

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2002

OR

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

For the transition period from _____ to _____

Commission file number 1-9210

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

DELAWARE
(State or other jurisdiction of
incorporation or organization)

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

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

90024
(Zip Code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

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

Class	Outstanding at September 30, 2002
----- Common stock \$.20 par value	----- 376,950,570 shares

OCCIDENTAL PETROLEUM CORPORATION AND SUBSIDIARIES

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

OCCIDENTAL PETROLEUM CORPORATION AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS
SEPTEMBER 30, 2002 AND DECEMBER 31, 2001
(Amounts in millions)

	2002	2001
=====	=====	=====
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 298	\$ 198
Receivables, net	910	661
Inventories	471	414
Prepaid expenses and other	148	153
Assets held for sale	47	131
	-----	-----
Total current assets	1,874	1,557
LONG-TERM RECEIVABLES, net	263	2,185
INVESTMENTS IN UNCONSOLIDATED ENTITIES	989	993
PROPERTY, PLANT AND EQUIPMENT, at cost, net of accumulated depreciation, depletion and amortization of \$6,200 at September 30, 2002 and \$5,653 at December 31, 2001	12,871	12,791
OTHER ASSETS	342	324
	-----	-----
=====	\$ 16,339	\$ 17,850
=====	=====	=====

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

OCCIDENTAL PETROLEUM CORPORATION AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS
SEPTEMBER 30, 2002 AND DECEMBER 31, 2001
(Amounts in millions)

	2002	2001
=====		
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Notes payable	\$ --	\$ 54
Accounts payable	808	715
Accrued liabilities	1,293	1,080
Liabilities held for sale	17	18
Domestic and foreign income taxes	182	27
	-----	-----
Total current liabilities	2,300	1,894
	-----	-----
LONG-TERM DEBT, net of unamortized discount	4,141	4,065
	-----	-----
DEFERRED CREDITS AND OTHER LIABILITIES		
Deferred and other domestic and foreign income taxes	968	1,103
Obligation under natural gas delivery commitment	--	145
Other	2,193	2,322
	-----	-----
	3,161	3,570
	-----	-----
MINORITY INTEREST	260	2,224
	-----	-----
OCCIDENTAL OBLIGATED MANDATORILY REDEEMABLE TRUST PREFERRED SECURITIES OF A SUBSIDIARY TRUST HOLDING SOLELY SUBORDINATED NOTES OF OCCIDENTAL	456	463
	-----	-----
STOCKHOLDERS' EQUITY		
Common stock, at par value	75	75
Additional paid-in capital	3,939	3,857
Retained earnings	2,079	1,788
Accumulated other comprehensive income	(72)	(86)
	-----	-----
	6,021	5,634
	-----	-----
	\$ 16,339	\$ 17,850
	=====	=====

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

OCCIDENTAL PETROLEUM CORPORATION AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2002 AND 2001
(Amounts in millions, except per-share amounts)

	Three Months Ended September 30		Nine Months Ended September 30	
	2002	2001	2002	2001
REVENUES				
Net sales	\$ 1,963	\$ 1,983	\$ 5,353	\$ 6,718
Interest, dividends and other income	21	61	72	195
Gains (losses) on disposition of assets, net	(231)	(5)	(232)	8
Income (loss) on equity investments	25	(28)	(1)	(63)
	<u>1,778</u>	<u>2,011</u>	<u>5,192</u>	<u>6,858</u>
COSTS AND OTHER DEDUCTIONS				
Cost of sales	1,125	1,119	3,237	3,584
Selling, general and administrative and other operating expenses	207	157	519	525
Exploration expense	29	91	115	130
Environmental remediation	8	--	8	49
Minority interest	22	41	63	117
Interest and debt expense, net	79	91	231	313
	<u>1,470</u>	<u>1,499</u>	<u>4,173</u>	<u>4,718</u>
Income before taxes	308	512	1,019	2,140
Provision (benefit) for domestic and foreign income and other taxes	(168)	69	179	714
Income from continuing operations	476	443	840	1,426
Discontinued operations, net	(74)	1	(78)	2
Extraordinary loss, net	--	--	--	(3)
Cumulative effect of changes in accounting principles, net	--	--	(95)	(24)
NET INCOME AND EARNINGS APPLICABLE TO COMMON STOCK	<u>\$ 402</u>	<u>\$ 444</u>	<u>\$ 667</u>	<u>\$ 1,401</u>
BASIC EARNINGS PER COMMON SHARE				
Income from continuing operations	\$ 1.26	\$ 1.19	\$ 2.23	\$ 3.83
Discontinued operations, net	(.19)	--	(.21)	.01
Extraordinary loss, net	--	--	--	(.01)
Cumulative effect of changes in accounting principles, net	--	--	(.25)	(.06)
Basic earnings per common share	<u>\$ 1.07</u>	<u>\$ 1.19</u>	<u>\$ 1.77</u>	<u>\$ 3.77</u>
DILUTED EARNINGS PER COMMON SHARE				
Income from continuing operations	\$ 1.25	\$ 1.18	\$ 2.22	\$ 3.81
Discontinued operations, net	(.19)	--	(.21)	.01
Extraordinary loss, net	--	--	--	(.01)
Cumulative effect of changes in accounting principles, net	--	--	(.25)	(.06)
Diluted earnings per common share	<u>\$ 1.06</u>	<u>\$ 1.18</u>	<u>\$ 1.76</u>	<u>\$ 3.75</u>
DIVIDENDS PER COMMON SHARE	<u>\$.25</u>	<u>\$.25</u>	<u>\$.75</u>	<u>\$.75</u>
WEIGHTED AVERAGE BASIC COMMON SHARES	<u>377.1</u>	<u>373.5</u>	<u>376.0</u>	<u>371.9</u>
DILUTIVE SHARES	<u>380.4</u>	<u>375.7</u>	<u>378.8</u>	<u>373.8</u>

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

OCCIDENTAL PETROLEUM CORPORATION AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2002 AND 2001
(Amounts in millions)

	2002	2001
<hr/>		
CASH FLOW FROM OPERATING ACTIVITIES		
Income from continuing operations	\$ 840	\$ 1,426
Adjustments to reconcile income to net cash provided by operating activities:		
Depreciation, depletion and amortization of assets	759	722
Deferred income tax benefit	(265)	(97)
Other noncash charges to income	86	58
Losses (gains) on disposition of assets, net	232	(8)
Loss on equity investments	1	63
Dry hole and impairment expense	50	72
Changes in operating assets and liabilities	(26)	78
Other operating, net	(141)	(109)
	1,536	2,205
Operating cash flow from continuing operations	1,536	2,205
Operating cash flow from discontinued operations	(6)	7
	1,530	2,212
Net cash provided by operating activities	1,530	2,212
<hr/>		
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditures	(840)	(908)
Sale of businesses and disposal of property, plant and equipment, net	12	847
Purchases of businesses, net	(98)	(38)
Equity investments and other, net	32	(83)
	(894)	(182)
Investing cash flow from continuing operations	(894)	(182)
Investing cash flow from discontinued operations	(4)	(5)
	(898)	(187)
Net cash used by investing activities	(898)	(187)
<hr/>		
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	--	42
Repurchase of trust preferred securities	(7)	(7)
Purchases for natural gas delivery commitment	(95)	(90)
Buyout of natural gas delivery commitment	(179)	--
Payments on long-term debt and non-recourse debt and capital lease liabilities	(29)	(1,303)
Proceeds from issuance of common stock	14	12
Cash dividends paid	(281)	(278)
Stock options exercised	47	70
Other financing, net	(2)	1
	(532)	(1,553)
Net cash used by financing activities	(532)	(1,553)
<hr/>		
Increase in cash and cash equivalents	100	472
Cash and cash equivalents--beginning of period	198	97
	298	569
Cash and cash equivalents--end of period	\$ 298	\$ 569
<hr/>		

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

OCCIDENTAL PETROLEUM CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

September 30, 2002

1. General

The accompanying unaudited consolidated condensed financial statements have been prepared by Occidental Petroleum Corporation (Occidental) pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and disclosures normally included in notes to consolidated financial statements have been condensed or omitted pursuant to such rules and regulations, but resultant disclosures are in accordance with generally accepted accounting principles as they apply to interim reporting. The consolidated condensed financial statements should be read in conjunction with the consolidated financial statements and the notes thereto in Occidental's Annual Report on Form 10-K for the year ended December 31, 2001, as amended by Amendment No. 1 on Form 10-K/A, filed July 19, 2002 (2001 Form 10-K). Amendment No. 1 was filed subsequent to a re-audit of the consolidated financial statements for the fiscal years ended December 31, 2001, 2000 and 1999, which was performed at Occidental's request. There were no changes in the balance sheet, net income, cash flow or earnings per share as a result of the re-audit.

In the opinion of Occidental's management, the accompanying consolidated condensed financial statements contain all adjustments (consisting only of normal recurring adjustments) necessary to present fairly Occidental's consolidated financial position as of September 30, 2002, and the consolidated results of operations for the three and nine months then ended and the consolidated cash flows for the nine months then ended. The results of operations and cash flows for the periods ended September 30, 2002 are not necessarily indicative of the results of operations or cash flows expected for the full year.

Certain financial statements and notes for the prior year have been changed to conform to the 2002 presentation.

Refer to Note 1 to the consolidated financial statements in the 2001 Form 10-K for a summary of significant accounting policies.

2. Acquisitions, Dispositions and Commitments

On June 2, 2002, Occidental signed a binding agreement with the United Arab Emirates (UAE) Offsets Group to acquire a 24.5 percent interest in the Dolphin Project and Dolphin Energy Limited (DEL) for \$310 million, plus a payment of \$12 million to account for historical costs through May 31, 2002. DEL is a company that also includes the UAE Offsets Group (51 percent interest) and TotalFinaElf (24.5 percent interest). The total payment, which is expected to be made in the fourth quarter, has been accrued and 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 participants will collaborate on the \$3.5 billion Dolphin Project, which 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. Construction on the upstream production and processing facilities and the pipeline is expected to begin in 2003 and production is currently scheduled to begin in early 2006. The partners anticipate securing project financing. Because operations have not commenced, Occidental has not recorded any revenue or expense for this project and no oil and gas reserves have been recognized.

In January 2002, Occidental and Lyondell Chemical Company (Lyondell) agreed, in principle, for Occidental to sell its 29.5-percent share of Equistar to Lyondell and to purchase an equity interest of approximately 21 percent in Lyondell. Occidental entered into this transaction to reduce its direct exposure to petrochemicals volatility, yet maintain a presence and preserve, through its Lyondell investment, an economic upside when the petrochemicals industry recovers. In connection with the agreement in principle, Occidental wrote down its

investment in the Equistar partnership to fair value by recording a \$240 million after-tax charge as of December 2001. After the writedown, 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. Occidental's initial carrying value in the Lyondell investment was \$489 million which represented the fair value of Lyondell's shares at August 22, 2002.

In connection with the acquisition of Altura Energy Ltd. in April 2000, the sellers retained a preferred limited partnership interest of approximately \$2.0 billion, which was recorded as minority interest. Altura also loaned approximately \$2.0 billion to affiliates of the sellers, evidenced by two notes recorded as long-term receivables. The partnership exercised an option in May 2002 to redeem the sellers' remaining partnership interests in exchange for the outstanding balance on the two notes. Both minority interest and long-term receivables were reduced by \$2.0 billion to reflect this transaction on the balance sheet.

3. Asset Write-downs and Discontinued Operations

The results for the third quarter 2002 included pre-tax chemical asset write-downs of \$25 million for a PVC dispersion resin plant and \$12 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. In addition, Occidental recorded impairment charges of \$30 million, after-tax, for the pending sale of its chromium business at Castle Hayne, N.C. and \$39 million for the write-down of its Brazilian calendaring operations in Rio de Janeiro, both of which are classified as discontinued operations. The fair value of these assets, which are classified as held for sale, was determined by reference to the expected sales proceeds from interested third party buyers.

4. Accounting Changes

In July 2002, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (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 does not expect that the adoption of SFAS No. 146 will have a material impact on its financial statements.

In June 2002, the Emerging Issues Task Force (EITF) issued EITF issue No. 02-3, "Accounting for Contracts Involved in Energy Trading and Risk Management Activities," which states that gains and losses on energy trading contracts (whether realized or unrealized) should be shown net in the income statement. In October 2002, the EITF clarified that all energy-trading contracts, including those contracts that are also derivatives under SFAS 133, should be shown net. Occidental implemented this EITF in the third quarter of 2002 and all comparative financial statements have been reclassified to conform to the current presentation. There was no change 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. For the nine months ended September 30, 2002, net sales and costs of sales were both reduced by approximately \$2.2 billion to conform to this requirement. For the three and nine months ended September 30, 2001, net sales and costs of sales were reduced by approximately \$1.3 billion and \$4.8 billion, respectively, to conform to the current presentation.

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 must implement SFAS No. 145 in the first quarter of 2003 and all comparative financial statements will be reclassified to conform to the 2003 presentation.

The anticipated effect of the statement includes the reclassification of an extraordinary loss to net income from continuing operations of \$3 million (\$0.01 per share) in the nine months ended September 30, 2001. There will be no effect on net income or basic earnings per common share.

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.

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. 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, which is required to be adopted in the first quarter of 2003, 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. Legal reviews of contracts and statutory retirement obligations are ongoing. If it is determined that a legal obligation exists, the cost of asset retirement obligations will be estimated, and the fair value of the obligations will be recorded, when SFAS No. 143 is adopted.

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.

5. Comprehensive Income

The following table presents Occidental's comprehensive income items (in millions):

	Periods Ended September 30			
	Three Months		Nine Months	
	2002	2001	2002	2001
Net income	\$ 402	\$ 444	\$ 667	\$ 1,401
Other comprehensive income items				
Foreign currency translation adjustments	12	(9)	--	(21)
Derivative activity	(9)	(3)	(18)	6
Cumulative effect of change in accounting principles	--	--	--	(27)
Unrealized gains (losses) on securities	(50)	--	32	2
Other comprehensive (loss) income, net of tax	(47)	(12)	14	(40)
Comprehensive income	\$ 355	\$ 432	\$ 681	\$ 1,361

6. Supplemental Cash Flow Information

During the nine months ended September 30, 2002 and 2001, net cash (refunds) payments for federal, foreign and state income taxes totaled approximately \$(3) million and \$326 million, respectively. Interest paid (net of interest capitalized) totaled approximately \$212 million and \$312 million for the nine months ended September 30, 2002 and 2001, respectively.

7. Inventories

Oil & 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 gas product inventories, which typically represent the last few days of production at the end of each period with the exception of the natural gas storage program, are valued at the lower of cost or market. Trading inventory is valued at market.

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.

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

Balance at =====	September 30, 2002 =====	December 31, 2001 =====
Raw materials	\$ 44	\$ 53
Materials and supplies	133	119
Work in process	1	--
Finished goods	292	252
	-----	-----
	470	424
LIFO adjustment	1	(10)
	-----	-----
Total	\$ 471 =====	\$ 414 =====

8. Derivative Activities

Occidental's market-risk exposures relate primarily to commodity prices, and, to a lesser extent, interest rates and foreign currency exchange rates. Occidental's oil and gas segment results are sensitive mainly to fluctuations in crude oil and natural gas prices. Occidental may periodically use different types of derivative instruments to achieve the best prices for oil and gas and to reduce its exposure to price volatility, thus mitigating fluctuations in commodity-related cash flows. Usually, Occidental does not hedge against fluctuations in long-term oil and gas prices. Overall, Occidental's use of derivatives in commodity hedging activity remains at a relatively low dollar level. Changes in a derivative instrument's fair value must be recognized in earnings unless specific hedge accounting criteria are met. Changes in the fair value of derivative instruments that meet specific cash-flow hedge accounting criteria are reported in other comprehensive income (OCI). The gains and losses on cash-flow hedge transactions that are reported in OCI are reclassified to earnings in the periods in which earnings are affected by the variability of the hedged item's cash flows. Mark-to-market gains and losses from derivatives that qualify for fair-value hedge accounting are recorded in earnings throughout the life of the hedge and are generally offset by the change in fair value of the hedged item. The ineffective portions of all hedges are recognized in current period earnings.

For the three and nine months ended September 30, 2002, the results of operations included a net pre-tax loss of \$4 million and \$175 thousand, respectively, related to derivative mark-to-market adjustments. For the three and nine months ended September 30, 2001, the results of operations included a net pre-tax gain of \$1 million and \$41 million, respectively, related to derivative mark-to-market adjustments. The amount of interest expense recorded in the income statement was lower by approximately \$11 million and \$32 million for the three and nine months ended September 30, 2002, respectively, to reflect net pre-tax gains from fair-value hedges. Net interest expense was lower by \$0.8 million for the three and nine months ended September 30, 2001 to reflect net pre-tax gains from fair-value hedges. During both the three and nine months ended September 30, 2002, a \$8 million after-tax loss was reclassified from OCI to income resulting from the expiration of cash-flow hedges. During the three and nine months ended September 30, 2001, a \$4 million after-tax loss and a \$4 million after-tax gain, respectively, were reclassified from OCI to income resulting from the expiration of cash-flow hedges. During the three and nine months ended September 30, 2002, net unrealized after-tax losses of \$17 million and \$27 million, respectively, were recorded to OCI relating to changes in current cash-flow hedges. During the three and nine months ended September 30, 2001, net unrealized after-tax gains of \$1 million and \$2 million, respectively, were recorded to OCI relating to changes in current cash-flow hedges. During the next twelve months, Occidental expects that \$14 million of net derivative after-tax losses included in OCI, based on their valuation at September 30, 2002, will be reclassified into earnings. Hedge ineffectiveness did not have a significant impact on earnings for the three and nine months ended September 30, 2002 and 2001.

9. Lawsuits, Claims, Commitments, Contingencies and Related Matters

Occidental and certain of its subsidiaries have been named as defendants or as potentially responsible parties in a substantial number of lawsuits, claims and proceedings. They have also been named as potentially responsible parties in governmental proceedings under the Comprehensive Environmental Response, Compensation and

Liability Act and similar state acts. These governmental proceedings seek funding, remediation and, in some cases, compensation for alleged property damage, punitive damages and civil penalties aggregating substantial amounts. Occidental is usually one of many companies in these proceedings and has to date been successful in sharing response costs with other financially sound companies. Occidental has accrued reserves at the most likely cost to be incurred in those proceedings where it is probable that Occidental will incur remediation costs that can be reasonably estimated.

During the course of its operations, Occidental is subject to audit by taxing authorities for varying periods in various tax jurisdictions. Occidental has certain other commitments under contracts, guarantees and joint ventures, and certain other contingent liabilities.

It is impossible at this time to determine the ultimate liabilities that Occidental and its subsidiaries may incur resulting from the foregoing lawsuits, claims and proceedings, audits, commitments, contingencies and related matters. Several of these matters may involve substantial amounts, and if these were to be ultimately resolved unfavorably to the full amount of their maximum potential exposure, an event not currently anticipated, it is possible that such event could have a material adverse effect upon Occidental's consolidated financial position or results of operations. However, in management's opinion, after taking into account reserves, it is unlikely that any of the foregoing matters will have a material adverse effect upon Occidental's consolidated financial position or results of operations.

10. Income Taxes

The provision for taxes based on income for the 2002 and 2001 interim periods was computed in accordance with Interpretation No. 18 of Accounting Principles Board Opinion No. 28 on reporting taxes for interim periods and was based on projections of total year pre-tax income excluding significant unusual items.

The provision for income taxes for the three months and nine months ended September 30, 2002 reflected the tax benefit resulting from the sale of the Equistar equity investment. The provision for income taxes for the three months and nine months ended September 30, 2001 reflected the tax effects of the loss on the sale of the entity that owns pipelines in Texas that are leased to a former subsidiary and the gain recognized on the sale of the Tangguh LNG interest, net of the effects of foreign tax credits. The provision for taxes for the nine months ended September 30, 2001, included an after-tax benefit of \$45 million (pre-federal tax benefit of \$70 million) related to a settlement of a state tax issue.

11. Investments in Unconsolidated Entities

At September 30, 2002, Occidental's equity investments consisted primarily of a 21 percent interest in Lyondell, acquired in August 2002 (See Note 2), and interests in various partnerships and joint ventures. The following table presents Occidental's proportionate interest in the summarized financial information of its equity method investments (in millions):

	Periods Ended September 30			
	Three Months		Nine Months	
	2002(1)	2001	2002(2)	2001
Revenues	\$ 501	\$ 512	\$ 1,490	\$ 1,790
Costs and expenses	476	540	1,491	1,853
Net income	\$ 25	\$ (28)	\$ (1)	\$ (63)

(1) Includes the QTD August 2002 results of Equistar and the September 2002 results of Lyondell.

(2) Includes the YTD August 2002 results of Equistar and the September 2002 results of Lyondell.

In December 2001, Occidental recorded an impairment of its Equistar investment. See Note 2 for further information. In January 2002, Equistar recorded a \$1.1 billion cumulative effect of a change in accounting

principles to reflect the impairment of its entire balance of goodwill. Occidental did not reflect this write-down in its investment in Equistar because (1) Occidental had, in effect, already recorded this write-down in December 2001, (2) Occidental's carrying value in January 2002 was realizable based on the estimated value of the pending sale (as discussed in Note 2) and (3) there was no significant difference between Occidental's carrying value of its Equistar investment and the underlying equity in net assets of Equistar subsequent to both Occidental's and Equistar's write-downs.

At September 30, 2002, investments in unconsolidated entities also included an interest 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 with an unrealized gain (loss) of \$(50) million and \$32 million, net of tax, recorded to OCI in stockholders' equity for the three and nine months ended September 30, 2002.

12. Industry Segments

The following table presents Occidental's interim industry segment disclosures (in millions):

	Oil and Gas	Chemical	Corporate	Total
Nine months ended September 30, 2002				
Net sales	\$ 3,347	\$ 2,006	\$ --	\$ 5,353
Pretax operating profit (loss)	\$ 1,556	\$ (180)	\$ (357) (a)	\$ 1,019
Income taxes	(339)	397	(237) (b)	(179)
Discontinued operations, net	--	--	(78)	(78)
Extraordinary (loss), net	--	--	--	--
Cumulative effect of changes in accounting principles, net	--	--	(95)	(95)
Net income (loss)	\$ 1,217 (c)	\$ 217 (d)	\$ (767)	\$ 667
Nine months ended September 30, 2001				
Net sales	\$ 4,310	\$ 2,408	\$ --	\$ 6,718
Pretax operating profit (loss)	\$ 3,069	\$ (10) (f)	\$ (919) (a)(g)	\$ 2,140
Income taxes	(390)	24	(348) (b)(h)	(714)
Discontinued operations, net	--	--	2	2
Extraordinary loss, net	--	--	(3)	(3)
Cumulative effect of changes in accounting principles, net	--	--	(24)	(24)
Net income (loss)	\$ 2,679 (e)	\$ 14	\$ (1,292) (i)	\$ 1,401

- (a) Includes unallocated net interest expense, administration expense and other items.
- (b) Includes unallocated income taxes.
- (c) Includes an after-tax gain of \$7 million related to the sale of additional interests in Gulf of Mexico assets.
- (d) Includes an after-tax gain of \$164 million related to the sale of the Equistar investment and a pre-tax charge of \$51 million for severance and asset write-downs.
- (e) Includes an after-tax gain of \$399 million related to the sale of an interest in the Tangguh LNG project and an after-tax gain of \$7 million related to the sale of additional interests in Gulf of Mexico assets.
- (f) Includes a pre-tax charge of \$26 million related to severance and plant shut-down costs.
- (g) Includes a pre-tax charge of \$49 million related to environmental remediation costs and a pre-tax insurance dividend of \$6 million.
- (h) Includes an after-tax benefit of \$45 million (pre-federal tax benefit of \$70 million) related to a settlement of a state tax issue.
- (i) Includes an after-tax loss of \$272 million on the sale of the entity that owns pipelines in Texas that are leased to a former subsidiary.

