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

Form 10-K

[X] Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002	[ ] 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)

State or other jurisdiction of incorporation or organization	Delaware
I.R.S. Employer Identification No.	95-4035997
Address of principal executive offices	10889 Wilshire Blvd., Los Angeles, CA
Zip Code	90024
Registrant's telephone number, including area code	(310) 208-8800

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 Debentures due 2009	New York Stock Exchange
9 1/4% Senior Debentures due 2019	New York Stock Exchange
Oxy Capital Trust I 8.16% Trust Originated Preferred Securities	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.
[X] 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. [X]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). [X] YES [ ] NO

The aggregate market value of the voting stock held by nonaffiliates of the registrant was approximately $11.3 billion, computed by reference to the closing price on the New York Stock Exchange composite tape of $29.99 per share of Common Stock on June 28, 2002. Shares of Common Stock held by each executive officer and director have been excluded from this computation in that such persons may be deemed to be affiliates. This determination of affiliate status is not a conclusive determination for other purposes.

At January 31, 2003, there were approximately 377,933,436 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE
Portions of the registrant's definitive Proxy Statement, filed in connection with its April 25, 2003, Annual Meeting of Stockholders, are incorporated by reference into Part III.

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PART I

ITEMS 1 AND 2 BUSINESS AND PROPERTIES

In this report, "Occidental" refers to Occidental Petroleum Corporation, a Delaware corporation, and/or one or more entities in which it owns a majority voting interest (subsidiaries). Occidental's executive offices are located at 10889 Wilshire Boulevard, Los Angeles, California 90024; telephone (310) 208-8800.

GENERAL

Occidental's principal businesses constitute two industry segments. The oil and gas segment explores for, develops, produces and markets crude oil and natural gas. The chemicals segment manufactures and markets basic chemicals, vinyls, and performance chemicals. For financial information about these segments, see Note 15 to the Consolidated Financial Statements of Occidental (Consolidated Financial Statements).

DEVELOPMENTS

Significant developments during 2002 included:

>> The oil and gas segment's acquisition of a 24.5-percent interest in the Dolphin natural gas project involving the United Arab Emirates and Qatar; and

>> The chemicals segment's sale of its interest in Equistar Chemicals, L.P. (Equistar) and its purchase of a 21-percent equity interest in Lyondell Chemical Company (Lyondell).

For information regarding these and other developments, see the information in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" (MD&A) section of this report.

OIL AND GAS OPERATIONS

GENERAL

Occidental's oil and gas operations are located in California, Kansas, Oklahoma, New Mexico and Texas domestically and in Colombia, Ecuador, Oman, Pakistan, Qatar, Russia, United Arab Emirates, and Yemen internationally. Occidental also has interests in several other countries.

RESERVES, PRODUCTION AND PROPERTIES

The table below shows Occidental's total reserves and production in 2002, 2001 and 2000. In 2002, including the effect of acquisitions, Occidental replaced 140 percent of 2002 worldwide combined oil and natural gas production of 188 million barrels, on a barrels of oil equivalent (BOE) basis. See the MD&A section of this report, Note 16 to the Consolidated Financial Statements and the information under the caption "Supplemental Oil and Gas Information" in Item 8 of this report for certain details regarding Occidental's oil and gas reserves, the estimation process and production by country. On April 23, 2002, Occidental reported to the U.S. Department of Energy on Form EIA-28 proved oil and gas reserves at December 31, 2001. The amounts reported were the same as the amounts reported in Occidental's 2001 Annual Report.

COMPARATIVE OIL AND GAS RESERVES AND PRODUCTION

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

	2002			2001			2000		
	OIL (b)	GAS	TOTAL (c)	Oil (b)	Gas	Total (c)	Oil (b)	Gas	Total (c)
U.S. Reserves	1,452	1,821	1,755	1,371	1,962	1,698	1,346	2,094	1,695
International Reserves	518	228	556	526	106	543	457	116	476
Total	1,970	2,049	2,311(a)	1,897	2,068	2,241(a)	1,803	2,210	2,171(a)
U.S. Production	85	206	119	78	223	115	63	241	104
International Production	65	23	69	55	18	59	62	18	65
Total	150	229	188	133	241	174	125	259	169

(a) Stated on a net basis and after applicable royalties. Includes reserves related to production-sharing contracts, other economic arrangements and Occidental's share of reserves from equity investees. Proved reserves from production-sharing contracts in the Middle East and Other Eastern Hemisphere and from other economic arrangements in the U.S. were 324 million barrels of oil equivalent (MMBOE) and 94 MMBOE in 2002, 321 MMBOE and 99 MMBOE in 2001 and 258 MMBOE and 87 MMBOE in 2000, respectively.

(b) Includes natural gas liquids and condensate.

(c) Natural gas volumes have been converted to equivalent barrels based on energy content of 6,000 cubic feet (one thousand cubic feet is referred to as an "Mcf") of gas to one barrel of oil.

COMPETITION

As a producer of crude oil and natural gas, Occidental competes with numerous other producers. Crude oil and natural gas are commodities that are sensitive to prevailing conditions of supply and demand and are sold at "spot", contract prices or on futures markets. Occidental competes by developing and producing its worldwide oil and gas reserves cost-effectively and acquiring contracts to explore in areas with known oil and gas deposits. Occidental also competes by increasing production through enhanced oil recovery projects and making strategic acquisitions. Occidental focuses in its core areas of the United States, the Middle East and Latin America.

CHEMICAL OPERATIONS
GENERAL

Occidental manufactures and markets basic chemicals, vinyls and performance chemicals directly and through various affiliates (collectively, OxyChem). OxyChem's operations are affected by cyclical economic factors and by specific chemical-industry conditions. For additional information regarding Occidental's chemical segment, see the information under the caption "Business Review - Chemical" in the MD&A section of this report.

PRODUCTS AND PROPERTIES

OxyChem, which is headquartered in Dallas, Texas, operates chemical manufacturing plants at 26 sites in the United States. Many of the larger facilities are located in the Gulf Coast region of Texas and Louisiana. In addition, OxyChem operates two chemical-manufacturing plants in Canada, and one in Chile. All of OxyChem's manufacturing plants are owned, except for a portion of the LaPorte, Texas vinyl chloride monomer (VCM) plant, which is leased. A number of additional facilities process, blend and store products. OxyChem owns and leases an extensive fleet of railcars.

BASIC CHEMICALS

OxyChem's basic chemicals primarily consist of chlorine, caustic soda, potassium chemicals and their derivatives.

Chlorine is used for chemical manufacturing in the chlorovinyl chain and for water treatment. OxyChem produces chlorine in Alabama, Delaware, Louisiana, New York, Texas, Brazil and Chile. Estimated annual capacity, including one temporarily idled plant, at December 31, 2002, was 3.3 million tons in the United States (includes the 0.9 million-ton annual capacity of the OxyVinyls partnership, owned 76 percent by Occidental and 24 percent by PolyOne Corporation) and 0.3 million tons in Brazil and Chile. (Includes gross annual capacity for a Brazilian corporation, 50-percent owned by Occidental).

Caustic soda is co-produced with chlorine and is used for pulp and paper production, alumina production and other chemical manufacturing. OxyChem produces caustic soda in Delaware, Louisiana, New York, Texas, Brazil and Chile. Estimated annual capacity, including one temporarily idled plant, at December 31, 2002, was 3.5 million tons in the United States (includes the 1 million-ton annual capacity of the OxyVinyls partnership) and 0.4 million tons in Brazil and Chile. (Includes gross annual capacity for a Brazilian corporation, 50-percent owned by Occidental).

Potassium chemicals are used in glass, fertilizer, cleaning products and rubber. OxyChem produces potassium chemicals in Alabama and Delaware. Estimated annual capacity at December 31, 2002, was 429,000 tons.

Ethylene dichloride (EDC), a chlorine derivative, is a raw material for VCM. OxyChem produces EDC in Louisiana, Texas and Brazil. Estimated annual capacity, including one temporarily idled plant, at December 31, 2002, was 3.0 billion pounds in the United States and 0.3 billion pounds in a Brazilian corporation, 50-percent owned by Occidental.

VINYLS

The OxyVinyls partnership is OxyChem's principal producer of vinyls. OxyChem's vinyls products include VCM and polyvinyl chloride (PVC) resins.

OxyChem produces VCM, which is used as a raw material for PVC, in Texas. At December 31, 2002, estimated annual capacity was 6.1 billion pounds (includes the 2.4 billion-pound annual capacity of OxyMar, which is 67-percent owned by Occidental).

PVC resins are used in piping and electrical insulation, external construction materials, flooring, medical and automotive products and packaging. OxyChem produces PVC resins in Kentucky, New Jersey, Pennsylvania, Texas, and Canada. At December 31, 2002, estimated annual capacity was 4.7 billion pounds.

PERFORMANCE CHEMICALS

OxyChem's performance chemicals include chlorinated isocyanurates (estimated capacity of 131 million pounds produced in Illinois and Louisiana), resorcinol (estimated capacity of 52 million pounds produced in Pennsylvania), antimony oxide (estimated capacity of 33 million pounds produced in Texas), mercaptans (estimated capacity of 18 million pounds produced in Texas) and sodium silicates (estimated capacity of 753,000 tons produced in Georgia, Ohio, Illinois, New Jersey, Texas and Alabama). Information regarding production capacity reflects estimated annual capacity at December 31, 2002.

RAW MATERIALS

Nearly all raw materials used in OxyChem's operations are readily available from a variety of sources. Most of OxyChem's key raw-materials purchases are made through contractual relationships, rather than on the spot market. OxyChem is not dependent on any single nonaffiliated supplier for a material amount of its raw-material or energy requirements. Operations have not been curtailed as a result of any supply interruptions.

PATENTS, TRADEMARKS AND PROCESSES

OxyChem's operations use a large number of patents, trademarks and processes, 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, trademark or process.

SALES AND MARKETING

OxyChem's products are sold to industrial users or distributors located in the United States, largely by its own sales force. OxyChem sells its products at current market or market-related prices through short- and long-term sales agreements.

No significant portion of OxyChem's business is dependent on a single third-party customer. However, OxyChem has entered into significant sales arrangements with certain of its affiliates and partners. In 2002, PolyOne purchased from OxyVinyls raw materials pursuant to PVC resin and VCM sale contracts at market-related prices valued at approximately $179 million. Also, OxyMar sold VCM resin at market-related prices valued at approximately $309 million to OxyChem affiliates in 2002. OxyChem generally does not manufacture its products against a backlog of firm orders.

COMPETITION

Occidental's chemical business competes with numerous producers. Since most of OxyChem's products are commodity in nature, they compete primarily on the basis of price. Because OxyChem's products generally do not occupy proprietary positions, OxyChem endeavors to be an efficient, low-cost producer.

CAPITAL EXPENDITURES

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

EMPLOYEES

Occidental employed 7,244 people at December 31, 2002, 5,878 of whom were located in the United States. Occidental employed 2,827 people in oil and gas operations and 3,370 people in chemical operations. An additional 1,047 people were employed in administrative and headquarters functions. Approximately 666 U.S.-based employees are represented by labor unions.

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

ENVIRONMENTAL REGULATION

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

AVAILABLE INFORMATION

Occidental makes the following information available free of charge through its website at www.oxy.com:

- Forms 10-K, 10-Q, 8-K and amendments to these forms as soon as reasonably practicable after they are filed electronically with the SEC;
- Other SEC filings, including Forms 3, 4 and 5; and
- Corporate-governance information, including its corporate-governance guidelines, board-committee charters and Code of Business Conduct.

ITEM 3   LEGAL PROCEEDINGS

For information regarding lawsuits, claims, commitments, contingencies and related matters, see the information in Note 9 to the Consolidated Financial Statements.

In April 1998, a civil action was filed on behalf of the United States Environmental Protection Agency (EPA) against OxyChem relating to the Centre County Kepone Superfund Site at State College, Pennsylvania. The lawsuit sought approximately $12 million in penalties and governmental response costs, a declaratory judgment that OxyChem is a liable party under the Comprehensive Environmental Response, Compensation, and Liability Act, and an order requiring OxyChem to carry out the remedy that is being performed by the site owner. In October 2002, the U.S. District Court for the Middle District of Pennsylvania approved a Consent Decree between OxyChem and the United States. Pursuant to the decree, OxyChem agreed to pay to the United States and the site owner a total of $886,000, which included payment of a $21,000 penalty to the United States and an obligation to fund a supplemental environmental project to acquire an environmental easement for up to $84,000, in exchange for, among other things, a release of all past and future response costs associated with the site and dismissal of the United States' lawsuit, with prejudice. In November 2002, all payments required under the Consent Decree were made, except the amount for the supplemental environmental project, the terms of which remain under negotiation between the EPA and the affected landowner.

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 2002.

EXECUTIVE OFFICERS OF THE REGISTRANT

Name	Age at February 28, 2003	Positions with Occidental and Subsidiaries and Five-Year Employment History
Dr. Ray R. Irani	68	Chairman of the Board of Directors and Chief Executive Officer since 1990; President from 1984 to 1996; Chief Operating Officer from 1984-1990; Director since 1984; member of Executive Committee.
Dr. Dale R. Laurance	57	President since 1996; Chairman and Chief Executive Officer of Occidental Oil and Gas Corporation (OOGC) since 1999; Director since 1990; member of Executive Committee.
Stephen I. Chazen	56	Chief Financial Officer and Executive Vice President - Corporate Development since 1999; 1994-1999, Executive Vice President - Corporate Development.
Donald P. de Brier	62	Executive Vice President, General Counsel and Secretary since 1993.
Richard W. Hallock	58	Executive Vice President - Human Resources since 1994.
J. Roger Hirl	71	Executive Vice President since 1984; 1988-2002, Director; President and Chief Executive Officer of Occidental Chemical Corporation from 1991 through 2001.
John W. Morgan	49	Executive Vice President since 2001; Executive Vice President - Worldwide Production of OOGC since 2001; 1998-2001, Executive Vice President - Operations; 1991-1998, Vice President - Operations.
Samuel P. Dominick, Jr.	62	Vice President and Controller since 1991.
James R. Havert	61	Vice President and Treasurer since 1998; 1992-1998, Senior Assistant Treasurer.
Kenneth J. Huffman	58	Vice President - Investor Relations since 1991.
Anthony R. Leach	63	Vice President Finance since 1999; 1991-1999, Executive Vice President and Chief Financial Officer.
Robert M. McGee	56	Vice President since 1994; President of Occidental International Corporation since 1991.
Lawrence P. Meriage	60	Vice President - Communications and Public Affairs since 2000; 1995-2000, Vice President - Executive Services and Public Affairs of OOGC.
Donald L. Moore, Jr.	54	Vice President and Chief Information Officer since 2002; 2000-2002, Vice President Information Technology of Oxy Services, Inc.; 1999-2000, Vice President and Chief Information Officer of KN Energy, Inc.; 1997-1999, Vice President Information Technology of MidCon Corp.
R. Casey Olson	49	Vice President since 2001; President - Middle East since 2002; 2001-2002, President of Occidental Middle East Development Company; Executive Vice President of OOGC since 2000; 1998-2000, Senior Vice President - Business Development of OOGC;
Richard A. Swan	55	Vice President - Health, Environment and Safety since 1995.
Aurmond A. Watkins, Jr.	60	Vice President - Tax since 1991.

The current term of office of each Executive Officer will expire at the April 25, 2003, organizational meeting of the Occidental Board of Directors or when his successor is elected.

PART II

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

TRADING PRICE RANGE AND DIVIDENDS

This section incorporates by reference the quarterly financial data appearing under the caption "Quarterly Financial Data" and the information appearing under the caption "Liquidity and Capital Resources" in the MD&A section of this report. Occidental's common stock was held by approximately 56,367 stockholders of record at December 31, 2002, with an estimated 146,377 additional stockholders whose shares were held for them in street name or nominee accounts. The common stock is listed and traded principally on the New York Stock Exchange and also is listed on certain foreign exchanges. The quarterly financial data on pages 73 and 74 of this report set forth the range of trading prices for the common stock as reported on the composite tape of the New York Stock Exchange and quarterly dividend information.

In 2002, the quarterly dividend rate for the common stock was $.25 per share. On December 10, 2002, a dividend of $.26 per share was declared on the common stock, payable on April 15, 2003 to stockholders of record on March 10, 2003. The declaration of future cash dividends is a business decision made by the Board of Directors from time to time, and will depend on Occidental's financial condition and other factors deemed relevant by the Board.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

Occidental has three equity compensation plans for its employees that were approved by the stockholders, pursuant to which options, rights or warrants may be granted and one equity compensation plan for its nonemployee directors that was approved by the stockholders. See Note 11 to the Consolidated Financial Statements for further information on the material terms of these plans. Occidental has no other equity compensation plans pursuant to which options, rights or warrants could be granted.

The following is a summary of the shares reserved for issuance as of December 31, 2002, pursuant to outstanding options, rights or warrants granted under Occidental's equity compensation plans:

(a) Number of securities to be issued, upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans, excluding securities in column (a)
26,971,625	$24.2191	8,202,122 *

* Includes, with respect to the 1995 Incentive Stock Plan, 2,231,700 shares at maximum target level (1,115,850 at target level) reserved for issuance pursuant to outstanding performance stock awards, including 855,372 shares at maximum target level (427,686 at target level) eligible for certification in February 2003, and 313,276 deferred performance and restricted stock awards and, with respect to the 2001 Incentive Compensation Plan, 623,094 shares at maximum target level (311,547 at target level) reserved for issuance pursuant to outstanding performance stock awards, 923,224 shares reserved for issuance pursuant to restricted stock awards and 2,025 shares reserved for issuance as dividend equivalents under the 2001 Incentive Compensation Plan. Of the remaining 4,108,803 shares, 4,049,638 shares are available under the 2001 Incentive Compensation Plan, all of which may be issued or reserved for issuance for options, rights and warrants as well as performance stock awards, restricted stock awards, stock bonuses and dividend equivalents and 59,165 shares are available for issuance under the Restricted Stock Plan for nonemployee directors.

ITEM 6 SELECTED FINANCIAL DATA

FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA
Dollar amounts in millions, except per-share amounts

For the years ended December 31,	2002	2001	2000	1999	1998
RESULTS OF OPERATIONS(a)					
Net sales	$ 7,338	$ 8,102	$ 8,504	$ 5,594	$ 5,015
Income from continuing operations	$ 1,163	$ 1,179	$ 1,557	$ 461	$ 327
Net income	$ 989	$ 1,154	$ 1,570	$ 448	$ 363
Earnings applicable to common stock	$ 989	$ 1,154	$ 1,571	$ 442	$ 346
Basic earnings per common share from continuing operations	$ 3.09	$ 3.16	$ 4.22	$ 1.28	$ 0.89
Basic earnings per common share	$ 2.63	$ 3.10	$ 4.26	$ 1.24	$ 0.99
Diluted earnings per common share	$ 2.61	$ 3.09	$ 4.26	$ 1.24	$ 0.99
Core earnings(b)	$ 999	$ 1,246	$ 1,349	$ 37	$ 9
FINANCIAL POSITION(a)					
Total assets	$ 16,548	$ 17,850	$ 19,414	$ 14,125	$ 15,252
Long-term debt, net	$ 3,997	$ 4,065	$ 5,185	$ 4,368	$ 5,367
Trust Preferred Securities and preferred stock	$ 455	$ 463	$ 473	$ 486	$ 243
Common stockholders' equity	$ 6,318	$ 5,634	$ 4,774	$ 3,523	$ 3,120
CASH FLOW					
Cash provided (used) by operating activities	$ 2,100	$ 2,566	$ 2,348	$ 1,004	$ (2)
Capital expenditures	$ (1,236)	$ (1,308)	$ (892)	$ (557)	$ (982)
Cash (used) provided by all other investing activities, net	$ (460)	$ 657	$ (2,152)	$ 2,189	$ (153)
DIVIDENDS PER COMMON SHARE	$ 1.00	$ 1.00	$ 1.00	$ 1.00	$ 1.00
BASIC SHARES OUTSTANDING (thousands)	376,190	372,119	368,750	355,073	349,931

(a) See "Management's Discussion and Analysis of Financial Condition and Results of Operations" 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 items affecting comparability.

(b) Occidental's results of operations often include the effects of significant transactions and events affecting earnings that vary widely and unpredictably in timing, nature and amount. Therefore, management uses a measure called "core earnings", which excludes those items. This non-GAAP measure is not meant to disassociate those items from management's performance, but rather is meant to provide useful information to investors interested in comparing Occidental's earnings performance between periods. Reported earnings are considered representative of management's performance over the long term. Core earnings is not considered to be an alternative to operating income in accordance with generally accepted accounting principles.

ITEM 7

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

In this report, the term "Occidental" refers to Occidental Petroleum Corporation and/or one or more entities in which it owns a majority voting interest (subsidiaries). Occidental is divided into two segments: oil and gas and chemical.

2002 BUSINESS ENVIRONMENT

OIL AND NATURAL GAS INDUSTRY

Oil and gas prices are the key variables that drive the industry's financial performance. Prices can vary even on a short-term basis. The average West Texas Intermediate (WTI) market price for 2002 was $26.08/barrel (bbl) compared with $25.97/bbl in 2001. From a low point of less than $20.00/bbl in 2001, prices have improved to a fourth quarter of 2002 average price of $28.15/bbl, which was the strongest quarter for oil prices since the first quarter of 2001.

NYMEX domestic natural gas prices began 2002 at approximately $2.50 per thousand cubic feet (Mcf), but increased during the year. For the fourth quarter of 2002, gas prices averaged $3.57/Mcf compared with $2.55/Mcf for the fourth quarter of 2001.

CHEMICAL INDUSTRY

The chemical industry continued to struggle throughout the year due to poor economic conditions. However, several commodity chemical product prices improved moderately due to the resilient building and construction industry and marginal improvement in demand for general durable goods.

Domestic chlorine demand improved slightly in 2002, compared to 2001 due to the modest growth across all markets other than vinyl chloride monomer (VCM). Despite modest growth in chlorine demand, prices remained strong and improved significantly through the year. Strong chlorine prices resulted from a 5 percent overall decrease in industry capacity and unplanned production outages. Caustic soda prices declined through the second quarter due to a slow rebound in downstream product demand, but improved in the fourth quarter as supply became tighter. Polyvinyl chloride (PVC) prices improved reflecting the ability to pass through price increases in feedstock costs as well as strong demand in building and construction markets, resulting in some margin improvement.

STRATEGIC OVERVIEW AND REVIEW OF BUSINESS RESULTS - 2000 - 2002

STRATEGY

Occidental's overall corporate strategy aims to generate competitive total returns to stockholders and consists of three basic elements:

>> Focus on large, long-lived oil and gas assets with growth potential.
>> Maintain financial discipline and strengthen the balance sheet.
>> Harvest cash from chemicals.

Large, long-lived "legacy" oil and gas assets like those in California, the Permian Basin in Texas and Qatar tend to have moderate decline rates, enhanced secondary and tertiary recovery opportunities and economies of scale that lead to cost-effective production. These assets are expected to contribute strong earnings and cash flow and serve as a strong foundation for new growth initiatives.

At Occidental, maintaining financial discipline means prudently investing capital in projects that are expected to generate above-cost-of-capital returns from these investments throughout the business cycle. During periods of high commodity prices, Occidental will use the bulk of its cash flow after capital and dividends to reduce the volatility of its earnings either through debt reduction or, to a lesser extent, by acquiring additional properties with low-risk characteristics. Occidental may also sell properties to reduce debt and to fund other higher-return acquisitions, while strengthening the balance sheet to reduce risk and increase earnings.

The chemicals business provides free cash flow. From 1995 through 2002, cash flow, after subtracting capital expenditures, from the chemicals business totaled $3.0 billion. This does not include asset sales, net of acquisitions, which provided an additional $1.0 billion.

SPECIFIC ACTIONS

OIL AND GAS

The oil and gas business strategy has three parts that, together, are focused on adding new oil and natural gas reserves at a pace well ahead of production, while simultaneously keeping finding and development costs among the lowest in the industry:

>> Continue to add commercial reserves in and around Occidental's core areas, which are the U.S., Middle East and Latin America, through a combination of focused exploration and development programs.
>> Pursue commercial opportunities with host governments in core areas to enhance the development of mature fields with large volumes of remaining oil in place by applying appropriate technology and innovative reservoir-management practices.
>> Maintain a disciplined approach in buying and selling assets at attractive prices.

Occidental's oil and gas operations are located in California, Kansas, Oklahoma, New Mexico and Texas domestically and in Colombia, Ecuador, Oman, Pakistan, Qatar, Russia, United Arab Emirates and Yemen internationally. Occidental also has interests in several other countries.

The asset mix within each of the core areas has been strengthened. Occidental has sold properties with low or no current return and invested in assets with higher performance potential. The results of these changes are discussed below in "Business Review - Oil and Gas."

CHEMICAL

Occidental manufactures and markets basic chemicals, vinyls and performance chemicals directly and through various affiliates (collectively, OxyChem). OxyChem focuses on the chlorovinyls chain where it begins with chlorine, which is co-produced with caustic soda, and then converts chlorine and ethylene, through a series of intermediate products, into PVC.

In August 2002, Occidental and Lyondell Chemical Company completed an agreement for Occidental to sell its 29.5-percent share of Equistar to Lyondell and to purchase a 21-percent equity interest in Lyondell. Occidental entered into these transactions to diversify its petrochemicals interest. These transactions reduced Occidental's direct exposure to petrochemicals volatility, yet allowed it to maintain a presence and preserve, through its Lyondell investment, an economic upside when the petrochemicals industry recovers.

CORPORATE

In July 2001, Occidental sold its interests in a subsidiary that owned a Texas intrastate pipeline system and its interest in a liquefied natural gas (LNG) project in Indonesia. After-tax proceeds of approximately $750 million from these transactions were used to reduce debt.

In April 2000, Occidental sold its interest in Canadian Occidental Petroleum Ltd., renamed Nexen Inc. (CanadianOxy or Nexen). After-tax proceeds, together with tax benefits from the disposition of oil-producing properties in Peru at the same time, totaling $700 million were used to reduce debt following the Altura acquisition.

DEBT STRUCTURE

The components of Occidental's total debt are shown in the table below (amounts in millions):

Date	Occidental Debt	Other Recourse Debt (a)	Total Debt (a)
12/31/98	$ 5,382	$ 776	$ 6,158
12/31/99	$ 4,380	$ 1,047	$ 5,427
12/31/00	$ 5,441	$ 913	$ 6,354
12/31/01	$ 4,119	$ 771	$ 4,890
12/31/02	$ 4,203	$ 556	$ 4,759

(a) Includes Trust Preferred Securities, natural gas delivery commitment (which was terminated in 2002), corporate and subsidiary preferred stock and capital lease obligations.

Occidental's year-end 2002 total debt-to-capitalization ratio has declined to approximately 43 percent from the 66-percent level that existed at the end of 1998, as shown in the table below. The debt-to-capitalization ratio is computed by dividing total debt by total capitalization.

Total Debt/Capitalization Ratio (%)

Date	Total Debt/Capitalization Ratio
12/31/98	66%
12/31/99	61%
12/31/00	57%
12/31/01	46%
12/31/02	43%

BUSINESS REVIEW - OIL AND GAS

Occidental's overall performance during the past several years reflects the successful implementation of its oil and gas business strategy, beginning with the 1998 $3.5 billion acquisition of the Elk Hills oil and gas field in California. The Elk Hills acquisition was followed in April 2000 by the purchases of both Altura Energy in Texas for $3.6 billion and the THUMS property in Long Beach, California for $68 million.

At the end of 2002, these three assets made up 69 percent of Occidental's worldwide proven oil reserves and 55 percent of its proven gas reserves. On a barrel of oil equivalent (BOE) basis, they accounted for 67 percent of Occidental's worldwide reserves. In 2002, the combined production from these assets averaged approximately 290,000 BOE per day, which represents 56 percent of Occidental's total worldwide production. These businesses also contributed approximately 60 percent of oil and gas segment earnings and 85 percent of oil and gas segment free cash flow.

ELK HILLS

Occidental operates the Elk Hills oil and gas field in the southern portion of California's San Joaquin Valley with an approximate 78-percent interest. The field reserves are among the top ten in the lower 48 United States and the field is the largest producer of gas in California. Production increased in 2002 to approximately 101,000 BOE per day from approximately 99,000 BOE per day in 2001. Elk Hills has generated total net cash flow, after subtracting $696 million of capital expenditures, of approximately $2.8 billion since Occidental acquired the asset in early 1998.

Since the date of acquisition, Occidental has replaced 109 percent of its total Elk Hills oil and gas production of 173 million BOE. At the end of 2002, the property still had an estimated 440 million BOE of proved reserves, compared to the 425 million BOE that were recorded at the time of the acquisition.

PERMIAN BASIN

Occidental integrated the Altura properties with its previously existing Permian Basin properties in Southwest Texas and Southeast New Mexico. Since the acquisition, the former Altura properties have generated more than $1.8 billion in total net cash flow, after subtracting capital expenditures of approximately $400 million.

One element of Occidental's strategy in the Permian Basin is to acquire producing properties at attractive prices that offer synergies with its existing operations. In 2002, Occidental made a number of small acquisitions in the Permian Basin for a total purchase price of $73 million. These acquisitions accounted for total proven reserve additions of 53.3 million BOE for an average cost of $1.36 per BOE.

Total Permian oil and gas production averaged 164,000 BOE per day in 2002 compared to 162,000 BOE per day in 2001. Net Permian oil production averaged 142,000 barrels per day in 2002 compared to 137,000 barrels per day in 2001. Occidental is the largest oil producer in Texas.

Approximately 50 percent of Occidental's Permian Basin production is reliant upon the application of carbon dioxide (CO_2) flood technology, an enhanced oil recovery technique, a portion of which is supplied by the Bravo Dome CO_2 unit. This involves injecting CO_2 into oil reservoirs where it acts as a solvent, causing the oil to flow more freely so it can be pumped to the surface. The size of these CO_2 flood operations makes Occidental a world leader in the development and application of this technology. In 2002, Occidental implemented two large CO_2 projects, one in the Cogdell field in West Texas and the other in Hobbs, New Mexico. When these two projects become fully operational, they are expected to add approximately 10,000 BOE per day to Occidental's production.

THUMS

Occidental purchased THUMS, the field contractor of the Long Beach Unit, an oil and gas production unit offshore Long Beach, California, in 2000. It is part of the Wilmington field, which is the fourth largest oil field in the continental U.S. At year-end 2002, net production from the THUMS oil property was averaging 26,000 barrels per day.

Occidental completed construction of a 45-megawatt gas-fired power plant and began generating electricity in December 2002. Previously, the oil field's operations depended on the local utility for power to operate electric pumps critical to production. The electricity supply from the utility was interruptible, meaning that when power was in short supply, service could be temporarily discontinued. Electricity is the largest component of operating costs for this field and by securing a reliable source of electricity, it will be possible to reduce overall field production costs.

GULF OF MEXICO

In July 2000, Occidental completed agreements with respect to two transactions involving its interests on the Continental Shelf in the Gulf of Mexico (GOM) and the proceeds were used to reduce debt.

Occidental has a one-third interest in the deep water Horn Mountain oil field, which is its primary asset in the GOM. BP p.l.c. (BP) is the operator. The discovery well, which was drilled to a depth of nearly 14,000 feet, is located about 60 miles off the Louisiana-Mississippi coast in 5,400 feet of water.

Development work was completed on time and under budget and the field began production in November 2002, with a year-end exit rate of approximately 9,000 net BOE per day. Net proved reserves are approximately 36 million BOE.

HUGOTON

Occidental owns a large concentration of gas reserves, production interests and royalty interests in the Hugoton area of Kansas and Oklahoma. The Hugoton field is the largest natural gas field discovered to date in North America. Occidental's Hugoton operations produced 148,000 Mcf of natural gas and 3,000 barrels of oil per day in 2002.

MIDDLE EAST

DOLPHIN PROJECT

In 2002, Occidental purchased a 24.5-percent interest in Dolphin Energy Limited (DEL), the operator of the Dolphin Project. The Dolphin Project, which is expected to cost its owners $3.5 billion in total, consists of two parts: (1) a development and production sharing agreement with Qatar to develop and produce natural gas and condensate in Qatar's North Field; and (2) the rights for DEL to build, own and operate a 260-mile-long, 48-inch export pipeline to transport 2 billion cubic feet per day of dry natural gas from Qatar to markets in the UAE for a period of 25 years. The pipeline will have capacity to transport up to 3.2 billion cubic feet per day, which will allow for additional business development projects. DEL is currently negotiating contracts to market the gas with users in the UAE. Construction on the upstream production and processing facilities and the pipeline is expected to begin in 2003 and production is scheduled to begin in early 2006. The Dolphin partners anticipate securing project financing. Occidental has not recorded any revenue or production costs for this project and no oil and gas reserves have been included in its 2002 proved oil and gas reserves.

OMAN

Occidental's Oman business centers on its 300-million barrel discovery in Block 9, in which it has a 65-percent working interest. Occidental has produced more than 150 million gross barrels from the Block, most of it from the Safah field.

Net production to Occidental averaged 13,000 barrels of oil per day in the fourth quarter.

Occidental uses multi-lateral horizontal wells to increase production and recovery rates and to minimize the number of wells needed. Today, 60 percent of Occidental's production in Oman relies on horizontal wells. A new waterflood program is currently under way at Safah that will enhance production and improve the ultimate recovery of reserves from the field.

Occidental recently entered into an agreement, which is awaiting government approval, to sell an estimated 120 - 130 million cubic feet of natural gas per day from Block 9 operations to the Omani government, beginning in early 2004 and extending through 2007. The Occidental-Omani agreement is expected to open up a market for previously stranded gas that is associated with oil production from the Safah field. Occidental also continues its exploration program in the adjacent Block 27.

YEMEN

In Yemen, Occidental owns direct working interests in the Masila field in Block 14 (38 percent) and the East Shabwa field in Block 10 (28.6 percent). In addition, Occidental has interests in seven exploration blocks encompassing nearly 15 million acres. Of these, Occidental is the operator of Blocks 44 and 20, with working interests of 75 percent and 50 percent, respectively, and has a 40-percent working interest in each of five blocks -- Blocks 11, 12, 36, 54 and 59 -- on the border with Saudi Arabia. Occidental's net production averaged 38,000 barrels of oil per day in 2002, with 32,000 coming from the Masila field and the remainder from East Shabwa. A series of step-out wells at Masila in 2002 added 5 million barrels of new reserves.

Occidental drilled and completed two exploratory wells in Block 20 in late 2002 and completed a 2-D seismic program in the third quarter of 2002 in Block 44.

QATAR

In Qatar, Occidental successfully reversed 25 years of declining production in the Idd El Shargi North Dome (ISND) field. By introducing advanced drilling systems and by applying new waterflooding and reservoir characterization techniques, Occidental is increasing production and recoverable reserves from the field's 4 billion barrels of remaining oil in place.

Occidental is moving forward under a new agreement with a second phase in the development of ISND. The new phase is targeting the development and recovery of 145 million gross barrels of additional reserves from ISND.

Occidental is also engaged in full-field development of the Idd El Shargi South Dome (ISSD) field which, as a satellite to the North Dome, reduces the overall capital requirement of the two projects.

Combined production from the two fields averaged 42,000 barrels per day, net to Occidental, in 2002.

When the second phase of ISND and the full-field development of ISSD are fully completed, Occidental expects its total net production from Qatar to increase to approximately 76,000 barrels per day in 2006. Reserves, net to Occidental, related to these projects are expected to total 94 million barrels.

Also, see the Dolphin Project discussed above.

SAUDI ARABIA

In Saudi Arabia, Occidental has a 20-percent interest in the Core Venture Two consortium, which is proposing to invest in the Red Sea area to help the Kingdom identify and develop new natural gas reserves for the domestic market.

An initial agreement was signed with the Kingdom on June 3, 2001.

OTHER EASTERN HEMISPHERE

PAKISTAN

Occidental holds oil and gas working interests, that vary from 25 to 50 percent, in four Badin Blocks in Pakistan. BP is the operator. In 2002, Occidental purchased additional interests in two of these blocks from the government of Pakistan for approximately $72 million. Current gross production is 65,000 BOE per day, while Occidental's net share is approximately 25,000 BOE per day.

Current plans call for drilling 13 to 15 wells per year to develop new and existing fields. Additionally, Occidental continues to evaluate various exploration opportunities.

RUSSIA

In Russia, Occidental owns 50 percent of a joint venture company, Vanyoganneft, that operates in the western Siberian oil basin. Production for 2002 was approximately 27,000 BOE per day, net to Occidental.

LATIN AMERICA

COLOMBIA

Occidental has a 35-percent net share of production and is operator of the Cano Limon oil field in Colombia. Colombia's national oil company, Ecopetrol, operates the Cano Limon-Covenas oil pipeline and marine-export terminal. The pipeline transports oil produced from the Cano Limon field for export to international markets. In addition, Occidental has an 88-percent working interest in two exploration blocks encompassing 6,647 square miles in the Central Llanos Basin.

In 2002, production from Occidental's Cano Limon operations in Colombia increased substantially from 2001 due to improved security along the export pipeline that reduced the number of attacks by local terrorist groups. The pipeline was subjected to a record number of attacks in 2001. Occidental's net share of 2002 production averaged 35,000 barrels of oil per day compared to 18,000 barrels per day in 2001. This operation accounts for less than one percent of Occidental's worldwide assets, only two percent of total worldwide reserves and less than seven percent of average worldwide oil and gas production in 2002. Occidental presently anticipates that it will recover the proved reserves attributable to its contract.

ECUADOR

Gross production in Block 15 in 2002, which Occidental operates with a 60-percent working interest, averaged approximately 13,000 barrels of oil per day net to Occidental.

Full field development of the Eden Yuturi oil field in the southeastern corner of Block 15 is complete. Full-scale production is scheduled to coincide with the anticipated completion, in the second half of 2003, of the Oleoducto de Crudos Pesados (OCP) Ltd. oil export pipeline, in which Occidental has a 12-percent interest. In addition, work continues in the producing areas in the western portion of the block. The combined effect of these projects is expected to add total net incremental production of 30,000 barrels per day to Occidental's production profile in 2004.

In addition, Occidental is expanding its exploration activities in Block 15 with aggressive 3-D seismic and drilling programs.

In 2000, Occidental farmed out a 40-percent economic interest in Block 15 in Ecuador to Alberta Energy Company Ltd. (AEC), now EnCana. As a result of this transaction, EnCana agreed to fund a significant portion of the capital program.

Foreign oil companies, including Occidental, have been paying Value Added Tax (VAT), generally calculated on the basis of 10-12 percent of expenditures for goods and services used in the production of oil for export. Until 2001, oil companies, like other companies producing products for export, filed for and received reimbursement of VAT. In 2001, the Ecuador tax authority announced that the oil companies' VAT payments did not qualify for reimbursement. In response, the affected oil companies filed actions in the Ecuador Tax Court to seek a judicial determination that the expenditures are subject to reimbursement. In November 2002, Occidental initiated an international arbitration proceeding against the Ecuadorian Government under the United States-Ecuador bilateral investment treaty based on Occidental's belief that the Ecuadorian Government is arbitrarily and discriminatorily refusing to refund the VAT to Occidental. Occidental believes that it has a valid claim for reimbursement under applicable Ecuador tax law and the treaty. In the event of an unfavorable outcome, the potential income statement effect would not be significant.

PRODUCTION-SHARING CONTRACTS

Occidental conducts its operations in Qatar, Oman and Yemen under production-sharing contracts. Occidental receives a share of production from production-sharing contracts to recover its costs and an additional share for profit. Occidental's share of production from these contracts decreases when oil prices improve and increases when oil prices decline. Overall, Occidental's net economic benefit from these contracts is greater at higher oil prices.

BUSINESS REVIEW - CHEMICAL

CHLOR-ALKALI

2002 saw increased demand for chlorine in all major market segments, particularly VCM, propylene oxide and epichlorohydrin. Domestic demand for co-product caustic soda was flat year over year and exports from the U.S. declined.

The chlor-alkali industry entered 2002 coming off the lowest operating rate since 1985. As a result of increased demand, coupled with a full year of capacity reductions in 2002, industry-operating rates increased from 81 percent in the fourth quarter of 2001 to a peak of 93 percent in the third quarter of 2002. Annual operating rates increased from 85 percent for 2001 to 89 percent for 2002.

Prices for chlorine followed the demand curve and increased steadily throughout the year. Declining total demand for caustic soda coupled with increased electrochemical unit (ECU) production led to falling caustic soda prices through the third quarter.

Although markets have improved steadily in 2002, OxyChem has maintained its Deer Park chlor-alkali production facility in Houston, Texas in a standby mode pending further strengthening in overall economic conditions and improved demand for caustic soda.

OxyChem successfully began commercial operation of a 778-megawatt cogeneration facility in Taft, Louisiana in the fourth quarter of 2002. This facility provides all of the steam and electric power requirements for the Taft, Louisiana chlor-alkali plant at a lower cost than if the plant were to generate its own steam and purchase electricity from a public utility. It sells excess power in the merchant market.

VINYLS

2002 saw improvement in North American PVC resin demand following a strengthening trend which began in early 2001. For the year, North American PVC resin demand grew at a rate of approximately 5 percent. The 2002 market exhibited strong growth through July, with more moderate growth in the third quarter, followed by seasonal contraction in the fourth quarter.

As a result of higher demand, together with lower inventory levels, in much of the chain, industry-operating rates climbed from the low 80 percent levels of the second half of 2001 to above 90 percent for the second and third quarters of 2002. Although PVC resin capacity remains in oversupply, tightness in VCM and chlorine feedstocks have constrained vinyls production levels throughout the year.

Vinyls prices reflected this tightness by rising 14 cents/lb in the first seven months of 2002. Prices to vinyls export markets peaked somewhat earlier in the year then retreated during the third quarter, due primarily to a sharp reduction in Chinese imports. Prices posted improvements in late fourth quarter as spot buyers anticipated supply constraints for 2003 coupled with an overall improvement in demand in Southeast Asia.

2003 OUTLOOK

OIL AND GAS

The petroleum industry is highly competitive and subject to significant volatility due to numerous market forces. Crude oil and natural gas prices are affected by market fundamentals such as weather, inventory levels, competing fuel prices, overall demand and the availability of supply.

In the last half of 2002, worldwide oil prices strengthened due to increasing political and economic turmoil in Venezuela and the growing threat of conflict with Iraq. Venezuela alone accounts for approximately 13 percent of total U.S. oil imports. These uncertainties raised concerns about the security and availability of ample supplies to meet growing demand. In 2003, continued unrest in Venezuela and the Middle East portend significant volatility for short-term crude oil prices and continued price uncertainty over the long-term. If the turmoil continues well into 2003, the result could be a continued tightening of crude oil supplies and correspondingly higher prices. Conversely, a lessening of the uncertainties could result in greater crude oil supply and lower prices.

Sustained high oil prices will significantly impact profitability and returns for Occidental and other upstream producers. However, the industry has historically experienced wide fluctuations within price cycles. For example, the average price of WTI crude oil in the first quarter of 2002 was $21.64/bbl compared to $28.15 in the fourth quarter. Although oil prices cannot be predicted with any certainty, WTI price has averaged approximately $21.25/barrel over the past ten years.

While supply-demand fundamentals are a decisive factor affecting domestic natural gas prices over the long term, day-to-day prices may be more volatile in the futures markets, such as on the NYMEX and other exchanges, which make it difficult to predict prices with any degree of confidence.

Over the long-term, volatile prices, sharp production decline rates and the uncertain timing of new gas supplies, in response to new gas-related drilling, place constraints on the domestic gas supply industry. Record high gas-related drilling rates in the first half of 2001 added very little new domestic production capacity, increasing uncertainty about the 2003 gas supply outlook, particularly as drilling declined in the wake of falling prices in the first half of 2002.

The early onset of severe winter weather for the 2002-2003 heating season contributed to an increase in gas prices in the second half of 2002. However, this did not spark a corresponding increase in gas-driven drilling activity, giving rise to expectations of steeper production decline rates in 2003. Robust prices in 2003 could lead to a new upsurge in gas-related drilling to address longer-term supply uncertainties.

CHEMICAL

The performance of the chemical business is difficult to forecast, but this business is capable of contributing significant earnings and cash flow when demand is strong. The major factors that have an impact on the performance of the chemicals business are general economic conditions, energy and feedstock costs, and the effect of changes in productive capacity.

CHLOR-ALKALI

Further improvement in ECU operating rates is expected as domestic demand for both chlorine and caustic soda are forecasted to increase over 2 percent in 2003 and industry capacity is expected to decline further. PVC, and other derivatives not manufactured by Occidental, are leading the growth in demand for chlorine. Growth in demand for caustic soda is expected to track overall manufacturing activity.

With increasing demand and increased capacity utilization, pricing for chlorine is expected to improve slightly over the fourth quarter 2002 levels. Caustic soda prices are expected to show a marked improvement over 2002 as contracts reflect previously announced price increases and overall supply and demand become more balanced.

Energy costs for 2003 are expected to increase over 2002 levels.

VINYLS

Occidental expects North American PVC resin demand to grow 4 - 5 percent for 2003, based on annual U.S. and global GDP growth expectations of approximately 2.5 percent. North American PVC operating rates are expected to continue to move upward in 2003, averaging 1 - 2 percent higher than 2002 rates.

Chlorovinyls supply constraints, together with spiking energy costs, have created conditions for vinyls price increases early in 2003. In addition, VCM intermediates will be in shorter supply than PVC because of industry capacity rationalizations and maintenance requirements. Operating rates for North American VCM producers are expected to average well above 90 percent.

Energy and raw material price escalation will limit margin growth in 2003. Tightness in chlorine supply for vinyls production will remain a concern in 2003.

INCOME SUMMARY

Occidental reported net income of $1.0 billion ($2.63 per share) in 2002, on net sales of $7.3 billion, compared with net income of $1.2 billion ($3.10 per share) in 2001, on net sales of $8.1 billion. Core earnings were $1.0 billion in 2002 and $1.2 billion in 2001.

SEGMENT OPERATIONS

The following discussion of Occidental's two operating segments and corporate items should be read in conjunction with Note 15 to the Consolidated Financial Statements.

Segment earnings exclude interest income, interest expense, unallocated corporate expenses, discontinued operations and cumulative effect of changes in accounting principles, but include gains and losses from dispositions of segment assets and results from equity investments.

Foreign income and other taxes and certain state taxes are included in segment earnings based on their 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 resulting from purchase accounting adjustments, and the tax effects resulting from major, infrequently occurring transactions, such as asset dispositions and legal settlements that relate to segment results.

