b) during any period of two consecutive years (not including any period prior to the Effective Date), individuals who at the beginning of such period constitute the Board, and any new director (other than a director designated by a person who has entered into an agreement with the Company to effect

a transaction described in clause (a), (c), or (d) of this definition) whose election by the Board or nomination for election by Occidental'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 at least a majority of the Board;

(c) the stockholders of Occidental approve a merger or consolidation of Occidental with any other corporation, other than (i) a merger or consolidation that would result in the voting securities of Occidental outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity), in combination with the ownership of any trustee or other fiduciary holding securities under an employee benefit plan of the Company, at least 50 percent of the combined voting power of the voting securities of Occidental or such surviving entity outstanding immediately after such merger or consolidation or (ii) a merger or consolidation effected to implement a recapitalization of Occidental (or similar transaction) in which no person acquires more than 50 percent of the combined voting power of Occidental's then-outstanding securities; or

(d) the stockholders of Occidental approve a plan of complete liquidation of Occidental or an agreement for the sale or disposition of all or substantially all of Occidental's assets;

provided, however, that prior to the occurrence of any of the events described in clauses (a) through (d) above, the Board may determine that such event shall not constitute a Change of Control for purposes of this Agreement.

8. NO EMPLOYMENT CONTRACT; RELATIONSHIP TO EMPLOYMENT CONTRACT.

(a) Nothing contained in this Agreement shall confer upon the Optionee any right with respect to continuance of employment by the Company, nor limit or affect in any manner the right of the Company to terminate the employment or adjust the compensation of the Optionee.

(b) In the event of any conflict or inconsistency between the terms and conditions of this Agreement and any current or future employment agreement between the Optionee and the Company, then, notwithstanding any provision of such employment agreement to the contrary, the terms of this Agreement shall govern. THE OPTIONEE ACKNOWLEDGES AND AGREES THAT ACCEPTANCE OF THE FOREGOING PROVISION IS A CONDITION TO THE GRANT OF THIS OPTION AND THAT, IF THE OPTIONEE SEEKS TO ENFORCE ANY INCONSISTENT OR CONTRARY TERM OF AN EMPLOYMENT AGREEMENT, THIS OPTION SHALL BE NULL AND VOID AND ALL RIGHTS THAT THE OPTIONEE HAD UNDER THIS AGREEMENT SHALL IMMEDIATELY TERMINATE.

Initialed by Optionee: -----

9. TAXES AND WITHHOLDING. If the Company shall be required to withhold any federal, state, local or foreign tax in connection with the exercise of the Option, the Optionee shall pay the tax or make provisions that are satisfactory to the Company for the payment thereof. The Optionee may elect to satisfy all or any part of any such withholding obligation by surrendering to the Company a portion of the shares of Common Stock that are issued or transferred to the Optionee upon the exercise of the Option, and the shares of Common Stock so surrendered by the Optionee shall be credited against any such withholding obligation at the Fair Market Value per Share of such shares on the date of such surrender; provided, however, if the Optionee is subject to Section 16 of the Exchange Act, such election shall be made in accordance with Rule 16b-3 and subject to approval by the Committee if such approval is then required by Rule 16b-3.

10. COMPLIANCE WITH LAW. The Company shall make reasonable efforts to comply with all applicable federal and state securities laws; provided, however, notwithstanding any other provision of this Agreement, the Option shall not be exercisable if the exercise thereof would result in a violation of any such law.

11. ADJUSTMENTS. The Committee shall make such adjustments in the Option Price and the number or kind of shares of Common Stock covered by the Option that the Committee may in good faith determine to be required in order to prevent dilution or expansion of the Optionee's rights under this Agreement that otherwise would result from (a) any stock dividend, stock split, combination of shares,



recapitalization or other change in the capital structure of Occidental, or (b) any merger, consolidation, spin-off, spin-out, split-off, split-up, reorganization, partial or complete liquidation or other distribution of assets, issuance of warrants or other rights to purchase securities, or any other corporate transaction or event having an effect similar to any of the foregoing. In the event of any such transaction or event, the Committee may provide in substitution for all or any portion of the Optionee's rights under this Agreement such alternative consideration as the Committee may in good faith determine to be appropriate under the circumstances and may require the surrender of all rights so replaced.