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

CONSOLIDATED RESULTS OF OPERATIONS

Occidental Petroleum Corporation (Occidental) reported net income for the first nine months of 2002 of \$667 million, on net sales of \$5.4 billion, compared with net income of \$1.4 billion, on net sales of \$6.7 billion, for the same period of 2001. Occidental's net income for the third quarter of 2002 was \$402 million compared with net income of \$444 million for the third quarter of 2001, with net sales of \$2.0 billion for both periods. Basic earnings per common share were \$1.77 for the first nine months of 2002, compared with \$3.77 for the same period of 2001. Basic earnings per common share were \$1.07 for the third quarter of 2002, compared with \$1.19 for the same period of 2001.

Net income for the three and nine months ended September 30, 2002 included an after-tax gain of \$164 million on the sale of the Equistar investment, a pre-tax charge of \$37 million for chemical asset write-downs, an after-tax charge of \$74 million for discontinued operations and an after-tax gain of \$7 million on the sale of additional interests in the Gulf of Mexico (GOM) assets. Net income for the nine months ended September 30, 2002 also included a \$95 million after-tax cumulative effect of a change in accounting principles and a pre-tax charge of \$14 million for chemical severance costs. Net income for the three and nine months ended September 30, 2001 included an after-tax gain of \$399 million on the sale of Occidental's interest in the Indonesian Tangguh LNG project and an after-tax loss of \$272 million on the sale of an entity that owned pipelines. Net income for the nine months ended September 30, 2001 also included a pre-tax charge of \$26 million for chemical severance and plant shutdown costs, a pre-tax gain of \$70 million from a settlement of a state tax issue, a pre-tax charge of \$49 million for environmental remediation, a \$24 million after-tax cumulative effect of a change in accounting principles, an after-tax gain of \$7 million on the sale of additional interests in the GOM assets and a \$6 million pre-tax insurance dividend. Additionally, net income for the three months ended September 30, 2002, compared with the same period in 2001, reflected higher worldwide crude oil and chemical prices, lower exploration expense and income from the investment in Equistar (compared to a loss in the prior period), partially offset by lower natural gas prices. Net income for the nine months ended September 30, 2002, compared with the same period in 2001, reflected lower worldwide crude oil, natural gas and chemical prices, partially offset by higher crude oil volumes, lower exploration expense and lower raw material and feedstock costs.

There was no significant change in net sales for the three months ended September 30, 2002, compared with the same period in 2001, because the effect of higher worldwide crude oil prices was mostly offset by lower natural gas prices. The decrease in net sales for the nine months ended September 30, 2002, compared with the same period in 2001, primarily reflected lower worldwide crude oil, natural gas and chemical prices and lower natural gas and chemical volumes, partially offset by higher crude oil volumes. Interest, dividends and other income for the three months ended September 30, 2001 included \$24 million of interest income on notes receivable from the Altura partners. Interest, dividends and other income for the nine months ended September 30, 2002 included interest income on notes receivable from the Altura partners of \$22 million, compared to \$85 million for the same period in 2001. The notes receivable from the Altura partners were paid in April 2002. See "Acquisitions, Dispositions and Commitments" below for more information. Gains (losses) on disposition of assets for the three months and nine months ended September 30, 2002 included the pre-tax loss on the sale of the Equistar equity investment. Gains (losses) on disposition of assets for the three months and nine months ended September 30, 2001, included the pre-tax gain on the sale of the interest in the Tangguh LNG project and the pre-tax loss on the sale of an interest in the subsidiary that leased a pipeline to Occidental's former MidCon subsidiary. The increase in income from equity investments for the three and nine months ended September 30, 2002, compared with the same periods in 2001, primarily resulted from improved results from the Equistar and OxyMar equity investments.

In the third quarter 2002, Occidental adopted Emerging Issues Task Force Issue (EITF) No. 02-3, which 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 have been historically recorded on a gross basis in accordance with generally accepted accounting principles. With the adoption of EITF Issue No. 02-3 (see "Accounting Changes" below for further information) in the third quarter 2002, Occidental now reflects the revenue from trading activities on a net basis.

There was no change 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 investigatory activity earlier this year. For the nine months ended September 30, 2002, net sales and cost of sales were reduced by approximately \$2.2 billion to conform to this requirement. For the three and nine months ended September 30, 2001, net sales and costs of sales were reduced by approximately \$1.3 billion and \$4.8 billion, respectively, to conform to the current presentation.

Exploration expense for the nine months ended September 30, 2002 included the write-off of leases in the San Joaquin Valley. Exploration expense for the three and nine months ended September 30, 2001, included a \$66 million write-off of the Gibraltar well in Colombia. The decrease in minority interest of \$19 million and \$54 million for the three and nine months ended September 30, 2002, respectively, compared with the same periods in 2001, primarily resulted from redeeming the remaining minority interests held by BP plc and Royal Dutch/Shell in the Altura partnership. The decrease in interest and debt expense, net of \$12 million and \$82 million for the three and nine months ended September 30, 2002, respectively, compared to the same periods in 2001, was primarily due to lower outstanding debt and lower interest rates. The provision for income taxes for the three months and nine months ended September 30, 2002 reflected the tax benefit resulting from the sale of the Equistar equity investment. The tax provision included in the three months and nine months ended September 30, 2001 reflected the tax effects of the loss on the sale of the entity that owns pipelines in Texas that were leased to a former subsidiary and the gain recognized on the sale of the Tangguh LNG interest net of foreign tax credits. The provision for income taxes for the nine months ended September 30, 2001 also included a \$45 million after-tax benefit (\$70 million pre-federal tax benefit) for the settlement of a state tax issue.

SEGMENT OPERATIONS

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

	Periods Ended September 30			
	Three Months		Nine Months	
	2002	2001	2002	2001
=====	=====	=====	=====	=====
SEGMENT NET SALES				
Oil and Gas	\$ 1,224	\$ 1,251	\$ 3,347	\$ 4,310
Chemical	739	732	2,006	2,408
	-----	-----	-----	-----
NET SALES	\$ 1,963	\$ 1,983	\$ 5,353	\$ 6,718
	=====	=====	=====	=====
SEGMENT EARNINGS				
Oil and Gas	\$ 490	\$ 927	\$ 1,217	\$ 2,679
Chemical	214	38	217	14
	-----	-----	-----	-----
	704	965	1,434	2,693
UNALLOCATED CORPORATE ITEMS				
Interest expense, net	(73)	(60)	(195)	(207)
Income taxes	(105)	(128)	(250)	(550)
Trust preferred distributions & other	(12)	(13)	(35)	(43)
Other	(38)	(321)	(114)	(467)
	-----	-----	-----	-----
INCOME FROM CONTINUING OPERATIONS	476	443	840	1,426
Discontinued operations, net	(74)	1	(78)	2
Extraordinary loss, net	--	--	--	(3)
Cumulative effect of changes in accounting principles, net	--	--	(95)	(24)
	-----	-----	-----	-----
NET INCOME	\$ 402	\$ 444	\$ 667	\$ 1,401
=====	=====	=====	=====	=====

SIGNIFICANT ITEMS AFFECTING EARNINGS

Occidental's results of operations often include significant items affecting earnings that vary widely and unpredictably in 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. Core earnings is not considered to be an alternative to operating income in accordance with generally accepted accounting principles.

The following table sets forth the core earnings and significant items affecting earnings for each operating segment and corporate:

(in millions)	Periods Ended September 30			
	Three Months		Nine Months	
	2002	2001	2002	2001
=====				
OIL AND GAS				
Segment Earnings	\$ 490	\$ 927	\$ 1,217	\$ 2,679
Less: Significant items affecting earnings				
Gain on sale of additional interests in Gulf Of Mexico assets *	7	--	7	7
Gain on sale of interest in the Indonesian Tangguh LNG project *	--	399	--	399
Segment Core Earnings	483	528	1,210	2,273

CHEMICAL				
Segment Earnings	214	38	217	14
Less: Significant items affecting earnings				
Gain on sale of Equistar investment *	164	--	164	--
Severance, plant shutdown costs and asset write-downs	(37)	--	(51)	(26)
Segment Core Earnings	87	38	104	40

CORPORATE				
Segment Earnings (Loss)	(302)	(521)	(767)	(1,292)
Less: Significant items affecting earnings				
Loss on sale of pipeline-owning entity *	--	(272)	--	(272)
Settlement of state tax issue	--	--	--	70
Environmental remediation	--	--	--	(49)
Insurance dividend	--	--	--	6
Changes in accounting principles, net *	--	--	(95)	(24)
Discontinued operations, net *	(74)	1	(78)	2
Extraordinary loss on debt redemption, net *	--	--	--	(3)
Tax effect of pre-tax adjustments	13	--	18	--
Segment Core Earnings (Loss)	(241)	(250)	(612)	(1,022)

TOTAL CORE EARNINGS	\$ 329	\$ 316	\$ 702	\$ 1,291
=====				

* These amounts are shown after tax.

OIL AND GAS SEGMENT

Summary of Operating Statistics	Periods Ended September 30			
	Three Months		Nine Months	
	2002	2001	2002	2001
NET PRODUCTION PER DAY:				
CRUDE OIL AND NATURAL GAS LIQUIDS (MBL)				
United States	230	215	231	211
Latin America	46	48	47	32
Eastern Hemisphere	120	121	130	120
NATURAL GAS (MMCF)				
United States	564	602	574	613
Eastern Hemisphere	74	50	58	49
BARRELS OF OIL EQUIVALENT - (MBOE)	502	493	513	473
AVERAGE SALES PRICE:				
CRUDE OIL (\$/BBL)				
United States	\$ 25.75	\$ 23.03	\$ 22.81	\$ 23.48
Latin America	\$ 25.35	\$ 21.14	\$ 22.21	\$ 21.40
Eastern Hemisphere	\$ 24.59	\$ 22.60	\$ 21.61	\$ 22.66
NATURAL GAS (\$/MCF)				
United States	\$ 2.94	\$ 4.49	\$ 2.74	\$ 7.71
Eastern Hemisphere	\$ 1.95	\$ 2.16	\$ 2.14	\$ 2.25

Oil and gas earnings for the third quarter of 2002 were \$490 million, compared with \$927 million for the same period of 2001. Oil and gas core earnings were \$483 million for the third quarter of 2002, compared with \$528 million for the same period of 2001. Oil and gas earnings for the first nine months of 2002 were \$1.2 billion, compared with \$2.7 billion for the same period of 2001. Oil and gas core earnings were \$1.2 billion for the first nine months of 2002, compared with \$2.3 billion for the first nine months of 2001. The decrease in core earnings for the three months ended September 30, 2002, compared with the same period in 2001, primarily reflected lower natural gas prices, partially offset by higher worldwide crude oil prices and lower exploration expenses. The decrease in core earnings for the nine months ended September 30, 2002, compared with the same period in 2001, primarily reflected lower worldwide crude oil and natural gas prices, partially offset by higher crude oil volumes and lower exploration expense.

The decrease in net sales of \$27 million for the three months ended September 30, 2002, compared with the same period in 2001, primarily reflected lower natural gas prices, partially offset by higher crude oil prices. The decrease in net sales of \$963 million for the nine months ended September 30, 2002, compared with the same period in 2001, primarily reflected lower crude oil and natural gas prices and lower natural gas volumes, partially offset by higher crude oil volumes.

Occidental's sensitivity to changes in oil and gas prices is similar to prior quarters. A \$1.00 per million BTUs swing in NYMEX gas prices will have an approximately \$54 million impact on quarterly segment earnings, and a \$1.00 per barrel change in oil prices will impact quarterly earnings by approximately \$28 million.

For the first nine months of 2002, production volumes increased approximately 8 percent to 513,000 barrels of oil equivalent (BOE) per day compared with 473,000 BOE per day for the same period in 2001. Occidental expects fourth quarter 2002 oil and gas production to remain at approximately the same level as third quarter 2002 production. Occidental expects 2003 production to increase to an average of 525,000 BOE per day due to the expected startup of Horn Mountain in the deepwater Gulf of Mexico at the end of 2002 and the expected startup of the Eden Yuturi field in Ecuador in the second half of 2003.

CHEMICAL SEGMENT

Summary of Operating Statistics	Periods Ended September 30			
	Three Months		Nine Months	
	2002	2001	2002	2001
MAJOR PRODUCT VOLUMES				
Chlorine (M Tons)	685	720	2,121	2,211
Caustic Soda (M Tons)	716	760	2,033	2,179
Ethylene Dichloride (M Tons)	94	208	386	584
PVC Resins (MM Lbs.)	1,022	1,015	3,215	3,128
MAJOR PRODUCT PRICE INDEX (BASE 1987-1990 = 1.0)				
Chlorine	1.37	0.68	0.83	0.78
Caustic	0.61	1.36	0.72	1.37
Ethylene Dichloride	1.30	0.43	1.02	0.66
PVC Resins	0.88	0.65	0.70	0.71

Chemical earnings for the third quarter of 2002 were \$214 million, compared with \$38 million for the same period of 2001. Chemical core earnings were \$87 million for the third quarter of 2002, compared with \$38 million for the same period of 2001. Chemical earnings for the first nine months of 2002 were \$217 million, compared with \$14 million for the same period of 2001. Chemical core earnings were \$104 million for the first nine months of 2002, compared with \$40 million for the first nine months of 2001. The increase in core earnings for the three months ended September 30, 2002, compared with the same period in 2001, is primarily due to higher prices for polyvinyl chloride resins (PVC), ethylene dichloride (EDC) and chlorine and income from the Equistar and OxyMar equity investments compared with a loss in the prior period, partially offset by lower caustic soda prices. The increase in core earnings for the nine months ended September 30, 2002, compared with the same period in 2001, is primarily the result of lower raw material and feedstock costs, higher prices for EDC and improved results from the Equistar equity investment, partially offset by lower sales prices for caustic soda and PVC.

The increase in net sales of \$7 million for the three months ended September 30, 2002, compared with the same period in 2001, primarily reflected higher sales prices for PVC, EDC and chlorine, partially offset by lower prices for caustic soda and lower sales volumes. The decrease in net sales of \$402 million for the nine months ended September 30, 2002, compared with the same period in 2001, primarily reflected lower sales prices for caustic soda and PVC and lower sales volumes, partially offset by higher sales prices for EDC.

In the third quarter 2002, Occidental closed the sale of its interest in Equistar in exchange for an equity interest in Lyondell Chemical Company and recorded an after-tax gain of \$164 million. Occidental entered into this transaction to reduce its direct exposure to petrochemicals volatility. Occidental's chloro-vinyls business conditions differ substantially from those that prevail in the petrochemical industry; while there has been significant expansion of capacity in the petrochemical industry, current capacity has declined in the chloro-vinyls chain due to the closure and temporary idling of a number of chlor-alkali facilities. These factors have contributed to stronger prices and margins in the vinyls chain while margin improvement for caustic soda has lagged due to a slowdown in the industrial sector.

CORPORATE AND OTHER

Segment earnings include credits/(charges) in lieu of U.S. federal income taxes. In the first nine months of 2002 and 2001, segment earnings benefited by \$401 million and \$1 million, respectively, from credits allocated. This included (charges) credits of \$(2) million and \$403 million at oil and gas and chemical, respectively, in the first nine months of 2002 and \$(37) million and \$38 million at oil and gas and chemical, respectively, for the first nine months of 2001. The 2002 amount in chemicals includes a credit for the tax effects of the sale of the Equistar investment.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Occidental's net cash provided by operating activities was \$1.5 billion for the first nine months of 2002, compared with net cash provided of \$2.2 billion for the same period of 2001. The decrease in the 2002 amount of approximately \$682 million is primarily attributable to lower core earnings.

Occidental's net cash used by investing activities was \$898 million for the first nine months of 2002, compared with net cash used of \$187 million for the same period of 2001. The 2001 amount includes the pre-tax proceeds from the sale of the interest in the Tangguh LNG project and the sale of an interest in the subsidiary that leased a pipeline to Occidental's former MidCon subsidiary. Capital expenditures for the first nine months of 2002 were \$840 million, including \$742 million in oil and gas. Capital expenditures for the first nine months of 2001 were \$908 million, including \$800 million in oil and gas.

Occidental's financing activities used net cash of \$532 million in the first nine months of 2002, compared with cash used of \$1.6 billion for the same period of 2001. The 2002 amount includes \$179 million for the net buyout of the natural gas delivery commitment. The 2001 amount primarily reflects debt payments of \$1.3 billion from free cash flow and from proceeds of asset sales.

Occidental has reclassified approximately \$650 million of maturities due in the next 12 months to long-term debt based on its ability to refinance this debt on a long-term basis utilizing its committed credit lines. Of this amount, \$450 million are notes due in 2013, subject to remarketing at a specified 10 year Treasury yield in 2003. As current market levels are below the specified yield, remarketing or refinancing is likely. Available but unused lines of committed bank credit totaled approximately \$2.1 billion at September 30, 2002 and December 31, 2001 (before consideration of the \$650 million of current maturities mentioned above).

Occidental currently expects to spend approximately \$1.2 billion on its 2002 capital spending program with about \$1.1 billion for oil and gas, excluding the purchase price for the Dolphin project, which is discussed below. Occidental expects to have sufficient cash in 2002 from operations, and from proceeds from existing credit facilities, as necessary, to fund its operating needs, capital expenditure requirements (including the Dolphin project), dividend payments and mandatory debt repayments.

ACQUISITIONS, DISPOSITIONS AND COMMITMENTS

On June 2, 2002, Occidental signed a binding agreement with the United Arab Emirates (UAE) Offsets Group to acquire a 24.5 percent interest in the Dolphin Project and Dolphin Energy Limited (DEL) for \$310 million, plus a payment of \$12 million to account for historical costs through May 31, 2002. DEL is a company that also includes the UAE Offsets Group (51 percent interest) and TotalFinaElf (24.5 percent interest). The total payment, which is expected to be made in the fourth quarter, has been accrued and 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 participants will collaborate on the \$3.5 billion Dolphin Project, which 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. Construction on the upstream production and processing facilities and the pipeline is expected to begin in 2003 and production is currently scheduled to begin in early 2006. The partners anticipate securing project financing. Because operations have not commenced, Occidental has not recorded any revenue or expense for this project and no oil and gas reserves have been recognized.

In January 2002, Occidental and Lyondell Chemical Company (Lyondell) agreed, in principle, for Occidental to sell its 29.5-percent share of Equistar to Lyondell and to purchase an equity interest of approximately 21 percent in Lyondell. Occidental entered into this transaction to reduce its direct exposure to petrochemicals volatility, yet maintain a presence and preserve, through its Lyondell investment, an economic upside when the petrochemicals industry recovers. In connection with the agreement in principle, Occidental wrote down its investment in the Equistar partnership to fair value by recording a \$240 million after-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. Occidental's initial carrying value in the Lyondell investment was \$489 million which represented the fair value of Lyondell's shares at August 22, 2002.

As described in the preceding paragraph, in December 2001, Occidental recorded an impairment of its Equistar investment. In January 2002, Equistar recorded a \$1.1 billion cumulative effect of a change in accounting principles to reflect the impairment of its entire balance of goodwill. Occidental did not reflect this write-down in its investment in Equistar because (1) Occidental had, in effect, already recorded this write-down as of December 2001, (2) Occidental's carrying value in January 2002 was realizable based on the estimated value of the pending sale (as discussed above) and (3) there was no significant difference between Occidental's carrying value of its Equistar investment and the underlying equity in net assets of Equistar subsequent to both Occidental's and Equistar's write-downs.

In connection with the acquisition of Altura Energy Ltd. in April 2000, the sellers retained a preferred limited partnership interest of approximately \$2.0 billion, which was recorded as minority interest. Altura also loaned approximately \$2.0 billion to affiliates of the sellers, evidenced by two notes recorded as long-term receivables. The partnership exercised an option in May 2002 to redeem the sellers' remaining partnership interests in exchange for the outstanding balance on the two notes. Both minority interest and long-term receivables were reduced by \$2.0 billion to reflect this transaction on the balance sheet.

DERIVATIVE ACTIVITIES

Occidental's market-risk exposures relate primarily to commodity prices, and, to a lesser extent, interest rates and foreign currency exchange rates. Occidental's results are sensitive mainly to fluctuations in crude oil and natural gas prices. Occidental may periodically use different types of derivative instruments to achieve the best prices for oil and gas and to reduce its exposure to price volatility, thus mitigating fluctuations in commodity-related cash flows. Usually, Occidental does not hedge against fluctuations in long-term oil and gas prices. Overall, Occidental's use of derivatives in commodity hedging activity remains at a relatively low dollar level. Changes in a derivative instrument's fair value must be recognized in earnings unless specific hedge accounting criteria are met. Changes in the fair value of derivative instruments that meet specific cash-flow hedge accounting criteria are reported in other comprehensive income (OCI). The gains and losses on cash-flow hedge transactions that are reported in OCI are reclassified to earnings in the periods in which earnings are affected by the variability of the hedged item's cash flows. Mark-to-market gains and losses from derivatives that qualify for fair-value hedge accounting are recorded in earnings throughout the life of the hedge and are generally offset by the change in fair value of the hedged item. The ineffective portions of all hedges are recognized in current period earnings.

For the three and nine months ended September 30, 2002, the results of operations included a net pre-tax loss of \$4 million and \$175 thousand, respectively, related to derivative mark-to-market adjustments. For the three and nine months ended September 30, 2001, the results of operations included a net pre-tax gain of \$1 million and \$41 million, respectively, related to derivative mark-to-market adjustments. The amount of interest expense recorded in the income statement was lower by approximately \$11 million and \$32 million for the three and nine months ended September 30, 2002, respectively, to reflect net pre-tax gains from fair-value hedges. Net interest expense was lower by \$0.8 million for the three and nine months ended September 30, 2001 to reflect net pre-tax gains from fair-value hedges. During both the three and nine months ended September 30, 2002, a \$8 million after-tax loss was reclassified from OCI to income resulting from the expiration of cash-flow hedges. During the three and nine months ended September 30, 2001, a \$4 million after-tax loss and a \$4 million after-tax gain, respectively, were reclassified from OCI to income resulting from the expiration of cash-flow hedges. During the three and nine months ended September 30, 2002, net unrealized after-tax losses of \$17 million and \$27 million, respectively, were recorded to OCI relating to changes in current cash-flow hedges. During the three and nine months ended September 30, 2001, net unrealized after-tax gains of \$1 million and \$2 million, respectively, were recorded to OCI relating to changes in current cash-flow hedges. During the next twelve months, Occidental expects that \$14 million of net derivative after-tax losses included in OCI, based on their valuation at September 30, 2002, will be reclassified into earnings. Hedge

ineffectiveness did not have a significant impact on earnings for the three and nine months ended September 30, 2002 and 2001.