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

SEGMENT OPERATIONS
In millions

For the years ended December 31,	2002	2001	2000
SALES			
Oil and Gas	$ 4,634	$ 5,134	$ 4,875
Chemical	2,704	2,968	3,629
	$ 7,338	$ 8,102	$ 8,504
EARNINGS(LOSS)			
Oil and Gas (a)	$ 1,707	$ 2,845	$ 2,417
Chemical (a)	275	(399)	141
	1,982	2,446	2,558
Unallocated corporate items			
Interest expense, net (b)	(253)	(272)	(372)
Income taxes (c)	(364)	(359)	(853)
Trust preferred distributions and other	(47)	(56)	(67)
Other (c, d)	(155)	(580)	291
Income from continuing operations	1,163	1,179	1,557
Discontinued operations, net	(79)	(1)	13
Cumulative effect of changes in accounting principles, net	(95)	(24)	--
Net Income	$ 989	$ 1,154	$ 1,570

(a) Segment earnings in 2002 were affected by $402 million of net credits allocated, comprising $1 million of charges and $403 million of credits in oil and gas and chemical, respectively. The chemical amount includes a $392 million credit for the sale of the Equistar investment. Segment earnings in 2001 were affected by $14 million of net charges allocated, comprising $56 million of charges and $42 million of credits in oil and gas and chemical, respectively. The oil and gas amount includes a charge for the sale of the Indonesian Tangguh LNG project. The chemical amount includes credits for the sale of certain chemical operations. Segment earnings in 2000 were affected by $25 million from net charges allocated, comprising $32 million of charges and $7 million in credits in oil and gas and chemical, respectively. The oil and gas amount includes a charge for the GOM Continental Shelf transactions. The chemical amount includes a net charge for the sale of certain chemical operations.

(b) The 2002, 2001 and 2000 amounts are net of $21 million, $102 million and $106 million, respectively, of interest income on notes receivable from Altura partners.

(c) The 2001 tax amount excludes the income tax benefit of $188 million attributed to the sale of the entity that owns a Texas intrastate pipeline system. The tax benefit is included in Other.

(d) The 2002 amount includes $22 million of preferred distributions to the Altura partners. The 2001 amount includes the after-tax loss of $272 million related to the sale of the entity that owns a Texas intrastate pipeline system, a $109 million charge for environmental remediation expenses and $104 million of preferred distributions to the Altura partners. The 2000 amount includes the pre-tax gain on the sale of the CanadianOxy investment of $493 million, partially offset by preferred distributions to the Altura partners of $107 million. The preferred distributions are essentially offset by the interest income discussed in (b) above.

OIL AND GAS

In millions, except as indicated	2002	2001	2000
SEGMENT SALES	$ 4,634	$ 5,134	$ 4,875
SEGMENT EARNINGS	$ 1,707	$ 2,845	$ 2,417
CORE EARNINGS (a)	$ 1,707	$ 2,446	$ 2,417
NET PRODUCTION PER DAY			
UNITED STATES			
Crude oil and liquids (MBBL)			
California	86	76	70
Permian	142	137	101
U.S. Other	4	--	1
Total	232	213	172
Natural Gas (MMCF)			
California	286	303	306
Hugoton	148	159	168
Permian	130	148	119
U.S. Other	--	--	66
Total	564	610	659
LATIN AMERICA			
Crude oil & condensate (MBBL)			
Colombia	40	21	37
Ecuador	13	13	17
Total	53	34	54
MIDDLE EAST AND OTHER EASTERN HEMISPHERE			
Crude oil & condensate (MBBL)			
Oman	13	12	9
Pakistan	10	7	6
Qatar	42	43	49
Yemen	37	33	32
Total	102	95	96
Natural Gas (MMCF)			
Pakistan	63	50	49
Total	63	50	49
CONSOLIDATED SUBSIDIARIES (MBOE)	492	452	440
Less: Colombia-minority interest	(5)	(3)	(5)
Add: Russia-Occidental net interest	27	27	26
Add: Yemen-Occidental net interest	1	--	--
TOTAL WORLDWIDE PRODUCTION	515	476	461
AVERAGE SALES PRICES			
CRUDE OIL PRICES ($ per barrel)			
U.S.	$ 23.47	$ 21.74	$ 26.66
Latin America	$ 23.14	$ 20.10	$ 26.07
Middle East and Other Eastern Hemisphere (e)	$ 24.01	$ 22.97	$ 26.92
Total consolidated subsidiaries	$ 23.56	$ 21.91	$ 26.62
Other interests	$ 14.80	$ 15.57	$ 18.60
Total worldwide	$ 22.91	$ 21.41	$ 25.99
GAS PRICES ($ per thousand cubic feet)			
U.S.	$ 2.89	$ 6.40	$ 3.66
Middle East and Other Eastern Hemisphere	$ 2.08	$ 2.29	$ 1.99
Total worldwide	$ 2.81	$ 6.09	$ 3.53
EXPENSED EXPLORATION (b)	$ 176	$ 184	$ 94
CAPITAL EXPENDITURES			
Development	$ 897	$ 918	$ 582
Exploration	$ 55	$ 86	$ 79
Acquisitions and other (c, d)	$ 86	$ 134	$ 77

(a) Occidental's results of operations often include the effects of significant transactions and events affecting earnings that vary widely and unpredictably in nature, timing and amount. Therefore, management uses a measure called "core earnings", which excludes those items. This non-GAAP measure is not meant to disassociate those items from management's performance, but rather is meant to provide useful information to investors interested in comparing Occidental's earnings performance between periods. Core earnings is not considered to be an alternative to operating income in accordance with generally accepted accounting principles.

(b) The 2002 amount includes a $33 million write-off for Lost Hills leases and a $25 million write-off of the Thunderball well, both in California, and the 2001 amount includes a $66 million write-off of the Gibraltar well in Colombia.

(c) Includes mineral acquisitions but excludes significant acquisitions individually discussed in this report.

(d) Includes capitalized portion of injected CO_2 of $42 million, $48 million and $44 million in 2002, 2001 and 2000, respectively.

(e) These amounts exclude implied taxes.

Occidental explores for and produces oil and natural gas, domestically and internationally. Occidental seeks long-term growth and improvement in profitability and cash flow through a combination of increased operating efficiencies in core assets, enhanced oil recovery projects, focused exploration opportunities and complementary property acquisitions.

Core earnings in 2002 were $1.7 billion compared with $2.4 billion in 2001. The decrease in core earnings primarily reflects the impact of lower natural gas prices and production volumes, partially offset by higher crude oil prices and production volumes.

CHEMICAL

In millions, except as indicated	2002	2001	2000
SEGMENT SALES	$ 2,704	$ 2,968	$ 3,629
SEGMENT EARNINGS (LOSS)	$ 275	$ (399)	$ 141
CORE EARNINGS (a)	$ 111	$ 13	$ 281
KEY PRODUCT INDEXES (1987 through 1990 average price = 1.0)			
Chlorine	1.01	0.74	1.58
Caustic soda	0.71	1.33	0.69
Ethylene Dichloride	1.01	0.61	1.37
PVC commodity resins (b)	0.73	0.68	0.95
KEY PRODUCT VOLUMES			
Chlorine (thousands of tons) (c)	2,807	2,847	2,977
Caustic soda (thousands of tons)	2,717	2,857	3,168
Ethylene Dichloride (thousands of tons)	573	735	979
PVC commodity resins (millions of pounds)	4,132	3,950	3,902
CAPITAL EXPENDITURES			
Basic chemicals	$ 50	$ 37	$ 49
Vinyls	$ 40	$ 55	$ 61
Specialty businesses	$ 16	$ 19	$ 37
Other	$ 3	$ 1	$ 1

(a) Occidental's results of operations often include the effects of significant transactions and events affecting earnings that vary widely and unpredictably in nature, timing and amount. Therefore, management uses a measure called "core earnings", which excludes those items. This non-GAAP measure is not meant to disassociate those items from management's performance, but rather is meant to provide useful information to investors interested in comparing Occidental's earnings performance between periods. Core earnings is not considered to be an alternative to operating income in accordance with generally accepted accounting principles.

(b) Product volumes produced at former PolyOne facilities, now part of OxyVinyls, are excluded from the product indexes.

(c) Product volumes include products produced and consumed internally.

Core earnings were $111 million in 2002, compared with $13 million in 2001. The increase in core earnings reflects the impact of higher average prices for chlorine, EDC and PVC resins and lower raw material costs, partially offset by lower prices for caustic soda and overall lower volumes.

SIGNIFICANT ITEMS AFFECTING EARNINGS

Occidental's results of operations often include the effects of significant transactions and events affecting earnings that vary widely and unpredictably in nature, timing and amount. Therefore, management uses a measure called "core earnings", which excludes those items. This non-GAAP measure is not meant to disassociate those items from management's performance, but rather is meant to provide useful information to investors interested in comparing Occidental's earnings performance between periods. Reported earnings are considered representative of management's performance over the long term. Core earnings is not considered to be an alternative to operating income in accordance with generally accepted accounting principles.

SIGNIFICANT ITEMS AFFECTING EARNINGS

Benefit (Charge) In millions	2002	2001	2000
TOTAL REPORTED EARNINGS	$ 989	$ 1,154	$ 1,570
OIL AND GAS			
Segment Earnings	$ 1,707	$ 2,845	$ 2,417
Less:			
Gain on sale of interest in the Indonesian Tangguh LNG Project (a)	--	399	--
Segment Core Earnings	$ 1,707	$ 2,446	$ 2,417
CHEMICAL			
Segment Results	$ 275	$ (399)	$ 141
Less:			
Gain on sale of Equistar investment (a)	164	--	--
Equistar writedown	--	(412)	--
Writedown of intermediates	--	--	(140)
Segment Core Earnings	$ 111	$ 13	$ 281
CORPORATE			
Results	$ (993)	$ (1,292)	$ (988)
Less:			
Loss on sale of pipeline-owning entity (a)	--	(272)	--
Settlement of state tax issue	--	70	--
Gain on sale of CanadianOxy investment	--	--	493
Changes in accounting principles, net (a)	(95)	(24)	--
Discontinued operations, net (a)	(79)	(1)	13
Tax effect of pre-tax adjustments	--	148	(145)
TOTAL CORE EARNINGS	$ 999	$ 1,246	$ 1,349

(a) These amounts are shown after-tax.

CONSOLIDATED OPERATIONS

SELECTED REVENUE ITEMS

In millions	2002	2001	2000
Net sales	$ 7,338	$ 8,102	$ 8,504
Interest, dividends and other income	$ 143	$ 223	$ 263
Gains on disposition of assets, net	$ 10	$ 10	$ 639

The decrease in sales in 2002, compared to 2001, primarily reflects lower natural gas and chemical prices and lower natural gas and chemical volumes, partially offset by higher crude oil prices and higher crude oil production.

The decrease in sales in 2001, compared to 2000, primarily reflects lower crude oil and chemical prices, partially offset by higher natural gas prices.

Interest, dividends and other income in 2002, 2001 and 2000 includes interest income on the notes receivable from the Altura partners of $21 million, $102 million and $106 million, respectively. Occidental exercised an option in May 2002 to redeem the sellers' remaining partnership interests in exchange for the notes receivable.

Gains on disposition of assets in 2001 includes the pre-tax gain of $454 million on the sale of the interest in the Tangguh LNG project and the pre-tax loss of $459 million on the sale of its interests in a subsidiary that owned a Texas intrastate pipeline system. Gains on disposition of assets in 2000 includes the pre-tax gain of $493 million on the sale of the CanadianOxy investment, the pre-tax gain of $61 million on the partial sale of the Gulf of Mexico assets, the pre-tax gain of $63 million on the receipt of contingency payments related to a prior-year sale of a Dutch North Sea subsidiary and the pre-tax gain of $34 million on the sale of the Durez business.

SELECTED EXPENSE ITEMS

In millions	2002	2001	2000
Cost of sales	$ 3,385	$ 3,626	$ 3,933
Selling, general and administrative and other operating expenses	$ 635	$ 665	$ 686
Write-down of assets	$ 42	$ 3	$ 180
Exploration expense	$ 176	$ 184	$ 94
Interest and debt expense, net	$ 295	$ 401	$ 510

Cost of sales decreased in 2002, compared to 2001, and 2001 compared to 2000, due mainly to lower chemical raw material costs.

Selling, general and administrative and other operating expenses decreased in 2002, compared to 2001, due mainly to 2001 severance and other charges. Selling, general and administrative and other operating expenses decreased in 2001, compared to 2000, due mainly to a decrease in chemical selling costs.

The 2002 write-down of assets amount includes write-downs for certain chemical assets. The 2000 amount includes the write-down of certain oil and gas investments and the chemical intermediate businesses.

Exploration expense in 2002 includes a $33 million write-off for Lost Hills leases and a $25 million write-off for the Thunderball deep gas well, both in California. Exploration expense in 2001 includes expensing higher-cost exploration wells, primarily the Gibraltar well in Colombia of $66 million.

The decrease in interest and debt expense in 2002, compared to 2001, and 2001 compared to 2000, reflects lower outstanding debt levels and lower interest rates.

OTHER ITEMS

In millions	2002	2001	2000
Provision for income taxes	$ 422	$ 556	$ 1,434
Minority interest	$ 77	$ 143	$ 185
Loss (income) from equity investments	$ 261	$ 504	$ (67)

The 2002 provision for income taxes includes an income tax benefit of $406 million for the sale of the Equistar investment. The 2001 provision includes income tax benefits of $172 million resulting from the write-down of the Equistar investment, $188 million from the sale of the entity that owns a Texas intrastate pipeline system, and a $70 million settlement of a state-tax issue. The 2000 provision includes an income tax charge for the gain on the sale of the CanadianOxy investment.

The decrease in minority interest in 2002, compared to 2001, was due to an $84 million decrease in preferred distributions to the Altura partners. The remaining Altura partnership interests were redeemed in May 2002. The decrease in minority interest in 2001, compared to 2000, was due to a $38 million decrease in the minority interest attributable to PolyOne, the minority interest partner in OxyVinyls.

The 2002 loss from equity investments includes a pre-tax loss of $242 million from the sale of the Equistar investment in August 2002. The loss from equity investments in 2001 includes a $412 million pre-tax write-down of Equistar and a loss of $89 million from the Equistar equity investment.

LIQUIDITY AND CAPITAL RESOURCES

OPERATING ACTIVITIES

In millions	2002	2001	2000
NET CASH PROVIDED	$ 2,100	$ 2,566	$ 2,348

The lower operating cash flow in 2002, compared with 2001, results from lower core earnings and higher working capital usage.

The higher operating cash flow in 2001, compared with 2000, results from lower core earnings and higher working capital usage more than offset by additional significant non-cash items.

Other non-cash charges in 2002 include environmental remediation accruals and the asset writedown for two chemical facilities. Other non-cash charges in 2001 include environmental remediation accruals. Other non-cash charges in 2000 include the write-down of the chemical intermediate businesses and other miscellaneous items. Each of the three years also includes charges for employee benefit plans and other items.

INVESTING ACTIVITIES

In millions	2002	2001	2000
NET CASH USED	$ (1,696)	$ (651)	$ (3,044)

The 2002 amount includes approximately $349 million for a 24.5-percent interest in DEL, the operator of the Dolphin Project.

The 2001 amount includes the gross proceeds of $863 million from the sale of the entity that owns a Texas intrastate pipeline system and the sale of Occidental's interest in the Tangguh LNG project in Indonesia.

The 2000 amount includes the gross proceeds of approximately $800 million from the sale of the CanadianOxy investment, gross proceeds of $150 million from the sale of the Durez business and approximately $342 million from the GOM asset transactions. The 2000 amount also includes approximately $3.7 billion for the purchases of Altura and THUMS.

CAPITAL EXPENDITURES

In millions	2002	2001	2000
Oil and Gas	$ 1,038	$ 1,138	$ 738
Chemical	109	112	148
Corporate and other	89	58	6
TOTAL	$ 1,236	$ 1,308	$ 892

Occidental's capital spending estimate for 2003 is $1.3 billion. Of the total, approximately $1.2 billion will be allocated to oil and gas, with Qatar, Elk Hills and the Permian Basin receiving the highest priority.

FINANCING ACTIVITIES

In millions	2002	2001	2000
NET CASH (USED)PROVIDED	$ (456)	$ (1,814)	$ 579

The 2002 amount reflects the net $179 million buyout of the natural gas delivery commitment and $72 million of net proceeds from the issuance of a subsidiary's preferred stock.

The 2001 amount reflects the repayment of $2.3 billion of long-term and non-recourse debt, partially offset by proceeds of $861 million from new long-term debt.

The 2000 amount reflects the proceeds from the $2.4 billion non-recourse debt, partially offset by repayments of $1.4 billion on the long-term and non-recourse debt. The 2000 amount also includes the first year of purchases made to satisfy delivery commitments under the natural gas delivery commitment that was signed in 1998.

Occidental paid common stock dividends of $375 million in 2002, $372 million in 2001 and $369 million in 2000.

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 Occidental's ability to move funds among operating entities.

ADDITIONAL CONSIDERATIONS REGARDING FUNDING AND LIQUIDITY

In the course of its business activities, Occidental pursues a number of projects and transactions to meet its core business objectives. The accounting and financial statement treatment of these transactions is a result of the varying methods of funding employed. Occidental also makes commitments on behalf of unconsolidated entities. These transactions, or groups of transactions, are recorded in compliance with generally accepted accounting principles and, unless otherwise noted, are not reflected on Occidental's balance sheets. The following is a description of the business purpose and nature of these transactions.

* OIL AND GAS TRANSACTIONS

ECUADOR

In Ecuador, Occidental has a 12-percent interest in a company currently constructing an oil export pipeline, which is expected to be completed in 2003. Construction of the pipeline has made it feasible for Occidental to develop the Eden Yuturi field it discovered several years ago in the southeastern corner of Block 15. The development of Eden Yuturi, together with ongoing work in the western portion of the block that is currently in production, is expected to add net incremental production of 30,000 barrels per day in 2004, all of which is expected to be transported through the new pipeline. Occidental has committed to make capital contributions up to its share (currently estimated to be approximately $64 million) of the estimated total project capital requirements. As of December 31, 2002, Occidental has contributed $9 million to the project. Occidental reports this investment in its consolidated statements using the equity method of accounting.

The project is being funded in part by senior project debt. The senior project debt is to be repaid with the proceeds of ship-or-pay tariffs of certain upstream producers in Ecuador, including Occidental. Under their ship-or-pay commitments, Occidental and the other upstream producers have each assumed their respective share of project-specific risks, including construction risk, operating risk and force-majeure risk. Occidental would be required to make an advance tariff payment in the event of termination of the agreement authorizing the pipeline company to build the pipeline, prolonged delay in project completion, prolonged force majeure, upstream expropriation events, bankruptcy of the pipeline company or its parent company, abandonment of the project, termination of an investment guarantee agreement with Ecuador, or certain defaults by Occidental. This advance tariff would be used by the pipeline company to service or prepay project debt. Occidental's obligation relating to the pipeline company's senior project debt totaled $101 million, and the completion bonds and other bonds totaled $17 million at December 31, 2002. As Occidental ships product using the pipeline, its overall obligations will decrease with the reduction of the pipeline company's senior project debt.

ELK HILLS POWER

Occidental and Sempra Energy (Sempra) each has a 50-percent interest in Elk Hills Power LLC, a limited liability company that is currently constructing a gas-fired, power-generation plant in California. Occidental accounts for this investment using the equity method. In January 2002, Elk Hills Power LLC entered into a $400 million construction loan facility. Occidental guarantees $200 million (50 percent) of the loan facility. At December 31, 2002, approximately $162 million of debt guaranteed by Occidental was outstanding.

* CHEMICAL TRANSACTIONS

TAFT COGENERATION FACILITY

Occidental is leasing a cogeneration facility which was completed in 2002. This facility supplies all the steam and electric power requirements for Occidental's Taft chlor-alkali plant at a lower cost than if the plant were to generate its own steam and purchase electricity from a public utility. An owner trust with investors as participating beneficiaries owns the project. The equity participants in the owner trust funded the owner trust with equity during construction in the amount of three percent of the cumulative project costs throughout the period and in an amount in excess of 14 percent of the final project costs upon the commencement of the lease term. In connection with the completion of construction and satisfaction of certain other conditions, the 26-year term of the operating lease commenced in December 2002. At December 31, 2002, Occidental estimates the present value of the remaining lease payments to be $455 million.

LEASES

Occidental has entered into various operating lease agreements, mainly for railcars, power plants, manufacturing facilities and office space. The leased assets are used in Occidental's operations where leasing offers advantages of greater operating flexibility and generally costs less than alternative methods of funding that were available at the time financing decisions were made. Lease payments are charged to Occidental's operations, mainly as cost of sales.

The accounting treatment for the leases described above, including the Taft lease, is dictated by Statement of Financial Accounting Standards (SFAS) No. 13 and other related pronouncements issued by the Financial Accounting Standards Board (FASB). These leases have been classified as operating leases in accordance with the operating lease criteria. As discussed under "Additional Accounting Changes" (below), FASB Interpretation (FIN) No. 46 is expected to result in the consolidation of certain variable interest entities that are owners of plant and equipment Occidental leases from them. The probable consolidation would affect the LaPorte, Texas VCM plant lease. If consolidation were to take place, there would be no significant effect on Occidental's financial condition; however, consolidation would result in an increase in assets of approximately $132 million and liabilities of $154 million, with an after-tax charge of approximately $22 million in the third quarter of 2003 that would be recorded as a cumulative effect of a change in accounting principles. Annual expense for depreciation would increase by approximately $12 million pre-tax. If Occidental chose to terminate the leases prior to adoption, there would be no cumulative effect of a change in accounting principles.

OXYMAR

Occidental has a 78.6-percent ownership interest (before minority interest) in OxyMar. Occidental owns 28.6 percent of OxyMar directly and the OxyVinyls partnership, which is 76-percent owned by Occidental, owns 50 percent. Therefore, after minority interest, Occidental's effective ownership interest is 67 percent. Marubeni Corporation (Marubeni) owns the remaining 21.4 percent of OxyMar, but has a 50-percent voting interest. The OxyMar VCM plant is a modern, efficient manufacturing facility. Occidental's chlorovinyls business derives significant economic benefit from OxyMar's operations as the supplier of certain products to OxyMar. OxyMar, in turn, supplies VCM required by Occidental to manufacture PVC. This investment in OxyMar is recorded as an equity investment on the consolidated balance sheet. Occidental guarantees 50 percent of OxyMar's $165 million private placement bonds due 2016 and 100 percent of a $220 million revolving line of credit which matures in 2005, under which $105 million was outstanding at December 31, 2002. These amounts are reflected as debt on OxyMar's balance sheet. Marubeni has a right to put its interest in OxyMar to Occidental in 2004 by paying approximately $25 million to Occidental and, in connection with this transfer, require Occidental to assume Marubeni's guarantee of OxyMar's debt. Occidental determined that Marubeni's strike price was equal to fair value as of the issue date and assigned a fair value of zero to the option. Therefore, Occidental did not record an asset or liability associated with this put option in the consolidated financial statements. Since the put price was negotiated on arms'-length terms and has no predetermined conditions that would require exercise of the option, Occidental cannot determine whether Marubeni will exercise its option. Occidental does not expect to record a loss if the option is exercised. If OxyMar were to be consolidated at December 31, 2002, assets would increase by $172 million and liabilities would increase by $163 million on Occidental's consolidated balance sheets. As of December 31, 2002, Occidental had advanced $95 million to OxyMar and had a net equity investment of $30 million. As discussed under "Additional Accounting Changes" (below), FIN No. 46 is expected to result in the consolidation of OxyMar in the third quarter of 2003. This consolidation is not expected to have a significant effect on Occidental's financial condition and will not change Occidental's results of operations.

INGLESIDE

Occidental and ConocoPhillips (Conoco) each has a 50-percent interest in Ingleside Cogeneration Limited Partnership, a limited partnership (Ingleside LP), which operates a cogeneration plant in Texas. The cogeneration facility supplies all of the steam and electric power requirements to Occidental's Ingleside chlor-alkali plant and OxyMar's VCM plant at less cost than if these facilities were to produce their own steam and purchase electric power from a public utility. At December 31, 2002, Ingleside LP had approximately $171 million in debt, which is secured by its assets. Occidental has not guaranteed this debt; however, Occidental and Conoco currently each guarantee half of a debt service reserve amount of approximately $8 million. Occidental accounts for this investment using the equity method.

* OTHER TRANSACTIONS

RECEIVABLES SALE PROGRAM

Occidental has an agreement in place to sell, under a revolving sale program, an undivided interest in a designated pool of trade receivables. This program is used by Occidental as a low-cost source of working capital funding. The balance of receivables sold at December 31, 2002 and 2001 was $360 million. This amount is not included in the debt and related trade receivables accounts, respectively, on Occidental's consolidated balance sheets. Receivables must meet certain criteria to qualify for the program.

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. Fees and expenses under this program are included in selling, general and administrative and other operating expenses. The fair value of any retained interests in the receivables sold is not material. The buyers of the receivables are protected against significant risk of loss on their purchase of receivables. Occidental provides for allowances for any doubtful receivables based on its periodic evaluation of such receivables. The provisions for such receivables were not material in the years ended December 31, 2002, 2001 and 2000.

The program terminates upon certain events, including Occidental's senior debt rating falling below investment grade. In such an event, alternative funding would have to be arranged, which could result in an increase in debt recorded on the consolidated balance sheet, with a corresponding increase in the accounts receivable balance. The consolidated income statement effect of such an event would not be significant.

* CONTRACTUAL OBLIGATIONS

The table below summarizes and cross-references certain contractual obligations that are reflected in the Consolidated Balance Sheets and/or disclosed in the accompanying Notes.

In millions	Payments Due by Year				
Contractual Obligations	Total	2003	2004 to 2005	2006 to 2007	2008 and thereafter
CONSOLIDATED BALANCE SHEETS					
Long-Term Debt (Note 6) (a)	$ 4,105	$ 206	$ 480	$ 1,346	$ 2,073
Capital Leases (Note 7)	26	1	1	1	23
Trust Preferred Securities (Note 12)	455	--	--	--	455
FOOTNOTE DISCLOSURES					
Operating Leases (Note 7) (b)	1,347	88	167	134	958
Fixed and Determinable Purchase Obligations (Note 9) (c)	94	21	35	25	13
Receivable Sale Program (Note 1) (d)	360	--	--	360	--
TOTAL	$ 6,387	$ 316	$ 683	$ 1,866	$ 3,522

(a) Includes principal payments only. Excludes unamortized discounts and mark-to-market adjustments related to fair-value hedges.

(b) Offset by sublease rental income.
(c) Excludes capital commitments.
(d) The $360 million receivable sale amount is reflected in the 2006-2007 year column since Occidental could finance the amount with its committed credit line, which becomes due in 2006, if the program is terminated.

COMMITMENTS

At December 31, 2002, commitments for major capital expenditures during 2003 and thereafter were approximately $158 million.

ANALYSIS OF FINANCIAL POSITION

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

SELECTED BALANCE SHEET COMPONENTS

In millions	2002	2001
Trade receivables, net	$ 608	$ 360
Receivables from joint ventures, partnerships and other	$ 321	$ 266
Inventories	$ 491	$ 414
Income tax receivable	$ 150	$ 35
Long-term receivables, net	$ 275	$ 2,185
Investments in unconsolidated subsidiaries	$ 1,056	$ 993
Property, plant and equipment, net	$ 13,036	$ 12,791
Current maturities of long-term debt and capital lease liabilities	$ 206	$ --
Accounts payable	$ 785	$ 715
Accrued liabilities	$ 914	$ 849
Dividends payable	$ 193	$ 94
Current obligation under natural gas delivery commitment	$ --	$ 137
Long-term debt, net	$ 3,997	$ 4,065
Long-term obligation under natural gas delivery commitment	$ --	$ 145
Other deferred credits and liabilities	$ 2,228	$ 2,322
Minority interest	$ 333	$ 2,224
Trust Preferred Securities	$ 455	$ 463
Stockholders' equity	$ 6,318	$ 5,634

The higher balance in trade receivables at December 31, 2002, compared with December 31, 2001, reflects higher product prices during the fourth quarter of 2002 versus 2001. The increase in receivables from joint ventures, partnerships and other is due to higher mark-to-market adjustments on derivative financial instruments in the marketing and trading group. The increase in inventories was primarily the result of higher gas trading inventory. The increase in income tax receivable was due to a tax receivable from the Equistar sale. The decrease in the long-term receivables, net, account is due to the redemption of the notes from the Altura partners. The higher balance in investments in unconsolidated subsidiaries primarily reflects the Dolphin Project and Lyondell acquisitions, partially offset by the sale of the Equistar investment. The increase in the net balance in property, plant and equipment reflects capital spending, partially offset by depreciation, depletion and amortization.

The increase in current maturities of long-term debt reflects a reclassification of the current portion of long-term debt. The increase in accounts payable is due to higher payable balances in the oil and gas marketing and trading operations. The increase in accrued liabilities is due to the timing of interest accruals on debt. The increase in dividends payable is due to an early declaration of the first quarter 2003 dividend payable in April 2003. The decrease in long-term debt primarily reflects the reclassification of long-term debt to current maturities, partially offset by mark-to-market adjustments related to fair value hedges on a portion of the debt. In accordance with hedge accounting, applicable debt balances are also marked to fair value, which offsets the change in fair value of the derivative. The current and long-term portions of the obligations under the natural gas delivery commitment were eliminated since this commitment was terminated in 2002. Other deferred credits and liabilities include deferred compensation, other post-retirement benefits, environmental remediation reserves, contract advances, deferred revenue and other deferred items. The decrease in minority interest is due to the redemption of the remaining Altura interests in May 2002. The 2002 minority interest balance also includes $75 million of preferred stock issued to a financial institution by a subsidiary of Occidental in December 2002. The increase in stockholders' equity primarily reflects net income, partially offset by dividends on common stock.

FINANCING ACTIVITY

In 2003, Occidental expects to record a pre-tax interest charge of $50 - $70 million to repay a $450 million 6.4-percent senior notes issue that has ten years of remaining life, but is subject to remarketing on April 1, 2003. Occidental intends to refinance part of this issue on a long-term basis.

In February 2002, Occidental filed a shelf registration statement for up to $1 billion of its senior debt securities, subordinated debt securities, preferred stock, common stock, depositary shares, warrants, stock purchase contracts, stock purchase units, preferred securities of two subsidiary trusts and Occidental's guarantees of such preferred securities. In November 2002, Occidental issued $175 million of 4-percent Medium-Term Senior Notes, Series C, and $75 million of 4.101-percent Medium-Term Senior Notes, Series C, due 2007 for net combined proceeds of approximately $249 million. The net proceeds were used for general corporate purposes. Occidental may issue the remaining $750 million under its medium-term notes program, which includes its Medium-Term Senior Notes, Series C and its Medium-Term Subordinated Notes, Series A.

On November 15, 2002, Occidental repaid $163 million of 6.75-percent senior notes. During 2002, Occidental also redeemed approximately $35 million of medium-term notes with a weighted-average coupon rate of approximately 7.66 percent.

In December 2002, a subsidiary of Occidental issued $75 million of preferred stock to a financial institution. Occidental retains all common shares of the subsidiary and elects the majority of the directors. The subsidiary is the holding company for a number of international subsidiaries of Occidental. In the event that the subsidiary fails to pay preferred dividends for two consecutive quarters or upon the occurrence of certain other events, the holder of the preferred stock could gain control of the subsidiary's board of directors.

In December 2001, Occidental issued $300 million of 5.875-percent senior notes due 2007 and $500 million of 6.750-percent senior notes due 2012 for net combined proceeds of approximately $794 million. Approximately $700 million of the net proceeds were used to extinguish the Altura non-recourse debt. The remaining proceeds were used for general corporate purposes.

On March 5, 2001, Occidental retired $20.5 million of 7.8-percent pollution control revenue bonds due on December 1, 2005.

At January 2, 2003, Occidental had approximately $1.8 billion of committed credit lines, which are all available and are utilized, as needed, for daily operating and other purposes. These lines of credit are primarily used to back up the issuance of commercial paper.

Occidental expects to have sufficient cash in 2003 from operations, and from proceeds from existing credit facilities, as necessary, for its operating needs, capital expenditure requirements, dividend payments, mandatory debt repayments and other commitments. In the event of fluctuations in operating cash flow, Occidental has the ability to vary its discretionary cash outflow, such as capital expenditures.

ACQUISITIONS, DISPOSITIONS AND COMMITMENTS

2002

DOLPHIN PROJECT INVESTMENT

In November 2002, Occidental closed a transaction with the United Arab Emirates' (UAE) Offsets Group in which Occidental acquired a 24.5 percent interest in DEL, the operator of the Dolphin Project, for a total of $342 million. DEL is a company that also includes as shareholders the UAE Offsets Group (51 percent interest) and TotalFinaElf (24.5 percent interest). The amount has been allocated, on a preliminary basis, primarily to investment in unconsolidated entities. Occidental will also be responsible for its 24.5 percent share of costs on an ongoing basis.

LYONDELL-EQUISTAR TRANSACTION

In August 2002, Occidental and Lyondell Chemical Company completed an agreement for Occidental to sell its 29.5-percent share of Equistar to Lyondell and to purchase a 21-percent equity interest in Lyondell. Occidental entered into these transactions to diversify its petrochemicals interests. These transactions also reduced Occidental's direct exposure to petrochemicals volatility, yet allowed it to preserve, through its Lyondell investment, an economic upside when the petrochemicals industry recovers. In connection with these transactions, Occidental wrote down its investment in the Equistar partnership to fair value by recording a $412 million pre-tax charge as of December 2001. After the write-down, the net book value of Occidental's investment in Equistar at December 31, 2001, after considering tax effects, approximated the fair value of the Lyondell shares Occidental expected to receive, less transaction costs. Occidental recorded an after-tax gain of $164 million in the third quarter of 2002, as a result of closing these transactions on August 22, 2002. Occidental's initial carrying value of the Lyondell investment was $489 million, which represented the fair value of Lyondell's shares at closing.

PAKISTAN ACQUISITION

In 2002, Occidental increased its ownership in Badin Block 1 and 2R by purchasing additional interests in these two blocks from the government of Pakistan for approximately $72 million.

DISPOSITION OF CHROME AND VULCAN

In the fourth quarter of 2002, Occidental sold its chrome business at Castle Hayne, North Carolina for $25 million and its calendering operations (Vulcan) for a $6 million note receivable. In the third quarter of 2002, Occidental recorded an after-tax impairment charge of $69 million and classified both of these businesses as discontinued operations. The fair value of these businesses was determined by the expected sales proceeds from third party buyers. When these transactions closed, no significant gain or loss was recorded.

2001

SALE OF INTRASTATE PIPELINE

On August 31, 2001, Occidental sold its interest in a subsidiary that owned a Texas intrastate pipeline system. The entity was sold to Kinder Morgan Energy Partners, L.P. for $360 million. Occidental recorded an after-tax loss of approximately $272 million in connection with this transaction.

SALE OF INDONESIA GAS PROPERTIES

On July 10, 2001, Occidental completed the sale of its interest in the Tangguh LNG project in Indonesia to Mitsubishi Corporation of Japan for proceeds of $503 million. Occidental recorded an after-tax gain of approximately $399 million for this transaction.

2000

MILNE POINT ASSET SWAP

On December 4, 2000, Occidental completed an agreement with BP to obtain BP's interest in a carbon dioxide field in New Mexico and related pipelines in exchange for Occidental's interest in the Milne Point oil field in Alaska, together with additional cash consideration. The BP properties acquired had a book value of $51 million, and Occidental paid $14 million as additional consideration. The gain on this transaction was immaterial.

OXYMAR PURCHASE

On November 29, 2000, OxyChem purchased a 28.6-percent interest in OxyMar, a Texas general partnership that owns the Ingleside, Texas VCM facility operated by OxyChem. The interest was purchased from U.S. VCM Corporation, an affiliate of Marubeni Corporation, which continues to own a 21.4-percent interest and remains a 50-percent partner for corporate-governance purposes. Occidental received approximately $37 million relating to the purchase and, as a result, agreed to guarantee an additional $110 million of OxyMar's debt. The $37 million was recorded as a reduction to Occidental's investment in OxyMar. OxyVinyls owns the remaining 50-percent interest. No gain or loss was recognized on this transaction.

ECUADOR FARM OUT

On November 1, 2000, Occidental agreed to farm out a partial economic interest in its Block 15 operations in Ecuador to AEC, now EnCana, for $68 million. EnCana earns a 40-percent interest in the block and will reimburse Occidental for certain capital costs through 2004 estimated at $110 million. Occidental remains the operator of Block 15. The gain on this transaction was not significant.

SALE OF DUREZ

On November 1, 2000, Occidental completed the sale of its Durez phenolic resins and compounding businesses and assets to Sumitomo Bakelite Co., Ltd. for gross proceeds of approximately $150 million. There was a $13 million after-tax gain on this transaction.

GULF OF MEXICO TRANSACTIONS

On August 15, 2000, Occidental completed agreements with respect to two transactions with Apache Corporation involving Occidental's interests in the Continental Shelf of the Gulf of Mexico (GOM).

Occidental entered into a volumetric production payment (VPP) transaction to deliver, over 36 months, a substantial portion of its share of the proved developed producing gas reserves from these GOM interests to Apache amounting to 86 Bcf, for approximately $280 million. The value attributed to the production payment was based on price curves existing at the time the transaction was entered into. The $280 million, which represented the initial fair value of Occidental's obligation to deliver future gas production, was deferred and is being recognized in income as the gas is delivered. Occidental retained ownership of the first 2.7 million barrels of oil, which is being used to pay for the VPP production costs. Occidental believes this amount is sufficient to cover these costs. The remaining amount of this retained interest at December 31, 2002 was 0.4 million barrels, or approximately $12 million.

Occidental also agreed to sell a 60 percent interest in the subsidiary that holds a residual interest, post-VPP, in the GOM assets for approximately $62 million. As a result of this sale and the consequent elimination of a portion of Occidental's responsibility for abandonment liabilities, Occidental recorded an after-tax gain of $39 million. Approximately 70 percent of the gain was the result of the elimination of the abandonment liability.

As part of these transactions, Apache was granted four annual call options, each of which gives them the right to purchase for $11 million an additional 10 percent of the entity holding the residual interest in the GOM assets. Occidental also was granted four annual put options with generally similar provisions. Nominal value was attributed to the call and put options. Apache exercised the call options that became available in 2001 and 2002. Gains resulting from each exercise of the options were not material.

SALE OF PERU PROPERTIES

On May 8, 2000, Occidental completed an agreement to sell its producing properties in Peru to Pluspetrol for $30 million. In connection with this transaction, Occidental recorded an after-tax charge of approximately $29 million in December 1999 to write-down the properties to their fair values.

THUMS ACQUISITION

On April 24, 2000, Occidental completed the acquisition of THUMS, the field contractor of the Long Beach Unit, an oil and gas production unit, for approximately $68 million.

ALTURA ACQUISITION

On April 19, 2000, Occidental completed its acquisition of all of the common interest in Altura, the largest oil producer in Texas. The acquisition was valued at approximately $3.6 billion. Occidental paid approximately $1.2 billion to the sellers, affiliates of BP and Royal Dutch/Shell Group (Shell), to acquire the common limited partnership interest and control of the general partner, which manages, operates and controls 100 percent of the Altura assets. The partnership borrowed approximately $2.4 billion, which had recourse only to the Altura assets. The $2.4 billion loan had been completely repaid by the end of 2001. The partnership also loaned approximately $2.0 billion to affiliates of the sellers, evidenced by two notes, which provide credit support to the partnership. The sellers retained a preferred limited partnership interest of approximately $2.0 billion and were entitled to certain distributions from the partnership. Occidental exercised an option in May 2002 to redeem the remaining partnership interests of $2.0 billion held by affiliates of BP and Shell in exchange for the notes receivable of $2.0 billion to the partnership.

SALE OF CANADIANOXY INVESTMENT

On April 18, 2000, Occidental completed the sale of its 29.2-percent stake in CanadianOxy for gross proceeds of approximately $1.2 billion Canadian. This sale resulted in a net pre-tax gain of approximately $493 million. In addition, Occidental and CanadianOxy exchanged their respective 15-percent interests in joint businesses of approximately equal value, resulting in Occidental owning 100 percent of an oil and gas operation in Ecuador and CanadianOxy owning 100 percent of sodium chlorate operations in Canada and Louisiana.

CAPITAL EXPENDITURES

Commitments at December 31, 2002 for major capital expenditures during 2003 and thereafter were approximately $158 million. Total capital expenditures for 2003 are estimated to be approximately $1.3 billion. Occidental will fund these commitments and capital expenditures with cash from operations and proceeds from existing credit facilities as necessary.

DERIVATIVE ACTIVITIES AND MARKET RISK

GENERAL

Occidental's market risk exposures relate primarily to commodity prices and, to a lesser extent, interest rates and foreign currency exchange rates. Occidental periodically enters into derivative instrument transactions to reduce these price and rate fluctuations. A derivative is a financial instrument which derives its value from another instrument or variable.

In general, the fair value recorded for derivative instruments is based on quoted market prices, dealer quotes and the Black-Scholes or similar valuation models.

ACCOUNTING FOR DERIVATIVES AND DEFINITIONS

Occidental accounts for its derivatives under the provisions of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended by SFAS No. 137 and SFAS No. 138 (collectively SFAS No. 133). Under SFAS No. 133, recognition of the gain or loss that results from recording and adjusting a derivative to fair market value depends on the purpose for issuing or holding the derivative. Gains and losses from derivatives that are not designated as hedges are recognized immediately in earnings. A hedge is considered effective if changes in its value are offset exactly by changes in the value of the item being hedged. A hedge is ineffective to the extent changes in its value are not matched by offsetting changes in value for the item being hedged. If a derivative is used to hedge the fair value of an asset or liability (fair value hedge), the gains or losses from adjusting the derivative to its market value are recognized in earnings immediately and to the extent the hedge is effective, offset the concurrent recognition in earnings of changes in the fair value of the hedged item. Gains or losses from derivatives used to hedge future cash flows (cash flow hedges) are recorded on the balance sheet in accumulated other comprehensive income (OCI), a component of stockholders' equity, until the transaction that is hedged is recognized in earnings. However, to the extent the value of the derivative differs from the value of the anticipated cash flows of the hedged transaction, the hedge is considered partly ineffective and the resulting gains or losses are recognized immediately in earnings.

COMMODITY PRICE RISK

GENERAL

Occidental's results are sensitive to fluctuations in crude oil and natural gas prices. Based on current levels of production, if oil prices vary overall by $1 per barrel, it would have approximately a $110 million annual effect on income, before U.S. income tax. If natural gas prices vary by $0.10 per million Btu (MMBtu), it would have approximately a $19 million annual effect on income, before U.S. income tax. If production levels change in the future, the sensitivity of Occidental's results to oil and gas prices also would change.

Occidental's results are also sensitive to fluctuations in chemical prices. If chlorine or caustic soda prices vary by $10/ton, it would have approximately a $10 million and $26 million, respectively, annual effect on income before U.S. income taxes. If PVC prices vary by $.01/lb, it would have approximately a $35 million annual effect on income, before U.S. income taxes. If EDC prices vary by $10/ton, it would have approximately a $6 million annual effect on income, before U.S. income taxes. According to Chemical Market Associates, Inc., December 2002 average contract prices were: chlorine - $215/ton, caustic soda - $148/ton, PVC - $0.37/lb and EDC - $220/ton.

MARKETING AND TRADING OPERATIONS

Occidental periodically uses different types of derivative instruments to achieve the best prices for oil and gas. Derivatives are also used by Occidental to reduce its exposure to price volatility and mitigate fluctuations in commodity-related cash flows. Occidental enters into low-risk marketing and trading activities through its separate marketing organization, which operates under established policy controls and procedures. With respect to derivatives used in its oil and gas marketing operations, Occidental utilizes a combination of futures, forwards, options and swaps to offset various physical transactions. Overall, Occidental usually remains unhedged to long-term oil and gas prices and its use of derivatives in hedging activity remains at a low level.

In September 2002, Occidental unwound its natural gas delivery commitment and corresponding natural gas price swap which were entered into in November 1998. Occidental recognized a pre-tax loss of $3 million related to these transactions.

RISK MANAGEMENT

Occidental conducts its risk management activities for energy commodities (which include buying, selling, marketing, trading, and hedging activities) under the controls and governance of the Risk Management Policy. The Chief Financial Officer and Risk Management Committee oversee these controls, which are implemented and enforced by the Trading Control Officer. The Trading Control Officer provides an independent and separate check on results of marketing and trading activities. Controls for energy commodities include limits on credit, limits on trading, segregation of duties, delegation of authority and a number of other policy and procedural controls.

FAIR VALUE OF CONTRACTS

The following tables reconcile the changes in the fair value of Occidental's marketing and trading contracts during 2002 and 2001 and segregate the open contracts at December 31, 2002 by maturity periods.

in millions	2002	2001
Fair value of contracts outstanding at beginning of year	$ 7	$ (66)
Gains on contracts realized or otherwise settled during the year	(1)	(30)
Changes in fair value attributable to changes in valuation techniques and assumptions	--	--
Other changes in fair values	28	103
Fair value of contracts outstanding at end of year	$ 34	$ 7

	Maturity Periods			
	2004	2006	2008	Total

Source of Fair Value	2003	to 2005	to 2007	and thereafter	Fair Value
Prices actively quoted	$ (12)	$ 6	$ 2	$ 2	$ (2)
Prices provided by other external sources	35	7	(8)	2	36
Prices based on models and other valuation methods	(5)	5	--	--	--
TOTAL	$ 18	$ 18	$ (6)	$ 4	$ 34

The tables above include the fair value of physical positions and the fair value of the related financial instruments for trading and marketing operations. At December 31, 2002 and 2001, the physical positions were a net gain of $42 million and a net loss of $2 million, respectively. The value of the derivative financial instruments that offset these physical positions are a net loss of $8 million at December 31, 2002 and a net gain of $9 million at December 31, 2001. Gains and losses are netted in the statement of operations. On the balance sheets, except where a right of set-off exists, gains are recognized as assets and losses are recognized as liabilities.

COMMODITY HEDGES

On a limited basis, Occidental uses cash-flow hedges for the sale of crude oil and natural gas. Crude oil cash-flow hedges were executed for approximately 20 percent and 29 percent of total U.S. oil production in 2002 and 2001, respectively. Natural gas cash-flow hedges were executed for approximately 7 percent of total U.S. 2002 gas production. Occidental's commodity cash-flow-hedging instruments were highly effective. At December 31, 2002, all of these cash-flow hedges were settled. No fair value hedges were used for oil and gas production during 2002.