12. RELATION TO OTHER BENEFITS. Any economic or other benefit to the Optionee under this Agreement shall not be taken into account in determining any benefits to which the Optionee may be entitled under any profit-sharing, retirement or other benefit or compensation plan maintained by the Company and shall not affect the amount of any life insurance coverage available to any beneficiary under any life insurance plan covering employees of the Company.

13. AMENDMENTS. Any amendment to the Plan shall be deemed to be an amendment to this Agreement to the extent that the amendment is applicable hereto; provided, however, that no amendment shall adversely affect the rights of the Optionee under this Agreement without the Optionee's consent.

14. SEVERABILITY. In the event that one or more of the provisions of this Agreement shall be invalidated for any reason by a court of competent jurisdiction, any provision so invalidated shall be deemed to be separable from the other provisions hereof, and the remaining provisions hereof shall continue to be valid and fully enforceable.

15. RELATION TO PLAN. This Agreement is subject to the terms and conditions of the Plan. In the event of any inconsistent provisions between this Agreement and the Plan, the Plan shall govern. Capitalized terms used herein without definition shall have the meanings assigned to them in the Plan.

16. SUCCESSORS AND ASSIGNS. Without limiting Section 4 hereof, the provisions of this Agreement shall inure to the benefit of, and be binding upon, the successors, administrators, heirs, legal representatives and assigns of the Optionee, and the successors and assigns of the Company.

17. GOVERNING LAW. The interpretation, performance, and enforcement of this Agreement shall be governed by the laws of the State of Delaware.

18. NOTICES. Any notice to the Company provided for herein shall be given to its Secretary at 10889 Wilshire Boulevard, Los Angeles, California 90024, and any notice to the Optionee shall be addressed to said Optionee at his or her address currently on file with the Company. Except as otherwise provided herein, any written notice shall be deemed to be duly given if and when delivered personally or deposited in the United States mail, first class registered mail, postage and fees prepaid, and addressed as aforesaid. Any party may change the address to which notices are to be given hereunder by written notice to the other party as herein specified (provided that for this purpose any mailed notice shall be deemed given on the third business day following deposit on the same in the United States mail).

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed on its behalf by its duly authorized officer and Optionee has also executed this Agreement in duplicate, as of the day and year first above written.

OCCIDENTAL PETROLEUM CORPORATION

By: \_\_\_\_\_

\_\_\_\_\_  
Optionee

## OCCIDENTAL PETROLEUM CORPORATION AND SUBSIDIARIES

COMPUTATION OF EARNINGS PER SHARE  
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 1997 AND 1996  
(Amounts in thousands, except per-share amounts)

