SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

# FORM 10-Q

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

For the quarterly period ended September 30, 2001

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 | 95-4035997 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| 10889 WILSHIRE BOULEVARD<br>LOS ANGELES, CALIFORNIA | 90024 |
| (Address of principal executive offices) | (Zip Code) |

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

---

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

Yes [X]     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, 2001 |
|---|---|
| Common stock $.20 par value | 373,591,925 shares |

OCCIDENTAL PETROLEUM CORPORATION AND SUBSIDIARIES

CONTENTS

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

OCCIDENTAL PETROLEUM CORPORATION AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS
SEPTEMBER 30, 2001 AND DECEMBER 31, 2000
(Amounts in millions)

| | 2001 | 2000 |
|---|---|---|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | $ 569 | $ 97 |
| Receivables, net | 1,017 | 1,326 |
| Inventories | 445 | 485 |
| Prepaid expenses and other | 168 | 159 |
| Total current assets | 2,199 | 2,067 |
| LONG-TERM RECEIVABLES, net | 2,186 | 2,119 |
| EQUITY INVESTMENTS | 1,343 | 1,327 |
| PROPERTY, PLANT AND EQUIPMENT, at cost, net of accumulated depreciation, depletion and amortization of $5,724 at September 30, 2001 and $6,041 at December 31, 2000 | 12,708 | 13,471 |
| OTHER ASSETS | 327 | 430 |
| | $ 18,763 | $ 19,414 |

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

OCCIDENTAL PETROLEUM CORPORATION AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS
SEPTEMBER 30, 2001 AND DECEMBER 31, 2000
(Amounts in millions)

| | 2001 | 2000 |
|---|---|---|
| LIABILITIES AND EQUITY | | |
| CURRENT LIABILITIES | | |
| Current maturities of long-term debt and capital lease liabilities | $ 252 | $ 258 |
| Notes payable | 2 | 2 |
| Accounts payable | 814 | 1,091 |
| Accrued liabilities | 1,256 | 1,311 |
| Domestic and foreign income taxes | 194 | 78 |
| Total current liabilities | 2,518 | 2,740 |
| LONG-TERM DEBT, net of current maturities and unamortized discount | 3,255 | 3,285 |
| NON-RECOURSE DEBT | 700 | 1,900 |
| DEFERRED CREDITS AND OTHER LIABILITIES | | |
| Deferred and other domestic and foreign income taxes | 1,220 | 1,280 |
| Obligation under natural gas delivery commitment | 180 | 282 |
| Other | 2,332 | 2,415 |
| | 3,732 | 3,977 |
| MINORITY INTEREST | 2,228 | 2,265 |
| OCCIDENTAL OBLIGATED MANDATORILY REDEEMABLE TRUST PREFERRED SECURITIES OF A SUBSIDIARY TRUST HOLDING SOLELY SUBORDINATED NOTES OF OCCIDENTAL | 467 | 473 |
| STOCKHOLDERS' EQUITY | | |
| Common stock, at par value | 75 | 74 |
| Additional paid-in capital | 3,843 | 3,743 |
| Retained earnings | 2,035 | 1,007 |
| Accumulated other comprehensive income | (90) | (50) |
| | 5,863 | 4,774 |
| | $ 18,763 | $ 19,414 |

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, 2001 AND 2000
(Amounts in millions, except per-share amounts)

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|---|---|---|---|---|
| | 2001 | 2000 | 2001 | 2000 |
| REVENUES | | | | |
| Net sales | 3,285 | 3,863 | 11,605 | 9,632 |
| Interest, dividends and other income | 61 | 68 | 195 | 168 |
| Gains (losses) on disposition of assets, net | (5) | 127 | 8 | 622 |
| Income (loss) on equity investments | (28) | 22 | (63) | 107 |
| | 3,313 | 4,080 | 11,745 | 10,529 |
| COSTS AND OTHER DEDUCTIONS | | | | |
| Cost of sales | 2,417 | 2,827 | 8,456 | 6,857 |
| Selling, general and administrative and other operating expenses | 159 | 262 | 535 | 707 |
| Exploration expense | 91 | 44 | 130 | 65 |
| Environmental remediation | -- | -- | 49 | -- |
| Minority interest | 41 | 55 | 117 | 141 |
| Interest and debt expense, net | 91 | 140 | 313 | 387 |
| | 2,799 | 3,328 | 9,600 | 8,157 |
| Income before taxes | 514 | 752 | 2,145 | 2,372 |
| Provision for domestic and foreign income and other taxes | 70 | 351 | 717 | 1,136 |
| Income before extraordinary items and effect of changes in accounting principles | 444 | 401 | 1,428 | 1,236 |
| Extraordinary gain (loss), net | -- | 1 | (3) | 1 |
| Cumulative effect of changes in accounting principles, net | -- | -- | (24) | -- |
| NET INCOME | 444 | 402 | 1,401 | 1,237 |
| Effect of repurchase of Trust Preferred Securities | -- | -- | -- | 1 |
| EARNINGS APPLICABLE TO COMMON STOCK | $ 444 | $ 402 | $ 1,401 | $ 1,238 |
| BASIC EARNINGS PER COMMON SHARE | | | | |
| Income before extraordinary items and effect of changes in accounting principles | $ 1.19 | $ 1.09 | $ 3.84 | $ 3.36 |
| Extraordinary loss, net | -- | -- | (.01) | -- |
| Cumulative effect of changes in accounting principles, net | -- | -- | (.06) | -- |
| Basic earnings per common share | $ 1.19 | $ 1.09 | $ 3.77 | $ 3.36 |
| DILUTED EARNINGS PER COMMON SHARE | | | | |
| Income before extraordinary items and effect of changes in accounting principles | $ 1.18 | $ 1.09 | $ 3.82 | $ 3.36 |
| Extraordinary loss, net | -- | -- | (.01) | -- |
| Cumulative effect of changes in accounting principles, net | -- | -- | (.06) | -- |
| Diluted earnings per common share | $ 1.18 | $ 1.09 | $ 3.75 | $ 3.36 |
| DIVIDENDS PER COMMON SHARE | $ .25 | $ .25 | $ .75 | $ .75 |
| WEIGHTED AVERAGE COMMON SHARES OUTSTANDING | 373.5 | 369.2 | 371.9 | 368.7 |