QUANTITATIVE INFORMATION

Occidental uses value at risk to estimate the potential effects of changes in fair values of derivatives and commodity contracts used in trading activities. This method determines the maximum potential negative short-term change in fair value with a 95 percent level of confidence. For non-trading activities, there were no material amounts outstanding at December 31, 2002.

The value at risk for both oil and natural gas is summarized below:

MARKETING AND TRADING VALUE AT RISK

For the years ended December 31 (in millions)	2002	2001
Value at Risk - Oil		
High during the year	$ 1	$ 1
Low during the year	--	--
Average for the year	1	1
Value at Risk - Natural Gas		
High during the year	$ 1	$ 1
Low during the year	--	--
Average for the year	1	1

INTEREST RATE RISK

GENERAL

Occidental is exposed to risk resulting from changes in interest rates and it enters into various derivative financial instruments to manage interest-rate exposure. Interest-rate swaps, forward locks and futures contracts are entered into periodically as part of Occidental's overall strategy.

HEDGING ACTIVITIES

Occidental has entered into several interest-rate swaps that qualified for fair-value hedge accounting. These derivatives effectively convert approximately $1.3 billion of fixed-rate debt to variable-rate debt with maturities ranging from 2005 to 2008.

Occidental was a party to a series of forward interest-rate locks, which qualified as cash-flow hedges. The hedges were related to the construction of a cogeneration plant that was completed in December 2002 and leased by Occidental concurrently. The associated loss on the hedges through December 2002 is approximately $21 million after-tax, which is recorded in accumulated Other Comprehensive Income (OCI) and will be recognized in earnings over the lease term of 26 years on a straight-line basis.

Certain of Occidental's equity investees have entered into additional derivative instruments that qualified as cash-flow hedges. Occidental reflects its proportionate share of these cash-flow hedges in OCI.

TABULAR PRESENTATION OF INTEREST RATE RISK

In millions of U.S. dollars, except rates

Year of Maturity	U.S. Dollar Fixed Rate	U.S.Dollar Variable Rate (a)	Grand Total (a,b)
2004	$ 323	$ --	$ 323
2005	--	157	157
2006	346	450	796
2007	250	300	550
2008	10	395	405
Thereafter	1,553	115	1,668
TOTAL	$ 2,482	$ 1,417	$ 3,899
Average interest rate	7.44%	3.01%	5.83%
Fair Value	$ 2,953	$ 1,581	$ 4,534

(a) Includes fixed-rate debt with fair-value hedges but excludes $106 million

of mark-to- market adjustments related to such hedges.
(b) Excludes $8 million of unamortized discounts.

CREDIT RISK

Occidental's energy contracts are spread among numerous counterparties. Creditworthiness is reviewed before doing business with a new counterparty and on an ongoing basis. Occidental monitors aggregated counterparty exposure relative to credit limits, and manages credit-enhancement issues. Credit exposure for each customer is monitored for outstanding balances, current month activity, and forward mark-to-market exposure.

FOREIGN CURRENCY RISK

Several of Occidental's foreign operations are located in countries whose currencies generally depreciate against the U.S. dollar on a continuing basis. Typically, effective currency forward markets do 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. Generally, international crude oil sales are denominated in U.S. dollars. Additionally, all of Occidental's oil and gas foreign entities have the U.S. dollar as the functional currency. However, in one foreign chemical subsidiary where the local currency is the functional currency, Occidental has exposure on U.S. dollar-denominated debt that is not material. At December 31, 2002 and 2001, Occidental had not entered into any foreign currency derivative instruments. The effect of exchange-rate transactions in foreign currencies is included in periodic income.

DERIVATIVE AND FAIR VALUE DISCLOSURES

The following table shows derivative financial instruments included in the consolidated balance sheets:

Balance at December 31, (in millions)	2002	2001
Derivative financial instrument assets (a)		
Current	$ 164	$ 116
Non-current	157	120
	$ 321	$ 236
Derivative financial instrument liabilities (a)		
Current	$ 115	$ 102
Non-current	23	119
	$ 138	$ 221

(a) Amounts include energy-trading contracts.

As a result of fair-value swaps, the amount of interest expense recorded in the income statement is lower by approximately $45 million and $7 million for the years ended December 31, 2002 and 2001, respectively.

The following table summarizes after-tax derivative activity recorded in OCI:

For the years ended December 31 (in millions)	2002	2001
Beginning Balance	$ (20)	$ --
Cumulative effect of change in accounting principle	--	(27)
(Losses) gains from changes in current cash flow hedges	(14)	11
Amount reclassified to income	8	(4)
Ending Balance	$ (26)	$ (20)

During the years ended December 31, 2002 and 2001, an $8 million after-tax loss and a $4 million after-tax gain, respectively, were reclassified from OCI into earnings, resulting from the expiration of cash-flow hedges when the hedged transactions closed. During the years ended December 31, 2002 and 2001, a net unrealized after-tax loss of $14 million and a net unrealized after-tax gain of $11 million, respectively, were recorded to OCI relating to changes in current cash-flow hedges. During the next twelve months, Occidental expects that $3 million of net derivative after-tax losses included in OCI, based on their valuation at December 31, 2002, will be reclassified into earnings when the hedged transactions close. Hedge ineffectiveness did not have a significant impact on earnings for the years ended December 31, 2002 and 2001.

ACCOUNTING FOR ENERGY-TRADING ACTIVITIES

In the third quarter of 2002, Occidental adopted certain provisions of Emerging Issues Task Force (EITF) Issue No. 02-3, "Issues involved in Accounting for Contracts under Issue No. 98-10." These provisions prescribe significant changes in how revenue from energy trading is recorded. Occidental has two major types of oil and gas revenues: (1) Revenues from its equity production; and (2) revenues from the sale of oil and gas produced by other companies, but purchased and resold by Occidental, referred to as revenue from trading activities. Both types of sales involve physical deliveries and had been historically recorded on a gross basis in accordance with generally accepted accounting principles. With the adoption of EITF Issue No. 02-3, Occidental now reflects the revenue from trading activities on a net basis. There were no changes in gross margins, net income, cash flow or earnings per share for any period as a result of adopting this requirement. However, net sales and cost of sales were reduced by equal and offsetting amounts to reflect the adoption of this requirement. Occidental has not engaged in any of the round-trip trading activities that were the focus of the FERC's energy-industry investigation activity in 2002. For the years ended December 31, 2002, 2001 and 2000, net sales and cost of sales were reduced from amounts previously reported by approximately $2.2 billion (representing amounts for the first two quarters of 2002), $5.8 billion and $4.9 billion, respectively, to conform to the current presentation.

Since 1999, Occidental has accounted for certain energy-trading contracts in accordance with EITF Issue No. 98-10, "Accounting for Contracts Involved in Energy Trading and Risk Management Activities." EITF Issue No. 98-10 required that all energy-trading contracts must be marked to fair value with gains and losses included in earnings, whether the contracts were derivatives or not. In October 2002, the EITF rescinded EITF Issue No. 98-10 thus precluding mark-to-market accounting for all energy-trading contracts that are not derivatives and fair value accounting for inventories purchased from third parties. Also, the rescission requires derivative gains and losses to be presented net on the income statement, whether or not they are physically settled, if the derivative instruments are held for trading purposes. Occidental will adopt this accounting change in the first quarter of 2003 and expects to record a cumulative effect of a change in accounting principles charge of approximately $19 million, after tax. Starting January 1, 2003, Occidental no longer records energy-trading contracts that are not derivatives on a mark-to-market basis.

TAXES

Deferred tax liabilities were $868 million at December 31, 2002, net of deferred tax assets of $733 million. The current portion of the deferred tax assets of $114 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 Petroleum Corporation (OPC) and certain of its subsidiaries have been named in a substantial number of lawsuits, claims and other legal proceedings. These actions seek, among other things, compensation for alleged personal injury, breach of contract, property damage, punitive damages, civil penalties or other losses; or injunctive or declaratory relief. OPC and certain of its subsidiaries also have been named in proceedings under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) and similar federal, state and local environmental laws. These environmental proceedings seek funding or performance of remediation and, in some cases, compensation for alleged property damage, punitive damages and civil penalties; however, 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. With respect to all such lawsuits, claims and proceedings, including environmental proceedings, Occidental accrues reserves when it is probable a liability has been incurred and the amount of loss can be reasonably estimated.

During the course of its operations, Occidental is subject to audit by tax authorities for varying periods in various federal, state, local and foreign tax jurisdictions. Taxable years prior to 1996 are closed for U.S. federal income tax purposes. Taxable years 1996 through 2000 are in various stages of audit by the Internal Revenue Service. Disputes arise during the course of such audits as to facts and matters of law.

At December 31, 2002, commitments for major capital expenditures during 2003 and thereafter were approximately $158 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, 2002, the net present value of the fixed and determinable portion of the obligations under these agreements, which were used to collateralize financings of the respective suppliers, aggregated $94 million, which was payable as follows (in millions): 2003--$21, 2004--$19, 2005--$16, 2006--$14, 2007--$11 and 2008 through 2019--$13. Fixed payments under these agreements were $27 million in 2002, $20 million in 2001 and $42 million in 2000.

Occidental has certain other commitments under contracts, guarantees and joint ventures, and certain other contingent liabilities. Many of these commitments, although not fixed or determinable, involve capital expenditures and are part of the $1.3 billion capital expenditures estimated for 2003.

As discussed under "Additional Accounting Changes" (below), FIN No. 45 requires the disclosure in Occidental's financial statements of information relating to guarantees issued by Occidental and outstanding at December 31, 2002.

These guarantees encompass performance bonds, letters of credit, indemnities, commitments and other forms of guarantees provided by Occidental to third parties, mainly to provide assurance that Occidental and/or its subsidiaries and affiliates will meet their various obligations ("guarantees").

At December 31, 2002, the notional amount of the guarantees was approximately $1 billion. Of this amount, approximately $700 million relates to Occidental's guarantee of equity investees' debt and other commitments. An additional $200 million relates to the LaPorte, Texas VCM plant operating lease and other equipment leases. The foregoing items have also been discussed above in the "Additional Considerations Regarding Funding and Liquidity" section, specifically, the debt guarantees relating to OxyMar and Elk Hills Power, the guarantees on debt and other commitments relating to the Ecuador pipeline and the residual value guarantee of the LaPorte, Texas VCM plant operating lease. The remaining $100 million relates to various indemnities and guarantees provided to third parties.

Occidental has indemnified various parties against specified liabilities that those parties might incur in the future in connection with purchases and other transactions that they have entered into with Occidental. These indemnities usually are contingent upon the other party incurring liabilities that reach specified thresholds. As of December 31, 2002, Occidental is not aware of circumstances that would lead to future indemnity claims against it for material amounts in connection with these transactions.

It is impossible at this time to determine the ultimate liabilities that OPC and its subsidiaries may incur resulting from any lawsuits, claims and proceedings, audits, commitments, contingencies and related matters. If these matters were to be ultimately resolved unfavorably at amounts substantially exceeding Occidental's reserves, an outcome not currently anticipated, it is possible that such outcome could have a material adverse effect upon Occidental's consolidated financial position or results of operations. However, after taking into account reserves, management does not expect the ultimate resolution of any of these matters to have a material adverse effect upon Occidental's consolidated financial position or results of operations.

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 are generally expected 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 may apply retroactively to past waste disposal practices and releases. In many cases, the laws apply regardless of fault, legality of the original activities or current ownership or control of sites.

OPC or certain of its subsidiaries are 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, OPC 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 in proceedings under CERCLA and similar federal, state and local environmental laws. These proceedings seek funding or performance of remediation and, in some cases, compensation for alleged property damage, punitive damages and civil penalties.

Occidental manages its environmental remediation efforts through a wholly owned subsidiary, Glenn Springs Holdings, Inc. (GSH), which reports its results directly to Occidental's corporate management.

The following table presents Occidental's environmental remediation reserves at December 31, 2002, 2001 and 2000 grouped by three categories of environmental remediation sites:

($ amounts in millions)	2002		2001		2000	
	# of Sites	Reserve	# of Sites	Reserve	# of Sites	Reserve
CERCLA & Equivalent Sites	124	$ 284	126	$ 320	127	$ 263
Active Facilities	14	46	14	59	14	66
Closed or Sold Facilities	44	63	47	75	49	73
TOTAL	182	$ 393	187	$ 454	190	$ 402

In determining the environmental remediation reserves, Occidental refers to currently available information, including relevant past experience, available technology, regulations in effect, the timing of remediation and cost-sharing arrangements. Occidental expects that it will continue to incur additional liabilities beyond those recorded for environmental remediation at these and other sites. The range of reasonably possible loss for existing environmental remediation matters could be up to $400 million beyond the amount accrued. Many factors could result in changes to Occidental's environmental reserves and reasonably possible range of loss. The most significant are:

- The original cost estimate may have been inaccurate.
- Modified remedial measures might be necessary to achieve the required remediation results. Occidental generally assumes that the remedial objective can be achieved using the most cost-effective technology reasonably expected to achieve that objective. Such technologies may include air sparging or phyto-remediation of shallow groundwater, or limited surface soil removal or in-situ treatment producing acceptable risk assessment results. Should such remedies fail to achieve remedial objectives, more intensive or costly measures may be required.
- The remedial measure might take more or less time than originally anticipated to achieve the required contaminant reduction. Site-specific time estimates can be affected by factors such as groundwater capture rates, anomalies in subsurface geology, interactions between or among water-bearing zones and non-water-bearing zones, or the ability to identify and control contaminant sources.
- The regulatory agency might ultimately reject or modify Occidental's proposed remedial plan and insist upon a different course of action.

Additionally, other events might occur that could affect Occidental's future remediation costs, such as:

- The discovery of more extensive contamination than had been originally anticipated. For some sites with impacted groundwater, accurate definition of contaminant plumes requires years of monitoring data and computer modeling. Migration of contaminants may follow unexpected pathways along geologic anomalies that could initially go undetected. Additionally, the size of the area requiring remediation may change based upon risk assessment results following site characterization or interim remedial measures.
- Remediation technology might improve to decrease the cost of remediation. In particular, for groundwater remediation sites with projected long-term operation and maintenance, the development of more effective treatment technology, or acceptance of alternative and more cost-effective treatment methodologies such as bio-remediation, could significantly affect remediation costs.
- Laws and regulations might change to impose more or less stringent remediation requirements.

For Management's opinion, refer to the "Lawsuits, Claims, Commitments, Contingencies and Related Matters" section of this "Management's Discussion and Analysis of Financial Condition and Results of Operations."

CERCLA AND EQUIVALENT SITES

At December 31, 2002, OPC or certain of its subsidiaries have been named in 124 CERCLA or state equivalent proceedings, as shown below.

Description ($ amounts in millions)	Number of Sites	Reserve Balance

Minimal/No Exposure (a)	102	$ 7
Reserves between $1-10 MM	14	54
Reserves over $10 MM	8	223
TOTAL	124	$ 284

(a) Includes 33 sites for which Maxus Energy Corporation has retained the liability and indemnified Occidental, 7 sites where Occidental has denied liability without challenge, 48 sites where Occidental's reserves are less than $50,000 each, and 14 sites where reserves are between $50,000 and $1 million each.

The eight sites with individual reserves over $10 million in 2002 are a former copper mining and smelting operation in Tennessee, two closed landfills in Western New York, groundwater treatment facilities at three former chemical plants (Western New York, Montague, Michigan and Tacoma, Washington), replacement of a municipal drinking water treatment plant in Western New York, and various sediment clean-up actions in Washington.

ACTIVE FACILITIES

Certain subsidiaries of OPC are currently addressing releases of substances from past operations at 14 active facilities. Three facilities -- certain oil and gas properties in the southwestern United States, a chemical plant in Louisiana, and a phosphorous recovery operation in Tennessee -- account for 62 percent of the reserves associated with these facilities.

CLOSED OR SOLD FACILITIES

There are 44 sites formerly owned or operated by certain subsidiaries of OPC that have ongoing environmental remediation requirements. Three sites account for 66 percent of the reserves associated with this group. The three sites are: an active refinery in Louisiana where Occidental indemnifies the current owner and operator for certain remedial actions, a water treatment facility at a former coal mine in Pennsylvania, and a former chemical plant in West Virginia.

ENVIRONMENTAL COSTS

Occidental's costs, some of which may include estimates, relating to compliance with environmental laws and regulations, are shown below for each segment:

In millions	2002	2001	2000
OPERATING EXPENSES			
Oil and Gas	$ 32	$ 22	$ 17
Chemical	46	47	51
	$ 78	$ 69	$ 68
CAPITAL EXPENDITURES			
Oil and Gas	$ 70	$ 60	$ 27
Chemical	16	19	20
	$ 86	$ 79	$ 47
REMEDIATION EXPENSES			
Corporate	$ 23	$ 109	$ --
ENVIRONMENTAL RESERVES			
Corporate	$ 393	$ 454	$ 402

Operating expenses are incurred on a continual basis. Capital expenditures relate to longer-lived improvements in currently operating facilities. Remediation expenses relate to existing conditions caused by past operations and do not contribute to current or future revenue generation. Although total costs may vary in any one year, over the long term, segment operating and capital expenditures for environmental compliance generally are expected to increase.

Eight counties in the Houston-Galveston area are subject to a federal Environmental Protection Agency (EPA) mandate to adopt a plan for implementing certain requirements of the federal Clean Air Act, known as a State Implementation Plan. In October 2001, the EPA approved a State Implementation Plan for the Houston-Galveston area (the Plan). In December 2002, the Texas Commission on Environmental Quality revised the regulations associated with the Plan. The revised Plan contains provisions requiring the reduction of 80 percent of current nitrogen oxide (NOx) emissions and 60 percent of the volatile organic compound (VOC) emissions in the Houston-Galveston area by November 2007. Occidental operates six facilities that will be subject to the Plan's NOx and VOC-reduction requirements. Occidental estimates that over the next several years its capital expenditures will increase by a total of $70 - $120 million for environmental control and monitoring equipment necessary to comply with the Plan, depending on the amount of emissions reduction that is ultimately required. Occidental began expending the capital necessary to comply with the Plan in 2001 and expects expenditures to end in 2007, although the timing of the expenditures will vary by facility.

Occidental presently estimates that capital expenditures for environmental compliance (including the Plan discussed above) will be approximately $72 million for 2003 and $95 million for 2004.

FOREIGN INVESTMENTS

Portions of Occidental's assets outside North America are exposed to political and economic risks. Occidental conducts its financial affairs so as to mitigate its exposure against those risks. At December 31, 2002, the carrying value of Occidental's assets in countries outside North America aggregated approximately $2.8 billion, or approximately 17 percent of Occidental's total assets at that date. Of such assets, approximately $1.9 billion are located in the Middle East, approximately $628 million are located in Latin America, and substantially all of the remainder are located in Pakistan.

CRITICAL ACCOUNTING POLICIES

The process of preparing financial statements in accordance with GAAP requires the management of Occidental to make estimates and judgments regarding certain items and transactions. It is possible that materially different amounts could be recorded if these estimates and judgments change or if the actual results differ from these estimates and judgments. Occidental considers the following to be its most critical accounting policies which involve the judgment of Occidental's management.

OIL AND GAS PROPERTIES

Occidental uses the successful efforts method to account for its oil and gas properties. Under this method, costs of acquiring properties, costs of drilling successful exploration wells and development costs are capitalized.

Annual lease rentals, exploration costs, geological, geophysical and seismic costs and exploratory dry-hole costs are expensed as incurred.

Proved oil and gas reserves are the estimated quantities of crude oil, natural gas, and natural gas liquids (NGLs) that geological and engineering data demonstrate with reasonable certainty can be recovered in future years from known reservoirs under existing economic and operating conditions considering future production and development costs. There are several factors which could change Occidental's recorded oil and gas reserves. Significantly higher or lower product prices could lead to changes in the amount of reserves due to economic limits or the effects of production-sharing contracts. Occidental receives a share of production from production-sharing contracts to recover its costs and an additional share for profit. Occidental's share of production from these contracts decreases when oil prices improve and increases when oil prices decline. Overall, Occidental's net economic benefit from these contracts is greater at higher oil prices. In other contractual arrangements, sustained lower product prices may lead to a situation where production of reserves becomes uneconomical. This, in turn, could lead to a reduction in the quantity of recorded reserves. An additional factor that could result in a change of recorded reserves is the reservoir decline rates being different than those assumed when the reserves were initially recorded. Estimation of future production and development costs is also subject to change partially due to factors beyond Occidental's control, such as energy costs and inflation or deflation of oil field service costs. Overall, Occidental's revisions to recorded proved reserves were positive for 2002, 2001 and 2000 and amounted to less than 1 percent, 1 percent and 7 percent, respectively. Additionally, Occidental is required to perform impairment tests pursuant to SFAS No. 144 when prices decline and/or reserve estimates change significantly. There have been no impairments over the past three years.

Depreciation and depletion of oil and gas producing properties is determined by the unit-of-production method and could change with revisions to estimated proved recoverable reserves. The change in the depreciation and depletion rate over the past three years due to revisions of previous reserve estimates has been immaterial.

If Occidental's oil and gas reserves were to change based on the factors mentioned above, the most significant impact would be on the depreciation and depletion rate. A 5 percent increase in the amount of oil and gas reserves would change the rate from $4.27/barrel to $4.06/barrel, which would increase net income by $26 million annually. A 5 percent decrease in the oil and gas reserves would change the rate from $4.27/barrel to $4.48/barrel and would result in a decrease in net income of $26 million annually.

A portion of the carrying value of Occidental's oil and gas properties are attributable to unproved properties. At December 31, 2002, the costs attributable to unproved properties were approximately $1.3 billion. These costs are not currently being depreciated or depleted. As exploration and development work progresses and the reserves on these properties are proven, capitalized costs of the properties will be subject to depreciation and depletion. If the development work were to be unsuccessful, the capitalized costs of the properties related to this unsuccessful work would be expensed in the year in which the determination was made. The timing of any writedowns of these unproven properties, if warranted, depends upon the nature, timing and extent of future exploration and development activities and their results. Occidental believes its exploration and development efforts will allow it to fully realize the unproved property balance.

CHEMICAL ASSETS

The most critical accounting policy affecting Occidental's chemical assets is the determination of the estimated useful lives of its property, plant and equipment. The estimated useful lives of Occidental's chemical assets, which range from 3 years to 50 years, are used to compute depreciation expense and are also used for impairment tests. The estimated useful lives used for the chemical facilities were based on the assumption that Occidental would provide an appropriate level of annual capital expenditures while the plants are still in operation. Without these continued capital expenditures, the useful lives of these plants could significantly decrease. Other factors which could change the estimated useful lives of Occidental's chemical plants include higher or lower product prices, feedstock costs, energy prices, environmental regulations, competition and technological changes.

Occidental is required to perform impairment tests on its assets whenever events or changes in circumstances lead to a reduction in the estimated useful lives or estimated future cash flows that would indicate that the carrying amount may not be recoverable, or when management's plans change with respect to those assets. Under the provisions of SFAS No. 144, Occidental must compare the undiscounted future cash flows of an asset to its carrying value. The key factors that could significantly affect future cash flows are future product prices, feedstock costs, energy costs and remaining estimated useful life.

Due to a temporary decrease in demand for some of its products, Occidental temporarily idled an EDC plant in June 2001, and a chlor-alkali plant in December 2001. These facilities will remain idle until market conditions improve. Management expects that both of these plants will become operational in the future. The net book value of these two plants was $150 million at December 31, 2002. These facilities were tested for impairment at the time they were temporarily idled and, based on the results, no impairment was deemed necessary for these two facilities. Occidental continues to depreciate these facilities based on their remaining estimated useful lives.

Occidental's chemical plants are depreciated using either the unit-of-production or straight-line method based upon the estimated useful life of the facilities. The change in the depreciation rate over the prior three years has been immaterial.

If the estimated useful lives of Occidental's chemical plants were to decrease based on the factors mentioned above, the most significant impact would be on depreciation expense. If the estimated remaining useful lives were to decrease by 10 percent, the annual depreciation charge would increase from $164 million to $182 million.

ENVIRONMENTAL COSTS AND CONTINGENCIES

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 refers to currently available information, including relevant past experience, 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. For the years ended December 31, 2002 and 2001, Occidental has not accrued any reimbursements or recoveries as assets. Recoveries and reimbursements are recorded in income when receipt is probable. Environmental reserves are recorded on a discounted basis only when a reserve is initially established and the aggregate amount of the estimated costs for a specific site and the timing of cash payments are reliably determinable. The reserve methodology for a specific site is not modified once it has been established.

At sites involving multiple parties, Occidental provides environmental reserves based upon its expected share of liability. When other parties are jointly liable, the financial viability of the parties, the degree of their commitment to participate and the consequences to Occidental of their failure to participate are evaluated when estimating the company's ultimate share of liability. Occidental believes that it will not be required to assume a share of liability of other potentially responsible parties, with whom it is alleged to be jointly liable, in an amount that would have a material effect on Occidental's consolidated financial position or liquidity or results of operations.

Most cost sharing arrangements with other parties fall into one of the following three categories:

Category 1: CERCLA or state-equivalent sites wherein Occidental and other alleged potentially responsible parties share the cost of remediation in accordance with negotiated or prescribed allocations;

Category 2: Oil and gas joint ventures wherein each joint venture partner pays its proportionate share of remedial cost; and

Category 3: Contractual arrangements typically relating to purchases and sales of property wherein the parties to the transaction agree to methods of allocating the costs of environmental remediation.

In all three of these categories, Occidental records as a reserve its expected net cost of remedial activities, as adjusted by recognition for any non-performing parties.

In addition to the costs of investigating and implementing remedial measures, which often take in excess of ten years at CERCLA sites, Occidental's reserves include management's estimates of the cost of operation and maintenance of remedial systems. To the extent that the remedial systems are modified over time in response to significant changes in site-specific data, laws, regulations, technologies or engineering estimates, Occidental reviews and changes the reserves accordingly on a site-specific basis.

The following table shows environmental reserve activity for the past three reporting periods:

In millions	2002	2001	2000
Balance - Beginning of Year	$ 454	$ 402	$ 454
Increases to provision including interest accretion	25	111	2
Changes from acquisitions/dispositions	--	5	23
Payments	(84)	(75)	(85)
Other	(2)	11	8
Balance - End of Year	$ 393	$ 454	$ 402

Occidental expects to expend funds equivalent to about half of the current environmental reserve over the next three years and the balance over the next ten or more years.

If the environmental reserve balance were to either increase or decrease based on the factors mentioned above, the amount of the increase or decrease would be immediately recognized in earnings. If the reserve balance were to decrease by 10 percent, the company would record a pre-tax gain of $39 million. If the reserve balance were to increase by 10 percent, the company would record an additional pre-tax remediation expense of $39 million.

OTHER LOSS CONTINGENCIES

Occidental is involved with numerous lawsuits, claims, proceedings and audits in the normal course of its operations. Occidental records a loss contingency for these matters when it is probable that an asset has been impaired or a liability has been incurred and the amount of the loss can be reasonably estimated. In addition, Occidental discloses, in aggregate, its exposure to loss in excess of the amount recorded on the balance sheet for these matters if it is reasonably possible that an additional material loss may be incurred. In order to assess its loss contingencies, Occidental reviews its loss contingencies on an on-going basis so that they are adequately reserved on the balance sheet.

These reserves are based on judgments made by management with respect to the likely outcome of these matters and are adjusted as appropriate. Management's judgments could change based on new information, changes in laws or regulations, changes in management's plans or intentions, the outcome of legal proceedings, settlements or other factors.

ADDITIONAL ACCOUNTING CHANGES

Listed below are additional changes in accounting principles applicable to Occidental.

FIN NO. 46

In January 2003, the FASB issued FIN No. 46, "Consolidation of Variable Interest Entities." FIN No. 46 requires a company to consolidate a variable interest entity if it is designated as the primary beneficiary of that entity even if the company does not have a majority of voting interests. A variable interest entity is generally defined as an entity where its equity is unable to finance its activities or where the owners of the entity lack the risk and rewards of ownership. The provisions of this statement apply at inception for any entity created after January 31, 2003. For an entity created before February 1, 2003, the provisions of this Interpretation must be applied at the beginning of the first interim or annual period beginning after June 15, 2003. Occidental will adopt the provisions of FIN No. 46 in the third quarter of 2003 for existing entities that are within the scope of this interpretation. The statement also has disclosure requirements, some of which are required to be disclosed for financial statements issued after January 31, 2003. On a preliminary basis, Occidental believes that its OxyMar investment and its LaPorte, Texas VCM plant lease will be consolidated under the provisions of this statement. (See further discussion in "Additional Considerations Regarding Funding and Liquidity" in the MD&A).

FIN NO. 45

In January 2003, the FASB issued FIN No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." FIN No. 45 requires a company to recognize a liability for the obligations it has undertaken in issuing a guarantee. This liability would be recorded at the inception of a guarantee and would be measured at fair value. The measurement provisions of this statement apply prospectively to guarantees issued or modified after December 31, 2002. The disclosure provisions of the statement apply to financial statements for periods ending after December 15, 2002. (See further discussion in "Lawsuits, Claims, Commitments, Contingencies and Related Matters" in the MD&A). Occidental will adopt the measurement provisions of this statement in the first quarter of 2003. The adoption of the statement is not expected to have a material effect on the financial statements when adopted.

SFAS NO. 148

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure." SFAS No. 148 permits two additional transition methods for companies that elect to adopt the fair-value-based method of accounting for stock-based employee compensation. The statement also expands the disclosure requirements for stock-based compensation. The provisions of this statement apply to financial statements for fiscal years ending after December 15, 2002. The statement is not expected to have a material impact on the financial statements when adopted.

SFAS NO. 146

In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 requires that a liability be recognized for exit and disposal costs only when the liability has been incurred and when it can be measured at fair value. The statement is effective for exit and disposal activities that are initiated after December 31, 2002. Occidental will adopt SFAS No. 146 in the first quarter of 2003 and it is not expected to have a material impact on its financial statements.

SFAS NO. 145

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." In addition to amending or rescinding other existing authoritative pronouncements to make various technical corrections, clarify meanings, or describe their applicability under changed conditions, SFAS No. 145 precludes companies from recording gains and losses from the extinguishment of debt as an extraordinary item. Occidental implemented SFAS No. 145 in the fourth quarter of 2002 and all comparative financial statements have been reclassified to conform to the 2002 presentation. Since Occidental had no 2002 extraordinary items, there was no effect on the 2002 presentation. The effects of the statement on prior years include the reclassification of an extraordinary loss to net income from continuing operations of $8 million ($0.02 per share) in 2001 and of $1 million (no per share effect) in 2000. There was no effect on net income or basic earnings per common share upon adoption.

SFAS NO. 144

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets and broadens the presentation of discontinued operations for long-lived assets. The provisions of this statement are effective for financial statements issued for fiscal years beginning after December 15, 2001. Occidental adopted this statement in the first quarter of 2002 and it did not have an impact on the financial statements when adopted.

SFAS NO. 143

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. Occidental's current policy for dismantlement, restoration and reclamation costs is to accrue the estimated future abandonment and removal costs of offshore production platforms, net of salvage value, over their operating lives. For onshore oil and gas production, Occidental estimates that the salvage value of the oil and gas properties generally will approximate the dismantlement, restoration and reclamation costs or that the net cost will not be material; therefore, no accrual is recorded. Occidental makes capital renewal expenditures for its chemical plants on a continual basis while an asset is in operation. Thus, retirement obligations are provided for when a decision is made to dispose of a property or when operations have been curtailed on other than a temporary basis. Under SFAS No. 143, companies are required to recognize the fair value of a liability for an asset retirement obligation in the period in which the liability is incurred if there is a legal obligation to dismantle the asset and reclaim or remediate the property at the end of the useful life. Occidental will adopt SFAS No. 143 in the first quarter of 2003. The initial adoption is expected to result in an after-tax charge of $50 - $60 million, which will be recorded as a cumulative effect of a change in accounting principles. The adoption is also expected to increase net property, plant and equipment by $59 million, increase asset retirement obligation by $150 million and decrease deferred tax liabilities by $33 million. In addition, Occidental will record a pre-tax charge to income of approximately $17 million a year to reflect the accretion of the liability and higher depreciation expense beginning in 2003.

SFAS NO. 142

In June 2001, the FASB issued SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 142 changes the accounting and reporting requirements for acquired goodwill and intangible assets. The provisions of this statement must be applied starting with fiscal years beginning after December 15, 2001. At December 31, 2001, the balance sheet included approximately $108 million of goodwill and intangible assets with annual amortization expense of approximately $6 million recorded in each of the years' income statements for the three-year period ended December 31, 2001. As a result, elimination of goodwill amortization would not have had a material impact on net income or earnings per share of any of the years presented and, as a result, the transitional disclosures of adjusted net income excluding goodwill amortization described by SFAS No. 142 have not been presented. Upon implementation of SFAS No. 142 in the first quarter of 2002, three separate specialty chemical businesses were identified as separate reporting units and tested for goodwill impairment. All three of these businesses are components of the chemical segment and were the only reporting units having any goodwill on the balance sheet. The fair value of each of the three reporting units was determined through third party appraisals. The appraisals determined fair value to be the price that the assets could be sold for in a current transaction between willing parties. As a result of the impairment testing, Occidental recorded a "cumulative effect of changes in accounting principles" after-tax reduction in net income of approximately $95 million due to the impairment of all the goodwill attributed to these reporting units. Occidental now has no remaining goodwill on its financial statements.

SFAS NO. 141

In June 2001, the FASB issued SFAS No. 141, "Business Combinations." SFAS No. 141 establishes new standards for accounting and reporting business combinations including eliminating the pooling method of accounting. The standard applies to all business combinations initiated after June 30, 2001. Occidental implemented the provisions of SFAS No. 141, which had no impact on the financial statements.

SFAS NO. 133

On January 1, 2001, Occidental adopted SFAS No. 133, as amended. These statements established accounting and reporting standards for derivative instruments and hedging activities and required an entity to recognize all derivatives in the statement of financial position and measure those instruments at fair value. Changes in the derivative instrument's fair value must be recognized in earnings unless specific hedge accounting criteria are met. Adoption of these new accounting standards resulted in cumulative after-tax reductions in net income of approximately $24 million and OCI of approximately $27 million in the first quarter of 2001. The adoption also increased total assets by $588 million and total liabilities by $639 million as of January 1, 2001.

EITF ISSUE NO. 00-10

In the fourth quarter of 2000, Occidental adopted the provisions of EITF Issue No. 00-10, "Accounting for Shipping and Handling Fees and Costs", which establishes accounting and reporting standards for the treatment of shipping and handling costs. Among its provisions, EITF Issue No. 00-10 requires that transportation costs that had been accounted for as deductions from revenues should now be recorded as an expense. The implementation of EITF Issue No. 00-10 had no effect on net income. All prior-year balances have been adjusted to reflect this accounting change. The transportation costs that have been removed as deductions from revenues and included in cost of sales on Occidental's Statements of Operations totaled $245 million in 2000.

SFAS NO. 140

In the fourth quarter of 2000, Occidental adopted the disclosure provisions of SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities - a Replacement of FASB Statement No. 125", which revises disclosure standards for asset securitizations and other financial asset transfers. SFAS No. 140 also contains provisions which revise certain criteria for accounting for securitizations, financial-asset transfers and collateral. These accounting provisions were adopted by Occidental on April 1, 2001. The implementation of the provisions of SFAS No. 140 did not have an impact on Occidental's consolidated financial position or results of operations.

See "Derivative Activities and Market Risk" above for other accounting changes.

SAFE HARBOR STATEMENT REGARDING OUTLOOK AND OTHER FORWARD-LOOKING DATA

Portions of this report, including Items 1 and 2 and the information appearing under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations," including the information under the sub-caption "2003 Outlook," contain forward-looking statements and involve risks and uncertainties that could significantly affect expected results of operations, liquidity, cash flows and business prospects. Factors that could cause results to differ materially include, but are not limited to: global commodity pricing fluctuations; competitive pricing pressures; higher than expected costs including feedstocks; crude oil and natural gas prices; chemical prices; potential liability for remedial actions under existing or future environmental regulations and litigation; potential liability resulting from pending or future litigation; general domestic and international political conditions; potential disruption or interruption of Occidental's production or manufacturing facilities due to accidents, political events or insurgent activity; potential failure to achieve expected production from existing and future oil and gas development projects; the supply/demand considerations for Occidental's products; any general economic recession or slowdown domestically or internationally; regulatory uncertainties; and not successfully completing, or any material delay of, any development of new fields, expansion, capital expenditure, efficiency improvement project, acquisition or disposition. Forward-looking statements are generally accompanied by words such as "estimate", "project", "predict", "will", "anticipate", "plan", "intend", "believe", "expect" or similar expressions that convey the uncertainty of future events or outcomes. Occidental expressly disclaims any obligation to publicly update or revise any forward-looking statements, whether as a result of new information or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed might not occur.

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 Occidental's consolidated financial position, results of operations and cash flows.

ITEM 8 FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT AUDITORS

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

We have audited the consolidated balance sheets of Occidental Petroleum Corporation and subsidiaries as of December 31, 2002 and 2001, and the related consolidated statements of operations, stockholders' equity, comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2002. In connection with our audits of the consolidated financial statements, we also have audited the accompanying financial statement schedule. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Occidental Petroleum Corporation and subsidiaries as of December 31, 2002 and 2001, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As explained in Note 4 to the financial statements, effective January 1, 2002, the Company changed its method of accounting for the impairment of goodwill and other intangibles. Effective January 1, 2001, the Company changed its method of accounting for derivative instruments and hedging activities.

/s/ KPMG LLP

Los Angeles, California
February 7, 2003

In millions, except per-share amounts and Subsidiaries

For the years ended December 31,	2002	2001	2000
REVENUES			
Net sales	$ 7,338	$ 8,102	$ 8,504
Interest, dividends and other income	143	223	263
Gains on disposition of assets, net	10	10	639
	7,491	8,335	9,406
COSTS AND OTHER DEDUCTIONS			
Cost of sales	3,385	3,626	3,933
Selling, general and administrative and other operating expenses	635	665	686
Write-down of assets	42	3	180
Depreciation, depletion and amortization of assets	1,012	965	894
Environmental remediation	23	109	--
Exploration expense	176	184	94
Interest and debt expense, net	295	401	510
	5,568	5,953	6,297
INCOME BEFORE TAXES AND OTHER ITEMS	1,923	2,382	3,109
Provision for domestic and foreign income and other taxes	422	556	1,434
Minority interest	77	143	185
Loss (income) from equity investments	261	504	(67)
INCOME FROM CONTINUING OPERATIONS	1,163	1,179	1,557
Discontinued operations, net	(79)	(1)	13
Cumulative effect of changes in accounting principles, net	(95)	(24)	--
NET INCOME	989	1,154	1,570
Effect of repurchase of Trust Preferred Securities	--	--	1
EARNINGS APPLICABLE TO COMMON STOCK	$ 989	$ 1,154	$ 1,571
BASIC EARNINGS PER COMMON SHARE			
Income from continuing operations	$ 3.09	$ 3.16	$ 4.22
Discontinued operations, net	(0.21)	--	0.04
Cumulative effect of changes in accounting principles, net	(0.25)	(0.06)	--
BASIC EARNINGS PER COMMON SHARE	$ 2.63	$ 3.10	$ 4.26
DILUTED EARNINGS PER COMMON SHARE			
Income from continuing operations	$ 3.07	$ 3.15	$ 4.22
Discontinued operations, net	(0.21)	--	0.04
Cumulative effect of changes in accounting principles, net	(0.25)	(0.06)	--
DILUTED EARNINGS PER COMMON SHARE	$ 2.61	$ 3.09	$ 4.26

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

CONSOLIDATED BALANCE SHEETS — Occidental Petroleum Corporation and Subsidiaries

In millions, except share amounts

Assets at December 31,	2002	2001
CURRENT ASSETS		
Cash and cash equivalents	$ 146	$ 198
Trade receivables, net of reserves of $28 in 2002 and $35 in 2001	608	360
Receivables from joint ventures, partnerships and other	321	266
Inventories	491	414
Assets held for sale	--	131
Income tax receivable	150	35
Prepaid expenses and other	157	153
TOTAL CURRENT ASSETS	1,873	1,557
LONG-TERM RECEIVABLES, NET	275	2,185
INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES	1,056	993
PROPERTY, PLANT AND EQUIPMENT		
Oil and gas segment, successful efforts method	15,440	14,414
Chemical segment	3,689	3,757
Corporate and other	302	273
	19,431	18,444
Accumulated depreciation, depletion and amortization	(6,395)	(5,653)
	13,036	12,791
OTHER ASSETS	308	324
	$ 16,548	$ 17,850

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

In millions, except share amounts

Liabilities and Equity at December 31,	2002	2001
CURRENT LIABILITIES		
Current maturities of long-term debt and capital lease liabilities	$ 206	$ --
Notes payable	--	54
Accounts payable	785	715
Accrued liabilities	914	849
Dividends payable	193	94
Obligation under natural gas delivery commitment	--	137
Liabilities held for sale	--	18
Domestic and foreign income taxes	137	27
TOTAL CURRENT LIABILITIES	2,235	1,894
LONG-TERM DEBT, NET OF CURRENT MATURITIES AND UNAMORTIZED DISCOUNT	3,997	4,065
DEFERRED CREDITS AND OTHER LIABILITIES		
Deferred and other domestic and foreign income taxes	982	1,103
Obligation under natural gas delivery commitment	--	145
Other	2,228	2,322
	3,210	3,570
CONTINGENT LIABILITIES AND COMMITMENTS		
MINORITY INTEREST	333	2,224
OCCIDENTAL OBLIGATED MANDATORILY REDEEMABLE TRUST PREFERRED SECURITIES OF A SUBSIDIARY TRUST HOLDING SOLELY SUBORDINATED NOTES OF OCCIDENTAL	455	463
STOCKHOLDERS' EQUITY		
Nonredeemable preferred stock; $1.00 par value, authorized 50 million shares; outstanding shares: 2002 and 2001--none	--	--
Common stock, $.20 par value; authorized 500 million shares; outstanding shares: 2002--377,860,191 and 2001--374,125,825	75	75
Additional paid-in capital	3,967	3,857
Retained earnings	2,303	1,788
Accumulated other comprehensive income	(27)	(86)
	6,318	5,634
	$ 16,548	$ 17,850

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

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
In millions

Occidental Petroleum Corporation
and Subsidiaries

	Common Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income
BALANCE, DECEMBER 31, 1999	$ 73	$ 3,787	$ (286)	$ (51)
Net income	--	--	1,570	--
Other comprehensive income, net of tax	--	--	--	1
Dividends on common stock	--	(92)	(277)	--
Issuance of common stock	1	40	--	--
Exercises of options and other, net	--	8	--	--
BALANCE, DECEMBER 31, 2000	$ 74	$ 3,743	$ 1,007	$ (50)
Net income	--	--	1,154	--
Other comprehensive income, net of tax	--	--	--	(36)
Dividends on common stock	--	--	(373)	--
Issuance of common stock	--	19	--	--
Exercises of options and other, net	1	95	--	--
BALANCE, DECEMBER 31, 2001	$ 75	$ 3,857	$ 1,788	$ (86)
Net income	--	--	989	--
Other comprehensive income, net of tax	--	--	--	59
Dividends on common stock	--	--	(474)	--
Issuance of common stock	--	22	--	--
Exercises of options and other, net	--	88	--	--
BALANCE, DECEMBER 31, 2002	$ 75	$ 3,967	$ 2,303	$ (27)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
In millions

For the years ended December 31,	2002	2001	2000
Net income	$ 989	$ 1,154	$ 1,570
Other comprehensive income items:			
Foreign currency translation adjustments	5	(12)	2
Derivative mark-to-market adjustments	(6)	(20)	--
Minimum pension liability adjustments	(5)	(6)	2
Unrealized gains(losses) on securities	65	2	(3)
Other comprehensive income, net of tax	59	(36)	1
Comprehensive income	$ 1,048	$ 1,118	$ 1,571

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

CONSOLIDATED STATEMENTS OF CASH FLOWS In millions

Occidental Petroleum Corporation and Subsidiaries

For the years ended December 31,	2002	2001	2000
CASH FLOW FROM OPERATING ACTIVITIES			
Income from continuing operations	$ 1,163	$ 1,179	$ 1,557
Adjustments to reconcile income to net cash provided by operating activities:			
Depreciation, depletion and amortization of assets	1,012	965	894
Amortization of debt discount and deferred financing costs	7	5	7
Deferred income tax (benefit) provision	(141)	(183)	413
Other noncash charges to income	62	106	169
Gains on disposition of assets, net and litigation settlement	(10)	(10)	(639)
Loss (income) from equity investments	261	504	(67)
Dry hole and impairment expense	96	99	41
Changes in operating assets and liabilities:			
Decrease (increase) in accounts and notes receivable	(342)	1,085	(201)
Decrease (increase) in inventories	(73)	37	(39)
Decrease (increase) in prepaid expenses and other assets	(39)	72	34
Increase (decrease) in accounts payable and accrued liabilities	172	(1,150)	367
Increase (decrease) in current domestic and foreign income taxes	115	4	(53)
Other operating, net	(174)	(152)	(155)
Operating cash flow from continuing operations	2,109	2,561	2,328
Operating cash flow from discontinued operations	(9)	5	20
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,100	2,566	2,348
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditures	(1,236)	(1,308)	(892)
Sale of businesses and disposal of property, plant and equipment, net	41	852	1,488
Purchase of businesses, net	(492)	(46)	(3,715)
Equity investments and other, net	(5)	(141)	82
Investing cash flow from continuing operations	(1,692)	(643)	(3,037)
Investing cash flow from discontinued operations	(4)	(8)	(7)
NET CASH USED BY INVESTING ACTIVITIES	(1,696)	(651)	(3,044)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from long-term debt and non-recourse debt	248	861	2,447
Payments of long-term debt, non-recourse debt and capital lease liabilities	(199)	(2,258)	(1,389)
Proceeds from issuance of common stock	22	18	41
Repurchase of Trust Preferred Securities	(9)	(11)	(12)
Purchases for natural gas delivery commitment	(95)	(121)	(115)
Buyout of natural gas commitment, net	(179)	--	--
Payments of notes payable, net	--	(2)	(6)
Proceeds from subsidiary preferred stock issuance	72	--	--
Cash dividends paid	(375)	(372)	(369)
Stock options exercised	60	72	2
Other financing, net	(1)	(1)	(1)
Financing cash flow from continuing operations	(456)	(1,814)	598
Financing cash flow from discontinued operations	--	--	(19)
NET CASH (USED)PROVIDED BY FINANCING ACTIVITIES	(456)	(1,814)	579
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(52)	101	(117)
CASH AND CASH EQUIVALENTS--BEGINNING OF YEAR	198	97	214
CASH AND CASH EQUIVALENTS--END OF YEAR	$ 146	$ 198	$ 97

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Occidental Petroleum Corporation, entities where it owns a majority voting interest and its undivided interests in oil and gas exploration and production ventures. In these Notes, the term "Occidental" or "the Company" refers to Occidental Petroleum Corporation and/or one or more entities where it owns a majority voting interest and ventures. The Company's proportionate share of oil and gas exploration and production ventures is accounted for using the pro-rata method of consolidation. Proportionate shares of assets, liabilities, revenues and costs are reported within the relevant lines of the balance sheets, income statements and cash flow statements. Occidental's oil and gas ventures accounted for in this manner are held in joint ventures, partnerships, limited liability companies or comparable legal forms that are direct working interests. Amounts representing Occidental's percentage interest in the underlying net assets of other affiliates in which it does not have a majority voting interest, but as to which it exercises significant influence, are accounted for under the equity method. Investments in which Occidental does not exercise significant influence are accounted for under the cost method. All material intercompany accounts and transactions have been eliminated (see Note 15).