LAWSUITS, CLAIMS, COMMITMENTS, CONTINGENCIES AND RELATED MATTERS

Occidental and certain of its subsidiaries have been named as defendants or as potentially responsible parties in a substantial number of lawsuits, claims and proceedings. They have also been named as potentially responsible parties in governmental proceedings under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) and similar state acts. These governmental proceedings seek funding, remediation and, in some cases, compensation for alleged property damage, punitive damages and civil penalties aggregating substantial amounts. Occidental is usually one of many companies in these proceedings and has to date been successful in sharing response costs with other financially sound companies. Occidental has accrued reserves at the most likely cost to be incurred in those proceedings where it is probable that Occidental will incur remediation costs that can be reasonably estimated.

During the course of its operations, Occidental is subject to audit by taxing authorities for varying periods in various tax jurisdictions. Occidental has certain other commitments under contracts, guarantees and joint ventures, and certain other contingent liabilities.

It is impossible at this time to determine the ultimate liabilities that Occidental and its subsidiaries may incur resulting from the foregoing lawsuits, claims and proceedings, audits, commitments, contingencies and related matters. Several of these matters may involve substantial amounts, and if these were to be ultimately resolved unfavorably to the full amount of their maximum potential exposure, an event not currently anticipated, it is possible that such event could have a material adverse effect upon Occidental's consolidated financial position or results of operations. However, in management's opinion, after taking into account reserves, it is unlikely that any of the foregoing matters will have a material adverse effect upon Occidental's consolidated financial position or results of operations.

ENVIRONMENTAL MATTERS

Occidental's operations in the United States are subject to stringent federal, state and local laws and regulations relating to improving or maintaining the quality of the environment. Foreign operations also are subject to varied environmental protection laws. Costs associated with environmental compliance have increased over time and may continue to rise in the future. Environmental expenditures related to current operations are factored into the overall business planning process. These expenditures are considered an integral part of production in manufacturing quality products responsive to market demand.

The laws that require or address environmental remediation may apply retroactively to previous waste disposal practices. Also, in many cases, the laws apply regardless of fault, legality of the original activities or ownership or control of sites. Occidental is currently participating in environmental assessments and cleanups under these laws at federal CERCLA sites, comparable state sites and other remediation sites, including Occidental facilities and previously owned sites. Also, Occidental and certain of its subsidiaries have been involved in a substantial number of governmental and private proceedings involving historical practices at various sites including, in some instances, having been named as defendants and/or as PRPs under the federal CERCLA law. These proceedings seek funding and/or remediation and, in some cases, compensation for alleged personal injury or property damage, punitive damages and civil penalties, aggregating substantial amounts.

Occidental does not consider the number of CERCLA and similar state sites, at which it has been notified that it has been identified as being involved, to be a relevant measure of exposure. Although the liability of a potentially responsible party may be joint and several, Occidental is usually one of many companies cited as a PRP at these sites and has, to date, been successful in sharing cleanup costs with other financially sound companies. Also, many of these sites are still under investigation by the Environmental Protection Agency (EPA) or the equivalent state agencies. Prior to actual cleanup, the parties involved assess site conditions and responsibility and determine the appropriate remedy. The majority of remediation costs are incurred after the parties obtain EPA or other equivalent state agency approval to proceed. The ultimate future cost of remediation of certain of the sites for which Occidental has been notified that it has been identified as being involved cannot reasonably be determined at this time.

As of September 30, 2002, Occidental had been notified by the EPA or equivalent state agencies or otherwise had become aware that it had been identified as being involved at 124 Superfund or comparable state sites. (This number does not include those sites where Occidental has been successful in resolving its involvement.) The 124 sites include 34 former Diamond Shamrock Chemical sites as to which Maxus Energy Corporation has retained all liability. Of the remaining 90 sites, Occidental has denied involvement at 9 sites and has yet to determine involvement in 19 sites. With respect to the remaining 62 of these sites, Occidental is in various stages of evaluation, and the extent of liability retained by Maxus Energy Corporation is disputed at 2 of these sites. For 53 of these sites, where environmental remediation efforts are probable and the costs can be reasonably estimated, Occidental has accrued reserves at the most likely cost to be incurred. The 53 sites include 10 sites as to which present information indicates that it is probable that Occidental's aggregate exposure is immaterial. In determining the reserves, Occidental uses the most current information available, including similar past experiences, available technology, regulations in effect, the timing of remediation and cost-sharing arrangements. For the remaining 9 of the 62 sites being evaluated, Occidental does not have sufficient information to determine a range of liability, but Occidental does have sufficient information on which to base the opinion expressed above under the caption "Lawsuits, Claims, Commitments, Contingencies and Related Matters."

ACCOUNTING CHANGES

In July 2002, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (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 does not expect that the adoption of SFAS No. 146 will have a material impact on its financial statements.

In June 2002, the Emerging Issues Task Force (EITF) issued EITF issue No. 02-3, "Accounting for Contracts Involved in Energy Trading and Risk Management Activities," which states that gains and losses on energy trading contracts (whether realized or unrealized) should be shown net in the income statement. In October 2002, the EITF clarified that all energy-trading contracts, including those contracts that are also derivatives under SFAS 133, should be shown net. Occidental implemented this EITF in the third quarter of 2002 and all comparative financial statements have been reclassified to conform to the current presentation. There was no change 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. For the nine months ended September 30, 2002, net sales and costs of sales were both reduced by approximately \$2.2 billion to conform to this requirement. For the three and nine months ended September 30, 2001, net sales and costs of sales were reduced by approximately \$1.3 billion and \$4.8 billion, respectively, to conform to the current presentation.

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 must implement SFAS No. 145 in the first quarter of 2003 and all comparative financial statements will be reclassified to conform to the 2003 presentation. The anticipated effect of the statement includes the reclassification of an extraordinary loss to net income from continuing operations of \$3 million (\$0.01 per share) in the nine months ended September 30, 2001. There will be no effect on net income or basic earnings per common share.

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.

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. 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, which is required to be adopted in the first quarter of 2003, 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. Legal reviews of contracts and statutory retirement obligations are ongoing. If it is determined that a legal obligation exists, the cost of asset retirement obligations will be estimated, and the fair value of the obligations will be recorded, when SFAS No. 143 is adopted.

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.

SEC REVIEW

In late 2001, the Securities and Exchange Commission (SEC) announced a new initiative to significantly expand its review of SEC filings made by all Fortune 500 companies. Recently, Occidental received comments from the SEC staff regarding its 2001 Annual Report on Form 10-K and quarterly reports on Form 10-Q for the periods ended March 31, 2002 and June 30, 2002. The comments principally request supplemental information and propose additional disclosure and, in some cases, revisions of these filings. Occidental is in the process of responding to the staff's comments and believes that compliance with such comments would not have a material effect on the accuracy or adequacy of its current filings.

SAFE HARBOR STATEMENT REGARDING OUTLOOK AND FORWARD-LOOKING INFORMATION

Portions of this report 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 electricity and 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.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For the period ended September 30, 2002 there were no material changes in the information provided under Item 305 of Regulation S-K included under the caption "Derivative Activities" as part of Occidental's Management's Discussion and Analysis section of Occidental's 2001 Annual Report on Form 10-K.

ITEM 4. CONTROLS AND PROCEDURES

Within 90 days before filing this Quarterly 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.

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 II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

GENERAL

This item incorporates by reference the information regarding lawsuits, claims, commitments, contingencies and related matters in Note 9 to the consolidated condensed financial statements in Part I of this Form 10-Q.

ENVIRONMENTAL PROCEEDINGS

In April 1998, a civil action was filed on behalf of the United States Environmental Protection Agency against Occidental Chemical Corporation (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. On October 8, 2002, the Court 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 carry out a supplemental environmental project with an estimated cost of \$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.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

- 10.1 Occidental Petroleum Corporation 1987 Stock Option Plan (as amended through September 12, 2002).
- 10.2 Occidental Petroleum Corporation 2001 Incentive Compensation Plan (as amended through September 12, 2002).
- 10.3 Occidental Petroleum Corporation Deferred Stock Program.
- 10.4 Form of Incentive Stock Option Agreement under Occidental Petroleum Corporation 2001 Incentive Compensation Plan (July 2002 version).
- 10.5 Form of Nonqualified Stock Option Agreement under Occidental Petroleum Corporation 2001 Incentive Compensation Plan (July 2002 version).
- 10.6 Form of Restricted Common Share Agreement (with mandatory deferred issuance of shares) under Occidental Petroleum Corporation 2001 Incentive Compensation Plan.
- 10.7 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).
- 10.8 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).

- 10.9 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).
- 10.10 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).
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- 11 Statement regarding the computation of earnings per share for the three and nine months ended September 30, 2002 and 2001.
- 12 Statement regarding the computation of total enterprise ratios of earnings to fixed charges for the nine months ended September 30, 2002 and 2001 and the five years ended December 31, 2001.

(b) Reports on Form 8-K

During the quarter ended September 30, 2002, Occidental filed the following Current Reports on Form 8-K:

1. Current Report on Form 8-K dated July 22, 2002 (date of earliest event reported), filed on July 22, 2002, for the purpose of reporting, under Item 5, Occidental's results of operations for the second quarter ended June 30, 2002, and under Item 9, speeches and supplemental investor information relating to Occidental's second quarter 2002 earnings announcement.
2. Current Report on Form 8-K dated August 9, 2002 (date of earliest event reported), filed on August 12, 2002, for the purpose of reporting under Item 9, a certification of CEO and CFO pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.
3. Current Report on Form 8-K dated August 22, 2002 (date of earliest event reported), filed on September 6, 2002, for the purpose of reporting under Item 5, the completion of the sale of the entities holding Occidental's 29.5 percent equity interest in Equistar to Lyondell Chemical Company.

From September 30, 2002 to the date hereof, 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.

SIGNATURES

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

OCCIDENTAL PETROLEUM CORPORATION

DATE: November 12, 2002

S. P. Dominick, Jr.

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

CERTIFICATIONS

I, Ray R. Irani, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Occidental Petroleum Corporation;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly 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 we 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 quarterly 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 quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly 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 function):
 - 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 quarterly report whether or not 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: November 12, 2002

Ray R. Irani

Ray R. Irani
Chief Executive Officer

I, Stephen I. Chazen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Occidental Petroleum Corporation;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly 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 we 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 quarterly 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 quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly 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 function):
 - 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 quarterly report whether or not 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: November 12, 2002

Stephen I. Chazen

Stephen I. Chazen
Chief Financial Officer

EXHIBIT INDEX

EXHIBITS

-
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OCCIDENTAL PETROLEUM CORPORATION
1987 STOCK OPTION PLAN
(AS AMENDED THROUGH SEPTEMBER 12, 2002)

1. PURPOSE. The purpose of this Stock Option Plan (the "Plan") is to enhance the value of the stockholders' investment in Occidental Petroleum Corporation (the "Company") by encouraging key employees, upon whose performance the Company and its subsidiaries is largely dependent for the successful conduct of its operations, to acquire and retain a financial interest in the Company. In addition, the Plan is intended to enable the Company and its subsidiaries to compete effectively for and retain the services of such employees.

It is intended that incentive stock options ("ISOs") (as defined by Section 422A of the Internal Revenue Code of 1986, as amended or superseded (the "Code")), other stock options, and stock appreciation rights ("SARs") may be granted under this Plan.

2. ADMINISTRATION OF THE PLAN.

(a) The Plan shall be administered by a committee (the "Option Committee") which shall be constituted so as to permit the Plan to continue to comply with Rule 16b-3, as currently in effect or as hereafter modified or amended, promulgated under the Securities Exchange Act of 1934, as amended. The interpretation and construction of any provision of the Plan or any option or right granted hereunder and all determinations by the Option Committee in each case shall be final, binding and conclusive with respect to all interested parties, unless otherwise determined by the board of directors. No member of the Option Committee shall be personally liable for any action, failure to act, determination, interpretation or construction made in good faith with respect to the Plan or any option or right or transaction thereunder.

(b) The Option Committee shall have full power and authority in its discretion, subject to and not inconsistent with the express provisions of the Plan, to take any and all action required or permitted to be taken under the Plan. Such full power and authority shall include, without limitation, the selection of participants to whom stock options or stock appreciation rights may be granted pursuant to the Plan; the determination of the number of shares of Common Stock which may be covered by stock options or stock appreciation rights granted to any such participant of the Plan and the purchase price thereof; the granting of options and related rights; the right to interpret and construct any provision of the Plan or any option or right granted hereunder; the making of all required or appropriate determinations under the Plan or any option or right granted hereunder; the fixing and determining of the terms, provisions, conditions and restrictions of all option instruments or agreements (and any related rights), which need not be identical, entered into or issued in connection with grants under the Plan; and the adoption, amendment and rescission of such rules and regulations relating to the Plan as the Option Committee shall determine in its discretion subject to the express provisions of the Plan.

(c) Notwithstanding the provisions of Section 5 regarding the term of this Plan, all authority of the Board and the Option Committee with respect to options granted hereunder, including (subject to share limits) the authority to amend outstanding options, shall continue after

the term of this Plan, so long as any option remains outstanding. The Option Committee shall have the authority to amend options to allow a deferred payment in respect of such option under any deferred compensation plan of the Company, consistent with Section 6(l). Any such settlement or deferral shall not be deemed a new grant hereunder so long as all shares issuable under this Plan in respect thereof do not exceed the aggregate number of shares subject to the options so paid thereby. If the delivery of shares has been deferred in accordance with the foregoing or Section 6(l), such shares shall be charged against the share limits of this Plan and shall not again become available for other purposes under this Plan, regardless of whether such deferred shares are eventually issued under a Company deferred compensation plan. The authority of the Committee shall continue in respect of any deferral so authorized.

3. PARTICIPANTS. Participants in the Plan shall be key employees of the Company or its subsidiaries selected as hereinafter provided. Key employees may include officers of the Company or its subsidiaries who are also directors of the Company but not directors who are not employees of the Company or its subsidiaries. Nothing contained in this Plan, nor in any option or right granted pursuant to the Plan, shall confer upon any employee any right to continue in the employ of the Company or any subsidiary nor limit in any way the right of the Company or any subsidiary to terminate his employment at any time.

4. THE STOCK. The shares of stock available for the grant of options (with or without a related SAR) under this Plan shall consist of 9,000,000 shares of Common Stock, par value \$.20 per share (the "Common Stock"), of the Company, subject to adjustment as provided in Section 8 hereof. Such number of shares may be set aside out of the authorized but unissued Common Stock of the Company not reserved for any purpose or out of Common Stock held in or acquired

for the treasury of the Company. Should an option be terminated for any reason without being exercised or cancelled in whole or in part, the shares subject to the portion of the option not so exercised, but which is cancelled, shall be available for subsequent grants under this Plan; provided, however, that if such option or part thereof is surrendered by the optionee by reason of the exercise of a related SAR or other rights granted hereunder, then the shares represented by such option or part shall not be available for subsequent grants under this Plan. If "Rights" (as such term is defined in that certain Rights Agreement, dated as of October 17, 1986, between the Company and Manufacturers Hanover Trust Company as successor Rights Agent, as such Rights Agreement may be supplemented or amended (the "Rights Agreement")) would be issuable in connection with issuances of Common Stock at the time of exercise of an option under this Plan, then such option shall also entitle the optionee to receive Rights to the extent set forth in the Rights Agreement.

5. EFFECTIVE DATE AND TERMINATION OF PLAN. The Plan shall become effective on May 21, 1987 subject to ratification and approval of the Plan by the affirmative vote of the holders of a majority of the securities of the Company present, either in person or by proxy and entitled to vote thereat, at a duly held meeting held within twelve (12) months of the adoption of the Plan by the board of directors. This Plan shall terminate upon the earlier of (i) May 20, 1997; or (ii) the date on which all shares available for issuance under the Plan have been issued pursuant to the exercise of options granted hereunder or with respect to which payments have been made upon the exercise of a related SAR or other rights; or (iii) the determination of the board of directors

that the Plan shall terminate. No options may be granted under the Plan after the termination date, provided that the options granted and outstanding on such date shall continue to have force and effect in accordance with the provisions of the instruments evidencing such options.

6. GRANT, TERMS AND CONDITIONS OF OPTIONS. Options may be granted at any time and from time to time prior to the termination of the Plan to such eligible employees and on such terms and conditions as determined by the Option Committee. All options shall be granted under the Plan by execution of instruments in writing in the form approved by the Option Committee. Notwithstanding any contrary provision of this Plan other than Section 9 hereof, with respect to any ISOs granted under any plan of the Company or its subsidiaries or any parent, the aggregate fair market value (determined at the time the option is granted) of the shares with respect to which such ISOs are exercisable for the first time by an optionee during any calendar year (under all such plans of the Company and its subsidiaries and any parent) shall not exceed One Hundred Thousand Dollars (\$100,000.00).

All options granted pursuant to the Plan shall be subject to the following terms and conditions and such other terms and conditions determined by the Option Committee which are not inconsistent therewith:

(a) Price. The option exercise price per share of each option shall be determined by the Option Committee, provided that in no instance shall such price be less than the fair market value of a share of Common Stock (as defined by subsection (j) hereof) on the date the option is granted. The option exercise price shall be subject to adjustment only as provided in Section 8 hereof.

(b) Term of Options. Options other than ISOs may be granted for terms of up to but not exceeding ten (10) years and one (1) month from the date the particular option is granted. ISOs may be granted for terms up to but not exceeding ten (10) years from the date the particular option is granted. Each such option shall be subject to earlier termination as provided in subsection (f) of this Section 6.

(c) Exercise of Options. Each option granted under this Plan shall be exercisable on such date or dates and during such period and for such number of shares as shall be determined pursuant to the provisions of the instrument evidencing such option. An option may not be exercised as to less than ten (10) shares at any one time, unless the remaining shares then purchasable under the option are less than ten (10) shares, in which case the optionee must purchase all unpurchased shares. No fractional shares shall be issued, and fractional shares remaining in any option shall be rounded down to the nearest whole number of shares.

(d) Alternate Exercise in Case of Hardship. In the case of options other than ISOs, in the event of either:

(i) the death of the optionee (subject to Section 6(f)(ii) hereof), or

(ii) the imminent expiration of the option where the optionee is absent from the United States or is otherwise subject to a hardship which renders exercise of the option by such optionee unreasonable or impossible prior to its expiration date, the Option Committee in its sole and absolute discretion may issue or cause to have issued to the optionee or his estate (in lieu of the exercise of said option) the number of shares which represent the difference (if any) between the aggregate option exercise price and the aggregate fair market value of the shares of Common Stock with respect to which the option is then exercisable, determined as of the date of issuance of said shares. In such event the option shall be deemed fully exercised for all purposes hereof and all shares represented by said option (whether or not issued under this subsection (d)) shall not be available for future grant or issuance under this Plan. Without limiting the generality of the foregoing or subsection (c) of this Section 6, no fractional shares shall be issued, and any fractional shares remaining shall be rounded down to the nearest whole number of shares.

(e) Notice of Exercise and Payment. To the extent that the option is then exercisable, an option shall be exercised by oral or written notice to the Company, stating the number of shares with respect to which the option is being exercised and the intended manner of payment. The date of the notice shall be the exercise date. Any oral notice of exercise shall be confirmed in writing in all cases to the Company no later than concurrently with payment for the shares as required herein. Payment for the shares purchased shall be made in full to the Company within ten (10) business days after the exercise date in cash or check payable to the order of the Company equal to the option price for the shares being purchased, in whole shares of Common Stock of the Company owned by the optionee having a fair market value on the exercise date (as defined by subsection (j) hereof) equal to the option price for the shares being purchased, or a combination of Common Stock and cash or check payable to the order of the Company, equal in the aggregate to the option price for the shares being purchased. Payment of Common Stock shall be made either (a) by delivery of stock certificates properly endorsed for transfer in negotiable form or (b) by attestation pursuant to procedures established by the Option Committee. If other than the optionee, the person or persons exercising the option shall be required to furnish to the Company appropriate documentation that such person or persons have the full legal right and power to exercise the option on behalf of and for the optionee.

(f) Termination of Employment. Upon the termination of the employment of an optionee his rights to exercise any option then held by him shall be as follows:

(i) Retirement or Disability. If the employment is terminated because of retirement under any pension or retirement plan of the Company or its subsidiaries, or because of disability or for any other reason as approved in the sole discretion of the Option Committee, each option other than an ISO then held by the optionee shall terminate on the earlier of (a) eighteen (18) months after termination of employment or (b) the fixed expiration date of said option. In the case of ISOs, if the employment of the optionee terminates by reason of retirement (as defined herein) or disability, each ISO then held by the optionee shall terminate on the earlier of (a) three (3) months after termination of employment or (b) the fixed expiration date of said option; provided further that if such termination of employment occurs by reason of disability within the meaning of Section 422A(c)(7) of the Code said three (3) month period shall be extended to one (1) year.

(ii) Death. If the employment of the optionee is terminated by reason of death, each option held by the optionee on the date of his death shall be exercisable by his estate and shall terminate on the earlier of (a) twelve (12) months after the date of death or (b) the fixed expiration date of said option. For purposes hereof, the estate of an optionee shall be defined to include the legal representatives thereof of any other person who has acquired the right to exercise an option by reason of the death of the optionee.

(iii) Terminations without Cause. If the employment of the optionee is terminated without cause for any reason other than provided in subpart (i) or (ii) of this subsection and other than by voluntary resignation, each option then held by the optionee shall terminate on the earlier of (a) thirty (30) days after termination of employment or (b) the fixed expiration date of said option.

(iv) Terminations for Cause or by Voluntary Resignation. If the employment of the optionee is terminated for cause or by voluntary resignation, any and all options held by the optionee shall immediately terminate without regard to services rendered on or prior to the date of termination or any other payments or benefits made or transferred to the optionee as a result of or related to said termination. For purposes hereof, termination of employment for cause shall be deemed to occur upon receipt by the optionee of notice or advice (whether written or oral) that his employment is terminated.

(v) Other Restrictions. Notwithstanding any contrary provision hereof, no option shall be exercisable after the fixed expiration date provided in the option, nor for any number of shares in excess of the number of shares for which the option is then exercisable on the date of termination of employment; provided that the Option Committee in its discretion may permit the full exercise of any option other than an ISO which is held by an optionee who has terminated employment other than for cause or by voluntary resignation. Without limiting the generality of Section 2 hereof, the Option Committee in each case shall have the authority to determine the reason for and date of termination of employment, which determination shall be final, binding and conclusive on all interested parties.