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, 2001 AND 2000
(Amounts in millions)

| | 2001 | 2000 |
|---|---|---|
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Income before extraordinary items and effect of changes in accounting principles | $ 1,428 | $ 1,236 |
| Adjustments to reconcile income to net cash provided by operating activities: | | |
| Depreciation, depletion and amortization of assets | 726 | 687 |
| Deferred income tax provision | (97) | 371 |
| Other noncash charges to income | 58 | 217 |
| Gains on disposition of assets, net | (8) | (622) |
| Loss (Income) on equity investments | 63 | (107) |
| Exploration expense | 130 | 65 |
| Changes in operating assets and liabilities | 78 | (36) |
| Other operating, net | (114) | (113) |
| Net cash provided by operating activities | 2,264 | 1,698 |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Capital expenditures | (965) | (608) |
| Sale of businesses and disposal of property, plant and equipment, net | 847 | 1,238 |
| Purchases of businesses, net | (38) | (3,702) |
| Other investing, net | (83) | 68 |
| Net cash used by investing activities | (239) | (3,004) |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Proceeds from long-term debt and non-recourse debt | 42 | 2,447 |
| Repurchase of trust preferred securities | (7) | (12) |
| Purchases for natural gas delivery commitment | (90) | (85) |
| Payments on long-term debt and non-recourse debt and capital lease liabilities | (1,303) | (731) |
| Proceeds from issuance of common stock | 12 | 28 |
| Payments of notes payable | -- | (10) |
| Cash dividends paid | (278) | (276) |
| Stock options exercised | 70 | -- |
| Other financing, net | 1 | (1) |
| Net cash (used) provided by financing activities | (1,553) | 1,360 |
| Increase in cash and cash equivalents | 472 | 54 |
| Cash and cash equivalents--beginning of period | 97 | 214 |
| Cash and cash equivalents--end of period | $ 569 | $ 268 |

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

September 30, 2001

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 together with the consolidated financial statements and accompanying notes in Occidental's Annual Report on Form 10-K for the year ended December 31, 2000 (2000 Form 10-K).

In the opinion of Occidental's management, the accompanying consolidated condensed financial statements contain all adjustments (consisting only of normal recurring adjustments) necessary to present fairly Occidental's consolidated financial position as of September 30, 2001, 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, 2001 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 2001 presentation.

Refer to Note 1 to the consolidated financial statements in the 2000 Form 10-K for a summary of significant accounting policies.

2. Extraordinary Items and Accounting Changes

On March 5, 2001, Occidental retired $20.5 million of 7.8 percent pollution control revenue bonds due on December 1, 2005. As a result of this transaction, Occidental recognized an after-tax extraordinary loss of $3 million in the first quarter of 2001.

During the third quarter of 2000, Occidental repurchased some of its outstanding public debt securities in open market transactions, with principal balances totaling $127 million, at current market prices. Occidental recorded an after-tax extraordinary gain of $1 million from these purchases.

In August 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (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. The provisions of this statement are effective for financial statements issued for fiscal years beginning after December 15, 2001. Occidental must implement SFAS No. 144 in the first quarter of 2002. Certain transitional provisions of the statement can be implemented as late as the fourth quarter of 2002, provided that the transitional effect, if any, is recorded retroactive to the first quarter of 2002. Occidental has not yet determined its impact on the financial statements.

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. The provisions of this statement are effective for financial statements issued for fiscal years beginning after June 15, 2002. Occidental must implement SFAS No. 143 in the first quarter of 2003 and has not yet determined its impact on the financial statements.

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 September 30, 2001 the balance sheet included approximately $110.0 million of goodwill and intangible assets with quarterly amortization expense of approximately $1.5 million recorded in the income statement. Occidental must implement SFAS No. 142 by the first quarter of 2002 and has not yet determined its impact on the financial statements.

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

In the fourth quarter of 2000, Occidental adopted the provisions of EITF Issue No. 00-10, "Accounting for Shipping and Handling Fees and Costs," which establishes accounting and reporting standards for the treatment of shipping and handling costs. Among its provisions, EITF Issue No. 00-10 requires that transportation costs that had been accounted for as deductions from revenues should now be recorded as an expense. The implementation of EITF Issue No. 00-10 had no effect on net income. All prior year balances have been adjusted to reflect this accounting change. Transportation costs in the amount of $58 million and $191 million have been removed as deductions from revenues and included in costs of sales for the three months and nine months ended September 30, 2000, respectively.

Refer to Note 10 for a description of accounting changes related to derivatives.

3. Comprehensive Income

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

| | Periods Ended September 30 | | | |
|---|---|---|---|---|
| | Three Months | | Nine Months | |
| | 2001 | 2000 | 2001 | 2000 |
| Net income | $ 444 | $ 402 | $ 1,401 | $ 1,237 |
| Other comprehensive income items | | | | |
| Foreign currency translation adjustments | (9) | (3) | (21) | 7 |
| Cumulative effect of change in accounting principles | -- | -- | (27) | -- |
| Derivative activity | (3) | -- | 6 | -- |
| Other | -- | -- | 2 | (1) |
| Other comprehensive (loss) income, net of tax | (12) | (3) | (40) | 6 |
| Comprehensive income | $ 432 | $ 399 | $ 1,361 | $ 1,243 |

4. Asset Acquisitions and Dispositions

Refer to Note 3 to the consolidated financial statements in the 2000 Form 10-K for a description of asset acquisitions and dispositions.

On August 31, 2001, Occidental sold the entity that owns pipelines in Texas that are leased to a former subsidiary. The entity was sold to Kinder Morgan Energy Partners, L.P. Occidental recorded an after-tax loss of approximately $272 million in connection with this transaction.

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

5. Supplemental Cash Flow Information

Cash payments during the nine months ended September 30, 2001 and 2000 included federal, foreign and state income taxes of approximately $382 million and $530 million, respectively. Interest paid (net of interest capitalized) totaled approximately $312 million and $385 million for the nine months ended September 30, 2001, and 2000, respectively.