In addition, certain financial statements, notes and supplementary data for prior years have been changed to conform to the 2002 presentation.

REVENUE RECOGNITION

For oil and gas, title passes to the customer when product is shipped. Revenue is recognized after title has passed to the customer. Prices are either fixed or based on a market index. For marketing and trading activities, revenue is recognized on settled transactions upon completion of contract terms, and for physical deliveries, upon title transfer. For unsettled transactions, contracts that meet specified accounting criteria are marked to market. (See "Accounting Changes" in Note 4).

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

NATURE OF OPERATIONS

Occidental is a multinational organization whose principal business segments are oil and gas exploration, production and marketing and chemicals production and marketing. In oil and gas, Occidental has active exploration and production in the United States and in ten other countries. Occidental has interests in basic chemicals (principally chlorine and caustic soda), vinyls and performance chemicals.

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.

The carrying value of Occidental's property, plant and equipment (PP&E) is based on the historical cost incurred to acquire the PP&E, net of accumulated depreciation and net of any impairment charges. Occidental is required to perform impairment tests on its assets whenever events or changes in circumstances lead to a reduction in the estimated useful lives or estimated future cash flows that would indicate that the carrying amount may not be recoverable, or when management's plans change with respect to those assets. Under the provisions of Statement of Financial Accounting Standards (SFAS) No. 144, Occidental must compare the undiscounted future cash flows of an asset to its carrying value.

Included in the accompanying consolidated balance sheet are deferred tax assets of $733 million as of December 31, 2002, 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 $2.8 billion as of December 31, 2002, 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 mitigate its exposure 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 would have a significant impact on Occidental's results of operations for any particular year.

FOREIGN CURRENCY TRANSLATION

The functional currency applicable to all of Occidental's foreign oil and gas operations is the U.S. dollar since cash flows are denominated principally in U.S. dollars. Occidental's chemical operations in Brazil use the Real as the functional currency. The effect of exchange-rate changes on transactions denominated in nonfunctional currencies generated a loss of $26 million in 2002 and a gain of less than $1 million in both 2001 and 2000. The 2002 amount related to the writedown and sale of Occidental's Vulcan subsidiary.

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 $116 million and $139 million at December 31, 2002 and 2001, respectively.

TRADE RECEIVABLES

Occidental has an agreement in place to sell, under a revolving sale program, an undivided interest in a designated pool of trade receivables. This program is used by Occidental as a low-cost source of working capital funding. The balance of receivables sold at December 31, 2002 and 2001 was $360 million. This amount is not included in the debt and related trade receivables accounts, respectively, on Occidental's consolidated balance sheets. Receivables must meet certain criteria to qualify for the program.

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. Fees and expenses under this program are included in selling, general and administrative and other operating expenses. During the years ended December 31, 2002, 2001 and 2000, the cost of this program amounted to approximately 2.1 percent, 4.5 percent and 6.7 percent, respectively, of the weighted average amount of the receivables sold in each year. The fair value of any retained interests in the receivables sold is not material. The buyers of the receivables are protected against significant risk of loss on their purchase of receivables. Occidental provides for allowances for any doubtful receivables based on its periodic evaluation of such receivables. The provisions for such receivables were not material in the years ended December 31, 2002, 2001 and 2000.

The program terminates upon certain events, including Occidental's senior debt rating falling below investment grade. In such an event, alternative funding would have to be arranged, which could result in an increase in debt recorded on the consolidated balance sheet, with a corresponding increase in the accounts receivable balance. The consolidated income statement effect of such an event would not be significant.

INVENTORIES

For the oil and gas segment, materials and supplies are valued at the lower of average cost or market. Inventories are reviewed periodically (at least annually) for obsolescence. Oil and natural gas liquids (NGLs) inventories, which typically represent the last few days of production at the end of each period, are valued at the lower of cost or market. Natural gas trading inventory is valued at market. (See "Accounting Changes" in Note 4).

For the chemical segment, in countries where allowable, Occidental values its inventories using the last-in, first-out (LIFO) method as it better matches current costs and current revenue. Accordingly, Occidental accounts for domestic inventories in its chemical business, other than materials and supplies, on the LIFO method. For other countries, Occidental uses the first-in, first-out (FIFO) method (if the costs of goods are specifically identifiable) or the average-cost method (if the costs of goods are not specifically identifiable). Materials and supplies are accounted for using a weighted average cost method.

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 16).

Occidental uses the successful efforts method to account for its oil and gas properties. Under this method, costs of acquiring properties, costs of drilling successful exploration wells and development costs are capitalized. Annual lease rentals, exploration costs, geological, geophysical and seismic costs and exploratory dry-hole costs are expensed as incurred.

Proved oil and gas reserves are the estimated quantities of crude oil, natural gas, and NGLs that geological and engineering data demonstrate with reasonable certainty can be recovered in future years from known reservoirs under existing economic and operating conditions considering future production and development costs. Depreciation and depletion of oil and gas producing properties is determined by the unit-of-production method.

A portion of the carrying value of Occidental's oil and gas properties are attributable to unproved properties. At December 31, 2002, the costs attributable to unproved properties were approximately $1.3 billion. These costs are not currently being depreciated or depleted. As exploration and development work progresses and the reserves on these properties are proven, capitalized costs of the properties will be subject to depreciation and depletion. If the development work were to be unsuccessful, the capitalized costs of the properties related to this unsuccessful work would be expensed in the year in which the determination was made. The timing of any writedowns of these unproven properties, if warranted, depends upon the nature, timing and extent of future exploration and development activities and their results. Occidental believes its exploration and development efforts will allow it to fully realize the unproved property balance.

The estimated useful lives of Occidental's chemical assets, which range from 3 years to 50 years, are used to compute depreciation expense and are also used for impairment tests. The estimated useful lives used for the chemical facilities were based on the assumption that Occidental would provide an appropriate level of annual capital expenditures while the plants are still in operation. Without these continued capital expenditures, the useful lives of these plants could significantly decrease. Other factors which could change the estimated useful lives of Occidental's chemical plants include higher or lower product prices, feedstock costs, energy prices, environmental regulations, competition and technological changes.

Occidental is required to perform impairment tests on its chemical assets whenever events or changes in circumstances lead to a reduction in the estimated useful lives or estimated future cash flows that would indicate that its carrying amount may not be recoverable, or when management's plans change with respect to those assets. Under the provisions of SFAS No. 144, Occidental must compare the undiscounted future cash flows of an asset to its carrying value. The key factors which could significantly affect future cash flows are future product prices, feedstock costs, energy costs and remaining estimated useful life.

Due to a temporary decrease in demand for some of its products, Occidental has temporarily idled an EDC plant in June 2001, and a chlor-alkali plant in December 2001. These facilities will remain idle until market conditions improve. Management expects that both of these plants will become operational in the future. The net book value of these two plants was $150 million at December 31, 2002. These facilities were tested for impairment at the time they were temporarily idled and, based on the results, no impairment was deemed necessary for these two facilities. Occidental continues to depreciate these facilities based on their remaining estimated useful lives.

Occidental's chemical plants are depreciated using either the unit-of-production or straight-line method based upon the estimated useful life of the facilities.

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, 2001 consisted of short-term notes due to financial institutions and other corporations. The weighted average interest rate on short-term borrowings outstanding as of 2001 was 2.9 percent.

ACCRUED LIABILITIES--CURRENT

Accrued liabilities include the following (in millions):

Balance at December 31,	2002	2001
Accrued payroll, commissions and related expenses	$ 159	$ 143
Accrued environmental reserves	$ 84	$ 96
Derivative financial instruments	$ 115	$ 102

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 refers to currently available information, including relevant past experience, 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. For the years ended December 31, 2002 and 2001, Occidental has not accrued any reimbursements or recoveries as assets. Recoveries and reimbursements are recorded in income when receipt is probable. Environmental reserves are recorded on a discounted basis only when a reserve is initially established and the aggregate amount of the estimated costs for a specific site and the timing of cash payments are reliably determinable. The reserve methodology for a specific site is not modified once it has been established.

At sites involving multiple parties, Occidental provides environmental reserves based upon its expected share of liability. When other parties are jointly liable, the financial viability of the parties, the degree of their commitment to participate and the consequences to Occidental of their failure to participate are evaluated when estimating the company's ultimate share of liability. Occidental believes that it will not be required to assume a share of liability of other potentially responsible parties with whom it is alleged to be jointly liable in an amount that would have a material effect on Occidental's consolidated financial position or liquidity or results of operations.

Most cost sharing arrangements with other parties fall into one of the following three categories:

Category 1: Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) or state-equivalent sites wherein Occidental and other alleged potentially responsible parties share the cost of remediation in accordance with negotiated or prescribed allocations;

Category 2: Oil and gas joint ventures wherein each joint venture partner pays its proportionate share of remedial cost; and

Category 3: Contractual arrangements typically relating to purchases and sales of property wherein the parties to the transaction agree to methods of allocating the costs of environmental remediation.

In all three of these categories, Occidental records as a reserve its expected net cost of remedial activities, as adjusted by recognition for any non-performing parties.

In addition to the costs of investigating and implementing remedial measures, which often take in excess of ten years at CERCLA sites, Occidental's reserves include management's estimates of the cost of operation and maintenance of remedial systems. To the extent that the remedial systems are modified over time in response to significant changes in site-specific data, laws, regulations, technologies or engineering estimates, Occidental reviews and changes the reserves accordingly on a site-specific basis.

The following shows environmental reserve activity for the past three reporting periods:

(In millions)	12 Months Ended 12/31/02	12 Months Ended 12/31/01	12 Months Ended 12/31/00
Balance - Beginning of Year	$ 454	$ 402	$ 454
Increases to provision including interest accretion	25	111	2
Changes from acquisitions/dispositions	--	5	23
Payments	(84)	(75)	(85)
Other	(2)	11	8
Balance - End of Year	$ 393	$ 454	$ 402

Occidental expects to expend funds equivalent to about half of the current environmental reserve over the next three years and the balance over the next ten or more years.

DISMANTLEMENT, RESTORATION AND RECLAMATION COSTS

For offshore production, the estimated future abandonment costs of oil and gas properties and removal costs for 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 onshore production, Occidental assumes that the salvage value of the oil and gas property will equal the dismantlement restoration and reclamation costs so no accrual is necessary. For the chemical segment, 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 in other noncurrent liabilities and amounted to $0 million and $14 million, respectively, at December 31, 2002, and amounted to $1 million and $21 million, respectively, at December 31, 2001. (See "Accounting Changes" in Note 4.)

DERIVATIVE INSTRUMENTS

Occidental accounts for its derivatives under the provisions of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended by SFAS No. 137 and SFAS No. 138 (collectively SFAS No. 133). Under SFAS No. 133, recognition of the gain or loss that results from recording and adjusting a derivative to fair market value depends on the purpose for issuing or holding the derivative. Gains and losses from derivatives that are not designated as hedges are recognized immediately in earnings. A hedge is considered effective if changes in its value are offset exactly by changes in the value of the item being hedged. A hedge is ineffective to the extent changes in its value are not matched by offsetting changes in value for the item being hedged. If a derivative is used to hedge the fair value of an asset or liability (fair value hedge), the gains or losses from adjusting the derivative to its market value are recognized in earnings immediately and to the extent the hedge is effective, offset the concurrent recognition in earnings of changes in the fair value of the hedged item. Gains or losses from derivatives used to hedge future cash flows are recorded on the balance sheet in accumulated other comprehensive income (OCI), a component of stockholders' equity, until the transaction that is hedged is recognized in earnings. However, to the extent the value of the derivative differs from the value of the anticipated cash flows of the hedged transaction, the hedge is considered partly ineffective and the resulting gains or losses are recognized immediately in earnings.

FINANCIAL INSTRUMENTS

Occidental values financial instruments as required by SFAS No. 107, "Disclosures about Fair Value of Financial Instruments." The carrying amounts of cash and cash equivalents and short-term notes payable approximate fair value because of the short maturity of those instruments. The carrying value of other on-balance sheet financial instruments other than debt approximates fair value and the cost, if any, to terminate off-balance sheet financial instruments is not significant.

SUPPLEMENTAL CASH FLOW INFORMATION

Cash payments, net of refunds, during the years 2002, 2001 and 2000 included federal, foreign and state income taxes of approximately $111 million, $408 million and $682 million, respectively. Interest paid (net of interest capitalized) totaled approximately $250 million, $389 million and $516 million for the years 2002, 2001 and 2000, respectively. (See Note 3 for detail of noncash investing and financing activities regarding certain acquisitions).

NOTE 2   DERIVATIVE ACTIVITIES INCLUDING FAIR VALUE OF FINANCIAL INSTRUMENTS

Occidental's market risk exposures relate primarily to commodity prices and, to a lesser extent, interest rates and foreign currency exchange rates. Occidental periodically enters into derivative instrument transactions to reduce these price and rate fluctuations. A derivative is a financial instrument which derives its value from another instrument or variable.

In general, the fair value recorded for derivative instruments is based on quoted market prices, dealer quotes and the Black-Scholes or similar valuation models.

COMMODITY PRICE DERIVATIVES

GENERAL

Occidental's results are sensitive to fluctuations in crude oil and natural gas prices.

MARKETING AND TRADING OPERATIONS

Occidental periodically uses different types of derivative instruments to achieve the best prices for oil and gas. Derivatives are also used by Occidental to reduce its exposure to price volatility and mitigate fluctuations in commodity-related cash flows. Occidental enters into low-risk marketing and trading activities through its separate marketing organization, which operates under established policy controls and procedures. With respect to derivatives used in its oil and gas marketing operations, Occidental utilizes a combination of futures, forwards, options and swaps to offset various physical transactions. Overall, Occidental usually remains unhedged to long-term oil and gas prices and its use of derivatives in hedging activity remains at a low level.

In September 2002, Occidental unwound its natural gas delivery commitment and corresponding natural gas price swap, which were entered into in November 1998. Occidental recognized a pre-tax loss of $3 million related to these transactions.

FAIR VALUE OF CONTRACTS

The following tables reconcile the changes in the fair value of Occidental's marketing and trading contracts during 2002 and 2001 and segregate the open contracts at December 31, 2002 by maturity periods.

(in millions)	2002	2001
Fair value of contracts outstanding at beginning of year	$ 7	$ (66)
Gains on contracts realized or otherwise settled during the year	(1)	(30)
Changes in fair value attributable to changes in valuation techniques and assumptions	--	--
Other changes in fair values	28	103
Fair value of contracts outstanding at end of year	$ 34	$ 7

	Maturity Periods				
Source of Fair Value	2003	2004 to 2005	2006 to 2007	2008 and thereafter	Total Fair Value
Prices actively quoted	$ (12)	$ 6	$ 2	$ 2	$ (2)
Prices provided by other external sources	35	7	(8)	2	36
Prices based on models and other valuation methods	(5)	5	--	--	--
TOTAL	$ 18	$ 18	$ (6)	$ 4	$ 34

The tables above include the fair value of physical positions and the fair value of the related financial instruments for trading and marketing operations. At December 31, 2002 and 2001, the physical positions were a net gain of $42 million and a net loss of $2 million, respectively. The value of the derivative financial instruments that offset these physical positions are a net loss of $8 million at December 31, 2002 and a net gain of $9 million at December 31, 2001. Gains and losses are netted in the statement of operations. On the balance sheets, except where a right of set-off exists, gains are recognized as assets and losses are recognized as liabilities.

COMMODITY HEDGES

On a limited basis, Occidental uses cash-flow hedges for the sale of crude oil and natural gas. Occidental's commodity cash-flow-hedging instruments were highly effective. At December 31, 2002, all of these cash-flow hedges were settled. No fair value hedges were used for oil and gas production during 2002.

INTEREST RATE RISK

GENERAL

Occidental is exposed to risk resulting from changes in interest rates and it enters into various derivative financial instruments to manage interest-rate exposure. Interest-rate swaps, forward locks and futures contracts are entered into periodically as part of Occidental's overall strategy.

HEDGING ACTIVITIES

Occidental has entered into several interest-rate swaps that qualified for fair-value hedge accounting. These derivatives effectively convert approximately $1.3 billion of fixed-rate debt to variable-rate debt with maturities ranging from 2005 to 2008.

Occidental was a party to a series of forward interest-rate locks, which qualified as cash-flow hedges. The hedges were related to the construction of a cogeneration plant that was completed in December 2002 and leased by Occidental concurrently. The associated loss on the hedges through December 2002 is approximately $21 million after-tax, which is recorded in accumulated OCI and will be recognized in earnings over the lease term of 26 years on a straight-line basis.

Certain of Occidental's equity investees have entered into additional derivative instruments that qualified as cash-flow hedges. Occidental reflects its proportionate share of these cash-flow hedges in OCI.

CREDIT RISK

Occidental's energy contracts are spread among numerous counterparties. Creditworthiness is reviewed before doing business with a new counterparty and on an ongoing basis. Occidental monitors aggregated counterparty exposure relative to credit limits, and manages credit-enhancement issues. Credit exposure for each customer is monitored for outstanding balances, current month activity, and forward mark-to-market exposure.

FOREIGN CURRENCY RISK

Several of Occidental's foreign operations are located in countries whose currencies generally depreciate against the U.S. dollar on a continuing basis. Typically, effective currency forward markets do 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. Generally, international crude oil sales are denominated in U.S. dollars. Additionally, all of Occidental's oil and gas foreign entities have the U.S. dollar as the functional currency. However, in one foreign chemical subsidiary where the local currency is the functional currency, Occidental has exposure on U.S. dollar-denominated debt that is not material. At December 31, 2002 and 2001, Occidental had not entered into any foreign currency derivative instruments. The effect of exchange-rate transactions in foreign currencies is included in periodic income.

DERIVATIVE AND FAIR VALUE DISCLOSURES

The following table shows derivative financial instruments included in the consolidated balance sheets:

Balance at December 31, (in millions)	2002	2001
Derivative financial instrument assets (a)		
Current	$ 164	$ 116
Non-current	157	120
	$ 321	$ 236
Derivative financial instrument liabilities (a)		
Current	$ 115	$ 102
Non-current	23	119
	$ 138	$ 221

(a) Amounts include energy-trading contracts

As a result of fair-value swaps, the amount of interest expense recorded in the income statement is lower by approximately $45 million and $7 million for the years ended December 31, 2002 and 2001, respectively.

The following table summarizes after-tax derivative activity recorded in OCI (in millions):

Balance at December 31,	2002	2001
Beginning Balance	$ (20)	$ --
Cumulative effect of change in accounting principle	--	(27)
(Losses) gains from changes in current cash flow hedges	(14)	11
Amount reclassified to income	8	(4)
Ending Balance	$ (26)	$ (20)

During the years ended December 31, 2002 and 2001, an $8 million after-tax loss and a $4 million after-tax gain, respectively, were reclassified from OCI into earnings, resulting from the expiration of cash-flow hedges when the hedged transactions closed. During the years ended December 31, 2002 and 2001, a net unrealized after-tax loss of $14 million and a net unrealized after-tax gain of $11 million, respectively, were recorded to OCI relating to changes in current cash-flow hedges. During the next twelve months, Occidental expects that $3 million of net derivative after-tax losses included in OCI, based on their valuation at December 31, 2002, will be reclassified into earnings when the hedged transactions close. Hedge ineffectiveness did not have a significant impact on earnings for the years ended December 31, 2002 and 2001.

NOTE 3 BUSINESS COMBINATIONS AND ASSET ACQUISITIONS AND DISPOSITIONS

2002

In November 2002, Occidental closed a transaction with the United Arab Emirates' (UAE) Offsets Group in which Occidental acquired a 24.5 percent interest in Dolphin Energy Limited (DEL), the operator of the Dolphin Project, for a total of $342 million. DEL is a company that also includes as shareholders the UAE Offsets Group (51 percent interest) and TotalFinaElf (24.5 percent interest). The amount has been allocated, on a preliminary basis, primarily to investment in unconsolidated entities. Occidental will also be responsible for its 24.5 percent share of costs on an ongoing basis. The Dolphin Project, which is expected to cost its owners $3.5 billion in total, consists of two parts: (1) a development and production sharing agreement with Qatar to develop and produce natural gas and condensate in Qatar's North Field; and (2) the rights for DEL to build, own and operate a 260-mile-long, 48-inch export pipeline to transport 2 billion cubic feet per day of dry natural gas from Qatar to markets in the UAE for a period of 25 years. The pipeline will have capacity to transport up to 3.2 billion cubic feet per day, which will allow for additional business development projects. DEL is currently negotiating contracts to market the gas with users in the UAE. Construction on the upstream production and processing facilities and the pipeline is expected to begin in 2003 and production is scheduled to begin in early 2006. The Dolphin partners anticipate securing project financing. Occidental has not recorded any revenue or production costs for this project and no oil and gas reserves have been included in its 2002 proved oil and gas reserves.

In August 2002, Occidental and Lyondell Chemical Company completed an agreement for Occidental to sell its 29.5-percent share of Equistar to Lyondell and to purchase a 21-percent equity interest in Lyondell. Occidental entered into these transactions to diversify its petrochemicals interests. These transactions also reduced Occidental's direct exposure to petrochemicals volatility, yet allowed it to preserve, through its Lyondell investment, an economic upside when the petrochemicals industry recovers. In connection with these transactions, Occidental wrote down its investment in the Equistar partnership to fair value by recording a $412 million pre-tax charge as of December 2001. After the write-down, the net book value of Occidental's investment in Equistar at December 31, 2001, after considering tax effects, approximated the fair value of the Lyondell shares Occidental expected to receive, less transaction costs. Occidental recorded an after-tax gain of $164 million in the third quarter of 2002, as a result of closing these transactions on August 22, 2002. Occidental's initial carrying value of the Lyondell investment was $489 million, which represented the fair value of Lyondell's shares at closing.

In 2002, Occidental increased its ownership in Badin Block 1 and 2R by purchasing additional interests in these two blocks from the government of Pakistan for approximately $72 million.

In the fourth quarter of 2002, Occidental sold its chrome business at Castle Hayne, North Carolina for $25 million and its calendering operations (Vulcan) for a $6 million note receivable. In the third quarter of 2002, Occidental recorded an after-tax impairment charge of $69 million and classified both of these businesses as discontinued operations. The fair value of these businesses was determined by the expected sales proceeds from third party buyers. When these transactions closed, no significant gain or loss was recorded. For the years ended December 31, 2002, 2001 and 2000, the discontinued operations had revenues of $91 million, $124 million and $166 million, respectively, and pre-tax income (loss) of $(98) million, $2 million and $22 million, respectively.

2001

On August 31, 2001, Occidental sold its interest in a subsidiary that owned a Texas intrastate pipeline system. The entity was sold to Kinder Morgan Energy Partners, L.P. for $360 million. Occidental recorded an after-tax loss of approximately $272 million in connection with this transaction.

On July 10, 2001, Occidental completed the sale of its interest in the Tangguh LNG project in Indonesia to Mitsubishi Corporation of Japan for proceeds of $503 million. Occidental recorded an after-tax gain of approximately $399 million for this transaction.

2000

On December 4, 2000, Occidental completed an agreement with BP to obtain BP's interest in a carbon dioxide field in New Mexico and related pipelines in exchange for Occidental's interest in the Milne Point oil field in Alaska, together with additional cash consideration. The BP properties acquired had a book value of $51 million, and Occidental paid $14 million as additional consideration. The gain on this transaction was immaterial.

On November 29, 2000, OxyChem purchased a 28.6-percent interest in OxyMar, a Texas general partnership that owns the Ingleside, Texas VCM facility operated by OxyChem. The interest was purchased from U.S. VCM Corporation, an affiliate of Marubeni Corporation, which continues to own a 21.4-percent interest and remains a 50-percent partner for corporate-governance purposes. Occidental received approximately $37 million relating to the purchase and, as a result, agreed to guarantee an additional $110 million of OxyMar's debt. The $37 million was recorded as a reduction to Occidental's investment in OxyMar. OxyVinyls owns the remaining 50-percent interest. No gain or loss was recognized on this transaction.

On November 1, 2000, Occidental agreed to farm out a partial economic interest in its Block 15 operations in Ecuador to AEC, now EnCana, for $68 million. EnCana earns a 40-percent interest in the block and will reimburse Occidental for certain capital costs through 2004 estimated at $110 million. Occidental remains the operator of Block 15. The gain on this transaction was not significant.

On November 1, 2000, Occidental completed the sale of its Durez phenolic resins and compounding businesses and assets to Sumitomo Bakelite Co., Ltd. for gross proceeds of approximately $150 million. There was a $13 million after-tax gain on this transaction.

On August 15, 2000, Occidental completed agreements with respect to two transactions with Apache Corporation involving Occidental's interests in the Continental Shelf of the Gulf of Mexico (GOM). Occidental entered into a volumetric production payment (VPP) transaction to deliver, over 36 months, a substantial portion of its share of the proved developed producing gas reserves from these GOM interests to Apache amounting to 86 Bcf, for approximately $280 million. The value attributed to the production payment was based on price curves existing at the time the transaction was entered into. The $280 million, which represented the initial fair value of Occidental's obligation to deliver future gas production, was deferred and is being recognized in income as the gas is delivered. Occidental retained ownership of the first 2.7 million barrels of oil, which is being used to pay for the VPP production costs. Occidental believes this amount is sufficient to cover these costs. The remaining amount of this retained interest at December 31, 2002 was 0.4 million barrels, or approximately $12 million. Occidental also agreed to sell a 60 percent interest in the subsidiary that holds a residual interest, post-VPP, in the GOM assets for approximately $62 million. As a result of this sale and the consequent elimination of a portion of Occidental's responsibility for abandonment liabilities, Occidental recorded an after-tax gain of $39 million. Approximately 70 percent of the gain was the result of the elimination of the abandonment liability. As part of these transactions, Apache was granted four annual call options, each of which gives them the right to purchase for $11 million an additional 10 percent of the entity holding the residual interest in the GOM assets. Occidental also was granted four annual put options with generally similar provisions. Nominal value was attributed to the call and put options. Apache exercised the call options that became available in 2001 and 2002. Gains resulting from each exercise of the options were not material.

On May 8, 2000, Occidental completed an agreement to sell its producing properties in Peru to Pluspetrol for $30 million. In connection with this transaction, Occidental recorded an after-tax charge of approximately $29 million in December 1999 to write-down the properties to their fair values.

On April 24, 2000, Occidental completed the acquisition of THUMS, the field contractor of the Long Beach Unit, an oil and gas production unit, for approximately $68 million.

On April 19, 2000, Occidental completed its acquisition of all of the common interest in Altura, the largest oil producer in Texas. The acquisition was valued at approximately $3.6 billion. Occidental paid approximately $1.2 billion to the sellers, affiliates of BP and Royal Dutch/Shell Group (Shell), to acquire the common limited partnership interest and control of the general partner, which manages, operates and controls 100 percent of the Altura assets. The partnership borrowed approximately $2.4 billion, which had recourse only to the Altura assets. The $2.4 billion loan had been completely repaid by the end of 2001. The partnership also loaned approximately $2.0 billion to affiliates of the sellers, evidenced by two notes, which provide credit support to the partnership. The sellers retained a preferred limited partnership interest of approximately $2.0 billion and were entitled to certain distributions from the partnership. Occidental exercised an option in May 2002 to redeem the remaining partnership interests of $2.0 billion held by affiliates of BP and Shell in exchange for the notes receivable of $2.0 billion to the partnership. Occidental's results of operations include the operations of the Altura assets from the date of acquisition. Pro-forma net income for the year ended December 31, 2000, including historical Altura's results as if the acquisition had occurred on January 1, 2000, would have been $1.6

billion ($4.47 earnings per share). Pro-forma revenues would have been $9.8 billion for the year ended December 31, 2000. The pro-forma calculations were made with historical operating results from Altura prior to ownership by Occidental and give effect to certain adjustments, including increased depreciation, depletion and amortization to reflect the value assigned to the Altura property, plant and equipment, increased interest expense, and income tax effects. The pro-forma results are not necessarily indicative of the results of operations that would have occurred if the acquisition had been made at the beginning of the periods presented or that may be obtained in the future. Also, the pro-forma calculations do not reflect anticipated cost savings, synergies, changes in realized prices or production rates and certain other adjustments that are expected to result from the acquisition and operation of Altura.

On April 18, 2000, Occidental completed the sale of its 29.2-percent stake in CanadianOxy for gross proceeds of approximately $1.2 billion Canadian. This sale resulted in a net pre-tax gain of approximately $493 million. In addition, Occidental and CanadianOxy exchanged their respective 15-percent interests in joint businesses of approximately equal value, resulting in Occidental owning 100 percent of an oil and gas operation in Ecuador and CanadianOxy owning 100 percent of sodium chlorate operations in Canada and Louisiana.

NOTE 4   ASSET WRITE-DOWNS AND ACCOUNTING CHANGES

ASSET WRITE-DOWNS

The 2002 results included pre-tax chemical asset write-downs of $25 million for a polyvinyl chloride (PVC) dispersion resin plant and $17 million for production assets at a chlor-alkali facility. The fair value of these assets, which are classified as held for use, was determined by internal valuation methodologies. The write-downs were the result of continued depressed market conditions and regulatory requirements.

The 2000 results included pre-tax charges of $120 million for the write-down of the chemical intermediate businesses to net realizable value, $53 million for the write-down of various oil and gas assets and investments and $15 million for the write-down of various chemical assets.

The write-down of the chemical intermediate businesses was based on management's decision to exit this business through a sale or shutdown. The write-down was for costs associated with plant shutdown, employee severance, pension and retiree medical costs, inventory write-downs, decommissioning equipment, loss contract obligations and PP&E write-downs. The fair value of these assets, which were classified as held for sale, was determined by estimated sales proceeds from interested third party buyers.

In July 2000, Occidental received an investment bankers' report for Premcor (formerly Clark) that reviewed public market options if Premcor were to decide to make an initial public offering of its common stock. Occidental accounts for its investment in Premcor on the cost method of accounting. Based on the study, Occidental believed its investment was impaired on an other-than-temporary basis. Occidental assumed the mid point of the range in the study, of approximately $60 million, to be a reasonable estimate of the implied fair value of its Premcor investment. Therefore, to reflect the impairment in value of its investment, Occidental recorded a writedown in the third quarter of 2000 of $35 million.

ACCOUNTING CHANGES

FIN NO. 46

In January 2003, the Financial Accounting Standards Board (FASB) issued FASB Interpretation (FIN) No. 46, "Consolidation of Variable Interest Entities." FIN No. 46 requires a company to consolidate a variable interest entity if it is designated as the primary beneficiary of that entity even if the company does not have a majority of voting interests. A variable interest entity is generally defined as an entity where its equity is unable to finance its activities or where the owners of the entity lack the risk and rewards of ownership. The provisions of this statement apply at inception for any entity created after January 31, 2003. For an entity created before February 1, 2003, the provisions of this Interpretation must be applied at the beginning of the first interim or annual period beginning after June 15, 2003. Occidental will adopt the provisions of FIN No. 46 in the third quarter of 2003 for existing entities that are within the scope of this interpretation. The statement also has disclosure requirements, some of which are required to be disclosed for financial statements issued after January 31, 2003. On a preliminary basis, Occidental believes that its OxyMar investment and its LaPorte, Texas VCM plant lease will be consolidated under the provisions of this statement. (See further discussion in Notes 7 and 14).

FIN NO. 45

In January 2003, the FASB issued FIN No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." FIN No. 45 requires a company to recognize a liability for the obligations it has undertaken in issuing a guarantee. This liability would be recorded at the inception of a guarantee and would be measured at fair value. The measurement provisions of this statement apply prospectively to guarantees issued or modified after December 31, 2002. The disclosure provisions of the statement apply to financial statements for periods ending after December 15, 2002. (See further discussion in Note 9). Occidental will adopt the measurement provisions of this statement in the first quarter of 2003. The adoption of the statement is not expected to have a material effect on the financial statements when adopted.

SFAS NO. 148

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure." SFAS No. 148 permits two additional transition methods for companies that elect to adopt the fair-value-based method of accounting for stock-based employee compensation. The statement also expands the disclosure requirements for stock-based compensation. The provisions of this statement apply to financial statements for fiscal years ending after December 15, 2002. The statement is not expected to have a material impact on the financial statements when adopted.

EITF ISSUE NO. 02-3

In the third quarter of 2002, Occidental adopted certain provisions of Emerging Issues Task Force (EITF) Issue No. 02-3, "Issues involved in Accounting for Contracts under Issue No. 98-10." These provisions prescribed significant changes in how revenue from energy trading is recorded. Occidental has two major types of oil and gas revenues: (1) Revenues from its equity production; and (2) revenues from the sale of oil and gas produced by other companies, but purchased and resold by Occidental, referred to as revenue from trading activities. Both types of sales involve physical deliveries and had been historically recorded on a gross basis in accordance with generally accepted accounting principles. With the adoption of EITF Issue No. 02-3, Occidental now reflects the revenue from trading activities on a net basis. There were no changes in gross margins, net income, cash flow or earnings per share for any period as a result of adopting this requirement. However, net sales and cost of sales were reduced by equal and offsetting amounts to reflect the adoption of this requirement. Occidental has not engaged in any of the round-trip trading activities that were the focus of the FERC's energy-industry investigation activity in 2002. For the years ended December 31, 2002, 2001 and 2000, net sales and cost of sales were reduced from amounts previously reported by approximately $2.2 billion (representing amounts for the first two quarters of 2002), $5.8 billion and $4.9 billion, respectively, to conform to the current presentation.

Since 1999, Occidental has accounted for certain energy-trading contracts in accordance with EITF Issue No. 98-10, "Accounting for Contracts Involved in Energy Trading and Risk Management Activities." EITF Issue No. 98-10 required that all energy-trading contracts must be marked to fair value with gains and losses included in earnings, whether the contracts were derivatives or not. In October 2002, the EITF rescinded EITF Issue No. 98-10 thus precluding mark-to-market accounting for all energy-trading contracts that are not derivatives and fair value accounting for inventories purchased from third parties. Also, the rescission requires derivative gains and losses to be presented net on the income statement, whether or not they are physically settled, if the derivative instruments are held for trading purposes. Occidental will adopt this accounting change in the first quarter of 2003 and expects to record a cumulative effect of a change in accounting principles charge of approximately $19 million, after tax. Starting January 1, 2003, Occidental no longer records energy-trading contracts that are not derivatives on a mark-to-market basis.

SFAS NO. 146

In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 requires that a liability be recognized for exit and disposal costs only when the liability has been incurred and when it can be measured at fair value. The statement is effective for exit and disposal activities that are initiated after December 31, 2002. Occidental will adopt SFAS No. 146 in the first quarter of 2003 and it is not expected to have a material impact on its financial statements.

SFAS NO. 145

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." In addition to amending or rescinding other existing authoritative pronouncements to make various technical corrections, clarify meanings, or describe their applicability under changed conditions, SFAS No. 145 precludes companies from recording gains and losses from the extinguishment of debt as an extraordinary item. Occidental implemented SFAS No. 145 in the fourth quarter of 2002 and all comparative financial statements have been reclassified to conform to the 2002 presentation. Since Occidental had no 2002 extraordinary items, there was no effect on the 2002 presentation. The effects of the statement on prior years include the reclassification of an extraordinary loss to net income from continuing operations of $8 million ($0.02 per share) in 2001 and of $1 million (no per share effect) in 2000. There was no effect on net income or basic earnings per common share upon adoption.

SFAS NO. 144

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets and broadens the presentation of discontinued operations for long-lived assets. The provisions of this statement are effective for financial statements issued for fiscal years beginning after December 15, 2001. Occidental adopted this statement in the first quarter of 2002 and it did not have an impact on the financial statements when adopted.

SFAS NO. 143

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. Occidental's current policy for dismantlement, restoration and reclamation costs is to accrue the estimated future abandonment and removal costs of offshore production platforms, net of salvage value, over their operating lives. For onshore oil and gas production, Occidental estimates that the salvage value of the oil and gas properties generally will approximate the dismantlement, restoration and reclamation costs or that the net cost will not be material; therefore, no accrual is recorded. Occidental makes capital renewal expenditures for its chemical plants on a continual basis while an asset is in operation. Thus, retirement obligations are provided for when a decision is made to dispose of a property or when operations have been curtailed on other than a temporary basis. Under SFAS No. 143, companies are required to recognize the fair value of a liability for an asset retirement obligation in the period in which the liability is incurred if there is a legal obligation to dismantle the asset and reclaim or remediate the property at the end of the useful life. Occidental will adopt SFAS No. 143 in the first quarter of 2003. The initial adoption is expected to result in an after-tax charge of $50 - $60 million, which will be recorded as a cumulative effect of a change in accounting principles. The adoption is also expected to increase net property, plant and equipment by $59 million, increase asset retirement obligation by $150 million and decrease deferred tax liabilities by $33 million. In addition, Occidental will record a pre-tax charge to income of approximately $17 million a year to reflect the accretion of the liability and higher depreciation expense beginning in 2003.

SFAS NO. 142

In June 2001, the FASB issued SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 142 changes the accounting and reporting requirements for acquired goodwill and intangible assets. The provisions of this statement must be applied starting with fiscal years beginning after December 15, 2001. At December 31, 2001, the balance sheet included approximately $108 million of goodwill and intangible assets with annual amortization expense of approximately $6 million recorded in each of the years' income statements for the three-year period ended December 31, 2001. As a result, elimination of goodwill amortization would not have had a material impact on net income or earnings per share of any of the years presented and, as a result, the transitional disclosures of adjusted net income excluding goodwill amortization described by SFAS No. 142 have not been presented. Upon implementation of SFAS No. 142 in the first quarter of 2002, three separate specialty chemical businesses were identified as separate reporting units and tested for goodwill impairment. All three of these businesses are components of the chemical segment and were the only reporting units having any goodwill on the balance sheet. The fair value of each of the three reporting units was determined through third party appraisals. The appraisals determined fair value to be the price that the assets could be sold for in a current transaction between willing parties. As a result of the impairment testing, Occidental recorded a cumulative effect of changes in accounting principles after-tax reduction in net income of approximately $95 million due to the impairment of all the goodwill attributed to these reporting units. Occidental now has no remaining goodwill on its financial statements.

SFAS NO. 141

In June 2001, the FASB issued SFAS No. 141, "Business Combinations." SFAS No. 141 establishes new standards for accounting and reporting business combinations including eliminating the pooling method of accounting. The standard applies to all business combinations initiated after June 30, 2001. Occidental has implemented the provisions of SFAS No. 141, which had no impact on the financial statements.

SFAS NO. 133

On January 1, 2001, Occidental adopted SFAS No. 133, as amended. These statements established accounting and reporting standards for derivative instruments and hedging activities and required an entity to recognize all derivatives in the statement of financial position and measure those instruments at fair value. Changes in the derivative instrument's fair value must be recognized in earnings unless specific hedge accounting criteria are met. Adoption of these new accounting standards resulted in cumulative after-tax reductions in net income of approximately $24 million and OCI of approximately $27 million in the first quarter of 2001. The adoption also increased total assets by $588 million and total liabilities by $639 million as of January 1, 2001.

EITF ISSUE NO. 00-10

In the fourth quarter of 2000, Occidental adopted the provisions of EITF Issue No. 00-10, "Accounting for Shipping and Handling Fees and Costs", which establishes accounting and reporting standards for the treatment of shipping and handling costs. Among its provisions, EITF Issue No. 00-10 requires that transportation costs that had been accounted for as deductions from revenues should now be recorded as an expense. The implementation of EITF Issue No. 00-10 had no effect on net income. All prior-year balances have been adjusted to reflect this accounting change. The transportation costs that have been removed as deductions from revenues and included in cost of sales on Occidental's Statements of Operations totaled $245 million in 2000.

SFAS NO. 140

In the fourth quarter of 2000, Occidental adopted the disclosure provisions of SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities - a Replacement of FASB Statement No. 125", which revises disclosure standards for asset securitizations and other financial asset transfers. SFAS No. 140 also contains provisions which revise certain criteria for accounting for securitizations, financial-asset transfers and collateral. These accounting provisions were adopted by Occidental on April 1, 2001. The implementation of the provisions of SFAS No. 140 did not have an impact on Occidental's consolidated financial position or results of operations.

NOTE 5 INVENTORIES

Inventories of approximately $190 million and $214 million were valued under the LIFO method at December 31, 2002 and 2001, respectively. Inventories consisted of the following (in millions):

Balance at December 31,	2002	2001
Raw materials	$ 54	$ 53
Materials and supplies	125	119
Work in process	--	--
Finished goods	319	252
	498	424
LIFO reserve	(7)	(10)
TOTAL	$ 491	$ 414

NOTE 6 LONG-TERM DEBT

Long-term debt consisted of the following (in millions):

Balance at December 31,	2002	2001
OCCIDENTAL PETROLEUM CORPORATION		
6.75% senior notes due 2012	$ 500	$ 500
7.65% senior notes due 2006 (a)	485	457
6.4% senior notes due 2013, subject to remarketing April 1, 2003	450	450
7.375% senior notes due 2008 (a)	436	394
8.45% senior notes due 2029	350	350
5.875% senior notes due 2007 (a)	323	297
9.25% senior debentures due 2019, putable August 1, 2004 at par	300	300
10.125% senior debentures due 2009	276	276
7.2% senior debentures due 2028	200	200
4% medium-term notes due 2007	175	--
6.75% senior notes due 2002	--	163
6.5% senior notes due 2005 (a)	164	155
8.75% medium-term notes due 2023	100	100
Medium-term notes due 2003 through 2008 (7.45% to 8.25% at December 31, 2002)	85	120
4.101% medium-term notes due 2007	75	--
11.125% senior notes due 2010	12	12
	3,931	3,774
SUBSIDIARY DEBT		
4.8% unsecured notes due 2006	20	20
7.2% unsecured notes due 2020	7	7
1.05% to 7% unsecured notes due 2003 through 2030	253	273
	4,211	4,074
Less:		
Unamortized discount, net	(8)	(9)
Current maturities	(206)	--
TOTAL LONG-TERM DEBT	$ 3,997	$ 4,065

(a) Amounts include mark-to-market adjustments due to fair-value hedges.

Occidental intends to repurchase rather than remarket its 6.4 percent senior notes due 2013. At December 31, 2002, the balance of the notes was $450 million and $300 million was classified as non-current since Occidental intends to refinance this portion on a long-term basis initially using available lines of bank credit with maturities extending to 2006. At January 2, 2003, Occidental had available lines of committed bank credit of approximately $1.8 billion. Bank fees on these committed lines of credit ranged from 0.125 percent to 0.225 percent.

At December 31, 2002, minimum principal payments on long-term debt subsequent to December 31, 2003 aggregated $3,899 million, of which $323 million is due in 2004, $157 million in 2005, $796 million in 2006, $550 million in 2007, $405 million in 2008 and $1,668 million thereafter. These amounts do not include the mark-to-market adjustments, which netted to $106 million, related to fair-value hedges on debt of $1.3 billion. Unamortized discount is generally being amortized to interest expense on the effective interest method over the lives of the related issuances.

At December 31, 2002, 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 $4.1 billion, assuming that such dividends, distributions and acquisitions were made without incurring additional borrowings.

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 total debt, including Trust Preferred Securities, at December 31, 2002 and 2001 was approximately $5.2 billion and $4.8 billion, respectively, compared with a carrying value of approximately $4.7 billion, and approximately $4.5 billion, respectively.

NOTE 7 LEASE COMMITMENTS

The present value of net minimum capital lease payments, net of the current portion, totaled $26 million at both December 31, 2002 and 2001. These amounts are included in other liabilities.

Operating and capital lease agreements, which include leases for manufacturing facilities, office space, railcars and tanks, frequently include renewal and/or purchase options and require Occidental to pay for utilities, taxes, insurance and maintenance expense.

At December 31, 2002, 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
2003	$ 1	$ 88
2004	1	87
2005	1	80
2006	1	72
2007	1	62
Thereafter	28	958
TOTAL MINIMUM LEASE PAYMENTS	33	$ 1,347
Less:		
Imputed interest	(7)	
Current portion	--	
PRESENT VALUE OF MINIMUM CAPITAL LEASE PAYMENTS, NET OF CURRENT PORTION	$ 26	

Rental expense for operating leases, net of sublease rental income, was $81 million in 2002, $84 million in 2001 and $98 million in 2000. Rental expense was net of sublease income of $7 million in 2002 and $8 million in 2001 and 2000. At December 31, 2002, sublease rental amounts included in the future operating lease payments totaled $95 million, as follows (in millions): 2003--$8, 2004--$8, 2005--$9, 2006--$9, 2007--$8 and 2008 and thereafter--$53.

Occidental has guaranteed the residual value of certain leased assets of approximately $190 million, including the LaPorte, Texas VCM plant. If the assets are not purchased at the end of the lease-term, Occidental would be obligated to pay any deficiency between the fair value of the assets and the guaranteed residual; however, Occidental does not expect to make payments under this provision.

Included in the 2002 and 2001 property, plant and equipment accounts were $10 million and $11 million, respectively, of property leased under capital leases and $7 million and $8 million, respectively, of related accumulated amortization.