(g) Transferability of Options. Any option granted hereunder shall be transferable only by will or the laws of descent and distribution and shall be exercisable during the lifetime of the optionee only by him.

(h) Other Terms and Conditions. Options may contain such other terms, conditions or provisions, which shall not be inconsistent with this Plan, as the Option Committee shall deem appropriate.

(i) Tax Withholding. Any option (and related SAR or other right, if any) granted hereunder shall provided as determined by the Option Committee for appropriate arrangements for the satisfaction by the Company and the optionee of all federal, state, local or other income, excise or employment taxes or tax withholding requirements applicable to the exercise of the option or any related SAR or other right or payment or the later disposition of the shares of

Common Stock or other property thereby acquired and all such additional taxes or amounts as determined by the Option Committee in its discretion, including without limitation the right of the Company or any subsidiary thereof to deduct or withhold in the form of cash or shares from any transfer or payment to an optionee or to receive transfers of shares of Common Stock or other property from the optionee, in such amount or amounts deemed required or appropriate by the Option Committee in its discretion.

(j) Fair Market Value. The "fair market value" of a share of Common Stock on any relevant date for purposes of any provision of this Plan shall be the last reported sales price of a share of Common Stock on the New York Stock Exchange--Composite Transactions on such date or, if there are no reported sales on such date, then the last reported sales price on the next preceding day on which such a sale is transacted.

(k) Cancellation of Option. The Option Committee shall have the authority to effect, at any time and from time to time, with the consent of the affected optionee or optionees, the cancellation of any or all outstanding options granted under the Plan and the grant in substitution therefor of new options under the Plan (subject to the limitations hereof) covering the same or different numbers of shares of Common Stock at an option price per share in all events not less than fair market value on the new grant date (as determined under subsection (j) of this Section 6).

(l) The Option Committee may allow the delayed payment or delivery of shares of Common Stock that may become due under this Plan. Without limiting the generality of the foregoing, the deferral of any shares of Common Stock distributable upon the exercise of a nonqualified stock option may be in the form of deferred shares under the Occidental Petroleum Corporation Deferred Stock Program.

7. STOCK APPRECIATION RIGHTS. Any option granted or to be granted under this plan may, in the sole and absolute discretion of the Option Committee, include a related stock appreciation right ("SAR") with respect to all or part of the shares of Common Stock subject to said option as determined by the Option Committee. Said SAR may be granted at the time said option is granted or (in the case of options other than ISOs) at a later date with respect to any existing option. Optionees granted an SAR may exercise the SAR by oral or written notice to the Company, stating the number of shares with respect to which the SAR is being exercised, to the extent that said SAR is then exercisable. Any oral notice of exercise of said SAR shall be confirmed in writing in all cases no later than the date of payment to the optionee. In the event of the exercise of an SAR, the obligation of the Company in respect of the option to which the SAR relates (or such portion thereof) shall be discharged by payment of the SAR so exercised.

(a) SAR Payment. Any SAR granted hereunder shall set forth the method of computation and form of payment of the SAR and such other terms and conditions as determined by the Option Committee in its discretion or as otherwise required by this Plan, provided that no SAR shall exceed the difference between 100 percent of the then fair market value on the date of exercise of the shares of Common Stock subject to the option or portion thereof surrendered by the optionee, and the aggregate option exercise price of such shares. Without limiting the

generality of the foregoing, the Option Committee may provide for the payment of said SAR in cash or in shares of Common Stock valued at fair market value as of the date of exercise, or in any combination thereof as determined by the Option Committee.

(b) Other Provisions. Notwithstanding any contrary provision hereof: (i) All SARs shall expire upon expiration of the option to which such SAR relates, and all SARs shall be exercisable only to the extent the option to which such SAR relates is then exercisable (further subject to such additional conditions and restrictions as may be imposed by the Option Committee), and (ii) in the case of any SAR related to an ISO grant hereunder said SAR shall be exercisable only when the then fair market value of the shares of Common Stock subject to the option (or portion thereof) surrendered by the optionee exceeds the exercise price of such option (or such portion thereof).

(c) "Option". References in this Plan to the term "option" shall, where appropriate, include an SAR.

8. ADJUSTMENT AND CHANGES IN THE COMMON STOCK.

(a) In the event that the shares of Common Stock as presently constitute shall be changed into or exchanged for a different number or kind of shares of stock or other securities of the Company or of another corporation (whether by reason of merger, consolidation, recapitalization, reclassification, split-up, combination of shares or otherwise) or if the number of such shares of stock shall be increased through the payment of a stock dividend, then unless such change results in the termination of all outstanding options pursuant to the provisions of Section 9 hereof, there shall be substituted for or added to each share of stock of the Company theretofore appropriated or thereafter subject or which may become subject to an option under this Plan, the number and kind of shares of stock or other securities into which each outstanding share of stock of the Company shall be so changed, or for which each such share shall be exchanged, or to which each such share shall be entitled, as the case may be. Outstanding options shall also be appropriately amended as to price and other terms as may be necessary to reflect the foregoing events. In the event there shall be any other change in the number or kind of the outstanding shares of the stock of the Company, or of any stock or other securities into which such stock shall have been changed, or for which it shall have been exchanged, then if the Option Committee shall, in its sole discretion, determine that such change equitably requires an adjustment in any option theretofore granted or which may be granted under the Plan, such adjustment shall be made in accordance with such determination. Fractional shares resulting from any adjustment in options pursuant to this Section 8 shall be rounded down to the nearest whole number of shares.

(b) Notwithstanding the foregoing, any and all adjustments in connection with an ISO shall comply in all respects with Sections 422A and 425 of the Code and the regulations thereunder.

(c) Notice of any adjustment shall be given by the Company to each holder of an option which shall have been so adjusted, provided that such adjustment (whether or not such notice is

given) shall be effective and binding for all purposes of the Plan and any instrument or agreement issued thereunder.

9. ACCELERATION OF OPTIONS.

(a) In the event that the Company enters into one or more agreements to dispose of all or substantially all of the assets of the Company or the Company's stockholders dispose of or become obligated to dispose of 50% or more of the outstanding capital stock of the company other than to the Company or a subsidiary of the Company, in either case by means of sale (whether as a result of a tender offer or otherwise), merger, reorganization or liquidation in one or a series of related transactions ("Acceleration Event"), then each option outstanding under the Plan shall become exercisable during the fifteen (15) days immediately prior to the scheduled consummation of the Acceleration Event with respect to the full number of shares for which such option has been granted; provided, however, that no such Acceleration Event shall occur in the event that (i) the primary purpose of the transaction is to change the Company's domicile solely within the United States, (ii) the terms of the agreement(s) require as a prerequisite for the consummation of the transaction that each such option shall either be assumed by the successor corporation or parent thereof or be replaced with a comparable option to purchase shares of capital stock of the successor corporation or parent thereof, and (iii) the transaction is approved by a majority of the members of the board of directors of the Company who had either been in office for more than twelve months prior to such transaction or had been elected, or nominated for election by the Company's stockholders, by the vote of three-fourths of the directors then still in office who were directors at the beginning of such twelve-month period; and provided further that any such exercise of an option during such fifteen (15) day period shall be conditioned upon the consummation of such transaction and shall be effective only immediately before such consummation, except to the extent that an optionee may indicate, in writing, that such exercise is unconditional with regard to all or part of the unaccelerated portion of the option. Upon consummation of the Acceleration Event contemplated by said agreement, all outstanding options, whether or not accelerated, shall terminate and cease to be exercisable, unless assumed by the successor corporation or parent thereof.

(b) In the event of the occurrence of an Acceleration Event (as defined by subsection (a) of this Section 7), any optionee who is subject to the filing requirements imposed under Section 16(a) of the Securities Exchange Act of 1934 with respect to the Company shall receive a payment of cash equal to the difference between the aggregate Fair Value of the share of Common Stock subject to such accelerated option and the aggregate option exercise price of such shares. For this purpose, "Fair Value" shall mean the highest aggregate fair market value of the subject shares of Common Stock during the 60-day period immediately preceding the date of the consummation of the Acceleration Event (as determined under Section 6(j) hereof). Payment of said cash shall be made within 10 days after said consummation of the Acceleration Event. The foregoing payments under this subsection (b) shall be made in lieu of and in full discharge of any and all obligations of the Company in respect of all subject options and any related SARs of the optionee. Notwithstanding any of the foregoing, the provisions of this subsection (b) shall not be applicable to ISOs granted under this Plan.

(c) The grant of options (or related rights) under this Plan shall in no way affect the right of the Company to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets.

10. LISTING AND REGULATORY REQUIREMENTS. No option granted pursuant to this Plan shall be exercisable in whole or in part if at any time the Option Committee shall determine in its discretion that the listing, registration or qualification of the shares of Common Stock subject to such option on any securities exchange or under any applicable law, or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition of, or in connection with, the granting of such option or the issue of shares thereunder, unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Option Committee.

11. AMENDMENT OF THE PLAN. The board of directors may from time to time amend or modify or make such changes in and additions to this Plan as it may deem desirable, without further action on the part of the stockholders of the Company; provided, however, that unless the holders of a majority of the securities of the Company present or represented and entitled to vote at a duly held meeting shall have first given their approval, then (a) the maximum number of shares of Common Stock issuable under the Plan shall not be increased (except for permissible adjustments under Section 8 hereof), (b) the benefits accruing to the participants in the Plan shall not be materially increased, and (c) the requirements as to eligibility for participation in the Plan shall not be modified. Subject to and without limiting the generality of the foregoing, the board of directors may amend or modify the Plan and any outstanding options under the Plan to the extent necessary to qualify any or all of such options or future options to be granted for such beneficial federal income tax treatment as may be afforded employee stock options under the Code or any amendments thereto or other statutes or regulations or rules (or any interpretations thereof by any applicable governmental agency or entity) which become effective after the effective date of the Plan (including without limitation any proposed or final Treasury regulations).

12. STOCKHOLDER RIGHTS. An optionee shall have none of the rights of a stockholder of the Company with respect to any shares subject to any option granted hereunder until such individual shall have exercised the option and been issued shares therefor.

13. USE OF PROCEEDS. The proceeds received by the Company from the sale of shares pursuant to the options granted under this Plan shall be used for general corporate purposes.

OCCIDENTAL PETROLEUM CORPORATION
2001 INCENTIVE COMPENSATION PLAN
(AS AMENDED THROUGH SEPTEMBER 12, 2002)

1. PURPOSE OF PLAN. The purpose of this Plan is to provide incentives and stock-based awards to promote the success of the Company and the interests of its stockholders and to align the interests of the Company's stockholders, officers and employees.

2. SHARE LIMITS. Subject to the provisions of Section 6, the capital stock that may be delivered under this Plan will be Common Shares. Subject to adjustment as provided in or pursuant to this Section 2 or Section 6:

2.1 AGGREGATE SHARE LIMITS. The maximum number of Common Shares that may be delivered pursuant to all awards granted under this Plan shall equal 17,000,000 shares. The maximum number of Common Shares that may be delivered pursuant to all awards other than stock options granted under this Plan shall equal 8,500,000 shares. The maximum number of Common Shares that may be delivered pursuant to all awards for which payment or vesting is not based upon the passage of time, stock price appreciation or the satisfaction of Performance Goals shall equal 850,000 shares.

2.2 INDIVIDUAL LIMITS. The aggregate number of Common Shares subject to all awards granted under this Plan to any one individual during any three consecutive calendar years shall be limited to 4,000,000 shares. Awards payable only in cash and not related to shares made to any one individual during any calendar year shall be limited to \$10,000,000. Awards that are cancelled during the fiscal year shall be counted against these limits only to the extent required by Section 162(m).

2.3 REISSUE OF AWARDS AND SHARES. Awards payable in cash or payable in cash or Common Shares, including restricted shares, that are forfeited, cancelled, or for any reason do not vest or are not paid under this Plan, and Common Shares that are subject to awards that expire or for any reason are terminated, cancelled, fail to vest or are otherwise settled and are not issued, as well as Common Shares reacquired pursuant to the terms of an award, shall be available for subsequent awards under this Plan. If an award under this Plan is or may be settled only in cash, such award need not be counted against any of the share limits under this Section 2, except as may be required by Section 162(m) to the extent required to preserve the status of an award as "performance-based compensation" under Section 162(m).

3. ADMINISTRATOR OF PLAN. This Plan shall be administered by the Administrator.

3.1 POWERS OF THE ADMINISTRATOR. Subject to the express provisions of this Plan, the Administrator shall be authorized and empowered to do all things necessary or desirable in connection with the authorization of awards and the administration of this Plan within its delegated authority, including, without limitation, the authority to:

(a) adopt, amend and rescind rules, regulations and procedures relating to this Plan and its administration or the awards granted under this Plan and determine the forms of awards;

(b) determine who is an Eligible Person and to which Eligible Persons, if any, awards will be granted under this Plan;

(c) grant awards to Eligible Persons and determine the terms and conditions of such awards, including but not limited to the number and value of Common Shares issuable pursuant thereto, the times (subject to Section 4.6) at which and conditions upon which awards become exercisable or vest or shall expire or terminate, and (subject to applicable law) the consideration, if any, to be paid upon receipt, exercise or vesting of awards;

(d) determine the date of grant of an award, which may be a designated date after but not before the date of the Administrator's action;

(e) determine whether, and the extent to which, adjustments are required pursuant to Section 6 hereof;

(f) interpret and construe this Plan and the terms and conditions of any award granted hereunder, whether before or after the date set forth in Section 5;

(g) determine the circumstances under which, consistent with the provisions of Section 7.2, any outstanding award may be amended and make any amendments thereto that the Administrator determines are necessary or appropriate; and

(h) acquire or settle rights under options, stock appreciation rights or other awards in cash, stock of equivalent value, or other consideration.

All authority granted herein (except as provided in Section 5) shall remain in effect so long as any award remains outstanding under this Plan.

3.2 SPECIFIC ADMINISTRATOR RESPONSIBILITY AND DISCRETION REGARDING AWARDS. Subject to the express provisions of this Plan, the Administrator, in its sole and absolute discretion, shall determine all of the terms and conditions of each award granted under this Plan, which terms and conditions may include, subject to such limitations as the Administrator may from time to time impose, among other things, provisions that:

(a) permit the recipient of such award to pay the purchase price of the Common Shares or other property issuable pursuant to such award, or any applicable tax withholding obligation upon such issuance or in respect of such award or Common Shares, in whole or in part, by any one or more of the following:

(i) cash, cash equivalent, or electronic funds transfer,

(ii) the delivery of previously owned shares of capital stock of the Company (including shares acquired as or pursuant to awards) or other property,

(iii) a reduction in the amount of Common Shares or other property otherwise issuable pursuant to such award,

(iv) a cashless exercise, or

(v) any other legal consideration the Administrator deems appropriate.

(b) accelerate the receipt and/or vesting of benefits pursuant to the award upon or in connection with (whether before, at the time of or after) the occurrence of a specified event or events, including, without limitation, a termination of employment, an event of a personal nature, an event referenced in Section 6 (in which case the Administrator's discretion shall be exercised in a manner consistent with Section 6), or otherwise, in any case as deemed appropriate by the Administrator;

(c) qualify such award as an ISO;

(d) adjust the exercisability, term (subject to other limits) or vesting schedule of any or all outstanding awards, adjust the number of Common Shares subject to any award, adjust the price of any or all outstanding awards or otherwise change previously imposed terms and conditions, in the circumstances referenced in clause (b) above or in other circumstances or upon the occurrence of other events (including events of a personal nature) as deemed appropriate by the Administrator, by amendment of an outstanding award, by substitution of an outstanding award, by waiver or by other legally valid means (which may result, among other changes, in a greater or lesser number of shares subject to the award, a shorter or longer vesting or exercise period, or, except as provided below, an exercise or purchase price that is higher or lower than the original or prior award), in each case subject to Sections 2 and 7.2; provided, however, that in no case (other than an adjustment contemplated by Section 6.2) shall the exercise price of any option or related stock appreciation right be reduced by an amendment to the award or a cancellation and re-grant of the award to effect a repricing of the award to a price below the Fair Market Value of the underlying Common Shares on the grant date of the original option or stock appreciation right unless specific stockholder consent is obtained;;

(e) authorize (subject to Sections 6, 7, and 9) the conversion, succession or substitution of one or more outstanding awards upon the occurrence of an event of the type described in Section 6 or in other circumstances or upon the occurrence of other events as deemed appropriate by the Administrator; and/or

(f) determine the value of and acquire or otherwise settle awards upon termination of employment, upon such terms as the Administrator (subject to Sections 6, 7 and 9) deems appropriate.

3.3 DECISIONS IN GOOD FAITH; RELIANCE ON EXPERTS. In making any determination or in taking or not taking any action under this Plan, the Administrator may obtain and may rely upon the advice of experts, including employees of and professional advisors to the Company. No director, officer or agent of the Company shall be liable for any such action or determination taken or made or omitted under this Plan in good faith. Any action taken by, or inaction of, the Administrator relating to or pursuant to this Plan shall be within the absolute discretion of that entity or body and shall be conclusive and binding on all persons.

3.4 DELEGATION. The Board may delegate different levels of authority to different committees with administrative and grant authority under this Plan, provided that each designated committee granting any awards hereunder shall consist exclusively of a member or members of the Board. A majority of the members of the acting committee shall constitute a quorum. The vote of a majority of the members present assuming the presence of a quorum or the unanimous written consent of the committee shall constitute action by the committee. The Administrator may delegate authority to grant awards under this Plan for new employees to an officer of the Company who is also a director and may delegate ministerial, non-discretionary functions to individuals who are officers or employees of the Company or a subsidiary or to third parties.

3.5 BIFURCATION. Notwithstanding anything to the contrary in this Plan, the provisions of this Plan may at any time be bifurcated by the Board or the Administrator in any manner so that provisions of any award agreement (or this Plan) intended or required in order to satisfy the applicable requirements of Rule 16b-3 or Section 162(m), to the extent permitted thereby, are applicable only to persons subject to those provisions and to those awards to those persons intended to satisfy the requirements of the applicable legal restriction.

4. AWARDS.

4.1 TYPE AND FORM OF AWARDS. All awards shall be evidenced in writing (including electronic form), substantially in the form approved by the Administrator, and executed on behalf of the Company and, if required by the Administrator, by the recipient of the award. The Administrator may authorize any officer (other than the particular recipient) to execute any or all agreements memorializing any grant of an award by the Administrator under this Plan. The types of awards that the Administrator may grant include, but are not limited to, any of the following, on an immediate or deferred basis, either singly, or in tandem or in combination with or in substitution for, other awards of the same or another type: (i) Common Shares, (ii) options, stock appreciation rights (including limited stock appreciation rights), restricted stock (which shall vest over a period of not less than 3 years), stock units, or similar rights to purchase or acquire shares, whether at a fixed or variable price or ratio related to the Common Shares, upon the passage of time, the occurrence of one or more events, or the satisfaction of Performance Goals or other conditions, or any combination thereof, (iii) any similar securities with a value derived from the value of or related to the Common Shares or other securities of the Company and/or returns thereon, or (iv) cash. Share-based awards may include (without limitation) stock options, stock purchase rights, stock bonuses, stock units (or deferred compensation accounts), stock appreciation rights, limited stock appreciation rights, phantom stock, dividend equivalents (independently or in tandem with any form of stock grant), dividend rights (independently or in tandem with any form of stock grant), Common Shares, any of which may be payable in Common Shares or cash, and may consist of one or more of such features in any combination. The stock units and dividend equivalents authorized hereunder include stock units and dividend equivalents with respect to the stock option gains and other awards granted under the Company's 1987 Stock Option Plan, the Company's 1995 Incentive Stock Plan and this Plan and deferred under the Company's Deferred Stock Program.

4.2 PERFORMANCE-BASED AWARDS. Any of the types of awards listed in Section 4.1 may be granted as Performance-Based Awards.

4.2.1 SECTION 162(M) AWARDS. The Administrator has discretion to determine if any Performance-Based Award is intended to be a Section 162(m) Award. Section 162(m) Awards shall be subject to the following rules and restrictions:

(a) Performance Goals. The specific Performance Goals in respect of Section 162(m) Awards, other than Qualifying Options, must be approved by the Administrator in advance of any applicable deadlines under Section 162(m) and while the performance relating to those goals remains substantially uncertain within the meaning thereof;

(b) Class. The eligible class of persons for Section 162(m) Awards shall be executive officers of the Company and its subsidiaries and, in the discretion of the Administrator, other employees of the

Company or its subsidiaries who are designated by the Administrator to receive a Section 162(m) Award because they may be executive officers of the Company or its subsidiaries by the time their awards are exercised, vested or paid.

(c) Certification of Payment. Except as otherwise permitted under Section 162(m), before any Section 162(m) Award is paid, the Administrator must certify that the Performance Goal and any other material terms of the Section 162(m) Award were in fact satisfied.

4.2.2 RESERVATION OF DISCRETION. The Administrator shall have discretion to determine the conditions, restrictions or other limitations, in accordance with the terms of this Plan and, in the case of Section 162(m) Awards, the limitations of Section 162(m), on the payment of individual Performance-Based Awards under this Section 4.2. The Administrator may reserve by express provision in any award agreement the right to reduce the amount payable in accordance with any standards or on any other basis (including the Administrator's discretion), as the Administrator may impose.

4.2.3 ADJUSTMENTS. Performance Goals or other features of an award under this Section 4.2 may be (i) adjusted to reflect a change in corporate capitalization, a corporate transaction (such as a reorganization, combination, separation, merger, acquisition, or any combination of the foregoing) or a complete or partial corporate liquidation, or (ii) calculated either without regard for or to reflect any change in accounting policies or practices affecting the Company and/or the Performance Objectives or Performance Goals, or (iii) adjusted for any other circumstances or event, or (iv) any combination of (i) through (iii), but only to the extent in each case that such adjustment or determination in respect of Section 162(m) Awards would be consistent with the requirements of Section 162(m) to qualify as performance-based compensation.

4.3 CONSIDERATION FOR SHARES. Common Shares may be issued pursuant to an award for any lawful consideration as determined by the Administrator, including, without limitation, services rendered by the recipient of such award, but shall not be issued for less than the minimum lawful consideration. Awards may be payable in cash, stock or other consideration or any combination thereof, as the Administrator shall designate in or (except as required by Section 4.2) by amendment to the award agreement.

4.4 LIMITED RIGHTS. Except as otherwise expressly authorized by the Administrator or this Plan or in the applicable award agreement, a participant will not be entitled to any privilege of stock ownership as to any Common Shares not actually delivered to and held of record by the participant. No adjustment will be made for dividends or other rights as a stockholder for which a record date is prior to such date of delivery.

4.5 OPTION/STOCK APPRECIATION RIGHT PRICING LIMITS. The purchase price per share of the Common Shares covered by any option or the base price of any stock appreciation right shall be determined by the Administrator at the time of the grant, but shall not be less than 100% of the Fair Market Value of the Common Shares on the date of grant.