6. Cash and Cash Equivalents

Cash equivalents consist of highly liquid money-market mutual funds and bank deposits with maturities of three months or less when purchased. Cash equivalents totaled $524 million and $46 million at September 30, 2001 and December 31, 2000, respectively.

7. Inventories

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

| Balance at | September 30, 2001 | December 31, 2000 |
|---|---|---|
| Raw materials | $ 59 | $ 68 |
| Materials and supplies | 131 | 125 |
| Work in process | 2 | 3 |
| Finished goods | 288 | 343 |
| | 480 | 539 |
| LIFO adjustment | (35) | (54) |
| Total | $ 445 | $ 485 |

8. Property, Plant and Equipment

Refer to the consolidated balance sheets and Note 1 in the 2000 Form 10-K for a description of investments in property, plant and equipment.

Refer to Note 4 for a description of the sale of the entity that owns pipelines in Texas that are leased to a former subsidiary.

9. Trust Preferred Securities

Refer to Note 12 to the consolidated financial statements in the 2000 Form 10-K for a description of the Trust Preferred Securities. The balance reflected in the accompanying consolidated condensed financial statements at September 30, 2001, and December 31, 2000, is net of unamortized issue costs and also reflects the repurchase during 2001 and 2000 of 270,200 shares and 555,760 shares with liquidation values of $6.8 million and $13.9 million, respectively.

10. Derivative Activities

Effective January 1, 2001, Occidental implemented SFAS No. 133, "Accounting for Derivative Instruments and Hedging," as amended by SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities--Deferral of the Effective Date of FASB Statement No. 133," and SFAS No. 138, "Accounting for

Certain Derivative Instruments and Certain Hedging Activities." These statements establish accounting and reporting standards for derivative instruments, including derivative instruments embedded in other contracts, and hedging activities and require an entity to recognize all derivatives in the statement of financial position, measure those instruments at fair value, and classify them as either assets or liabilities on the condensed consolidated balance sheet. Changes in the derivative instruments' fair value must be recognized in earnings unless specific hedge accounting criteria are met. Occidental's initial adoption of SFAS No. 133 resulted in (i) a first quarter after-tax reduction in net income of $24 million recorded as a cumulative effect of a change in accounting principles and (ii) an after-tax reduction in other comprehensive income (OCI) of approximately $27 million.

Occidental uses commodity futures contracts, options and swaps to hedge the impact of oil and natural gas price fluctuations and to engage in trading activities. Occidental also uses forward rate locks and interest rate swaps to manage its interest-rate exposure. Gains and losses from derivatives that qualify for cash flow hedge accounting are deferred until recognized as an adjustment to earnings when the hedged transaction is finalized. For cash flow hedges, the portion of the change in the value of the derivative that is not offset by an equal change in the value of the underlying transaction is referred to as hedge ineffectiveness and is recorded in earnings. Gains and losses from derivatives that qualify for fair-value hedge accounting will be recognized in earnings as partial offsets to the changes in fair value recorded on the related hedged asset or liability. Gains or losses on derivatives that do not qualify for hedge accounting are recognized in earnings.

For the three and nine months ended September 30, 2001, the results of operations included a net gain of $1 million and $41 million, respectively, related to derivative mark-to-market adjustments. Net interest expense was reduced by $0.8 million for the three and nine months ended September 30, 2001 to reflect net gains from fair-value hedges. During the three and nine months ended September 30, 2001, a $4 million loss and a $4 million 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, 2001, net unrealized 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 $1 million of net derivative gains included in OCI, based on their valuation at September 30, 2001, will be reclassified into earnings. Hedge ineffectiveness did not have a significant impact on earnings for the three and nine months ended September 30, 2001.

11. Retirement Plans and Postretirement Benefits

Refer to Note 14 to the consolidated financial statements in the 2000 Form 10-K for a description of the retirement plans and postretirement benefits of Occidental and its subsidiaries.

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

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

Refer to Note 9 to the consolidated financial statements in the 2000 Form 10-K for information concerning Occidental's long-term purchase obligations for certain products and services.

13. Income Taxes

The provision for taxes based on income for the 2001 and 2000 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 pretax income.

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. The provision for income taxes for the nine months ended September 30, 2000 reflected the tax effect of the gain on the sale of the investment in Canadian Occidental Petroleum (CanOxy).

14. Investments

Investments in entities, other than oil and gas exploration and production companies, in which Occidental has a voting stock interest of at least 20 percent, but not more than 50 percent, and certain partnerships are accounted for on the equity method. At September 30, 2001, Occidental's equity investments consisted primarily of a 29.5 percent interest in Equistar acquired in May 1998, and interests in various chemical 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 | |
| | 2001 | 2000 | 2001 | 2000 |
| Revenues | $ 512 | $ 668 | $ 1,790 | $ 2,031 |
| Costs and expenses | 540 | 646 | 1,853 | 1,924 |
| Net income | $ (28) | $ 22 | $ (63) | $ 107 |

15. 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, 2001 | | | | |
| Net sales | $ 9,097 | $ 2,508 | $ -- | $ 11,605 |
| Pretax operating profit (loss) | $ 3,069 | $ (5)(d) | $ (919)(a)(e) | $ 2,145 |
| Income taxes | (390) | 24 | (351)(b)(f) | (717) |
| Extraordinary (loss), net | -- | -- | (3) | (3) |
| Cumulative effect, net | -- | -- | (24) | (24) |
| Net income (loss) | $ 2,679 (c) | $ 19 | $ (1,297)(g) | $ 1,401 |
| Nine months ended September 30, 2000 | | | | |
| Net sales | $ 6,634 | $ 2,998 | $ -- | $ 9,632 |
| Pretax operating profit | $ 2,118 | $ 236 (i) | $ 18 (a)(j) | $ 2,372 |
| Income taxes | (471) | (12) | (653)(b)(k) | (1,136) |
| Extraordinary gain, net | -- | -- | 1 | 1 |
| Net income (loss) | $ 1,647 (h) | $ 224 | $ (634) | $ 1,237 |

(a) Includes unallocated net interest expense, administration expense and other items.
(b) Includes unallocated income taxes.
(c) 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.
(d) Includes a pre-tax charge of $26 million related to severance and plant shut-down costs.
(e) Includes a pre-tax charge of $49 million related to environmental remediation costs and a pre-tax insurance dividend of $6 million.
(f) Includes an after-tax benefit of $45 million (pre-federal tax benefit of $70 million) related to a settlement of a state tax issue.
(g) 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.
(h) Includes an after-tax gain of $39 million related to the partial sale of Occidental's Gulf of Mexico assets, an after-tax gain on receipt of a contingency payment of $41 million related to the sale of its interest in the Netherlands, and a pre-tax charge of approximately $74 million for the write-down of various oil and gas assets, real estate and investments.
(i) Includes pre-tax charge of $120 million related to the decision to exit several chemical intermediate businesses.
(j) Includes pre-tax gain of approximately $493 million related to the sale of the CanOxy investment.
(k) Includes income taxes of approximately $193 million related to the sale of the CanOxy investment.