Occidental is leasing a cogeneration facility which was completed in 2002. This facility supplies all the steam and electric power requirements for Occidental's Taft chlor-alkali plant at a lower cost than if the plant were to generate its own steam and purchase electricity from a public utility. An owner trust with investors as participating beneficiaries owns the project. The equity participants in the owner trust funded the owner trust with equity during construction in the amount of three percent of the cumulative project costs throughout the period and in an amount in excess of 14 percent of the final project costs upon the commencement of the lease term. In connection with the completion of construction and satisfaction of certain other conditions, the 26-year term of the operating lease commenced in December 2002. At December 31, 2002, Occidental estimates the present value of the remaining lease payments to be $455 million.

Occidental has entered into various operating lease agreements, mainly for railcars, power plants, manufacturing facilities and office space. The leased assets are used in Occidental's operations where leasing offers advantages of greater operating flexibility and generally costs less than alternative methods of funding that were available at the time financing decisions were made. Lease payments are charged to Occidental's operations, mainly as cost of sales.

The accounting treatment for the leases described above, including the Taft lease, is dictated by SFAS 13 and other related pronouncements. These leases have been classified as operating leases in accordance with the operating lease criteria.

As discussed in Note 4, FIN No. 46 is expected to result in the consolidation of certain variable interest entities that are owners of plant and equipment Occidental leases from them. The probable consolidation will affect the LaPorte, Texas VCM plant lease. If consolidation were to take place, there would be no significant effect on Occidental's financial condition, however, consolidation would result in an increase in assets of approximately $132 million and liabilities of $154 million, with an after-tax charge of approximately $22 million in the third quarter of 2003. Occidental expects to record this charge as a cumulative effect of a change in accounting principles. Annual expense for depreciation will increase by approximately $12 million pre-tax. If Occidental chose to terminate the leases prior to adoption, there would be no cumulative effect of a change in accounting principles.

NOTE 8 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 are generally expected 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.

The laws which require or address environmental remediation may apply retroactively to past waste disposal practices and releases. In many cases, the laws apply regardless of fault, legality of the original activities or current ownership or control of sites. Occidental Petroleum Corporation (OPC) or certain of its subsidiaries are 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, OPC 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 in proceedings under CERCLA and similar federal, state and local environmental laws. These proceedings seek funding or performance of remediation and, in some cases, compensation for alleged property damage, punitive damages and civil penalties.

Occidental manages its environmental remediation efforts through a wholly owned subsidiary, Glenn Springs Holdings, Inc. (GSH), which reports its results directly to Occidental's corporate management. The following table presents Occidental's environmental remediation reserves at December 31, 2002, 2001 and 2000 grouped by three categories of environmental remediation sites:

($ amounts in millions)	2002		2001		2000	
	NUMBER OF SITES	RESERVE	Number of Sites	Reserve	Number of Sites	Reserve
CERCLA & Equivalent Sites	124	$ 284	126	$ 320	127	$ 263
Active Facilities	14	46	14	59	14	66
Closed or Sold Facilities	44	63	47	75	49	73
TOTAL	182	$ 393	187	$ 454	190	$ 402

In determining the environmental remediation reserves, Occidental refers to currently available information, including relevant past experience, available technology, regulations in effect, the timing of remediation and cost-sharing arrangements. Occidental expects that it will continue to incur additional liabilities beyond those recorded for environmental remediation at these and other sites. The range of reasonably possible loss for existing environmental remediation matters could be up to $400 million beyond the amount accrued. Many factors could result in changes to Occidental's environmental reserves and reasonably possible range of loss. The most significant are:

- The original cost estimate may have been inaccurate.
- Modified remedial measures might be necessary to achieve the required remediation results. Occidental generally assumes that the remedial objective can be achieved using the most cost-effective technology reasonably expected to achieve that objective. Such technologies may include air sparging or phyto-remediation of shallow groundwater, or limited surface soil removal or in-situ treatment producing acceptable risk assessment results. Should such remedies fail to achieve remedial objectives, more intensive or costly measures may be required.
- The remedial measure might take more or less time than originally anticipated to achieve the required contaminant reduction. Site-specific time estimates can be affected by factors such as groundwater capture rates, anomalies in subsurface geology, interactions between or among water-bearing zones and non-water-bearing zones, or the ability to identify and control contaminant sources.

- >> The regulatory agency might ultimately reject or modify Occidental's proposed remedial plan and insist upon a different course of action.

Additionally, other events might occur that could affect Occidental's future remediation costs, such as:

- >> The discovery of more extensive contamination than had been originally anticipated. For some sites with impacted groundwater, accurate definition of contaminant plumes requires years of monitoring data and computer modeling. Migration of contaminants may follow unexpected pathways along geologic anomalies that could initially go undetected. Additionally, the size of the area requiring remediation may change based upon risk assessment results following site characterization or interim remedial measures.
- >> Remediation technology might improve to decrease the cost of remediation. In particular, for groundwater remediation sites with projected long-term operation and maintenance, the development of more effective treatment technology, or acceptance of alternative and more cost-effective treatment methodologies such as bio-remediation, could significantly affect remediation costs.
- >> Laws and regulations might change to impose more or less stringent remediation requirements.

For Management's opinion, refer to Note 9.

At December 31, 2002, OPC or certain of its subsidiaries have been named in 124 CERCLA or state equivalent proceedings, as shown below.

Description ($ amounts in millions)	Number of Sites	Reserve Balance
Minimal/No Exposure (a)	102	$ 7
Reserves between $1-10 MM	14	54
Reserves over $10 MM	8	223
TOTAL	124	$ 284

(a) Includes 33 sites for which Maxus Energy Corporation has retained the liability and indemnified Occidental, 7 sites where Occidental has denied liability without challenge, 48 sites where Occidental's reserves are less than $50,000 each, and 14 sites where reserves are between $50,000 and $1 million each.

The eight sites with individual reserves over $10 million in 2002 are a former copper mining and smelting operation in Tennessee, two closed landfills in Western New York, groundwater treatment facilities at three former chemical plants (Western New York, Montague, Michigan and Tacoma, Washington), replacement of a municipal drinking water treatment plant in Western New York, and various sediment clean-up actions in Washington.

Certain subsidiaries of OPC are currently addressing releases of substances from past operations at 14 active facilities. Three facilities - certain oil and gas properties in the southwestern United States, a chemical plant in Louisiana, and a phosphorous recovery operation in Tennessee -- account for 62 percent of the reserves associated with these facilities.

There are 44 sites formerly owned or operated by certain subsidiaries of OPC that have ongoing environmental remediation requirements. Three sites account for 66 percent of the reserves associated with this group. The three sites are: an active refinery in Louisiana where Occidental indemnifies the current owner and operator for certain remedial actions, a water treatment facility at a former coal mine in Pennsylvania, and a former chemical plant in West Virginia.

Occidental's costs, some of which may include estimates, relating to compliance with environmental laws and regulations are shown below for each segment:

In millions	2002	2001	2000
OPERATING EXPENSES			
Oil and Gas	$ 32	$ 22	$ 17
Chemical	46	47	51
	$ 78	$ 69	$ 68
CAPITAL EXPENDITURES			
Oil and Gas	$ 70	$ 60	$ 27
Chemical	16	19	20
	$ 86	$ 79	$ 47
REMEDIATION EXPENSES			
Corporate	$ 23	$ 109	$ --
ENVIRONMENTAL RESERVES			
Corporate	$ 393	$ 454	$ 402

Operating expenses are incurred on a continual basis. Capital expenditures relate to longer-lived improvements in currently operating facilities. Remediation expenses relate to existing conditions caused by past operations and do not contribute to current or future revenue generation. Although total costs may vary in any one year, over the long term, segment operating and capital expenditures for environmental compliance generally are expected to increase.

Eight counties in the Houston-Galveston area are subject to a federal EPA mandate to adopt a plan for implementing certain requirements of the federal Clean Air Act, known as a State Implementation Plan. In October 2001, the EPA approved a State Implementation Plan for the Houston Galveston area (the Plan). In December 2002, the Texas Commission on Environmental Quality revised the regulations associated with the Plan. The revised Plan contains provisions requiring the reduction of 80 percent of current nitrogen oxide (NOx) emissions and 60 percent of the volatile organic compound (VOC) emissions in the Houston-Galveston area by November 2007. Occidental operates six facilities that will be subject to the Plan's NOx and VOC-reduction requirements. Occidental estimates that over the next several years its capital expenditures will increase by a total of $70 - $120 million for environmental control and monitoring equipment necessary to comply with the Plan, depending on the amount of emissions reduction that is ultimately required. Occidental began expending the capital necessary to comply with the Plan in 2001 and expects expenditures to end in 2007, although the timing of the expenditures will vary by facility.

Occidental presently estimates that capital expenditures for environmental compliance (including the Plan discussed above) will be approximately $72 million for 2003 and $95 million for 2004.

NOTE 9   LAWSUITS, CLAIMS, COMMITMENTS, CONTINGENCIES AND RELATED MATTERS

OPC and certain of its subsidiaries have been named in a substantial number of lawsuits, claims and other legal proceedings. These actions seek, among other things, compensation for alleged personal injury, breach of contract, property damage, punitive damages, civil penalties or other losses; or injunctive or declaratory relief. OPC and certain of its subsidiaries also have been named in proceedings under CERCLA and similar federal, state and local environmental laws. These environmental proceedings seek funding or performance of remediation and, in some cases, compensation for alleged property damage, punitive damages and civil penalties; however, 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. With respect to all such lawsuits, claims and proceedings, including environmental proceedings, Occidental accrues reserves when it is probable a liability has been incurred and the amount of loss can be reasonably estimated.

During the course of its operations, Occidental is subject to audit by tax authorities for varying periods in various federal, state, local and foreign tax jurisdictions. Taxable years prior to 1996 are closed for U.S. federal income tax purposes. Taxable years 1996 through 2000 are in various stages of audit by the Internal Revenue Service. Disputes arise during the course of such audits as to facts and matters of law.

At December 31, 2002, commitments for major capital expenditures during 2003 and thereafter were approximately $158 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, 2002, the net present value of the fixed and determinable portion of the obligations under these agreements, which were used to collateralize financings of the respective suppliers, aggregated $94 million, which was payable as follows (in millions): 2003--$21, 2004--$19, 2005--$16, 2006--$14, 2007--$11 and 2008 through 2019--$13. Fixed payments under these agreements were $27 million in 2002, $20 million in 2001 and $42 million in 2000.

Occidental has certain other commitments under contracts, guarantees and joint ventures, and certain other contingent liabilities. Many of these commitments, although not fixed or determinable, involve capital expenditures and are part of the $1.3 billion capital expenditures estimated for 2003.

As discussed in Note 4, FIN No. 45 requires the disclosure in Occidental's financial statements of information relating to guarantees issued by Occidental and outstanding at December 31, 2002.

These guarantees encompass performance bonds, letters of credit, indemnities, commitments and other forms of guarantees provided by Occidental to third parties, mainly to provide assurance that Occidental and/or its subsidiaries and affiliates will meet their various obligations ("guarantees").

At December 31, 2002, the notional amount of the guarantees was approximately $1 billion. Of this amount, approximately $700 million relates to Occidental's guarantee of equity investees' debt and other commitments. An additional $200 million relates to the LaPorte, Texas VCM plant operating lease and other equipment leases. The foregoing items have also been discussed in Note 7 and in Note 14, specifically, the debt guarantees relating to OxyMar and Elk Hills Power, the guarantees on debt and other commitments relating to the Ecuador pipeline and the residual value guarantee of the LaPorte, Texas VCM plant operating lease. The remaining $100 million relates to various indemnities and guarantees provided to third parties.

Occidental has indemnified various parties against specified liabilities that those parties might incur in the future in connection with purchases and other transactions that they have entered into with Occidental. These indemnities usually are contingent upon the other party incurring liabilities that reach specified thresholds. As of December 31, 2002, Occidental is not aware of circumstances that would lead to future indemnity claims against it for material amounts in connection with these transactions.

It is impossible at this time to determine the ultimate liabilities that OPC and its subsidiaries may incur resulting from any lawsuits, claims and proceedings, audits, commitments, contingencies and related matters. If these matters were to be ultimately resolved unfavorably at amounts substantially exceeding Occidental's reserves, an outcome not currently anticipated, it is possible that such outcome could have a material adverse effect upon Occidental's consolidated financial position or results of operations. However, after taking into account reserves, management does not expect the ultimate resolution of any of these matters to have a material adverse effect upon Occidental's consolidated financial position or results of operations.

NOTE 10 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
2002	$ 438	$ 1,147	$ 1,585
2001	$ 272	$ 1,463	$ 1,735
2000	$ 1,511	$ 1,480	$ 2,991

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
2002				
Current	$ 79	$ 9	$ 475	$ 563
Deferred	(112)	(26)	(3)	(141)
	$ (33)	$ (17)	$ 472	$ 422
2001				
Current	$ 326	$ 17	$ 396	$ 739
Deferred	(40)	(141)	(2)	(183)
	$ 286	$ (124)	$ 394	$ 556
2000				
Current	$ 425	$ 18	$ 578	$ 1,021
Deferred	403	9	1	413
	$ 828	$ 27	$ 579	$ 1,434

The credit for deferred federal and state and local income taxes in 2002 results primarily from the sale of the investment in Equistar.

The credit for deferred state and local income taxes in 2001 reflects a benefit of $70 million related to the settlement of a state tax issue, deferred tax reversing due to the sale of the entity owning pipelines in Texas that are leased to a former subsidiary and an adjustment to reflect lower effective state tax rates.

The following is a reconciliation, stated as a percentage of pre-tax income, of the U.S. statutory federal income tax rate to Occidental's effective tax rate on income from continuing operations:

For the years ended December 31,	2002	2001	2000
U.S. federal statutory tax rate	35 %	35 %	35 %
Operations outside the United States (a)	12	2	11
Benefit from sale of subsidiary stock	(21)	--	--
State taxes, net of federal benefit	--	(5)	1
Other	1	--	1
Tax rate provided by Occidental	27 %	32 %	48 %

(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 7 percent in 2002. The effect on 2001 and 2000 was insignificant due to distributions from these subsidiaries.

The tax effects of temporary differences resulting in deferred income taxes at December 31, 2002 and 2001 were as follows (in millions):

Items resulting in temporary differences	2002 DEFERRED TAX ASSETS	2002 DEFERRED TAX LIABILITIES	2001 Deferred Tax Assets	2001 Deferred Tax Liabilities
Property, plant and equipment differences	$ 87	$ 1,166	$ 100	$ 967
Equity investments including partnerships	--	375	--	694
Environmental reserves	155	--	178	--
Postretirement benefit accruals	129	--	130	--
Deferred compensation and fringe benefits	135	--	117	--
State income taxes	41	--	54	--
All other	186	60	197	96
Subtotal	733	1,601	776	1,757
Valuation allowance	--	--	(8)	--
Total deferred taxes	$ 733	$ 1,601	$ 768	$ 1,757

Included in total deferred tax assets was a current portion aggregating $114 million as of both December 31, 2002 and 2001 that was reported in prepaid expenses and other.

A deferred tax liability of approximately $165 million at December 31, 2002 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 discontinued operations include an income tax benefit of $18 million in 2002, income tax expense of $3 million in 2001 and income tax expense of $9 million in 2000.

The cumulative effect of changes in accounting principles was reduced by an income tax benefit of $6 million in 2002 and $13 million in 2001.

Additional paid-in capital was credited $7 million in 2002 and 2001 for a tax benefit resulting from the exercise of certain stock options.

Items included in OCI are net of a tax charge of $27 million in 2002, benefit of $14 million in 2001 and charge of $6 million in 2000.

NOTE 11 STOCKHOLDERS' EQUITY

The following is an analysis of common stock (shares in thousands):

	Common Stock
BALANCE, DECEMBER 31, 1999	367,916
Issued	2,244
Options exercised and other, net	(176)
BALANCE, DECEMBER 31, 2000	369,984
Issued	1,064
Options exercised and other, net	3,078
BALANCE, DECEMBER 31, 2001	374,126
Issued	1,027
Options exercised and other, net	2,707
BALANCE, DECEMBER 31, 2002	377,860

NONREDEEMABLE PREFERRED STOCK

Occidental has authorized 50,000,000 shares of preferred stock with a par value of $1.00 per share. At December 31, 2002, 2001 and 2000, Occidental had no outstanding shares of preferred stock.

STOCK INCENTIVE PLANS

STOCK OPTIONS AND STOCK APPRECIATION RIGHTS

The 1987 Stock Plan, as amended, provided for the grant of incentive stock options (ISOs), nonqualified stock options (NQSOs) and stock appreciation rights (SARs) to the executive officers and other key employees of Occidental and its subsidiaries. An aggregate of 9,000,000 shares of common stock was reserved for issuance upon exercise of ISOs, NQSOs or SARs granted. Options granted under the plan were granted at an exercise price not less than the fair market value on the date of grant and the price may not be changed except to reflect a change in capitalization. The 1987 Plan provides that outstanding options and SARs will be accelerated if Occidental enters into one or more agreements to dispose of substantially all the assets or 50 percent, or more of the capital stock, of Occidental by sale, merger, reorganization or liquidation in one transaction or a related series of transactions. In an acceleration event, optionees subject to Section 16 of the Securities Exchange Act of 1934 (Exchange Act) will receive a cash payment equal to the difference between the fair market value of the shares subject to the option and the exercise price. The 1987 Plan was terminated for the purposes of further grants upon the effective date of the 1995 Incentive Stock Plan.

The 1995 Incentive Stock Plan, as amended, provided for the grant of awards in the form of options, SARs, performance stock or restricted stock to salaried employees of Occidental or persons who have agreed to become salaried employees. An aggregate of 25,000,000 shares of common stock were reserved for issuance in connection with awards under the 1995 Plan. Adjustments to the number of shares covered by an award or the option or base price of an option or SAR may be made by the Committee in order to prevent the dilution or expansion in participants' rights due to a change in capitalization, merger, consolidation, reorganization or similar corporate transaction. Stockholder approval is required to extend the maximum period for exercising stock options or SARs (10 years from the date of grant), to reduce the option price or base price of any outstanding options or SARs, or for any material amendment of the 1995 Plan as defined in Rule 16b-3 of the Exchange Act. The 1995 Incentive Stock Plan was terminated for the purposes of further grants upon the effective date of the 2001 Incentive Stock Plan.

The 2001 Incentive Compensation Plan, as amended, provides for the grant of awards in the form of common stock, options, SARs, restricted stock, stock units or similar rights to purchase shares. Any of the awards may be granted as performance-based awards. An aggregate of 17,000,000 shares were initially reserved for issuance under the 2001 Plan. The plan administrator will proportionately adjust outstanding awards in the event of an extraordinary dividend or distribution or any reclassification, recapitalization, reorganization, merger or other extraordinary corporate transaction, or a sale of substantially all of the assets of Occidental as a whole. In such events, an adjustment may be made to the number and type of shares subject to an award, the grant, purchase or exercise price of outstanding awards; the securities, cash or property deliverable upon exercise of an outstanding award or the performance goals or objectives applicable to an outstanding award. Upon the occurrence of a change of control event (the dissolution or liquidation of Occidental, consummation of a business combination, any person acquiring more than 20 percent of the voting power of Occidental or a significant change in Occidental's Board of Directors composition) and unless the administrator determines to the contrary, options and SARs become immediately exercisable, restricted stock immediately vests, performance-based awards become immediately payable and any rights of a participant under any other award are accelerated to give the participant the benefit of the award. Stockholder approval is required for any reduction in the exercise price of any option or SAR below the fair market value on the date of grant and for any amendment to the plan that would materially increase the benefits to participants under the 2001 Plan or the number of securities that may be issued or would materially modify the requirements for eligibility. No awards may be made under the 2001 Plan after April 20, 2011. At December 31, 2002, 4,049,638 shares were available under this plan for future awards, which may include stock options, SARs, restricted stock, performance stock and dividend equivalents.

Options to purchase common stock of Occidental have been granted to officers and employees under stock option plans adopted in 1987, 1995 and 2001, as discussed above. During 2002, options for 4,289,285 shares became exercisable, and options for 16,185,809 shares were exercisable at December 31, 2002 at a weighted-average exercise price of $23.33. Generally, these options vest over three years with a maximum term of ten years and one month. At December 31, 2002, no SARs were outstanding.

The following is a summary of stock option transactions during 2002, 2001 and 2000 (shares in thousands):

	2002		2001		2000	
	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
BEGINNING BALANCE	25,390	$ 23.396	18,217	$ 21.532	13,033	$ 23.249
Granted or issued	4,904	$ 26.430	11,039	$ 26.171	5,577	$ 20.144
Exercised	(3,097)	$ 21.115	(3,395)	$ 22.398	(93)	$ 19.968
Canceled or expired	(225)	$ 22.518	(471)	$ 23.495	(300)	$ 25.018
ENDING BALANCE	26,972	$ 24.219	25,390	$ 23.396	18,217	$ 21.532
OPTIONS EXERCISABLE AT YEAR END	16,186		15,023		8,374	

The following is a summary of stock options outstanding at December 31, 2002 (shares in thousands):

		OPTIONS OUTSTANDING		OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	OUTSTANDING	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE	EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE
$14.88 to $22.00	7,732	6.85 Years	$ 19.67	6,013	$ 19.54
$23.12 to $26.00	8,091	4.55 Years	$ 25.26	8,091	$ 25.26
$26.43 to $29.44	11,149	8.97 Years	$ 26.62	2,082	$ 26.78

MANDATORY DEFERRED RESTRICTED STOCK AWARDS

Pursuant to the 2001 Incentive Compensation Plan, employees have been awarded mandatory deferred Occidental restricted common stock, with the right to receive shares vesting between 3 and 5 years, or earlier under certain conditions. The mandatory deferred restricted shares are not issued until the end of the deferral period, but employees receive dividend equivalents on the deferred shares. The related expense is amortized over the vesting period. Vested shares are included in both basic and diluted shares outstanding, while unvested shares are only included in diluted shares outstanding. In 2002, rights to receive 923,224 shares were awarded at a weighted-average grant-date value of $26.73.

RESTRICTED STOCK AWARDS

Pursuant to the 2001 Incentive Compensation Plan and the 1995 Incentive Stock Plan, certain executives have been awarded Occidental restricted common stock at the par value of $.20 per share, with such shares vesting after three or four years, respectively, or earlier under certain conditions. The related expense is amortized over the vesting period. Restricted shares are issued when granted, but are subject to recall if certain conditions are not satisfied. Unvested shares are included in diluted shares outstanding. In 2002, 3,784 shares were awarded at a weighted-average grant date value of $25.99; in 2001, 275,384 shares were awarded at a weighted-average grant-date value of $24.59; in 2000, 40,000 shares were awarded at a weighted-average grant-date value of $21.875 per share. Shares granted prior to 2000 totaled 652,226 with a weighted-average grant-date price of $22.41.

PERFORMANCE STOCK AWARDS

Performance stock awards have been made to various employees pursuant to the 2001 Incentive Compensation Plan and 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 either on a peer company comparison of total stockholder return for such period, or in the case of segment employees, a combination of total stockholder return and return on assets of the segment. The expected cost of these shares is reflected in income over the performance period. The grantees will receive shares of common stock in an amount ranging from zero to 200 percent of the Target Share Award (as such amount is defined in the grant). Since performance-based unvested stock is contingent upon satisfying conditions, those unvested shares are considered to be contingently issuable shares and are not included in the computation of diluted earnings per share until all conditions for issuance are met. Performance stock awards are included in basic shares outstanding when issued. In 2002, awards for 310,913 target shares were granted at a weighted-average grant-date value of $26.53; in 2001, awards for 336,642 target shares were granted at a weighted-average grant-date value of $24.27; in 2000, awards for 375,654 target shares were granted at a weighted-average grant-date value of $21.625 per share. Target shares granted prior to 2000 are 836,698 with a weighted-average grant-date value of $20.18 per share. In 2002, 2001 and 2000, 187,780, 47,782 and 101,630 shares, respectively, were issued for the target shares granted in prior years.

PRO-FORMA DISCLOSURE

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", Occidental's pro-forma net income would have been $1.0 billion in 2002, $1.1 billion in 2001 and $1.6 billion in 2000. Basic and diluted earnings per share would have been $2.58 for 2002, $3.05 for 2001 and $4.22 for 2000. 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 2002, 2001 and 2000, respectively: dividend yield of 3.93, 3.74 and 4.97 percent; expected volatility of 31.70, 29.33 and 28.37 percent; risk-free rate of return of 3.89, 4.84 and 6.27 percent; and expected lives of 3.5, 5 and 5 years.

These grants have limitations on transferability. In the case of executive management, such options may not be exercised for approximately two months of each calendar quarter. The use of short-term volatility measures as a proxy for long-term volatility provides significant uncertainty as to the value of the options. These factors could result in the market value of the options being less than the Black-Scholes values.

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 150,000 shares of common stock may be awarded under the Directors Plan and 23,500, 21,000 and 21,000 shares of common stock were awarded during 2002, 2001 and 2000, respectively. At December 31, 2002, 59,165 shares of common stock were available for the granting of future awards.

EARNINGS PER SHARE AND ANTI-DILUTIVE COMPUTATIONS

Basic earnings per share was computed by dividing net income plus the effect of repurchase of Trust Preferred Securities 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.

The following are the share amounts used to compute the basic and diluted earnings per share for the years ended December 31 (in millions):

	2002	2001	2000
BASIC EARNINGS PER SHARE			
Weighted average common shares outstanding	376.1	372.4	369.0
Issued, unvested restricted stock	(.2)	(.4)	(.2)
Deferred shares	.3	.1	--
Basic Shares Outstanding	376.2	372.1	368.8
DILUTED EARNINGS PER SHARE			
Basic shares outstanding	376.2	372.1	368.8
Dilutive effect of exercise of options outstanding	2.7	1.8	.2
Issued, unvested restricted stock	.2	.4	.2
Dilutive effect of deferred, restricted shares	.4	--	--
Dilutive Shares	379.5	374.3	369.2

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:

	2002	2001	2000
STOCK OPTIONS			
Number of shares (in millions)	0.02	0.02	5.64
Price range	$29.063 - $29.438	$29.063 - $29.438	$21.250 - $29.438
Expiration range	12/1/07 - 4/29/08	12/1/07 - 4/29/08	4/28/03 - 11/10/09

ACCUMULATED OTHER COMPREHENSIVE INCOME (AOCI)

AOCI consisted of the following (in millions):

Balance at December 31,	2002	2001
Foreign currency translation adjustments	$ (56)	$ (61)
Derivative mark-to-market adjustments	(26)	(20)
Minimum pension liability adjustments	(10)	(5)
Unrealized gains on securities	65	--
TOTAL	$ (27)	$ (86)

NOTE 12 TRUST PREFERRED SECURITIES

In January 1999, Oxy Capital Trust I, a wholly-owned subsidiary of Occidental, issued 21,000,000 shares of 8.16 percent Trust Originated Preferred Securities (Trust Preferred Securities) to the public and 649,485 shares of Trust Originated Common Securities (Common Securities) to Occidental. The proceeds of such issuances were invested by Oxy Capital Trust I in $541.2 million aggregate principal amount of Occidental's 8.16 percent Subordinated Deferrable Interest Notes due 2039 (Trust Subordinated Notes). The Trust Subordinated Notes represent the sole assets of Oxy Capital Trust I. The Trust Subordinated Notes mature on January 20, 2039, bear interest at the rate of 8.16 percent payable quarterly and are redeemable in whole, or in part, by Occidental beginning on January 20, 2004 at 100 percent of the principal amount thereof, plus any accrued and unpaid interest to the redemption date. The Trust Subordinated Notes are unsecured obligations of Occidental and are junior in right of payment to all present and future senior indebtedness of Occidental and are also effectively subordinate to certain indebtedness of Occidental's consolidated subsidiaries. Occidental may defer interest payments on the Trust Subordinated Notes from time to time for a period not exceeding twenty consecutive quarters. However, any unpaid quarterly interest payments on the Trust Subordinated Notes will continue to accrue interest at 8.16 percent per annum.

Holders of the Trust Preferred Securities and Common Securities are entitled to cumulative cash distributions at an annual rate of 8.16 percent of the liquidation amount of $25 per security. The Trust Preferred Securities and Common Securities will be redeemed upon repayment of the Trust Subordinated Notes. If Occidental defers interest payments on the Trust Subordinated Notes, Oxy Capital Trust I will defer distributions on the Trust Preferred Securities and Common Securities during any deferral period. However, any unpaid quarterly distributions on the Trust Preferred Securities and Common Securities will continue to accrue with interest at 8.16 percent per annum.

Occidental has guaranteed, on a subordinated basis, distributions and other payments due on the Trust Preferred Securities (the Guarantee). The Guarantee, when taken together with Occidental's obligations under the Trust Subordinated Notes and the indenture pursuant to which the Trust Subordinated Notes were issued and Occidental's obligations under the Amended and Restated Declaration of Trust governing Oxy Capital Trust I, provides a full and unconditional guarantee of amounts due on the Trust Preferred Securities.

The Trust Subordinated Notes and the related Oxy Capital Trust I investment in the Trust Subordinated Notes have been eliminated in consolidation and the Trust Preferred Securities are reported as Occidental Obligated Mandatorily Redeemable Trust Preferred Securities of a Subsidiary Trust Holding Solely Subordinated Notes of Occidental in the accompanying consolidated financial statements. Distributions on the Trust Preferred Securities are reported under the caption minority interest in the statement of operations. Total net proceeds to Occidental were $508 million. The balance reflected in the accompanying consolidated financial statements at December 31, 2002 and 2001 is net of unamortized issue costs and also reflects the repurchase in 2002 and 2001 of 353,150 and 437,100 shares with a liquidation value of $8.8 million and $10.9 million, respectively. At December 31, 2002, 18,716,554 Trust Preferred Securities and 649,485 Common Securities were outstanding.

NOTE 13 RETIREMENT PLANS AND POSTRETIREMENT BENEFITS

Occidental has various defined benefit and defined contribution retirement plans for its salaried, domestic union and nonunion hourly, and certain foreign national employees. Participation in the defined benefit plans is limited and approximately 1,400 domestic and 500 foreign national employees, mainly union and non-union hourly employees, are currently accruing benefits under these plans.

All domestic employees and certain foreign national employees are eligible to participate in one or more of the defined contribution retirement or savings plans that provide for periodic contributions by Occidental based on plan-specific criteria, such as base pay, age level, and/or employee contributions. Certain salaried employees participate in a supplemental retirement plan that provides restoration of benefits lost due to governmental limitations on qualified retirement benefits. The accrued liabilities for the supplemental retirement plan were $49 million, $42 million, and $38 million as of December 31, 2002, 2001 and 2000. Occidental expensed $57 million in 2002, $57 million in 2001, and $55 million in 2000 under the provisions of these defined contribution and supplemental retirement plans.

Occidental provides medical and dental benefits and life insurance coverage for certain active, retired and disabled employees and their eligible dependents. 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 benefit costs including the postretirement costs were approximately $91 million in 2002, $82 million in 2001, and $69 million in 2000.

Pension costs for Occidental's defined benefit pension plans, determined by independent actuarial valuations, are generally funded by payments to trust funds, which are administered by independent trustees.

The following table sets forth the components of the net periodic benefit costs for Occidental's defined benefit pension and postretirement benefit plans for 2002, 2001, and 2000 (in millions):

	Pension Benefits			Postretirement Benefits		
For the years ended December 31,	2002	2001	2000	2002	2001	2000
NET PERIODIC BENEFIT COSTS:						
Service cost--benefits earned during the period	$ 10	$ 9	$ 9	$ 6	$ 5	$ 4
Interest cost on benefit obligation	26	25	23	34	31	29
Expected return on plan assets	(20)	(24)	(23)	--	--	--
Amortization of net transition obligation	--	--	--	--	--	--
Amortization of prior service cost	1	1	1	--	--	1
Recognized actuarial loss	1	4	(1)	6	--	(1)
Curtailments and settlements	1	--	--	--	--	(8)
Currency adjustments	(8)	(1)	(5)	--	--	--
Net periodic benefit cost	$ 11	$ 14	$ 4	$ 46	$ 36	$ 25

Occidental recorded a charge to accumulated other comprehensive income of $5 million in 2002, a credit of $6 million in 2001, and a charge of $2 million in 2000, to reflect the net-of-tax difference between the additional liability required under pension accounting provisions and the corresponding intangible asset. The decrease in accumulated other comprehensive income in 2002 was attributable to an actual return on plan assets that was less than the expected return on plan assets and a decrease in the discount rate. The increase was mitigated by an additional pension contribution of $10 million in 2002.

Occidental's defined benefit pension and postretirement defined benefit plans are accrued based on various assumptions and discount rates, as described below. Occidental uses the fair value of assets rather than a smoothed value of assets to determine pension expense. Occidental funds and expenses negotiated pension increases for domestic union employees over the term of the collective bargaining agreement.

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 plan liabilities accrued.

The following table sets forth the reconciliation of the beginning and ending balances of the benefit obligation for Occidental's defined benefit pension and postretirement benefit plans (in millions):

	Pension Benefits		Postretirement Benefits	
	2002	2001	2002	2001
CHANGES IN BENEFIT OBLIGATION:				
Benefit obligation -- beginning of year	$ 337	$ 295	$ 465	$ 383
Service cost--benefits earned during the period	10	9	6	5
Interest cost on projected benefit obligation	26	25	34	31
Actuarial (gain)loss	10	28	61	95
Foreign currency exchange rate changes	(11)	(3)	--	--
Benefits paid	(21)	(20)	(51)	(49)
Plan amendments	2	3	--	--
Cost recovery percentage	6	--	--	--
Divestitures	(3)	--	--	--
Special termination benefits	1	--	--	--
Benefit obligation -- end of year	$ 357	$ 337	$ 515	$ 465

The following table sets forth the reconciliation of the beginning and ending balances of the fair value of plan assets for Occidental's defined benefit pension plans (in millions):

	Pension Benefits	
	2002	2001
CHANGES IN PLAN ASSETS:		
Fair value of plan assets -- beginning of year	$ 255	$ 254
Actual return on plan assets	(1)	14
Foreign currency exchange rate changes	(3)	(1)
Employer contribution	23	8
Benefits paid	(21)	(20)
Divestitures	(2)	--
Fair value of plan assets -- end of year	$ 251	$ 255

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for defined benefit pension plans with accumulated benefit obligation in excess of plan assets were $231 million, $211 million, and $124 million respectively, as of December 31, 2002 and $212 million, $193 million and $123 million, respectively, as of December 31, 2001.

For domestic pension plans, the weighted average discount rate used in determining the benefit obligation was 6.65 percent and 7 percent, respectively as of December 31, 2002 and 2001. Occidental bases the discount rate on the average yield provided by the Moody's Aa Corporate Bond Index. The weighted average rate of increase in future compensation levels used in determining the benefit obligations was approximately 4.0 percent in 2002, and 4.5 percent in 2001. These compensation increase assumptions are consistent with Occidental's past and anticipated future compensation increases for employees participating in retirement plans that determine benefits using compensation. The expected long-term rate of return on assets was 8.0 percent in 2002 and 9.0 percent in 2001. This assumption is based on Occidental's expected return on plan assets with a targeted mix of approximately 60 percent in equities and 40 percent in fixed income securities.

For pension plans outside of the United States, the assumptions used in determining the benefit obligation vary by country. The discount rates used in determining the benefit obligation range from a low of 4 percent to a high of 13 percent as of December 31, 2002 and a low of 4 percent to a high of 25 percent as of December 31, 2001. Occidental bases its discount rate for foreign pension plans on rates indicative of government and or investment grade corporate debt in the applicable country. The average rate of increase in future compensation levels ranged from a low of 3 percent to a high of 9 percent in 2002 and from a low of 3 percent to a high of 19 percent in 2001 dependent on local economic conditions and salary budgets. The expected long-term rates of return on plan assets were 5.5 percent in excess of local inflation in both 2002 and 2001.

The postretirement benefit obligation was determined by application of the terms of medical and dental benefits and life insurance coverage, including the effect of established maximums on covered costs, together with relevant actuarial assumptions and health care cost trend rates projected at a Consumer Price Index (CPI) increase of 3.0 percent as of December 31, 2002 and 2001, (beginning in 1993, participants other than certain union employees pay for all medical cost increases in excess of increases in the CPI). For certain union employees, the health care cost trend rates were projected at annual rates ranging ratably from 11 percent in 2002 to 6.0 percent through the year 2007 and level thereafter. A 1-percent increase or a 1-percent decrease in these assumed health care cost trend rates would result in an increase of $16 million or a reduction of $15 million, respectively, in the postretirement benefit obligation as of December 31, 2002, and an increase or reduction of $1 million, in interest cost in 2002. The annual service costs would not be materially affected by these changes.

The following table sets forth the funded status and amounts recognized in Occidental's consolidated balance sheets for the defined benefit pension and postretirement benefit plans at December 31, 2002 and 2001 (in millions):

	Pension Benefits		Postretirement Benefits	
Balance at December 31,	2002	2001	2002	2001
Unfunded obligation	$ (106)	$ (83)	$ (515)	$ (465)
Unrecognized net transition obligation	--	2	--	--
Unrecognized prior service cost	6	5	9	9
Unrecognized net (gain)loss	76	41	130	75
Net amount recognized	$ (24)	$ (35)	$ (376)	$ (381)
Prepaid benefit cost	$ 49	$ 38	$ --	$ --
Accrued benefit liability	(96)	(83)	(376)	(381)
Intangible assets	1	1	--	--
Accumulated other comprehensive income	22	9	--	--
Net amount recognized	$ (24)	$ (35)	$ (376)	$ (381)

NOTE 14 INVESTMENTS AND TRANSACTIONS WITH AFFILIATES

Investments in entities, 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, 2002, Occidental's equity investments consisted of a 21-percent interest in Lyondell acquired in August 2002, a 24.5-percent interest in the entity that will own the pipeline being constructed by DEL, the operator of the Dolphin Project, and other various partnerships and joint ventures, discussed below. Equity investments paid dividends of $22 million, $27 million and $99 million to Occidental in 2002, 2001 and 2000, respectively. Cumulative undistributed earnings since acquisition, in the amount of $58 million, of 50-percent-or-less-owned companies have been accounted for by Occidental under the equity method. At December 31, 2002, Occidental's investments in unconsolidated subsidiaries exceeded the underlying equity in net assets by $471 million.

Investments also include certain cost method investments, in which Occidental owns less than 20 percent of the voting stock. Occidental's most significant cost method investment is in Premcor, Inc, which became a publicly-traded company in April 2002. In accordance with the provisions of SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," this investment is being accounted for as an available-for-sale security and was adjusted to fair value. As of December 31, 2002, an unrealized gain of $65 million, net of tax, is reflected in OCI.

Occidental's purchases from certain chemical partnerships at market-related prices, in which it has investments, were $604 million, $656 million and $755 million in 2002, 2001 and 2000, respectively. Occidental's sales to certain chemical partnerships at market-related prices, in which it has investments, were $105 million, $68 million and $217 million, in 2002, 2001 and 2000, 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,	2002	2001	2000
Revenues	$ 1,782	$ 2,223	$ 2,735
Costs and expenses	2,043	2,315	2,668
Net (loss)income	$ (261)	$ (92)	$ 67

Balance at December 31,	2002	2001
Current assets	$ 421	$ 429
Noncurrent assets	$ 1,946	$ 1,951
Current liabilities	$ 225	$ 298
Long-term debt	$ 1,458	$ 960
Other non-current liabilities	$ 404	$ 172
Stockholders' equity	$ 280	$ 950

Occidental has a 78.6-percent ownership interest (before minority interest) in OxyMar. Occidental owns 28.6 percent of OxyMar directly and the OxyVinyls partnership, which is 76-percent owned by Occidental, owns 50 percent. Therefore, after minority interest, Occidental's effective ownership interest is 67 percent. Marubeni Corporation (Marubeni) owns the remaining 21.4 percent of OxyMar, but has a 50-percent voting interest. The OxyMar VCM plant is a modern, efficient manufacturing facility. Occidental's chlorovinyls business derives significant economic benefit from OxyMar's operations as the supplier of certain products to OxyMar. OxyMar, in turn, supplies VCM required by Occidental to manufacture PVC. This investment in OxyMar is recorded as an equity investment on the consolidated balance sheet. Occidental guarantees 50 percent of OxyMar's $165 million private placement bonds due 2016 and 100 percent of a $220 million revolving line of credit which matures in 2005, under which $105 million was outstanding at December 31, 2002. These amounts are reflected as debt on OxyMar's balance sheet. Marubeni has a right to put its interest in OxyMar to Occidental in 2004 by paying approximately $25 million to Occidental and, in connection with this transfer, require Occidental to assume Marubeni's guarantee of OxyMar's debt. Occidental determined that Marubeni's strike price was equal to fair value as of the issue date and assigned a fair value of zero to the option. Therefore, Occidental did not record an asset or liability associated with this put option in the consolidated financial statements. Since the put price was negotiated on arms'-length terms and has no predetermined conditions that would require exercise of the option, Occidental cannot determine whether Marubeni will exercise its option. Occidental does not expect to record a loss if the option is exercised. If OxyMar were to be consolidated at December 31, 2002, assets would increase by $172 million and liabilities would increase by $163 million on Occidental's consolidated balance sheets. As of December 31, 2002, Occidental had advanced $95 million to OxyMar and had a net equity investment of $30 million. As discussed in Note 4, FIN No. 46 is expected to result in the consolidation of OxyMar in the third quarter of 2003. This consolidation is not expected to have a significant effect on Occidental's financial condition and will not change Occidental's results of operations.

Occidental and ConocoPhillips (Conoco) each has a 50-percent interest in Ingleside Cogeneration Limited Partnership, a limited partnership (Ingleside LP), which operates a cogeneration plant in Texas. The cogeneration facility supplies all of the steam and electric power requirements to Occidental's Ingleside chlor-alkali plant and OxyMar's VCM plant at less cost than if these facilities were to produce their own steam and purchase electric power from a public utility. At December 31, 2002, Ingleside LP had approximately $171 million in debt, which is secured by its assets. Occidental has not guaranteed this debt; however, Occidental and Conoco currently each guarantee half of a debt service reserve amount of approximately $8 million. Occidental accounts for this investment using the equity method.

In Ecuador, Occidental has a 12-percent interest in a company currently constructing an oil export pipeline, which is expected to be completed in 2003. Construction of the pipeline has made it feasible for Occidental to develop the Eden Yuturi field it discovered several years ago in the southeastern corner of Block 15. The development of Eden Yuturi, together with ongoing work in the western portion of the block that is currently in production, is expected to add net incremental production of 30,000 barrels per day in 2004, all of which is expected to be transported through the new pipeline. Occidental has committed to make capital contributions up to its share (currently estimated to be approximately $64 million) of the estimated total project capital requirements. As of December 31, 2002, Occidental has contributed $9 million to the project. Occidental reports this investment in its consolidated statements using the equity method of accounting.

This project is being funded in part by senior project debt. The senior project debt is to be repaid with the proceeds of ship-or-pay tariffs of certain upstream producers in Ecuador, including Occidental. Under their ship-or-pay commitments, Occidental and the other upstream producers have each assumed their respective share of project-specific risks, including construction risk, operating risk and force-majeure risk. Occidental would be required to make an advance tariff payment in the event of termination of the agreement authorizing the pipeline company to build the pipeline, prolonged delay in project completion, prolonged force majeure, upstream expropriation events, bankruptcy of the pipeline company or its parent company, abandonment of the project, termination of an investment guarantee agreement with Ecuador, or certain defaults by Occidental. This advance tariff would be used by the pipeline company to service or prepay project debt. Occidental's obligation relating to the pipeline company's senior project debt totaled $101 million, and the completion bonds and other bonds totaled $17 million at December 31, 2002. As Occidental ships product using the pipeline, its overall obligations will decrease with the reduction of the pipeline company's senior project debt.

Occidental and Sempra Energy (Sempra) each has a 50-percent interest in Elk Hills Power LLC, a limited liability company that is currently constructing a gas-fired, power-generation plant in California. Occidental accounts for this investment using the equity method. In January 2002, Elk Hills Power LLC entered into a $400 million construction loan facility. Occidental guarantees $200 million (50 percent) of the loan facility. At December 31, 2002, approximately $162 million of debt guaranteed by Occidental was outstanding.

NOTE 15   INDUSTRY SEGMENTS AND GEOGRAPHIC AREAS

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In compliance with the provisions of SFAS No. 131--"Disclosures about Segments of an Enterprise and Related Information," Occidental has identified two reportable segments through which it conducts its continuing operations: oil and gas and chemical. The factors for determining the reportable segments were based on the distinct nature of their operations. They are managed as separate business units because each requires and is responsible for executing a unique business strategy. 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, basic chemicals, vinyls and performance chemicals.

Earnings of industry segments and geographic areas exclude interest income, interest expense, environmental remediation expenses, unallocated corporate expenses, discontinued operations and cumulative effect of changes in accounting principles, but include income from equity investments and gains and losses from dispositions of segment and geographic area assets.

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 resulting from purchase accounting adjustments, which arose from the implementation in 1992 of SFAS No. 109 - "Accounting for Income Taxes," and the tax effects resulting from major, infrequently occurring transactions such as asset sales and legal settlements that relate to segment results.

Identifiable assets are those assets used in the operations of the segments. Corporate assets consist of cash, short-term investments, certain corporate receivables, an investment in Lyondell, an intrastate pipeline (sold in the third quarter of 2001) and other assets.