4.6 TERM LIMITS. Any option, stock appreciation right, warrant or similar right shall expire and any other award shall vest not more than 10 years after the date of grant. An award may be converted or convertible, notwithstanding the foregoing limits, into or payable in, Common Shares or another award that otherwise satisfies the requirements of this Plan.

4.7 TRANSFER RESTRICTIONS. Unless otherwise expressly provided in or permitted by this Section 4.7, by applicable law or by the award agreement, as the same may be amended, (i) all awards are non-transferable and shall not be subject in any manner to sale, transfer, anticipation, alienation, assignment, pledge, encumbrance or charge; (ii) awards shall be exercised only by the holder; and (iii) amounts payable or shares issuable pursuant to an award shall be delivered only to (or for the account of) the holder.

4.7.1 EXCEPTIONS BY ADMINISTRATOR ACTION. The Administrator, in its sole discretion, may permit an award to be transferred to, exercised by and paid to certain persons or entities related to the participant, including but not limited to members of the participant's family, or trusts or other entities whose beneficiaries or beneficial owners are members of the participant's family, or to such other persons or entities as may be expressly approved by the Administrator, pursuant to such conditions and procedures as the Administrator may establish. Any permitted transfer shall be subject to the condition that the Administrator receive evidence satisfactory to it that the transfer is being made for estate and/or tax planning purposes and on a basis consistent with the Company's lawful issue of securities and the incentive purposes of the award and this Plan. Notwithstanding the foregoing, awards

intended as ISOs or restricted stock awards for purposes of the Code shall be subject to any and all additional transfer restrictions necessary to preserve their status as ISOs or restricted shares, as the case may be, under the Code.

4.7.2 EXCLUSIONS. The exercise and transfer restrictions in this Section 4.7 shall not apply to:

(a) transfers to the Company,

(b) the designation of a beneficiary to receive benefits in the event of the participant's death or, if the participant has died, transfers to or exercise by the participant's beneficiary, or, in the absence of a validly designated beneficiary, transfers by will or the laws of descent and distribution,

(c) transfers pursuant to a domestic relations order (if approved or ratified by the Administrator), if (in the case of ISOs) permitted by the Code,

(d) if the participant has suffered a disability, permitted transfers to or exercises on behalf of the holder by his or her legal representative, or

(e) the authorization by the Administrator of "cashless exercise" procedures with third parties who finance or who otherwise facilitate the exercise of awards consistent with applicable laws and the express authorization of the Administrator.

4.8 TAX WITHHOLDING. Upon any exercise, vesting, or payment of any award, the Company shall:

(a) require the recipient (or his or her heirs, personal representatives or beneficiaries, as the case may be) to pay or provide for payment of the amount of any taxes which the Company or any subsidiary may be required to withhold with respect to such transaction; or

(b) deduct from any amount payable in cash the amount of any taxes that the Company or any subsidiary may be required to withhold with respect to such cash amount.

4.8.1 POSSIBLE SHARE OFFSET. In any case where a tax is required to be withheld in connection with the delivery of Common Shares under this Plan, the Administrator may require or may permit (either at the time of the award or thereafter) the holder the right to offset, pursuant to such rules and subject to such conditions as the Administrator may establish, the number of shares to be delivered by (or otherwise reacquire) the appropriate number of shares valued at their then Fair Market Value, to satisfy such withholding obligation.

4.9 CASH AWARDS. The Administrator shall have the express authority to pay awards in cash under this Plan, whether in lieu of, in addition to or as part of another award.

5. TERM OF PLAN. No award shall be granted under this Plan after the tenth anniversary of the Effective Date of this Plan. After that date, this Plan shall continue in effect as to then outstanding awards. Any then outstanding award may be amended thereafter in any manner that would have been permitted earlier, except that no such amendment shall increase the number of shares subject to, comprising or referenced in the award or reduce the exercise or base price of an option or stock appreciation right or permit cash payments in an amount that exceeds the limits of Section 2 (as adjusted pursuant to Section 6.2

6. ADJUSTMENTS; CHANGE IN CONTROL.

6.1 CHANGE IN CONTROL; ACCELERATION AND TERMINATION OF AWARDS. Unless prior to a Change in Control Event, the Administrator determines that, upon its occurrence, benefits under any or all awards will not accelerate or determines that only certain or limited benefits under any or all awards will be accelerated and the extent to which they will be accelerated, and/or establishes a different time in respect of such Change in Control Event for such acceleration, then upon the occurrence of a Change in Control Event:

(a) each option and stock appreciation right shall become immediately exercisable,

(b) restricted stock shall immediately vest free of restrictions,

(c) each award under Section 4.2 shall become payable to the participant,

(d) the number of shares covered by each stock unit account shall be issued to the participant, and

(e) any other rights of a participant under any other award will be accelerated to give the participant the benefit intended under any such award.

In the case of a transaction intended to be accounted for as a pooling of interests transaction, the Administrator will have no discretion with respect to these events if the exercise of such discretion would cause the transaction to no longer be accounted for as a pooling of interests transaction.

The Administrator may override the limitations on acceleration in this Section 6.1 by express provision in the award agreement and may accord any Eligible Person a right to refuse any acceleration, whether pursuant to the award agreement or otherwise, in such circumstances as the Administrator may approve. Any acceleration of awards shall comply with applicable legal and regulatory requirements. Without limiting the generality of the foregoing, the Administrator may deem an acceleration to occur immediately prior to or up to 30 days before the applicable event and/or reinstate the original terms of an award if an event giving rise to an acceleration does not occur.

If any option or other right to acquire Common Shares under this Plan has been fully accelerated as required or permitted by this Plan but is not exercised prior to (i) a dissolution of the Company, or (ii) an event described in this Section 6.1 that the Company does not survive, or (iii) the consummation of an event described in Section 6.2 involving a Change in Control Event approved by the Board, such option or right will terminate, subject to any provision that has been expressly made by the Administrator or the Board through a plan of reorganization approved by the Board or otherwise for the survival, substitution, assumption, exchange or other settlement of such option or right.

6.2 ADJUSTMENTS. The following provisions will apply if any extraordinary dividend or other extraordinary distribution occurs in respect of the Common Shares (whether in the form of cash, Common Shares, other securities, or other property), or any reclassification, recapitalization, stock split (including a stock split in the form of a stock dividend), reverse stock split, reorganization, merger, combination, consolidation, split-up, spin-off, repurchase, or exchange of Common Shares or other securities of the Company, or any similar, unusual or extraordinary corporate transaction (or event in respect of the Common Shares) or a sale of substantially all the assets of the Company as an entirety occurs. The Administrator will, in such manner and to such extent (if any) as it deems appropriate and equitable:

(a) proportionately adjust any or all of (i) the number and type of shares of Common Shares (or other securities) that thereafter may be made the subject of awards (including the specific maxima and numbers of shares set forth elsewhere in this Plan), (ii) the number, amount and type of shares of Common Shares (or other securities or property) subject to any or all outstanding awards, (iii) the grant, purchase, or exercise price of any or all outstanding awards, (iv) the securities, cash or other property deliverable upon exercise of any outstanding awards, or (v) the Performance Goals or Performance Objectives appropriate to any outstanding awards, or

(b) in the case of an extraordinary dividend or other distribution, recapitalization, reclassification, merger, reorganization, consolidation, combination, sale of assets, split up, exchange, or spin off, make provision for a cash payment or for the substitution or exchange of any or all outstanding awards or the cash, securities or property deliverable to the holder of any or all outstanding awards based upon the distribution or consideration payable to holders of the Common Shares of the Company upon or in respect of such event.

In each case, with respect to awards of ISOs, no such adjustment will be made that would cause this Plan to violate Section 422 or 424 of the Code or any successor provisions without the written consent of holders materially adversely affected thereby. In any of such events, the Administrator may take such action sufficiently prior to such event if necessary or deemed appropriate to permit the participant to realize the benefits intended to be conveyed with respect to the underlying shares in the same manner as is available to stockholders generally.

7. PLAN AMENDMENT AND TERMINATION.

7.1 AUTHORITY OF THE BOARD. Subject to Sections 7.2 and 7.3, the Board may amend or terminate this Plan at any time and in any manner.

7.2 RESTRICTIONS. No amendment or termination of this Plan or change in or affecting any outstanding award shall deprive in any material respect the holder, without the consent of the holder, of any of his or her rights or benefits under or with respect to the award. Adjustments contemplated by Section 6 shall not be deemed to constitute a change requiring such consent.

7.3 STOCKHOLDER APPROVAL. Stockholder approval shall be required for any amendment to this Plan that would:

(a) materially increase the benefits accruing to participants under this Plan,

(b) materially increase the number of securities which may be issued under this Plan, or

(c) materially modify the requirements as to eligibility for participation in this Plan.

8. EFFECTIVE DATE. This Plan shall be effective as of the date of the Company's 2001 annual meeting of stockholders, subject to the approval of this Plan by the requisite vote of stockholders at that meeting.

9. LEGAL MATTERS.

9.1 COMPLIANCE AND CHOICE OF LAW; SEVERABILITY. This Plan, the granting and vesting of awards under this Plan and the issuance and delivery of Common Shares and/or the payment of money under this Plan or under awards granted hereunder are subject to compliance with all applicable federal and state laws, rules and regulations (including but not limited to state and federal securities and banking laws) and to such approvals by any listing, regulatory or governmental authority as may, in the opinion of counsel for the Company, be necessary or advisable in connection therewith. Any securities delivered under this Plan shall be subject to such restrictions as the Company may deem necessary or desirable to assure compliance with all applicable legal requirements. This Plan, the awards, all documents evidencing awards and all other related documents shall be governed by, and construed in accordance with the laws of the state of Delaware. If any provision shall be held by a court of competent jurisdiction to be invalid and unenforceable, the remaining provisions of this Plan shall continue in effect.

9.2 NON-EXCLUSIVITY OF PLAN. Nothing in this Plan shall limit or be deemed to limit the authority of the Board or the Administrator to grant awards or authorize any other compensation, with or without reference to the Common Shares, under any other plan or authority.

9.3 NO EMPLOYMENT CONTRACT. Nothing contained in this Plan (or in any other documents relating to this Plan or to any award) shall confer upon any Eligible Person or other participant any right to continue in the employ or other service of the Company or any subsidiary or constitute any contract or agreement of employment or other service, nor shall interfere in any way with the right of the Company or any subsidiary to change such person's compensation or other benefits or to terminate the employment of such person, with or without cause.

10. MISCELLANEOUS.

10.1 UNFUNDED PLAN. Unless otherwise determined by the Administrator, this Plan shall be unfunded and shall not create (or be construed to create) a trust or a separate fund or funds. This Plan shall not establish any fiduciary relationship between the Company or any subsidiary and any participant or other person. To the extent any person holds any rights by virtue of awards granted under this Plan, such rights (unless otherwise determined by the Administrator) shall be no greater than the rights of an unsecured general creditor of the Company.

10.2 AWARDS NOT COMPENSATION. Unless otherwise determined by the Administrator, settlements of awards received by participants under this Plan shall not be deemed a part of a participant's regular, recurring compensation for purposes of calculating payments or benefits from any Company benefit plan, severance program or severance pay law of any country. Further, the Company may adopt other compensation programs, plans or arrangements as it deems appropriate or necessary.

10.3 FRACTIONAL SHARES. The Company shall not be required to issue any fractional Common Shares pursuant to this Plan. The Administrator may provide for the elimination of fractions or for the settlement thereof in cash.

10.4 FOREIGN PARTICIPANTS. No award shall be made to a participant who is a foreign national or who is employed by the Company or any subsidiary outside the United States of America if such award would violate applicable local law. In order to facilitate the making of an award, the Administrator may provide for such special

terms for awards to participants who are foreign nationals, or who are employed by the Company or any subsidiary outside of the United States of America, as the Administrator may consider necessary or appropriate to accommodate differences in local law, tax policy or custom. Moreover, the Administrator may approve such supplements to or amendments to this Plan as it may consider necessary or appropriate for such purposes unless stockholder approval for any such change would be required in accordance with the provisions of Section 7.

10.5 DEFERRAL. The Administrator may authorize, subject to such requirements or restrictions as it may impose, the deferral of any payment of cash or delivery of Common Shares or other property that may become due or payable under this Plan.

11. DEFINITIONS.

"ADMINISTRATOR" means the Compensation Committee of the Board or its successor, which shall be composed of not less than two members of the Board, each of whom shall be a "disinterested person" within the meaning of Rule 16b-3 and an "outside director" within the meaning of Section 162(m).

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

"BUSINESS COMBINATION" means 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.

"CHANGE IN CONTROL 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 Change in Control Event under clause (b) below;

(b) Consummation of a Business Combination, unless (1) as a result of the Business Combination, more than 50% of the outstanding voting power of the Successor Entity immediately after the reorganization is, or will be, owned, directly or indirectly, by holders of the Company's voting securities immediately before the Business Combination; (2) no "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act), excluding the Successor Entity or 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 (3) 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 (1) an acquisition directly from the Company; (2) an acquisition by the Company; or (3) 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.

"CODE" means the Internal Revenue Code of 1986, as amended from time to time.

"COMMON SHARES" mean the Company's Common Stock, par value \$0.20 per share.

"COMPANY" means Occidental Petroleum Corporation, a Delaware corporation.

"EFFECTIVE DATE" means the date this Plan shall become effective, as set forth in Section 9 herein.

"ELIGIBLE PERSON" means any person who is an officer or employee of the Company or any of its subsidiaries.

"EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended from time to time.

"EXCLUDED PERSON" means 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.

"FAIR MARKET VALUE" means the last reported sales price of a share of Common Share on the New York Stock Exchange - Composite Transactions on the relevant date or, if there are no reported sales on such date, then the last reported sales price on the next preceding day on which such a sale is transacted.

"ISO" means an incentive stock option qualified under Section 422 of the Code.

"PERFORMANCE-BASED AWARD" means an award whose grant, vesting, exercisability or payment depends upon on any one or more of the Performance Objectives, in each case relative to Performance Goals, on an absolute or relative basis (including comparisons to peer companies) or ratio with other Performance Objectives, either as reported currency or constant currency, pre-tax or after-tax, before or after special charges, for the Company on a consolidated basis or for one or more subsidiaries, segments, divisions or business units, or any combination of the foregoing. The applicable performance period may range from one to five years.

"PERFORMANCE GOAL" means a preestablished targeted level or levels of any one or more Performance Objectives.

"PERFORMANCE OBJECTIVES" mean any one or more of the following business criteria: A/R day sales outstanding, A/R to sales, debt, debt to debt plus stockholder equity, debt to EBIT or EBITDA, EBIT, EBITDA, EPS, EVA, expense reduction, interest coverage, inventory to sales, inventory turns, net income, operating cash flow, pre-tax margin, return on assets, return on capital employed, return on equity, sales, stock price appreciation, and total stockholder return (TSR), as defined further in Appendix A. These terms are used as applied under generally accepted accounting principles (if applicable) and in the Company's financial reporting.

"PLAN" means this Occidental Petroleum Corporation 2001 Incentive Compensation Plan, as it may hereafter be amended from time to time.

"QUALIFYING OPTIONS" mean options and stock appreciation rights granted with an exercise price not less than Fair Market Value on the date of grant. Qualifying Options are Performance Based-Awards.

"RULE 16B-3" means Rule 16b-3 under Section 16 of the Exchange Act.

"SECTION 162(M)" means Section 162(m) of the Code and the applicable regulations and interpretations thereunder.

"SECTION 162(M) AWARD" means a Performance-Based Award intended to satisfy the requirements for "performance-based compensation" within the meaning of Section 162(m).

"SHARE LIMIT" means the maximum number of Common Shares, as adjusted, that may be delivered pursuant to all awards granted under this Plan.

"SUCCESSOR ENTITY" means the surviving or resulting entity or a parent thereof of a Business Combination.

APPENDIX A TO 2001 INCENTIVE COMPENSATION PLAN
PERFORMANCE OBJECTIVES

The Performance Objectives shall have the meanings set forth below, in each case as reported in the financial statements of the Company or applicable subsidiary, division, segment, or unit ("financial statements").

A/R DAY SALES OUTSTANDING means trade accounts receivable (A/R)(net of reserves) divided by latest historical day Sales.

A/R TO SALES means the ratio of accounts receivable to Sales.

DEBT means all accounts classified as such in the financial statements.

DEBT TO DEBT PLUS STOCKHOLDER EQUITY means the ratio of Debt to Debt plus stockholder equity.

DEBT TO EBIT OR EBITDA means the ratio of Debt to EBIT or EBITDA.

EBIT means Net Income before interest expense and taxes, which may be adjusted for special charges, if any.

EBITDA means Net Income before interest expense, taxes, depreciation and amortization, which may be adjusted for special charges, if any.

EPS means Net Income divided by the weighted average number of Common Shares outstanding. The shares outstanding may be adjusted to include the dilutive effect of stock options, restricted stock and other dilutive financial instruments as required by generally accepted accounting principles.

EVA means operating profit after tax (OPAT) (which is defined as Net Income after tax but before tax adjusted interest income and expense and goodwill amortization), less a charge for the use of capital (average total capital as such term is used below under "Return on Capital Employed"). Net Income may be adjusted for special charges and acquisition activity costs, if any. The charge for capital is the percentage cost of capital times the average total capital. The cost of capital is the weighted average cost of capital as calculated for the Company.

EXPENSE REDUCTION means reduction in actual expense or an improvement in the expense to Sales ratio compared to a target or prior year actual expense to Sales ratio, which may be adjusted for special charges, if any.

INTEREST COVERAGE means the ratio of EBIT or EBITDA to interest expense. Net Income may be adjusted for special charges.

INVENTORY TO SALES means the ratio of total inventory to Sales.

INVENTORY TURNS means the ratio of total cost of goods sold on a historical basis to average net inventory. This ratio may be adjusted for special charges, if any.

NET INCOME means the difference between total Sales plus other revenues and net total costs and expenses, including income taxes.

OPERATING CASH FLOW means the net cash provided by operating activities less net cash used by operations and investing activities as shown on the statement of cash flows. The numbers relating to the foregoing may be adjusted for special charges, if any.

PRE-TAX MARGIN means the ratio of earnings before income taxes to Sales. Earnings may be adjusted for special charges, if any.

RETURN ON ASSETS means the ratio of Net Income to total average assets including goodwill. Earnings may be adjusted for special charges and goodwill amortization for comparative purposes.

RETURN ON CAPITAL EMPLOYED means the ratio of Net Income plus tax-effected interest expense to long-term Debt plus stockholder equity.

RETURN ON EQUITY means the ratio of Net Income to stockholder equity.

SALES means sales, service and rental income from third parties net of discounts, returns and allowances.

STOCK PRICE APPRECIATION means an increase, or an average annualized increase, in the stock price or market value of the Common Shares of the Company after purchase of, or the date of grant of, an award or above a specified stock price.

TOTAL STOCKHOLDER RETURN OR TSR means the appreciation in the price of a Common Share plus reinvested dividends over a specified period of time.

OCCIDENTAL PETROLEUM CORPORATION
DEFERRED STOCK PROGRAM

OCCIDENTAL PETROLEUM CORPORATION
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OCCIDENTAL PETROLEUM CORPORATION
DEFERRED STOCK PROGRAM

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OCCIDENTAL PETROLEUM CORPORATION
DEFERRED STOCK PROGRAM

This document sets forth the terms of the Occidental Petroleum Corporation Deferred Stock Program (the "Program"), effective as of September 12, 2002. This document amends and supersedes the Deferred Settlement Rules and Procedures previously established with respect to Restricted Stock Awards and Performance Stock Awards and applies to amounts previously deferred under those Deferred Settlement Rules and Procedures.

This Program is intended to be an unfunded program maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees as described in Section 201(2), 301(a)(3) and 401(a)(1) of the Employee Retirement Income Security Act of 1974, as amended.

ARTICLE I
PURPOSES AND AUTHORIZED SHARES

1.1 Purposes. The purposes of the Program are to promote the ownership and retention of shares of common stock of Occidental Petroleum Corporation by its executives and to allow executives to accumulate additional retirement income through deferrals of receipt of common stock of Occidental Petroleum Corporation under its Stock Plans.

1.2 Shares Available. The number of Shares that may be issued under each of the 1987 Plan, the 1995 Plan and the 2001 Plan as part of this Program is limited to the sum of the following: (a) the aggregate number of Shares that were the subject of the Qualifying Options granted under such Stock Plan that are exercised pursuant to Article III in exchange for the crediting of Deferred Shares under this Program, (b) the aggregate number of Shares that were subject to Qualifying Restricted Stock Awards granted under such Stock Plan that Participants elect pursuant to Section 4.1 to defer in the form of Deferred Shares under this Program, (c) the aggregate number of Shares that were subject to Qualifying Performance Stock Awards granted under such Stock Plan that Participants elect pursuant to Section 4.1 to defer in the form of Deferred Shares under this Program, and (d) the aggregate number of Share units subject to Qualifying Restricted Share Unit Awards granted under such Stock Plan that vest and are credited in the form of Deferred Shares under this Program as described in Section 5.1(b). Deferred Shares credited to Participants' Deferred Share Accounts under this Program may accrue Dividend Equivalents that may be credited in the form of additional Deferred Shares and paid to Participants under this Program in the form of Shares. If the number of Shares payable under this Program would exceed one or more of the limits described in the preceding sentence because of the accumulation of Deferred Shares in respect of Dividend Equivalents, such excess Shares shall be issued and charged against the Share limits under the 2001 Plan. If insufficient Shares remain under the 2001 Plan for the accumulation of Dividend Equivalents, Dividend Equivalents may be paid (in the sole discretion of the Committee) in cash.

1.3 Relationship to Plans. This Program constitutes a deferred compensation plan providing alternative settlements under and as contemplated by the Stock Plans in respect of Qualifying Stock Options, Qualifying Restricted Stock Awards, Qualifying Restricted Share Unit Awards and Qualifying Performance Stock Awards granted thereunder. This Program also contemplates the grant of Deferred Shares under and as contemplated by the Stock Plans. This Program and all rights under it are provided and shall be subject to and construed consistently with the other terms of the 1987 Plan, the 1995 Plan or the 2001 Plan, as the case may be.

ARTICLE II
DEFINITIONS

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

Affiliate. "Affiliate" means: (a) 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 (b) 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)).

Already-Owned Shares. "Already-Owned Shares" means Shares owned by an Eligible Person; provided, however, that Shares acquired by an Eligible Person from the Company under an option or other employee benefit plan maintained by the Company or otherwise must be held by the Eligible Person for at least six (6) months in order to qualify as Already-Owned Shares and, if Shares are used to pay the exercise price of an option or other award, such Shares may not be reused as payment of the exercise price of another option or award within six (6) months of such prior use.

Alternative Exercise. "Alternative Exercise" means the exercise of all or a portion of a Qualifying Stock Option using Already-Owned Shares in exchange for a combination of Exercise Shares and Deferred Shares under this Program.