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

RESULTS OF OPERATIONS

Occidental Petroleum Corporation (Occidental) reported net income for the first nine months of 2001 of $1.4 billion, on net sales of $11.6 billion, compared with net income of $1.2 billion, on net sales of $9.6 billion, for the same period of 2000. Occidental's net income for the third quarter of 2001 was $444 million, on net sales of $3.3 billion, compared with net income of $402 million, on net sales of $3.9 billion, for the same period of 2000. Basic earnings per common share were $3.77 for the first nine months of 2001, compared with earnings per share of $3.36 for the same period of 2000. Basic earnings per common share were $1.19 for the third quarter of 2001, compared with earnings per share of $1.09 for the same period of 2000.

Earnings before special items were $317 million and $1.3 billion for the three and nine months ended September 30, 2001, respectively, compared with earnings of $370 million and $977 million for the same periods in 2000, respectively. See the Special Items table below for a description of special items. The decrease in earnings before special items for the three months ended September 30, 2001, compared with the same period in 2000, reflected lower worldwide crude oil and chemical prices, higher exploration expense and a loss from equity affiliates compared with income in the prior period, partially offset by higher natural gas prices and lower energy, feedstock and overhead costs. The increase in earnings before special items for the nine months ended September 30, 2001, compared with the same period in 2000, reflected higher natural gas prices and lower feedstock costs, partially offset by lower worldwide crude oil and chemical prices, higher exploration expense and a loss from equity affiliates compared with income in the prior period.

The decrease in net sales for the three months ended September 30, 2001, compared with the same period in 2000, primarily reflected lower worldwide crude oil and chemical prices and lower oil and gas trading revenue mainly due to lower oil and gas prices partially offset by higher gas volumes. The increase in net sales for the nine months ended September 30, 2001, compared with the same period in 2000, primarily reflected higher natural gas prices and higher oil and gas trading revenue mainly due to higher oil and gas volumes and higher gas prices, partially offset by lower worldwide crude oil and chemical prices. Interest, dividends and other income for the three and nine months ended September 30, 2001 included interest income on notes receivable from Altura partners of $24 million and $85 million, respectively, compared to $38 million and $68 million, respectively, for the same periods in 2000. Gains 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. Gains on disposition of assets for the three months and nine months ended September 30, 2000 included pre-tax gains from the partial sale of Occidental's interest in the Continental Shelf of the Gulf of Mexico and the receipt of a contingency payment on the sale of its interest in the Netherlands. Gains on disposition of assets for the nine months ended September 30, 2000 included a pre-tax gain of $493 million on the sale of its investment in Canadian Occidental Petroleum (CanOxy). The loss from equity investments for the three and nine months ended September 30, 2001, compared with income from equity investments for the same periods in 2000, primarily resulted from the Equistar investment's operating loss in 2001.

The decrease in cost of sales for the three months ended September 30, 2001, compared to the same period in 2000, primarily reflected lower oil and gas trading activities during the quarter as discussed above. The increase in cost of sales for the nine months ended September 30, 2001, compared with the same period in 2000, primarily reflected higher oil and gas trading activities during the nine-month period as discussed above. Selling, general and administrative and other operating expenses for the nine months ended September 30, 2000, included a pre-tax charge of $120 million to exit several chemical intermediate businesses. 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 provision for income taxes decreased for the three and nine months ended September 30, 2001, compared with the same periods in 2000. 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 are 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. The provision for income taxes for the nine months ended September 30, 2000 reflected the tax effect of the gain on the sale of the investment in CanOxy.

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 | |
| | 2001 | 2000 | 2001 | 2000 |
| SEGMENT NET SALES | | | | |
| Oil and Gas | $ 2,521 | $ 2,972 | $ 9,097 | $ 6,634 |
| Chemical | 764 | 891 | 2,508 | 2,998 |
| NET SALES | $ 3,285 | $ 3,863 | $ 11,605 | $ 9,632 |
| SEGMENT EARNINGS | | | | |
| Oil and Gas | $ 927 | $ 696 | $ 2,679 | $ 1,647 |
| Chemical | 40 | 47 | 19 | 224 |
| | 967 | 743 | 2,698 | 1,871 |
| UNALLOCATED CORPORATE ITEMS | | | | |
| Interest expense, net | (60) | (97) | (207) | (300) |
| Income taxes | (129) | (169) | (553) | (668) |
| Trust preferred distributions & other | (13) | (17) | (43) | (50) |
| Other | (321) | (59) | (467) | 383 |
| INCOME BEFORE EXTRAORDINARY ITEMS AND EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES | 444 | 401 | 1,428 | 1,236 |
| Extraordinary gain (loss), net | -- | 1 | (3) | 1 |
| Cumulative effect of changes in accounting principles, net | -- | -- | (24) | -- |
| NET INCOME | $ 444 | $ 402 | $ 1,401 | $ 1,237 |
| EARNINGS BEFORE SPECIAL ITEMS (a) | $ 317 | $ 370 | $ 1,293 | $ 977 |

(a) Earnings before special items reflect adjustments to net income to exclude the after-tax effect of certain infrequent transactions that may affect comparability between periods. These transactions are shown in the table below. Management believes the presentation of earnings before special items provides a meaningful comparison of earnings between periods to the readers of the consolidated financial statements. Earnings before special items is not considered to be an alternative to operating income in accordance with generally accepted accounting principles.