INDUSTRY SEGMENTS
In millions

	Oil and Gas	Chemical	Corporate	Total
YEAR ENDED DECEMBER 31, 2002				
Net sales	$ 4,634 (a)	$ 2,704 (b)	$ --	$ 7,338
Pretax operating profit(loss) (c)	$ 2,181	$ (128)	$ (468)(e)	$ 1,585
Income taxes	(474)	403	(351)(f)	(422)
Discontinued operations, net	--	--	(79)	(79)
Cumulative effect of changes in accounting principles, net	--	--	(95)	(95)
Net income(loss) (d)	$ 1,707 (g)	$ 275 (h)	$ (993)(i)	$ 989
Unconsolidated equity investments	$ 475	$ (11)	$ 592	$ 1,056
Property, plant and equipment additions, net (k)	$ 1,038	$ 109	$ 89	$ 1,236
Depreciation, depletion and amortization	$ 819	$ 183	$ 10	$ 1,012
Total assets	$ 12,483	$ 3,069	$ 996	$ 16,548
YEAR ENDED DECEMBER 31, 2001				
Net sales	$ 5,134 (a)	$ 2,968 (b)	$ --	$ 8,102
Pretax operating profit(loss) (c)	$ 3,292	$ (442)	$ (1,115)(e)	$ 1,735
Income taxes	(447)	43	(152)(f)	(556)
Discontinued operations, net	--	--	(1)	(1)
Cumulative effect of changes in accounting principles, net	--	--	(24)	(24)
Net income(loss) (d)	$ 2,845 (g)	$ (399)(h)	$ (1,292)(i)	$ 1,154
Unconsolidated equity investments	$ 75	$ 663	$ 255	$ 993
Property, plant and equipment additions, net (k)	$ 1,138	$ 112	$ 58	$ 1,308
Depreciation, depletion and amortization	$ 750	$ 184	$ 31	$ 965
Total assets	$ 13,316	$ 3,943	$ 591	$ 17,850
YEAR ENDED DECEMBER 31, 2000				
Net sales	$ 4,875 (a)	$ 3,629 (b)	$ --	$ 8,504
Pretax operating profit(loss) (c)	$ 3,012	$ 148	$ (169)(e)	$ 2,991
Income taxes	(595)	(7)	(832)(f)	(1,434)
Discontinued operations, net	--	--	13	13
Net income(loss) (d)	$ 2,417 (g)	$ 141 (h)	$ (988)(i)	$ 1,570
Unconsolidated equity investments	$ 67	$ 1,203	$ 57	$ 1,327
Property, plant and equipment additions, net (k)	$ 738	$ 148	$ 6	$ 892
Depreciation, depletion and amortization	$ 670	$ 183	$ 41	$ 894
Total assets	$ 13,384	$ 4,701	$ 1,329 (j)	$ 19,414

Footnotes:

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(a) Oil sales represented approximately 77 percent, 60 percent and 75 percent of net sales for the periods ended December 31, 2002, 2001 and 2000, respectively.

(b) Total product sales for the chemical segment were as follows:

	Basic Chemicals	Commodity Vinyl Resins	Performance Chemicals
YEAR ENDED DECEMBER 31, 2002	32%	50%	18%
Year ended December 31, 2001	38%	48%	14%

Year ended December 31, 2000	33%	49%	18%

(c) Research and development costs were $7 million in 2002, $8 million in 2001 and $16 million in 2000.

Footnotes continued:

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(d) Segment earnings include charges and credits in lieu of U.S. federal income taxes. In 2002, the amounts allocated to the segments were charges of $1 million and a credit of $403 million in oil and gas and chemical, respectively. In 2001, the amounts allocated to the segments were charges of $56 million and a credit of $42 million in oil and gas and chemical, respectively. In 2000, the amounts allocated to the segments were charges of $32 million and a credit of $7 million in oil and gas and chemical, respectively. 2002, 2001 and 2000 reflect allocation of taxes to segments for major, infrequently occurring transactions.

(e) Includes unallocated net interest expense, administration expense, environmental remediation and other items. 2000 and 2001 also include pipeline lease income and pipeline depreciation expense. 2002 includes the equity results from the Lyondell investment from the date of the acquisition.

(f) Includes unallocated income taxes.

(g) Includes the following significant items affecting earnings for the years ended December 31:

Benefit (Charge) In millions	2002	2001	2000
OIL AND GAS			
Gain on sale of interest in the Indonesian Tangguh LNG project, net of tax	$ --	$ 399	$ --

(h) Includes the following significant items affecting earnings for the years ended December 31:

Benefit (Charge) In millions	2002	2001	2000
CHEMICAL			
Gain on sale of Equistar investment, net of tax	$ 164	$ --	$ --
Write-down of Equistar investment	--	(412)	--
Write-down of chemical intermediate businesses and various assets	--	--	(140)

(i) Includes the following significant items affecting earnings for the years ended December 31:

Benefit (Charge) In millions	2002	2001	2000
CORPORATE			
Gain on sale of CanadianOxy investment	$ --	$ --	$ 493
Loss on sale of pipeline-owning entity (a)	--	(272)	--
Discontinued operations, net (a)	(79)	(1)	13
Settlement of state tax issue	--	70	--
Tax effect of pre-tax items	--	148	(145)
Changes in accounting principles, net (a)	(95)	(24)	--

(a) Amounts shown after-tax.

(j) 2000 includes the net assets of an intrastate pipeline system, which was sold in 2001.

(k) Excludes acquisitions of other businesses and formation of OxyVinyls. Amounts exclude $3.8 billion in oil and gas in 2000, but include capitalized interest of $12 million in 2002, $5 million in 2001 and $3 million in 2000.

GEOGRAPHIC AREAS
In millions

	Net sales (a)			Property, plant and equipment, net		
For the years ended December 31,	2002	2001	2000	2002	2001	2000
United States	$ 5,198	$ 6,288	$ 6,084	$ 10,996	$ 11,170	$ 11,845
Qatar	566	539	747	955	859	825
Yemen	422	377	435	316	273	229
Colombia	381	179	392	98	81	104
Oman	158	151	116	155	122	99
Pakistan	151	113	102	189	49	44
Canada	150	136	189	33	31	29
Russia	144	157	180	--	64	66
Ecuador	98	82	148	176	109	85
United Arab Emirates	--	--	--	93	1	--
Other Foreign	70	80	111	25	32	75
Total	$ 7,338	$ 8,102	$ 8,504	$ 13,036	$ 12,791	$ 13,401

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

NOTE 16 COSTS AND RESULTS OF OIL AND GAS PRODUCING ACTIVITIES

Capitalized costs relating to oil and gas producing activities and related accumulated depreciation, depletion and amortization, were as follows (in millions):

	Consolidated Subsidiaries					
	United States	Latin America	Middle East and Other Eastern Hemisphere	Total	Other Interests(c)	Total Worldwide
DECEMBER 31, 2002						
Proved properties	$ 9,736	$ 883	$ 2,965	$ 13,584	$ 35	$ 13,619
Unproved properties (b)	1,205	2	102	1,309	--	1,309
TOTAL PROPERTY COSTS	10,941	885	3,067	14,893	35	14,928
Support facilities	332	50	109	491	--	491
TOTAL CAPITALIZED COSTS (a)	11,273	935	3,176	15,384	35	15,419
Accumulated depreciation, depletion and amortization	(2,560)	(661)	(1,469)	(4,690)	9	(4,681)
NET CAPITALIZED COSTS	$ 8,713	$ 274	$ 1,707	$ 10,694	$ 44	$ 10,738
DECEMBER 31, 2001						
Proved properties	$ 9,027	$ 789	$ 2,514	$ 12,330	$ (2)	$ 12,328
Unproved properties (b)	1,606	2	13	1,621	--	1,621
TOTAL PROPERTY COSTS	10,633	791	2,527	13,951	(2)	13,949
Support facilities	290	43	57	390	19	409
TOTAL CAPITALIZED COSTS (a)	10,923	834	2,584	14,341	17	14,358
Accumulated depreciation, depletion and amortization	(2,210)	(622)	(1,276)	(4,108)	27	(4,081)
NET CAPITALIZED COSTS	$ 8,713	$ 212	$ 1,308	$ 10,233	$ 44	$ 10,277
DECEMBER 31, 2000						
Proved properties	$ 8,616	$ 750	$ 2,254	$ 11,620	$ (17)	$ 11,603
Unproved properties (b)	1,970	19	77	2,066	--	2,066
TOTAL PROPERTY COSTS	10,586	769	2,331	13,686	(17)	13,669
Support facilities	244	46	53	343	17	360
TOTAL CAPITALIZED COSTS (a)	10,830	815	2,384	14,029	--	14,029
Accumulated depreciation, depletion and amortization	(2,299)	(596)	(1,141)	(4,036)	40	(3,996)
NET CAPITALIZED COSTS	$ 8,531	$ 219	$ 1,243	$ 9,993	$ 40	$ 10,033

(a) Includes costs related to leases, exploration costs, lease and well equipment, pipelines and terminals, gas plants and other equipment.
(b) Primarily consists of California properties.
(c) Includes capitalized costs for equity investees in Russia and Yemen, partially offset by minority interest for a Colombian affiliate.

Costs incurred relating to oil and gas producing activities, whether capitalized or expensed, were as follows (in millions):

	Consolidated Subsidiaries					
	United States	Latin America	Middle East and Other Eastern Hemisphere	Total	Other Interests(c)	Total Worldwide
DECEMBER 31, 2002						
Acquisition of properties						
Proved	$ 72	$ --	$ 91	$ 163	$ --	$ 163
Unproved	--	--	29	29	--	29
Exploration costs	54	30	50	134	--	134
Development costs	457 (b)	97	336	890	7	897
	$ 583	$ 127	$ 506	$ 1,216	$ 7	$ 1,223
DECEMBER 31, 2001						
Acquisition of properties						
Proved	$ 10	$ --	$ 19	$ 29	$ --	$ 29
Unproved	43	--	10	53	--	53
Exploration costs	57	65	54	176	(5)	171
Development costs	602 (b)	58	247	907	11	918
	$ 712	$ 123	$ 330	$ 1,165	$ 6	$ 1,171
DECEMBER 31, 2000						
Acquisition of properties						
Proved	$ 3,690	$ 42	$ 21	$ 3,753	$ --	$ 3,753
Unproved	7	--	1	8	--	8
Exploration costs	56	62	20	138	(4)	134
Development costs	339 (a,b)	34	200	573	6	579
	$ 4,092	$ 138	$ 242	$ 4,472	$ 2	$ 4,474

(a) Excludes costs related to the acquisition of CO_2 properties.
(b) Excludes capitalized CO_2 of $42 million in 2002, $48 million in 2001 and $44 million in 2000.
(c) Includes equity investees' costs in Russia and Yemen, partially offset by minority interest for a Colombian affiliate.

The results of operations of Occidental's oil and gas producing activities, which exclude oil and gas trading activities and items such as asset dispositions, corporate overhead and interest, were as follows (in millions):

	Consolidated Subsidiaries					
	United States	Latin America	Middle East and Other Eastern Hemisphere	Total	Other Interests(c)	Total Worldwide
FOR THE YEAR ENDED DECEMBER 31, 2002						
Revenues	$ 2,622	$ 453	$ 1,279 (a)	$ 4,354	$ 107	$ 4,461
Production costs	753	92	158	1,003	61	1,064
Exploration expenses	105	27	43	175	1	176
Other operating expenses	152	(7)	67	212	10	222
Depreciation, depletion and amortization	570	41	195	806	13	819
PRETAX INCOME	1,042	300	816	2,158	22	2,180
Income tax expense(b)	210	113	385 (a)	708	10	718
RESULTS OF OPERATIONS	$ 832	$ 187	$ 431	$ 1,450	$ 12	$ 1,462
FOR THE YEAR ENDED DECEMBER 31, 2001						
Revenues	$ 3,471	$ 245	$ 1,166 (a)	$ 4,882	$ 137	$ 5,019
Production costs	773	68	123	964	67	1,031
Exploration expenses	42	91	61	194	(10)	184
Other operating expenses	141	5	65	211	4	215
Depreciation, depletion and amortization	535	27	171	733	14	747
PRETAX INCOME	1,980	54	746	2,780	62	2,842
Income tax expense(b)	530	20	430 (a)	980	26	1,006
RESULTS OF OPERATIONS	$ 1,450	$ 34	$ 316	$ 1,800	$ 36	$ 1,836
FOR THE YEAR ENDED DECEMBER 31, 2000						
Revenues	$ 2,762	$ 506	$ 1,387 (a)	$ 4,655	$ 135	$ 4,790
Production costs	540	71	110	721	64	785
Exploration expenses	50	31	13	94	--	94
Other operating expenses	141	27	38	206	9	215
Depreciation, depletion and amortization	444	40	167	651	10	661
PRETAX INCOME	1,587	337	1,059	2,983	52	3,035
Income tax expense(b)	366	162	505 (a)	1,033	18	1,051
RESULTS OF OPERATIONS	$ 1,221	$ 175	$ 554	$ 1,950	$ 34	$ 1,984

(a) Revenues and income tax expense include taxes owed by Occidental but paid by governmental entities on its behalf.
(b) U.S. federal income taxes reflect expenses allocated for U.S. income tax purposes only 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.
(c) Includes results of operations for equity investees in Russia and Yemen, partially offset by minority interest for a Colombian affiliate.

RESULTS PER UNIT OF PRODUCTION (Unaudited)

	Consolidated Subsidiaries					
	United States	Latin America	Middle East and Other Eastern Hemisphere	Total	Other Interests(d)	Total Worldwide(e)
FOR THE YEAR ENDED DECEMBER 31, 2002						
Revenues from net production						
Oil ($/bbl.)	$ 23.47	$ 23.26	$ 33.05 (a)	$ 26.20	$ 14.98	$ 25.37 (a)
Natural gas ($/Mcf)	$ 2.89	$ --	$ 2.08	$ 2.81	$ --	$ 2.81
Barrel of oil equivalent ($/bbl.)(b,c)	$ 21.30	$ 23.26	$ 31.14 (a)	$ 23.71	$ 14.98	$ 23.24 (a)
Production costs	6.12	4.72	3.85	5.46	6.75	5.54
Exploration expenses	0.85	1.39	1.05	0.95	0.10	0.92
Other operating expenses	1.23	(0.36)	1.63	1.15	0.78	1.16
Depreciation, depletion and amortization	4.63	2.11	4.75	4.39	1.76	4.27
PRETAX INCOME	8.47	15.40	19.86	11.76	5.59	11.35
Income tax expense	1.71	5.80	9.37 (a)	3.86	2.35	3.74 (a)
RESULTS OF OPERATIONS	$ 6.76	$ 9.60	$ 10.49	$ 7.90	$ 3.24	$ 7.61
FOR THE YEAR ENDED DECEMBER 31, 2001						
Revenues from net production						
Oil ($/bbl.)	$ 22.82	$ 19.87	$ 32.68 (a)	$ 25.41	$ 15.70	$ 24.65 (a)
Natural gas ($/Mcf)	$ 6.40	$ --	$ 2.29	$ 6.11	$ --	$ 6.11
Barrel of oil equivalent ($/bbl.)(b,c)	$ 28.34	$ 19.87	$ 31.18 (a)	$ 28.35	$ 15.70	$ 27.69 (a)
Production costs	6.31	5.51	3.29	5.60	7.20	5.70
Exploration expenses	0.34	7.38	1.63	1.13	--	1.02
Other operating expenses	1.15	0.41	1.74	1.23	0.50	1.19
Depreciation, depletion and amortization	4.37	2.19	4.57	4.26	1.70	4.12
PRETAX INCOME	16.17	4.38	19.95	16.13	6.30	15.66
Income tax expense	4.33	1.62	11.50 (a)	5.69	2.80	5.55 (a)
RESULTS OF OPERATIONS	$ 11.84	$ 2.76	$ 8.45	$ 10.44	$ 3.50	$ 10.11
FOR THE YEAR ENDED DECEMBER 31, 2000						
Revenues from net production						
Oil ($/bbl.)	$ 26.66	$ 25.92	$ 38.29 (a)	$ 30.19	$ 18.62	$ 29.31 (a)
Natural gas ($/Mcf)	$ 3.65	$ --	$ 1.99	$ 3.53	$ --	$ 3.53
Barrel of oil equivalent ($/bbl.)(b,c)	$ 25.42	$ 25.92	$ 36.23 (a)	$ 27.96	$ 18.62	$ 27.46 (a)
Production costs	4.97	3.64	2.87	4.33	7.14	4.50
Exploration expenses	0.46	1.59	0.34	0.56	--	0.54
Other operating expenses	1.30	1.38	0.99	1.24	0.93	1.23
Depreciation, depletion and amortization	4.09	2.05	4.36	3.91	1.55	3.79
PRETAX INCOME	14.60	17.26	27.67	17.92	9.00	17.40
Income tax expense	3.37	8.30	13.19 (a)	6.21	3.41	6.02 (a)
RESULTS OF OPERATIONS	$ 11.23	$ 8.96	$ 14.48	$ 11.71	$ 5.59	$ 11.38

(a) Revenues and income tax expense include taxes owed by Occidental but paid by governmental entities on its behalf.
(b) Natural gas volumes have been converted to equivalent barrels based on energy content of six Mcf of gas to one barrel of oil.
(c) Revenues from net production exclude royalty payments and other adjustments.
(d) Includes results of operations for equity investees in Russia and Yemen.
(e) The computation of results per unit of production included in the denominator 4.2 mmboe, 7.8 mmboe and 5.7 mmboe produced by Occidental that were subject to volumetric production payments for the years 2002, 2001 and 2000, respectively.

2002 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
Segment net sales				
Oil and gas	$ 958	$ 1,165	$ 1,224	$ 1,287
Chemical	565	702	739	698
Net sales	$ 1,523	$ 1,867	$ 1,963	$ 1,985
Gross profit	$ 536	$ 742	$ 838	$ 856
Segment earnings(loss)				
Oil and gas	$ 306	$ 421	$ 490	$ 490
Chemical	(31)	34	214	58
	275	455	704	548
Unallocated corporate items				
Interest expense, net	(56)	(66)	(73)	(58)
Income taxes	(44)	(101)	(105)	(114)
Trust preferred distributions and other	(11)	(12)	(12)	(12)
Other	(41)	(35)	(38)	(41)
Income from continuing operations	123	241	476	323
Discontinued operations, net	(3)	(1)	(74)	(1)
Cumulative effect of changes in accounting principles, net	(95)	--	--	--
Net income	$ 25	$ 240	$ 402 (a)	$ 322
Basic earnings per common share				
Income from continuing operations	$ .33	$ .64	$ 1.26	$ .85
Discontinued operations, net	(.01)	--	(.19)	--
Cumulative effect of changes in accounting principles, net	(.25)	--	--	--
Basic earnings per common share	$ .07	$ .64	$ 1.07	$ .85
Diluted earnings per common share				
Income from continuing operations	$ .33	$ .63	$ 1.25	$ .84
Discontinued operations, net	(.01)	--	(.19)	--
Cumulative effect of changes in accounting principles, net	(.25)	--	--	--
Diluted earnings per common share	$ .07	$ .63	$ 1.06	$ .84
Dividends per common share	$ .25	$ .25	$ .25	$ .25
Market price per common share				
High	$ 29.19	$ 30.75	$ 30.08	$ 30.74
Low	$ 24.29	$ 28.05	$ 22.98	$ 26.47

(a) Includes $164 million net of tax gain related to the sale of the investment in Equistar.

2001 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
Segment net sales				
Oil and gas	$ 1,620	$ 1,439	$ 1,251	$ 824
Chemical	831	845	732	560
Net sales	$ 2,451	$ 2,284	$ 1,983	$ 1,384
Gross profit	$ 1,183	$ 1,087	$ 864	$ 413
Segment earnings(loss)				
Oil and gas	$ 946	$ 806	$ 927	$ 166
Chemical	(79)	54	38	(412)
	867	860	965	(246)
Unallocated corporate items				
Interest expense, net	(79)	(71)	(60)	(62)
Income taxes	(174)	(247)	(128)	190
Trust preferred distributions and other	(16)	(14)	(13)	(13)
Other	(89)	(57)	(321)	(113)
Income from continuing operations	509	471	443	(244)
Discontinued operations, net	(1)	2	1	(3)
Cumulative effect of changes in accounting principles, net	(24)	--	--	--
Net income	$ 484 (a)	$ 473	$ 444 (b)	$ (247) (c)
Basic earnings per common share				
Income from continuing operations	$ 1.37	$ 1.27	$ 1.19	$ (.65)
Discontinued operations, net	--	--	--	(.01)
Cumulative effect of changes in accounting principles, net	(.06)	--	--	--
Basic earnings per common share	$ 1.31	$ 1.27	$ 1.19	$ (.66)
Diluted earnings per common share				
Income from continuing operations	$ 1.36	$ 1.26	$ 1.18	$ (.65)
Discontinued operations, net	--	--	--	(.01)
Cumulative effect of changes in accounting principles, net	(.06)	--	--	--
Diluted earnings per common share	$ 1.30	$ 1.26	$ 1.18	$ (.66)
Dividends per common share	$ .25	$ .25	$ .25	$ .25
Market price per common share				
High	$ 26.39	$ 31.08	$ 28.55	$ 26.93
Low	$ 22.10	$ 24.39	$ 21.90	$ 23.56

(a) Includes a $70 million pre-tax gain on the settlement of a state-tax issue.
(b) Includes a $399 million after-tax gain from the sale of interest in the Tangguh LNG project and an after-tax loss of $272 million from the sale of a pipeline-owning entity.
(c) Includes a $412 million pre-tax writedown of the Equistar investment.

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 (in millions of barrels) 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 production-sharing contracts and other economic arrangements.

OIL RESERVES
In millions of barrels

	Consolidated Subsidiaries					
	United States	Latin America	Middle East and Other Eastern Hemisphere	Total	Other Interests(a)	Total Worldwide
PROVED DEVELOPED AND UNDEVELOPED RESERVES						
BALANCE AT DECEMBER 31, 1999	464	247	273	984	53	1,037
Revisions of previous estimates	29	12	21	62	1	63
Improved recovery	41	--	1	42	--	42
Extensions and discoveries	24	6	7	37	(1)	36
Purchases of proved reserves	881	19	--	900	--	900
Sales of proved reserves	(30)	(120)	--	(150)	--	(150)
Production (c)	(63)	(20)	(34)	(117)	(8)	(125)
BALANCE AT DECEMBER 31, 2000 (B)	1,346	144	268	1,758	45	1,803
Revisions of previous estimates	(14)	10	25	21	8	29
Improved recovery	92	--	47	139	--	139
Extensions and discoveries	22	10	24	56	--	56
Purchases of proved reserves	3	--	--	3	--	3
Sales of proved reserves	--	--	--	--	--	--
Production (c)	(78)	(12)	(34)	(124)	(9)	(133)
BALANCE AT DECEMBER 31, 2001 (B)	1,371	152	330	1,853	44	1,897
Revisions of previous estimates	28	13	(28)	13	(1)	12
Improved recovery	69	1	42	112	5	117
Extensions and discoveries	22	11	7	40	--	40
Purchases of proved reserves	51	--	5	56	2	58
Sales of proved reserves	(4)	--	--	(4)	--	(4)
Production	(85)	(19)	(38)	(142)	(8)	(150)
BALANCE AT DECEMBER 31, 2002 (B)	1,452	158	318	1,928	42	1,970
PROVED DEVELOPED RESERVES						
December 31, 1999	339	162	195	696	41	737
December 31, 2000	1,079	90	205	1,374	36	1,410
December 31, 2001	1,106	91	240	1,437	35	1,472
DECEMBER 31, 2002	1,183	85	240	1,508	34	1,542

(a) Includes reserves applicable to equity investees in Russia and Yemen, partially offset by minority interests for a Colombian affiliate.
(b) Includes proved reserves from production-sharing contracts in the Middle East and Other Eastern Hemisphere and from other economic arrangements in the United States, in million barrels of oil as follows:

	2002	2001	2000
United States	94	99	87
Middle East and Other Eastern Hemisphere	304	321	258
Other Interests	2	--	--

(c) Production excludes 3.1 million barrels for 2001 and 3.2 million barrels for 2000, which were subject to volumetric production payments.

GAS RESERVES
In billions of cubic feet

	Consolidated Subsidiaries					
	United States	Latin America	Middle East and Other Eastern Hemisphere(c)	Total	Other Interests(b)	Total Worldwide
PROVED DEVELOPED AND UNDEVELOPED RESERVES						
BALANCE AT DECEMBER 31, 1999	1,806	--	86	1,892	--	1,892
Revisions of previous estimates	179	--	44	223	--	223
Improved recovery	25	--	--	25	--	25
Extensions and discoveries	108	--	4	112	--	112
Purchases of proved reserves	417	--	--	417	--	417
Sales of proved reserves	(200)	--	--	(200)	--	(200)
Production (a)	(241)	--	(18)	(259)	--	(259)
BALANCE AT DECEMBER 31, 2000	2,094	--	116	2,210	--	2,210
Revisions of previous estimates	(53)	--	4	(49)	--	(49)
Improved recovery	23	--	--	23	--	23
Extensions and discoveries	118	--	4	122	--	122
Purchases of proved reserves	4	--	--	4	--	4
Sales of proved reserves	(1)	--	--	(1)	--	(1)
Production (a)	(223)	--	(18)	(241)	--	(241)
BALANCE AT DECEMBER 31, 2001	1,962	--	106	2,068	--	2,068
Revisions of previous estimates	(39)	--	(15)	(54)	--	(54)
Improved recovery	39	--	112	151	--	151
Extensions and discoveries	57	--	3	60	--	60
Purchases of proved reserves	14	--	45	59	--	59
Sales of proved reserves	(6)	--	--	(6)	--	(6)
Production (a)	(206)	--	(23)	(229)	--	(229)
BALANCE AT DECEMBER 31, 2002	1,821	--	228	2,049	--	2,049
PROVED DEVELOPED RESERVES						
December 31, 1999	1,670	--	61	1,731	--	1,731
December 31, 2000	1,814	--	84	1,898	--	1,898
December 31, 2001	1,718	--	89	1,807	--	1,807
DECEMBER 31, 2002	1,630	--	110	1,740	--	1,740

(a) Production excludes 25.3 bcf, 28.0 bcf and 15.0 bcf subject to volumetric production payments for the years 2002, 2001 and 2000, respectively.
(b) There were no gas reserves associated with equity investees in Russia or Yemen.
(c) Includes proved reserves from production-sharing contracts in the Middle East and Other Eastern Hemisphere of 106 bcf in 2002.

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 pre-tax cash flows. The discount was computed by application of a 10 percent discount factor. The calculations assumed the continuation of existing economic, operating and contractual conditions at each of December 31, 2002, 2001 and 2000. 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.

The year-end prices used to calculate future cash flows vary by producing area and market conditions. For the 2002, 2001 and 2000 disclosures, the West Texas Intermediate oil prices used were $31.17/bbl, $19.84/bbl and $26.80/bbl, respectively. The NYMEX gas prices used for the 2002, 2001 and 2000 disclosures were $4.75/MMBtu, $2.57/MMBtu and $9.78/MMBtu, respectively.

STANDARDIZED MEASURE OF DISCOUNTED FUTURE NET CASH FLOWS
In millions

	Consolidated Subsidiaries				
	United States	Latin America	Middle East and Other Eastern Hemisphere	Total	Other Interests(a)
AT DECEMBER 31, 2002					
Future cash flows	$ 46,806	$ 3,407	$ 9,183	$ 59,396	$ 429
Future costs					
Production costs and other operating expenses	(18,288)	(907)	(2,329)	(21,524)	(286)
Development costs (b)	(1,997)	(165)	(997)	(3,159)	(40)
FUTURE NET CASH FLOWS BEFORE INCOME TAXES	26,521	2,335	5,857	34,713	103
Future income tax expense	(7,929)	(906)	(523)	(9,358)	--
FUTURE NET CASH FLOWS	18,592	1,429	5,334	25,355	103
Ten percent discount factor	(10,342)	(440)	(2,144)	(12,926)	(22)
STANDARDIZED MEASURE	$ 8,250	$ 989	$ 3,190	$ 12,429	$ 81
AT DECEMBER 31, 2001					
Future cash flows	$ 28,146	$ 2,259	$ 6,010	$ 36,415	$ 469
Future costs					
Production costs and other operating expenses	(14,404)	(868)	(1,882)	(17,154)	(321)
Development costs (b)	(2,282)	(204)	(575)	(3,061)	(32)
FUTURE NET CASH FLOWS BEFORE INCOME TAXES	11,460	1,187	3,553	16,200	116
Future income tax expense	(2,224)	(483)	(396)	(3,103)	(26)
FUTURE NET CASH FLOWS	9,236	704	3,157	13,097	90
Ten percent discount factor	(5,088)	(199)	(1,276)	(6,563)	(22)
STANDARDIZED MEASURE	$ 4,148	$ 505	$ 1,881	$ 6,534	$ 68
AT DECEMBER 31, 2000					
Future cash flows	$ 53,195	$ 2,923	$ 6,207	$ 62,325	$ 482
Future costs					
Production costs and other operating expenses	(13,236)	(823)	(1,599)	(15,658)	(130)
Development costs (b)	(1,962)	(51)	(490)	(2,503)	(45)
FUTURE NET CASH FLOWS BEFORE INCOME TAXES	37,997	2,049	4,118	44,164	307
Future income tax expense	(11,023)	(969)	(468)	(12,460)	(82)
FUTURE NET CASH FLOWS	26,974	1,080	3,650	31,704	225
Ten percent discount factor	(14,608)	(408)	(1,508)	(16,524)	(61)
STANDARDIZED MEASURE	$ 12,366	$ 672	$ 2,142	$ 15,180	$ 164

(a) Includes future net cash flows applicable to equity investees in Russia and Yemen, partially offset by minority interests for a Colombian affiliate.
(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,	2002	2001	2000
BEGINNING OF YEAR	$ 6,534	$15,180	$ 7,249
Sales and transfers of oil and gas produced, net of production costs and other operating expenses	(2,910)	(3,383)	(3,455)
Net change in prices received per barrel, net of production costs and other operating expenses	9,731	(12,737)	6,196
Extensions, discoveries and improved recovery, net of future production and development costs	1,496	1,238	1,222
Change in estimated future development costs	(538)	(931)	(78)
Revisions of quantity estimates	(87)	58	1,315
Development costs incurred during the period	954	902	569
Accretion of discount	757	1,895	768
Net change in income taxes	(2,820)	4,138	(3,993)
Purchases and sales of reserves in place, net	522	19	5,928
Changes in production rates and other	(1,210)	155	(541)
NET CHANGE	5,895	(8,646)	7,931
END OF YEAR	$12,429	$ 6,534	$15,180

AVERAGE SALES PRICES AND AVERAGE PRODUCTION COSTS OF OIL AND GAS

The following table sets forth, for each of the three years in the period ended December 31, 2002, 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.

	Consolidated Subsidiaries					
	United States	Latin America (a)	Middle East and Other Eastern Hemisphere (a,b)	Total	Other Interests (c)	Total Worldwide
2002						
Oil -- Average sales price ($/bbl.)	$23.47	$ 23.14	$ 24.01 (d)	$ 23.56	$ 14.80	$ 22.91
Gas -- Average sales price ($/Mcf)	$ 2.89	$ --	$ 2.08	$ 2.81	$ --	$ 2.81
Average oil and gas production cost ($/bbl.)(b)	$ 6.12	$ 4.72	$ 3.85	$ 5.46	$ 7.30	$ 5.54
2001						
Oil -- Average sales price ($/bbl.)	$21.74	$ 20.10	$ 22.97 (d)	$ 21.91	$ 15.57	$ 21.41
Gas -- Average sales price ($/Mcf)	$ 6.40	$ --	$ 2.29	$ 6.09	$ --	$ 6.09
Average oil and gas production cost ($/bbl.)(b)	$ 6.31	$ 5.51	$ 3.29	$ 5.60	$ 7.39	$ 5.70
2000						
Oil -- Average sales price ($/bbl.)	$26.66	$ 26.07	$ 26.92 (d)	$ 26.62	$ 18.60	$ 25.99
Gas -- Average sales price ($/Mcf)	$ 3.66	$ --	$ 1.99	$ 3.53	$ --	$ 3.53
Average oil and gas production cost ($/bbl.)(b)	$ 4.97	$ 3.64	$ 2.87	$ 4.33	$ 8.01	$ 4.50

(a) Sales prices include royalties with respect to certain of Occidental's interests.
(b) Natural gas volumes have been converted to equivalent barrels based on energy content of six Mcf of gas to one barrel of oil.
(c) Includes prices and costs applicable to equity investees in Russia and Yemen.
(d) Excludes implied taxes.

NET PRODUCTIVE AND DRY -- EXPLORATORY AND DEVELOPMENT WELLS COMPLETED

The following table sets forth, for each of the three years in the period ended December 31, 2002, Occidental's net productive and dry-exploratory and development wells completed.

	Consolidated Subsidiaries					
	United States	Latin America	Middle East and Other Eastern Hemisphere	Total	Other Interests (a)	Total Worldwide
2002						
Oil -- Exploratory	2.9	1.2	3.8	7.9	--	7.9
Development	258.5	16.8	60.8	336.1	8.6	344.7
Gas -- Exploratory	--	--	0.5	0.5	--	0.5
Development	17.9	--	0.6	18.5	--	18.5
Dry -- Exploratory	5.1	1.2	2.1	8.4	--	8.4
Development	20.8	1.1	0.8	22.7	(0.1)	22.6
2001						
Oil -- Exploratory	3.0	--	3.1	6.1	--	6.1
Development	432.1	15.1	47.9	495.1	11.4	506.5
Gas -- Exploratory	7.8	--	--	7.8	--	7.8
Development	38.1	--	.5	38.6	--	38.6
Dry -- Exploratory	10.1	1.2	1.8	13.1	(0.3)	12.8
Development	34.7	--	.3	35.0	--	35.0
2000						
Oil -- Exploratory	1.6	1.5	--	3.1	(0.2)	2.9
Development	273.9	9.1	115.5	398.5	2.5	401.0
Gas -- Exploratory	3.4	--	0.6	4.0	--	4.0
Development	32.9	--	4.3	37.2	--	37.2
Dry -- Exploratory	1.2	2.7	1.0	4.9	--	4.9
Development	25.3	--	0.7	26.0	0.5	26.5

(a) Includes amounts applicable to equity investees in Russia and Yemen, partially offset by minority interests in a Colombian affiliate.

PRODUCTIVE OIL AND GAS WELLS

The following table sets forth, as of December 31, 2002, 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.

	Consolidated Subsidiaries											
Wells at December 31, 2002	United States		Latin America		Middle East and Other Eastern Hemisphere		Total		Other Interests (c)		Total Worldwide	
Oil -- Gross (a)	16,586	(393)	272	(--)	696	(21)	17,554	(414)	421	(49)	17,975	(463)
Net (b)	10,723	(287)	142	(--)	374	(21)	11,239	(308)	199	(25)	11,438	(333)
Gas -- Gross (a)	2,399	(50)	--	(--)	41	(1)	2,440	(51)	2	(--)	2,442	(51)
Net (b)	2,014	(33)	--	(--)	13	(1)	2,027	(34)	1	(--)	2,028	(34)

(a) The total number of wells in which interests are owned.
(b) The sum of fractional interests.
(c) Includes amounts applicable to equity investees in Russia and Yemen, partially offset by minority interests in a Colombian affiliate.

PARTICIPATION IN EXPLORATORY AND DEVELOPMENT WELLS BEING DRILLED

The following table sets forth, as of December 31, 2002, Occidental's participation in exploratory and development wells being drilled.

Wells at December 31, 2002	Consolidated Subsidiaries: United States	Consolidated Subsidiaries: Latin America	Consolidated Subsidiaries: Middle East and Other Eastern Hemisphere	Consolidated Subsidiaries: Total	Other Interests(a)	Total Worldwide
Exploratory and development wells -- Gross	31	4	10	45	--	45
Net	20	2	5	27	--	27

(a) Includes amounts applicable to equity investees in Russia and Yemen, partially offset by minority interests in a Colombian affiliate.

At December 31, 2002, Occidental was participating in 95 pressure maintenance projects in the United States, 5 in Latin America and 20 in the Eastern Hemisphere.

OIL AND GAS ACREAGE

The following table sets forth, as of December 31, 2002, Occidental's holdings of developed and undeveloped oil and gas acreage.

Thousands of acres at December 31, 2002	Consolidated Subsidiaries: United States	Consolidated Subsidiaries: Latin America	Consolidated Subsidiaries: Middle East and Other Eastern Hemisphere	Consolidated Subsidiaries: Total	Other Interests(e)	Total Worldwide
Developed (a) -- Gross (b)	3,836	20	1,676	5,532	15	5,547
Net (c)	2,782	11	501	3,294	8	3,302
Undeveloped (d) -- Gross (b)	1,463	7,882	21,831	31,176	6	31,182
Net (c)	1,092	6,509	9,661	17,262	(717)	16,545

(a) Acres spaced or assigned to productive wells.
(b) Total acres in which interests are held.
(c) Sum of the fractional interests owned based on working interests, or interests under production-sharing contracts and other economic arrangements.
(d) Acres on which wells have not been drilled or completed to a point that would permit the production of commercial quantities of oil and gas, regardless of whether the acreage contains proved reserves.
(e) Includes amounts applicable to equity investees in Russia and Yemen, partially offset by minority interests in a Colombian affiliate.

OIL AND NATURAL GAS PRODUCTION PER DAY

The following table sets forth, for each of the three years in the period ended December 31, 2002, Occidental's oil, NGL and natural gas production per day.

	2002	2001	2000
United States			
Crude oil and liquids (MBL)			
California	86	76	70
Permian	142	137	101
U.S. Other	4	--	1
TOTAL	232	213	172
Natural Gas (MMCF)			
California	286	303	306
Hugoton	148	159	168
Permian	130	148	119
Other	--	--	66
TOTAL	564	610	659
Latin America			
Crude oil (MBL)			
Colombia	40	21	37
Ecuador	13	13	17
TOTAL	53	34	54
Middle East and Other Eastern Hemisphere			
Crude oil (MBL)			
Oman	13	12	9
Pakistan	10	7	6
Qatar	42	43	49
Yemen	37	33	32
TOTAL	102	95	96
Natural Gas (MMCF)			
Pakistan	63	50	49
Barrels of Oil Equivalent (MBOE)			
Consolidated subsidiaries	492	452	440
Colombia - minority interest	(5)	(3)	(5)
Russia - Occidental net interest	27	27	26
Yemen - Occidental net interest	1	--	--
Other interests	23	24	21
Total worldwide production	515	476	461

In millions

	Balance at Beginning of Period	Additions: Charged to Costs and Expenses	Additions: Charged to Other Accounts	Deductions	Balance at End of Period	
2002						
Allowance for doubtful accounts	$ 35	$ --	$ --	$ (7)	$ 28	
Environmental	$ 454	$ 25	$ --	$ (86)(a)	$ 393	
Foreign and other taxes, litigation and other reserves	930	8	193	(27)	1,104	
	$ 1,384	$ 33	$ 193	$ (113)	$ 1,497	(b)
2001						
Allowance for doubtful accounts	$ 25	$ 12	$ --	$ (2)	$ 35	
Environmental	$ 402	$ 111	$ 16	$ (75)(a)	$ 454	
Foreign and other taxes, litigation and other reserves	1,001	10	27	(108)(c)	930	
	$ 1,403	$ 121	$ 43	$ (183)	$ 1,384	(b)
2000						
Allowance for doubtful accounts	$ 24	$ 2	$ --	$ (1)	$ 25	
Environmental	$ 454	$ 2	$ 31	$ (85)(a)	$ 402	
Foreign and other taxes, litigation and other reserves	857	42	231	(129)(d)	1,001	
	$ 1,311	$ 44	$ 262	$ (214)	$ 1,403	(b)

(a) Primarily represents payments.
(b) Of these amounts, $160 million, $165 million and $143 million in 2002, 2001 and 2000, respectively, is classified as current.
(c) Included a reclassification of $46 million to the "Deferred and other domestic and foreign income taxes" account.
(d) Included a $52 million credit to the consolidated income statement, which reflects a reduction in abandonment liabilities, mainly from the GOM transactions discussed in Note 3.

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 April 25, 2003, Annual Meeting of Stockholders (the "2003 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 Graph") and "Election of Directors -- Information Regarding the Board of Directors and Its Committees" in the 2003 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 2003 Proxy Statement.

ITEM 13 CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Not applicable.

ITEM 14 CONTROLS AND PROCEDURES

Within 90 days before filing this Annual Report, Occidental's Chief Executive Officer and Chief Financial Officer supervised and participated in Occidental's evaluation of its disclosure controls and procedures. Disclosure controls and procedures are controls and procedures designed to ensure that information required to be disclosed in Occidental's periodic reports filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Based upon that evaluation, Occidental's Chief Executive Officer and Chief Financial Officer concluded that Occidental's disclosure controls and procedures are effective. (See Signatures and Certifications following Exhibits).

There have been no significant changes in Occidental's internal controls or in other factors that could significantly affect internal controls after the date Occidental carried out its evaluation.

PART IV

ITEM 15 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)*	Restated Certificate of Incorporation of Occidental, dated November 12, 1999 (filed as Exhibit 3.(i) to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 1999, File No. 1-9210).
3.(I)(A)*	Certificate of Change of Location of Registered Office and of Registered Agent, dated July 6, 2001. (filed as Exhibit 3.1(i) to the Registration Statement on Form S-3 of Occidental, File No. 333-82246).
3.(II)	Bylaws of Occidental, as amended through February 13, 2003.
4.1*	Occidental Petroleum Corporation Five-Year Credit Agreement, dated as of January 4, 2001 among Occidental, Chase Securities Inc. and Banc of America Securities, LLC, as Co-Lead Arrangers, The Chase Manhattan Bank, as Syndication Agent, Bank of America, N.A. and ABN Amro Bank N.V., as Co-Documentation Agents, and The Bank of Nova Scotia, as Administrative Agent (filed as Exhibit 4.1 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 2000, File No. 1-9210).
4.2*	Indenture (Senior Debt Securities), dated as of April 1, 1998, between Occidental and The Bank of New York, as Trustee (filed as Exhibit 4 to the Registration Statement on Form S-3 of Occidental, File No. 333-52053).

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*Incorporated herein by reference.

4.3*	Specimen certificate for shares of Common Stock (filed as Exhibit 4.9 to the Registration Statement on Form S-3 of Occidental, File No. 333-82246).
4.4	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 10.49 are management contracts and compensatory plans required to be identified specifically as responsive to Item 601(b)(10)(iii)(A) of Regulation S-K pursuant to Item 15(c) of Form 10-K.

10.1*	Employment Agreement, dated as of December 13, 2001, between Occidental and J. Roger Hirl (filed as Exhibit 10.1 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 2001, File No, 1-9210).
10.2*	Employment Agreement, dated as of November 17, 2000, between Occidental and Dr. Ray R. Irani (filed as Exhibit 10.2 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 2000, File No. 1-9210).
10.3*	Employment Agreement, dated as of November 17, 2000, between Occidental and Dr. Dale R. Laurance (filed as Exhibit 10.3 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 2000, File No. 1-9210).
10.4*	Employment Agreement, dated as of November 17, 2000, between Occidental and Stephen I. Chazen (filed as Exhibit 10.4 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 2000, File No. 1-9210).
10.5*	Employment Agreement, dated April 3, 1998, between Occidental and Donald P. de Brier (filed as Exhibit 10.7 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 1999, File No. 1-9210).
10.6*	Amendment, dated November 17, 2000, to Employment Agreement, dated April 3, 1998, between Occidental and Donald P. de Brier (filed as Exhibit 10.6 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 2000, File No. 1-9210).
10.7*	Form of Indemnification Agreement between Occidental and each of its directors and certain executive officers (filed as Exhibit B to the Proxy Statement of Occidental for its May 21, 1987, Annual Meeting of Stockholders, File No. 1-9210).
10.8*	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).
10.9*	Split Dollar Life Insurance Agreement, dated January 24, 2002, by and between Occidental and Donald P. de Brier (filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended March 31, 2002, File No. 1-9210).
10.10*	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).
10.11*	Occidental Petroleum Corporation 1987 Stock Option Plan, as amended through September 12, 2002 (filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended September 30, 2002, File No. 1-9210).
10.12*	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).
10.13*	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).
10.14*	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).

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*Incorporated herein by reference.

10.15*	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).
10.16	Occidental Petroleum Corporation Deferred Compensation Plan, Amended and Restated Effective as of January 1, 2003.
10.17*	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).
10.18*	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).
10.19*	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).
10.20*	Amendment to Occidental Petroleum Corporation Senior Executive Supplemental Retirement Plan (filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended June 30, 1998, File No. 1-9210).
10.21*	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).
10.22*	Amendment No. 1 to Occidental Petroleum Corporation Senior Executive Survivor Benefit Plan, dated February 28, 2002 (filed as Exhibit 10.2 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended March 31, 2002, File No. 1-9210).
10.23*	Occidental Petroleum Corporation 1995 Incentive Stock Plan, as amended (filed as Exhibit 10.28 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 1999, File No. 1-9210).
10.24*	Form of Incentive Stock Option Agreement under Occidental Petroleum Corporation 1995 Incentive Stock Plan (filed as Exhibit 99.2 to the Registration Statement on Form S-8 of Occidental, File No. 33-64719).
10.25*	Form of Nonqualified Stock Option Agreement under Occidental Petroleum Corporation 1995 Incentive Stock Plan (filed as Exhibit 99.3 to the Registration Statement on Form S-8 of Occidental, File No. 33-64719).
10.26*	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 of Occidental, File No. 33-64719).
10.27*	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 of Occidental, File No. 33-64719).
10.28*	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 of Occidental, File No. 33-64719).
10.29*	Form of Incentive Stock Option Agreement under Occidental Petroleum Corporation 1995 Incentive Stock Plan (filed as Exhibit 10.2 to the Current Report on Form 8-K of Occidental, dated January 6, 1999 (date of earliest event reported), filed January 6, 1999, File No. 1-9210, amends Form previously filed as Exhibit 10.1 to the Registration Statement on Form S-8 of Occidental, File No. 33-64719 and incorporated by reference as Exhibit 10.39 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 1997, File No. 1-9210).
10.30*	Form of Nonqualified Stock Option Agreement under Occidental Petroleum Corporation 1995 Incentive Stock Plan (filed as Exhibit 10.3 to the Current Report on Form 8-K of Occidental, dated January 6, 1999 (date of earliest event reported), filed January 6, 1999, File No. 1-9210, amends Form previously filed as Exhibit 10.2 to the Registration Statement on Form S-8 of Occidental, File No. 33-64719 and incorporated by reference as Exhibit 10.40 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 1997, File No. 1-9210).
10.31*	Form of Incentive Stock Option Agreement (With Accelerated Performance Vesting) under Occidental Petroleum Corporation 1995 Incentive Stock Plan (filed as Exhibit 10.2 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended June 30, 1999, File No. 1-9210).

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*Incorporated herein by reference.