Alternative Exercise Election. "Alternative Exercise Election" means an election executed by an Eligible Person in accordance with Sections 3.1 and 3.2 of this Program pursuant to which the Eligible Person elects to defer that portion of the proceeds of the exercise of the Qualifying Option equal to the spread in the form of Deferred Shares.

Beneficiary. "Beneficiary" means the person or persons designated as such in accordance with Section 9.2.

Board. "Board" means the Board of Directors of the Corporation.

Change in Control. "Change in Control" 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 Change in Control 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 to 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 Change in Control shall not occur if, prior to the Change in Control, the Executive Compensation and Human Resources Committee of the Board deems such an event to not be a Change in Control for the purposes of this Program.

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

Committee. "Committee" means the administrative committee appointed to administer the Program pursuant to Article VI.

Common Stock. "Common Stock" means the Corporation's common stock, par value \$.20 per share, subject to adjustment pursuant to Section 5.5 of this Program.

Company. "Company" means the Corporation and any Affiliates.

Conversion Date. "Conversion Date" means the date that the Eligible Person exercises all or a portion of a Qualifying Option in accordance with the Alternative Exercise procedures under this Program.

Corporation. "Corporation" means Occidental Petroleum Corporation, a Delaware corporation, and any successor corporation.

Current Dividend Equivalent. "Current Dividend Equivalent" means a Dividend Equivalent paid to the Participant in the form of cash at the same time as dividends are paid on Shares to the Corporation's shareholders.

Deferred Dividend Equivalent. "Deferred Dividend Equivalent" means a Dividend Equivalent credited to a Participant's Deferred Share Account in the form of additional Deferred Shares (rounded to four decimal places) and paid to the Participant in the form of Shares at the same time that the other Deferred Shares credited to the Participant's Deferred Share Account are distributed in the form of Shares to the Participant.

Deferred Settlement Rules and Procedures. "Deferred Settlement Rules and Procedures" means the rules and procedures established under the 1995 Plan by the Committee prior to the adoption of this Program to allow the holders of any Restricted Stock Award and the holders of any Performance Stock Award to elect to defer the delivery of Shares that become vested under such Restricted Stock Award or Performance Stock Award until termination of the holder's employment with the Company.

Deferred Share. "Deferred Share" means a non-voting unit of measurement which is deemed solely for bookkeeping purposes to be equivalent to one outstanding Share (subject to Section 5.5) solely for purposes of this Program.

Deferred Share Account. "Deferred Share Account" means the bookkeeping account maintained by the Company on behalf of each Participant that is credited with Deferred Shares in accordance with Sections 5.1(a) and/or 5.1(b) and Dividend Equivalents thereon in accordance with Section 5.2.

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

Distribution Election Form. "Distribution Election Form" means an election form provided by the Committee on which a Participant may elect an alternative form of distribution, which election will be effective only if the Participant's termination of employment with the Company occurs on or after becoming eligible for Retirement, as provided in Section 5.4(c).

Dividend Equivalent. "Dividend Equivalent" means the amount of cash dividends or other cash distributions paid by the Corporation on that number of Shares equal to the number of Deferred Shares credited to a Participant's Deferred Share Account as of the applicable record date for the dividend or other distribution, which amount shall be either credited as a Deferred Dividend Equivalent to the Deferred Share Account of the Participant or paid to the Participant as a Current Dividend Equivalent in accordance with the terms of Section 5.2.

Effective Date. "Effective Date" means September 12, 2002.

Eligible Person. "Eligible Person" means any employee of the Company who holds a Qualifying Option, Qualifying Performance Stock Award, Qualifying Restricted Share Unit Award or Qualifying Restricted Stock Award granted under one of the Stock Plans.

Exchange Act. "Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time.

Exercise Shares. "Exercise Shares" means the Shares delivered by the Corporation upon the Alternative Exercise of a Qualifying Option in accordance with Section 3.2(a).

Fair Market Value. "Fair Market Value" has the meaning given to such term in the 2001 Plan.

Gain Shares. "Gain Shares" means the number of shares deferred under this Program upon the Alternate Exercise of a Qualifying Option as determined under Section 3.2(a).

1987 Plan. "1987 Plan" means the Occidental Petroleum Corporation 1987 Stock Option Plan, as amended from time to time.

1995 Plan. "1995 Plan" means the Occidental Petroleum Corporation 1995 Incentive Stock Plan, as amended from time to time.

Other Qualifying Stock Award. "Other Qualifying Stock Award" means a Qualifying Restricted Stock Award, a Qualifying Performance Stock Award or a Qualifying Restricted Share Unit Award.

Participant. "Participant" means any person who has Deferred Shares credited to a Deferred Share Account under this Program.

Performance Stock Award. "Performance Stock Award" means an award of "Performance Stock" under and as defined in the 1995 Plan or a "Performance-Based Award" under and as defined in the 2001 Plan.

Program. "Program" means this Occidental Petroleum Corporation Deferred Stock Program, as it may be amended from time to time.

Qualifying Option or Qualifying Stock Option. "Qualifying Option or Qualifying Stock Option" means any nonqualified stock option granted before or after the Effective Date under one of the Stock Plans to one of the current Section 16 Officers listed in Appendix B hereto or to any employee who is subsequently designated a Section 16 Officer by the Executive Compensation and Human Resources Committee or the Board; provided, however, that an option shall not be a Qualifying Stock Option if either (a) it will expire, by its terms, before the end of the six-month period commencing with the date that the Alternative Exercise Election is received by the Corporation or (b) the option holder ceases to be a designated Section 16 Officer before the Alternative Exercise Election is received by the Corporation. In addition, any nonqualified stock option granted before or after the Effective Date under one of the Stock Plans to an employee of the Company shall automatically become a Qualifying Stock Option if and at such time as such employee is designated a Section 16 Officer by the Executive Compensation and Human Resources Committee or the Board after the date of grant; provided, however, that such an option shall not be a Qualifying Stock Option if either (a) it will expire by its terms, before the end of the six-month period commencing with the date that the Alternative Exercise Election is received by the Corporation or (b) the option holder ceases to be a designated Section 16 Officer before the Alternative Exercise Election is received by the Corporation.

Qualifying Performance Stock Award. "Qualifying Performance Stock Award" means (a) any Performance Stock Award granted under one of the Stock Plans prior to the Effective Date and (b) any Performance Stock Award granted under the 2001 Plan after the Effective Date unless otherwise provided by the Executive Compensation and Human Resources Committee in the award agreement evidencing such Performance Stock Award.

Qualifying Restricted Share Unit Award. "Qualifying Restricted Share Unit Award" means a Restricted Share Unit Award that, by its terms, delays the delivery of Shares subject to the Restricted Share Unit Award that become vested to termination of the holder's employment with the Company.

Qualifying Restricted Stock Award. "Qualifying Restricted Stock Award" means (a) any Restricted Stock Award granted under one of the Stock Plans prior to the Effective Date and (b) any Restricted Stock Award granted under the 2001 Plan after the Effective Date unless otherwise provided by the Executive Compensation and Human Resources Committee in the award agreement evidencing such Restricted Stock Award.

Restricted Share Unit Award. "Restricted Share Unit Award" means a grant of restricted units, with each such unit representing the right to receive one Share under the 2001 Plan.

Restricted Stock Award. "Restricted Stock Award" means a grant of restricted stock under the 1995 Plan or the 2001 Plan.

Retires. "Retires" means terminates employment on or after qualifying for Retirement.

Retirement. "Retirement" means (a) the termination of a Participant's employment with the Company for reasons other than Disability or death after the Participant

attains age 65, (b) 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 (c) 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 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 Plan. "Retirement Plan" means the Occidental Petroleum Corporation Retirement Plan, as amended from time to time.

Rule 16b-3. "Rule 16b-3" means Rule 16b-3 promulgated under the Exchange Act.

Section 16 Officer. "Section 16 Officer" means an officer of the Corporation as defined in Rule 16a-1(f) promulgated under the Exchange Act.

Share. "Share" means a share of Common Stock.

Stock Plans. "Stock Plans" means the 1987 Plan, the 1995 Plan and the 2001 Plan.

2001 Plan. "2001 Plan" means the Occidental Petroleum Corporation 2001 Incentive Compensation Plan.

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

ARTICLE III
OPTION GAIN DEFERRALS

3.1 Participation.

(a) General Participation Requirements. An Eligible Person may elect to exercise a Qualifying Option under and subject to the Alternative Exercise provisions set forth herein and to receive a credit of Deferred Shares under this Program. Any such election must apply to all Shares subject to the Qualifying Option.

(b) Manner and Timing of Election. An election to Alternatively Exercise a Qualifying Option may only be made by an Eligible Person by completing and executing a form of Alternative Exercise Election that meets the requirements of Section 3.2 and submitting such form to the Corporation after the Effective Date. Any election received by the Corporation within six (6) months of the expiration of an option will be void and have no effect.

(c) Committee's Right to Refuse to Accept Alternative Exercise Election. The Committee, in its sole discretion, may refuse to accept any Alternative Exercise Election within the 30-day period following the date such Alternative Exercise Election is received by the Corporation. Notice of any refusal to accept an Alternative Exercise Election shall be delivered in writing to the Eligible Person as soon as administratively practicable following the end of the Committee's 30-day review period.

3.2 Alternative Exercise of Options.

(a) Form of Election. Each Alternative Exercise Election with respect to a Qualifying Stock Option shall be in the form attached hereto as Exhibit A or any other form approved by the Committee. Each such Alternative Exercise Election shall specify the Qualifying Stock Option that the Eligible Person elects to exercise under this Program and shall provide that (i) the Eligible Person will exercise such Qualifying Stock Option by paying the exercise price with Already-Owned Shares having an aggregate Fair Market Value (on the date preceding the date of the Alternative Exercise) equal to the exercise price for the number of Shares with respect to which the Qualifying Stock Option is exercised and (ii), upon exercise, the Company will (A) deliver to the Eligible Person the same number of Shares used by the Eligible Employee to pay the exercise price of the Qualifying Stock Option and (B), in lieu of the remainder of the Shares which would otherwise be delivered to the Eligible Person (the "Gain Shares"), credit to a Deferred Share Account established for the Eligible Person Deferred Shares equal in number to the number of Gain Shares. An Alternative Exercise Election is irrevocable by the Eligible Person once it is received by the Corporation.

(b) Limited Ability to Exercise Option. Any Qualifying Option that is subject to an Alternative Exercise Election may not be exercised at all during the six-month period following the date the Corporation receives the Eligible Person's Alternative Exercise Election.

(c) Termination of Alternative Exercise Elections. An Eligible Person's Alternative Exercise Election shall terminate and the related Qualifying Option may be exercised for actual Shares in accordance with the terms of the Qualifying Option without regard to the Alternative Exercise Election or the restriction set forth in Section 3.2(b) in the following

circumstances: (i) an Eligible Person's Alternative Exercise Election is timely refused by the Committee, (ii) an Eligible Person's employment with the Company (including any Affiliate) is terminated, or (iii), unless the Committee otherwise provides, a Change in Control occurs. In addition, an Eligible Person's Alternative Exercise Election shall terminate and the related Qualifying Option may be exercised for actual Shares in accordance with the terms of the Qualifying Option without regard to the Alternative Exercise Election on the date on which the Eligible Person ceases to be a designated Section 16 Officer. If the Corporation unilaterally refuses to honor an Alternative Exercise of a Qualifying Option pursuant to Section 9.8, the Alternative Exercise Election with respect to such Qualifying Option shall terminate and such Qualifying Option shall be exercisable for actual Shares in accordance with its terms without regard to the Alternative Exercise Election or the terms of the Qualifying Option regarding Alternative Exercise.

(d) Other Terms of Alternative Exercise Elections. No Alternative Exercise Election shall have the effect of extending the term or otherwise changing the terms of any Qualifying Option (except as expressly contemplated hereby in respect of the consequences of an Alternative Exercise). No Alternative Exercise Election may be amended or terminated except as specifically provided herein.

ARTICLE IV
DEFERRAL OF OTHER STOCK AWARDS

4.1 Deferrals of Restricted Stock and Performance Stock.

(a) Participation. An Eligible Person may make an advance election to forego the delivery of Shares upon the vesting of a Qualifying Restricted Stock Award or a Qualifying Performance Stock Award and to receive a credit of Deferred Shares under this Program. Any such election must apply to all Shares subject to the Qualifying Restricted Stock Award or Qualifying Performance Stock Award.

(b) Manner and Timing of Election. An election to forego the delivery of Shares upon the vesting of a Qualifying Restricted Stock Award or a Qualifying Performance Stock Award may only be made by an Eligible Person by completing an election on a form provided by the Committee and delivering that election to the Corporation at least twelve (12) months before any Shares that are subject to the Qualifying Restricted Stock Award or Qualifying Performance Stock Award, as the case may be, become vested. Any election received by the Corporation within twelve (12) months of the vesting of any Shares under a Qualifying Restricted Stock Award or Qualifying Performance Stock Award will be considered void and shall have no force or effect.

(c) Election Irrevocable. An election made in accordance with this Section 4.1 to forego the delivery of Shares in exchange for a credit of Deferred Shares under this Program shall be irrevocable once it is received by the Corporation.

4.2 Deferrals of Restricted Share Units. Share units that become vested under a Qualifying Restricted Share Unit Award shall automatically be subject to the terms of this Program and be credited as Deferred Shares as provided in Section 5.1(b).

ARTICLE V
DEFERRED SHARE ACCOUNTS

5.1 Crediting of Deferred Shares.

(a) Alternative Exercise of Options. As of the applicable Conversion Date of a Qualifying Stock Option, an Eligible Person's Deferred Share Account shall be credited with the number of Deferred Shares attributable to the Gain Shares, as described in Section 3.2(a).

(b) Vesting of Other Qualifying Stock Awards. As of the date that all or any portion of a Qualifying Restricted Stock Award or Qualifying Performance Stock Award that is subject to an deferral election under Section 4.1 becomes vested, no Shares shall be issued to the Eligible Person. Instead, such Eligible Person's Deferred Share Account shall be credited with the number of Deferred Shares that is equal to the number of Shares subject to the Qualifying Restricted Stock Award or Qualifying Performance Stock Award that first became vested as of that date. As of the date that all or any portion of a Qualifying Restricted Share Unit Award becomes vested, the Eligible Person's Deferred Share Account shall be credited with the number of Deferred Shares that is equal to the number of stock units that first became vested as of that date.

(c) Limitations on Rights Associated with Deferred Shares. A Participant's Deferred Share Account shall be a memorandum account on the books of the Corporation. The Deferred Shares credited to a Participant's Deferred Share Account shall be used solely as a device for the determination of the number of Shares to be eventually issued to such Participant in accordance with this Program. The Deferred Shares shall not be treated as property or as a trust fund of any kind. No Participant shall be entitled to any voting or other shareholder rights with respect to Deferred Shares granted or credited under this Program. The number of Deferred Shares credited (and the Shares to which the Participant is entitled under this Program) shall be subject to adjustment in accordance with Section 5.5 of this Program.

5.2 Dividend Equivalents.

(a) Election of Current or Deferred Dividend Equivalents. If, prior to the date of an Eligible Person's first election to Alternatively Exercise a Qualifying Option or to defer delivery of Shares under an Other Qualifying Stock Award under this Program, the Eligible Person has elected under any deferral plan or program of the Company to defer receipt of any Shares, then such Eligible Person's election as to whether to receive dividend equivalents with respect to such deferred Shares in the form of Current Dividend Equivalents or Deferred Dividend Equivalents shall apply with respect to all Dividend Equivalents attributable to all Deferred Shares under this Program. If an Eligible Person has not previously made any such deferral election, then such Eligible Person shall make a one-time irrevocable election at the time of the Eligible Person's first election under this Program, whether Dividend Equivalents under this Program will be paid in the form of Current Dividend Equivalents or Deferred Dividend Equivalents. Any such election shall be on a form provided by and delivered to the Committee. If an Eligible Person fails to make such an election, he or she shall be deemed to have elected the Current Dividend Equivalents. Any such election shall apply with respect to all Dividend

Equivalents attributable to all Deferred Shares credited to such Participant under this Program. A Participant may not change his or her Dividend Equivalent election.

(b) Deferred Dividend Equivalents Credits to Deferred Share Accounts. As of any applicable dividend or distribution payment date, the Deferred Share Account of each Participant who has elected Deferred Dividend Equivalents shall be credited with additional Deferred Shares in an amount equal to the amount of the Dividend Equivalents divided by the Fair Market Value of a Share as of the applicable dividend or distribution payment date. If the limit on the number of Shares available under this Program in respect of Dividend Equivalents is reached, the Company may in its discretion pay such Dividend Equivalents to Participants as Current Dividend Equivalents.

(c) Payment of Current Dividend Equivalents. At the time that the Corporation distributes dividend payments to its shareholders, the Company shall pay to each Participant who has elected Current Dividend Equivalents a cash payment in an amount equal to the amount of the Dividend Equivalents attributable to the Deferred Shares credited to his or her Deferred Share Account.

5.3 Vesting. All Deferred Shares (including Deferred Shares credited as Dividend Equivalents) credited to a Participant's Deferred Share Account shall be at all times fully vested and nonforfeitable.

5.4 Distribution of Benefits.

(a) Form of Distribution. Deferred Shares credited to a Participant's Deferred Share Account shall be distributed in an equivalent whole number of Shares. Fractional share interests shall be settled in cash. The Committee, in its sole discretion, may pay Deferred Shares credited as Dividend Equivalents in cash in lieu of Shares.

(b) Timing of Distribution of Benefits. Benefits in respect of the Deferred Shares credited to a Participant's Deferred Share Account shall be distributed to the Participant (or his or her Beneficiary in the case of death) within the first ninety (90) days of the year following the Participant's termination of employment with the Company for any reason (including, without limitation, Retirement, death, Disability, resignation or termination by the Company). If a Participant's benefits are paid in annual installments under Section 5.4(c), each annual installment shall be paid within the first ninety (90) days of each calendar year.

(c) Manner of Distribution.

(i) General Rules. Distribution will generally be in the form of lump sum payment. However, if a Participant terminates employment on or after becoming eligible for Retirement, his or her Deferred Shares may instead be paid in annual installments over two (2) to twenty (20) years or in a combination of an initial lump sum payment followed by annual installments over the subsequent one (1) to twenty (20) years. The number of Shares to be distributed in each annual distribution shall be equal to the number of Shares then credited to the Participant's Deferred Share Account divided

by the number of remaining annual installments. Such number shall be adjusted downward to the nearest whole number of Shares so that no fractional Shares interests are distributed until the last annual installment distribution.

- (ii) Retirement Distribution Election. If, prior to the date of an Eligible Person's first election under this Program to Alternatively Exercise a Qualifying Option or to defer delivery of Shares under an Other Qualifying Stock Award, the Eligible Person has elected under any other deferral plan or program of the Company to defer receipt of any Shares, then such Eligible Person's election as to whether distribution of Shares upon Retirement shall be in a lump sum, installments or a combination of lump sum and installments shall apply to all Deferred Shares credited under this Program. If an Eligible Person has not previously made any such distribution election, then such Eligible Person may make an election at the time of his or her first election under this Program on a form provided by and delivered to the Committee, and such election shall apply to all Deferred Shares credited under this Program. A Participant who fails to make an election regarding the form of distribution upon or following Retirement will be deemed to have elected a lump sum.
- (iii) Changes to Retirement Distribution Election. A Participant may change his or her election as to the form of Retirement distribution, provided that his or her 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. 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.
- (iv) Override of Retirement Distribution Election. Notwithstanding the foregoing, the Committee may, in its sole discretion:
 - (A) distribute the benefits in a single lump sum if the sum of Shares to be distributed to the Participant is less than or equal to 1,000, or
 - (B) reduce the number of installments elected by the Participant to produce an annual distribution of at least 100 Shares.

(d) Survivor Benefits. If the Participant dies at any time before or after termination of employment with the Company while there are Deferred Shares credited to his or her Deferred Share Account, the Committee shall distribute the benefits in respect of such remaining Deferred Shares to the Participant's Beneficiary in a lump sum during the first ninety (90) days of the calendar year following the year in which the Participant's death occurred.

(e) Effect of Change of Control. In the event of a Change in Control, the following rules shall apply:

- (i) All Participants shall continue to have a fully vested, nonforfeitable interest in their Deferred Share Account balances.
- (ii) Unless the Committee otherwise provides, Alternative Exercise Elections shall terminate in accordance with Section 3.2(c).
- (iii) All payments in respect of Deferred Share Accounts following a Change in Control shall be made as follows:
 - (A) Payments that have already commenced shall continue to be made no less rapidly than under the schedule in effect just prior to the Change in Control.
 - (B) Payments that have not yet commenced shall be made (in the form of Shares unless the Committee provides otherwise) in a lump sum at the earliest possible payment date under the normal rules for benefit commencement pursuant to Section 5.4(b) as in effect on the day before the day of the Change in Control.
- (iv) A Participant's termination of employment for purposes of this Program shall be deemed to include (but shall not be limited to) any event (such as a constructive discharge) giving the Participant the right to receive salary continuation or other severance benefits following a Change in Control, as determined under any plan, program, or agreement covering the Participant that is in effect at the time of the Change in Control.
- (v) Upon a Participant's petition within sixty (60) days following a Change in Control, or such other period as the Committee may permit, the Committee may, in its sole discretion, authorize an immediate distribution of the Participant's entire Deferred Share Account to the Participant regardless of whether the Participant continues to be employed by the Company.

(f) Section 162(m) Limitation. Notwithstanding the foregoing, if the Committee determines in good faith that there is a reasonable likelihood that any benefits payable to a Participant for a taxable year of the Company would not be deductible by the Company solely by reason of the limitation under Code Section 162(m), then to the extent

reasonably deemed necessary by the Committee to ensure that the entire amount of any distribution to the Participant pursuant to this Program is deductible, the Committee may defer all or any portion of a distribution under this Program. The amounts so deferred shall be distributed to the Participant or his or her Beneficiary (in the event of the Participant's death) at the earliest possible date, as determined by the Committee in good faith, on which the deductibility of compensation paid or payable to the Participant for the taxable year of the Company during which the distribution is made will not be limited by Code Section 162(m).

5.5 Adjustments in Case of Changes in Common Stock.

(a) If the outstanding Shares are increased, decreased, or exchanged for a different number or kind of securities, or if additional shares or new or different shares or other securities are distributed with respect to such Shares or other securities, through merger, consolidation, sale of all or substantially all of the assets of the Company, reorganization, recapitalization, stock dividend, stock split, reverse stock split or similar change in capitalization or any other distribution with respect to such Shares or other securities, proportionate and equitable adjustments consistent with the effect of such event on stockholders generally (but without duplication of benefits if Dividend Equivalents are credited) shall be made in the number and type of Shares or other securities, property and/or rights contemplated hereunder and of rights in respect of Deferred Shares and Deferred Share Accounts credited under this Program so as to preserve the benefits intended. The provisions of Section 8 of the 1987 Plan, Section 9 of the 1995 Plan and Section 6.2 of the 2001 Plan shall also apply to the related Deferred Shares granted under the Stock Plans in accordance with this Program.