The following table sets forth the Special Items for each operating segment and corporate:

| Benefit (Charge) (in millions) | Periods Ended September 30 Three Months 2001 | 2000 | Nine Months 2001 | 2000 |
|---|---|---|---|---|
| OIL AND GAS | | | | |
| Gain on sale of interest in the Indonesian Tangguh LNG project * | $ 399 | $ -- | $ 399 | $ -- |
| Gain on sale of additional interests in Gulf of Mexico assets * | -- | -- | 7 | -- |
| Gain on partial sale of Gulf of Mexico assets * | -- | 39 | -- | 39 |
| Gain on receipt of contingency payment * | -- | 41 | -- | 41 |
| Write-down of various assets, real estate and investments | -- | (74) | -- | (74) |
| CHEMICAL | | | | |
| Severance, plant shutdown and plant writedown costs | $ -- | $ -- | $ (26) | $ -- |
| Write-down of chemical intermediate businesses | -- | -- | -- | (120) |
| CORPORATE | | | | |
| Loss on sale of pipeline-owning entity * | $ (272) | $ -- | $ (272) | $ -- |
| Settlement of state tax issue | -- | -- | 70 | -- |
| Environmental remediation | -- | -- | (49) | -- |
| Gain on sale of CanOxy investment | -- | -- | -- | 493 |
| Insurance dividend | -- | -- | 6 | 11 |
| Changes in accounting principles, net * | -- | -- | (24) | -- |
| Extraordinary gain (loss) on debt redemption, net * | -- | 1 | (3) | 1 |

* These amounts are shown after tax.

OIL AND GAS SEGMENT

| Summary of Operating Statistics | Periods Ended September 30 Three Months 2001 | 2000 | Nine Months 2001 | 2000 |
|---|---|---|---|---|
| NET PRODUCTION PER DAY: | | | | |
| CRUDE OIL AND NATURAL GAS LIQUIDS (MBL) | | | | |
| United States | 215 | 210 | 211 | 159 |
| Latin America | 48 | 42 | 32 | 52 |
| Eastern Hemisphere | 121 | 124 | 120 | 124 |
| NATURAL GAS (MMCF) | | | | |
| United States | 602 | 687 | 613 | 665 |
| Eastern Hemisphere | 52 | 47 | 50 | 49 |
| BARRELS OF OIL EQUIVALENT - (MBOE) | 493 | 499 | 473 | 454 |
| AVERAGE SALES PRICE: | | | | |
| CRUDE OIL ($/BBL) | | | | |
| United States | $ 23.03 | $ 28.10 | $ 23.48 | $ 26.19 |
| Latin America | $ 21.14 | $ 26.18 | $ 21.40 | $ 26.13 |
| Eastern Hemisphere | $ 22.60 | $ 26.39 | $ 22.66 | $ 24.76 |
| NATURAL GAS ($/MCF) | | | | |
| United States | $ 4.59 | $ 4.18 | $ 7.74 | $ 3.21 |
| Eastern Hemisphere | $ 2.16 | $ 1.98 | $ 2.25 | $ 1.80 |

Oil and gas earnings for the third quarter of 2001 were $927 million, compared with $696 million for the same period of 2000. Oil and gas earnings before special items were $528 million for the third quarter of 2001, compared with $690 million for the same period of 2000. Oil and gas earnings for the first nine months of 2001 were $2.7 billion, compared with $1.6 billion for the same period of 2000. Oil and gas earnings before special items were $2.3 billion for the first nine months of 2001, compared with $1.6 billion for the first nine months of 2000. See the Special Items table for a description of special items. The decrease in earnings before special items for the three months ended September 30, 2001, compared with the same period in 2000, primarily reflected lower worldwide crude oil prices and higher exploration expense. The increase in earnings before special items for the nine months ended September 30, 2001, compared with the same period in 2000, primarily reflected higher natural gas prices, partially offset by lower worldwide crude oil prices and higher exploration expense.

Realized crude oil prices for the quarter averaged $22.61 per barrel compared to $27.26 per barrel during the same period last year. Domestic natural gas prices for the quarter averaged $4.59 per MCF versus $4.18 during last year's third quarter. During the third quarter, the premium for California natural gas was approximately $2.70 per MCF above the NYMEX price. No California gas premium is expected in the fourth quarter; the loss of this premium is expected to reduce fourth quarter segment earnings by $70 million compared with the third quarter. Additionally, a $1.00 per million BTUs swing in NYMEX gas prices will have approximately a $62 million impact on quarterly segment earnings, and a $1.00 per barrel change in oil prices will impact quarterly earnings by approximately $28 million. The fourth quarter usually is the weakest period for gas prices since it comprises production from the low gas storage injection months of September, October and November that fall between the summer air conditioning and winter heating seasons. Gas prices during the period are generally set at the beginning of each of these months.

The decrease in net sales for the three months ended September 30, 2001, compared with the same period in 2000, primarily reflected lower worldwide crude oil prices and lower oil and gas trading revenue mainly due to lower oil and gas prices partially offset by higher gas volumes. The increase in net sales for the nine months ended September 30, 2001, compared with the same period in 2000, primarily reflected higher natural gas prices and higher oil and gas trading revenue mainly due to higher oil and gas volumes and higher gas prices, partially offset by lower worldwide crude oil prices. Approximately 51 percent and 53 percent of oil and gas net sales were attributable to oil and gas trading activities in the third quarter of 2001 and 2000, respectively. Approximately 53 percent and 48 percent of oil and gas net sales were attributable to oil and gas trading activities in the first nine months of 2001 and 2000, respectively. The results of oil and gas trading activities were not significant in any period.