EARNINGS PER COMMON AND COMMON EQUIVALENT SHARE	Three Months Ended June 30		Six Months Ended June 30	
	1997	1996	1997	1996
Applicable to common shares:				
Income(loss) before extraordinary items	\$ 135,100	\$ 158,285	\$ 291,400	\$ 298,575
Extraordinary gain(loss), net	--	--	--	(29,836)
Earnings(loss) applicable to common stock	\$ 135,100	\$ 158,285	\$ 291,400	\$ 268,739
Common shares outstanding at beginning of period	329,806	319,354	329,228	318,711
Issuance of common shares, weighted average	224	2,320	583	1,589
Conversions, weighted average options exercised and other	205	143	215	230
Repurchase/cancellation of common shares	--	(5)	(81)	(71)
Effect of assumed exercises				
Dilutive effect of exercise of options outstanding and other	358	542	403	395
Weighted average common stock and common stock equivalents	330,593	322,354	330,348	320,854
Primary earnings per share:				
Income before extraordinary items	\$ .41	\$ .49	\$ .88	\$ .93
Extraordinary gain(loss), net	--	--	--	(.09)
Earnings(loss) per common and common equivalent share	\$ .41	\$ .49	\$ .88	\$ .84
FULLY DILUTED EARNINGS PER SHARE				
Earnings(loss) applicable to common stock	\$ 135,100	\$ 158,285	\$ 291,400	\$ 268,739
Dividends applicable to dilutive preferred stock:				
\$3.875 preferred stock(a)	--	14,634	--	--
\$3.00 preferred stock(a)	8,279	8,541	16,819	17,082
	\$ 143,379	\$ 181,460	\$ 308,219	\$ 285,821
Common shares outstanding at beginning of period	329,806	319,354	329,228	318,711
Issuance of common shares, weighted average	224	2,320	583	1,589
Conversions, weighted average options exercised and other	205	143	215	230
Repurchase/cancellation of common shares	--	(5)	(81)	(71)
Effect of assumed conversions and exercises				
Dilutive effect of assumed conversion of preferred stock:				
\$3.875 preferred stock(a)	--	33,186	--	--
\$3.00 preferred stock(a)	34,582	27,070	34,582	27,070
Dilutive effect of exercise of options outstanding and other	549	543	501	523
Total for computation of fully diluted earnings per share	365,366	382,611	365,028	348,052
Fully diluted earnings per share:				
Income before extraordinary items	\$ .39	\$ .47	\$ .84	\$ .91
Extraordinary gain(loss), net	--	--	--	(.09)
Fully diluted earnings(loss) per common share	\$ .39	\$ .47	\$ .84	\$ .82

(a) Convertible securities are not considered in the calculations if the effect of the conversion is anti-dilutive.

## OCCIDENTAL PETROLEUM CORPORATION AND SUBSIDIARIES

COMPUTATION OF TOTAL ENTERPRISE RATIOS OF EARNINGS TO FIXED CHARGES  
 FOR THE SIX MONTHS ENDED JUNE 30, 1997 AND 1996  
 AND THE FIVE YEARS ENDED DECEMBER 31, 1996  
 (Amounts in millions, except ratios)

	Six Months Ended June 30		Year Ended December 31				
	1997	1996	1996	1995	1994	1993	1992
Income(loss) from continuing operations(a)	\$ 332	\$ 334	\$ 672	\$ 478	\$ (46)	\$ 80	\$ 131
Add:							
Provision for taxes on income (other than foreign oil and gas taxes)	174	181	212	244	50	204	114
Interest and debt expense(b)	223	266	494	592	594	601	666
Portion of lease rentals representative of the interest factor	22	21	43	48	55	53	56
Preferred dividends to minority stockholders of subsidiaries(c)	--	--	--	--	--	--	7
	419	468	749	884	699	858	843
Earnings(loss) before fixed charges	\$ 751	\$ 802	\$ 1,421	\$ 1,362	\$ 653	\$ 938	\$ 974
Fixed charges							
Interest and debt expense including capitalized interest(b)	\$ 231	\$ 270	\$ 506	\$ 602	\$ 599	\$ 612	\$ 685
Portion of lease rentals representative of the interest factor	22	21	43	48	55	53	56
Preferred dividends to minority stockholders of subsidiaries(c)	--	--	--	--	--	--	7
Total fixed charges	\$ 253	\$ 291	\$ 549	\$ 650	\$ 654	\$ 665	\$ 748
Ratio of earnings to fixed charges	2.97	2.76	2.59	2.10	n/a(d)	1.41	1.30

(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) Adjusted to a pretax basis.

(d) Not computed due to less than one-to-one coverage. Earnings were inadequate to cover fixed charges by \$1 million.



THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE  
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 1997,  
AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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6-MOS  
DEC-31-1997  
JUN-30-1997

		331
	0	
	656	
	26	
	632	
2,099		23,454
	9,551	
	17,676	
2,294		4,980
0		
	2,707	
	66	
17,676		2,513
		5,478
	5,551	
		4,143
	4,143	
	59	
	0	
	218	
	629	
	329	
337		
	0	
	0	
		0
	337	
	.88	
	.84	