(b) If the event results in any rights of shareholders to receive cash (other than cash dividends and cash distributions), a corresponding amount of cash shall be paid to each Participant as soon as practicable following the date the cash is paid in respect of outstanding Shares.

5.6 Company's Right to Withhold. The Company (including its Affiliates) may satisfy any state or federal tax withholding obligation arising upon a distribution of Shares and any cash with respect to a Participant's Deferred Share Account by reducing the number of Shares or cash otherwise deliverable to the Participant. The appropriate number of Shares required to satisfy such tax withholding obligation in the case of Deferred Shares will be based on the Fair Market Value of a Share on the date of distribution. If the Company (including its Affiliates), for any reason, elects not to (or cannot) satisfy the withholding obligation in accordance with the preceding sentence, the Participant shall pay or provide for payment in cash of the amount of any taxes which the Company (including its Affiliates) may be required to withhold with respect to the benefits hereunder, before any such benefits are paid.

5.7 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 Program, 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.

ARTICLE VI
ADMINISTRATION

6.1 The Administrator. The Committee hereunder shall consist of (i) the members of the Executive Compensation and Human Resources Committee of the Board who are Non-Employee Directors within the meaning of Rule 16b-3 and "outside directors" for purposes of Section 162(m) of the Code, or (ii) such other committee of the Board, each participating member of which is a Non-Employee Director (as defined in Rule 16b-3) and each member of which is an "outside director" for purposes of Section 162(m) of the Code, as may hereafter be appointed by the Board to serve as administrator of this Program. Any member of the Committee may resign by delivering a written resignation to the Board. Members of the Committee shall not receive any additional compensation for administration of this Program.

6.2 Committee Action. Action of the Committee with respect to the administration of this Program shall be taken pursuant to a majority vote or by unanimous written consent of its members.

6.3 Rights And Duties.

(a) Subject to the limitations of this Program, the Committee shall be charged with the general administration of this Program and the responsibility for carrying out its provisions, and shall have powers necessary to accomplish those purposes, including, but not by way of limitation, the following:

- (i) To construe and interpret this Program;
- (ii) To resolve any questions concerning the amount of benefits payable to a Participant;
- (iii) To make all other determinations required by this Program, including adjustments under Section 5.5;
- (iv) To maintain all the necessary records for the administration of this Program and provide statements of Deferred Share Accounts to Participants on an annual or more frequent basis;
- (v) To make and publish forms, rules and procedures for the administration of this Program; and
- (vi) To administer the claims procedures set forth in Article VII for presentation of claims by Participants and Beneficiaries for benefits under this Program, including consideration of such claims, review of claim denials and issuance of a decision on review.

(b) The Committee shall have full discretion to construe and interpret the terms and provisions of this Program (but not to increase amounts payable hereunder) and to resolve any disputed question or controversy, which interpretation or construction or resolution, including decisions with respect to adjustments under Section 5.5, shall be final and binding on all parties, including but not limited to the Company and any Eligible Person, Participant or Beneficiary, except as otherwise required by law. The Committee shall administer such terms and provisions in a nondiscriminatory manner and in full accordance with any and all laws applicable to this Program. In performing its duties, the Committee shall be entitled to rely on information, opinions, reports or statements prepared or presented by: (i) officers or employees of the Company whom the Committee believes to be reliable and competent as to such matters; and (ii) counsel (who may be employees of the Company), independent accountants and other persons as to matters which the Committee believes to be within such persons' professional or expert competence. The Committee shall be fully protected with respect to any action taken or omitted by it in good faith pursuant to the advice of such persons. The Committee may appoint a program administrator or any other agent, and delegate to them such powers and duties in connection with the administration of this Program as the Committee may from time to time prescribe.

6.4 Indemnity and Liability. All expenses of the Committee shall be paid by the Company and the Company shall furnish the Committee with such clerical and other assistance as is necessary in the performance of its duties. No member of the Committee shall be liable for any act or omission of any other member of the Committee nor for any act or omission on his or her own part. To the extent permitted by law, the Company shall indemnify and save harmless each member of the Committee against any and all expenses and liabilities arising out of his or her membership on the Committee.

ARTICLE VII
CLAIMS PROCEDURE

All applications for benefits under the Program shall be submitted to: Occidental Petroleum Corporation, Attention: Corporate Secretary, 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 death benefit, by the Beneficiary or legal representative of the deceased Participant. Each application shall be acted upon and approved or disapproved within sixty (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 or her 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 Program provisions on which the denial is based, a description of any additional material or information necessary for the applicant to perfect his or her application, an explanation of why such material or information is necessary, and an explanation of the Program's review procedure.

Any person, or his or her 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 sixty (60) days after receiving notice of the denial, a written statement:

- (a) requesting a review of his or her application for benefits by the Committee;
- (b) setting forth all of the grounds upon which his or her 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 or her application.

The Committee shall act upon each such application within sixty (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 thirty (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 Program. 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 Program 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 PROGRAM

8.1 Amendment. The Board may amend this Program in whole or in part at any time or may at any time suspend or terminate this Program. Notwithstanding the foregoing, no amendment shall reduce the number of Deferred Shares and Dividend Equivalents credited to any Participant's Deferred Share Account or cancel any Participant's right to receive Dividend Equivalents (and any cash that may become payable pursuant to Section 5.5(b)) without the consent of the affected Participant. Any amendments authorized hereby shall be stated in an instrument in writing and all Eligible Persons shall be bound thereby upon receipt of written notice thereof. Adjustments pursuant to Section 5.5 hereof shall not be deemed amendments to this Program, the Deferred Share Accounts or the rights of Participants.

8.2 Term. It is the current expectation of the Company that this Program shall be continued indefinitely, but continuance of this Program is not assumed as a contractual obligation of the Company. In the event that the Board decides to discontinue or terminate this Program, it shall notify the Committee and Participants in this Program of its action in writing, and this Program shall be terminated at the time therein set forth. All Participants shall be bound thereby. In connection with the termination of this Program, the Committee may, in its sole discretion, elect to accelerate the distribution date for all Deferred Share Accounts (including Deferred Share Accounts being paid in or otherwise to be paid in the form of installments) and make a lump sum distribution in respect thereof.

ARTICLE IX
MISCELLANEOUS

9.1 Limitation on Participant's Rights. Participation in this Program shall not give any person the right to continued employment or service or any rights or interests other than as herein provided. No Participant shall have any right to any payment or benefit hereunder except to the extent provided in this Program. This Program creates no fiduciary duty to Participants and shall create only a contractual obligation on the part of the Company as to such amounts; this Program shall not be construed as creating a trust. This Program, in and of itself, has no assets. Participants shall have rights no greater than the right to receive the Common Stock (and any cash as expressly provided herein) or the value thereof as a general unsecured creditor in respect of their Deferred Share Accounts.

9.2 Beneficiary Designation. Upon forms provided by and subject to conditions imposed by the Company, each Participant may designate in writing the Beneficiary or Beneficiaries whom such Participant desires to receive any Shares or amounts payable under this Program after his or her death. A Participant may from time to time change his or her designated Beneficiary or Beneficiaries without the consent of such Beneficiary or Beneficiaries by filing a new designation with the Committee. However, if a married Participant wishes to designate a person other than his or her spouse as Beneficiary, such designation shall be consented to in writing by the spouse, which consent shall acknowledge the effect of the designation. The Participant may change any election designating a Beneficiary or Beneficiaries without any requirement of further spousal consent if the spouse's consent so provides. Notwithstanding the foregoing, spousal consent shall be unnecessary if it is established (to the satisfaction of the Committee or a Committee representative) that there is no spouse or that the required consent cannot be obtained because the spouse cannot be located. The Company and the Committee may rely on the Participant's designation of a Beneficiary or Beneficiaries last filed in accordance with the terms of this Program. Notwithstanding the foregoing, if a Participant has completed a beneficiary designation form for deferred Shares under any other plan or program of the Company, such prior designation shall be the Beneficiary designation under this Program and apply to all benefits of the Participant hereunder unless changed in accordance with this Section 9.2.

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 Program, 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.

9.3 Payments to Minors or Persons Under Incapacity. Every person receiving or claiming benefits under this Program shall be conclusively presumed to be mentally competent and of age until the date on which the Committee receives a written notice, in a form and manner acceptable to the Committee, that such person is incompetent or a minor, for whom a guardian or other person legally vested with the care of his or her person or estate has been appointed;

provided, however, that if the Committee finds that any person to whom a benefit is payable under this Program is unable to care for his or her affairs because of incompetency, or because he or she is a minor, any payment due (unless a prior claim therefor shall have been made by a duly appointed legal representative) may be paid to the spouse, a child, a parent, a brother or sister, or to any person or institution considered by the Committee to have incurred expense for such person otherwise entitled to payment. To the extent permitted by law, any such payment so made shall be a complete discharge of liability therefor under this Program.

If a guardian of the estate of any person receiving or claiming benefits under this Program is appointed by a court of competent jurisdiction, benefit payments may be made to such guardian provided that proper proof of appointment and continuing qualification is furnished in a form and manner acceptable to the Committee. In the event a person claiming or receiving benefits under this Program is a minor, payment may be made to the custodian of an account for such person under the Uniform Gifts to Minors Act. To the extent permitted by law, any such payment so made shall be a complete discharge of any liability therefor under this Program.

9.4 Receipt and Release. Any payment to a Participant or the Participant's Beneficiary in accordance with the provisions of this Program shall, to the extent thereof, be in full satisfaction of all claims against the Board, the Committee, and the Company. The Committee may require such Participant or Beneficiary, as a condition precedent to such payment, to execute a receipt and release to such effect.

9.5 Deferred Shares and Other Benefits Not Assignable; Obligations Binding Upon Successors. Deferred Shares and other benefits of a Participant under this Program shall not be assignable or transferable and any purported transfer, assignment, pledge or other encumbrance or attachment of any payments or benefits under this Program, or any interest therein, other than by operation of law or pursuant to Section 9.2, shall not be permitted or recognized. Obligations of the Company under this Program shall be binding upon successors of the Company.

9.6 Employment Taxes. The Company (including its Affiliates) may satisfy any state or federal employment tax withholding obligation arising from an Alternative Exercise of a Qualifying Option or a deferral of an Other Qualifying Stock Award under this Program by deducting such amount from any amount of compensation payable to the Participant. Alternatively, the Company (including its Affiliates) may require the Participant to deliver to it the amount of any such withholding obligation as a condition to the Alternative Exercise of the Qualifying Option or the deferral of the Other Qualifying Stock Award. The Company (including its Affiliates) may instead satisfy any such withholding obligation by reducing the number of Deferred Shares that would otherwise be credited to the Participant's Deferred Share Account as a result of the Alternative Exercise or deferral, provided that the Company (or the applicable Affiliate) and the Participant make appropriate arrangements to satisfy all additional income and employment tax withholding obligations that arise as a result of using this Deferred Share credit reduction method to satisfy the original employment tax withholding obligation.

9.7 Governing Law; Severability. The validity of this Program or any of its provisions shall be construed, administered and governed in all respects under and by the laws of the State of Delaware to the extent such laws are not preempted by the Employee Retirement

Income Security Act of 1974, as amended. If any provisions of this instrument shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions hereof shall continue to be fully effective.

9.8 Compliance with Laws. This Program, the Company's acceptance of the exercise price of a Qualifying Option in the form of Shares, the Company's issuance of Deferred Shares, and the offer, issuance and delivery of Shares and/or the payment in Shares through the deferral of compensation under this Program are subject to compliance with all applicable federal and state laws, rules and regulations (including but not limited to state and federal securities law) and to such approvals by any listing, agency or any regulatory or governmental authority as may, in the opinion of counsel for the Company, be necessary or advisable in connection therewith. Any securities delivered under this Program shall be subject to such restrictions, and the person acquiring such securities shall, if requested by the Company, provide such assurances and representations to the Company as the Company may deem necessary or desirable to assure compliance with all applicable legal requirements. If the Company in its sole discretion determines that an Alternative Exercise of a Qualifying Option would violate any law, rule or regulation, the Company may refuse to honor such Alternative Exercise.

9.9 Program Construction. It is the intent of the Company that transactions pursuant to this Program, with respect to Eligible Persons or Participants who are subject to Section 16 of the Exchange Act, satisfy and be interpreted in a manner that satisfies the applicable requirements of Rule 16b-3 so that to the extent elections are timely made, the crediting of Deferred Shares and the distribution of Shares with respect to Deferred Shares under this Program will be entitled to the benefits of Rule 16b-3 or other exemptive rules under Section 16 of the Exchange Act and will not be subjected to avoidable liability thereunder.

9.10 Headings Not Part of Program. Headings and subheadings in this Program are inserted for reference only and are not to be considered in the construction of the provisions hereof.

IN WITNESS WHEREOF, the Company has caused its duly authorized officer to execute this document this 12th day of September, 2002.

OCCIDENTAL PETROLEUM CORPORATION

By /s/ RICHARD W. HALLOCK

Richard W. Hallock
Executive Vice-President, Human Resources

OCCIDENTAL PETROLEUM CORPORATION
2001 INCENTIVE COMPENSATION PLAN
INCENTIVE STOCK OPTION AGREEMENT

NAME OF OPTIONEE: -----

DATE OF GRANT: -----

NUMBER OF OPTIONED SHARES: -----

OPTION PRICE: -----

VESTING SCHEDULE:	1ST ANNIVERSARY	OPTIONED SHARES

	2ND ANNIVERSARY	OPTIONED SHARES

	3RD ANNIVERSARY	OPTIONED SHARES

EXPIRATION DATE: -----

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 Optionee.

1. GRANT OF STOCK OPTION. Occidental grants to the Optionee as of the Date of Grant a stock option (this "Option") to purchase up to the number of Optioned Shares at the Option Price, from time to time, in accordance with the terms of this Agreement and the Occidental Petroleum Corporation 2001 Incentive Compensation Plan, as amended from time to time (the "Plan"). This Option is intended to be an "incentive stock option" within the meaning of that term under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), or any successor provision thereto. If this Agreement cannot be construed in a manner to enable this Option to qualify as an incentive stock option, this Agreement and the right to purchase the Optioned Shares on the terms and conditions contained in this Agreement shall survive as if this Option were a nonqualified stock option.

2. TERM OF OPTION. The term of this Option begins on the Date of Grant and expires on the tenth anniversary of the Date of Grant (the "Expiration Date") unless it is terminated earlier as provided in Section 6.

3. RIGHT TO EXERCISE. Unless this Option has expired, terminated, or accelerated, on each anniversary of the Date of Grant the number of Optioned Shares indicated above in the Vesting Schedule for such anniversary will become exercisable on a cumulative basis until this Option is fully exercisable. This Option may be exercised, in whole or in part, only for the number of Optioned Shares that are vested on the date of exercise. The last date to exercise this Option is the New York Stock Exchange trading day prior to the earlier of the date this Option terminates and the Expiration Date.

4. OPTION NONTRANSFERABLE. This Option may not be transferred nor assigned by the Optionee other than to a beneficiary designated on a form approved by the Company, by will or, if the Optionee dies without designating a beneficiary or a valid will, by the laws of descent and distribution. During the Optionee's lifetime, only the Optionee, or in the event of his or her legal incapacity, a properly appointed guardian or legal representative, may exercise this Option.

5. NOTICE OF EXERCISE; PAYMENT.

(a) To exercise this Option, the Optionee must give oral or written notice to Occidental or any agent designated by Occidental to administer grants made under the Plan. If Occidental has designated an agent, notice must be given to the agent to be effective. The notice of exercise must state the number of Optioned Shares for which this Option is being exercised and the manner of payment. The date the notice is received is the exercise date unless (i) notice is received after the close of trading on the New York Stock Exchange or on a day which is not a New York Stock Exchange trading day, in which case the

exercise date is the next trading day on the New York Stock Exchange, or (ii) if limit orders are permitted by the Administrator or any agent designated by Occidental and the notice contains a limit order in accordance with the procedures established by the Administrator or the agent, then the exercise date is the trading date on the New York Stock Exchange during the limit order period on which the price of the Common Stock traded on the New York Stock Exchange reaches the price specified in the notice. If requested, any oral notice of exercise shall be confirmed in writing the same day before the close of trading on the New York Stock Exchange.

(b) Payment equal to the aggregate Option Price of the Optioned Shares must be:

- (i) in cash in the form of a certified or cashier's check or wire transfer,
- (ii) by actual or constructive transfer to Occidental of nonforfeitable, nonrestricted Common Shares acquired by the Optionee more than six (6) months prior to the date of exercise, or
- (iii) by any combination of the foregoing methods of payment.

Common Shares that are transferred by the Optionee in payment of all or any part of the Option Price shall be valued on the basis of their Fair Market Value on the date of exercise. The requirement to pay cash shall be satisfied if the Optionee makes arrangements with a broker that is a member of the National Association of Securities Dealers, Inc. to sell a sufficient number of the Optioned Shares, so that the net proceeds of the sale transaction will at least equal the amount of the aggregate Option Price plus the amount of any taxes required to be withheld, and pursuant to which the broker undertakes to deliver the amount of the aggregate Option Price plus the amount of any taxes required to be withheld, not later than the date on which the sale transaction will settle in the ordinary course of business.

6. TERMINATION OF AGREEMENT AND RIGHT TO EXERCISE. This Agreement and the right to exercise this Option terminate automatically and without further notice on the date the Optionee ceases to be an employee of the Company for any reason whatsoever, except as follows:

(a) IF THE OPTIONEE DIES, the Optioned Shares will vest immediately as of the date of the Optionee's death for the full number of Optioned Shares and this Option may be exercised up to the Expiration Date by a transferee acceptable under Section 4 as an incentive stock option if the Optionee dies while an employee or within three months of ceasing to be an employee for a reason specified in Section 6(b) or Section 6(c) or as a non qualified option if the Optionee dies more than three months after ceasing to be an employee for a reason specified in Section 6(b) or Section 6(c).

(b) IF THE OPTIONEE BECOMES PERMANENTLY AND TOTALLY DISABLED, the Optioned Shares will continue to vest in accordance with the Vesting Schedule and this Option may be exercised as an incentive stock option up to the sooner of (i) one year after the disability first arose (the "Disability Period") and (ii) the Expiration Date. If the Expiration Date is later than the last day of the Disability Period, then for the period beginning on the first day after the Disability Period up to the Expiration Date, the Optioned Shares will continue to vest in accordance with the Vesting Schedule and this Option may be exercised as a nonqualified option. For purposes of this Agreement, "to be permanently and totally disabled" means to be unable to engage in any substantial gainful activity by reason of an impairment which can be expected to result in death or which has lasted, or can be expected to last for a continuous period of at least twelve (12) months.

(c) IF THE OPTIONEE RETIRES, the Optioned Shares will continue to vest in accordance with the Vesting Schedule and this Option may be exercised as an incentive stock option up to the sooner of (i) three (3) months following the last day of Optionee's employment (the "Retirement Period") and (ii) the Expiration Date. If the Expiration Date is later than the last day of the Retirement Period, then for the period beginning on the first day after the Retirement Period up to the Expiration Date, the Optioned Shares will continue to vest in accordance with the Vesting Schedule and this Option may be exercised as a nonqualified stock option. For purposes of this Agreement, "retire" means to retire either under a Company-sponsored retirement plan or with the consent of the Company.

(d) IF THE OPTIONEE TERMINATES EMPLOYMENT WITH THE COMPANY FOR ANY REASON OTHER THAN DEATH, PERMANENT AND TOTAL DISABILITY, RETIREMENT OR CAUSE, the Optioned Shares will cease to vest as of the close of business on the last day of Optionee's employment and this Option may be exercised up to the sooner of (i) three (3) months following the last day of Optionee's employment and (ii) the Expiration Date but only for the number of Optioned Shares exercisable as of the Optionee's last day of employment pursuant to the Vesting Schedule. For the purposes of this Agreement, "cause" means the Optionee's (w) failure to satisfactorily perform the duties of his or her job or negligence in carrying out the Company's legal obligations, (x) refusal to carry out any lawful order of the Company, (y) breach of any legal duty to the Company; or (z) conduct constituting moral turpitude or conviction of a crime which may diminish Optionee's ability to effectively act on the Company's behalf or with or on behalf of others.

For the purposes of this Agreement, the continuous employment of the Optionee with the Company will not be interrupted, and the Optionee will not be deemed to cease to be an employee of the Company, by reason of the transfer of his or her employment among the Company and its affiliates or an approved leave of absence.

7. MANDATORY NOTICE BY OPTIONEE OF TRANSFER OF SHARES. If the Optionee sells, exchanges, makes a gift of or transfers in any other way any of the Optioned Shares either within two (2) years of the Date of Grant or within one (1) year from the date shares are transferred to the Optionee following exercise of this Option, the Optionee must notify the Company of the transfer within thirty (30) days from the date of the transfer. The notice must state the principal terms of the transfer, including the date of the transfer and the type and amount of consideration received by the Optionee for the shares. The Optionee understands that a transfer of shares within the periods specified in the first sentence of this Section 7, including a "cashless" exercise to acquire the shares, will result in the Optionee's loss of the tax benefits associated with an incentive stock option.

8. ACCELERATION OF OPTION. If a Change in Control Event as defined in the Plan occurs, this Option shall become immediately exercisable for the full number of Optioned Shares unless prior to the occurrence of the Change in Control Event, the Administrator, as provided in Section 6.1 of the Plan, determines that such Event will not accelerate this Option or that acceleration will occur for only part of this Option or at a different time. Any such determination by the Administrator is binding on the Optionee.

9. NO EMPLOYMENT CONTRACT. Nothing in this Agreement confers upon the Optionee 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 Optionee.

10. TAXES AND WITHHOLDING. If the Company must withhold any federal, state, local or foreign tax in connection with the exercise of this Option, the Optionee must pay the tax or make provisions that are satisfactory to the Company for the payment thereof. The Optionee may satisfy all or any part of any such withholding obligation by surrendering to the Company or any agent designated by the Company to administer grants made under the Plan, Common Shares that satisfy the requirements of Section 5(b)(ii) or a portion of the Common Shares that are issued or transferred to the Optionee upon the exercise of the Option. Any Common Shares so surrendered by the Optionee shall be credited against the Optionee's withholding obligation at their Fair Market Value on the date of exercise.

11. COMPLIANCE WITH LAW. The Company will make reasonable efforts to comply with all applicable federal, state and foreign securities laws; however, this Option is not exercisable if its exercise would result in a violation of any such law.

12. ADJUSTMENTS. The Option Price and the number or kind of shares of stock covered by this Option may be adjusted as the Administrator determines pursuant to Section 6.2 of the Plan in order to prevent dilution or expansion of the Optionee's rights under this Agreement as a result of events such as stock dividends, stock splits, or other change in the capital structure of Occidental, or any merger, consolidation, spin-off, liquidation or other corporate transaction or event having a similar effect. If any such adjustment occurs, the Company will give the Optionee written notice of the adjustment containing an explanation of the nature of the adjustment.