CHEMICAL SEGMENT

| | Periods Ended September 30 | | | |
|---|---|---|---|---|
| | Three Months | | Nine Months | |
| Summary of Operating Statistics | 2001 | 2000 | 2001 | 2000 |
| MAJOR PRODUCT VOLUMES | | | | |
| Chlorine (M Tons) | 720 | 690 | 2,211 | 2,294 |
| Caustic Soda (M Tons) | 760 | 825 | 2,179 | 2,470 |
| Ethylene Dichloride (M Tons) | 208 | 128 | 584 | 674 |
| PVC Resins (MM Lbs.) | 475 | 413 | 1,472 | 1,350 |
| MAJOR PRODUCT PRICE INDEX (BASE 1987-1990 = 1.0) | | | | |
| Chlorine | 0.68 | 1.72 | 0.78 | 1.60 |
| Caustic | 1.36 | 0.59 | 1.37 | 0.66 |
| Ethylene Dichloride | 0.43 | 1.22 | 0.66 | 1.57 |
| PVC Resins | 0.65 | 0.99 | 0.71 | 0.99 |

Chemical earnings for the third quarter of 2001 were $40 million, compared with $47 million for the same period of 2000. There were no special items in the third quarter of 2001 and 2000. Chemical earnings for the first nine months of 2001 were $19 million, compared with $224 million for the same period of 2000. Chemical earnings before special items were $45 million for the first nine months of 2001, compared with $344 million for the first nine months of 2000. See the Special Items table for a description of special items. The decrease in third quarter and nine months 2001 earnings before special items, compared with the same periods in 2000, is due to lower prices for polyvinyl chloride resins (PVC), ethylene dichloride (EDC) and chlorine and a loss from the Equistar equity investment compared with income in the prior year, partially offset by lower feedstock costs. Credits in lieu of U.S. federal income taxes, asset writedowns and self-insurance reserve adjustments essentially offset each other in total.

The decrease in net sales for the three months and nine months ended September 30, 2001, compared with the same periods in 2000, primarily reflected lower sales prices for PVC, EDC and chlorine and the disposition in 2000 of the Durez businesses, partially offset by higher prices for caustic soda.

The fundamental weakness in chemical demand is continuing with no signs of an early recovery. The petrochemical industry in particular appears to be operating on approximately a cash break-even basis. Meaningful improvement in the results of the chemical business will depend largely on an improvement in general economic conditions.

CORPORATE AND OTHER

Segment earnings include credits/(charges) in lieu of U.S. federal income taxes. In the first nine months of 2001 and 2000, segment earnings benefited or were (reduced) by $1 million and $(27) million, respectively, from credits and (charges) allocated. This included (charges) and credits of $(37) million and $38 million at oil and gas and chemical, respectively, in the first nine months of 2001 and $(39) million and $12 million at oil and gas and chemical, respectively, for the first nine months of 2000. The 2001 amount includes a charge for the tax effects of the sale of the interest in the Tangguh LNG project in Indonesia and credits for chemical asset dispositions. The 2000 amount includes charges for the sale of an interest in the subsidiary that owned the Gulf of Mexico shelf assets and for the receipt of contingency payments related to a prior year sale of a Dutch North Sea subsidiary.

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

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Occidental's net cash provided by operating activities was $2.3 billion for the first nine months of 2001, compared with net cash provided of $1.7 billion for the same period of 2000. The increase in the 2001 amount is primarily attributable to higher net income before special items and deferred taxes.

Occidental's net cash used by investing activities was $239 million for the first nine months of 2001, compared with net cash used of $3.0 billion for the same period of 2000. The 2000 amount primarily reflected the $3.6 billion cost

of the Altura acquisition, partially offset by pre-tax asset sale proceeds mainly from the sale of Occidental's 29.2 percent interest in CanOxy for approximately $800 million. Capital expenditures for the first nine months of 2001 were $965 million, including $69 million in chemical. Capital expenditures for the first nine months of 2000 were $608 million, including $84 million in chemical.

Occidental's financing activities used net cash of $1.6 billion in the first nine months of 2001, compared with cash provided of $1.4 billion for the same period of 2000. The 2001 amount primarily reflects debt payments of $1.3 billion from free cash flow and from proceeds of asset sales and cash dividends paid of $278 million. The 2000 amount mainly reflects proceeds of $2.4 billion from non-recourse debt, debt payments of $731 million and cash dividends paid of $276 million.

On August 31, 2001, Occidental sold the entity that owns pipelines in Texas that are leased to a former subsidiary. The entity was sold to Kinder Morgan Energy Partners, L.P. Occidental recorded an after-tax loss of approximately $272 million in connection with this transaction.

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

Occidental currently expects to spend approximately $1.4 billion on its 2001 capital spending program, including about $100 million for the chemical segment. Occidental expects to generate sufficient cash from operations in 2001 to fund its operating needs, capital-expenditure requirements, dividend payments and required debt repayments. Occidental also expects to have sufficient cash for these requirements in 2002 and currently expects to spend about $1.1 billion for capital expenditures in 2002. Available but unused lines of committed bank credit totaled approximately $1.91 billion at September 30, 2001 and $2.1 billion at December 31, 2000. During the first nine months of 2001, Occidental reduced total debt by over $1.3 billion. Occidental expects to continue to use free cash flow to pay down debt for the remainder of 2001 as well as in fiscal year 2002.

DERIVATIVE ACTIVITIES

Effective January 1, 2001, Occidental implemented SFAS No. 133, "Accounting for Derivative Instruments and Hedging," as amended by SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities--Deferral of the Effective Date of FASB Statement No. 133," and SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities." These statements establish accounting and reporting standards for derivative instruments, including derivative instruments embedded in other contracts, and hedging activities and require an entity to recognize all derivatives in the statement of financial position, measure those instruments at fair value, and classify them as either assets or liabilities on the condensed consolidated balance sheet. Changes in the derivative instruments' fair value must be recognized in earnings unless specific hedge accounting criteria are met. Occidental's initial adoption of SFAS No. 133 resulted in (i) a first quarter after-tax reduction in net income of $24 million recorded as a cumulative effect of a change in accounting principles and (ii) an after-tax reduction in other comprehensive income (OCI) of approximately $27 million.

Occidental uses commodity futures contracts, options and swaps to hedge the impact of oil and natural gas price fluctuations and to engage in trading activities. Occidental also uses forward rate locks and interest rate swaps to manage its interest-rate exposure. Gains and losses from derivatives that qualify for cash flow hedge accounting are deferred until recognized as an adjustment to earnings when the hedged transaction is finalized. For cash flow hedges, the portion of the change in the value of the derivative that is not offset by an equal change in the value of the underlying transaction is referred to as hedge ineffectiveness and is recorded in earnings. Gains and losses from derivatives that qualify for fair-value hedge accounting will be recognized in earnings as partial offsets to the changes in fair value recorded on the related hedged asset or liability. Gains or losses on derivatives that do not qualify for hedge accounting are recognized in earnings.