10.32*	Form of Nonqualified Stock Option Agreement (With Accelerated Performance Vesting) under Occidental Petroleum Corporation 1995 Incentive Stock Plan (filed as Exhibit 10.3 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended June 30, 1999, File No. 1-9210).
10.33*	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).
10.34*	Form of Amendment to 1997 Performance Stock Option Agreement under the 1995 Incentive Stock Plan of Occidental Petroleum Corporation (filed as Exhibit 10.43 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 1999, File No. 1-9210).
10.35*	Occidental Petroleum Corporation 1996 Restricted Stock Plan for Non-Employee Directors (as amended April 28, 2000) (filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended March 31, 2000, File No. 1-9210).
10.36*	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 of Occidental, File No. 333-02901).
10.37*	Occidental Petroleum Corporation 1988 Deferred Compensation Plan (as amended and restated effective as of January 1, 1996) (filed as Exhibit 10.2 to the Quarterly Report on Form 10-Q of Occidental for the fiscal quarter ended September 30, 1996, File No. 1-9210).
10.38*	Occidental Petroleum Corporation Supplemental Retirement Plan, Amended and Restated Effective as of January 1, 1999, reflecting amendments effective through March 1, 2001 (filed as Exhibit 10.3 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended March 31, 2001, File No. 1-9210).
10.39*	Occidental Petroleum Corporation 2001 Incentive Compensation Plan (as amended through September 12, 2002) (filed as Exhibit 10.2 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended September 30, 2002, File No. 1-9210).
10.40*	Form of Incentive Stock Option Agreement under Occidental Petroleum Corporation 2001 Incentive Compensation Plan (filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended September 30, 2001, File No. 1-9210).
10.41*	Form of Nonqualified Stock Option Agreement under Occidental Petroleum Corporation 2001 Incentive Compensation Plan (filed as Exhibit 10.2 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended September 30, 2001, File No. 1-9210).
10.42*	Form of Restricted Common Share Agreement under Occidental Petroleum Corporation 2001 Incentive Compensation Plan (filed as Exhibit 10.40 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 2001, File No. 1-9210).
10.43*	Form of Performance Based Stock Agreement under Occidental Petroleum Corporation 2001 Incentive Compensation Plan (filed as Exhibit 10.41 to the Annual Report on Form 10-K of Occidental for the fiscal year ended December 31, 2001, File No. 1-9210).
10.44*	Form of Incentive Stock Option Agreement under Occidental Petroleum Corporation 2001 Incentive Compensation Plan (July 2002 version) (filed as Exhibit 10.4 to the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2002, File No. 1-9210).
10.45*	Form of Nonqualified Stock Option Agreement under Occidental Petroleum Corporation 2001 Incentive Compensation Plan (July 2002 version) (filed as Exhibit 10.5 to the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2002, File No. 1-9210).
10.46*	Form of Restricted Common Share Agreement (with mandatory deferred issuance of shares) under Occidental Petroleum Corporation 2001 Incentive Compensation Plan (filed as Exhibit 10.6 to the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2002, File No. 1-9210).
10.47	Form of Restricted Common Share Agreement (with mandatory deferred issuance of shares) under Occidental Petroleum Corporation 2001 Incentive Compensation Plan (December 2002 version).
10.48*	Occidental Petroleum Corporation Deferred Stock Program (filed as Exhibit 10.3 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended September 30, 2002, File No. 1-9210).
10.49*	Occidental Petroleum Corporation Executive Incentive Compensation Plan (filed as Exhibit 10.2 to the Quarterly Report on Form 10-Q of Occidental for the quarterly period ended March 31, 2001, File No. 1-9210)

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*Incorporated herein by reference.

10.50*	Purchase and Sale Agreement dated March 7, 2000, by and among Amoco D. T. Company, Amoco X. T. Company, Amoco Y. T. Company, SWEPI LP, Shell Land & Energy Company, Shell Onshore Ventures Inc., Shell K2 Inc., and Shell Everest, Inc., as Sellers, and Occidental Petroleum Corporation, as Buyer (filed as Exhibit 10.1 to the Current Report on Form 8-K of Occidental dated March 7, 2000 (date of earliest event reported), filed March 15, 2000, File No. 1-9210).
10.51*	Securities Purchase Agreement, dated as of July 8, 2002, by and between Lyondell Chemical Company and Occidental Chemical Holding Corporation (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Occidental dated August 22, 2002 (date of earliest event reported), filed September 6, 2002, File No. 1-9210).
10.52*	Stockholders Agreement, dated as of August 22, 2002, by and among Lyondell Chemical Company and the Stockholders as defined therein (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K of Occidental dated August 22, 2002 (date of earliest event reported), filed September 6, 2002, File No. 1-9210).
10.53*	Warrant for the Purchase of Shares of Common Stock, issued August 22, 2002 (incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K of Occidental dated August 22, 2002 (date of earliest event reported), filed September 6, 2002, File No. 1-9210).
10.54*	Registration Rights Agreement, dated as of August 22, 2002, by and between Occidental Chemical Holding Corporation and Lyondell Chemical Company (incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K of Occidental dated August 22, 2002 (date of earliest event reported), filed September 6, 2002, File No. 1-9210).
10.55*	Occidental Partner Sub Purchase Agreement, dated July 8, 2002, by and among Lyondell Chemical Company, Occidental Chemical Holding Corporation, Oxy CH Corporation and Occidental Chemical Corporation (incorporated by reference to Exhibit 10.5 to the Current Report on Form 8-K of Occidental dated August 22, 2002 (date of earliest event reported), filed September 6, 2002, File No. 1-9210).
12	Statement regarding computation of total enterprise ratios of earnings to fixed charges for the five years ended December 31, 2002.
16	Letter from Arthur Andersen LLP to the Securities and Exchange Commission dated March 22, 2002 (incorporated by reference to Exhibit 16.1 to the Current Report on Form 8-K of Occidental dated March 22, 2002 (date of earliest event reported), filed March 22, 2002, File No. 1-9210).
21	List of subsidiaries of Occidental at December 31, 2002.
23	Independent Auditors' Consent.

(b) REPORTS ON FORM 8-K
During the fourth quarter of 2002, Occidental filed the following Current Reports on Form 8-K:

1. Current Report on Form 8-K dated October 21, 2002 (date of earliest event reported), filed on October 21, 2002, for the purpose of reporting, under Item 5, Occidental's results of operations for the third quarter ended September 30, 2002, and under Item 9, speeches and supplemental investor information relating to Occidental's third quarter 2002 earnings announcement (which information under Item 9 shall not be deemed to be filed).

2. Current Report on Form 8-K dated November 26, 2002 (date of earliest event reported), filed on November 27, 2002, for the purpose of reporting, under Item 5, Occidental's Dolphin project acquisition and the Rule 10b5-1 plan of Dr. Irani.

During the first quarter of 2003, Occidental filed the following Current Reports on Form 8-K:

1. Current Report on Form 8-K dated January 29, 2003 (date of earliest event reported), filed on January 29, 2003, for the purpose of reporting, under Item 5, Occidental's results of operations for the fourth quarter and fiscal year ended December 31, 2002, and under Item 9, speeches and supplemental investor information relating to Occidental's fourth quarter 2002 earnings announcement (which information under Item 9 shall not be deemed to be filed).

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*Incorporated herein by reference.

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 4, 2003

By: /s/ 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
/s/ RAY R. IRANI Ray R. Irani	Chairman of the Board of Directors and Chief Executive Officer	March 4, 2003
/s/ STEPHEN I. CHAZEN Stephen I. Chazen	Executive Vice President - Corporate Development and Chief Financial Officer	March 4, 2003
/s/ SAMUEL P. DOMINICK, JR. Samuel P. Dominick, Jr.	Vice President and Controller (Chief Accounting Officer)	March 4, 2003
/s/ RONALD W. BURKLE Ronald W. Burkle	Director	March 4, 2003
/s/ JOHN S. CHALSTY John S. Chalsty	Director	March 4, 2003
/s/ EDWARD P. DJEREJIAN Edward P. Djerejian	Director	March 4, 2003
/s/ R. CHAD DREIER R. Chad Dreier	Director	March 4, 2003
/s/ JOHN E. FEICK John E. Feick	Director	March 4, 2003
/s/ DALE R. LAURANCE Dale R. Laurance	Director	March 4, 2003

SIGNATURE	TITLE	DATE
/s/ IRVIN W. MALONEY - ------------------------------- Irvin W. Maloney	Director	March 4, 2003
/s/ RODOLFO SEGOVIA - ------------------------------- Rodolfo Segovia	Director	March 4, 2003
/s/ AZIZ D. SYRIANI - ------------------------------- Aziz D. Syriani	Director	March 4, 2003
/s/ ROSEMARY TOMICH - ------------------------------- Rosemary Tomich	Director	March 4, 2003
/s/ WALTER L. WEISMAN - ------------------------------- Walter L. Weisman	Director	March 4, 2003

CERTIFICATIONS

I, Ray R. Irani, certify that:

1. I have reviewed this annual report on Form 10-K of Occidental Petroleum Corporation;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 4, 2003

/s/ RAY R. IRANI

Ray R. Irani
Chief Executive Officer

I, Stephen I. Chazen, certify that:

1. I have reviewed this annual report on Form 10-K of Occidental Petroleum Corporation;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 4, 2003

/s/ STEPHEN I. CHAZEN

Stephen I. Chazen
Chief Financial Officer

EXHIBIT 3.(II)

[AS AMENDED FEBRUARY 13, 2003]

BY-LAWS OF OCCIDENTAL PETROLEUM CORPORATION (HEREINAFTER CALLED THE "CORPORATION")

ARTICLE I

OFFICES

SECTION 1. Registered Office. The registered office of the Corporation shall be in the State of Delaware.

SECTION 2. Other Offices. The Corporation may also have offices at such other places both within and without the State of Delaware as the Board of Directors may from time to time determine.

ARTICLE II

MEETING OF STOCKHOLDERS

SECTION 1. Place and Conduct of Meetings. Meetings of the stockholders for the election of directors or for the transaction of only such other business as may properly be brought before the meeting in accordance with these By-laws shall be held at such time and place, either within or without the State of Delaware, as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting or in a duly executed waiver of notice thereof. The Chairman of such meetings shall have plenary power and authority with respect to all matters relating to the conduct thereof including, without limitation, the authority to limit the amount of time which may be taken by any stockholder or stockholders, the authority to appoint and be advised by a parliamentarian, and the authority to appoint and to instruct a sergeant or sergeants at arms.

SECTION 2. Annual Meetings. The Annual Meetings of Stockholders shall be held on such date and at such time as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting, for the purpose of electing directors and for the transaction of only such other business as may properly be brought before the meeting in accordance with these By-laws.

To be properly brought before the Annual Meeting, business must be either (a) specified in the notice of Annual Meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (b) otherwise properly brought before the Annual Meeting by or at the direction of the Board of Directors, or (c) otherwise properly brought before the Annual Meeting by a stockholder of the Corporation (i) who is a stockholder of record on the date of the giving of the notice provided for in this Section 2 and on the record date for the determination of stockholders entitled to vote at such Annual Meeting and (ii) who complies with the notice procedures set forth in this Section 2.

In addition to any other applicable requirements, for business to be properly brought before an Annual Meeting by a stockholder, the stockholder must have given timely notice thereof in proper written form to the Secretary of the Corporation.

To be timely, a stockholder's notice must be delivered to or mailed to and received at the principal executive offices of the Corporation, not less than seventy (70) days nor more than ninety (90) days prior to the anniversary date of the immediately preceding Annual Meeting; provided, however, that in the event that the Annual Meeting is called for a date that is not within thirty (30) days before or after such anniversary date, notice by the stockholder to be timely must be so received not later than the close of business on the tenth (10th) day following the day on which such notice of the date of the Annual Meeting

was mailed or such public disclosure was made, whichever first occurs. In no event shall the public announcement of an adjournment of an Annual Meeting commence a new time period for the giving of a stockholder's notice as described above.

To be in proper written form, a stockholder's notice to the Secretary shall set forth as to each matter the stockholder proposes to bring before the Annual Meeting (i) a brief description of the business desired to be brought before the Annual Meeting, the reasons for conducting such business at the Annual Meeting and any material interest in such business of the stockholder and the beneficial owner, if any, on whose behalf the proposal is made, (ii) the name and record address of the stockholder proposing such business, (iii) the class, series and number of shares of the Corporation which are beneficially owned by the stockholder, (iv) a description of all arrangements or understandings between the stockholder and any other person or persons (including their names) in connection with such business, (v) whether the stockholder or the beneficial owner, if any, intends or is part of a group which intends to distribute proxy materials, and (vi) a representation that the stockholder intends to appear, in person or by another person authorized in accordance with the General Corporation Law of the State of Delaware to act as proxy for the stockholder, at the Annual Meeting to present such business.

Notwithstanding anything in the By-laws to the contrary, no business shall be conducted at the Annual Meeting except in accordance with the procedures set forth in this Section 2; provided, however, that nothing in this Section 2 shall be deemed to preclude discussion by any stockholder of any business properly brought before the Annual Meeting.

The Chairman of an Annual Meeting shall, if the facts warrant, determine and declare to the Annual Meeting that business was not properly brought before the Annual Meeting in accordance with the provisions of this Section 2, and if he should so determine, he shall so declare to the Annual Meeting and any such business not properly brought before the Annual Meeting shall not be transacted.

Written notice of the Annual Meeting stating the place, date and hour of the Annual Meeting shall be given to each stockholder entitled to vote at such meeting not less than ten (10) nor more than sixty (60) days before the date of the meeting.

SECTION 3. Special Meetings. Unless otherwise prescribed by law or by the Certificate of Incorporation, Special Meetings of Stockholders, for any purpose or purposes, may be called by the Board of Directors or the Chairman of the Board. Written notice of a Special Meeting stating the place, date and hour of the meeting and the purpose or purposes for which the meeting is called shall be given not less than ten nor more than sixty days before the date of the meeting to each stockholder entitled to vote at such meeting.

SECTION 4. Quorum. Except as otherwise provided by law or by the Certificate of Incorporation, the holders of a majority of the capital stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally noticed. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder entitled to vote at the meeting.

SECTION 5. Voting. Unless otherwise required by law, the Certificate of Incorporation or these By-laws, any question brought before any meeting of stockholders shall be decided by the affirmative vote of a majority of the shares present in person or by proxy at the meeting for the purposes of determining the presence of a quorum at such meeting. Unless otherwise provided in the Certificate of Incorporation, each stockholder represented at a meeting of stockholders shall be entitled to cast one vote for each share of the capital stock entitled to vote thereat held by such stockholder. Such votes may be cast in person or by proxy but no proxy shall be voted on or after three years from its date, unless such proxy provides for a longer period. No vote at any meeting of stockholders need be by written ballot unless the Board of Directors, in its discretion, or the officer of the Corporation presiding at the meeting, in his discretion, specifically directs the use of a written ballot.

SECTION 6. List of Stockholders Entitled to Vote. The officer of the Corporation who has charge of the stock ledger of the Corporation shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder of the Corporation who is present.

SECTION 7. Stock Ledger. The stock ledger of the Corporation shall be the only evidence as to who are the stockholders entitled to examine the stock ledger, the list required by Section 6 of this Article II or the books of the Corporation, or to vote in person or by proxy at any meeting of stockholders.

SECTION 8. Voting Procedures and Inspectors of Election. The corporation shall, in advance of any meeting of stockholders, appoint one or more inspectors to act at the meeting and make a written report thereof. The corporation may designate one or more persons as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is able to act at a meeting of stockholders, the person presiding at the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of his duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his ability.

The inspectors shall (i) ascertain the number of shares outstanding and the voting power of each, (ii) determine the shares represented at a meeting and the validity of proxies and ballots, (iii) count all votes and ballots, (iv) determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspectors, and (v) certify their determination of the number of shares represented at the meeting, and their count of all votes and ballots. The inspectors may appoint or retain other persons or entities to assist the inspectors in the performance of the duties of the inspectors.

The date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at a meeting shall be announced at the meeting.

ARTICLE III

DIRECTORS

SECTION 1. Number and Election of Directors. Subject to the rights, if any, of holders of preferred stock issued by the Corporation to elect directors of the Corporation, the Board of Directors shall consist of one or more directors, the number of which shall be eleven (11) until changed by resolution duly adopted by the Board of Directors from time to time. Except as provided in Section 2 of this Article III, directors shall be elected by a plurality of the votes cast at Annual Meetings of Stockholders, and each director so elected shall hold office until his successor is duly elected and qualified, or until his earlier death, disqualification, resignation or removal. No person shall be eligible for election as a director of the Corporation who shall have reached the age of seventy-two (72) at the date of such election, unless such requirement shall have been unanimously waived by the members of the Nominating and Corporate Governance Committee and such Committee's action shall have been ratified and approved by a majority of the disinterested directors on the Board of Directors. Any director may resign at any time effective upon giving written notice to the Corporation, unless the notice specifies a later time for such resignation to become effective. If the resignation of a director is effective at a future time, the Board of Directors may elect a successor prior to such effective time to take office when such resignation becomes effective. Directors need not be stockholders.

SECTION 2. Nominations of Directors. Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors, except as may be otherwise provided in the Certificate of Incorporation of the Corporation with respect to the right of holders of preferred stock of the Corporation to nominate and elect a specified number of directors in certain circumstances. Nominations of persons for election to the Board of Directors of the Corporation may be made at any Annual Meeting (a) by or at the direction of the Board of Directors (or any duly authorized committee thereof) or (b) by any stockholder of the Corporation (i) who is a stockholder of record on the date of the giving of the notice provided for in this Section 2 and on the record date for the determination of stockholders entitled to vote at the Annual Meeting and (ii) who complies with the notice procedures set forth in this Section 2.

In addition to any other applicable requirements, for a nomination to be made by a stockholder, the stockholder must have given timely notice thereof in proper written form to the Secretary of the Corporation.

To be timely, a stockholder's notice to the Secretary must be delivered to or mailed and received at the principal executive offices of the Corporation not less than seventy (70) days nor more than ninety (90) days prior to the anniversary date of the immediately preceding Annual Meeting; provided, however, that in the event that the Annual Meeting is called for a date that is not within thirty (30) days before or after such anniversary date, notice by the stockholder to be timely must be so received not later than the close of business on the tenth (10th) day following the day on which such notice of the date of the meeting was mailed or such public disclosure was made, whichever first occurs. In no event shall the public announcement of an adjournment of an Annual Meeting commence a new time period for the giving of a stockholder's notice as described above.

To be in proper written form, a stockholder's notice to the Secretary must set forth (a) as to each person whom the stockholder proposes to nominate for election or re-election as a director, (i) the name, age, business address and residence address of the person, (ii) principal occupation or employment of the person, (iii) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by the person, and (iv) any other information relating to the person that is required to be disclosed in solicitations for proxies for election of directors pursuant to the Rules and Regulations of the Securities and Exchange Commission under Section 14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and (b) as to the stockholder giving the notice, (i) the name and record address of such stockholder, (ii) the class or series and number of shares of capital stock of the Corporation which are beneficially owned by the stockholder, (iii) a description of all arrangements or understandings between the stockholder or the beneficial owner, if any, on whose behalf the nomination is made and each proposed nominee and any other person or persons (including their names) pursuant to which the nominations are to be made by such stockholder, (iv) whether the stockholder or the beneficial owner, if any, intends or is part of a group which intends to distribute proxy materials, (v) a representation that the stockholder intends to appear, in person or by another person authorized in accordance with the General Corporation Law of the State of Delaware to act as proxy for the stockholder, at the Annual Meeting to nominate the persons named in the stockholder's notice, and (vi) any other information relating to the person that is required to be disclosed in solicitations for proxies for election of directors pursuant to the Rules and Regulations of the Securities and Exchange Commission under Section 14 of the Exchange Act. Such notice must be accompanied by a written consent of each proposed nominee to being named as a nominee and to serve as a director if elected.

No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth in this Section 2. If the Chairman of the Annual Meeting determines that a nomination was not made in accordance with the foregoing procedure, the Chairman shall declare to the meeting that the nomination was defective and the defective nomination shall be disregarded.

SECTION 3. Vacancies. Any newly created directorship resulting from an increase in the number of directors or any other vacancy on the Board of Directors may be filled by a majority of the Board of Directors then in office, even if less than a quorum, or by a sole remaining director. Any director elected to fill a newly created directorship resulting from an increase in the number of directors or any other vacancy shall hold office for a term that shall expire at the next Annual Meeting of Stockholders.

SECTION 4. Duties and Powers. The business of the Corporation shall be managed by or under the direction of the Board of Directors which may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or by the Certificate of Incorporation or by these By-laws directed or required to be exercised or done by the stockholders.

SECTION 5. Meetings. The Board of Directors of the Corporation may hold meetings, both regular and special, either within or without the State of Delaware. Regular meetings of the Board of Directors may be held without notice at such time and at such place as may from time to time be determined by the Board of Directors. Special meetings of the Board of Directors may be called by the Chairman, if there be one, the President, or any three directors. Notice thereof stating the place, date and hour of the meeting shall be given to each director either by mail not less than forty-eight hours before the date of the meeting, by telephone, telegram or telecopy on twenty-four hours notice, or on such shorter notice as the person or persons calling such meeting may deem necessary or appropriate in the circumstances.

SECTION 6. Quorum. Except as may be otherwise specifically provided by law, at all meetings of the Board of Directors or of any committee thereof, a majority of the members of the entire Board of Directors or of the said committee shall constitute a quorum for the transaction of business; and the act of a majority of the directors or members of the committee present at any meeting at which there is a quorum shall be the act of the Board of Directors or of the said committee, as the case may be. A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors or members of the committee if any action taken is approved by at least a majority of the required quorum for that meeting. If a quorum shall not be present at any meeting of the Board of Directors or of any committee thereof, the directors or members of the committee present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

SECTION 7. Actions of Board. Any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all the members of the Board of Directors or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board of Directors or committee.

SECTION 8. Meetings by Means of Conference Telephone. Members of the Board of Directors of the Corporation, or any committee designated by the Board of Directors, may participate in a meeting of the Board of Directors or such committee by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this Section 8 shall constitute presence in person at such meeting.

SECTION 9. Committees. The Board of Directors may designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of any such committee. In the absence or disqualification of a member of a committee, and in the absence of a designation by the Board of Directors of an alternate member to replace the absent or disqualified member, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any absent or disqualified member. Any committee, to the extent allowed by law and provided in the resolution establishing such committee, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation. Meetings of any committee may be called by the Chairman of such committee, if there be one, or by any two members thereof other than such Chairman. Notice thereof stating the place, date and hour of the meeting shall be given to each member by mail not less than forty-eight hours before the date of the meeting; by telephone, telegram or telecopy on twenty-four hours notice; or on such shorter notice as the person or persons calling such meeting may deem necessary or appropriate in the circumstances. Each committee shall keep regular minutes and report to the Board of Directors when required.

SECTION 10. Compensation. The directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors and may be paid a fixed sum for attendance at each meeting of the Board of Directors and/or a stated annual fee as a director. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

SECTION 11. Interested Directors. No contract or transaction between the Corporation and one or more of its directors or officers, or between the Corporation and any other corporation, partnership, association, or other organization in which one or more of its directors or officers are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the Board of Directors or committee thereof which authorizes the contract or transaction, or solely because his or their votes are counted for such purpose if (i) the material facts as to his or their relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee, and the Board of Directors or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or (ii) the material facts as to his or their relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders; or (iii) the contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified by the Board of Directors, a committee thereof or the stockholders. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction.

ARTICLE IV

OFFICERS

SECTION 1. General. The officers of this Corporation shall be chosen by the Board of Directors and shall be a Chairman of the Board, who shall be the Chief Executive Officer, any number of Vice Chairmen, a President, a Senior Operating Officer, any number of Executive Vice Presidents, one or more of whom may be designated Senior Executive Vice President, any number of Vice Presidents with such rank as the Board of Directors may designate, a Secretary, any number of Assistant Secretaries, a Treasurer, and any number of Assistant Treasurers. One of such Executive Vice Presidents or Vice Presidents shall be designated Chief Financial Officer and shall have responsibility, subject to the direction of the Board of Directors, the Chairman of the Board and the President, for the management of the Corporation's financial affairs. Any number of offices may be held by the same person, unless otherwise prohibited by law, the Certificate of Incorporation or these By-laws. The officers of the Corporation need not be stockholders of the Corporation nor, except in the case of the Chairman of the Board of Directors, need such officers be directors of the Corporation.

SECTION 2. Election. The Board of Directors at its first meeting held after each Annual Meeting of Stockholders shall elect the officers of the Corporation who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors; and all officers of the Corporation shall hold office until their successors are chosen and qualified, or until their earlier resignation or removal. Any officer elected by the Board of Directors may be removed at any time by the affirmative vote of a majority of the Board of Directors. Any vacancy occurring in an office of the Corporation shall be filled by the Board of Directors.

SECTION 3. Remuneration. The Board of Directors shall have the power to fix and determine the salaries and other remuneration, and the terms and conditions thereof, of all executive officers of the Corporation.

SECTION 4. Chairman of the Board of Directors. The Chairman of the Board of Directors shall preside at all meetings of the stockholders and of the Board of Directors and the Executive Committee, if any, shall have general and active management of the business and affairs of the Corporation, shall have plenary power to issue orders and instructions to all officers and employees of the Corporation, and shall see that all orders and resolutions of the Board of Directors and the Executive Committee, if any, are carried into effect. He shall be the Chief Executive Officer of the Corporation, and except where by law the signature of the President is required, the Chairman of the Board of Directors shall possess the power to enter into and sign all contracts, certificates and other instruments of the Corporation, and shall have the power to delegate any portion of his authority under these By-laws to any other officer of the Corporation. During the absence or disability of the President, the Chairman of the Board of Directors shall exercise all the powers and discharge all the duties of the President. The Chairman of the Board of Directors shall also perform such other duties and may exercise such other powers as from time to time may be assigned to him by these By-laws or by the Board of Directors.

SECTION 5. Vice Chairmen of the Board of Directors. The Vice Chairman of the Board of Directors or Vice Chairmen of the Board of Directors, if there is more than one (in the order designated by the Board of Directors), shall perform such duties and may exercise such powers as from time to time may be assigned to him by the Board of Directors or the Chairman of the Board of Directors.

SECTION 6. President. The President shall perform such duties and have such powers as the Board of Directors or the Chairman of the Board may from time to time prescribe. In the absence or disability of the Chairman of the Board of Directors, or if there be none, the President shall preside at all meetings of the stockholders and the Board of Directors. If there be no Chairman of the Board of Directors, the President shall be the Chief Executive Officer of the Corporation. The President shall also perform such other duties and may exercise such other powers as from time to time may be assigned to him by these By-laws, by the Board of Directors or by the Chairman of the Board of Directors.

SECTION 7. Senior Operating Officer. The Senior Operating Officer shall perform such duties and have such powers as are prescribed for Executive Vice Presidents and Vice Presidents under these By-laws and under any resolution of the Board of Directors and shall perform such additional duties and have such additional powers as the Board of Directors or the Chairman of the Board of Directors may from time to time prescribe. The Senior Operating Officer shall also perform such other duties and may exercise such other powers as from time to time may be assigned to him by these By-laws, by the Board of Directors, or by the Chairman of the Board of Directors.

SECTION 8. Executive Vice Presidents and Vice Presidents. At the request of the President or in his absence or in the event of his inability or refusal to act (and if there be no Chairman of the Board of Directors), the Executive Vice Presidents and Vice Presidents (in the order designated by the Board of Directors) shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. Each Vice President shall perform such other duties and have such other powers as the Board of Directors or the Chairman of the Board of Directors from time to time may prescribe. If there be no Chairman of the Board of Directors and no Vice President, the Board of Directors shall designate the officer of the Corporation who, in the absence of the President or in the event of the inability or refusal of the President to act, shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President.

SECTION 9. Secretary. The Secretary shall attend all meetings of the Board of Directors and all meetings of stockholders and record all the proceedings thereat in a book or books to be kept for that purpose; the Secretary shall also perform like duties for the standing committees of the Board of Directors when required. The Secretary shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the Board of Directors, and shall perform such other duties as may be prescribed by the Board of Directors or the Chairman of the Board of Directors, under whose supervision he shall be. If the Secretary shall be unable or shall refuse to cause to be given notice of all meetings of the stockholders and special meetings of the Board of Directors, and if there be no Assistant Secretary, then either the Board of Directors or the President may choose another officer to cause such notice to be given. The Secretary shall have custody of the seal of the Corporation and the Secretary or any Assistant Secretary, if there be any, shall have authority to affix the same to any instrument requiring it, and when so affixed, it may be attested by the signature of the Secretary or by the signature of any such Assistant Secretary. The Board of Directors may give general authority to any other officer to affix the seal of the Corporation and to attest the affixing by his signature. The Secretary shall see that all books, reports, statements, certificates and other documents and records required by law to be kept or filed are properly kept or filed, as the case may be.

SECTION 10. Treasurer. Subject to the direction of the Chief Financial Officer, the Treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors. The Treasurer shall disburse the funds of the Corporation as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the Chairman of the Board and the Board of Directors, at its regular meetings, or when the Board of Directors so requires, an account of all his transactions as Treasurer and of the financial condition of the Corporation. If required by the Board of Directors, the Treasurer shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of his office and for the restoration to the Corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Corporation.

SECTION 11. Assistant Secretaries. Except as may be otherwise provided in these By-laws, Assistant Secretaries, if there be any, shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors, the Chairman of the Board of Directors, the President, any Vice President, if there be any, or the Secretary, and in the absence of the Secretary or in the event of his disability or refusal to act, shall perform the duties of the Secretary, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Secretary.

SECTION 12. Assistant Treasurers. Assistant Treasurers, if there be any, shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors, the Chairman of the Board of Directors, the President, any Vice President, if there be any, or the Treasurer, and in the absence of the Treasurer or in the event of his disability or refusal to act, shall perform the duties of the Treasurer, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Treasurer. If required by the Board of Directors, an Assistant Treasurer shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of his office and for the restoration to the Corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Corporation.

SECTION 13. Other Officers. Such other officers as the Board of Directors may choose shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors. The Board of Directors may delegate to any other officer of the Corporation the power to choose such other officers and to prescribe their respective duties and powers.

SECTION 14. Officers of Divisions. The officers of divisions of the Corporation shall perform such duties and may exercise such powers as the Chairman of the Board may from time to time prescribe.

ARTICLE V

STOCK

SECTION 1. Form of Certificates. Every holder of stock in the Corporation shall be entitled to have a certificate signed, in the name of the Corporation (i) by the Chairman of the Board of Directors, the President or a Vice President and (ii) by the Chief Financial Officer or the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary of the Corporation, certifying the number of shares owned by him in the Corporation.

SECTION 2. Signatures. Where a certificate is countersigned by (i) a transfer agent other than the Corporation or its employee, or (ii) a registrar other than the Corporation or its employee, any other signature on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue.

SECTION 3. Certificates. The Board of Directors may direct a new certificate to be issued in place of any certificate theretofore issued by the Corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate, or his legal representative, to advertise the same in such manner as the Board of Directors shall require and/or to give the Corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

SECTION 4. Transfers. Stock of the Corporation shall be transferable in the manner prescribed by law and in these By-laws. Transfers of stock shall be made on the books of the Corporation only by the person named in the certificate or by his attorney lawfully constituted in writing and upon the surrender of the certificate therefor, which shall be cancelled before a new certificate shall be issued.

SECTION 5. Record Date. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall not be more than sixty days nor less than ten days before the date of such meeting, nor more than sixty days prior to any other action. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting, provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

SECTION 6. Beneficial Owners. The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by law.

ARTICLE VI

NOTICES

SECTION 1. Notices. Whenever written notice is required by law, the Certificate of Incorporation or these By-laws, to be given to any director, member of a committee or stockholder, such notice may be given by mail, addressed to such director, member of a committee or stockholder, at his address as it appears on the records of the Corporation, with postage thereon prepaid, and such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail. Written notice may also be given personally or by telegram, telex or cable or by facsimile or other electronic transmission. Notice given by any such means shall be deemed to have been given at the time delivered, sent or transmitted.

SECTION 2. Waivers of Notice. Whenever any notice is required by law, the Certificate of Incorporation or these By-laws, to be given to any director, member of a committee or stockholder, a waiver thereof in writing, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

ARTICLE VII

GENERAL PROVISIONS

SECTION 1. Dividends. Dividends upon the capital stock of the Corporation, subject to the provisions of the Certificate of Incorporation, if any, may be declared by the Board of Directors at any regular or special meeting, and may be paid in cash, in property, or in shares of the capital stock. Before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the Board of Directors from time to time, in its absolute discretion, deems proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Corporation, or for any proper purpose, and the Board of Directors may modify or abolish any such reserve.

SECTION 2. Disbursements. All checks or demands for money and notes of the Corporation shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time to time designate.

SECTION 3. Fiscal Year. The fiscal year of the Corporation shall be fixed by resolution of the Board of Directors.

SECTION 4. Corporate Seal. The corporate seal shall have inscribed thereon the name of the Corporation, the year of its organization and the words "Corporate Seal, Delaware". The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

SECTION 5. Stock Held by Corporation. Powers of attorney, proxies, waivers of meeting, consents and other instruments relating to securities owned by the Corporation may be executed in the name and on behalf of the Corporation by the Chairman of the Board, or such other officer or officers as the Board of Directors or the Chairman of the Board may designate, and any such officer shall have full power and authority on behalf of the Corporation, in person or by proxy, to attend, and to act and vote at, any meeting of stockholders of any corporation in which the Corporation may hold securities, and at any such meeting shall possess, and may exercise, any and all of the rights and powers incident to the ownership of such securities.

ARTICLE VIII

INDEMNIFICATION

SECTION 1. Power to Indemnify in Actions, Suits or Proceedings other than Those by or in the Right of the Corporation. Subject to Section 3 of this Article VIII, the Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that he is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

SECTION 2. Power to Indemnify in Actions, Suits or Proceedings by or in the Right of the Corporation. Subject to Section 3 of this Article VIII, the Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation; except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

SECTION 3. Authorization of Indemnification. Any indemnification under this Article VIII (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in Section 1 or Section 2 of this Article VIII, as the case may be. Such determination shall be made (i) by the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or (ii) if such a quorum is not obtainable, or, even if obtainable a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (iii) by the stockholders. To the extent, however, that a director, officer, employee or agent of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Section 1 or Section 2 of this Article VIII, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith, without the necessity of authorization in the specific case.

SECTION 4. Good Faith Defined. For purposes of any determination under Section 3 of this Article VIII, a person shall be deemed to have acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, or, with respect to any criminal action or proceeding, to have had no reasonable cause to believe his conduct was unlawful, if his action is based on the records or books of account of the Corporation or another enterprise, or on information, opinions, reports or statements supplied to him by the officers or employees of the Corporation or another enterprise in the course of their duties, or by a committee of the Board of Directors of the Corporation, or on the advice of legal counsel for the Corporation or another enterprise or on information or records given or reports or statements made to the Corporation or another enterprise by an independent certified public accountant, by an appraiser or by another person selected with reasonable care by or on behalf of the Corporation or another enterprise as to matters such person reasonably believes are within such certified public accountant's, appraiser's, or other person's professional or expert competence. The term "another enterprise" as used in this Section 4 shall mean any other corporation or any partnership, joint venture, trust or other enterprise of which such person is or was serving at the request of the Corporation as a director, officer, employee or agent. The provisions of this Section 4 shall not be deemed to be exclusive or to limit in any way the circumstances in which a person may be deemed to have met the applicable standard of conduct set forth in Sections 1 or 2 of this Article VIII, as the case may be.

SECTION 5. Indemnification by a Court. Notwithstanding any contrary determination in the specific case under Section 3 of this Article VIII, and notwithstanding the absence of any determination thereunder, any director, officer, employee or agent may apply to any court of competent jurisdiction in the State of Delaware for indemnification to the extent otherwise permissible under Sections 1 and 2 of this Article VIII. The basis of such indemnification by a court shall be a determination by such court that indemnification of the director, officer, employee or agent is proper in the circumstances because he has met the applicable standards of conduct set forth in Sections 1 or 2 of this Article VIII, as the case may be. Notice of any application for indemnification pursuant to this Section 5 shall be given to the Corporation promptly upon the filing of such application.

SECTION 6. Expenses Payable in Advance. Expenses incurred in defending or investigating a threatened or pending action, suit or proceeding may be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of the director, officer, employee or agent to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Corporation as authorized in this Article VIII.

SECTION 7. Non-exclusivity and Survival of Indemnification. The indemnification and advancement of expenses provided by this Article VIII shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any By-law, agreement, contract, vote of stockholders or disinterested directors or pursuant to the direction (howsoever embodied) of any court of competent jurisdiction or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, it being the policy of the Corporation that indemnification of the persons specified in Sections 1 and 2 of this Article VIII shall be made to the fullest extent permitted by law. The provisions of this Article VIII shall not be deemed to preclude the indemnification of any person who is not specified in Sections 1 or 2 of this Article VIII but whom the Corporation has the power or obligation to indemnify under the provisions of the General Corporation Law of the State of Delaware, or otherwise. The indemnification and advancement of expenses provided by this Article VIII shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such person.

SECTION 8. Insurance. The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Corporation would have the power or the obligation to indemnify him against such liability under the provisions of this Article VIII.

SECTION 9. Meaning of "Corporation" for Purposes of Article VIII. For purposes of this Article VIII, references to "the Corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, and employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this Article VIII with respect to the resulting or surviving corporation as he would have with respect to such constituent corporation if its separate existence had continued.

OCCIDENTAL PETROLEUM CORPORATION
DEFERRED COMPENSATION PLAN

(As Amended and Restated Effective January 1, 2003)

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ARTICLE I
PURPOSE

This document sets forth the terms of the Occidental Petroleum Corporation Deferred Compensation Plan (the "Plan") as amended and restated effective as of January 1, 2003. The prior Plan document, which was effective January 1, 1999, constituted the amendment, restatement and merger of the Occidental Petroleum Corporation 1988 Deferred Compensation Plan (the "1988 DCP") and the Occidental Petroleum Corporation Senior Executive Deferred Compensation Plan (the "SEDCP").

The purpose of the Plan is to provide a tax-deferred opportunity for key management and highly compensated employees of the Occidental Petroleum Corporation and its Affiliates (as defined below) to accumulate additional retirement income through deferrals of compensation.

ARTICLE II
DEFINITIONS

Whenever the following words and phrases are used in this Plan with the first letter capitalized, they shall have the meanings specified below:

Affiliate. "Affiliate" means: (i) any corporation that is a member of a controlled group of corporations (within the meaning of Code Section 1563(a), determined without regard to Code Sections 1563(a)(4) and (e)(3)(C), and with the phrase "more than 50%" substituted for the phrase "at least 80%" each place it appears in Code Section 1563(a)) of which Occidental Petroleum Corporation is a component member, or (ii) any entity (whether or not incorporated) that is under common control with Occidental Petroleum Corporation (as defined in Code Section 414(c) and the Treasury Regulations thereunder, and with the phrase "more than 50%" substituted for the phrase "at least 80%" each place it appears in the Treasury Regulations under Code Section 414(c)).

Amortization Method. "Amortization Method" means an annual installment method of paying a Participant's benefits under which the Company will pay the Participant an initial payment in an amount equal to (i) plus (ii) divided by (iii), where (i) is the value of the Participant's Deferral Accounts as of the end of the month preceding such payment, (ii) is the amount of interest that would accrue during the entire payout period on the unpaid balance credited to the Participant's Deferral Accounts immediately following such initial payment if the Declared Rate then in effect remained unchanged and (iii) is the number of years over which annual installments are to be paid. For each Plan Year after the initial benefit payment is made, the annual benefit payment will be determined under the same equation where (i) is the value of the Participant's Deferral Accounts as of the end of the month preceding the benefit payment, (ii) is the amount of interest that would accrue during the remaining payout period on the unpaid balance credited to the Participant's Deferral Accounts immediately following such annual payment if the Declared Rate then in effect remained unchanged and (iii) is the number of annual payments remaining.

Base Salary. "Base Salary" means the base salary earned by a Participant during pay periods beginning in a Plan Year, excluding Bonus, all severance allowances, forms of incentive compensation, Savings Plan, Retirement Plan or other Company qualified plan contributions or benefits, retainers, insurance premiums or benefits, reimbursements, and all other payments, prior to reduction for any deferrals under this Plan or any other plan of the Company or reductions under the Company's Savings Plan allowed under Section 401(k) of the Code.

Beneficiary. "Beneficiary" means the person or persons designated as such in accordance with Article VI.

Beneficiary Benefit. "Beneficiary Benefit" means the payment to a Participant's Beneficiary of the value of the Participant's Deferral Accounts pursuant to Section 5.2 on account of the Participant's death.

Board. "Board" means the Board of Directors of the Company.

Bonus. "Bonus" means the bonus earned by a Participant during a Plan Year prior to reduction for any deferral under this Plan or any other plan of the Company.

Code. "Code" means the Internal Revenue Code of 1986, as amended.

Committee. "Committee" means the administrative committee appointed to administer the Plan pursuant to Article III.

Company. "Company" means Occidental Petroleum Corporation, or any successor thereto, and any Affiliates.

Company Management. "Company Management" means the Chairman of the Board, President or any Executive Vice President of Occidental Petroleum Corporation.

Compensation. "Compensation" means Base Salary and/or Bonus.

DCP Deferral Account. "DCP Deferral Account" means the account maintained on the books of account of the Company for each Participant pursuant to Article IV to account for amounts deferred under the 1988 DCP prior to January 1, 1999 and amounts deferred under this Plan after that date.

DCP Deferral Amount. "DCP Deferral Amount" means an amount of a Participant's Base Salary and/or Bonus that is deferred under the Plan, including both amounts deferred under the 1988 DCP prior to January 1, 1999, and amounts deferred under this Plan after that date.

Declared Rate. "Declared Rate" with respect to any Plan Year means the rate at which interest will be credited on Deferral Accounts for such Plan Year. The Declared Rate for each Plan Year commencing in 1999 and thereafter will be equal to the greater of: (i) (A) plus (B) where (A) is the Moody's Long-Term Corporate Bond Index Monthly Average Corporates as published by Moody's Investor Services, Inc. (or successor thereto) for the month of July in the year prior to the Plan Year in question, and (B) is 3% ("Moodys Plus Three"), or (ii) the highest yield on any unsecured debt or preferred stock of the Company that was outstanding on the last day of July in the year prior to the Plan Year in question. The Declared Rate will be announced on or before January 1 of the applicable Plan Year. Notwithstanding the foregoing, the Declared Rate for DCP Deferral Amounts that were earned and deferred prior to 1994 under the 1988 DCP (including bonuses which were earned for 1993), together with accumulated interest thereon, will in no event be less than 8% for any Plan Year. Accordingly, the Declared Rate for any Plan Year may be different for DCP Deferral Amounts that were earned and deferred under the 1988 DCP prior to January 1, 1994 than for DCP Deferral Amounts earned and deferred after such date.

Deferral Account(s). "Deferral Account(s)" means a Participant's DCP Deferral Account and/or SEDCP Deferral Account (if any) and/or Savings Plan Restoration Account (if any) maintained on the books of account of the Company for each Participant pursuant to Article IV.

Deferral Election Form. "Deferral Election Form" means a paper or electronic election form provided by the Committee on which an Eligible Employee may elect to defer Base Salary and/or Bonus and may elect to receive an Early Payment Benefit in accordance with Article IV.

Disability. "Disability" means a condition that qualifies as a disability under the Company's Retirement Plan and is approved by the Committee.

Disability Benefit. "Disability Benefit" means the payment to a Participant of the value of the Participant's Deferral Accounts pursuant to Section 5.1 on account of the Participant's termination of employment due to a Disability.

Distribution Election Form. "Distribution Election Form" means a paper or electronic election form provided by the Committee on which a Participant may elect the form of payment of his Retirement Benefits and/or the form of payment of Beneficiary Benefits to his Beneficiary in accordance with Article V.

Early Payment Benefit. "Early Payment Benefit" means the payment to a Participant of part or all of the Participant's DCP Deferral Account on an Early Payment Date prior to Retirement pursuant to Section 5.4.

Early Payment Date. "Early Payment Date" means any year prior to Retirement that a Participant elects pursuant to Section 4.1(b) to have an Early Payment Benefit paid or commenced to be paid.

Early Payment Date Subaccount. "Early Payment Date Subaccount" means any subaccount of a Participant's DCP Deferral Account established to separately account for deferred Compensation (and interest credited thereto) that is subject to an Early Payment Benefit election.

Eligible Employee. "Eligible Employee" means each key management or other highly compensated employee of the Company who is selected by Company Management to participate in the Plan.

Emergency Benefit. "Emergency Benefit" means the payment to a Participant of part or all of his Deferral Accounts in the event that the Participant has an unforeseeable financial emergency pursuant to Section 5.5.

Fractional Method. "Fractional Method" means an installment method of paying a Participant's Retirement Benefit under which the Company will determine the amount of each annual installment by dividing the value of the Participant's Deferral Accounts as of the end of the month preceding the payment date by the number of annual installments remaining to be paid.

1988 DCP. "1988 DCP" means the Occidental Petroleum Corporation 1988 Deferred Compensation Plan.

Participant. "Participant" means (i) each individual who, as of December 31, 1998, was a participant in the 1988 DCP or the SEDCP and has not received a complete distribution of the benefits accrued under those plans, (ii) an Eligible Employee who has filed a completed and fully executed Deferral Election Form with the Committee and is participating in the Plan in accordance with the provisions of Article IV or (iii) any person who has a Deferral Account by reason of his prior status as an Eligible Employee.

Plan Year. "Plan Year" means the calendar year beginning on January 1 and ending on December 31.

Retirement. "Retirement" means: (i) the termination of a Participant's employment with the Company for reasons other than Disability or death after the Participant attains age 65, (ii) the termination of a Participant's employment with the Company for reasons other than Disability or death after the Participant attains age 55 and completes five (5) Years of Service or (iii) effective January 1, 2001, the Participant's attainment of age 55 following the Participant's termination of employment with the Company for reasons other than Disability or death prior to attainment of age 55 if the Participant qualifies for retiree medical coverage under the Occidental Petroleum Corporation Medical Plan on the date of the Participant's termination of employment.

Retirement Benefit. "Retirement Benefit" means the payment to a Participant of the value of the Participant's Deferral Accounts pursuant to Section 5.1 following Retirement.

Retirement Plan. "Retirement Plan" means the Occidental Petroleum Corporation Retirement Plan, as amended from time to time.

Savings Plan. "Savings Plan" means the Occidental Petroleum Corporation Savings Plan, as amended from time to time.

Savings Plan Restoration Account. "Savings Plan Restoration Account" means the account maintained on the books of account of the Company to reflect Savings Plan Restoration Contributions made by the Company pursuant to Section 4.6.

Savings Plan Restoration Contribution. "Savings Plan Restoration Contribution" means the amount credited to a Participant's Savings Plan Restoration Account pursuant to Section 4.6.

SEDCP. "SEDCP" means the Occidental Petroleum Corporation Senior Executive Deferred Compensation Plan under which certain Company executives deferred compensation.

SEDCP Deferral Account. "SEDCP Deferral Account" means the account maintained on the books of account of the Company for certain Participants pursuant to Article IV to account for amounts deferred under the SEDCP.