13. RELATION TO OTHER BENEFITS. The benefits received by the Optionee under this Agreement will not be taken into account in determining any benefits to which the Optionee may be entitled under any profit sharing, retirement or other benefit or compensation plan maintained by the Company, including the amount of any life insurance coverage available to any beneficiary of the Optionee under any life insurance plan covering employees of the Company. The grant of this Option does not create any contractual or other right to receive future grants of options, or benefits in lieu of options, even if Optionee has a history of receiving options or other stock awards.

14. AMENDMENTS. Any amendment to the Plan will be deemed to be an amendment to this Agreement to the extent it is applicable to this Agreement; however, no amendment will adversely affect the rights of the Optionee under this Agreement without the Optionee's consent.

15. 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.

16. 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.

17. ADMINISTRATIVE PROCEDURES. The Administrator, directly or through its agent, reserves the right to adopt procedures with respect to the exercise of this Option. In the event of any inconsistent provisions between such procedures, this Agreement, and the Plan, the provisions of the Plan control. By accepting this Option, the Optionee authorizes the Agent or any broker involved in the exercise or sale of the shares covered by this Option to provide such information directly to the Company and its employees and agents as may be necessary in order to comply with applicable tax and securities laws and to facilitate the administration of the Plan by the Administrator, directly or through its Agent or employees of the Company.

18. SUCCESSORS AND ASSIGNS. Subject to Section 4, 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 Optionee, and the successors and assigns of the Company.

19. GOVERNING LAW. The laws of the State of Delaware govern the interpretation, performance, and enforcement of this Agreement.

20. NOTICES. Except as the Company may otherwise direct for exercise notices, any notice to the Company provided for in this Agreement will be given to its Secretary at 10889 Wilshire Boulevard, Los Angeles, California 90024, and any notice to the Optionee will be addressed to the Optionee at his or her address currently on file with the Company. Except as provided in Section 5 for exercise notices, any written notice will be deemed to be duly given when received if delivered personally or sent by telecopy, e-mail, or the United States mail, first class registered mail, postage and fees prepaid, and addressed as provided in this paragraph. Any party may change the address to which notices are to be given by written notice to the other party as specified in the preceding sentence.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed on its behalf by its duly authorized officer and Optionee has also executed this Agreement in duplicate, effective as of the Date of Grant.

OCCIDENTAL PETROLEUM CORPORATION

By:

Optionee

OCCIDENTAL PETROLEUM CORPORATION
2001 INCENTIVE COMPENSATION PLAN
NONQUALIFIED STOCK OPTION AGREEMENT

NAME OF OPTIONEE: _____

DATE OF GRANT: _____

NUMBER OF OPTIONED SHARES: _____

OPTION PRICE: _____

VESTING SCHEDULE:	1ST ANNIVERSARY	-----	OPTIONED SHARES
	2ND ANNIVERSARY	-----	OPTIONED SHARES
	3RD ANNIVERSARY	-----	OPTIONED SHARES

EXPIRATION DATE: _____

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 Optionee.

1. GRANT OF STOCK OPTION. Occidental grants to the Optionee as of the Date of Grant a stock option (this "Option") to purchase up to the number of Optioned Shares at the Option Price, from time to time, in accordance with the terms of this Agreement and the Occidental Petroleum Corporation 2001 Incentive Compensation Plan, as amended from time to time (the "Plan"). This Option shall not be an "incentive stock option" within the meaning of that term under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), or any successor provision thereto.

2. TERM OF OPTION. The term of this Option begins on the Date of Grant and expires on the tenth anniversary of the Date of Grant (the "Expiration Date") unless it is terminated earlier as provided in Section 6.

3. RIGHT TO EXERCISE. Unless this Option has expired, terminated, or accelerated, on each anniversary of the Date of Grant the number of Optioned Shares indicated above in the Vesting Schedule for such anniversary will become exercisable on a cumulative basis until this Option is fully exercisable. This Option may be exercised, in whole or in part, only for the number of Optioned Shares that are vested on the date of exercise. The last date to exercise this Option is the New York Stock Exchange trading day prior to the earlier of the date this Option terminates and the Expiration Date.

4. OPTION NONTRANSFERABLE. This Option may not be transferred nor assigned by the Optionee other than to a beneficiary designated on a form approved by the Company, by will or, if the Optionee dies without designating a beneficiary or a valid will, by the laws of descent and distribution. During the Optionee's lifetime, only the Optionee, or in the event of his or her legal incapacity, a properly appointed guardian or legal representative, may exercise this Option.

5. NOTICE OF EXERCISE; PAYMENT.

(a) To exercise this Option, the Optionee must give oral or written notice to Occidental or any agent designated by Occidental to administer grants made under the Plan. If Occidental has designated an agent, notice must be given to the agent to be effective. The notice of exercise must state the number of Optioned Shares for which this Option is being exercised and the manner of payment. The date the notice is received is the exercise date unless (i) notice is received after the close of trading on the New York Stock Exchange or on a day which is not a New York Stock Exchange trading day, in which case the exercise date is the next trading day on the New York Stock Exchange, or (ii) if limit orders are permitted by the Administrator or any agent designated by Occidental and the notice contains a limit order in

accordance with the procedures established by the Administrator or the agent, then the exercise date is the trading date on the New York Stock Exchange during the limit order period on which the price of the Common Stock traded on the New York Stock Exchange reaches the price specified in the notice. If requested, any oral notice of exercise shall be confirmed in writing the same day before the close of trading on the New York Stock Exchange.

(b) Payment equal to the aggregate Option Price of the Optioned Shares must be:

- (i) in cash in the form of a certified or cashiers check or wire transfer,
- (ii) by actual or constructive transfer to Occidental of nonforfeitable, nonrestricted Common Shares acquired by the Optionee more than six (6) months prior to the date of exercise, or
- (iii) by any combination of the foregoing methods of payment.

Common Shares that are transferred by the Optionee in payment of all or any part of the Option Price shall be valued on the basis of their Fair Market Value on the date of exercise. The requirement to pay cash shall be satisfied if the Optionee makes arrangements with a broker that is a member of the National Association of Securities Dealers, Inc. to sell a sufficient number of the Optioned Shares, so that the net proceeds of the sale transaction will at least equal the amount of the aggregate Option Price plus the amount of any taxes required to be withheld, and pursuant to which the broker undertakes to deliver the amount of the aggregate Option Price plus the amount of any taxes required to be withheld, not later than the date on which the sale transaction will settle in the ordinary course of business.

6. TERMINATION OF AGREEMENT AND RIGHT TO EXERCISE. This Agreement and the right to exercise this Option terminate automatically and without further notice on the date the Optionee ceases to be an employee of the Company for any reason whatsoever, except as follows:

(a) IF THE OPTIONEE DIES, the Optioned Shares will vest immediately as of the date of the Optionee's death for the full number of Optioned Shares and this Option may be exercised up to the Expiration Date by a transferee acceptable under Section 4.

(b) IF THE OPTIONEE BECOMES PERMANENTLY AND TOTALLY DISABLED, the Optioned Shares will continue to vest in accordance with the Vesting Schedule and this Option may be exercised up to the Expiration Date. For purposes of this Agreement, "to be permanently and totally disabled" means to be unable to engage in any substantial gainful activity by reason of an impairment which can be expected to result in death or which has lasted, or can be expected to last for a continuous period of at least twelve (12) months.

(c) IF THE OPTIONEE RETIRES, the Optioned Shares will continue to vest in accordance with the Vesting Schedule and this Option may be exercised up to the Expiration Date. For purposes of this Agreement, "retire" means to retire either under a Company-sponsored retirement plan or with the consent of the Company.

(d) IF THE OPTIONEE TERMINATES EMPLOYMENT WITH THE COMPANY FOR ANY REASON OTHER THAN DEATH, PERMANENT AND TOTAL DISABILITY, RETIREMENT OR CAUSE, the Optioned Shares will cease to vest as of the close of business on the last day of Optionee's employment and this Option may be exercised up to the sooner of (i) three (3) months following the last day of Optionee's employment and (ii) the Expiration Date but only for the number of Optioned Shares exercisable as of the Optionee's last day of employment pursuant to the Vesting Schedule. For the purposes of this Agreement, "cause" means the Optionee's (w) failure to satisfactorily perform the duties of his or her job or negligence in carrying out the Company's legal obligations, (x) refusal to carry out any lawful order of the Company, (y) breach of any legal duty to the Company; or (z) conduct constituting moral turpitude or conviction of a crime which may diminish Optionee's ability to effectively act on the Company's behalf or with or on behalf of others.

For the purposes of this Agreement, the continuous employment of the Optionee with the Company will not be interrupted, and the Optionee will not be deemed to cease to be an employee of the Company, by

reason of the transfer of his or her employment among the Company and its affiliates or an approved leave of absence.

7. ACCELERATION OF OPTION. If a Change in Control Event as defined in the Plan occurs, this Option shall become immediately exercisable for the full number of Optioned Shares unless prior to the occurrence of the Change in Control Event, the Administrator, as provided in Section 6.1 of the Plan, determines that such Event will not accelerate this Option or that acceleration will occur for only part of this Option or at a different time. Any such determination by the Administrator is binding on the Optionee.

8. NO EMPLOYMENT CONTRACT. Nothing in this Agreement confers upon the Optionee 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 Optionee.

9. TAXES AND WITHHOLDING. If the Company must withhold any federal, state, local or foreign tax in connection with the exercise of this Option, the Optionee must pay the tax or make provisions that are satisfactory to the Company for the payment thereof. The Optionee may satisfy all or any part of any such withholding obligation by surrendering to the Company or any agent designated by the Company to administer grants made under the Plan, Common Shares that satisfy the requirements of Section 5(b)(ii) or a portion of the Common Shares that are issued to the Optionee upon the exercise of the Option. Any Common Shares so surrendered by the Optionee shall be credited against the Optionee's withholding obligation at their Fair Market Value on the date of exercise.

10. COMPLIANCE WITH LAW. The Company will make reasonable efforts to comply with all applicable federal, state and foreign securities laws; however, this Option is not exercisable if its exercise would result in a violation of any such law.

11. ADJUSTMENTS. The Option Price and the number or kind of shares of stock covered by this Option may be adjusted as the Administrator determines pursuant to Section 6.2 of the Plan in order to prevent dilution or expansion of the Optionee's rights under this Agreement as a result of events such as stock dividends, stock splits, or other change in the capital structure of Occidental, or any merger, consolidation, spin-off, liquidation or other corporate transaction or event having a similar effect. If any such adjustment occurs, the Company will give the Optionee written notice of the adjustment containing an explanation of the nature of the adjustment.

12. RELATION TO OTHER BENEFITS. The benefits received by the Optionee under this Agreement will not be taken into account in determining any benefits to which the Optionee may be entitled under any profit sharing, retirement or other benefit or compensation plan maintained by the Company, including the amount of any life insurance coverage available to any beneficiary of the Optionee under any life insurance plan covering employees of the Company. The grant of this Option does not create any contractual or other right to receive future grants of options, or benefits in lieu of options, even if Optionee has a history of receiving options or other stock awards.

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

14. 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.

15. 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.

16. ADMINISTRATIVE PROCEDURES. The Administrator, directly or through its agent, reserves the right to adopt procedures with respect to the exercise of this Option. In the event of any inconsistent provisions between such procedures, this Agreement and the Plan, the provisions of the Plan control. By accepting this Option, the Optionee authorizes the Agent or any broker involved in the exercise or sale of the shares covered by this Option to provide such information directly to the Company and its employees and agents as may be necessary in order to comply with applicable tax and securities laws and to facilitate the administration of the Plan by the Administrator, directly or through its Agent or employees of the Company.

17. SUCCESSORS AND ASSIGNS. Subject to Section 4, 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 Optionee, and the successors and assigns of the Company.

18. GOVERNING LAW. The laws of the State of Delaware govern the interpretation, performance, and enforcement of this Agreement.

19. NOTICES. Except as the Company may otherwise direct for exercise notices, any notice to the Company provided for in this Agreement will be given to its Secretary at 10889 Wilshire Boulevard, Los Angeles, California 90024, and any notice to the Optionee will be addressed to the Optionee at his or her address currently on file with the Company. Except as provided in Section 5 for exercise notices, any written notice will be deemed to be duly given when received if delivered personally or sent by telecopy, e-mail, or the United States mail, first class registered mail, postage and fees prepaid, and addressed as provided in this paragraph. Any party may change the address to which notices are to be given by written notice to the other party as specified in the preceding sentence.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed on its behalf by its duly authorized officer and Optionee has also executed this Agreement in duplicate, effective as of the Date of Grant.

OCCIDENTAL PETROLEUM CORPORATION

By:

Optionee

OCCIDENTAL PETROLEUM CORPORATION
 2001 INCENTIVE COMPENSATION PLAN
 RESTRICTED COMMON SHARE AGREEMENT
 (MANDATORY DEFERRED ISSUANCE OF SHARES)

NAME OF GRANTEE: -----

DATE OF GRANT: -----

RESTRICTED COMMON SHARES: -----

VESTING SCHEDULE:	1ST ANNIVERSARY	RESTRICTED COMMON SHARES
	-----	-----
	2ND ANNIVERSARY	RESTRICTED COMMON SHARES
	-----	-----
	3RD ANNIVERSARY	RESTRICTED COMMON SHARES
	-----	-----

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 COMMON SHARES. 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 Common Shares 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 Common Shares 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 Common Share means a bookkeeping entry equivalent to a whole or fractional Common Share.

2. RESTRICTIONS ON TRANSFER. Neither this Agreement, the Restricted Common Shares 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 COMMON SHARES. (a) Subject to Sections 3(b) and (c), on each anniversary of the Date of Grant the number of Restricted Common Shares 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 Common Shares 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 Common Shares that have not yet vested shall immediately become fully vested and nonforfeitable.

4. DEFERRAL OF COMMON SHARE PAYOUT. By accepting this Restricted Common Share Agreement, the Grantee has agreed that the receipt of the Common Shares will be deferred in accordance with the terms and conditions attached as Exhibit A and made a part of this Agreement (the "Deferral Terms"). If, prior to this Date of Grant, the Grantee elected under any deferral plan or program for restricted stock approved by the Administrator to defer the receipt of any Common Shares issuable pursuant to a restricted stock award, then the Grantee's decisions with respect to the manner and timing of distributions, the method for payment of dividends and the beneficiary designation under such election shall apply to this award. Unless and until the Grantee submits election forms, the provisions in the Deferral Terms shall govern. At the end of the Deferral Period, on each distribution payout date, the number of Common Shares equal to the vested Restricted Common Shares to be distributed on that date, less the number of Common Shares necessary to satisfy required tax withholding, will be issued and registered in the name of the Grantee directly on the books of the

Company's registrar and stock transfer agent.

5. CREDITING AND PAYMENT OF DIVIDEND EQUIVALENTS.

(a) DIVIDEND EQUIVALENTS ON UNVESTED RESTRICTED COMMON SHARES. With respect to the number of Restricted Common Shares 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 Common Shares. Until the Restricted Common Shares 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.

(b) DIVIDEND EQUIVALENTS ON VESTED RESTRICTED COMMON SHARES. During the Deferral Period, Dividend Equivalents will be paid in cash or reinvested in additional Restricted Common Shares in accordance with the Deferral Terms.

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 Common Shares 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 Restricted 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 Common Shares does not create any contractual or other right to receive future grants of Restricted Common Shares, or benefits in lieu of Restricted Common Shares, even if Grantee has a history of receiving Restricted Common Shares or other stock awards.

10. AMENDMENTS. Any amendment to the Plan will be deemed to be an amendment to this Agreement to the extent it is applicable 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

DEFERRAL TERMS AND CONDITIONS

- o Grantee's agreement to defer is a condition to the receipt of the Restricted Common Share Agreement to which these terms and conditions are attached.
- o The deferral of receipt of any Common Shares upon the vesting of the Restricted Common Shares is irrevocable and cannot be changed or canceled.
- o As a result of the deferral, no shares of Common Stock will be issued pursuant to the Restricted Common Share Agreement upon the vesting of the Restricted Common Shares and the Restricted Common Shares will continue to be recorded as a bookkeeping entry. The Restricted Common Shares are not shares and have no voting rights or, except as stated below, dividend rights.
- o The deferred Restricted Common Shares will earn Dividend Equivalents. During the Deferral Period, Dividend Equivalents will be paid in cash or reinvested in additional Restricted Common Shares in accordance with the Grantee's election. If no election is made by the Grantee, the Dividend Equivalents will be paid in cash. Any awards deferred in subsequent years will be subject to the original Dividend Equivalent payout method election.
- o This deferral is subject to Internal Revenue Code and Treasury regulations. In the year deferred, the deferred Restricted Common Shares are subject to FICA tax, to the extent that the FICA tax maximum has not been met, and to the Medicare portion (1.45%) of FICA tax. Federal/state tax withholdings will be required at the time the Common Shares are to be issued or distributed and will be satisfied by withholding a portion of the Common Shares to be issued. Under current tax law, the holding period for long-term capital gains does not start until the Common Shares are actually issued.
- o The Grantee is responsible for any and all tax liabilities (currently and at anytime in the future) that relate to the Restricted Common Shares deferred under this program, including Dividend Equivalents paid in cash or credited as additional Restricted Common Shares due to the deferral.
- o Distribution will commence in the first quarter of the calendar year following the year of retirement according to the Grantee's distribution election, or, if the Grantee has not made an election, the entire deferred Restricted Common Share balance will be distributed at that time. In the event that the Grantee's employment is terminated due to voluntary or involuntary termination of employment, disability, or death, the entire deferred Restricted Common Share balance will be distributed during the first quarter of the calendar year following the Grantee's termination of employment.
- o In the event of a Change in Control Event (as defined in the Plan), the Grantee may petition the Administrator for an immediate distribution of the deferred Restricted Common Shares.
- o If the Grantee has a pre-existing deferral election for a restricted stock award, that election will govern the manner and timing of distribution of the deferred Restricted Common Shares, the method of payment of Dividend Equivalents and beneficiary designation. If the Grantee does not have a pre-existing deferral election, the number of annual installments must be fixed (by employee election on a separate distribution election form) promptly upon receipt of the Restricted Common Share Agreement. Any awards deferred in subsequent years plus any additional stock units credited will be subject to the Grantee's original distribution election. The Grantee's distribution election may be changed, with the consent of the Administrator, up to 12 months prior to commencement of distribution.
- o This deferral is made pursuant to the terms of the Plan and is not part of the OPC Deferred Compensation Plan.
- o The administration of the Plan, including the deferral of this grant of Restricted Common Shares is governed by the Administrator, whose decision on all matters shall be final.

OCCIDENTAL PETROLEUM CORPORATION AND SUBSIDIARIES
 COMPUTATION OF EARNINGS PER SHARE
 FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2002 AND 2001
 (Amounts in millions, except per-share amounts)

	Three Months Ended September 30		Nine Months Ended September 30	
	2002	2001	2002	2001
BASIC EARNINGS PER SHARE				
Income from continuing operations	\$ 476	\$ 443	\$ 840	\$ 1,426
Discontinued operations, net	(74)	1	(78)	2
Extraordinary loss, net	--	--	--	(3)
Cumulative effect of changes in accounting principles, net	--	--	(95)	(24)
Earnings applicable to common stock	\$ 402	\$ 444	\$ 667	\$ 1,401
Weighted average basic common shares	377.1	373.5	376.0	371.9
Income from continuing operations	\$ 1.26	\$ 1.19	\$ 2.23	\$ 3.83
Discontinued operations, net	(.19)	--	(.21)	.01
Extraordinary loss, net	--	--	--	(.01)
Cumulative effect of changes in accounting principles, net	--	--	(.25)	(.06)
Basic earnings per common share	\$ 1.07	\$ 1.19	\$ 1.77	\$ 3.77
DILUTED EARNINGS PER SHARE				
Income from continuing operations	\$ 476	\$ 443	\$ 840	\$ 1,426
Discontinued operations, net	(74)	1	(78)	2
Extraordinary loss, net	--	--	--	(3)
Cumulative effect of changes in accounting principles, net	--	--	(95)	(24)
Earnings applicable to common stock	\$ 402	\$ 444	\$ 667	\$ 1,401
Basic shares	377.1	373.5	376.0	371.9
Dilutive effect of options outstanding	2.7	2.2	2.6	1.9
Dilutive effect of unvested restricted shares	.6	--	.2	--
Dilutive shares	380.4	375.7	378.8	373.8
Diluted earnings per share	\$ 1.25	\$ 1.18	\$ 2.22	\$ 3.81
Income from continuing operations	\$ 1.25	\$ 1.18	\$ 2.22	\$ 3.81
Discontinued operations, net	(.19)	--	(.21)	.01
Extraordinary loss, net	--	--	--	(.01)
Cumulative effect of changes in accounting principles, net	--	--	(.25)	(.06)
Diluted earnings per common share	\$ 1.06	\$ 1.18	\$ 1.76	\$ 3.75

EXHIBIT 11 (CONTINUED)

OCCIDENTAL PETROLEUM CORPORATION AND SUBSIDIARIES
 COMPUTATION OF EARNINGS PER SHARE
 FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2002 AND 2001
 (Amounts in millions, except per-share amounts)

The following items were not included in the computation of diluted earnings per share because their effect was antidilutive:

	Three Months Ended September 30		Nine Months Ended September 30	
	2002	2001	2002	2001
STOCK OPTIONS				
Number of shares	.02	.02	.02	.02

Price range per share	\$27.900 -- \$29.438	\$29.063 -- \$29.438	\$29.063 -- \$29.438	\$29.063 -- \$29.438
Expiration range	12/01/07 -- 8/29/11	12/01/07 -- 4/29/08	12/01/07 -- 4/29/08	12/01/07 -- 4/29/08

OCCIDENTAL PETROLEUM CORPORATION AND SUBSIDIARIES
 COMPUTATION OF TOTAL ENTERPRISE RATIOS OF EARNINGS TO FIXED CHARGES
 (Amounts in millions, except ratios)

	Nine Months Ended September 30		Year Ended December 31				
	2002	2001	2001	2000	1999	1998	1997
Income from continuing operations(a)	\$ 947	\$ 1,575	\$ 1,419	\$ 1,772	\$ 699	\$ 402	\$ 245
Add:							
Provision (credit) for taxes on income (other than foreign and gas taxes)	376	387	172	871	306	204	47
Interest and debt expense(b)	243	328	411	540	515	576	446
Portion of lease rentals representative of the interest factor	18	23	7	6	31	36	39
	637	738	590	1,417	852	816	532
Earnings before fixed charges	\$ 1,584	\$ 2,313	\$ 2,009	\$ 3,189	\$ 1,551	\$ 1,218	\$ 777
Fixed charges							
Interest and debt expense including capitalized interest(b)	\$ 248	\$ 332	\$ 417	\$ 543	\$ 522	\$ 594	\$ 462
Portion of lease rentals representative of the interest factor	18	23	7	6	31	36	39
Total fixed charges	\$ 266	\$ 355	\$ 424	\$ 549	\$ 553	\$ 630	\$ 501
Ratio of earnings to fixed charges	5.95	6.52	4.74	5.81	2.80	1.93	1.55

(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.