For the three and nine months ended September 30, 2001, the results of operations included a net gain of $1 million and $41 million, respectively, related to derivative mark-to-market adjustments. Net interest expense was reduced by $0.8 million for the three and nine months ended September 30, 2001 to reflect net gains from fair-value hedges. During the three and nine months ended September 30, 2001, a $4 million loss and a $4 million 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, 2001, net unrealized 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 $1 million of net derivative gains included in OCI, based on their valuation at September 30, 2001, will be reclassified into earnings. Hedge ineffectiveness did not have a significant impact on earnings for the three and nine months ended September 30, 2001.

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.

The laws which require or address environmental remediation may apply retroactively to previous waste disposal practices. And, in many cases, the laws apply regardless of fault, legality of the original activities or ownership or control of sites. Occidental is currently participating in environmental assessments and cleanups under these laws at federal Superfund sites, comparable state sites and other remediation sites, including Occidental facilities and previously owned sites.

Occidental does not consider the number of Superfund and comparable state sites at which it has been notified that it has been identified as being involved to be a relevant measure of exposure. Although the liability of a potentially responsible party (PRP), and in many cases its equivalent under state law, may be joint and several, Occidental is usually one of many companies cited as a PRP at these sites and has, to date, been successful in sharing cleanup costs with other financially sound companies.

As of September 30, 2001, Occidental had been notified by the Environmental Protection Agency (EPA) or equivalent state agencies or otherwise had become aware that it had been identified as being involved at 126 Superfund or comparable state sites. (This number does not include those sites where Occidental has been successful in resolving its involvement.) The 126 sites include 34 former Diamond Shamrock Chemical sites as to which Maxus Energy Corporation has retained all liability. Of the remaining 92 sites, Occidental has denied involvement at 9 sites and has yet to determine involvement in 20 sites. With respect to the remaining 63 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 43 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 43 sites include 11 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 63 sites being evaluated, Occidental does not have sufficient information to determine a range of liability, but Occidental does have sufficient information on which to base the opinion expressed above under the caption "Results of Operations."

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 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 domestically or internationally; regulatory uncertainties; and not successfully completing, or any material delay of, any development of new fields, expansion, capital expenditure, efficiency improvement, acquisition or disposition. Forward-looking statements are generally accompanied by words such as "estimate," "project," "predict," "believes," "expect," "will," "should," or "could," which convey the uncertainty of future events or outcomes. Occidental undertakes no 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, 2001 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 2000 Annual Report on Form 10-K.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

GENERAL

This item incorporates by reference the information regarding legal proceedings in Note 12 to the consolidated condensed financial statements in Part I of this Form 10-Q.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

10.1 Form of Incentive Stock Option Agreement under Occidental Petroleum Corporation 2001 Incentive Compensation Plan

10.2 Form of Nonqualified Stock Option Agreement under Occidental Petroleum Corporation 2001 Incentive Compensation Plan

10.3 Form of Nonqualified Stock Option Agreement (for foreign-based employees) under Occidental Petroleum Corporation 2001 Incentive Compensation Plan

11 Statement regarding the computation of earnings per share for the three and nine months ended September 30, 2001 and 2001

12 Statement regarding the computation of total enterprise ratios of earnings to fixed charges for the nine months ended September 30, 2001 and 2000 and the five years ended December 31, 2000

(b) Reports on Form 8-K

During the quarter ended September 30, 2001, Occidental filed the following Current Reports on Form 8-K:

1 Current Report on Form 8-K dated July 11, 2001 (date of earliest event reported), filed on July 11, 2001, for the purpose of reporting, under Item 5, the sale of Occidental's interest in Tangguh LNG project.

2 Current Report on Form 8-K dated July 19, 2001 (date of earliest event reported), filed on July 19, 2001, for the purpose of reporting, under Item 5, Occidental's results of operations for the second quarter ended June 30, 2001, and under Item 9, text and supplemental financial schedules from Occidental's second quarter 2001 conference call.

From September 30, 2001 to the date hereof, Occidental filed the following Current Reports on Form 8-K:

1 Current Report on Form 8-K dated October 16, 2001 (date of earliest event reported), filed on October 16, 2001 (date of earliest event reported), for the purpose of reporting under Item 9, text and schedules from speeches by Dr. Ray R. Irani, Chairman and Chief

Executive Officer and Stephen I. Chazen, Chief Financial Officer and Executive Vice President-Corporate Development.

2 Current Report on Form 8-K dated October 17, 2001 (date of earliest event reported), filed on October 17, 2001, for the purpose of reporting, under Item 5, Occidental's results of operations for the third quarter ended September 30, 2001, and under Item 9, text and supplemental financial schedules from Occidental's third quarter 2001 conference call.

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 13, 2001

/s/ S. P. DOMINICK, JR.

---------------------------------------

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

EXHIBIT INDEX

EXHIBITS
- --------

| | |
|---|---|
| 10.1 | Form of Incentive Stock Option Agreement under Occidental Petroleum Corporation 2001 Incentive Compensation Plan |
| 10.2 | Form of Nonqualified Stock Option Agreement under Occidental Petroleum Corporation 2001 Incentive Compensation Plan |
| 10.3 | Form of Nonqualified Stock Option Agreement (for foreign-based employees) under Occidental Petroleum Corporation 2001 Incentive Compensation Plan |
| 11 | Statement regarding the computation of earnings per share for the three and nine months ended September 30, 2001 and 2000 |
| 12 | Statement regarding the computation of total enterprise ratios of earnings to fixed charges for the nine months ended September 30, 2001 and 2000 and the five years ended December 31, 2000 |

EXHIBIT 10.1

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 the Optionee gives notice 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 on a day that the New York Stock Exchange is open for trading 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 notice is received after the close of trading on the New York Stock Exchange, in which case the exercise date is the next trading day on the New York Stock Exchange. 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 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 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 the 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 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 and state 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.

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.