Termination Benefit. "Termination Benefit" means the payment to a Participant of the value of the Participant's Deferral Accounts pursuant to Section 5.1 on account of the Participant's termination of employment other than due to Retirement, Disability or death.

Termination Event. "Termination Event" means any of the following:

(a) Approval by the stockholders of the Company (or, if no stockholder approval is required, by the Board) of the dissolution or liquidation of the Company, other than in the context of a transaction that does not constitute a Termination Event under clause (b) below;

(b) Consummation of a merger, consolidation, or other reorganization, with or into, or the sale of all or substantially all of the Company's business and/or assets as an entirety to, one or more entities that are not subsidiaries or other affiliates of the Company (a "Business Combination"), unless (i) as a result of the Business Combination, more than 50% of the outstanding voting power of the surviving or resulting entity or a parent thereof (the "Successor Entity") immediately after the Business Combination is, or will be, owned, directly or indirectly, by holders of the Company's voting securities immediately before the Business Combination; (ii) no "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended from time (the "Exchange Act")), excluding the Successor Entity or any employee benefit plan of the Company and any trustee or other fiduciary holding securities under a Company employee benefit plan or any person described in and satisfying the conditions of Rule 13d-1(b)(i) of the Exchange Act (an "Excluded Person"), beneficially owns, directly or indirectly, more than 20% of the outstanding shares or the combined voting power of the outstanding voting securities of the Successor Entity, after giving effect to the Business Combination, except to the extent that such ownership existed prior to the Business Combination; and (iii) at least 50% of the members of the board of directors of the entity resulting from the Business Combination were members of the Board at the time of the execution of the initial agreement or of the action of the Board approving the Business Combination;

(c) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act, but excluding any Excluded Person) is or becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 20% or more of the combined voting power of the Company's then outstanding voting securities, other than as a result of (i) an acquisition directly from the Company; (ii) an acquisition by the Company; or (iii) an acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or a Successor Entity; or

(d) During any period not longer than two consecutive years, individuals who at the beginning of such period constituted the Board cease to constitute at least a majority thereof, unless the election, or the nomination for election by the Company's stockholders, of each new Board member was approved by a vote of at least two-thirds (2/3) of the Board members then still in office who were Board members at the beginning of such period (including for these purposes, new members whose election or nomination was so approved), but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board.

(e) Notwithstanding the foregoing, a Termination Event shall not occur if, prior to the Termination Event, the Executive Compensation and Human Resources Committee of the Board deems such an event to not be a Termination Event for the purposes of this Plan.

Years of Service. "Years of Service" means the number of full years credited to a Participant under the Retirement Plan for vesting purposes.

ARTICLE III
ADMINISTRATION OF THE PLAN

A Committee shall be appointed by the Board to administer the Plan and establish, adopt, or revise such rules and regulations as the Committee may deem necessary or advisable for the administration of the Plan and to interpret the provisions of the Plan, and, except as otherwise indicated herein, any such interpretations shall be conclusive and binding. All decisions of the Committee shall be by vote of at least two of the Committee members and shall be final. The Committee may appoint any agent and delegate to such agent such powers and duties in connection with the administration of the Plan as the Committee may from time to time prescribe.

Members of the Committee shall be eligible to participate in the Plan while serving as members of the Committee, but a member of the Committee shall not vote or act upon any matter which relates solely to such member's interest in the Plan as a Participant.

ARTICLE IV
PARTICIPATION

4.1 Election to Participate.

(a) Deferral Elections. An Eligible Employee may elect to participate in the Plan and elect to defer annual Base Salary and/or Bonus under the Plan by filing a completed and fully executed Deferral Election Form prior to the beginning of the Plan Year during which such Base Salary and Bonus are to be earned or at such other time as the Committee may permit. Deferral Election Forms must be filed in accordance with the instructions set forth in the Deferral Election Forms.

Various deferral options will be made available to Eligible Employees under the Plan, subject to such limitations and conditions as the Committee may impose from time to time, in its complete and sole discretion. A Deferral Election Form filed for the Plan Year beginning January 1, 2003, or for any subsequent Plan Year shall be effective for Base Salary and/or Bonus to be earned during that Plan Year and shall remain in effect for that Plan Year and subsequent Plan Years, notwithstanding any change in the Participant's Base Salary or Bonus, until changed or terminated in accordance with the terms of this Section 4.1; provided, however, that such election shall terminate if the Participant ceases to be an Eligible Employee. Subject to the minimum deferral requirements and maximum deferral limitations set forth below, a Participant may increase, decrease or terminate his deferral election effective for Compensation to be earned during any Plan Year by filing a new Deferral Election Form with the Committee prior to January 1 of such Plan Year.

Each Deferral Election Form will designate the DCP Deferral Amounts as a fixed dollar amount or fixed percentage (in increments of 1%) of Base Salary and/or (i) a fixed dollar amount or a fixed percentage of Bonus, or (ii) 100% of any Bonus exceeding a specified dollar amount, as elected by the Participant. Deferrals of Base Salary will normally be deducted ratably during the Plan Year. In its sole discretion, the Committee may also permit amounts that an Eligible Employee has previously elected to defer under other plans or agreements with the Company to be transferred to this Plan and credited to his Deferral Accounts that are maintained hereunder.

(A) Minimum Deferral. For each Plan Year, the minimum amount of Base Salary that a Participant may elect to defer is $5,000, if expressed as a dollar amount, or 5% of Base Salary, if expressed as a percentage, and the minimum amount of Bonus that a Participant may elect to defer is any of the following: (I) $5,000, (II) 5% of Bonus, or (III) 100% of that portion of any Bonus that exceeds a dollar amount specified by the Participant on his Deferral Election Form.

(B) Maximum Deferral. For each Plan Year, the maximum amount of Base Salary that a Participant may elect to defer is 75% of Base Salary, and the maximum amount of Bonus that a Participant may elect to defer is 100% of Bonus.

(b) Early Payment Benefit Election. On the Deferral Election Form filed pursuant to Section 4.1(a), an Eligible Employee may irrevocably elect to receive the

Compensation deferred pursuant to that election in a lump sum payment or in annual installments over two (2) to five (5) years commencing prior to Retirement on an Early Payment Date. If a Participant fails to designate the form of distribution for an Early Payment Benefit, the distribution shall be in the form of a lump sum. The Early Payment Date elected must be a year that begins at least two (2) years after the end of the first Plan Year to which the election applies. An Early Payment Benefit election filed for the Plan Year beginning January 1, 2003, or for any subsequent Plan Year, shall be effective for Compensation earned and deferred during that Plan Year and each subsequent Plan Year until terminated in accordance with the terms of this Section 4.1; provided, however, that deferrals of Compensation earned during any Plan Year that ends less than two (2) years prior to the Early Payment Date will not be subject to the Early Payment Benefit election and shall be paid upon the Participant's termination of employment as set forth in Section 5.1 or 5.2, as the case may be. A Participant may terminate an election for an Early Payment Benefit with respect to Compensation deferred in any future Plan Year by filing a new Deferral Election Form with the Committee prior to January 1 of such Plan Year. A Participant may not, however, change the form of benefit or time of commencement of Early Payment Benefit with respect to Compensation deferred pursuant to a Deferral Election Form after that Deferral Election is filed pursuant to Section 4.1(a).

A Participant may not at any time have more than two Early Payment Dates scheduled. However, after an Early Payment Date has occurred and all payments with respect to the corresponding Early Payment Date election have been completed, a Participant may elect a new Early Payment Date for future deferrals of Compensation.

4.2 DCP Deferral Accounts. The Committee shall establish and maintain a separate DCP Deferral Account for each Participant. The amount credited to a Participant's Deferral Account under the 1988 DCP as of December 31, 1998 remained credited to his DCP Deferral Account under this Plan as of January 1, 1999. A DCP Deferral Amount shall be credited by the Company to the Participant's DCP Deferral Account as of the date that the Participant's Base Salary or Bonus would otherwise have been paid. Such DCP Deferral Account shall be debited by the amount of any payments made by the Company to the Participant or the Participant's Beneficiary therefrom as of the date of payment. The Committee shall establish an Early Payment Date Subaccount within a Participant's DCP Deferral Account for each Early Payment Date elected by that Participant. Any such Early Payment Date Subaccount shall be debited by the amount of any Early Payment Benefit paid by the Company to the Participant on or beginning on such Early Payment Date pursuant to Section 5.4 as of the date of payment.

4.3 SEDCP Deferral Accounts. The Committee shall maintain a separate SEDCP Deferral Account for each Participant who was a participant in the SEDCP on December 31, 1998. The balance of such Participant's accounts under the SEDCP as of December 31, 1998 remained credited to each such Participant's SEDCP Deferral Account under this Plan as of January 1, 1999. SEDCP Deferral Accounts shall be debited by the amount of any payments made by the Company to the Participant or the Participant's Beneficiary therefrom as of the date of payment.

4.4 Interest. Each Deferral Account of a Participant shall be deemed to bear interest on the monthly balance of such Deferral Account at the Declared Rate for each Plan Year, compounded monthly. Except as provided in Section 5.2(a) with respect to SEDCP Deferral

Accounts for Participants who die prior to becoming eligible for Retirement, interest will be credited to each Deferral Account on a monthly basis on the last day of each month as long as any amount remains credited to such Deferral Account. Effective January 1, 2003, amounts of deferred Compensation that are credited to a Deferral Account and amounts of Savings Plan Restoration Contributions that are credited to a Savings Plan Restoration Account prior to the end of a calendar month shall accrue interest from the date of crediting, computed on the basis of a 30-day month based on days elapsed from date of crediting to the end of the month.

4.5 Valuation of Deferral Accounts. The value of a Deferral Account as of any date shall equal the amounts previously credited to such Deferral Account less any payments debited to such Deferral Account plus the interest deemed to be earned on such Deferral Account in accordance with Section 4.4 through the end of the preceding month. When payments are made from a DCP Deferral Account for any reason other than an Early Payment Benefit elected after January 1, 1994, such payments shall be deemed to be made on a proportionate or pro-rata basis from DCP Deferral Amounts (including accumulated interest thereon) that were earned and deferred under the 1988 DCP prior to January 1, 1994 and DCP Deferral Amounts (including accumulated interest thereon) that were earned and deferred after that date.

4.6 Savings Plan Restoration Contribution. For each Plan Year, the Company shall credit to the Savings Plan Restoration Account of any Participant, an amount equal to the amount by which the contribution that would otherwise have been made by the Company on behalf of the Participant to the Savings Plan for such Plan Year is reduced by reason of the reduction in the Participant's Base Salary for such Plan Year because of deferrals under this Plan. The Savings Plan Restoration Contribution shall be credited to the Savings Plan Restoration Account of each Participant for each Plan Year at the same time as the Company contribution for such Plan Year is made to the Savings Plan. A Participant's interest in any credit to his Savings Plan Restoration Account and earnings thereon shall vest at the same rate and at the same time as would have been the case had such contribution been made to the Savings Plan. Notwithstanding anything contained herein to the contrary, if, upon a Participant's termination of employment, the Participant has not or does not become 100% vested in his Savings Plan Restoration Account, the unvested portion of his Savings Plan Restoration Account shall be forfeited prior to the determination of the amount of any benefits under Sections 5.1, 5.6 or 5.7.

4.7 Statement of Deferral Accounts. The Committee shall submit to each Participant, within 120 days after the close of each Plan Year, a statement in such form as the Committee deems desirable, setting forth the Participant's Deferral Account(s).

ARTICLE V
BENEFITS

5.1 Termination of Employment for a Reason Other Than Death.

(a) Form and Time of Benefit. Except as otherwise provided in this Section 5.1, upon a Participant's termination of employment for a reason other than death (including Retirement and Disability), the Company shall pay to the Participant in a single lump sum within the first 90 days of the calendar year following the Participant's termination of employment an amount equal to the value of the Participant's Deferral Accounts as of the end of the month preceding payment (after reduction for any forfeitures as set forth in Section 4.6). Any Retirement or Termination Benefits paid in annual installments pursuant to Section 5.1(b) or 5.1(c) shall be paid within the first 90 days of each calendar year, beginning with the year following the Participant's Retirement or other termination of employment and shall be determined based on the value of the Participant's Deferral Accounts as of the last day of the month preceding payment.

(b) Retirement. A Participant may elect in his Distribution Election Form to have the Retirement Benefit, which may consist solely of the participant's Savings Plan Restoration Account, paid to him in a lump sum, annual payments for any other number of years between two (2) and 20 years or, if available as an option on the Distribution Election Form provided to the Participant, in a combination of an initial lump sum payment followed by annual installments over the next one (1) to 20 years. The amount of each annual installment will be determined under either the Amortization Method or the Fractional Method. Unless the Participant otherwise elects, the amount of any such annual payments shall be calculated under the Amortization Method in the case of a Participant retiring before 2004 and under the Fractional Method in the case of a Participant retiring in 2004 and subsequent years. Any election of an alternative form of distribution or the alternate method of calculating installment amounts under this Section 5.1(b) must be made on a Distribution Election Form and must be received by the Committee no later than the December 31 preceding the date of the Participant's Retirement and shall become effective on the date that is 12 months after the Distribution Election Form is received by the Committee..

A Participant may change his election as to the form of payment and/or method of calculating annual installment amounts, provided that his change election is made on a Distribution Election Form and such election is received by the Committee no later than the December 31 preceding the date of the Participant's Retirement, unless otherwise permitted by the Committee. Such change in election shall become effective on the date that is 12 months after the Distribution Election Form is received by the Committee. Subject to the foregoing limitations, a Participant may make such election (or revoke a prior election and make a new election) at any time. Any election (or modification or revocation of a prior election) that is made later than the December 31 preceding the Participant's Retirement will be considered void and shall have no force or effect, except as otherwise determined by the Committee.

(c) Termination Prior to Retirement. If a Participant's employment with the Company terminates for any reason other than Retirement, Disability or death, then Participant shall receive a Termination Benefit in a lump sum as provided in Section 5.1(a); provided, however, at the sole discretion of the Committee, no lump sum shall be payable and instead, the Company shall pay to the Participant an annual amount for a period not to exceed three (3) years, determined using the Fractional Method.

(d) Disability. If a Participant's employment with the Company terminates prior to Retirement due to a Disability, then the Participant shall receive a Disability Benefit in a lump sum within the first 90 days of the calendar year following the calendar year in which the Participant attains age 55 in an amount equal to the value of the Participant's Deferral Accounts as of the end of the month preceding payment.

(e) Effect of Pre-Retirement Termination of Employment on Spousal Survivor Benefits. Spousal survivor benefits (if any) under Section 5.3 of the Plan shall not be payable to the spouse of a Participant who terminates employment prior to Retirement and receives a Termination Benefit or a Disability Benefit under this Section 5.1.

5.2 Beneficiary Benefits.

(a) If a Participant dies while employed by the Company prior to becoming eligible for Retirement, the Company shall pay to the Participant's Beneficiary in a single lump sum an amount equal to the value of the Participant's DCP Deferral Account and Savings Plan Restoration Account, if any. If such Participant also has an SEDCP Deferral Account, the Company will also pay to the Participant's Beneficiary annual payments over the greater of (i) 10 years or (ii) until the Participant would have attained age 65 equal to 25% of the amount deferred under the SEDCP (excluding any interest on such deferrals), which payments shall be in full satisfaction of the benefits payable with respect to the Participant's SEDCP Deferral Account. Notwithstanding the foregoing, the Participant's Beneficiary shall instead be paid the amount credited to the Participant's SEDCP Deferral Account as of the end of the month in which his death occurred plus interest at a rate of 8% per annum, compounded annually, from the end of such month and credited annually on each anniversary of the end of such month payable in equal installments (using the Amortization method) over the period described in the succeeding sentence, if the Committee determines that the present value of such benefit is greater than the present value of the benefit described in the preceding sentence. In comparing the present value of these two alternative benefits, the Committee shall use in each case a discount factor of 8%.

(b) If a Participant dies while employed by the Company after becoming eligible for Retirement, the Company will pay to the Participant's Beneficiary in a single lump sum a Beneficiary Benefit that is an amount equal to the value of the Participant's Deferral Accounts.

(c) If a Participant dies after the commencement of payment of his Retirement Benefit, then the remaining installments of the Retirement Benefit shall be payable to his Beneficiary in the same amounts and at the same times as such installment would have been paid to the Participant if he were living.

(d) Notwithstanding the foregoing provisions of this Section 5.2, a Participant may elect at any time that if he dies prior to the commencement of his Retirement Benefits, then the payment to his Beneficiary shall be made in any form and calculated in any other manner described in Section 5.1(b). Such an election shall be on a Distribution Election Form.

(e) The payment or payments to a Beneficiary of a deceased Participant under this Section 5.2 shall be made or commence during the first 90 days of the calendar year following the year in which the Participant's death occurred, and the amount of such payment shall be equal to, or determined based on, the value of the Participant's Deferral Accounts as of the end of the month preceding payment.

(f) In the event that the Beneficiary of a deceased Participant dies prior to the completion of payments under this Plan to that Beneficiary, all remaining payments to that Beneficiary shall be paid in a lump sum to that Beneficiary's estate.

5.3 Spousal Survivor Benefits with Respect to SEDCP Deferral Accounts. If a Participant who has an SEDCP Deferral Account dies after becoming eligible for Retirement or after commencement of payment of his Retirement Benefit and a spouse to whom he had been married to for at least one (1) year prior to his death survives beyond completion of payment of the Participant's SEDCP Deferral Account balance, the Company shall pay such spouse a lump sum payment in an amount equal to 10% of the Participant's SEDCP Deferral Account balance valued as of the earlier of the date of the Participant's Retirement or death. Such lump sum spousal survivor benefit shall be paid as soon as administratively practicable following the later of the completion of payment of the Participant's SEDCP Deferral Account balance or the Participant's death. No benefit shall be payable under this Section 5.3 if the Participant's spouse does not survive beyond completion of payment of the Participant's SEDCP Deferral Account balance. Notwithstanding the foregoing, no spousal survivor benefit shall be payable to the spouse of any Participant who received benefits pursuant to Section 5.1(c) (Termination Benefit), Section 5.1(d) (Disability Benefit) or Section 5.6 (Immediate Payment on Termination Event).

5.4 Early Payment. Payment of the amounts credited to any Early Payment Date Subaccount of a Participant shall be paid or commence to be paid within the first 90 days of the year elected as the Early Payment Date in accordance with the Participant's election under Section 4.1(b), with any subsequent annual payments paid in the first 90 days of each applicable year. The amount of each annual installment will be determined under either the Amortization Method or the Fractional Method. The amount of any such annual payments shall be calculated under the Amortization Method for Early Payment Dates elected prior to 2003 and unless the Participant otherwise irrevocably elects at the time of making the Early Payment Benefit Election, under the Fractional Method for Early Payment Dates elected in 2003 and later.

Notwithstanding the foregoing, if the Participant terminates employment with the Company for any reason prior to commencement or completion of all Early Payment Benefits, all such elections made by the Participant to receive Early Payment Benefits shall terminate and any amounts remaining credited to the Participant's Early Payment Date Subaccount(s) shall be paid, together with the other amounts credited to the Participant's Deferral Account, as set forth in Section 5.1 or 5.2, as the case may be.

5.5 Emergency Benefit. In the event that the Committee, upon written petition of the Participant, determines in its sole discretion that the Participant has suffered an unforeseeable financial emergency, the Company shall pay to the Participant, as soon as practicable following such determination, an amount up to the balance of the Participant's Deferral Accounts that is necessary to meet the emergency ("Emergency Benefit"). Such payment shall come first from the amounts not credited to any Early Payment Date Subaccount and, if the Participant has elected two (2) Early Payment Dates, next from the Early Payment Date Subaccount for the later Early Payment Date. No amount may be paid to the Participant under this Section 5.5 from any unvested portion of the Participant's Savings Plan Restoration Account. For purposes of this Plan, an unforeseeable financial emergency is a severe financial hardship to the Participant arising from a sudden and unexpected illness or accident of the Participant or a dependent of the

Participant, loss of the Participant's property due to a casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. Cash needs arising from foreseeable events such as the purchase of a home or education expenses for children shall normally not be considered to be the result of an unforeseeable financial emergency.

Whenever a Participant receives a distribution under this Section 5.5, the Participant will be deemed to have revoked all current deferral elections under the Plan effective as of the date of the distribution. The Participant will not be permitted to participate in the next enrollment period under the Plan and will be precluded from electing to make new deferrals under the Plan for a minimum period of one (1) year (or such lesser period as the Committee may permit) following receipt of the distribution.

5.6 Immediate Payment on Termination Event. Upon petition of a Participant within 60 days after any Termination Event or such other period as the Committee may permit, the Committee, in its sole discretion, may direct the Company to pay the balance of the Participant's Deferral Accounts, reduced by any unvested portion of the Participant's Savings Plan Restoration Account, to him immediately in a lump sum as a Termination Benefit pursuant to Section 5.1, irrespective of whether the Participant terminates or continues employment with the Company. Spousal survivor benefits (if any) under Section 5.3 of the Plan shall not be payable to the spouse of a Participant who receives benefits under this Section 5.6.

5.7 Small Benefit. Notwithstanding anything contained herein to the contrary, in the event that the value of a Participant's Deferral Accounts as of the end of the Plan Year in which the Participant's Retirement or other termination of employment occurs is less than $20,000 (after reduction for any forfeiture pursuant to Section 4.6), such amount (with interest to the end of the month preceding the payment date) shall be paid in a cash lump sum without regard to any contrary elections, unless the Committee determines otherwise.

5.8 Lump Sum Payment With Penalty. Notwithstanding any other provisions of the Plan, in lieu of payments in accordance with the form previously elected by the Participant, a Participant (or his Beneficiary, in the event of the Participant's death) may elect at any time to receive an immediate lump sum payment of all or part of the vested balance of the Participant's Deferral Accounts, reduced by a penalty, which shall be forfeited to the Company, equal to 10% of the amount withdrawn from the Participant's Deferral Accounts. Such payment shall come first from the amounts not credited to any Early Payment Date Subaccount and, if the Participant has elected two (2) Early Payment Dates, next from the Early Payment Date Subaccount for the later Early Payment Date. No amount may be paid to a Participant under this Section 5.8 from any unvested portion of the Participant's Savings Plan Restoration Account.

Whenever a Participant receives a lump sum payment under this Section 5.8, the Participant will be deemed to have revoked all current deferral elections under the Plan effective as of the date of the lump sum payment. The Participant will not be permitted to participate in the next enrollment period under the Plan and will be precluded from electing to make new deferrals under the Plan for a minimum period of one (1) year (or such lesser period as the Committee may permit) following receipt of the lump sum payment.

5.9 Tax Withholding.

(a) To the extent required by the law in effect at the time payments are made, the Company shall withhold from payments made hereunder the taxes required to be withheld by Federal, state and local law.

(b) The Company shall have the right at its option to (i) require a Participant to pay or provide for payment of the amount of any taxes that the Company may be required to withhold with respect to interest or other amounts that the Company credits to a Participant's Deferral Accounts or (ii) deduct from any amount of salary, bonus or other payment otherwise payable in cash to the Participant the amount of any taxes that the Company may be required to withhold with respect to interest or other amounts that the Company credits to a Participant's Deferral Accounts.

5.10 Termination of Employment. For the purpose of this Article V, a Participant will be deemed to have terminated employment if the Participant ceases to be an employee of any of the following:

(a) the Company;

(b) an Affiliate; or

(c) any other entity, whether or not incorporated, in which the Company has an ownership interest, and the Committee has designated that the Participant's commencement of employment with such entity upon Participant's ceasing to be an employee of an entity described in (a) or (b) above will not be deemed to be a termination of employment for purposes of this Plan, provided that such designation shall be made in writing by the Committee and shall be communicated to the Participant prior to his commencement of employment with the entity so designated.

For the purposes of the preceding provisions, a Participant who ceases to be an employee of an entity described in (a), (b) or (c) above shall not be deemed to have terminated employment if such cessation of employment is followed immediately by his commencement of employment with another entity described in (a), (b) or (c) above.

5.11 Re-Employment. If a Participant's employment with the Company is terminated and such Participant is re-employed by the Company prior to the payment of his benefits in a cash lump sum payment or while he is receiving benefits in the form of annual installment payments, the payment of the lump sum amount or the future installments, as the case may be, shall be suspended until he again terminates employment with the Company. Such Participant may elect to again participate in this Plan and to defer additional Base Salary and/or Bonus as provided in Section 4.1. Such rehired Participant may file a Distribution Election Form as provided in Section 5.1(b) and/or Section 5.2(d) to be applicable to all amounts deferred under this Plan (both before and after his original termination of employment); provided, however, that such Distribution Election Form shall not be effective as to the form of payment of Retirement Benefits until 12 months after it is received by the Committee. Upon the Participant's subsequent termination of employment with the Company, the total amounts then credited to his Deferral Accounts shall be distributed in accordance with Article V of this Plan and the most recently filed Distribution Election Form (if any) that has become effective. If the Participant's original termination of employment was on account of Retirement and he had elected a form of installment payout, then the amounts credited to his Deferral Accounts at the time of his subsequent Retirement shall be distributed over the number of years that were remaining in the payout period at the time of his re-employment unless he filed a new Distribution Election Form at least 12 months prior to his subsequent Retirement.

ARTICLE VI
BENEFICIARY DESIGNATION

Each Participant shall have the right, at any time, to designate any person or persons as the Beneficiary to whom payments under this Plan shall be made in the event of the Participant's death prior to complete distribution to the Participant of the benefits due under the Plan. Each Beneficiary designation shall become effective only when filed in writing with the Committee during the Participant's lifetime on a paper form prescribed by the Committee. The filing of a new Beneficiary designation form will cancel any inconsistent Beneficiary designation previously filed.

If a Participant fails to designate a Beneficiary as provided above, or if all designated Beneficiaries predecease the Participant, any benefits remaining unpaid shall be paid in accordance with the Participant's Beneficiary designation under the Company's Retirement Plan, and if there is no such valid Beneficiary designation, to the Participant's then surviving spouse, or if none, to the Participant's estate, unless directed otherwise by the court that has jurisdiction over the assets belonging to the Participant's probate estate.

ARTICLE VII
CLAIMS PROCEDURE

All applications for benefits under the Plan shall be submitted to: Occidental Petroleum Corporation, Attention: Deferred Compensation Plan Committee, 10889 Wilshire Blvd., Los Angeles, CA 90024. Applications for benefits must be in writing on the forms prescribed by the Committee and must be signed by the Participant, or in the case of a Beneficiary Benefit, by the Beneficiary or legal representative of the deceased Participant. Each application shall be acted upon and approved or disapproved within 60 days following its receipt by the Committee. If any application for a benefit is denied, in whole or in part, the Committee shall notify the applicant in writing of such denial and of his right to a review by the Committee and shall set forth in a manner calculated to be understood by the applicant, specified reasons for such denial, specific references to pertinent Plan provisions on which the denial is based, a description of any additional material or information necessary for the applicant to perfect his application, an explanation of why such material or information is necessary, and an explanation of the Plan's review procedure.

Any person, or his duly authorized representative, whose application for benefits is denied in whole or in part, may appeal such denial to the Committee for a review of the decision by submitting to the Committee within 60 days after receiving notice of the denial, a written statement:

(a) requesting a review of his application for benefits by the Committee;

(b) setting forth all of the grounds upon which his request for review is based and any facts in support thereof; and

(c) setting forth any issues or comments which the applicant deems relevant to his application.

The Committee shall act upon each such application within 60 days after the later of receipt of the applicant's request for review by the Committee or receipt of any additional materials reasonably requested by the Committee from such applicant.

The Committee shall make a full and fair review of each such application and any written materials submitted by the applicant or the Company in connection therewith, and may require the Company or the applicant to submit within 30 days of written notice by the Committee, such additional facts, documents, or other evidence as the Committee, in its sole discretion, deems necessary or advisable in making such a review. On the basis of its review, the Committee shall make an independent determination of the applicant's eligibility for benefits under the Plan. The decision of the Committee on any application for benefits shall be final and conclusive upon all persons.

If the Committee denies an application in whole or in part, the Committee shall give written notice of its decision to the applicant setting forth in a manner calculated to be understood by the applicant, the specific reasons for such denial and specific references to the pertinent Plan provisions on which the Committee's decision was based.

No legal action may be commenced prior to the completion of the benefit claims procedure described herein. In addition, no legal action may be commenced after the later of (a) 180 days after receiving the written response of the Committee to an appeal, or (b) 365 days after an applicant's original application for benefits.

ARTICLE VIII
AMENDMENT AND TERMINATION OF PLAN

8.1 Amendment. The Board may amend the Plan in whole or in part at any time for any reason, including but not limited to, tax, accounting or other changes, which may result in termination of the Plan for future deferrals. The Committee, in its discretion, may amend the Plan if the Committee determines that such amendment does not significantly increase or decrease Plan benefits or costs. Notwithstanding the foregoing, no amendment shall: (a) reduce the amounts that have been credited to the Deferral Account(s) of any Participant prior to the date such amendment is adopted, (b) eliminate the spousal survivor benefit under Section 5.3, or (c) change the definition of the Declared Rate set forth in Article II to a rate or to a formula that, as of the last day of the month preceding the date such amendment is adopted, produces a rate that is less than the lesser of: (i) Moodys Plus Three (as defined in Article II and calculated as of the last day of the month preceding the date such amendment is adopted), or (ii) the highest yield on any unsecured debt or preferred stock of the Company that was outstanding on the last day of the month immediately preceding the date such amendment is adopted. Any amendment that would either (i) reduce the Declared Rate to a rate or to a formula that, as of the last day of the month preceding the date such amendment is adopted, produces a rate that is less than Moodys Plus Three (as defined in Article II and calculated as of the last day of the month preceding the date such amendment is adopted), or (ii) change the terms of the amendment provisions of this Section 8.1 or the terms of the termination provisions of Section 8.2, shall not be effective prior to the date that is two years after the date such amendment is adopted, unless the amendment is required by a change in the tax or other applicable laws or accounting rules. Notwithstanding the foregoing, following a Termination Event, no amendment shall: (a) reduce the amounts that have been credited to the Deferral Account(s) of any Participant prior to the date such amendment is adopted, (b) eliminate the spousal survivor benefit under Section 5.3, (c) change the definition of the Declared Rate set forth in Article II to a rate or to a formula that, as of the last day of the month preceding the date of the Termination Event, produces a rate that is less than Moodys Plus Three (as defined in Article II and calculated as of the last day of the month preceding the date of the Termination Event), or (d) change the terms of the amendment provisions of this Section 8.1 or the terms of the termination provisions of Section 8.2.

8.2 Termination.

(a) Company's Right to Terminate. The Board may terminate the Plan at any time, if in the Board's judgment, the continuance of the Plan would not be in the Company's best interest due to tax, accounting or other effects thereof, or potential payouts thereunder, provided that any termination of the Plan shall not be effective prior to the date that is two years after the date the Board adopts a resolution to terminate the Plan, unless the termination of the Plan is required by a change in the tax or other applicable laws or accounting rules. Notwithstanding the foregoing, following a Termination Event, the Plan may not be terminated prior to the date that is three years after the date the Termination Event occurs. In the event the Board adopts a resolution terminating the Plan, the Board or the Committee shall determine the date as of which all deferral elections shall cease to apply so that no further Base Salary or Bonus shall be deferred under the Plan.

(b) Payments Upon Termination. Upon any termination of the Plan under this Section 8.2, the Board or Committee shall determine the date or dates of Plan distributions to the Participants, which date or dates shall not be later than the date or dates on which the Participants or their Beneficiaries would otherwise receive benefits hereunder.

ARTICLE IX
MISCELLANEOUS

9.1 Unsecured General Creditor. The rights of a Participant, Beneficiary, or their heirs, successors, and assigns, as relates to any Company promises hereunder, shall not be secured by any specific assets of the Company, nor shall any assets of the Company be designated as attributable or allocated to the satisfaction of such promises.

9.2 Trust Fund. The Company shall be responsible for the payment of all benefits provided under the Plan. At its discretion, the Company may establish one or more trusts, with such trustees as the Board or Committee may approve, for the purpose of providing for the payment of such benefits. Such trust or trusts may be irrevocable, but the assets thereof shall be subject to the claims of the Company's creditors. To the extent any benefits provided under the

Plan are actually paid from any such trust, the Company shall have no further obligation with respect thereto, but to the extent not so paid, such benefits shall remain the obligation of, and shall be paid by, the Company.

9.3 Nonassignability. Neither a Participant nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage or otherwise encumber, hypothecate or convey in advance of actual receipt the amounts, if any, payable hereunder, or any part thereof, or interest therein which are, and all rights to which are, expressly declared to be unassignable and non-transferable. No part of the amounts payable shall, prior to actual payment, be subject to seizure or sequestration for the payment of any debts, judgments, alimony or separate maintenance owed by a Participant or any other person, nor be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency.

9.4 Employment Not Guaranteed. Nothing contained in this Plan nor any action taken hereunder shall be construed as a contract of employment or as giving any Participant any right to be retained in employment with the Company. Accordingly, subject to the terms of any written employment agreement to the contrary, the Company shall have the right to terminate or change the terms of employment of a Participant at any time and for any reason whatsoever, with or without cause.

9.5 Gender, Singular & Plural. All pronouns and any variations thereof shall be deemed to refer to the masculine or feminine as the identity of the person or persons may require. As the context may require, the singular may be read as the plural and the plural as the singular.

9.6 Captions. The captions of the articles, sections, and paragraphs of the Plan are for convenience only and shall not control or affect the meaning or construction of any of its provisions.

9.7 Validity. In the event any provision of this Plan is held invalid, void, or unenforceable, the same shall not affect, in any respect whatsoever, the validity of any other provision of this Plan.

9.8 Notice. Any notice or filing required or permitted to be given to the Committee under the Plan shall be sufficient if in writing and hand delivered, or sent by registered or certified mail, to the principal office of the Company. Such notice shall be deemed given as to the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification.

9.9 Applicable Law. The Plan shall be governed by and construed in accordance with the laws of the State of California to the extent such laws are not preempted by the Employee Retirement Income Security Act of 1974, as amended.

IN WITNESS WHEREOF, the Company has executed this document this 19th day of December, 2002.

OCCIDENTAL PETROLEUM CORPORATION

By /s/ RICHARD W. HALLOCK

Richard W. Hallock
Executive Vice-President,
Human Resources

OCCIDENTAL PETROLEUM CORPORATION
2001 INCENTIVE COMPENSATION PLAN
RESTRICTED SHARE UNIT AGREEMENT
(MANDATORY DEFERRED ISSUANCE OF SHARES)

NAME OF GRANTEE: ____

DATE OF GRANT: ____

RESTRICTED SHARE UNITS: ____

VESTING SCHEDULE:	1ST ANNIVERSARY	RESTRICTED SHARE UNITS
	2ND ANNIVERSARY	RESTRICTED SHARE UNITS
	3RD ANNIVERSARY	RESTRICTED SHARE UNITS
	4TH ANNIVERSARY	RESTRICTED SHARE UNITS
	5TH ANNIVERSARY	RESTRICTED SHARE UNITS

AGREEMENT (this "Agreement") made as of the Date of Grant between OCCIDENTAL PETROLEUM CORPORATION, a Delaware corporation ("Occidental") and, with its subsidiaries, (the "Company"), and Grantee.

1. GRANT OF RESTRICTED SHARE UNITS. In accordance with this Agreement and the Occidental Petroleum Corporation 2001 Incentive Compensation Plan, as amended from time to time (the "Plan"), Occidental grants to the Grantee as of the Date of Grant, the right to receive, at the end of the Deferral Period in accordance with Grantee's distribution election, Common Shares equal to the number of Restricted Share Units that vest according to the schedule set forth above. For the purposes of this Agreement, (a) Deferral Period means the period commencing on the date the Restricted Share Units vest and ending on the earlier of the date the Grantee retires under a Company-sponsored retirement plan or the date the Grantee's employment with the Company terminates for any other reason, and (b) Restricted Share Unit means a bookkeeping entry equivalent to a whole or fractional Common Share. Restricted Share Units are not shares and have no voting rights or, except as stated in Section 5, dividend rights.

2. RESTRICTIONS ON TRANSFER. Neither this Agreement, the Restricted Share Units nor the right to receive Common Shares may be transferred or assigned by the Grantee other than (i) to a beneficiary designated on a form approved by the Company, by will or, if the Grantee dies without designating a beneficiary or a valid will, by the laws of descent and distribution, or (ii) pursuant to a domestic relations order (if approved or ratified by the Administrator).

3. VESTING AND FORFEITURE OF RESTRICTED SHARE UNITS. (a) Subject to Sections 3(b) and (c), on each anniversary of the Date of Grant the number of Restricted Share Units indicated above in the Vesting Schedule for such anniversary will vest and become non-forfeitable if the Grantee remains in the continuous employ of the Company through such Date. The continuous employment of the Grantee will not be deemed to have been interrupted by reason of the transfer of the Grantee's employment among the Company and its affiliates or an approved leave of absence.

(b) Notwithstanding Section 3(a), if the Grantee dies or becomes permanently disabled while in the employ of the Company, retires under a Company-sponsored retirement plan or with the consent of the Company, or terminates employment for the convenience of the Company (each of the foregoing, a "Vesting Event"), then Restricted Share Units that have not vested prior to the date of the Vesting Event will become fully vested and nonforfeitable as of such date.

(c) Notwithstanding Section 3(a), if a Change in Control Event occurs prior to the end of the Vesting Schedule, all of the Restricted Share Units that have not yet vested shall immediately become fully vested and nonforfeitable.

4. DEFERRAL OF COMMON SHARE PAYOUT. By accepting this Restricted Share Unit Agreement, the Grantee has agreed that the receipt of the Common Shares will be deferred in accordance with the terms and conditions of the Occidental Petroleum Corporation Deferred Stock Program as such Program may be amended from time to time. The administration of the Deferred Stock Program is governed by the Executive Compensation and Human Resources Committee, whose decision on all matters shall be final. The deferral of receipt of any Common Shares upon the vesting of the Restricted Share Units is irrevocable and cannot be changed or canceled. As a result of the deferral, no Common Shares will be issued pursuant to this Agreement upon the vesting of the Restricted Share Units, and the Restricted Share Units will continue to be recorded as a bookkeeping entry.

5. CREDITING AND PAYMENT OF DIVIDEND EQUIVALENTS. With respect to the number of Restricted Share Units listed above, the Grantee will be credited on the books and records of Occidental with an amount (the "Dividend Equivalent") equal to the amount per share of any cash dividends declared by the Board on the outstanding Common Shares until the shares vest, or, if earlier, up to the date on which the Grantee forfeits all or any portion of the Restricted Share Units. Until the Restricted Share Units have vested, Occidental will pay in cash to the Grantee an amount equal to the Dividend Equivalents credited to such Grantee as promptly as may be practicable after the Grantee has been credited with a

Dividend Equivalent.

6. NO EMPLOYMENT CONTRACT. Nothing in this Agreement confers upon the Grantee any right with respect to continued employment by the Company, nor limits in any manner the right of the Company to terminate the employment or adjust the compensation of the Grantee.

7. TAXES AND WITHHOLDING. If the Company must withhold any federal, state, local or foreign tax in connection with the issuance or vesting of the Restricted Share Units or other securities or the payment of Dividend Equivalents pursuant to this Agreement, the Grantee by executing the Agreements agrees that, so long as the Grantee is an employee of the Company for tax purposes, all or any part of any such withholding obligation shall be deducted from the Grantee's regular pay.

8. COMPLIANCE WITH LAW. The Company will make reasonable efforts to comply with all applicable federal and state securities laws; however, the Company will not issue any Common Shares or other securities pursuant to this Agreement if their issuance would result in a violation of any such law.

9. RELATION TO OTHER BENEFITS. The benefits received by the Grantee under this Agreement will not be taken into account in determining any benefits to which the Grantee may be entitled under any profit sharing, retirement or other benefit or compensation plan maintained by the Company, including the amount of any life insurance coverage available to any beneficiary of the Grantee under any life insurance plan covering employees of the Company. This grant of Restricted Share Units does not create any contractual or other right to receive future grants of Restricted Share Units, or benefits in lieu of Restricted Share Units, even if Grantee has a history of receiving Restricted Share Units or other stock awards.

10. AMENDMENTS. Any amendment to the Plan or the Deferred Stock Program will be deemed to be an amendment to this Agreement to the extent it is applicable to this Agreement or the deferrals made pursuant to this Agreement; however, no amendment will adversely affect the rights of the Grantee under this Agreement without the Grantee's consent.

11. SEVERABILITY. If one or more of the provisions of this Agreement is invalidated for any reason by a court of competent jurisdiction, the invalidated provisions shall be deemed to be separable from the

other provisions of this Agreement, and the remaining provisions of this Agreement will continue to be valid and fully enforceable.

12. RELATION TO PLAN; INTERPRETATION. 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 provisions of the Plan control. Capitalized terms used in this Agreement without definition have the meanings assigned to them in the Plan. References to Sections are to Sections of this Agreement unless otherwise noted.

13. SUCCESSORS AND ASSIGNS. Subject to Sections 2 and 3, the provisions of this Agreement shall be for the benefit of, and be binding upon, the successors, administrators, heirs, legal representatives and assigns of the Grantee, and the successors and assigns of the Company.

14. GOVERNING LAW. The laws of the State of Delaware govern the interpretation, performance, and enforcement of this Agreement.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed on its behalf by its duly authorized officer and Grantee has also executed this Agreement in duplicate, effective as of the Date of Grant.

OCCIDENTAL PETROLEUM CORPORATION

By:

Grantee

EXHIBIT 12

OCCIDENTAL PETROLEUM CORPORATION AND SUBSIDIARIES
COMPUTATION OF TOTAL ENTERPRISE RATIOS OF EARNINGS TO FIXED CHARGES
FOR THE FIVE YEARS ENDED DECEMBER 31, 2002
(Amounts in millions, except ratios)

	2002	2001	2000	1999	1998
Income from continuing operations (a)	$ 1,548	$ 1,418	$ 1,785	$ 699	$ 400
Add:					
Provision for taxes on income (other than foreign oil and gas taxes)	428	172	871	306	204
Interest and debt expense (b)	309	411	540	515	576
Portion of lease rentals representative of the interest Factor	6	7	6	31	36
	743	590	1,417	852	816
Earnings before fixed charges	$ 2,291	$ 2,008	$ 3,202	$ 1,551	$ 1,216
Fixed charges					
Interest and debt expense including capitalized Interest (b)	$ 321	$ 417	$ 543	$ 522	$ 594
Portion of lease rentals representative of the interest factor	6	7	6	31	36
Total fixed charges	$ 327	$ 424	$ 549	$ 553	$ 630
Ratio of earnings to fixed charges	7.00	4.74	5.83	2.80	1.93

(a) Includes: 1) minority interest in net income of majority-owned subsidiaries and partnerships 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.

EXHIBIT 21

LIST OF SUBSIDIARIES

The following is a list of the Registrant's subsidiaries at December 31, 2002, other than certain subsidiaries that did not in the aggregate constitute a significant subsidiary.

Name	Jurisdiction of Formation
INDSPEC Holding Corporation	Delaware
La Porte Chemicals Corp.	Delaware
Laurel Industries, Inc.	Ohio
Natural Gas Odorizing, Inc.	Oklahoma
Occidental Andina, LLC	Delaware
Occidental C.O.B. Partners	Delaware
Occidental Chemical Chile S.A.I.	Chile
Occidental Chemical Corporation	New York
Occidental Chemical Holding Corporation	California
Occidental Crude Sales, Inc. (International)	Delaware
Occidental de Colombia, Inc.	Delaware
Occidental Energy Marketing, Inc.	Delaware
Occidental Exploration and Production Company	California
Occidental Gas de Mexico, LLC	Delaware
Occidental International Exploration and Production Company	California
Occidental International Holdings Ltd.	Bermuda
Occidental International Oil and Gas Ltd.	Bermuda
Occidental Mexico Holdings, Inc.	Nevis
Occidental of Elk Hills, Inc.	Delaware
Occidental of Oman, Inc.	Nevis
Occidental of Russia (Cyprus) Limited	Cyprus
Occidental of Russia Ltd.	Bermuda
Occidental Oil and Gas Holding Corporation	California
Occidental Oil and Gas Pakistan LLC	Nevis
Occidental OOOI Holder, Inc.	Delaware
Occidental Overseas Operations, Inc.	Delaware
Occidental Peninsula, Inc.	Delaware
Occidental Peninsula II, Inc.	Nevis
Occidental Permian Ltd.	Texas
Occidental Petroleum (Pakistan), Inc.	Delaware
Occidental Petroleum Investment Co.	California
Occidental Petroleum of Qatar Ltd.	Bermuda
Occidental PVC LP, Inc.	Delaware
Occidental Quimica do Brasil Ltda.	Brazil
Occidental Yemen Ltd.	Bermuda
OOG Partner Inc.	Delaware
OOOI Chemical International, LLC	Delaware
OOOI Chemical Management, Inc.	Delaware
OOOI Oil and Gas Management, Inc.	Delaware
OOOI Oil and Gas Sub, LLC	Delaware
Oxy CH Corporation	California
Oxy Chemical Corporation	California
OXY Dolphin E&P, LLC	Nevis
OXY Dolphin Pipeline, LLC	Nevis
Oxy Energy Services, Inc.	Delaware
OXY Long Beach, Inc.	Delaware
OXY Oil Partners, Inc.	Delaware
OXY Receivables Corporation	Delaware
OXY USA Inc.	Delaware
OXY USA WTP LP	Delaware
Oxy Vinyls Canada Inc.	Canada
Oxy Vinyls, LP	Delaware
Oxy Westwood Corporation	California
Repsol Occidental Corporation	Delaware

EXHIBIT 23

INDEPENDENT AUDITORS' CONSENT

To the Board of Directors, Occidental Petroleum Corporation

We consent to the incorporation by reference in the registration statements (Nos. 33-14662, 33-47636, 33-59395, 33-64719, 333-49207, 333-72719, 333-78031, 333-37970, 333-55404, 333-63444, 333-82246, 333-83124 and 333-96951) on Forms S-3 and S-8 of Occidental Petroleum Corporation of our report dated February 7, 2003, with respect to the consolidated balance sheets of Occidental Petroleum Corporation as of December 31, 2002 and 2001, and the related consolidated statements of operations, stockholders' equity, comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2002 and the related financial statement schedule, which report appears in the Form 10-K dated March 4, 2003 of Occidental Petroleum Corporation. Our report refers to (i) a change in the method of accounting for the impairment of goodwill and other intangibles, and (ii) a change in the method of accounting for derivative instruments and hedging activities.

/s/ KPMG LLP

Los Angeles, California
March 4, 2003