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

EXHIBIT 10.2

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 the Optionee gives notice 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 on a day that the New York Stock Exchange is open for trading 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 notice is received after the close of trading on the New York Stock Exchange, in which case the exercise date is the next trading day on the New York Stock Exchange. 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 the 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 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 and state 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.

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.

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

EXHIBIT 10.3

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 the Optionee gives notice 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 on a day that the New York Stock Exchange is open for trading 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 notice is received after the close of trading on the New York Stock Exchange, in which case the exercise date is the next trading day on the New York Stock Exchange. 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 the 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 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.

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.

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:

I understand that the (i) grant of this Option is made by Occidental with no liability on the part of any of its direct or indirect subsidiaries and that I am not, and will not be considered, an employee of Occidental but I am a third party (employee of a subsidiary) to whom this Option is granted; (ii) Occidental does not assume liability in the event of any loss to me from this Option; and, (iii) subject to the terms of any tax equalization agreement between me and the subsidiary employing me, I will be solely responsible for the payment or nonpayment of taxes imposed or threatened to be imposed by any authority of any jurisdiction.

--------------------------------

Optionee

EXHIBIT 11

OCCIDENTAL PETROLEUM CORPORATION AND SUBSIDIARIES
COMPUTATION OF EARNINGS PER SHARE
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2001 AND 2000
(Amounts in millions, except per-share amounts)

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|---|---|---|---|---|
| | 2001 | 2000 | 2001 | 2000 |
| BASIC EARNINGS PER SHARE | | | | |
| Income before extraordinary items and effect of changes in accounting principles | $ 444 | $ 401 | $ 1,428 | $ 1,236 |
| Effect of repurchase of Trust Preferred Securities | -- | -- | -- | 1 |
| Earnings before extraordinary items and effect of changes in accounting principles | 444 | 401 | 1,428 | 1,237 |
| Extraordinary gain (loss), net | -- | 1 | (3) | 1 |
| Cumulative effect of changes in accounting principles, net | -- | -- | (24) | -- |
| Earnings applicable to common stock | $ 444 | $ 402 | $ 1,401 | $ 1,238 |
| Weighted average common shares outstanding | 373.5 | 369.2 | 371.9 | 368.7 |
| Basic earnings per share | | | | |
| Income before extraordinary items and effect of changes in accounting principles | $ 1.19 | $ 1.09 | $ 3.84 | $ 3.36 |
| Extraordinary loss, net | -- | -- | (.01) | -- |
| Cumulative effect of changes in accounting principles, net | -- | -- | (.06) | -- |
| Basic earnings per common share | $ 1.19 | $ 1.09 | $ 3.77 | $ 3.36 |
| DILUTED EARNINGS PER SHARE | | | | |
| Earnings before extraordinary items and effect of changes in accounting principles applicable to common stock | $ 444 | $ 401 | $ 1,428 | $ 1,237 |
| Extraordinary gain (loss), net | -- | 1 | (3) | 1 |
| Cumulative effect of changes in accounting principles, net | -- | -- | (24) | -- |
| Earnings applicable to common stock | $ 444 | $ 402 | $ 1,401 | $ 1,238 |
| Weighted average common shares outstanding | 373.5 | 369.2 | 371.9 | 368.7 |
| Dilutive effect of exercise of options outstanding | 2.2 | .3 | 1.9 | .2 |
| | 375.7 | 369.5 | 373.8 | 368.9 |
| Diluted earnings per share | | | | |
| Income before extraordinary items and effect of changes in accounting principles | $ 1.18 | $ 1.09 | $ 3.82 | $ 3.36 |
| Extraordinary loss, net | -- | -- | (.01) | -- |
| Cumulative effect of changes in accounting principles, net | -- | -- | (.06) | -- |
| Diluted earnings per common share | $ 1.18 | $ 1.09 | $ 3.75 | $ 3.36 |

EXHIBIT 11 (CONTINUED)

OCCIDENTAL PETROLEUM CORPORATION AND SUBSIDIARIES
COMPUTATION OF EARNINGS PER SHARE
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2001 AND 2000
(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 | |
|---|---|---|---|---|
| | 2001 | 2000 | 2001 | 2000 |
| STOCK OPTIONS | | | | |
| Number of shares | 0.02 | 5.61 | 0.02 | 5.63 |

| | | | | |
|---|---|---|---|---|
| Price range per share | $29.063 -- $29.438 | $22.000 -- $29.438 | $29.063 -- $29.438 | $21.250 -- $29.438 |
| Expiration range | 12/1/07 -- 4/29/08 | 4/28/03 -- 11/10/09 | 12/1/07 -- 4/29/08 | 4/28/03 -- 11/10/09 |

EXHIBIT 12

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 | | | | |
|---|---|---|---|---|---|---|---|
| | 2001 | 2000 | 2000 | 1999 | 1998 | 1997 | 1996 |
| Income from continuing operations(a) | $ 1,576 | $ 1,373 | $ 1,785 | $ 699 | $ 400 | $ 245 | $ 486 |
| Add: | | | | | | | |
| Provision (credit) for taxes on income (other than foreign and gas taxes) | 387 | 698 | 871 | 306 | 204 | 47 | 99 |
| Interest and debt expense(b) | 328 | 404 | 540 | 515 | 576 | 446 | 492 |
| Portion of lease rentals representative of the interest factor | 23 | 5 | 6 | 31 | 36 | 39 | 38 |
| | 738 | 1,107 | 1,417 | 852 | 816 | 532 | 629 |
| Earnings before fixed charges | $ 2,314 | $ 2,480 | $ 3,202 | $ 1,551 | $ 1,216 | $ 777 | $ 1,115 |
| Fixed charges | | | | | | | |
| Interest and debt expense including capitalized interest(b) | $ 332 | $ 404 | $ 543 | $ 522 | $ 594 | $ 462 | $ 499 |
| Portion of lease rentals representative of the interest factor | 23 | 5 | 6 | 31 | 36 | 39 | 38 |
| Total fixed charges | $ 355 | $ 409 | $ 549 | $ 553 | $ 630 | $ 501 | $ 537 |
| Ratio of earnings to fixed charges | 6.52 | 6.06 | 5.83 | 2.80 | 1.93 | 1.55 | 2.08 |

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.